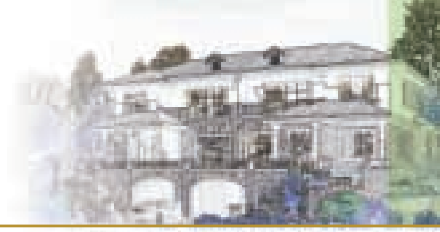
越秀地產股份有限公司
YUEXIU PROPERTY COMPANY LIMITED

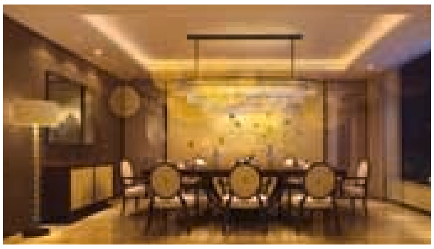
(Stock Code: 00123)

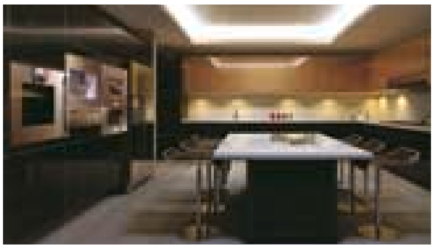
2010 Annual Report

Contents

Corporate Profile





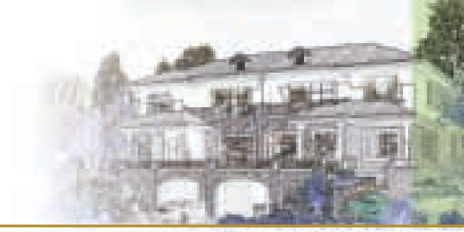


Starry Winking

Yuexiu Property Company Limited (formerly "Guangzhou Investment Company Limited", "Company") was listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange") in December 1992. Guangzhou Yue Xiu Holdings Limited ("GZ Yue Xiu"), the controlling shareholder of the Company, is a state-owned enterprise under the supervision of the State-owned Assets Supervision and Administration Commission of the Guangzhou Municipal People's Government.

The core business of the Company and its subsidiaries ("Group") is property development and investment, with a main focus in Guangzhou, People's Republic of China ("China") and gradually expanding into the Pearl River Delta, Yangtze River Delta, Bohai Rim Economic Zone and Central Region. As at 31 December 2010, the Group had investment properties, properties under development and undeveloped properties with total permissible gross floor area ("PGFA") of approximately 10.59 million square metres ("sq.m."). The Group also holds a 35.58% interest in GZI Real Estate Investment Trust ("GZI REIT"), a Hong Kong collective investment scheme authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and the first listed real estate investment trust in the world investing in real estate in China.

Guangzhou International Finance Centre



Corporate Profile

as at 31 December 2010

Guangzhou Yue Xiu Holdings Limited

100%

Yue Xiu Enterprises (Holdings) Limited

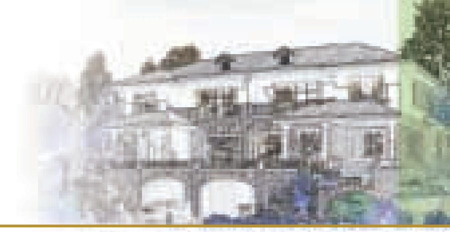
48.57%

Yuexiu Property Company Limited
(Stock Code: 00123)

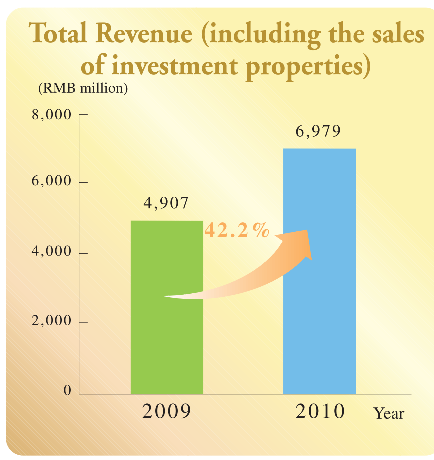
- **Property**
  - **China Properties**
  - **Hong Kong Properties**
- 35.58% **GZI Real Estate Investment Trust** (Stock Code: 00405)

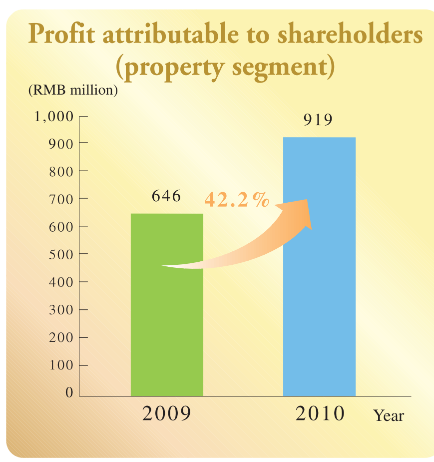
Guangzhou International Finance Centre Soft Opening Ceremony

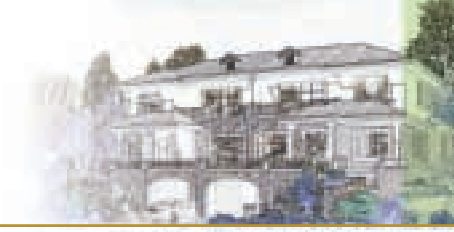
Financial Highlights



	Year ended 31 December		
	2010 **RMB'000**	2009 RMB'000	**Change**
Revenue	**5,633,963**	4,670,531	↑ **20.6%**
Total revenue (including the sales of investment properties)	**6,979,031**	4,906,967	↑ **42.2%**
Gross profit	**1,881,263**	1,633,903	↑ **15.1%**
Operating profit	**1,801,246**	1,244,074	↑ **44.8%**
Profit attributable to equity holders of the Company from continuing operations	**918,840**	646,013	↑ **42.2%**
Basic earnings per share - Continuing operations (RMB)	**0.1228**	0.0906	↑ **35.5%**
Property Contracted sales (Square meter)	**543,000**	526,900	↑ **3.1%**
Property Contracted sales	**8,855,000**	6,098,000	↑ **45.2%**

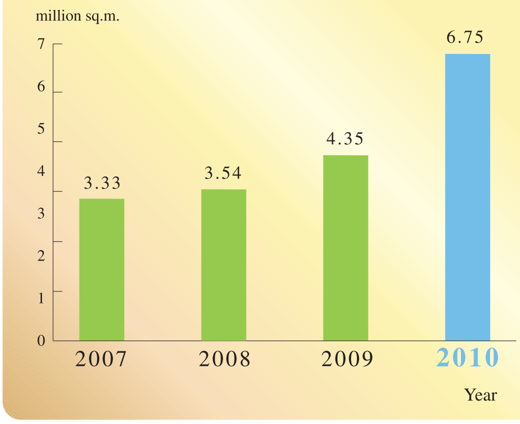






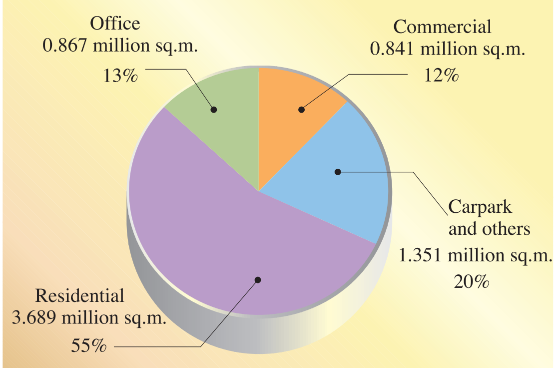
Financial Highlights

Trend of Properties for future development (2007-2010)

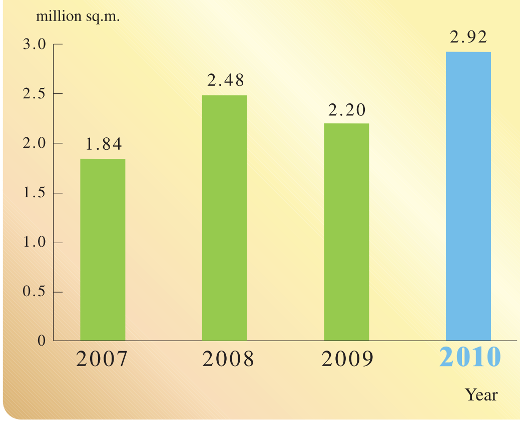


Properties for future development - by Land Use

(as at 31 December 2010)

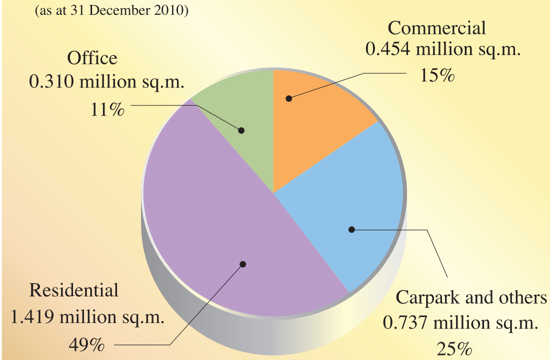


Trend of Properties Under Development (2007-2010)

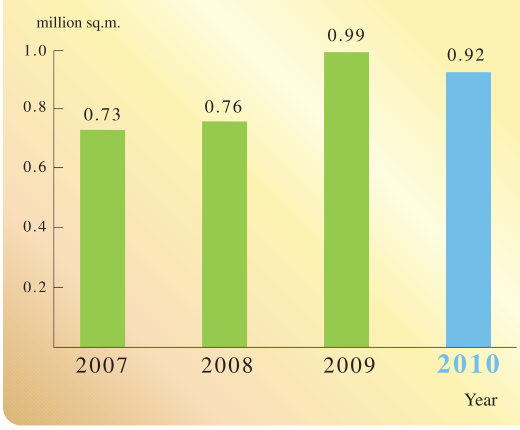


Properties Under Development - by Land Use

(as at 31 December 2010)

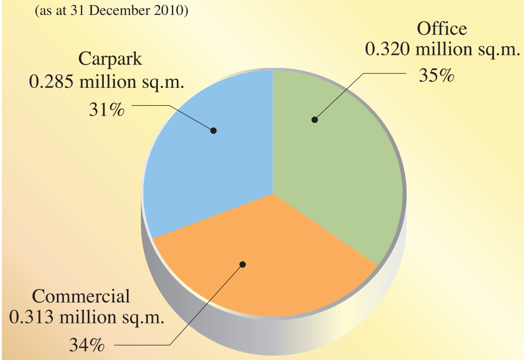


Trend of Investment Properties (2007-2010)



Investment Properties - by Land Use

(as at 31 December 2010)



2010 Major Events

May

acquired a parcel of land in Qiguan, Zhongshan with PGFA of approximately 148,000 sq.m. at a consideration of RMB266 million.

August

acquired a parcel of land in the south district of Panyu with PGFA of approximately 554,000 sq.m. at a consideration of RMB2.875 billion.

September

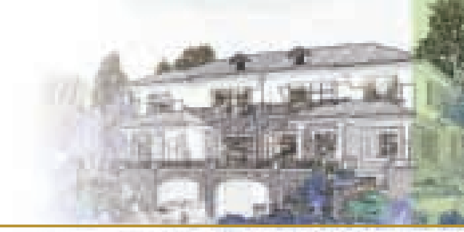
acquired a parcel of land in Nanhai, with PGFA of approximately 275,000 sq.m. at a consideration of RMB1.35 billion.

September

acquired a parcel of land in Bo-ai, Zhongshan with PGFA of approximately 475,000 sq.m. at a consideration of RMB416 million.

October

issued 2,141,822,374 new shares at the offer price of HK$1.61 per share by way of an open offer and raised approximately HK$3.4 billion, offer underwritten by Yue Xiu.



November

the Company's Shares became a constituent stock of the Morgan Stanley Capital International (MSCI) China Index again after two years.

December

disposed of the supermarket business to China Resources Enterprise Limited, thus realizing its goal of divesting the non-property businesses.

December

acquired a parcel of land in Lin-an, Hangzhou with PGFA of approximately 950,000 sq.m. at a consideration of RMB589.1 million, marking the first entry into the Yangtze River Delta Region.

December

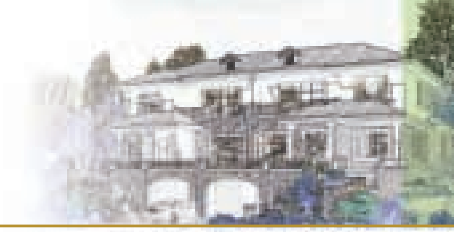
acquired Shenyang Linghai Mingzhu with PGFA of approximately 344,000 sq.m. at a consideration of RMB1.038 billion, with Shenyang being the second city in the Bohai Rim besides Yantai.

December

acquired a parcel of land in Qiaokou, Wuhan with PGFA of approximately 710,000 sq.m. at a consideration of RMB2.82 billion, marking the first entry into the Central Region.

Mr Lu Zhifeng
Chairman

Chairman's Statement



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

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

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

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

FUTURE PROSPECTS

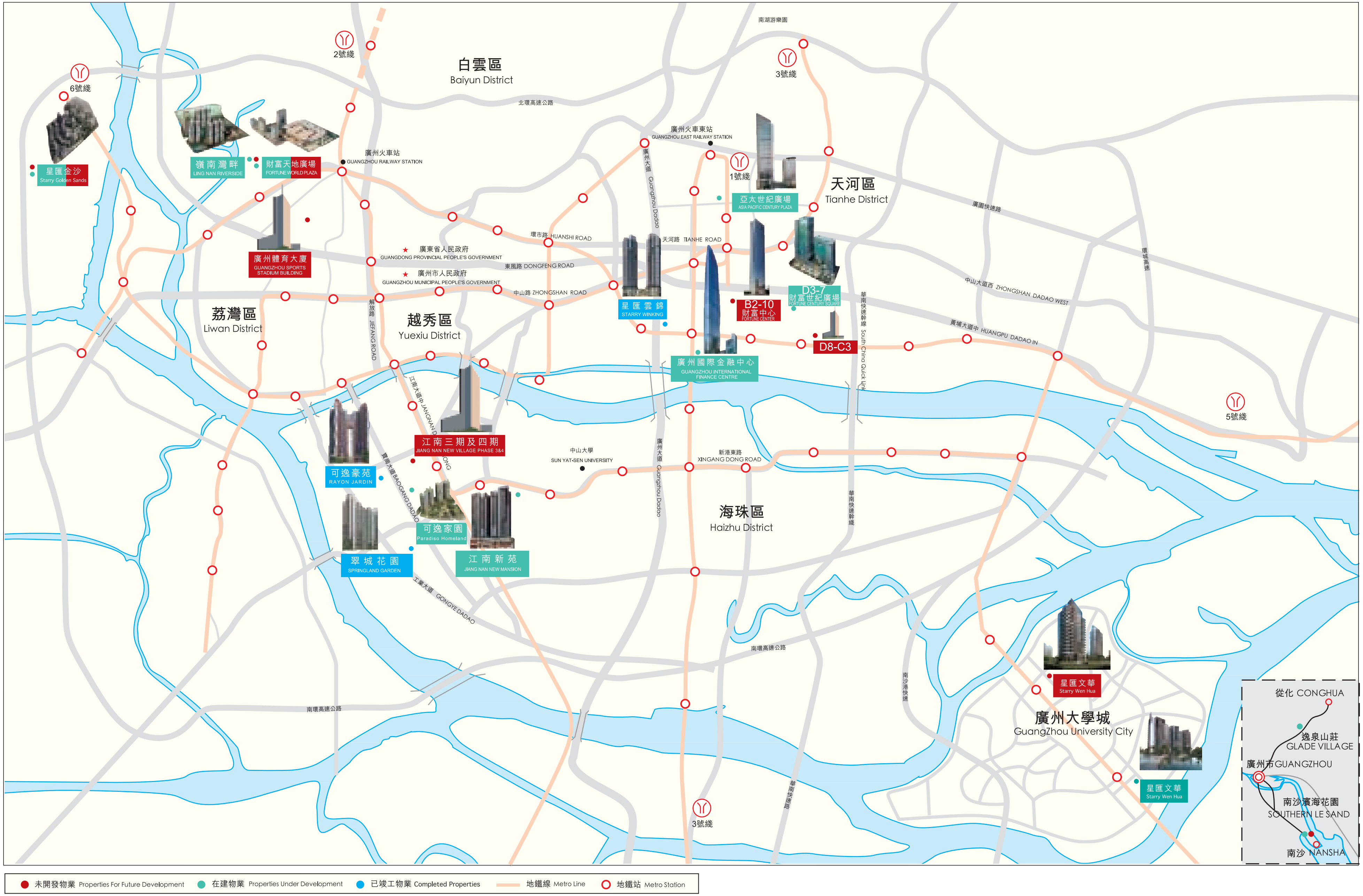
As the current global economic situation is complex and volatile, the domestic property players will face mounting challenges in 2011. To mitigate the risk of asset bubbles and fight inflation, the Chinese government will, in the near future, tighten its monetary policy and continue to exert regulatory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

ACKNOWLEDGEMENT

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

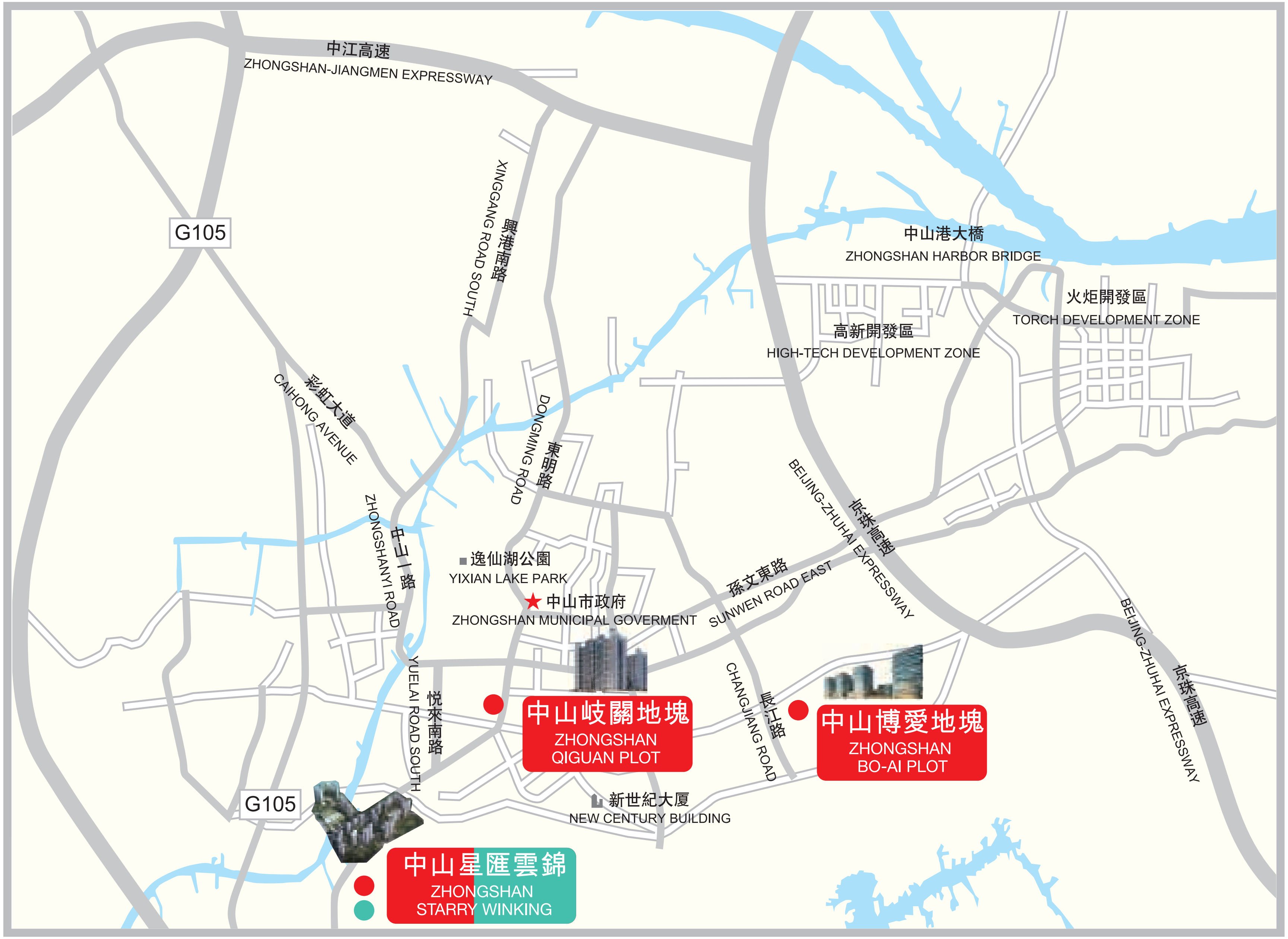
Lu Zhifeng
Chairman

Location Map of Major Property Projects in Guangzhou



Location Map of Property Project in Panyu

Location Map of Property Projects in Zhongshan

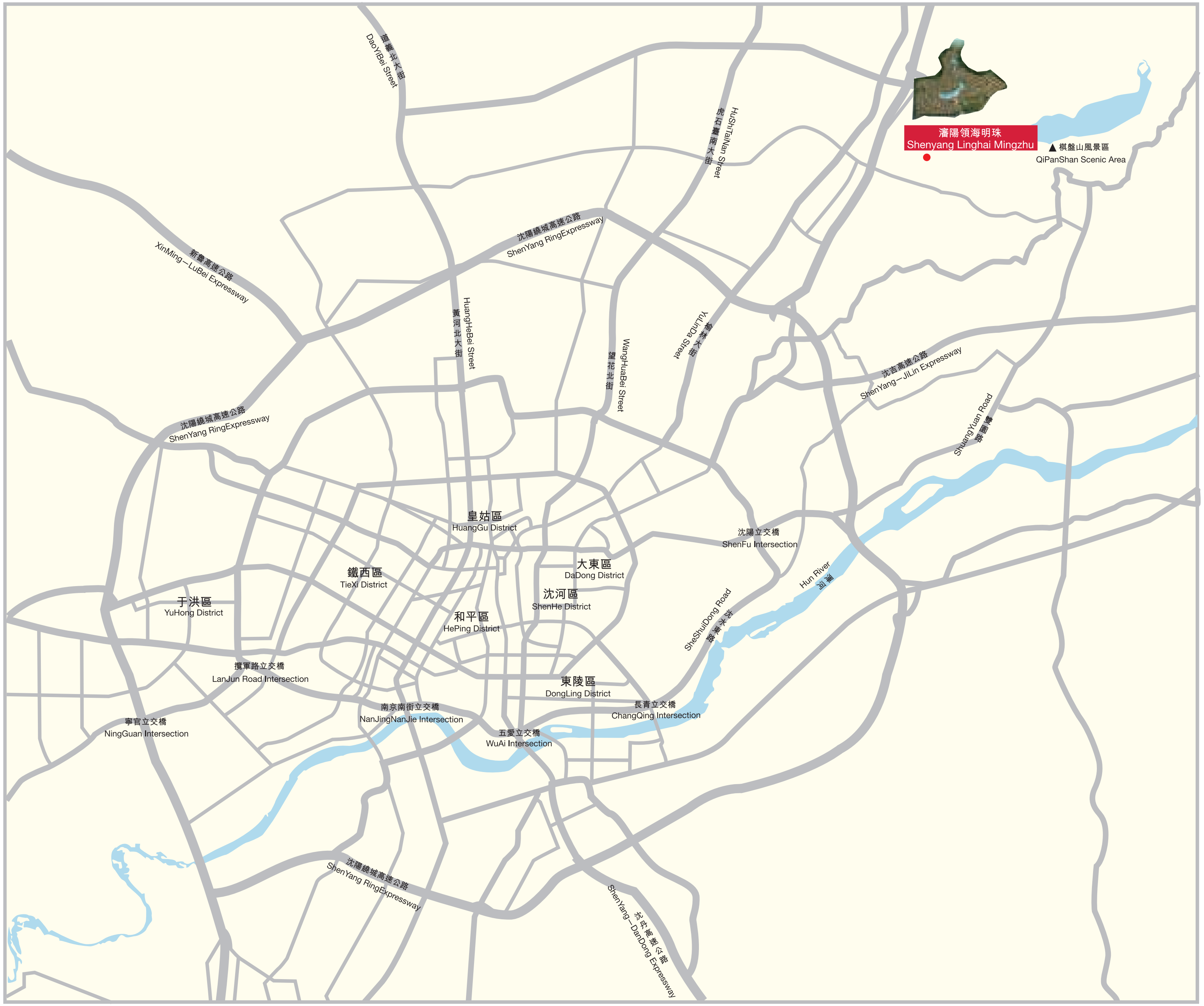


Location Map of Property Project in Jiangmen

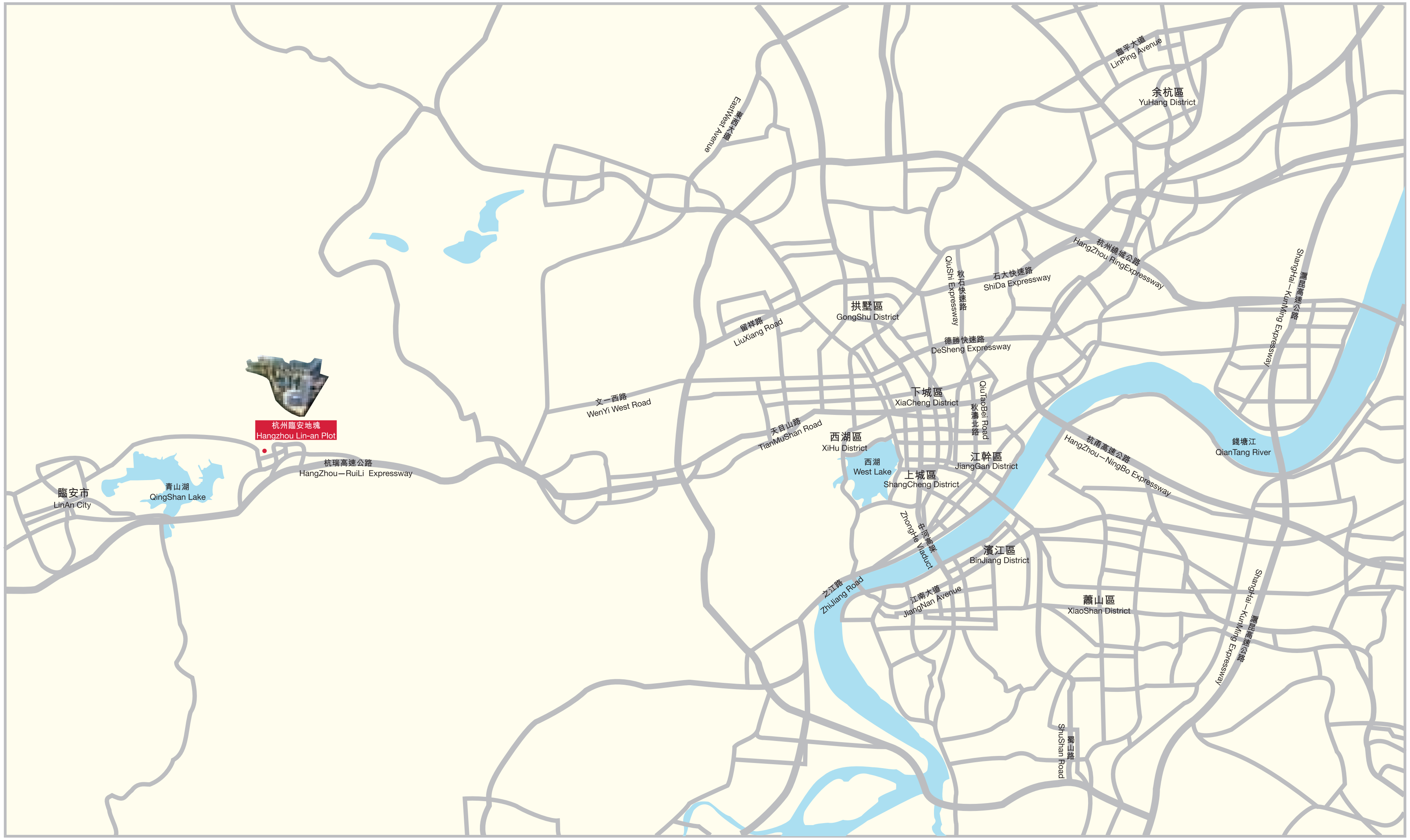
Location Map of Property Project in Foshan

Location Map of Property Project in Yantai

Location Map of Property Project in Shenyang

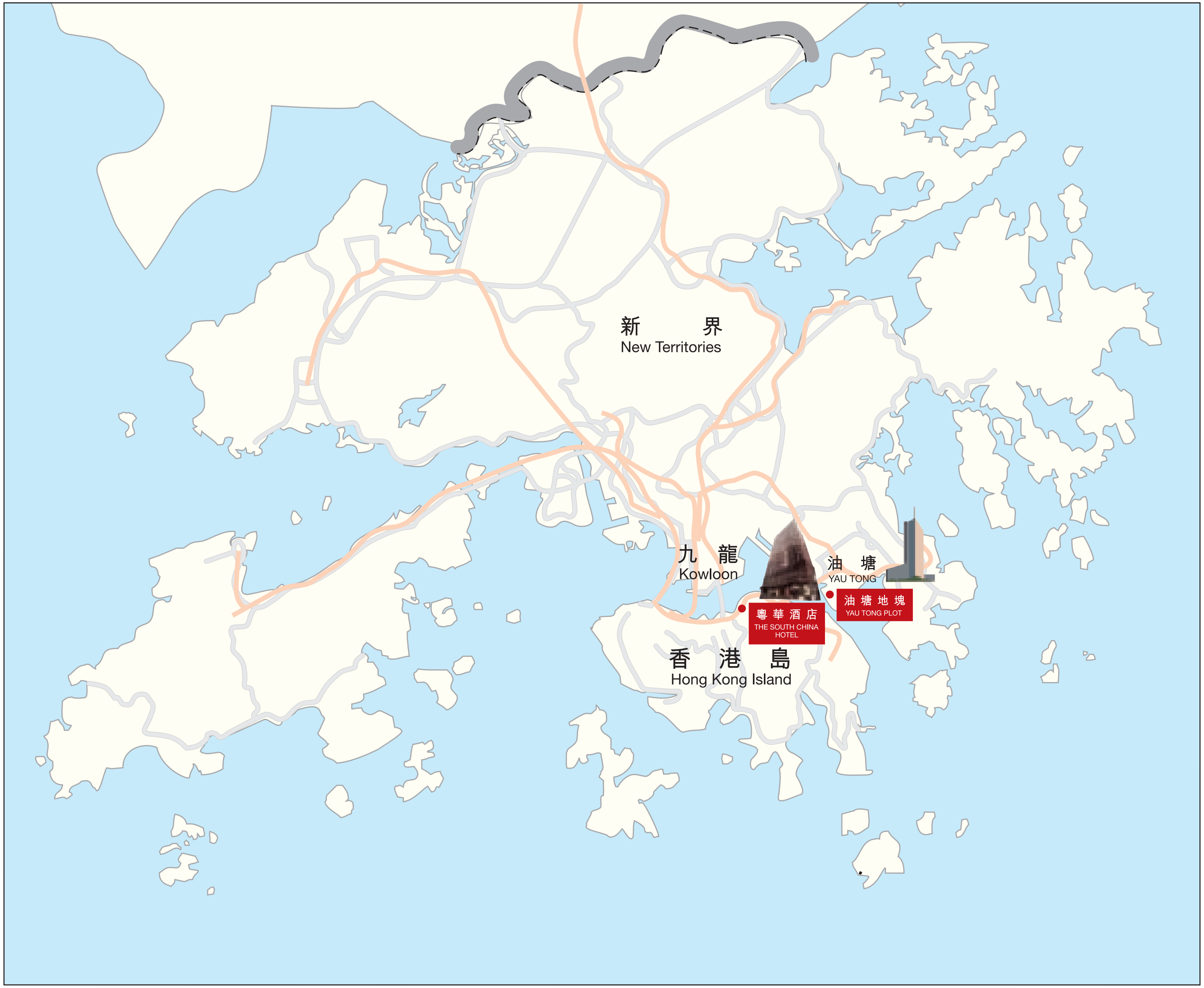


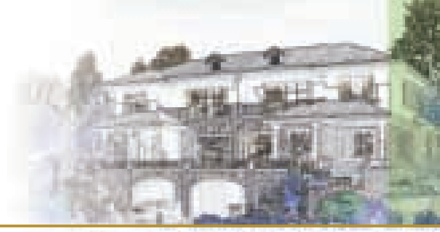
Location Map of Property Project in Hangzhou



Location Map of Property Project in Wuhan

Location Map of Property Projects in Hong Kong





BUSINESS REVIEW

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

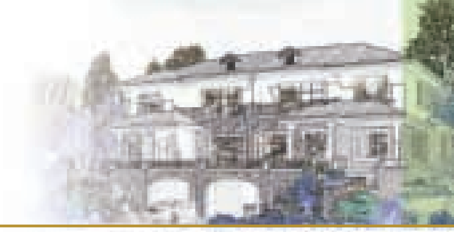
The Board does not recommend the payment of any final dividend for the year 2010 as it believes that re-investing the cash into the real estate business will generate greater returns to shareholders.

MARKET ANALYSIS

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

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

Foundation Ceremony of Zhongshan Yuexiu Property Development Limited



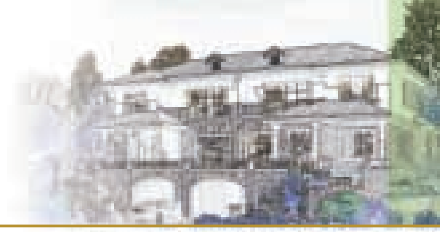
PROPERTY SALES HIT A RECORD HIGH

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

Particulars of Contracted sales are summarized below:

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

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

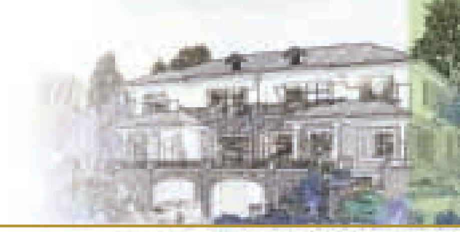


Particulars of recognized property sales are summarized as follow:

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

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

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



LANDBANK - GRADUAL REALIZATION OF STRATEGIC NATION-WIDE EXPANSION

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

Land acquisitions are summarised as follow:

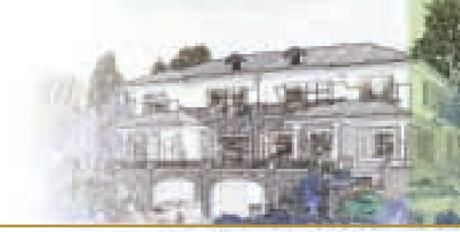
Project Name	Land Use	PGFA (sq.m.)	Premium (RMB mil)	Land Cost (RMB/sq.m.)	Location
Panyu Nanqu Plot	Residential/ Commercial	554,000	2,875	5,189	Panyu, Guangzhou
Zhongshan Qiguan Plot	Residential	148,000	266	1,797	Shiqi, Zhongshan
Zhongshan Bo-ai Plot	Residential/ Commercial	475,000	416	877	Dongqu, Zhongshan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

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

Particulars of these projects are summarised as follow:

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

Foundation Ceremony of Yantai Yuexiu Property Development Limited

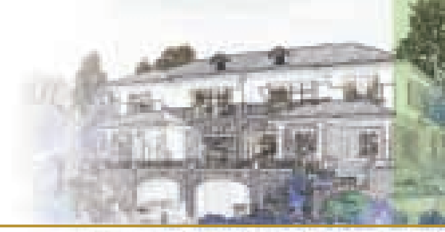


Project Name	Interest Holding	PGFA (sq.m.)	Residential (sq.m.)	Office (sq.m.)	Commercial (sq.m.)	Carpark & others (sq.m.)	Location
Zhongshan Starry Winking (formerly Zhongshan Nanqu Plot)	95%	393,000	305,000	—	5,000	83,000	Nanqu, Zhongshan
Zhongshan Qiguan Plot	100%	148,000	106,000	—	9,000	33,000	Shiqi,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

OVERALL DEVELOPMENT EFFICIENCY SIGNIFICANTLY IMPROVED

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

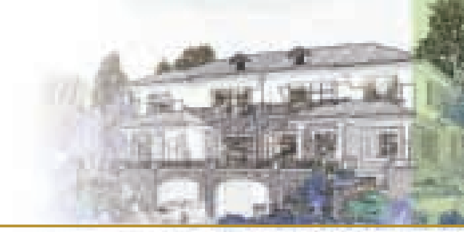
Due to the enhancement of development and coordination capabilities, the area of new projects commenced in 2010 exceeded over the planned target of 650,000 sq.m. by almost two fold to 1.28 million sq.m., setting a solid foundation for our sales in 2011 and 2012. As far as completion of constructions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



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

Details of these projects are summarised as follow:

Project Name	Interest Holding	GFA (sq.m.)	Residential (sq.m.)	Office (sq.m.)	Commercial (sq.m.)	Carpark & others (sq.m.)	Location
Southern Le Sand	95%	473,000	269,000	89,000	71,000	44,000	Nansha, Guangzhou
Asia Pacific Century Plaza	95%	232,000	—	105,000	27,000	100,000	Tianhe, Guangzhou
Jiang Nan New Mansion	95%	231,000	148,000	—	30,000	53,000	Haizhu, Guangzhou
Starry Wenhua (phase 1)	95%	222,000	148,000	—	—	74,000	Panyu, Guangzhou
Fortune World Plaza	97.55%	210,000	—	—	210,000	—	Liwan, Guangzhou
Ling Nan Riverside	97.55%	192,000	170,000	—	—	22,000	Liwan, Guangzhou
Starry Golden Sands (phase 1)	100%	187,000	134,000	—	1,000	52,000	Baiyun, Guangzhou
Guangzhou IFC (portion)	99%	164,000	52,000	19,000	—	93,000	Tianhe, Guangzhou
Fortune Century Square (formerly D3-7, Zhujiang New Town)	100%	134,000	—	97,000	9,000	28,000	Tianhe, Guangzhou
Huadu Glade Greenland (formerly Hua Du Plot)	100%	93,000	71,000	—	—	22,000	Huadu, Guangzhou
Paradiso Homeland	95%	74,000	58,000	—	—	16,000	Haizhu, Guangzhou
Cong Hua Glade Village	95%	69,000	57,000	—	—	12,000	Conghua, Guangzhou
Jiang Nan New Village phase 3&4 (portion)	95%	24,000	12,000	—	—	12,000	Haizhu, Guangzhou
Other Projects	95%	37,000	—	—	—	37,000	Guangzhou
Sub-total (Guangzhou)		2,342,000	1,119,000	310,000	348,000	565,000	
Jiangmen Starry Regal Court (phase 1)	95%	195,000	138,000	—	4,000	53,000	Beixin, Jiangmen
Zhongshan Starry Winking (phase 1)	95%	163,000	46,000	—	70,000	47,000	Nanqu, Zhongshan
Yantai Starry Phoenix	95%	220,000	116,000	—	32,000	72,000	Zhifu, Yantai
Total		2,920,000	1,419,000	310,000	454,000	737,000	



EFFECTIVE RESTRUCTURING OF INVESTMENT PROPERTY PORTFOLIO

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

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

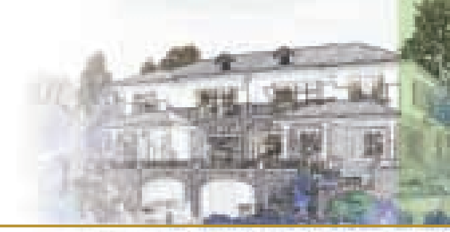
As of 31 December, 2010, the Group owned investment properties of approximately 920,000 sq.m., in which 34% being retail shop space, 35% being office space, 31% being parking space. Total rental income amounted to approximately RMB289 million, an increase of about 1% over the previous year. During the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

Particulars of the investment properties are summarized as follow:

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

CONTINUAL REFORM OF MARKET ORIENTED SYSTEMS THROUGH INNOVATION

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



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

OTHER BUSINESSES

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

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

FUTURE PROSPECTS

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

Achieve Breakthrough in Sales, with careful organization and planning.

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

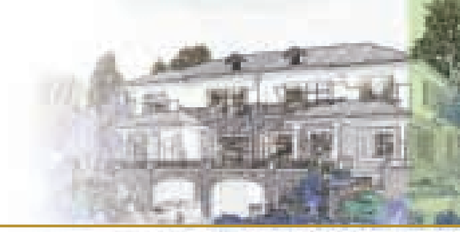
New launches in 2011 are expected to start in May and to concentrate in the second half of this year. Thus, we anticipate the sales would be relatively low in the first half of 2011 with a higher sales volume in the second half of 2011. Our sales plan for the year will be focused on three main areas. First, taking note of the fact that increasing investments have been diverted to the commercial property segment from the residential property market in Guangzhou as the latter was being the primary target of the macro-economic revision measures in the PRC, we will allocate greater resources to promote the sales of commercial properties in the short term, and expect that such sales would comprise as much as 40% of the annual sales target. Second, we intend to take the opportunity of the planned launch of three projects outside of Guangzhou, namely Starry Regal Court in Jiangmen, Starry Phoenix in Yantai, and Linghai Mingzhu in Shengyang, in mid 2011 to embark upon our brand building nation-wide. Third, we plan to launch two projects in Guangzhou, namely, Starry Golden Sands and Guangzhou Starry Wenhua in the 4th quarter of 2011 to further strengthen our customer base in Guangzhou and take full advantage of the affluence in our home base.

Proactively and Steadily Increase landbank to Enhance Nation-wide Expansion

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

Strengthen collaboration and improve development efficiency.

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



Accelerating Completion and fostering Operation of Core commercial properties.

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

FINANCIAL REVIEW

Financial Highlights

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

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

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

2. **Capital structure enhanced by the successful completion of our first open offer**

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

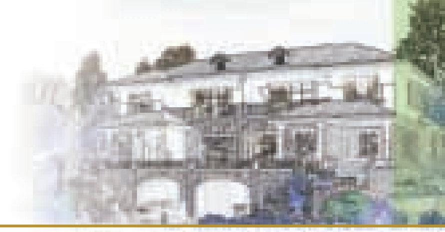
3. **Achieving the strategic goal of spinning off non-property business with an aim of focusing on property development**

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

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

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

Site Foundation Laying Ceremony of Southern Le Sand (phase 8)



ANALYSIS ON OPERATING RESULTS

Change in presentation currency

During the year ended 31 December 2010, the Group changed its presentation currency of its financial statements from Hong Kong dollar to RMB. The Board considered that the change would result in a more appropriate presentation of the Group's transactions in the financial statements. Details are set out in Note 2 to the "Notes to the Financial Statements".

Continuing operations

Revenue

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

Proceeds from sales of investment properties

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

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

Selling and marketing costs

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

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

Administrative expenses

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

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

Finance costs

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

Share of profits from associated entities

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

Taxation

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

Profit attributable to equity holders of the Company - continuing operations

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

Earnings per share

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

Liquidity and financial resources

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

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

Capital structure

The Group's capital structure is summarized as follow:

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

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

Capital expenditures and investments

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

Interest rate exposure

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

Foreign exchange exposure

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

Capital Commitments

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

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

Contingent Liabilities

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

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

Events after the balance sheet date

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

Final dividend

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

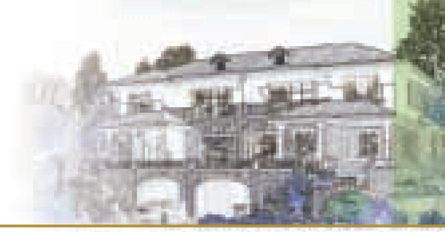
Employees and remuneration policy

As at 31 December 2010 the Group had approximately 5,430 employees. The Group remunerates its employees largely based on industry practice, including contributory provident funds and other staff benefits. Other employee benefits include provident fund, insurance and medical cover, educational allowances and training programs. The Group has also adopted share option schemes, with options awarded to employees accordingly to their performance. Promotion and salary adjustments are based on performance.

Disclosures Pursuant to Rule 13.21 of the Listing Rules

Reference is made to HK$3,200 million loan agreement dated 8 December 2009 ("Loan Agreement") with a final maturity in December 2012. In accordance with the terms of the Loan Agreement, it shall be an event of default if Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu") ceases to maintain (i) its status as the single largest beneficial shareholder of the Company, or (ii) (whether directly or indirectly) a shareholding interest of not less than 35% in the issued voting share capital of the Company or (iii) an effective management control over the Company. These obligations have been duly complied with for the year ended 31 December 2010.

Wuhan Qiaokou Plot



Directors' Profiles

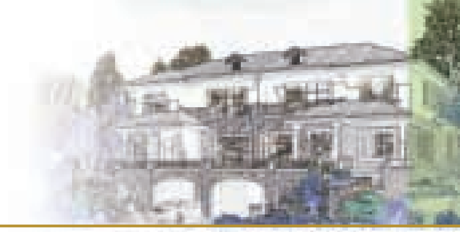
EXECUTIVE DIRECTORS

Mr Lu Zhifeng, aged 58, was appointed executive director and Chairman of the Company in 2008. He is also the Chairman of Guangzhou Yue Xiu Holdings Limited ("GZ Yue Xiu"), the controlling shareholder of the Company. Mr Lu holds a Master of Business Administration degree and the qualification of senior economist in China. He has accumulated nearly forty years of experience in production operation, capital and corporate management. Before taking up his post of Chairman of the Company, Mr Lu was the managing director of Guangzhou Automobile Industry Group Co., Ltd., vice chairman of Guangzhou Automobile Group Co., Ltd., chairman of Guangzhou Honda Automobile Co., Ltd., and vice chairman and executive director of Denway Motors Limited. Before that, he had been general manager of Guangzhou Yangcheng Automobile Group Co. and vice chairman and managing director of Guangzhou Yangcheng Automobile Co., Ltd.

Mr Zhang Zhaoxing, aged 47, was appointed executive director, a Vice Chairman and General Manager of the Company in 2008. He is a vice chairman and general manager of GZ Yue Xiu and the Chairman of GZI Transport Limited ("GZT"), a company listed on the Stock Exchange (Stock Code: 1052). Mr Zhang holds an Executive Master of Business Administration degree awarded by Huazhong University of Science and Technology, and possesses the qualification of senior accountant in China. He has extensive experience in the financial management, industrial operation, capital operation and corporate culture development of large enterprises. Before taking up his post of Vice Chairman and General Manager of the Company, Mr Zhang was the director and general manager of Guangzhou Radio Group Co., Ltd., chairman and general manager of Haihua Electronics Enterprise (China) Corporation, chairman of Guangzhou Guangdian Real Estate Development Co., Ltd. and a director of GRG Banking Equipment Co., Ltd., a company listed on The Shenzhen Stock Exchange (Stock Code: 002152).

Mr Liang Yi, aged 58, was appointed executive director of the Company in 2003. He is also a Vice Chairman of the Company and a director of GZ Yue Xiu. Mr Liang graduated from the Chinese People's Liberation Army Engineering Soldier's University majoring in public administration. Prior to joining Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu") in June 2001, he assumed leading roles in Guangzhou Chemical Industry Bureau and organizations under the party Committee of Guangzhou Municipal People's Government. Mr Liang had made outstanding contribution in establishing the administrative supervisory system of Guangzhou. He has over 20 years of experience in public administration.

Mr Tang Shouchun, aged 48, was appointed executive director of the Company in 2006. Mr Tang is currently a deputy general manager of GZ Yue Xiu, and is responsible for overseeing the Group's financial and treasury affairs. Mr Tang graduated from Nanjing Agricultural University and is a senior accountant, senior economist and registered asset appraiser in China, and has a Doctor degree in Agricultural Economics and Management. Prior to joining Yue Xiu in 2002, he taught at Southwestern University of Finance and Economics in Chengdu and was a vice professor of South China Normal University in Guangzhou. He had been a director and chief accountant of Guangzhou City Construction & Development Group Co. Ltd., responsible for overseeing financial accounting, financial management and capital operation of the company. He also participated in the planning and operation management of various large real estate projects. He has extensive experience in the financial management and capital operation of large enterprises.



Mr Liang Youpan, aged 55, was appointed executive director of the Company in 2010. He is also a deputy general manager of the Company and GZ Yue Xiu. Prior to joining Yue Xiu in 1998, Mr Liang was the Workshop director of Guangzhou Wen Chong Shipyard Company Limited, which is a subsidiary of China State Shipbuilding Company. Between 1991 and 1998, Mr Liang was a unit head in the administrative supervisory division of the Guangzhou Municipal People's Government. Mr Liang has a wide range of experience in PRC corporate governance practices, particularly in the area of internal controls. Mr Liang graduated in 1986 from Guangzhou Economics Management Cadre's Institute in China with a diploma in corporate governance. Mr Liang is a non-executive director of GZI REIT Asset Management Limited, a company licensed by The Securities and Futures Commission to conduct the regulated activity of asset management and the manager of GZI Real Estate Investment Trust, a collective investment scheme listed on the Stock Exchange (Stock Code: 405).

Mr Lam Yau Fung Curt, aged 42, was appointed executive director of the Company in 2010. He is also the Group financial controller of Yue Xiu. Mr Lam was previously Head of Corporate Finance and Business Development at GOME Electrical Appliances Holding Limited (Stock Code: 493), one of China's largest electronics retailers, which is listed on the Stock Exchange. Prior to joining GOME, he spent more than 10 years working in investment banking and capital markets at Schroders Asia, ABN AMRO Rothschild, and Deutsche Bank. Mr Lam has extensive experience in financial management, investment and transaction analysis, capital markets, and corporate finance. He is a Chartered Financial Analyst (CFA) and holds a MBA from Rice University in the US.

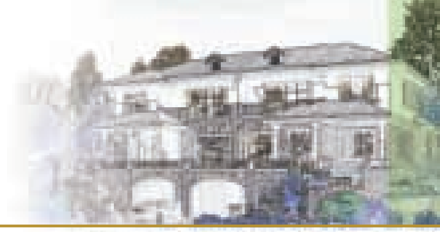
INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr Yu Lup Fat Joseph, aged 63, has been an independent non-executive director of the Company since 1992. Mr Yu holds a Master's degree in applied finance from Macquarie University in Australia and a diploma of management studies from the University of Hong Kong. Mr Yu has over 40 years of experience in investment, banking and finance and is a senior advisor of Access Capital Limited.

Mr Lee Ka Lun, aged 56, has been an independent non-executive director of the Company since 2000. He is an accountant by profession. Mr Lee is a Fellow of the Association of Chartered Certified Accountants in UK and has over 20 years of experience in banking and auditing. He is an independent non-executive director of Chow Sang Sang Holdings International Limited (Stock Code: 116) and REXLot Holdings Limited (Stock Code: 555). The shares of the companies mentioned above are listed on the Stock Exchange. He was an independent non-executive director of Denway Motors Limited, which shares were delisted from the Stock Exchange on 26 August 2010.

Mr Lau Hon Chuen, GBS, JP, alias Ambrose Lau, aged 63, has been an independent non-executive director of the Company since 2004. He obtained a Bachelor of Laws degree from the University of London and is a Solicitor of the High Court of Hong Kong, a China-Appointed Attesting Officer and a Notary Public. Mr Lau is the Senior Partner of Messrs. Chu & Lau, Solicitors & Notaries and is currently a Standing Committee Member of the National Committee of the Chinese People’s Political Consultative Conference. Mr Lau is currently an independent non-executive director of Franshion Properties (China) Limited (Stock Code: 817), Glorious Sun Enterprises Limited (Stock Code: 393), GZT, Qin Jia Yuan Media Services Company Limited (Stock Code: 2366), The Hong Kong Parkview Group Limited (Stock Code: 207), Wing Hang Bank, Limited (Stock Code: 302) and Brightoil Petroleum (Holdings) Limited (Stock Code: 933). The shares of the companies mentioned above are listed on the Stock Exchange. He is also a Director of Bank of China Group Insurance Company Limited, BOC Group Life Assurance Company Limited, Nanyang Commercial Bank, Limited, Chu & Lau Nominees Limited, Sun Hon Investment And Finance Limited, Wydoff Limited and Wytex Limited. Mr Lau served as the Chairman of the Central and Western District Board between 1988 and 1994, the President of the Law Society of Hong Kong in 1992-1993, a Member of the Bilingual Laws Advisory Committee between 1988 and 1997 and a Member of the Legislative Council of Hong Kong from 1995 to 2004 (between 1997 and 1998 he was a member of the Provisional Legislative Council).

Corporate Governance Report



The Company recognizes the importance of good corporate governance to the Company's healthy growth and has devoted considerable efforts to identifying and formulating corporate governance practices appropriate to the conduct and growth of its business.

The Company's corporate governance practices are based on the principles and the code provisions ("Code Provisions") as set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange.

The Company has complied with the Code Provisions save for certain deviations from Code Provisions A.4.1, details of which are explained below.

The Company periodically reviews its corporate governance practices to ensure that these continue to meet the requirements of the CG Code.

The board of directors ("Board") of the Company plays a crucial role in sustaining high standards of corporate governance, transparency and accountability of the Company's operations.

The key corporate governance principles and practices of the Company are summarised below:

THE BOARD

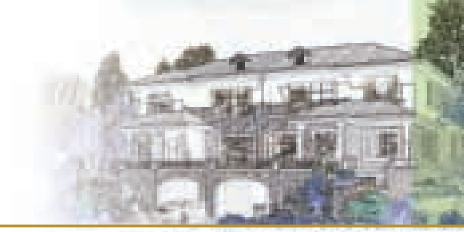
Responsibilities

The overall management of the Company's business is vested in the Board, which assumes the responsibility for leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising its affairs in the interests of the Company.

The Board has delegated the supervision of the day-to-day management of the Company's business to the executive directorate, and focuses its attention on matters affecting the Company's overall strategic policies and finances, including: the approval and monitoring of all policy matters, overall business strategies and budgets, internal control and risk management systems, financial statements, dividend policy, major financial arrangements and major investments, treasury policies, appointment of directors and other significant financial and operational matters.

All directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary or external legal advisors, where appropriate, with a view to ensuring that Board procedures and all applicable rules and regulations are followed.

Each director may seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.



Composition

The composition of the Board ensures a balance of skills and experience appropriate to the requirements of the business of the Company and to the exercising of independent judgment. For a list of directors during the year ended 31 December 2010 and their respective profiles, please refer to page 49 of the Report of the Directors and the Directors' Profiles.

None of the members of the Board is related to one another.

During the year ended 31 December 2010, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise.

The Company has received written annual confirmation from each independent non-executive director of his independence pursuant to the requirements of the Listing Rules. The Company considered all independent non-executive directors to be independent.

Through active participation in Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, all independent non-executive directors make valuable contributions to the effective direction of the Company.

Appointment and Succession Planning of Directors

The Board as a whole is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of directors, monitoring the appointment and succession planning of directors and assessing the independence of independent non-executive directors.

The Board reviewed its own structure, size and composition regularly to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Company.

Where vacancies on the Board exist, the Board will carry out the selection process by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidates, the Company's needs and other relevant statutory requirements and regulations.

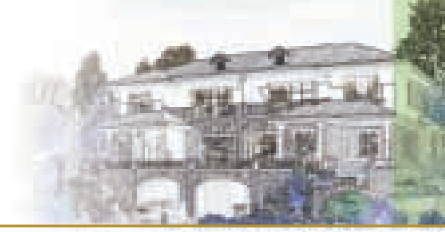
Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. None of the non-executive directors of the Company is appointed for a specific term. However, all the non-executive directors of the Company are subject to retirement by rotation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

In accordance with the Company's Articles of Association, all directors of the Company are subject to retirement by rotation at least once every three years.

Training for Directors

Each newly appointed director receives comprehensive, formal and tailored induction and a directors' guidelines on the first occasion of his appointment, so as to ensure that he has appropriate understanding of the business and operations of the Company and that he is fully aware of his responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

There are also arrangements in place for providing continuing briefing and professional development to directors whenever necessary.



Board Meetings

Number of Meetings and Directors' Attendance

In year 2010, the Board held 16 meetings (including circulation of written resolutions). The attendance record of each member of the Board is set out below :

Directors	**Attendance of Board meetings in 2010**
Executive directors	
Lu Zhifeng	14/16
Zhang Zhaoxing	14/16
Liang Yi	14/16
Tang Shouchun	16/16
Liang Youpan	14/16
Lam Yau Fung Curt	16/16
Independent non-executive directors	
Yu Lup Fat Joseph	16/16
Lee Ka Lun	16/16
Lau Hon Chuen Ambrose	14/16

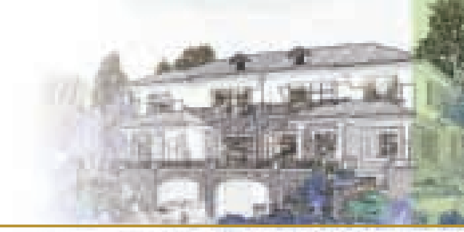
Practices and Conduct of Meetings

Notices of the two regular Board meetings are served to all directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given.

Board papers together with all appropriate, complete and reliable information are sent to all directors at least three days before each Board meeting or committee meeting to keep the directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each director also have separate and independent access to the senior management as and when they deemed appropriate.

Minutes of all Board meetings and committee meetings are kept by the Company Secretary. Draft minutes are normally circulated to directors for comment within a reasonable time after each meeting and the final version is open for directors' inspection.

According to the current Board practice, any material transaction will be considered and dealt with by the Board at a duly convened Board meeting. The Company's Articles of Association also contain provisions requiring directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest.



CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Company fully supports the division of responsibility between the Chairman of the Board and General Manager to ensure a balance of power and authority.

The position of the Chairman is held by Mr Lu Zhifeng while the position of General Manager is held by Mr Zhang Zhaoxing.

The Chairman provides leadership and is responsible for the effective functioning of the Board in accordance with good corporate governance practice. With the support of the senior management, the Chairman is also responsible for ensuring that the directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues arising at Board meetings.

The General Manager focuses on implementing objectives, policies and strategies approved and delegated by the Board.

BOARD COMMITTEES

The Board has established two committees, namely, the Remuneration Committee and the Audit Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are available for inspection by shareholders upon request.

Audit Committee

The Audit Committee comprises three independent non-executive directors (including one independent non-executive director who possesses the appropriate professional qualifications or accounting or related financial management expertise) and Mr Yu Lup Fat Joseph is the chairman of the committee. None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

The main duties of the Audit Committee include the following:

(a) To review the financial statements and reports and consider any significant or unusual items raised by the qualified accountant or external auditor before submission to the Board.

(b) To review the relationship with the external auditor by reference to the work performed by the auditor, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditor.

(c) To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

The Audit Committee held two meetings during the year ended 31 December 2010 to review the financial results and reports, financial reporting and compliance procedures, internal control system and risk management system and the re-appointment of the external auditors. The attendance record of each Audit Committee member is set out below:

Directors	Attendance of Audit Committee meetings in 2010
Yu Lup Fat Joseph	2/2
Lee Ka Lun	2/2
Lau Hon Chuen Ambrose	2/2

The Company's annual results for the year ended 31 December 2010 have been reviewed by the Audit Committee.

Remuneration Committee

The Remuneration Committee comprises three independent non-executive directors and Mr Tang Shouchun, an executive director.

The primary objectives of the Remuneration Committee include making recommendations on the remuneration policy and structure, and determining remuneration packages of the executive directors and the senior management. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his associates will participate in deciding his own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

The Remuneration Committee met once on 18 March 2011 (with all members present) and reviewed and approved the remuneration policy and structure of the Company and remuneration packages of the executive directors for the year under review.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2010.

Specific employees who are likely to be in possession of unpublished price sensitive information have been requested to comply with the provisions of the Model Code. No incident of non-compliance was noted by the Company.

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS AND AUDITOR'S REMUNERATION

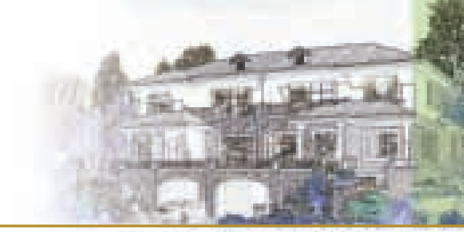
The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements.

The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2010.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

The statement of the external auditor of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditor's Report".

The remuneration paid to the external auditor of the Company in respect of audit services and non-audit services for the year ended 31 December 2010 amounted to RMB6,000,000 and RMB1,800,000 respectively.



INTERNAL CONTROLS

The Board is responsible for maintaining an adequate internal control system to safeguard shareholders' interests and Company's assets and for review, through its Audit Committee, of the effectiveness of the system. The internal auditor shall review and evaluate the control process and monitor any risk factors on a regular basis and report to the Audit Committee on any findings and measures to address the variances and identified risks. The internal control system of the Group is designed to facilitate effective and efficient operations, to ensure reliability of financial reporting and compliance with applicable laws and regulations, to identify and manage potential risks and to safeguard assets of the Group against material errors, loss or fraud. However, any internal control system can provide only reasonable but not absolute assurance of full protection against material errors, losses, fraud or failure to meet its business objectives.

In meeting its responsibility, the Board seeks to increase risk awareness of its business operations and puts in place policies and procedures, including the parameters of delegated authority, to provide for the identification and management of business risk. The Board assumes overall responsibility in monitoring the operation of the businesses within the Group. Executive directors are appointed to the boards of all significant material operating subsidiaries to attend their board meetings and to oversee the operations of those companies. Monitoring activities include the review and approval of business strategies, budgets and plans, and the setting of key business performance targets. The executive management team of each core business division is accountable for the conduct and performance of each business in the division within the agreed strategies and similarly the management of each business is accountable for its conduct and performance.

Business plans and budgets are prepared annually by the management of individual businesses which are subject to review and approval by both the executive management teams and the executive directors as part of the Group's corporate planning. The executive directors hold monthly meetings to review management reports on the business results and key operating statuses of each core business.

The Group has established procedures and guidelines for the approval and control of expenditure. Operating expenditure is subject to overall budget control and is controlled within each business with the approval levels for such expenditure being set by reference to the level of responsibility of each executive and officer.

During the year under review, the Board has conducted a review of the effectiveness of the internal control system of the Company. The Board believes that the internal control system is adequate and effective and does not note any material deviation.

SHAREHOLDER RIGHTS AND INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make informed investment decisions.

The general meetings of the Company provide a forum for communication between the shareholders and the Board. The Chairman of the Board as well as chairman of the Audit Committee are available to answer questions at the shareholders' meetings.

Separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors.

The Company continues to enhance communications and relationships with its investors. Designated senior management maintain regular dialogue with institutional investors and analysts to keep them abreast of the Company's developments. Enquiries from investors are dealt with in an informative and timely manner.

To promote effective communication, the Company also maintains a website at www.yuexiuproperty.com, where extensive information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information are posted.

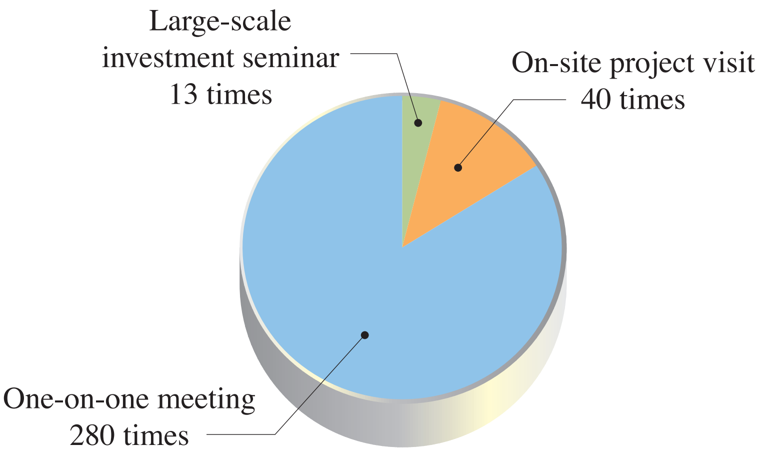
Investor Relations Report

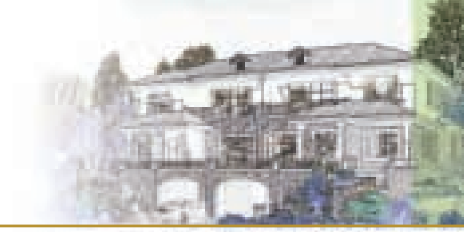
The Group is committed to enhancing its relations with investors and transparency and disclosing its latest strategies of development and progress of business development. In the meantime, the Group actively adopts and absorbs certain proposals and opinions raised by investors, which are beneficial to the development of the Company, so as to achieve effective mutual interactive communication between investors and the management.

PROMOTION ACTIVITIES

In 2010, we significantly strengthened our efforts in investor relations, fully taking advantage of various roadshows to enhance investors' understanding and recognition of the Company.

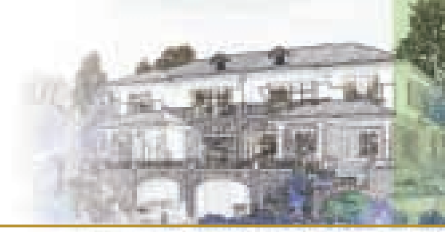
During the year, the Group's management and the investor relations team participated in a total of 13 large-scale investment seminars held by investment banks, about 280 one-on-one meetings, about 40 on-site visits to our projects. We also extended our promotion activities from Hong Kong and mainland China to other areas, including Singapore and Japan. By way of meeting, we contacted a great number of high quality international institutional investors. Unlike the situations in previous years, most of the investors we had contacted in 2010 had a certain understanding of the background and business of the Company, which indirectly proved that the degree of concern over the Company was enhanced significantly.





THE GROUP'S MAJOR INVESTOR RELATIONS ACTIVITIES IN 2010

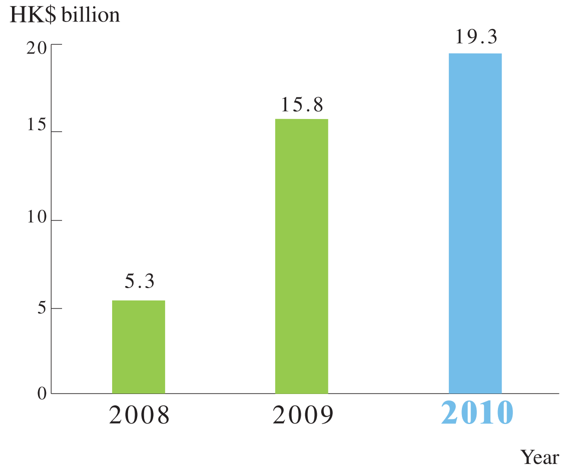
Month	Place	Activities
January	Hong Kong	Participated in the Hong Kong and China Mini Conference 2010 held by Citibank
	Hong Kong	Participated in the Greater China Property Day 2010 held by HSBC
	Hong Kong	Participated in the China Real Estate Corporate Day held by Nomura Securities
	Shanghai	Participated in the Shanghai Corporate Day held by BNP Paribas Securities
March	Hong Kong	Held the analyst meeting and the press conference for the 2009 annual results announcement
April	Singapore	Participated in the roadshow conference organized by Nomura Securities
	Singapore	Participated in the roadshow conference organized by BOC International
	Shenzhen	Participated in the roadshow conference organized by BOC International
	Shanghai	Participated in the roadshow conference organized by BOC International
	Beijing	Participated in the roadshow conference organized by BOC International
May	Tokyo	Participated in the roadshow conference organized by Nomura Securities
June	Singapore	Participated in the seminar held by Nomura Securities
July	Hong Kong	Participated in the China Property Corporate Day held by Credit Suisse
	Hong Kong	Participated in the China domestic housing seminar held by Citibank
August	Hong Kong	Held the analyst meeting and the press conference for the 2010 interim results announcement
	Hong Kong	Participated in the roadshow conference organized by Deutsche Bank
	Shanghai	Participated in the roadshow conference organized by BOC International
	Beijing	Participated in the roadshow conference organized by BOC International
September	Singapore	Participated in the roadshow conference organized by Deutsche Bank
	Hong Kong	Participated in the roadshow conference organized by Kingsway Financial
October	Macau	Participated in the Greater China Investor Conference 2010 held by Citibank
November	Beijing	Participated in the China Investment Summit held by Merrill Lynch and Bank of America
	Guangzhou	Participated in the China Investment Conference held by Samsung Securities
	Hong Kong	Participated in the HK/China Property Access Day held by CLSA
	Sanya	Participated in the investment forum held by Shenyin & Wanguo Securities
December	Hong Kong	Participated in the Real Estate Corporate Access Day held by Standard Chartered Bank (SCB)



MARKET VALUE

In 2010, the market value of the Company significantly increased by 22% from HK$15.8 billion to HK$19.3 billion whilst the Hang Seng Index only increased by 5%.

Market Values of the Company from 2008 to 2010



Sources: Information from the Company

ANALYSIS COVERAGE

With the positioning of the Company's business and future development strategy becoming clear, the Company was in the spotlight in the capital market in 2010. A number of securities institutions successively published study reports. Among them, financial institutions including Deutsch Bank, SCB, Samsung Securities and UOB-Kay Hian issued their first coverage reports during the year.

We were pleased to see that the number of securities institutions which analyzed the Company significantly increased to 12 in 2010 from 5 in 2009 while the number of study reports analyzing the Company greatly increased to 28 from 10, with the rating of "Buy-in", indicating that the analysts were all optimistic about the future development prospects of the Company. In addition, they would in no time update the contents of the study reports as soon as the Company announced the news about its monthly contract sales data and new land bank, which indicated that they were tracking the Company's performance closely.

AWARDS

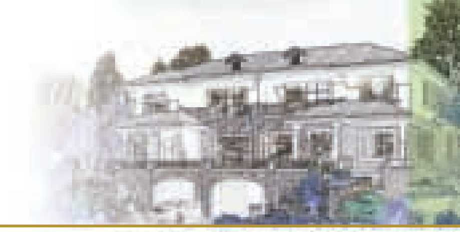
During the year, leveraging its good corporate governance and development prospects, and professional efforts in investor relations, Yuexiu Property was awarded the recognition of "The Outstanding Mainland Property Stock Awards 2010" by Hong Kong "Economic Digest" for the second consecutive year.

In addition, in November 2010, the Group was included as a constituent stock of the Morgan Stanley Capital International (MSCI) China Index again after two years. The inclusion of Yuexiu Property in the MSCI China Index indicated that the reorganization undertaken by the Company and its development since the end of 2008 have won the confirmation and recognition of authoritative institutions, which bears far-reaching significance to the Group: first it helps the Group enhance its image in the capital market; second it increases the opportunities for institutional investors to become the Group's shareholders.

PROSPECT

The Group will continue to improve and enhance communication with investors, which, on one hand, will create opportunities for more investors to gain an in-depth understanding of the Company, and on the other hand, for the management to know more about investors' opinions and suggestions towards the Company, so as to better improve the corporate governance of the Company and achieve continuous enhancement in the values and interests of shareholders.

Report of the Directors



The Directors submit their report together with the audited financial statements for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The principal activities of the Group consist of development, selling and management of properties, and holding of investment properties. The principal activities of its principal subsidiaries, jointly controlled entities, associated entities are set out in the section headed "Group Structure" on pages 146 to 153.

An analysis of the Group's performance for the year by business and geographical segments is set out in Note 5 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 58.

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2010.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in Note 38 to the financial statements.

DONATIONS

Charitable donations made by the Group during the year amounted to approximately RMB800,000.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group and the Company are set out in Note 16 to the financial statements.

MAJOR PROPERTY PROJECTS

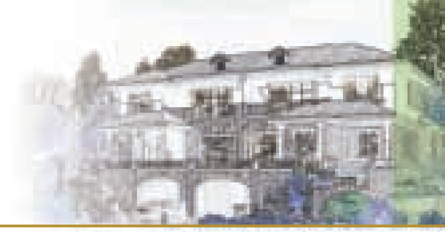
Details of the major property projects held for/under development, for sale and for investment purposes of the Group in Guangzhou Municipality are set out in the Business Review section on pages 23 to 27.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in Note 36 to the financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association and there was no restriction against such rights under the Hong Kong Companies Ordinance.



FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out below.

	Year ended 31 December				
		As restated		As restated	
	2010	2009	2008	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Results					
Profit attributable to equity holders of the Company	**918,840**	(607,264)	552,760	1,054,526	728,648

	As at 31 December				
		As restated		As restated	
	2010	2009	2008	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets and liabilities					
Total assets	**50,780,930**	36,953,836	38,353,575	41,274,408	27,737,614
Total liabilities	**(34,434,837)**	(24,438,585)	(19,325,881)	(21,932,223)	(13,713,939)
Minority interests	**(485,733)**	(439,502)	(5,903,397)	(6,429,458)	(3,595,093)
Shareholders' equity (excluding minority interests)	**15,860,360**	12,075,749	13,124,297	12,912,727	10,428,582

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S SHARES

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

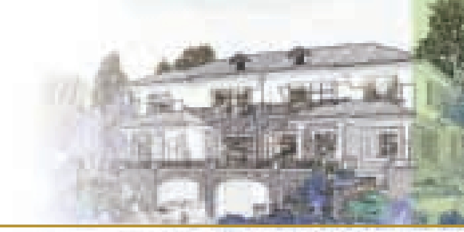
INTEREST CAPITALISED

During the year, interest capitalised as development cost in respect of investment properties, properties under development and property, plant and equipment amounted to approximately RMB535 million (2009: RMB361 million).

DISTRIBUTABLE RESERVES

As at 31 December 2010, the distributable reserves of the Company available for distribution amounted to RMB2,229 million (2009: RMB2,284 million).

Report of the Directors



DIRECTORS

The Directors who held office during the year and up to the date of this report were:

Mr Lu Zhifeng	
Mr Zhang Zhaoxing	
Mr Liang Yi	
Mr Tang Shouchun	
Mr Liang Youpan	(appointed with effect from 1 January 2010)
Mr Lam Yau Fung Curt	(appointed with effect from 1 January 2010)
Mr Yu Lup Fat Joseph*	
Mr Lee Ka Lun*	
Mr Lau Hon Chuen Ambrose*	

* *Independent non-executive directors*

The Directors' Profiles are set out on pages 36 and 37.

ROTATION AND RE-ELECTION OF DIRECTORS

Messrs Lu Zhifeng, Zhang Zhaoxing and Yu Lup Fat Joseph retire by rotation in accordance with Article 91 of the Company's Articles of Association at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

The Board recommends the re-appointment of all directors standing for re-election at the forthcoming general meeting of the Company.

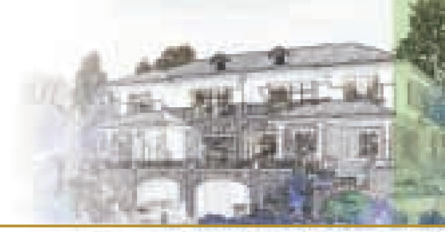
DIRECTOR'S SERVICE CONTRACTS

Mr Lam Yau Fung Curt has entered into a service contract with the Company, which may be terminated, by either side, on three months' notice.

Save as disclosed above, none of the directors of the Company has a service contract with the Company which is not determinable by the employer within one year without payment of compensation, other than statutory compensation.

DIRECTOR'S INTEREST IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company, its subsidiaries or its fellow subsidiaries was a party and in which any director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.



CONNECTED TRANSACTIONS

During the reporting year, the following connected transactions were entered into or continued on normal and commercial terms:

Date	Connected Party	Relationship with the Company	Nature of Transaction	Consideration	Payment made/ received during the reporting year
1 January 2009	Yue Xiu Cold Storage & Warehousing Limited	Subsidiary of controlling shareholder	Lease of 16 Tung Yuen Street, Yau Tong, Kowloon, Hong Kong [1]	HK$250,000 per month exclusive of rates	HK$3,000,000
12 January 2010	Hi-Watt Battery Industry Co. Ltd.	Subsidiary of controlling shareholder	Lease of part of Hi-Watt Industrial Building, 21 Tung Yuen Street, Yau Tong, Kowloon for 19,226 sq.ft. from 1 December 2009 for a term of 2 years[2]	HK$67,291 per month	HK$807,492
3 November 2010	Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu")	Controlling Shareholder	Yue Xiu entered into an underwriting agreement with the Company in relation to the Open Offer[3] Yue Xiu took up its entitlement to 998,980,574 offer shares under the Open Offer and acquired 147,967,835 offer shares not taken up by the qualifying shareholders pursuant to the underwriting agreement dated 14 September 2010 [4]	Underwriting commission: Nil	

Notes:

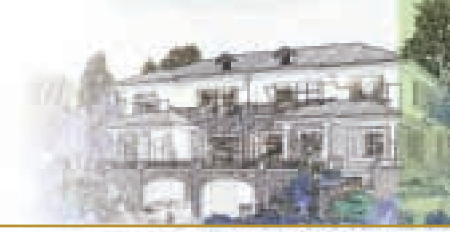
1. This transaction constitutes a continuing connected transaction and is regarded as a "de minimis transaction" pursuant to Chapter 14A of the Listing Rules.

2. This transaction constitutes a continuing connected transaction and is regarded as a "de minimis transaction" pursuant to Chapter 14A of the Listing Rules.

3. Open offer of new shares of the Company at a price of HK$1.61 per offer share in the proportion of 3 offer shares for every 10 existing shares in issue on the record date i.e. 12 October 2010 ("Open Offer").

4. Announcement was published on 14 September 2010. Circular was despatched to shareholders on 24 September 2010. Transaction was approved by the independent shareholders at extraordinary general meeting on 12 October 2010.

The transactions described in Note 45(b)(I) and II to the financial statements constitute other connected transactions entered into or continued by the Group during the Reporting Year.



INTERESTS OF DIRECTORS

As at 31 December 2010, the interests and short positions of the directors of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which are required to be recorded in the register maintained by the Company under Section 352 of the SFO or notified to the Company and the Stock Exchange were as follows:

1. Long positions in shares of the Company:

Name of Director	Nature of interest	Beneficial interest in shares	Approximate % of interest
Mr Lee Ka Lun	Personal	4,550,000	0.05
Mr Lau Hon Chuen Ambrose	Personal	3,640,000	0.04

2. Long positions in underlying shares of equity derivatives of the Company:

				Number of share options		
Name of Director	Date of grant	Exercise price per share HK$	Adjusted exercise price per share (e) HK$	outstanding as at 1 January 2010	exercised during the year	(adjusted) outstanding as at 31 December 2010 (e)
Mr Tang Shouchun	23/06/2004(a)	0.630	0.607	1,560,000	—	1,620,375
Mr Liang Youpan	02/05/2003(b)	0.410	0.395	2,000,000	—	2,077,403
	23/06/2004(a)	0.630	0.607	8,350,000	—	8,673,158
Mr Lau Hon Chuen Ambrose	28/05/2008(c)	1.556	N/A	1,120,000	1,120,000(d)	—

Notes:

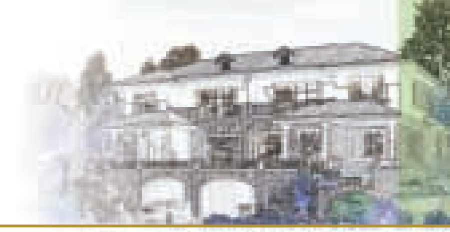
(a) The share options are exercisable from 23 June 2004 to 22 June 2014, of which a maximum of up to (i) 30 percent; and (ii) 60 percent (inclusive of any options exercised under (i)) are exercisable during the period (i) up to the first anniversary; and (ii) up to the second anniversary of the date of grant, respectively.

(b) The share options are exercisable from 2 May 2003 to 1 May 2013, of which a maximum of up to (i) 30 per cent; and (ii) 60 per cent (inclusive of any options exercised under (i)) are exercisable during the period (i) up to the first anniversary; and (ii) up to the second anniversary of the date of grant, respectively.

(c) The share options are exercisable from 28 May 2008 to 27 May 2018, of which a maximum of up to (i) 30 percent; and (ii) 60 percent (inclusive of any options exercised under (i)) are exercisable during the period (i) up to the first anniversary; and (ii) up to the second anniversary of the date of grant, respectively.

(d) The closing price per share immediately before the date on which the options were exercised was HK$1.9.

(e) The exercise price of and number of shares subject to the outstanding share options have been adjusted following the completion of the Open Offer.



Save as disclosed herein, as at 31 December 2010 none of the directors of the Company had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which are required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO or notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

Save as disclosed herein, at no time during the year was the Company, its holding company, its subsidiaries, or its fellow subsidiaries a party to any arrangement to enable the directors of the Company (including their spouse and children under 18 years of age) to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

DISCLOSEABLE INTERESTS OF SHAREHOLDERS UNDER THE SECURITIES AND FUTURES ORDINANCE

As at 31 December 2010, the following persons had an interest or short position in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name	Capacity	Number of shares held	Approximate % of interest
廣州越秀集團有限公司 (Guangzhou Yue Xiu Holdings Limited) *(Note)*	Interests of controlled corporations	4,509,045,657 (Long position)	48.57

Note:

廣州越秀集團有限公司 (Guangzhou Yue Xiu Holdings Limited) is deemed by the SFO to be interested in 4,509,045,657 shares in the Company as a result of its indirect holding of such shares through its wholly-owned subsidiaries, details of which were as follows:

Name	Long position in shares
Yue Xiu	4,509,045,657
Superb Master Ltd.	180,129,835
Excellence Enterprises Co., Ltd. ("Excellence")	4,323,213,675
Bosworth International Limited ("Bosworth")	3,160,100,867
Sun Peak Enterprises Ltd. ("Sun Peak")	735,387,900
Novena Pacific Limited ("Novena")	735,387,900
Shine Wah Worldwide Limited ("Shine Wah")	205,463,700
Morrison Pacific Limited ("Morrison")	205,463,700
Perfect Goal Development Co., Ltd. ("Perfect Goal")	176,458,100
Greenwood Pacific Limited ("Greenwood")	176,458,100
Seaport Development Limited ("Seaport")	45,803,108
Goldstock International Limited ("Goldstock")	45,803,108
Yue Xiu Finance Company Limited	5,702,147

(i) 3,160,100,867 shares were held by Bosworth, which was wholly-owned by Excellence which was, in turn, wholly-owned by Yue Xiu.

(ii) 735,387,900 shares were held by Novena, which was wholly-owned by Sun Peak which was, in turn, wholly-owned by Excellence.

(iii) 205,463,700 shares were held by Morrison, which was wholly-owned by Shine Wah which was, in turn, wholly-owned by Excellence.

(iv) 176,458,100 shares were held by Greenwood, which was wholly-owned by Perfect Goal which was, in turn, wholly-owned by Excellence.

(v) 45,803,108 shares were held by Goldstock, which was wholly-owned by Seaport which was, in turn, wholly-owned by Excellence.

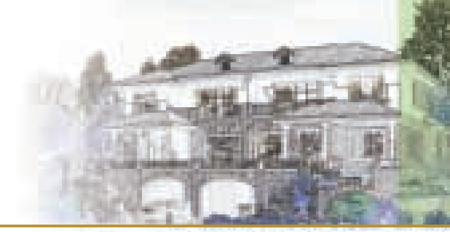
SHARE OPTIONS

The Company

On 26 June 2002, the shareholders of the Company approved the resolutions relating to the termination of the old share option scheme and the adoption of a new share option scheme ("2002 Share Option Scheme"). The 2002 Share Option Scheme complies with the amendments to Chapter 17 of the Listing Rules.

Pursuant to the 2002 Share Option Scheme, the board of directors of the Company ("Board") may grant to any person being an employee, officer, director, agent, consultant or representative of Yue Xiu, the Company or any of their respective subsidiaries ("Participants") options to subscribe for shares in the Company. The purpose of the 2002 Share Option Scheme is to provide incentives to Participants to contribute to the Group and to enable the Group to recruit, retain and motivate high-calibre employees and attract human resources that are valuable to the Group. The total number of shares which may be issued upon exercise of all options to be granted under the 2002 Share Option Scheme is 10 percent of the number of shares in issue as at the date of approval of the 2002 Share Option Scheme, but the Company may seek approval from its shareholders in a general meeting to refresh the 10 percent limit.

On 2 June 2004, the shareholders of the Company approved the refreshment of the 10 percent limit under the 2002 Share Option Scheme. The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2002 Share Option Scheme and any other schemes of the Company must not exceed 30 percent of the shares of the Company in issue from time to time. The maximum entitlement of each Participant upon exercise of the options granted or to be granted within any 12-month period immediately preceding the proposed date of grant is limited to 1 percent of the number of shares in issue as at the proposed date of grant. Any further grant of options in excess of this limit is subject to shareholders' approval in general meeting. The share options are exercisable from the commencement date of the option period (which shall be a period to be notified by the Board at the time of the grant of an option, such period to commence on the date of grant or such later date as the Board may decide and expire on the last day of the period, which in any event shall not exceed 10 years from the date of grant), of which a maximum of up to (i) 30 percent; and (ii) 60 percent (inclusive of any options exercised under (i)), of the options granted under the relevant grant are exercisable during the period (i) up to the first anniversary; and (ii) up to the second anniversary of the commencement date of the option period respectively. After the second anniversary of the commencement date of the option period the restrictions will cease. In respect of a Participant who is an employee of Yue Xiu, the Company or any of their respective subsidiaries, the same limits on the exercise of the share options as described above shall also apply, except that the periods referred to in (i) and (ii) above shall commence from the later of: (a) the date of completion by such Participant of one year of continuous employment as permanent member of the staff of Yue Xiu, the Company or any of their respective subsidiaries, as the case may be; and (b) the commencement date of the option period, and the date when the restrictions cease shall be modified accordingly. The exercise price is determined by the Board and must be at least the highest of (a) the closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of grant; (b) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (c) the nominal value of the shares. The cash consideration to be paid for each grant of option is HK$10, with full payment of the exercise price to be made upon exercise of an option.



Movements during the year of the options granted under the share option scheme of the Company to the Participants including the directors of the Company as disclosed on page 51 were as follows:

Number of share options											
outstanding as at 1 January 2010	exercised during the year	granted during the year	lapsed during the year	adjustment during the year	outstanding as at 31 December 2010	Exercise price per share HK$	Adjusted exercise price per share HK$	Date of grant	Exercisable period	Weighted average closing price (c) HK$
10,870,000	—	—	—	420,686	11,290,686	0.410	0.395	02/05/2003	02/05/2003 - 01/05/2013 (b)	N/A
7,000,000	—	—	(7,000,000)	—	—	0.540	N/A	02/06/2003	02/06/2003 - 01/06/2013 (b)	N/A
1,840,000	(207,740)	—	—	71,211	1,703,471	0.814	0.784	27/10/2003	27/10/2003 - 26/10/2013 (b)	2.05
9,978,000	(1,292,499)	—	—	355,356	9,040,857	0.846	0.814	23/12/2003	23/12/2003 - 22/12/2013 (b)	1.97
36,360,000	(1,738,883)	—	—	1,371,974	35,993,091	0.630	0.607	23/06/2004	23/06/2004 - 22/06/2014 (b)	2.10
1,120,000	(1,120,000)	—	—	—	—	1.556	N/A	28/05/2008	28/05/2008 - 27/05/2018 (b)	1.90

Notes:

(a) No options have been granted or cancelled during the year.

(b) The options are exercisable in 3 tranches.

(c) The weighted average closing price per share immediately before the dates on which the options were exercised.

INDEPENDENT NON-EXECUTIVE DIRECTOR'S FEES

Three independent non-executive directors of the Company each received RMB180,000 as director's fees for the year ended 31 December 2010.

MANAGEMENT CONTRACTS

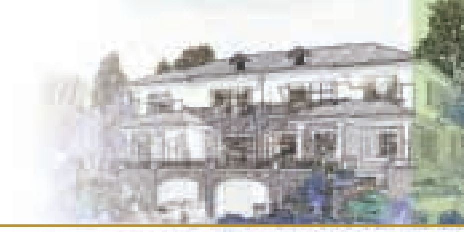
No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

PUBLIC FLOAT

Based on the information that is publicly available to the Company as at the date of this report and within the knowledge of the Directors, there was a sufficiency of public float of the Company's securities as required under the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

No disclosures with regard to the Group's major customers and suppliers are made since the aggregate percentages of sales and purchases attributable to the Group's five largest customers and suppliers are less than 30 percent of the Group's total sales and purchases respectively.



AUDITOR

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Lu Zhifeng
Chairman

Hong Kong, 21 March 2011

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor Prince's Building
Central Hong Kong

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF YUEXIU PROPERTY COMPANY LIMITED
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Yuexiu Property Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 58 to 145, which comprise the consolidated and company balance sheets as at 31 December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 21 March 2011

Consolidated Income Statement

For the year ended 31 December 2010

	Note	2010 RMB'000	2009 RMB'000 (restated)
Revenue	5	**5,633,963**	4,670,531
Cost of sales	6	**(3,752,700)**	(3,036,628)
Gross profit		**1,881,263**	1,633,903
Proceeds from sales of investment properties		**1,345,068**	236,436
Direct costs of investment properties sold		**(875,742)**	(197,151)
Gain on sales of investment properties	21	**469,326**	39,285
Fair value gains on revaluation of investment properties	17	**258,690**	275,650
Selling and marketing costs	6	**(214,056)**	(187,854)
Administrative expenses	6	**(593,977)**	(516,910)
Operating profit		**1,801,246**	1,244,074
Finance income	7	**43,429**	46,367
Finance costs	8	**(219,976)**	(63,604)
Net foreign exchange gain on financing activities		**120,419**	15,990
Share of profit/(loss) of			
– jointly controlled entities	22	**23,430**	(1,438)
– associated entities	23	**232,066**	108,574
Profit before taxation		**2,000,614**	1,349,963
Taxation	9	**(1,021,249)**	(633,488)
Profit for the year from continuing operations		**979,365**	716,475
Discontinued operation			
Loss for the year from discontinued operation	20(a)	**—**	(963,698)
Profit/(loss) for the year	10	**979,365**	(247,223)
Attributable to			
Equity holders of the Company		**918,840**	(607,264)
Non-controlling interests		**60,525**	360,041
		979,365	(247,223)

	Note	2010 RMB'000	2009 RMB'000 (restated)
Profit/(loss) for the year attributable to equity holders of the Company			
From continuing operations		**918,840**	646,013
From discontinued operation		**—**	(1,253,277)
		918,840	(607,264)
Profit for the year attributable to non-controlling interests			
From continuing operations		**60,525**	70,462
From discontinued operation		**—**	289,579
		60,525	360,041
Earnings/(losses) per share for profit from continuing operations and loss from discontinued operation attributable to equity holders of the Company (expressed in RMB per share)	11		
– Basic			
From continuing operations		**0.1228**	0.0906
From discontinued operation		**—**	(0.1758)
		0.1228	(0.0852)
– Diluted			
From continuing operations		**0.1221**	0.0901
From discontinued operation		**—**	(0.1748)
		0.1221	(0.0847)

The notes on pages 69 to 145 form an integral part of these consolidated financial statements.

Details of dividends payable to equity holders of the Company are set out in Note 12.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

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

The notes on pages 69 to 145 form an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31 December 2010

	Note	31 December 2010 RMB'000	31 December 2009 RMB'000 (restated)	1 January 2009 RMB'000 (restated)
ASSETS				
Non-current assets				
Intangible operating rights	15	—	—	6,215,852
Property, plant and equipment	16	**2,199,676**	1,579,667	843,880
Investment properties	17	**7,632,075**	7,489,527	5,241,876
Land use rights	18	**547,113**	552,514	302,199
Interests in jointly controlled entities	22	**110,289**	170,451	410,018
Interests in associated entities	23	**1,608,654**	1,527,023	3,340,241
Goodwill	24	—	—	111,114
Available-for-sale financial assets	25	**1,154,600**	1,082,483	861,596
Deferred tax assets	39	**44,216**	41,310	50,156
		13,296,623	12,442,975	17,376,932
Current assets				
Properties under development	26	**17,305,880**	15,112,096	14,638,679
Properties held for sale	27	**2,621,017**	902,225	611,820
Prepayments for land use rights	28	**6,254,647**	1,375,949	1,661,830
Inventories	29	**47,847**	90,939	93,231
Trade receivables	30	**10,041**	53,050	59,008
Other receivables, prepayments and deposits	30	**3,329,834**	548,356	405,647
Taxation recoverable		**442,329**	255,131	66,541
Charged bank deposits	31	**1,021,635**	1,845,200	356,282
Cash and cash equivalents	32	**6,451,077**	4,327,915	3,083,605
		37,484,307	24,510,861	20,976,643
LIABILITIES				
Current liabilities				
Trade and note payables	33	**171,301**	122,107	85,436
Land premium payable		**45,944**	439,182	493,905
Advance receipts from customers		**7,900,585**	4,075,049	2,103,958
Other payables and accrued charges	34	**4,633,355**	3,962,375	4,314,212
Borrowings	35	**6,033,686**	1,887,472	5,023,327
Taxation payable		**536,868**	513,452	308,166
		19,321,739	10,999,637	12,329,004
Net current assets		**18,162,568**	13,511,224	8,647,639
Total assets less current liabilities		**31,459,191**	25,954,199	26,024,571

Consolidated Balance Sheet

As at 31 December 2010

	Note	31 December 2010 RMB'000	31 December 2009 RMB'000 (restated)	1 January 2009 RMB'000 (restated)
Non-current liabilities				
Borrowings	35	**11,702,660**	10,705,914	3,919,737
Deferred tax liabilities	39	**3,410,438**	2,733,034	3,077,140
		15,113,098	13,438,948	6,996,877
Net assets		**16,346,093**	12,515,251	19,027,694
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	36	**850,915**	668,202	667,345
Share premium	36	**8,870,951**	6,126,174	6,118,188
Other reserves	38	**769,930**	830,057	1,085,835
Retained earnings				
– Proposed dividends	38	**—**	—	51,838
– Others	38	**5,368,564**	4,451,316	5,201,091
		15,860,360	12,075,749	13,124,297
Non-controlling interests		**485,733**	439,502	5,903,397
Total equity		**16,346,093**	12,515,251	19,027,694

On behalf of the Board

Zhang Zhaoxing
Director

Tang Shouchun
Director

The notes on pages 69 to 145 form an integral part of these consolidated financial statements.

Balance Sheet

As at 31 December 2010

	Note	31 December 2010 RMB'000	31 December 2009 RMB'000 (restated)	1 January 2009 RMB'000 (restated)
ASSETS				
Non-current assets				
Property, plant and equipment	16	**9,762**	11,472	13,038
Investment properties	17	**15,403**	15,233	10,971
Interests in subsidiaries	19	**14,171,680**	10,974,016	12,293,636
		14,196,845	11,000,721	12,317,645
Current assets				
Other receivables, prepayments and deposits		**1,513**	1,385	2,974
Dividend receivables		**1,007,914**	1,011,638	490,674
Cash and cash equivalents	32	**1,760,911**	991,752	206,014
		2,770,338	2,004,775	699,662
LIABILITIES				
Current liabilities				
Amounts due to subsidiaries	19	**28,697**	32,814	32,820
Other payables and accrued charges		**113,997**	104,538	98,703
Borrowings	35	**933,473**	330,068	3,635,119
		1,076,167	467,420	3,766,642
Net current assets/(liabilities)		**1,694,171**	1,537,355	(3,066,980)
Total assets less current liabilities		**15,891,016**	12,538,076	9,250,665
Non-current liabilities				
Borrowings	35	**3,931,102**	3,448,913	49,568
Net assets		**11,959,914**	9,089,163	9,201,097

Balance Sheet

As at 31 December 2010

	Note	31 December 2010 RMB'000	31 December 2009 RMB'000 (restated)	1 January 2009 RMB'000 (restated)
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	36	**850,915**	668,202	667,345
Share premium	36	**8,870,951**	6,126,174	6,118,188
Other reserves	38	**9,196**	10,813	12,351
Retained earnings				
– Proposed dividends	38	**—**	—	—
– Others	38	**2,228,852**	2,283,974	2,403,213
Total equity		**11,959,914**	9,089,163	9,201,097

On behalf of the Board

Zhang Zhaoxing
Director

Tang Shouchun
Director

The notes on pages 69 to 145 form an integral part of this balance sheet.

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

	Note	2010 RMB'000	2009 RMB'000 (restated)
Operating activities			
Net cash (used in)/generated from operations	40	**(5,669,614)**	493
Interest received		**43,429**	46,367
Interest paid		**(754,597)**	(424,340)
Hong Kong profits tax paid		**(3,407)**	(1,196)
China taxation paid		**(565,183)**	(336,978)
Net cash used in operating activities		**(6,949,372)**	(715,654)
Investing activities			
Dividends received from jointly controlled entities and associated entities		**85,538**	334,193
Payments of construction costs for toll highways and bridges upgrade services		**—**	(18,909)
Purchases of property, plant and equipment		**(734,900)**	(293,816)
Purchases of investment properties		**(716,121)**	(37,146)
Purchases of available-for-sale financial assets		**(760)**	(1,196)
Proceeds from sale of available-for-sale financial assets		**7,870**	—
Proceeds from sale of property, plant and equipment		**5,171**	6,912
Proceeds from sale of investment properties		**1,345,068**	236,436
Acquisition of a subsidiary		**—**	(166,721)
Disposal of Supermarket	20(b)	**(12,480)**	—
Disposal of Transport	20(a)	**—**	(628,906)
Capital injection in a jointly controlled entity		**—**	(62,950)
Repayment from associated and jointly controlled entities		**133,690**	13,908
Decrease/(increase) in charged bank deposits		**823,565**	(1,488,918)
Net cash generated from/(used in) investing activities		**936,641**	(2,107,113)
Financing activities			
Issue of ordinary shares		**2,926,869**	6,981
Capital contribution from minority shareholders of subsidiaries		**13,880**	—
New bank loans		**7,940,820**	8,072,796
Repayment of bank loans		**(2,671,000)**	(3,240,572)
New other borrowings		**45**	(312,700)
Repayment of other borrowings		**(1,088)**	(26)
Dividends paid to equity holders of the Company		**—**	(246,048)
Dividends paid to minority shareholders of subsidiaries		**(31,015)**	(212,834)
Increase in amount due to a substantial shareholder		**1,669**	1,625
Net cash generated from financing activities		**8,180,180**	4,069,222

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

	Note	2010 RMB'000	2009 RMB'000 (restated)
Increase in cash and cash equivalents		**2,167,449**	1,246,455
Cash and cash equivalents at the beginning of year		**4,327,511**	3,083,246
Exchange losses on cash and cash equivalents		**(44,096)**	(2,190)
Cash and cash equivalents at the end of year		**6,450,864**	4,327,511
Analysis of balances of cash and cash equivalents			
Bank balances and cash		**6,451,077**	4,327,915
Bank overdrafts		**(213)**	(404)
		6,450,864	4,327,511

The notes on pages 69 to 145 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

	Attributable to equity holders of the Company				
	Share capital RMB'000	Share premium RMB'000	Reserves RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2010, as previously reported	668,202	6,126,174	4,964,085	419,116	12,177,577
Effect of adoption of HKAS 17 (Amendment) *(Note 2.1)*	—	—	337	—	337
Effect of voluntary change in accounting policy *(Note 2.1)*	—	—	316,951	20,386	337,337
Balance at 1 January 2010, as restated	668,202	6,126,174	5,281,373	439,502	12,515,251
Comprehensive income					
Profit for the year	—	—	918,840	60,525	979,365
Other comprehensive income					
Currency translation differences	—	—	(114,064)	—	(114,064)
Change in fair value of available-for-sale financial assets, net of tax	—	—	53,808	3,313	57,121
Transfer of reserve to profit and loss upon disposal of a subsidiary *(Note 20(b))*	—	—	(920)	—	(920)
Total other comprehensive income	—	—	(61,176)	3,313	(57,863)
Total comprehensive income	—	—	857,664	63,838	921,502
Transactions with owners					
Employee share options scheme - value of employee services	—	—	78	—	78
Issue of shares upon open offer	182,333	2,740,999	—	—	2,923,332
Issue of shares net of issuing expenses	380	3,157	—	—	3,537
Transfer upon exercise of share options	—	621	(621)	—	—
Capital injection to a subsidiary	—	—	—	13,880	13,880
Disposal of a subsidiary *(Note 20(b))*	—	—	—	(472)	(472)
Dividends paid	—	—	—	(31,015)	(31,015)
Total transactions with owners	182,713	2,744,777	(543)	(17,607)	2,909,340
At 31 December 2010	850,915	8,870,951	6,138,494	485,733	16,346,093

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

	Attributable to equity holders of the Company				
	Share capital RMB'000	Share premium RMB'000	Reserves RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2009, as previously reported	667,345	6,118,188	6,027,638	5,886,112	18,699,283
Effect of adoption of HKAS 17 (Amendment) *(Note 2.1)*	—	—	253	—	253
Effect of voluntary change in accounting policy *(Note 2.1)*	—	—	310,873	17,285	328,158
Balance at 1 January 2009, as restated	667,345	6,118,188	6,338,764	5,903,397	19,027,694
Comprehensive income					
(Loss)/profit for the year	—	—	(607,264)	360,041	(247,223)
Other comprehensive income					
Currency translation differences	—	—	(15,509)	(7,760)	(23,269)
Change in fair value of available-for-sale financial assets, net of tax	—	—	219,908	13,141	233,049
Transfer of reserve to profit and loss upon disposal of a subsidiary *(Note 20(a))*	—	—	(20,797)	—	(20,797)
Total other comprehensive income	—	—	183,602	5,381	188,983
Total comprehensive income	—	—	(423,662)	365,422	(58,240)
Transactions with owners					
Employee share options scheme - value of employee services	—	—	324	—	324
Issue of shares net of issuing expenses	857	6,124	—	—	6,981
Transfer upon exercise of share options	—	1,862	(1,862)	—	—
Acquisition of a subsidiary	—	—	—	15,051	15,051
Disposal of a subsidiary *(Note 20(a))*	—	—	—	(5,631,534)	(5,631,534)
Dividends paid	—	—	(632,191)	(212,834)	(845,025)
Total transactions with owners	857	7,986	(633,729)	(5,829,317)	(6,454,203)
At 31 December 2009	668,202	6,126,174	5,281,373	439,502	12,515,251

The notes on pages 69 to 145 form an integral part of these consolidated financial statements.

1 GENERAL INFORMATION

Yuexiu Property Company Limited (the "Company") and its subsidiaries (together the "Group") is principally engaged in development, selling and management of properties, and holding of investment properties. The Group's operations are mainly conducted in Hong Kong and Mainland China ("China").

The Company is a limited liability company incorporated in Hong Kong. The address of its registered office is 26th Floor, Yue Xiu Building, 160 Lockhart Road, Wanchai, Hong Kong.

The Company's shares are listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange") and Singapore Exchange Securities Trading Limited.

These financial statements are presented in Renminbi ("RMB"), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 21 March 2011.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

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

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(a) Change in accounting policy on land use rights

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

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

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

(b) Amended standard and interpretation adopted by the Group

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

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

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

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

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

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

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

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

- HK Int-5, the HKICPA issued on 29 November 2010 HK Interpretation 5 "Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause". This Interpretation, as a clarification of an existing standard, is effective immediately. According to the Interpretation, the classification of a term loan in accordance with paragraph 69(d) of HKAS 1 shall depend on whether or not the borrower has an unconditional right to defer payment for at least 12 months after the reporting period. Consequently, amounts repayable under a loan agreement which includes a clause that gives the lender the unconditional right to call the loan at any time shall be classified by the borrower as current in its balance sheet. This Interpretation did not have a material impact on the Group's financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income (note 2.5).

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as associated entities, jointly controlled entities or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in associated entities is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Consolidation (continued)

(c) Associated entities

Associated entities are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associated entities are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investments in associated entities includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its associated entities' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associated entity equals or exceeds its interest in the associated entity, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated entity.

Unrealised gains on transactions between the Group and its associated entities are eliminated to the extent of the Group's interests in the associated entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associated entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associated entities are recognised in the consolidated income statement.

(d) Jointly controlled entities

A jointly controlled entity is a joint venture where the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity. Investments in jointly controlled entities are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investments in jointly controlled entities include goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its jointly controlled entities' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a jointly controlled entity equals or exceeds its interest in the jointly controlled entity, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entity.

Unrealised gains on transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interests in the jointly controlled entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of jointly controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors that makes strategic decisions.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available for sale are included in the available-for-sale financial assets fair value reserve in equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Foreign currency translation (continued)

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.5 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Intangible operating rights

The Group has been granted by the relevant local government authorities the rights to operate the toll highways and bridges for periods of 20 to 36 years. According to the approval documents of the relevant government and the relevant regulations, the Group is responsible for the construction of the toll highways and bridges and the acquisition of the related facilities and equipment and it is also responsible for the operation and management, maintenance and overhaul of the toll highways and bridges during the approved operating periods. The toll fees collected during the operating periods are attributable to the Group. The relevant toll highway / bridge assets are required to be returned to the local government authorities upon the expiry of the operating rights without any compensation to the Group. According to the relevant regulations, these operating rights are not renewable and the Group does not have any termination options.

The Group applies the intangible asset model to account for the toll highway and bridge infrastructures where they are paid by the users of the toll highways and bridges. The concession grantors (the respective local governments) have not provided any contractual guarantees for the recovery of the amounts of construction costs incurred. The intangible assets correspond to the rights granted by the respective concession grantors to the Group to charge users of the toll road / bridge services and are recorded in the consolidated balance sheet as "Intangible operating rights".

Amortisation of intangible operating rights is calculated to write off their costs on a units-of-usage basis based on the traffic volume for a particular period over the projected total traffic volume throughout the life of the asset. The Group reviews regularly the projected total traffic volume throughout the life of the asset, and if it is considered appropriate, independent professional traffic studies will be obtained. Appropriate adjustment will be made should there be a material change.

2.7 Property, plant and equipment

Buildings comprise mainly hotels and offices. Leasehold land classified as financial lease and all other property, plant and equipment is stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains / losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Leasehold land classified as finance lease commences amortisation from the time when the land interest becomes available for its intended use. Amortisation on leasehold land classified as finance lease and depreciation on other assets is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Leasehold land classified as finance lease	Shorter of remaining lease term of 58-60 years or useful life
Buildings	25-50 years
Plant and machinery and tools	3-30 years
Leasehold improvements, furniture, fixtures and office equipment	3-5 years
Motor vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.9).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Property, plant and equipment (continued)

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount.

Construction in progress is stated at cost less accumulated impairment losses. Cost includes all attributable costs of bringing the asset to working condition for its intended use. This includes direct costs of construction as well as interest expense capitalised during the period of construction and installation. Capitalisation of these costs will cease and the construction in progress is transferred to appropriate categories within property, plant and equipment when the construction activities necessary to prepare the assets for their intended use are completed. No depreciation is provided in respect of construction in progress.

2.8 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated group or for sale in the ordinary course of business, is classified as investment property. As from 1 January 2009, investment property also includes property that is being constructed or developed for future use as investment property.

Investment property comprises land held under operating leases and buildings held under finance leases.

Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs and borrowing costs. Borrowing costs incurred for the purpose of acquiring, constructing or producing a qualifying investment property are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway and cease once the asset is substantially complete, or suspended if the development of the asset is suspended.

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods, such as recent prices on less active markets or discounted cash flow projections. Valuations are performed as at the financial position date by professional valuers who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. These valuations form the basis for the carrying amounts in the financial statements. Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value.

Fair value measurement on property under construction is only applied if the fair value is considered to be reliably measurable.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Investment properties (continued)

It may sometimes be difficult to determine reliably the fair value of the investment property under construction. In order to evaluate whether the fair value of an investment property under construction can be determined reliably, management considers the following factors, among others:

- The provisions of the construction contract.
- The stage of completion.
- Whether the project/property is standard (typical for the market) or non-standard.
- The level of reliability of cash inflows after completion.
- The development risk specific to the property.
- Past experience with similar constructions.
- Status of construction permits.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of leasehold land classified as investment property; others, including contingent rent payments, are not recognised in the financial statements.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Repairs and maintenance costs are expensed in the consolidated income statement during the period in which they are incurred.

The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure other than those a rational market participant would take into account when determining the value of the property.

Changes in fair values are recognised in the consolidated income statement. Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

Following the adoption of HKAS 40 (Amendment), investment properties under construction have been transferred from property, plant and equipment to investment properties at 1 January 2009 at their carrying amount. They have subsequently been fair valued at the reporting date. All fair value gains or losses, including those unrecognised fair value gains and losses (if the losses have not already been recognised through impairment) that arose prior to 1 January 2009, have been recognised in the consolidated income statement for the year as fair value gains or losses.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Investment properties (continued)

If an item of owner-occupied property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is treated in the same way as a revaluation under HKAS 16. Any resulting increase in the carrying amount of the property is recognised in the consolidated income statement to the extent that it reverses a previous impairment loss, with any remaining increase recognised in other comprehensive income and increases directly to revaluation surplus within equity. Any resulting decrease in the carrying amount of the property is initially charged in other comprehensive income against any previously recognised revaluation surplus, with any remaining decrease charged to profit or loss.

Where an investment property undergoes a change in use, evidenced by commencement of development with a view to sale, the property is transferred to inventories. A property's deemed cost for subsequent accounting as inventories is its fair value at the date of change in use.

2.9 Impairment of non-financial assets

Assets that have an indefinite useful life - for example, goodwill or intangible assets not ready to use - are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.10 Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' in the balance sheet (notes 2.13).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Financial assets (continued)

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Regular way of purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are recognised in the consolidated income statement in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated income statement when the Group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated income statement.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the consolidated income statement. Dividends on available-for- sale equity instruments are recognised in the consolidated income statement when the Group's right to receive payments is established.

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the separate consolidated income statement. Impairment losses recognised in the separate consolidated income statement on equity instruments are not reversed through the separate consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the separate consolidated income statement.

Impairment testing of trade and other receivables is described in note 2.13.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Properties under development and properties held for sale

Properties under development and properties held for sale are stated at the lower of cost and net realisable value. The cost of properties under development and properties held for sale comprises land use rights, development and construction expenditure, borrowing costs capitalised and other direct costs attributable to the development. Net realisable value is the estimated selling price at which the property can be realised less related expenses. Income from incidental operation is recognised in the consolidated income statement.

Properties under development and held for sale are classified as current assets unless the construction period of the relevant property development projects is expected to complete beyond normal operating cycle.

2.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable selling expenses.

2.13 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the receivable is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated income statement. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited the consolidated income statement.

If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

2.14 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, and bank overdrafts. In the consolidated balance sheet, bank overdrafts are shown within borrowings in current liabilities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 Trade and note payables

Trade and note payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and note payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and note payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Borrowing costs incurred for the construction of any qualifying assets are capitalised during the period of time that is required to complete and prepare the assets for its intended use. All other borrowing costs are charged to the consolidated income statement in the period in which they are incurred.

2.17 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries, associated entities and jointly controlled entities operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associated entities and jointly controlled entities, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Employee benefits

(a) Pension obligations

The Group participates in various defined contribution plans under which the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(b) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the consolidated income statement with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(d) Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.21 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Revenue from sales of properties is recognised upon completion of sale agreements, which refers to the time when the relevant properties have been completed and delivered to the purchasers pursuant to the sale agreements. Deposits and instalments received on properties sold prior to their completion are included in current liabilities.

(b) Operating lease rental income is recognised on a straight-line basis over the lease period.

(c) Revenue from property management is recognised in the period in which the services are rendered.

(d) Revenue from the sales of goods is recognised upon the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

(e) Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(f) Dividend income is recognised when the right to receive payment is established.

(g) Agency fee revenue from property brokering is recognised when the relevant agreement becomes unconditional or irrevocable.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.22 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

Leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is charged to the consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

2.23 Government grants

Grants from government are recognised at their fair value when there is reasonable assurance that the grant will be received and that the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated income statement over the period necessary to match them with the costs they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred income and are credited to the consolidated income statement on a straight-line basis over the expected lives of the related assets.

2.24 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.25 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that an outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

A contingent asset is not recognised but is disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When an inflow is virtually certain, an asset is recognised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.26 Financial guarantees

Financial guarantee contracts under which the Group accepts significant risk from a third party by agreeing to compensate that party on the occurrence of a specified uncertain future event are accounted for in a manner similar to insurance contracts. Provisions are recognised when it is probable that the Group has obligations under such guarantees and an outflow of economic resources will be required to settle the obligations.

2.27 Discontinued operation

A discontinued operation is a component of the Group's business that has been disposed of and represents a separate major line of business of which operations and cash flow can be distinguished.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow interest rate risk and price risk), credit risk, and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

A majority of the subsidiaries of the Group operate in China with most of their transactions denominated in RMB. The Group is exposed to foreign exchange risk arising from the exposure of RMB against HKD. The Group has not specifically hedged this exposure considering the steady appreciation of RMB spot rate against HKD in recent years and it is of the view that such appreciation will continue on a stable and predictable trend.

At 31 December 2010, if RMB had strengthened/weakened by 5 percent against HKD with all other variables held constant, post-tax profit for the year would have been approximately RMB5 million higher/lower (2009: post-tax loss RMB1 million lower/higher), mainly as a result of foreign exchange gains on translation of HKD-denominated monetary assets and liabilities.

(ii) Cash flow interest rate risk

At 31 December 2010, if interest rates on borrowings had been 100 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been approximately RMB41 million lower/higher (2009: post-tax loss RMB17 million higher/lower) respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

(iii) Price risk

The Group is exposed to equity securities price risk in its available-for-sale financial assets. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

The available-for-sale financial assets are mainly unlisted equity instruments in China and if the fair value of these equity investments increased or decreased by 10 percent, the Group's equity would have been increased or decreased by approximately RMB79 million (2009: RMB74 million).

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk

Credit risk arises from cash and cash equivalents, charged bank deposits, amounts due from related parties as well as trade receivables and certain other receivables.

The Group has policies in place to ensure that sales are made to buyers/customers with an appropriate financial strength and appropriate percentage of down payment. It also has other monitoring procedures to ensure that follow up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual receivable to ensure that adequate impairment losses are made for irrecoverable amounts. The Group has no significant concentration of credit risks, with exposure spread over a number of counterparties and customers.

The carrying amount of the receivables included in the consolidated balance sheet represents the Group's maximum exposure to credit risk in relation to these financial assets. The credit risk for bank deposits and bank balances is considered by the Group to be minimal as such amounts are generally placed with state-owned banks or banks with good ratings.

The Group has arranged bank financing for certain purchasers of property units and provided guarantees to secure obligations of such purchasers for repayment. Detailed disclosure of these guarantees is made in Note 43.

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by counterparties. The Group does not hold any collateral as security.

None of the financial assets that are fully performing has been renegotiated in last year.

(c) Liquidity risk

Due to the capital intensive nature of the Group's business, the Group ensures that it maintains sufficient cash and credit lines to meet its liquidity requirements.

Management monitors rolling forecasts of the Group's liquidity reserve which comprises undrawn borrowing facilities and cash and cash equivalents (Note 32) on the basis of expected cash flows. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	With no fixed repayment terms	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Group						
At 31 December 2010						
Borrowings	**—**	**6,659,868**	**7,678,700**	**1,833,634**	**4,468,338**	**20,640,540**
Trade and note payables	**—**	**171,301**	**—**	**—**	**—**	**171,301**
Land premium payable	**—**	**45,944**	**—**	**—**	**—**	**45,944**
Other payables and accrued charges	**—**	**3,792,177**	**—**	**—**	**—**	**3,792,177**
Financial guarantees	**—**	**230,301**	**440,520**	**1,252,427**	**—**	**1,923,248**
At 31 December 2009						
Borrowings	—	2,225,795	2,749,177	6,106,108	3,515,694	14,596,774
Trade and note payables	—	122,107	—	—	—	122,107
Land premium payable	—	439,182	—	—	—	439,182
Other payables and accrued charges	—	3,140,632	—	—	—	3,140,632
Financial guarantees	—	159,231	264,684	611,152	—	1,035,067
Company						
At 31 December 2010						
Borrowings	**—**	**1,034,607**	**3,623,720**	**397,938**	**—**	**5,056,265**
Amounts due to subsidiaries	**28,697**	**—**	**—**	**—**	**—**	**28,697**
Other payables and accrued charges	**—**	**113,997**	**—**	**—**	**—**	**113,997**
Financial guarantees	**35,214**	**—**	**—**	**—**	**—**	**35,214**
At 31 December 2009						
Borrowings	—	370,502	631,470	2,879,829	—	3,881,801
Amounts due to subsidiaries	32,814	—	—	—	—	32,814
Other payables and accrued charges	—	104,538	—	—	—	104,538
Financial guarantees	36,422	—	—	—	—	36,422

3 FINANCIAL RISK MANAGEMENT (continued)

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group's policy is to borrow centrally, using a mixture of long-term and short-term borrowing facilities, to meet anticipated funding requirements. These borrowings, together with cash generated from operations, are on-lent or contributed as equity to certain subsidiaries.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated balance sheet, plus net debt.

The gearing ratios at 31 December 2010 and at 31 December 2009 were as follows:

	2010 **RMB'000**	2009 RMB'000
Total borrowings *(Note 35)*	**17,736,346**	12,593,386
Less: Cash and cash equivalents *(Note 32)*	**(6,451,077)**	(4,327,915)
Net debt	**11,285,269**	8,265,471
Total equity (excluding non-controlling interests)	**15,860,360**	12,075,749
Total capital	**27,145,629**	20,341,220
Gearing ratio	**42%**	41%

The increase in the gearing ratio during 2010 resulted primarily from increasing in the bank borrowings to finance certain major property development projects.

3 FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

The carrying value less impairment provision of trade receivables and payables are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purpose is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The Group's financial instruments are measured in the balance sheet at fair value. The fair value measurement hierarchy are as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3)

As at 31 December 2010, the Group held available-for-sale financial assets of approximately RMB1,155 million (2009: RMB1,082 million), which is classified as level 2 financial instrument (2009: level 2).

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets or liabilities are discussed below.

(a) Impairment of property, plant and equipment and land use right

Property, plant and equipment and land use rights are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts of property, plant and equipment and land use rights have been determined based on the higher of their value-for-sale or value-in-use, taking into account the latest market information and past experience.

(b) Net realisable value of properties under development and properties held for sale

The Group writes down properties under development and properties held for sale to net realisable value based on assessment of the realisability of properties under development and properties held for sale which takes into account cost to completion based on past experience and net sales value based on prevailing market conditions. If there is an increase in cost to completion or a decrease in net sales value, the net realisable value will decrease which may result in writing down properties under development and properties held for sale to net realisable value. Write-downs are recorded where events or changes in circumstances indicate that the balances may not be realised. The identification of write-downs requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value of properties under development and properties held for sale is adjusted in the period in which such estimate is changed.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(c) Fair value of investment properties

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

(i) current prices in an active market for properties of different nature, condition or location (or subject to different leases or other contracts), with adjustments to reflect those differences;

(ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(iii) discounted cash flow projections based on reliable estimates of future cash flows derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

If information on current or recent prices of investment properties is not available, the fair values of investment properties are determined using discounted cash flow valuation techniques. The Group uses assumptions that are mainly based on market conditions existing at each balance sheet date.

The principal assumptions underlying management's estimate of fair value are those relating to: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and appropriate discount rates. These valuations are regularly compared to actual market yield, and actual transactions of the Group and those reported by the market.

The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

(d) Provision for withholding income tax on undistributed profits

The Group is subject to withholding income tax on undistributed profits of its foreign-invested enterprises in China. Significant judgement is required in determining the dividend pay-out policy of the foreign-invested enterprises controlled by the Group and the amount of the provision for withholding income tax. The Group monitors its dividend pay-out policy and may demand for dividend distribution from the foreign-invested enterprises controlled by the Group. This may result in additional tax provisions as disclosed in Note 9.

(e) Current and deferred income tax

The Group is subject to income tax primarily in China and Hong Kong. Significant judgement is required in determining the amount of the provision for taxation and the timing of the related payments. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the land appreciation tax, income tax and deferred tax provisions in the period in which such determination are made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such difference will impact the recognition of deferred tax assets and income tax in the period in which such estimate is changed.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(f) Depreciation of property, plant and equipment

The Group depreciates its property, plant and equipment on a straight-line basis over their estimated useful lives, after taking into account their estimated residual value commencing from the date the asset is placed into productive use. The estimated useful lives reflect the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment.

(g) Accruals for construction cost of public facilities

The Group is required to construct certain public facilities in connection with obtaining certain land use rights for construction of properties in China. The Group estimates the accruals for these costs for construction based on historical actual construction costs as adjusted for the effect of inflation. The Group regularly updates the construction schedules of public facilities and reviews the adequacy of the accrued balance.

(h) Fair value of available-for-sale financial assets

The best evidence of fair value is current prices in an active market for similar available-for-sale financial assets. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

(i) current prices in an active market for the available-for-sale financial assets of different nature, condition or location, with adjustments to reflect those differences; and

(ii) recent prices of similar available-for-sale financial assets in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices.

(i) Impairment of trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of provision is the difference between the receivable's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate. The amount of the provision is recognised in the consolidated income statement. In determining whether there is any impairment, significant judgement is required. In making this judgement, the Group evaluates, among other factors, the duration and extent by all means to which the amount will be recovered.

5 SEGMENT INFORMATION

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

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

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

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

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

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

5 SEGMENT INFORMATION (continued)

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

5 SEGMENT INFORMATION (continued)

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

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

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

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

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

6 EXPENSES BY NATURE

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

	2010 RMB'000	2009 RMB'000
Advertising and promotion expenses	**142,078**	130,394
Cost of inventories/properties sold included in cost of sales	**3,307,675**	2,686,842
Direct operating expenses arising from investment properties		
– that generate rental income	**66,643**	59,759
– that did not generate rental income	**201**	180
Depreciation		
– Owned property, plant and equipments	**49,281**	46,008
– Leased property, plant and equipments	**36**	41
Provision for impairment of property, plant and equipment (Note 16)	**34,664**	4,165
Amortisation of land use rights (Note 18)	**14,864**	11,362
Operating leases - Land and buildings	**2,246**	2,523
Auditor's remuneration	**6,000**	6,500
Employee benefit expenses (Note 13)	**670,401**	525,384
Provision for impairment of properties under development	**100,668**	—
Write-off of bad debts	**—**	1,143
Reversal of provision for trade receivables	**—**	(12,466)
Others	**165,976**	279,557
	4,560,733	3,741,392

7 FINANCE INCOME

	2010 RMB'000	2009 RMB'000
Interest income from bank deposits	**43,429**	15,922
Interest income on receivables from third parties	**—**	30,445
	43,429	46,367

8 FINANCE COSTS

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

Note: The average interest rate of borrowing costs capitalised for the year ended 31 December 2010 was approximately 5.98 percent per annum (2009: 6.34 percent per annum).

9 TAXATION

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

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

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

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

9 TAXATION (continued)

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

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

The taxation on the Group's profit before taxation less share of profits less losses of associated entities and jointly control entities differs from the theoretical amount that would arise using the enterprise income tax rate of China, where majority of the Group's operations were carried out, as follows:

	2010 RMB'000	2009 RMB'000
Profit before taxation less share of profits less losses of associated entities and jointly controlled entities	**1,745,118**	1,242,827
Calculated at China enterprise income tax rate of 25 percent (2009: 25 percent)	**436,280**	310,707
Effect of different taxation rates	**11,377**	(2,868)
Income not subject to taxation	**(19,034)**	(5,960)
Expenses not deductible for taxation purposes	**19,191**	21,566
Net effect of tax loss not recognised and utilisation of previously unrecognised tax losses	**14,761**	6,164
Under-provision in prior years	**1,900**	21,650
Effect of land appreciation tax deductible for calculation of income tax purposes	**(158,613)**	(31,406)
Corporate withholding income tax	**80,936**	188,013
	386,798	507,866
Land appreciation tax	**634,451**	125,622
Taxation charges	**1,021,249**	633,488

10 PROFIT/(LOSS) FOR THE YEAR

The loss for the year is dealt with in the financial statements of the Company to the extent of RMB56,196,000 (2009: profit for the year of RMB512,952,000).

11 EARNINGS/(LOSSES) PER SHARE

Basic

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

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

11 EARNINGS/(LOSSES) PER SHARE (continued)

Diluted

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

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

12 DIVIDENDS

No dividend was paid in 2010.

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

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

Note:

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

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

(b) cash of approximately RMB195 million.

13 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2010 RMB'000	2009 RMB'000
Wages, salaries and bonus	**530,522**	417,869
Pension costs (defined contribution plans)	**33,993**	32,774
Medical benefits costs (defined contribution plans)	**13,937**	8,928
Social security costs	**54,271**	34,824
Termination benefits	**182**	693
Staff welfare	**37,417**	29,972
Share options	**79**	324
	670,401	525,384

Pension scheme arrangements

The Group operates a defined contribution scheme ("ORSO Scheme") for certain Hong Kong employees under the Occupational Retirement Schemes Ordinance. Contributions to the ORSO Scheme by the employer and employees are calculated at 5 percent to 20 percent and 5 percent respectively of the employees' basic salaries.

The Group's contributions to the ORSO Scheme are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. There are no forfeited contributions for both years presented.

The Group also participates in the Mandatory Provident Fund Scheme ("MPF Scheme") for other Hong Kong employees. The Group's contributions under the MPF Scheme are at 5 percent of the employees' relevant income as defined in the Hong Kong Mandatory Provident Fund Schemes Ordinance up to a maximum of HK$1,000 per employee per month. The employees also contribute a corresponding amount to the MPF Scheme if their relevant income is more than HK$5,000 per month. The contributions under the MPF Scheme are fully and immediately vested in the employees as accrued benefits once they are paid.

Subsidiaries of the Company in China are required to participate in defined contribution retirement plans organised by the respective Provincial or Municipal Government, and make monthly contributions to the retirement plans in the range of 16 to 24 percent of the monthly salaries of the employees. The Group has no further obligations for the actual payment of pensions beyond its contributions. The state-sponsored retirement plans are responsible for the entire pension obligations payable to retired employees.

14 DIRECTORS' AND SENIOR MANAGEMENT's EMOLUMENTS

(a) The remuneration of every Director received from the Company for the year ended 31 December 2010 is set out below:

Name of Director	Fees RMB'000	Salaries RMB'000	Discretionary bonuses RMB'000	Pension costs RMB'000	Total RMB'000
LU Zhifeng	—	1,332	6,640	115	8,087
ZHANG Zhaoxing	—	1,728	6,042	135	7,905
LIANG Yi	—	1,736	5,662	139	7,537
TANG Shouchun	—	1,935	5,243	139	7,317
LIANG Youpan *(Note (i))*	—	2,080	5,098	139	7,317
LAM Yau Fung Curt *(Note (i))*	—	1,782	—	11	1,793
WANG Hongtao *(Note (ii))*	—	—	—	—	—
ZHOU Jin *(Note (ii))*	—	—	—	—	—
YU Lup Fat Joseph	180	—	—	—	180
LEE Ka Lun	180	—	—	—	180
LAU Hon Chuen Ambrose	180	—	—	—	180
Total	540	10,593	28,685	678	40,496

Note:

(i) Appointed on 1 January 2010

(ii) Resigned on 1 January 2010

14 DIRECTORS' AND SENIOR MANAGEMENT's EMOLUMENTS (continued)

(a) The remuneration of every Director received from the Company for the year ended 31 December 2009 is set out below:

Name of Director	Fees RMB'000	Salaries RMB'000	Discretionary bonuses RMB'000	Pension costs RMB'000	Total RMB'000
LU Zhifeng	—	780	4,124	208	5,112
ZHANG Zhaoxing[1]	—	842	4,036	226	5,104
LIANG Yi[1]	—	976	3,780	241	4,997
TANG Shouchun	—	976	3,763	241	4,980
WANG Hongtao	—	1,151	—	—	1,151
ZHOU Jin	—	940	—	—	940
LI Xinmin[1] *(Note (i))*	—	793	2,612	189	3,594
HE Zili[1] *(Note (ii))*	—	523	1,199	123	1,845
YU Lup Fat Joseph	159	—	—	—	159
LEE Ka Lun	159	—	—	—	159
LAU Hon Chuen Ambrose[1]	159	—	—	—	159
Total	477	6,981	19,514	1,228	28,200

The remuneration of every Director received from the subsidiaries of the Company for the year ended 31 December 2009 is set out below:

Name of Director	Fees RMB'000	Salaries RMB'000	Discretionary bonuses RMB'000	Pension costs RMB'000	Total RMB'000
ZHANG Zhaoxing[1]	—	582	1,223	—	1,805
LIANG Yi[1]	—	441	927	—	1,368
LI Xinmin[1] *(Note (i))*	—	582	1,223	—	1,805
HE Zili[1] *(Note (ii))*	—	338	785	—	1,123
Total	—	1,943	4,158	—	6,101

Note:

(i) Resigned on 3 November 2009

(ii) Resigned on 14 August 2009

[1] Also acts as director of GZI Transport Limited which was disposed of in 2009

No Directors waived emoluments in respect of the years ended 31 December 2010 and 2009. No emoluments were paid or payable by the Group to any Director as an inducement to join or upon joining the Group, or as compensation for loss of office for both years presented.

The five individuals whose emoluments were the highest in the Group for the years ended 31 December 2010 and 2009 are also Directors whose emoluments are reflected in the analysis presented above.

15 INTANGIBLE OPERATING RIGHTS

	Group
	RMB'000
At 1 January 2009	
Cost	7,402,042
Accumulated amortisation	(1,186,190)
Net book amount	6,215,852
Year ended 31 December 2009	
Opening net book amount	6,215,852
Additions	18,909
Amortisation	(192,580)
Disposal	(130,749)
Impairment	(151,863)
Acquisition of a subsidiary	566,210
Disposal of a subsidiary *(Note 20(a))*	(6,325,779)
Closing net book amount	—
At 1 January 2010 and 31 December 2010	
Cost	—
Accumulated amortisation	—
Net book amount	—
Year ended 31 December 2010	
Opening and closing net book amount	—

16 PROPERTY, PLANT AND EQUIPMENT

(a) Group

	Buildings RMB'000	Land RMB'000	Construction in progress RMB'000	Leasehold improvements, furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
At 1 January 2009						
Cost	586,346	448,700	88,733	164,102	63,888	1,351,769
Accumulated depreciation and impairment	(197,021)	(163,459)	—	(105,820)	(41,589)	(507,889)
Net book amount	389,325	285,241	88,733	58,282	22,299	843,880
Opening net book amount at 1 January 2009,as previously reported	389,325	—	88,733	58,282	22,299	558,639
Effect of adoption of HKAS 17 (Amendment) *(Note 2.1)*	—	285,241	—	—	—	285,241
Opening net book amount at 1 January 2009, as restated	389,325	285,241	88,733	58,282	22,299	843,880
Exchange differences	(5,788)	(368)	(415)	(46)	(12)	(6,629)
Additions	13,447	—	255,421	16,431	8,517	293,816
Disposals	(4,485)	(586)	—	(1,649)	(730)	(7,450)
Transfer from properties under development	—	—	546,261	—	—	546,261
Acquisition of a subsidiary	—	—	—	28,587	320	28,907
Disposal of a subsidiary *(Note 20(a))*	(8,573)	—	—	(48,658)	(5,001)	(62,232)
Depreciation – continuing operations	(29,092)	(2,905)	—	(8,428)	(5,624)	(46,049)
Depreciation – discontinued operations	(593)	—	—	(5,324)	(755)	(6,672)
Impairment in continuing operations	(4,165)	—	—	—	—	(4,165)
Closing net book amount	350,076	281,382	890,000	39,195	19,014	1,579,667
At 31 December 2009						
Cost	571,286	447,401	890,000	118,071	60,878	2,087,636
Accumulated depreciation and impairment	(221,210)	(166,019)	—	(78,876)	(41,864)	(507,969)
Net book amount	350,076	281,382	890,000	39,195	19,014	1,579,667

16 PROPERTY, PLANT AND EQUIPMENT (continued)

(a) Group (continued)

	Buildings RMB'000	Land RMB'000	Construction in progress RMB'000	Leasehold improvements, furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Opening net book amount at 1 January 2010, as previously reported	350,076	—	890,000	39,195	19,014	1,298,285
Effect of adoption of HKAS 17 (Amendment)	—	281,382	—	—	—	281,382
Opening net book amount at 1 January 2010, as restated	350,076	281,382	890,000	39,195	19,014	1,579,667
Exchange differences	(2,025)	(9,421)	—	(272)	(22)	(11,740)
Additions	6,162	—	710,373	12,426	5,939	734,900
Disposals	(1,777)	—	—	(3,590)	(122)	(5,489)
Disposal of a subsidiary *(Note 20(b))*	—	—	—	(13,230)	(451)	(13,681)
Depreciation	(32,492)	(1,958)	—	(5,799)	(9,068)	(49,317)
Impairment	(34,664)	—	—	—	—	(34,664)
Closing net book amount	285,280	270,003	1,600,373	28,730	15,290	2,199,676
At 31 December 2010						
Cost	536,714	432,119	1,600,373	87,840	61,318	2,718,364
Accumulated depreciation and impairment	(251,434)	(162,116)	—	(59,110)	(46,028)	(518,688)
Net book amount	285,280	270,003	1,600,373	28,730	15,290	2,199,676

16 PROPERTY, PLANT AND EQUIPMENT (continued)

(b) Company

	Buildings RMB'000	Leasehold improvements, furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
At 1 January 2009				
Cost	13,769	1,544	6,642	21,955
Accumulated depreciation	(5,493)	(982)	(2,442)	(8,917)
Net book amount	8,276	562	4,200	13,038
Year ended 31 December 2009				
Opening net book amount	8,276	562	4,200	13,038
Additions	—	450	801	1,251
Disposal	—	(1)	—	(1)
Depreciation	(275)	(252)	(2,289)	(2,816)
Closing net book amount	8,001	759	2,712	11,472
At 31 December 2009				
Cost	13,747	1,921	7,431	23,099
Accumulated depreciation	(5,746)	(1,162)	(4,719)	(11,627)
Net book amount	8,001	759	2,712	11,472
Year ended 31 December 2010				
Opening net book amount	**8,001**	**759**	**2,712**	**11,472**
Additions	—	**805**	—	**805**
Disposal	—	**(20)**	—	**(20)**
Depreciation	**(258)**	**(326)**	**(1,911)**	**(2,495)**
Closing net book amount	**7,743**	**1,218**	**801**	**9,762**
At 31 December 2010				
Cost	**13,747**	**2,310**	**7,431**	**23,488**
Accumulated depreciation	**(6,004)**	**(1,092)**	**(6,630)**	**(13,726)**
Net book amount	**7,743**	**1,218**	**801**	**9,762**

Property, plant and equipment of the Group with an aggregate carrying amount of RMB2,033 million (2009: RMB1,052 million) were pledged as collateral for the Group's bank borrowings (Note 44).

17 INVESTMENT PROPERTIES

(a) Group

	2010 RMB'000	2009 RMB'000
Beginning of the year	**7,489,527**	5,241,876
Exchange differences	**(15,355)**	(542)
Additions	**716,121**	37,146
Transfer from properties held for sale, properties under development, land use rights	**—**	2,128,445
Disposals	**(816,908)**	(185,300)
Disposal of a subsidiary *(Note 20(a))*	**—**	(7,748)
Fair value gains	**258,690**	275,650
End of the year	**7,632,075**	7,489,527

(b) Company

	2010 RMB'000	2009 RMB'000
Beginning of the year	**15,233**	10,971
Fair value gains	**173**	4,283
Exchange difference	**(3)**	(21)
End of the year	**15,403**	15,233

The investment properties were revalued at 31 December 2010 on an open market value basis by an independent firm of professional qualified surveyors, Greater China Appraisal Limited, employed by the Group. Valuations were performed using discounted cash flow projections based on estimates of future cash flows derived from the terms of any existing leases and other contracts and from external evidence such as current market rents for similar properties in the same location and condition, using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

As at 31 December 2010, investment properties with an aggregate net book amount of RMB5,876 million (2009: RMB4,548 million) were pledged as collateral for the Group's bank borrowings (Note 44).

17 INVESTMENT PROPERTIES (continued)

The Group's and the Company's interests in investment properties at their net book values are analysed as follows:

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
In Hong Kong:				
Leases of between 10 to 50 years	**369,004**	390,823	**—**	—
Leases of over 50 years	**140,774**	134,014	**15,403**	15,233
Outside Hong Kong (Note):				
Leases or land use rights of between 10 to 50 years	**7,122,297**	6,964,690	**—**	—
	7,632,075	7,489,527	**15,403**	15,233

Note: Properties outside Hong Kong mainly comprise properties located in China.

18 LAND USE RIGHTS

The Group's interests in land use rights represent prepaid operating lease payments and their net book values are analysed as follows:

	2010	2009
	RMB'000	RMB'000
Beginning of the year, as previously reported	**11,612,752**	9,993,074
Effect of adoption of HKAS 17 (Amendment) *(Note 2.1)*	**(1,014,944)**	(1,003,680)
Effect of voluntary change in accounting policy *(Note 2.1)*	**(10,045,294)**	(8,687,195)
Beginning of the year, as restated	**552,514**	302,199
Additions	**9,463**	—
Transfer from properties under development	**—**	262,248
Disposal of subsidiary *(Note 20(a))*	**—**	(571)
Amortisation	**(14,864)**	(11,362)
End of the year	**547,113**	552,514

18 LAND USE RIGHTS (continued)

	31 December 2010 RMB'000	31 December 2009 RMB'000	1 January 2009 RMB'000
Analysed as:			
Non-current, in China	**547,113**	552,514	302,199

The Group's land use rights at their net book values are analysed as follows:

	31 December 2010 RMB'000	31 December 2009 RMB'000	1 January 2009 RMB'000
In China:			
Land use rights of between 10 to 50 years	**547,113**	552,514	302,199

Land use rights with an aggregate net book amount of nil (2009: RMB483 million) as at 31 December 2010 were pledged as collateral for the Group's bank borrowings (Note 44).

19 INTERESTS IN SUBSIDIARIES

		Company	
	31 December 2010 RMB'000	31 December 2009 RMB'000	1 January 2009 RMB'000
Investments in unlisted shares, at cost	**59,714**	59,714	59,714
Amounts due from subsidiaries *(Note (a))*	**14,111,966**	10,914,302	12,233,922
	14,171,680	10,974,016	12,293,636
Amounts due to subsidiaries *(Note (b))*	**(28,697)**	(32,814)	(32,820)

19 INTERESTS IN SUBSIDIARIES (continued)

(a) The amounts due from subsidiaries are unsecured and not repayable within one year. Except for a total amount of approximately RMB12,012 million (2009: approximately RMB8,983 million) which are interest free, all amounts due from subsidiaries are interest bearing at 2.5 to 5.5 percent (2009: 2.5 to 5.5 percent) per annum.

The balances as at 31 December 2010 and 2009 were not in default or impaired.

The amounts due from subsidiaries are denominated in the following currencies:

	Company		
	31 December 2010 RMB'000	31 December 2009 RMB'000	1 January 2009 RMB'000
HKD	**4,177,853**	4,623,641	6,749,214
RMB	**9,934,113**	6,028,046	5,221,839
Others	**—**	262,615	262,869
	14,111,966	10,914,302	12,233,922

(b) The amounts due to subsidiaries are interest free, unsecured and repayable on demand.

The amounts due to subsidiaries are denominated in the following currencies:

	Company		
	31 December 2010 RMB'000	31 December 2009 RMB'000	1 January 2009 RMB'000
HKD	**—**	33	38
RMB	**28,697**	32,781	32,782
	28,697	32,814	32,820

(c) Details of the principal subsidiaries of the Group as at 31 December 2010 are set out on pages 146 to 152.

20 DISPOSALS OF SUBSIDIARIES

(a) Disposal of Transport

On 26 November 2009, the Group disposed of the entire equity interest of 45.28% in Transport, a subsidiary of the Group by way of share distribution and share offer. Pursuant to the share distribution arrangement, the Company declared a special dividend that was effected by way of a distribution in specie of Transport shares to the shareholders with a cash alternative. Pursuant to the share offer arrangement, the Company made an offer for sale of all the remaining Transport shares held by it to the shareholders in proportion to their shareholdings. Yue Xiu Enterprises (Holdings) Limited ("YXE"), a substantial shareholder of the Company, is the underwriter of the share offer.

Loss for the year from discontinued operation of Transport comprised:

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

20 DISPOSALS OF SUBSIDIARIES (continued)

(a) Disposal of Transport (continued)

(i) Details of the assets and liabilities of Transport disposed of and the loss on disposal are as follows:

	2009 RMB'000
Assets and liabilities disposed of:	
Intangible operating rights	6,325,779
Property, plant and equipment	62,232
Investment properties	7,748
Land use rights	571
Interests in jointly controlled entities	294,217
Interests in associated entities	1,777,076
Goodwill	145,540
Available-for-sale financial assets	130,081
Other non-current assets	171,115
Trade and other receivables	83,405
Cash and cash equivalents	2,240,917
Trade and other payables	(162,891)
Borrowings	(1,249,820)
Taxation payable	(8,204)
Other current liabilities	(83)
Deferred tax liabilities	(763,146)
Non-controlling interests	(5,631,534)
Net assets disposed of	3,423,003
Less: special dividend in specie of Transport shares	(385,641)
Adjusted net assets disposed of	3,037,362
Cash received *(Note)*	1,631,843
Direct costs attributable to the disposal	(19,832)
Less: Adjusted net assets disposed of	(3,037,362)
Add: Release of reserve	20,797
Loss on disposal of a subsidiary	(1,404,554)

Note: Pursuant to the share offer arrangement and underwriting agreement, 478,026,881 shares of Transport were acquired by YXE at a total consideration of approximately RMB1,264 million.

20 DISPOSALS OF SUBSIDIARIES (continued)

(a) Disposal of Transport (continued)

(ii) Outflow of cash arising from disposal of a subsidiary:

	2009 RMB'000
Cash consideration	1,631,843
Direct costs attributable to the disposal	(19,832)
Cash and cash equivalents in the subsidiary disposed of	(2,240,917)
	(628,906)

(iii) Analysis of the result of discontinued operation and the result recognised on the remeasurement of assets of disposal group, are as follows:

	2009 RMB'000
Revenue	872,247
Expenses	(356,023)
Profit before taxation of discontinued operation	516,224
Taxation	(75,368)
Profit from discontinued operation	440,856
Operating cash flows	670,656
Investing cash flows	24,578
Financing cash flows	(528,084)
	167,150

20 DISPOSALS OF SUBSIDIARIES (continued)

(b) Disposal of Guangzhou Homecity Supermarket

On 5 December 2010, the Group entered into an equity transfer agreement for the disposal of the entire equity interest of 98.126% in Guangzhou City Construction & Development Homecity Supermarket Ltd. ("Guangzhou Homecity Supermarket") to an independent third party by way of cash consideration of RMB36,699,000.

(i) Details of the assets and liabilities of Guangzhou Homecity Supermarket disposed of and the gain on disposal are as follows:

	2010 RMB'000
Assets and liabilities disposed of:	
Property, plant and equipment	13,681
Deferred tax assets	1,441
Inventories	45,779
Other receivables, prepayments and deposits	18,413
Cash and cash equivalents	48,583
Trade and other payables	(119,894)
Taxation payable	(2,467)
Non-controlling interests	(472)
Net assets disposed of	5,064
Cash received	36,699
Direct costs attributable to the disposal	(596)
Less: Net assets disposed of	(5,064)
Shareholder's loan	(25,630)
Add: release of reserve	920
Gain on disposal of a subsidiary	6,329

(ii) Outflow of cash arising from disposal of a subsidiary:

	2010 RMB'000
Cash consideration	36,699
Direct costs attributable to the disposal	(596)
Cash and cash equivalents in the subsidiary disposed of	(48,583)
	(12,480)

21 GAIN ON SALES OF INVESTMENT PROPERTIES

During the year, the Group disposed of certain investment properties with total sales proceeds of approximately RMB1,345 million (2009: RMB236 million) resulting in a total net gain of approximately RMB469 million (2009: RMB39 million).

22 INTERESTS IN JOINTLY CONTROLLED ENTITIES

	Group		
	31 December 2010 RMB'000	31 December 2009 RMB'000	1 January 2009 RMB'000
Share of net assets, as previously reported	**56,313**	33,190	272,618
Effect of voluntary change in accounting policy *(Note 2.1)*	**5,679**	5,372	5,065
Share of net assets , as restated	**61,992**	38,562	277,683
Amounts due from jointly controlled entities *(Note 45(c))*	**80,365**	163,957	163,403
Less: provision for impairment of amounts due from jointly controlled entities	**(32,068)**	(32,068)	(31,068)
	110,289	170,451	410,018
Amounts due to jointly controlled entities *(Note 45(c))*	**(155,489)**	(130,564)	(136,673)

22 INTERESTS IN JOINTLY CONTROLLED ENTITIES (continued)

The Group's interests in its jointly controlled entities, all of which are unlisted, are as follows:

	31 December 2010 RMB'000	31 December 2009 RMB'000	1 January 2009 RMB'000
Revenue	**121,707**	29	45
Expenses	**(98,277)**	(1,467)	(759)
Profit/(loss) for the year	**23,430**	(1,438)	(714)
Assets:			
Non-current assets	**1,760**	1,690	972,697
Current assets	**113,956**	129,946	164,436
	115,716	131,636	1,137,133
Liabilities:			
Non-current liabilities	**—**	(47,782)	(684,362)
Current liabilities	**(53,724)**	(45,292)	(175,088)
	(53,724)	(93,074)	(859,450)
Net assets	**61,992**	38,562	277,683

Details of the Group's jointly controlled entities as at 31 December 2010 are set out on page 153.

The Group's jointly controlled entities did not have any significant capital commitments at 31 December 2010 (31 December 2009: Nil; 1 January 2009: Nil).

23 INTERESTS IN ASSOCIATED ENTITIES

	Group		
	31 December 2010 RMB'000	31 December 2009 RMB'000	1 January 2009 RMB'000
Share of net assets, as previously reported	**1,549,866**	1,466,095	3,277,448
Effect of voluntary change in accounting policy *(Note 2.1)*	**186**	315	344
Share of net assets , as restated	**1,550,052**	1,466,410	3,277,792
Loans receivable from associated entities	**—**	—	1,740
Amounts due from associated entities *(Note 45(c))*	**58,602**	60,613	60,709
	1,608,654	1,527,023	3,340,241
Amounts due to associated entities *(Note 45(c))*	**(141,324)**	(118,848)	(98,905)

All the interests in associated entities held by the Group are unlisted except for an investment in an associated entity with a carrying value of approximately RMB1,423 million (31 December 2009: RMB1,281 million; 1 January 2009: RMB1,269 million) which is listed on The Stock Exchange. The fair value of the interests in this associated entity amounted to approximately RMB1,401 million as at 31 December 2010 (31 December 2009: RMB982 million; 1 January 2009: RMB599 million).

The Group's interests in its associated entities are as follows:

	31 December 2010 RMB'000	31 December 2009 RMB'000	1 January 2009 RMB'000
Revenue	**190,659**	191,501	164,967
Profit after tax	**232,066**	108,574	80,981
Assets	**2,425,385**	2,295,381	5,588,616
Liabilities	**(875,333)**	(828,971)	(2,310,824)
Net assets	**1,550,052**	1,466,410	3,277,792

Details of the Group's associated entities as at 31 December 2010 are set out on page 153.

The Group's associated entities did not have any significant capital commitments at 31 December 2010 (31 December 2009: Nil; 1 January 2009: Nil).

24 GOODWILL

	Group	
	2010	2009
	RMB'000	RMB'000
Beginning of the year	—	111,114
Acquisition of a subsidiary	—	37,461
Exchange differences	—	(168)
Impairment losses	—	(2,867)
Disposal of a subsidiary *(Note 20(a))*	—	(145,540)
End of the year	—	—

As at 31 December 2009, goodwill was fully reversed mainly due to the disposal of GZI Transport Limited, a subsidiary of the Group.

25 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2010	2009
	RMB'000	RMB'000
Beginning of the year	**1,082,483**	861,596
Additions	**760**	1,196
Disposals	**(7,989)**	—
Increase in fair value	**79,346**	349,772
Disposal of a subsidiary *(Note 20(a))*	—	(130,081)
End of the year	**1,154,600**	1,082,483

Available-for-sale financial assets represent unlisted securities in companies located in China without external credit ratings.

26 PROPERTIES UNDER DEVELOPMENT

	Group		
	31 December 2010 RMB'000	31 December 2009 RMB'000	1 January 2009 RMB'000
Properties under development	**17,305,880**	15,112,096	14,638,679

The properties under development are mainly located in China.

As at 31 December 2010, the Group's properties under development of approximately RMB8,002 million (2009: RMB5,238 million) were pledged as collateral for the Group's bank borrowings (Note 44).

27 PROPERTIES HELD FOR SALE

	Group		
	31 December 2010 RMB'000	31 December 2009 RMB'000	1 January 2009 RMB'000
Properties held for sale	**2,621,017**	902,225	611,820

The properties held for sale are mainly located in China.

As at 31 December 2010, the Group's properties held for sale of nil (2009: RMB7 million) respectively were pledged as collateral for the Group's bank borrowings (Note 44).

28 COMMITMENTS UNDER OPERATING LEASES

(a) The Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	Group	
	2010	2009
	RMB'000	RMB'000
Not later than one year	**10,831**	100,772
Later than one year and not later than five years	**11,737**	25,778
Later than five years	**108**	50,058
	22,676	176,608

(b) Other commitments

Commitment in respect of properties under development

	Group	
	2010	2009
	RMB'000	RMB'000
Contracted but not provided for	**3,145,000**	2,656,000

Included in this amount were commitments relating to certain land use rights in China ranging from 50 to 75 years for which ownership certificates have not yet been obtained. As at 31 December 2010, total consideration for these land use rights amounted to approximately RMB8,894 million (2009: RMB4,032 million) for which the Group has prepaid approximately RMB5,749 million (2009: RMB1,376 million).

29 INVENTORIES

	Group		
	31 December 2010	31 December 2009	1 January 2009
	RMB'000	RMB'000	RMB'000
Raw materials	**105**	422	258
Work-in-progress	**46,371**	48,646	50,479
Finished goods	**1,371**	41,871	42,494
	47,847	90,939	93,231

The cost of inventories recognised as expense and included in "cost of sales" for continuing operations amounted to approximately of RMB523,777,000 (2009: RMB505,235,000).

30 TRADE RECEIVABLES, OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	Group		
	31 December 2010 RMB'000	31 December 2009 RMB'000	1 January 2009 RMB'000
Trade receivables	**75,947**	118,956	137,480
Less: provision for impairment of trade receivables	**(65,906)**	(65,906)	(78,472)
	10,041	53,050	59,008

The fair values of trade and other receivables approximate their carrying amounts.

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

	Group		
	31 December 2010 RMB'000	31 December 2009 RMB'000	1 January 2009 RMB'000
0 - 30 days	**6,740**	24,264	31,206
31 - 90 days	**40**	11,965	5,486
91 - 180 days	**63**	2,609	475
181 - 365 days	**—**	15	13
Over 1 year	**69,104**	80,103	100,300
	75,947	118,956	137,480

As at 31 December 2010, trade receivables of approximately RMB 6,780,000 (2009: RMB 36,229,000) were fully performing.

30 TRADE RECEIVABLES, OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS (continued)

As at 31 December 2010, trade receivables of approximately RMB3,261,000 (2009: RMB16,821,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables from the due date is as follows:

	Group		
	31 December 2010 RMB'000	31 December 2009 RMB'000	1 January 2009 RMB'000
Up to 3 months	**63**	2,609	475
Over 3 months	**3,198**	14,212	21,842
	3,261	16,821	22,317

As at 31 December 2010, trade receivables of approximately RMB65,906,000 (2009: RMB65,906,000) were impaired. The amount of the provision was RMB65,906,000 as at 31 December 2010 (2009: RMB65,906,000). The individual impaired receivables mainly relate to customers, which are in unexpected difficult economic situations. The ageing of these receivables from the due date is as follows:

	Group		
	31 December 2010 RMB'000	31 December 2009 RMB'000	1 January 2009 RMB'000
Over 3 months	**65,906**	65,906	78,472

Movements in the provision for impairment of trade receivables are as follows:

	Group	
	2010 RMB'000	2009 RMB'000
Beginning of the year	**65,906**	78,472
Reversal of impairment in continuing operations *(Note 6)*	—	(12,466)
Exchange differences	—	(100)
End of the year	**65,906**	65,906

The creation and release of provision for impaired receivables have been included in administrative expenses in the consolidated income statement.

As at 31 December 2010, other receivables, prepayments and deposits do not contain impaired assets (2009: nil).

The Group's trade receivables are denominated in RMB.

31 CHARGED BANK DEPOSITS

In accordance with relevant documents issued by local State-Owned Land and Resource Bureau, certain property development companies of the Group are required to place in designated bank accounts certain amount of pre-sale proceeds of properties as guarantee deposits for constructions of related properties. The deposits can only be used for purchase of construction materials and settlement of construction fees of the relevant property projects. Such guarantee deposits will only be released after completion of related pre-sold properties or issuance of the real estate ownership certificate, whichever is the earlier.

32 CASH AND CASH EQUIVALENTS

	Group			**Company**		
	31 December 2010 RMB'000	31 December 2009 RMB'000	1 January 2009 RMB'000	**31 December 2010 RMB'000**	31 December 2009 RMB'000	1 January 2009 RMB'000
Cash at bank	**4,964,464**	4,250,653	1,409,738	**299,776**	940,188	148,550
Short-term bank deposits	**1,486,613**	77,262	1,673,867	**1,461,135**	51,564	57,464
	6,451,077	4,327,915	3,083,605	**1,760,911**	991,752	206,014

Cash and cash equivalents are denominated in the following currencies:

	Group			**Company**		
	31 December 2010 RMB'000	31 December 2009 RMB'000	1 January 2009 RMB'000	**31 December 2010 RMB'000**	31 December 2009 RMB'000	1 January 2009 RMB'000
HKD	**1,903,565**	1,043,860	1,814,674	**1,752,677**	939,069	147,103
RMB	**4,524,942**	3,229,967	1,050,214	**8**	73	79
United States dollar	**20,568**	52,280	217,061	**7,240**	51,837	57,612
Others	**2,002**	1,808	1,656	**986**	773	1,220
	6,451,077	4,327,915	3,083,605	**1,760,911**	991,752	206,014

The Group's RMB balances are placed with banks in China. The conversion of these RMB denominated balances into foreign currencies in China is subject to rules and regulations of foreign exchange control promulgated by the Chinese Government.

The average effective interest rate on short-term bank deposits was 0.5 percent (2009: 0.1 percent).

The Group's bank deposits are mainly placed with major state-owned financial institutions.

33 TRADE AND NOTE PAYABLES

The fair values of trade and note payables approximate their carrying amounts.

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

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

Majority of the Group's trade and note payables are denominated in RMB.

34 OTHER PAYABLES AND ACCRUED CHARGES

	Group		
	31 December 2010 RMB'000	31 December 2009 RMB'000	1 January 2009 RMB'000
Accrual for construction related costs	**3,264,179**	2,764,136	2,815,640
Accrued employee benefits costs	**136,400**	129,337	153,834
Amounts due to related parties	**376,915**	328,441	318,378
Other payables	**855,861**	740,461	1,026,360
	4,633,355	3,962,375	4,314,212

35 BORROWINGS

	Group			Company		
	31 December 2010 RMB'000	31 December 2009 RMB'000	1 January 2009 RMB'000	**31 December 2010 RMB'000**	31 December 2009 RMB'000	1 January 2009 RMB'000
Non-current						
Long-term bank borrowings						
– Secured	**9,552,216**	8,048,952	2,339,900	**2,691,657**	1,901,951	—
– Unsecured	**2,101,401**	2,606,850	1,217,000	**1,190,402**	1,496,850	—
Obligations under finance leases	**103**	84	40	**103**	84	40
Loans from a related company *(Note 45(c))*	**48,940**	50,028	49,528	**48,940**	50,028	49,528
Loans from minority shareholders of subsidiaries	**—**	—	313,269	**—**	—	—
	11,702,660	10,705,914	3,919,737	**3,931,102**	3,448,913	49,568
Current						
Bank overdrafts	**213**	404	359	**—**	—	—
Short-term bank borrowings						
– Secured	**270,000**	70,000	140,000	**—**	—	—
– Unsecured	**2,699,811**	610,043	50,000	**339,811**	—	—
Current portion of long-term bank borrowings						
– Secured	**825,000**	770,000	2,965,825	**—**	—	1,937,974
– Unsecured	**2,238,611**	437,000	1,867,117	**593,611**	330,043	1,697,118
Obligations under finance leases	**51**	25	26	**51**	25	27
	6,033,686	1,887,472	5,023,327	**933,473**	330,068	3,635,119
Total borrowings	**17,736,346**	12,593,386	8,943,064	**4,864,575**	3,778,981	3,684,687

35 BORROWINGS (continued)

The maturity of borrowings is as follows:

Group

	Bank borrowings and overdrafts			Other loans		
	31 December 2010 RMB'000	31 December 2009 RMB'000	1 January 2009 RMB'000	**31 December 2010 RMB'000**	31 December 2009 RMB'000	1 January 2009 RMB'000
Within one year	**6,033,635**	1,887,447	5,023,301	**51**	25	26
In the second year	**7,280,033**	2,467,420	1,386,899	**38**	21	26
In the third to fifth year	**1,373,584**	5,698,382	1,180,001	**49,005**	50,091	49,542
Over five years	**3,000,000**	2,490,000	990,000	**—**	—	—
With no fixed repayment terms *(Note (i))*	**—**	—	—	**—**	—	313,269
	17,687,252	12,543,249	8,580,201	**49,094**	50,137	362,863

Note:

(i) As at 1 January 2009, the carrying amounts of the interest free loans from minority shareholders of subsidiaries approximate their fair values which are calculated based on cash flows discounted using a rate of 5.31 percent per annum.

Company

	Bank borrowings and overdrafts			Other loans		
	31 December 2010 RMB'000	31 December 2009 RMB'000	1 January 2009 RMB'000	**31 December 2010 RMB'000**	31 December 2009 RMB'000	1 January 2009 RMB'000
Within one year	**933,422**	330,043	3,635,092	**51**	25	27
In the second year	**3,542,035**	597,420	—	**38**	21	26
In the third to fifth year	**340,024**	2,801,381	—	**49,005**	50,091	49,542
	4,815,481	3,728,844	3,635,092	**49,094**	50,137	49,595

35 BORROWINGS (continued)

The effective interest rates at the balance sheet date were as follows:

	2010		2009	
	HK$	**RMB**	HK$	RMB
Bank overdrafts	**4.08%**	**—**	3.43%	—
Bank borrowings	**2.38%**	**6.18%**	0.95%	6.54%
Other loans	**1.20%**	**—**	1.16%	—

The carrying amounts of the borrowings are denominated in the following currencies:

	Group			Company		
	31 December 2010 RMB'000	31 December 2009 RMB'000	1 January 2009 RMB'000	**31 December 2010 RMB'000**	31 December 2009 RMB'000	1 January 2009 RMB'000
HKD	**4,864,788**	3,779,385	3,685,046	**4,864,575**	3,778,981	3,684,687
RMB	**12,871,558**	8,814,001	5,258,018	**—**	—	—
	17,736,346	12,593,386	8,943,064	**4,864,575**	3,778,981	3,684,687

The fair values of borrowings approximate their carrying amounts.

36 SHARE CAPITAL AND SHARE PREMIUM

	Number of shares ('000)	**Share capital** RMB'000	**Share premium** RMB'000	**Total** RMB'000
At 1 January 2009	7,126,848	667,345	6,118,188	6,785,533
Issue of shares upon exercise of share options (Note 37)	9,734	857	6,124	6,981
Transfer upon exercise of share options	—	—	1,862	1,862
At 31 December 2009	7,136,582	668,202	6,126,174	6,794,376
Issue of shares upon open offer (Note)	2,141,822	182,333	2,740,999	2,923,332
Issue of shares upon exercise of share options (Note 37)	4,359	380	3,157	3,537
Transfer upon exercise of share options	—	—	621	621
At 31 December 2010	9,282,763	850,915	8,870,951	9,721,866

The total authorised number of ordinary shares is 20,000 million shares (2009: 10,000 million shares) with a par value of HK$0.1 per share (2009: HK$0.1 per share). All issued shares are fully paid.

36 SHARE CAPITAL AND SHARE PREMIUM (continued)

Note:

On 14 September 2010, the Company announced that it proposed to raise not less than approximately HK$3,448 million and not more than approximately HK$3,476 million, before expenses, by issuing not less than 2,141,422,774 new shares and not more than 2,159,024,974 new shares by way of open offer at a price of HK$1.61 per offer share in the proportion of 3 offer share for every 10 existing shares held on the record date (i.e. 12 October 2010).

On 3 November 2010, the Company issued and allotted 2,141,822,374 ordinary shares of HK$0.1 each to the existing qualifying shareholders pursuant to the open offer. The net proceeds of the open offer, after deducting the issuing expense amounting to approximately RMB2,923,332,000.

37 SHARE OPTIONS

Movements of share options are as follows:

	Number of share options '000
At 1 January 2009	76,902
Exercised during the year	(9,734)
At 31 December 2009	67,168
At 1 January 2010	**67,168**
Adjusted during the year	**2,219**
Exercised during the year	**(4,359)**
Lapsed during the year	**(7,000)**
At 31 December 2010	**58,028**

Particulars of share options as at 31 December 2010 and 2009 are as follows:

Date of grant	Exercise period	Exercise price HK$	Number of outstanding share options 2010 '000	2009 '000
2 May 2003	2 May 2003 - 1 May 2013	0.3950	**11,291**	10,870
2 June 2003	2 June 2003 - 1 June 2013	0.5400	—	7,000
27 October 2003	27 October 2003 - 26 October 2013	0.7840	**1,703**	1,840
23 December 2003	23 December 2003 - 22 December 2013	0.8140	**9,041**	9,978
23 June 2004	23 June 2004 - 22 June 2014	0.6070	**35,993**	36,360
28 May 2008	28 May 2008 - 27 May 2018	1.5560	—	1,120
			58,028	67,168

Note: Following the issue of shares pursuant to the open offer, the number of and the exercise price of the then outstanding share options were adjusted in accordance with the requirements of Rule 17.03(13) Listing Rules and the supplementary guidance issued by the Stock Exchange on 5 September 2005.

37 SHARE OPTIONS (continued)

On 26 June 2002, the Company adopted a share option scheme, under which it may grant options to employees (including executive directors of the Company) to subscribe for shares in the Company, subject to a maximum of 10 percent of the number of shares in issue as at 26 June 2002. The exercise price will be determined by the Company's Board of Directors and shall at least be the highest of (i) the closing price of the Company's shares on the date of grant of the options, (ii) an average closing price of the Company's shares for the five business days immediately preceding the date of grant of the options, and (iii) the nominal value of the Company's shares.

All (2009: 66,048,000) of the outstanding share options were exercisable.

The fair value of options granted was determined using the Black-Scholes valuation model by an independent valuer, Greater China Appraisal Limited. The significant inputs into the model were share price at the grant date, exercise price, standard deviation of expected share price returns, expected life of options, expected dividend payout rate and annual risk-free rate. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices over a period of one year before the date when the options were granted.

38 RESERVES

(a) Group

	Capital redemption reserve RMB'000	Statutory reserves (Note a) RMB'000	Exchange fluctuation reserve RMB'000	Available-for-sale financial assets fair value reserve RMB'000	Employee share-based compensation reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2010, previously reported	1,699	200,829	(43,782)	662,210	9,114	4,134,015	4,964,085
Effect of adoption of HKAS 17 (Amendment)	—	—	(13)	—	—	350	337
Effect of voluntary change in accounting policy	—	—	—	—	—	316,951	316,951
At 1 January 2010, as restated	1,699	200,829	(43,795)	662,210	9,114	4,451,316	5,281,373
Currency translation differences	—	—	(114,064)	—	—	—	(114,064)
Change in fair value of financial assets							
– gross	—	—	—	74,928	—	—	74,928
– tax	—	—	—	(18,732)	—	—	(18,732)
– effect of withholding tax	—	—	—	(2,388)	—	—	(2,388)
Profit attributable to shareholders	—	—	—	—	—	918,840	918,840
Disposal of a subsidiary	—	(920)	—	—	—	—	(920)
Transfer	—	2,666	—	—	—	(2,666)	—
Employee share options scheme - value of employee services	—	—	—	—	78	—	78
Transfer upon exercise of share options	—	—	—	—	(621)	—	(621)
Transfer upon lapse of share options	—	—	—	—	(1,074)	1,074	—
At 31 December 2010	1,699	202,575	(157,859)	716,018	7,497	5,368,564	6,138,494

38 RESERVES (continued)

(a) Group (continued)

	Capital redemption reserve RMB'000	Statutory reserves (Note a) RMB'000	Exchange fluctuation reserve RMB'000	Asset revaluation reserve RMB'000	Available -for-sale financial assets fair value reserve RMB'000	Employee share -based compen-sation reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2009, previously reported	1,699	206,903	(21,511)	431,768	456,337	10,652	4,941,790	6,027,638
Effect of adoption of HKAS 17 (Amendment)	—	—	(13)	—	—	—	266	253
Effect of voluntary change in accounting policy	—	—	—	—	—	—	310,873	310,873
At 1 January 2009, as restated	1,699	206,903	(21,524)	431,768	456,337	10,652	5,252,929	6,338,764
Currency translation differences	—	—	(22,271)	—	6,762	—	—	(15,509)
Change in fair value of financial assets								
– gross	—	—	—	—	332,282	—	—	332,282
– tax	—	—	—	—	(83,071)	—	—	(83,071)
– effect of withholding tax	—	—	—	—	(29,303)	—	—	(29,303)
Loss attributable to shareholders	—	—	—	—	—	—	(607,264)	(607,264)
Disposal of a subsidiary	—	(14,788)	—	(428,951)	(20,797)	—	443,739	(20,797)
Transfer	—	8,714	—	(2,817)	—	—	(5,897)	—
Employee share options scheme - value of employee services	—	—	—	—	—	324	—	324
Transfer upon exercise of share options	—	—	—	—	—	(1,862)	—	(1,862)
Dividends paid	—	—	—	—	—	—	(632,191)	(632,191)
At 31 December 2009	1,699	200,829	(43,795)	—	662,210	9,114	4,451,316	5,281,373

Note a Statutory reserves represent enterprise expansion and general reserve funds set up by the subsidiaries, jointly controlled entities and associated entities in China. As stipulated by regulations in China, the Company's subsidiaries, jointly controlled entities and associated entities established and operated in China are required to appropriate a portion of their after-tax profits (after offsetting prior year losses) to the enterprise expansion and general reserve funds, at rates determined by their respective boards of directors. According to the Regulations for the Implementation of the Law of The People's Republic of China on Joint Ventures Using Chinese and Foreign Investment, upon approval, the general reserve funds may be used for making up losses and increasing capital while the enterprise expansion funds may be used for increasing capital only.

38 RESERVES (continued)

(b) Company

	Capital redemption reserve RMB'000	Employee share-based compensation reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2010	**1,699**	**9,114**	**2,283,974**	**2,294,787**
Employee share options scheme - value of employee services	**—**	**78**	**—**	**78**
Transfer upon exercise of share options	**—**	**(621)**	**—**	**(621)**
Transfer of reserve upon lapse of share options	**—**	**(1,074)**	**1,074**	**—**
Loss for the year	**—**	**—**	**(56,196)**	**(56,196)**
At 31 December 2010	**1,699**	**7,497**	**2,228,852**	**2,238,048**

	Capital redemption reserve RMB'000	Employee share-based compensation reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2009	1,699	10,652	2,403,213	2,415,564
Employee share options scheme - value of employee services	—	324	—	324
Transfer upon exercise of share options	—	(1,862)	—	(1,862)
Profit for the year	—	—	512,952	512,952
Dividends paid	—	—	(632,191)	(632,191)
At 31 December 2009	1,699	9,114	2,283,974	2,294,787

39 DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using the applicable income tax rate.

The movements in the deferred tax liabilities/(assets) account are as follows:

	Group	
	2010	2009
	RMB'000	RMB'000
Beginning of the year, as previously reported	**2,494,678**	2,834,342
Effect of voluntary change in accounting policy *(Note 2.1)*	**197,046**	192,646
Beginning of the year, as restated	**2,691,724**	3,026,988
Deferred taxation charged to consolidated income statement		
– continuing operations *(Note 9(d))*	**652,739**	270,413
– discontinued operation	**—**	9,401
Acquisition of a subsidiary	**—**	33,789
Disposal of a subsidiary *(Note 20(a),(b))*	**1,441**	(763,146)
Deferred taxation charged to equity	**22,225**	116,723
Exchange differences	**(1,907)**	(2,444)
End of the year	**3,366,222**	2,691,724

39 DEFERRED TAXATION (continued)

The movements in deferred tax assets (prior to offsetting of balances within the same taxation jurisdiction) during the year are as follows:

	Group				
	Different bases in reporting expenses with tax authorities RMB'000	Provision for impairment of properties RMB'000	Tax losses RMB'000	Others RMB'000	Total RMB'000
At 1 January 2010, as previously reported	**326,704**	**6,110**	**25,750**	—	**358,564**
Effect of voluntary change in accounting policy	**(49,982)**	—	—	—	**(49,982)**
At 1 January 2010, as restated	**276,722**	**6,110**	**25,750**	—	**308,582**
Exchange differences	**559**	—	**(77)**	—	**482**
Charged to income statement					
– continuing operations	**(21,193)**	**(6,110)**	**(3,258)**	—	**(30,561)**
Disposal of a subsidiary	**(1,441)**	—	—	—	**(1,441)**
At 31 December 2010	**254,647**	—	**22,415**	—	**277,062**
At 1 January 2009, as previously reported	282,271	6,902	27,034	9,573	325,780
Effect of voluntary change in accounting policy	(57,269)	—	—	—	(57,269)
At 1 January 2009, as restated	225,002	6,902	27,034	9,573	268,511
Exchange differences	2,060	—	(7)	108	2,161
Credited/(charged) to income statement					
– continuing operations	49,660	(792)	(1,277)	(9,681)	37,910
At 31 December 2009	276,722	6,110	25,750	—	308,582

39 DEFERRED TAXATION (continued)

The movements in deferred tax liabilities (prior to offsetting of balances within the same jurisdiction), during the year are as follows:

	Group							
	Revaluation of properties RMB'000	Accelerated depreciation RMB'000	Fair value gain on interest in a toll highway arising from acquisition of a subsidiary RMB'000	Revaluation of investments RMB'000	Different bases in reporting revenue with tax authorities RMB'000	Others RMB'000	Undistributed profits of subsidiaries, jointly controlled entities and associated entities RMB'000	Total RMB'000
At 1 January 2010, as previously stated	**1,647,134**	**64,595**	**—**	**244,298**	**707,676**	**15,428**	**174,111**	**2,853,242**
Effect of voluntary change in accounting policy	**82,360**	**—**	**—**	**—**	**51,418**	**—**	**13,286**	**147,064**
At 1 January 2010, as restated	**1,729,494**	**64,595**	**—**	**244,298**	**759,094**	**15,428**	**187,397**	**3,000,306**
Exchange differences	**—**	**(1,358)**	**—**	**(67)**	**—**	**—**	**—**	**(1,425)**
(Credited)/charged to income statement								
– continuing operations	**(567,453)**	**1,232**	**—**	**—**	**1,155,193**	**1,567**	**31,639**	**622,178**
Charged to reserves	**—**	**—**	**—**	**19,837**	**—**	**—**	**2,388**	**22,225**
At 31 December 2010	**1,162,041**	**64,469**	**—**	**264,068**	**1,914,287**	**16,995**	**221,424**	**3,643,284**
At 1 January 2009, as previously reported	1,814,800	208,256	538,188	166,824	397,728	7,957	26,369	3,160,122
Effect of voluntary change in accounting policy	79,987	—	—	—	42,150	—	13,240	135,377
At 1 January 2009, as restated	1,894,787	208,256	538,188	166,824	439,878	7,957	39,609	3,295,499
Exchange differences	—	(176)	(427)	362	—	(19)	(23)	(283)
(Credited)/charged to income statement								
– continuing operations	(165,293)	—	—	2,033	319,216	7,490	144,877	308,323
– discontinued operations	—	(6,478)	(8,539)	—	—	—	24,418	9,401
Disposal of a subsidiary	—	(137,007)	(563,011)	(12,364)	—	—	(50,764)	(763,146)
Charged to reserves	—	—	—	87,443	—	—	29,280	116,723
Acquisition of a subsidiary	—	—	33,789	—	—	—	—	33,789
At 31 December 2009	1,729,494	64,595	—	244,298	759,094	15,428	187,397	3,000,306

39 DEFERRED TAXATION (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown on the consolidated balance sheet:

	Group		
	31 December 2010 RMB'000	31 December 2009 RMB'000	1 January 2009 RMB'000
Deferred tax assets			
– Hong Kong profits tax	**21,665**	9,388	10,835
– China enterprise income tax	**22,551**	31,922	39,321
	44,216	41,310	50,156
Deferred tax liabilities			
– Hong Kong profits tax	**39,781**	40,216	38,342
– China enterprise income tax	**2,006,125**	1,812,555	2,106,343
– China land appreciation tax	**1,364,532**	880,263	932,455
	3,410,438	2,733,034	3,077,140

Deferred tax assets are recognised for tax losses carried forward and revaluation of properties to the extent that realisation of the related tax benefits through future taxation profits is probable. As at 31 December 2010, the Group had unrecognised deferred tax benefits of approximately RMB554 million (2009: RMB616 million) in respect of tax losses of approximately RMB3,360 million (2009: RMB3,730 million) and unrecognised deferred tax benefits of approximately RMB35 million (2009: RMB36 million) in respect of provision for impairment of properties of approximately RMB214 million (2009: RMB221 million) for Hong Kong profits tax purposes with no expiry date.

40 NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of operating profit to net cash (used in)/generated from operations:

	2010	2009
	RMB'000	RMB'000
Operating profit	**1,801,246**	1,244,074
Depreciation and amortisation	**64,181**	57,411
Loss on disposal of property, plant and equipment	**318**	538
Provision for impairment of property, plant and equipment	**34,664**	4,165
Gain on sales of investment properties	**(469,326)**	(39,285)
Fair value gains on revaluation of investment properties	**(258,690)**	(275,650)
Net increase in properties under development, properties held for sale, land use rights	**(8,659,354)**	(3,108,898)
Gain on disposal of a subsidiary	**(6,329)**	—
Write-off of bad debts	**—**	1,143
Loss on disposal of available-for-sale financial assets	**119**	—
Reversal of provision for trade receivables	**—**	(12,466)
Employee share option scheme	**78**	324
(Increase)/decrease in inventories	**(2,687)**	2,292
Net increase in trade receivables, other receivables, prepayments and deposits	**(2,757,568)**	(171,644)
Net increase in trade and note payables, other payables and accrued charges	**4,571,431**	1,812,695
Net movement in balances with related companies	**(596)**	(2,825)
Net exchange difference for working capital	**12,899**	(182,037)
Net cash used in continuing operations	**(5,669,614)**	(670,163)
Net cash generated from discontinued operation	**—**	670,656
Net cash (used in)/generated from operations	**(5,669,614)**	493

41 FUTURE MINIMUM RENTAL PAYMENTS RECEIVABLE

At 31 December 2010, the Group and the Company had future minimum rental payments receivable under certain non-cancellable leases as follows:

	Group		**Company**	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Not later than one year	**143,856**	209,424	**—**	84
Later than one year and not later than five years	**293,803**	394,462	**—**	33
Later than five years	**178,407**	81,710	**—**	—
	616,066	685,596	**—**	117

In 2006, the Group entered into a fifteen years' lease agreement with a third party, whereby a property is leased to the third party who acts as the head tenant and operates a shopping mall in the property. In return, the Group is entitled to share a portion of the sub-lease rental income to be received by the third party during the lease period which has been included in the above analysis.

42 OTHER COMMITMENTS

	Group	
	2010	2009
	RMB'000	RMB'000
Capital commitments in respect of property, plant and equipment and investment properties:		
Contracted but not provided for	**1,215,405**	1,629,955
Authorised but not contracted for	**1,027,989**	1,554,921
	2,243,394	3,184,876

At 31 December 2010, the Group had no financial commitments in respect of equity capital to be injected into any jointly controlled entity or associated entity (2009: Nil).

The Company did not have any significant capital commitments at 31 December 2010 (2009: Nil).

43 CONTINGENT LIABILITIES

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Guarantees for mortgage facilities granted to certain property purchasers of the Group's properties *(Note (a))*	**1,923,248**	1,035,067	**—**	—
Guarantees for banking and loan facilities granted to subsidiaries *(Note (b))*	**—**	—	**39,425**	36,422
	1,923,248	1,035,067	**39,425**	36,422

Note:

(a) The Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. Such guarantees shall terminate upon issuance of the relevant property ownership certificates.

(b) The Company provided guarantees in respect of certain banking and loan facilities granted to subsidiaries.

(c) In connection with the disposal of a subsidiary to GZI Real Estate Investment Trust ("GZI REIT") in 2008, the Group entered into a Deed of Indemnity to indemnify GZI REIT against certain liabilities for land premium and deferred taxation with an estimated total amount of approximately RMB63 million (2009: RMB65 million). The Deed of Indemnity will expire on 30 May 2014.

44 SECURITIES FOR BANKING FACILITIES

At 31 December 2010, certain banking facilities and loans granted to the Group and the Company were secured by:

(a) mortgages of certain of the Group's properties under development, properties held for sale, investment properties, property, plant and equipment with aggregate carrying values of approximately RMB8,002 million (2009: RMB5,238 million), nil (2009: RMB7 million), RMB5,876 million (2009: RMB4,548 million) and RMB2,033 million (2009: RMB1,052 million) respectively;

(b) mortgages of certain of the Group's land use rights with an aggregate carrying value of nil (2009: RMB483 million); and

(c) assignment of shareholder's loans between certain companies in the consolidated group with an aggregate amount of approximately RMB4,874 million (2009: RMB2,784 million).

45 SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Related parties

Related parties are those parties which have the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. The table below summarises the names of significant related parties, with whom the Group has significant transactions during the year, and their relationship with the Company as at 31 December 2010:

Significant related parties	Relationship with the Company
Yue Xiu Enterprises (Holdings) Limited	A substantial shareholder
Kiu Fung Limited ("Kiu Fung")	A subsidiary of YXE
Yue Xiu Finance Company Limited ("YXF")	A subsidiary of YXE
Yue Xiu International Development Limited ("YXIDL")	A subsidiary of YXE
Yue Xiu Cold Storage and Warehousing Limited ("YXCSWL")	A subsidiary of YXE
Hi-Watt Battery Industry Company Limited ("HWB")	A subsidiary of YXE
Guangdong Humen Bridge Co., Ltd. ("GHB")	An associated entity disposed of during 2009
GZI Real Estate Investment Trust ("GZI REIT")	An associated entity

45 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(b) Transactions with related parties

Save as disclosed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

	2010 RMB'000	2009 RMB'000
(I) Transactions with YXE		
Rental expenses and property management fees paid to YXE	**(1,878)**	(1,435)
Rental income received from YXE	**84**	126
Service fees paid to YXE	**—**	(529)
(II) Transactions with YXF		
Service fees paid to YXF	**(314)**	(319)
Rental income received from YXF	**—**	42
(III) Transaction with YXIDL		
Loan interest paid to YXIDL	**(586)**	(578)
Advertising expenses paid to YXIDL	**—**	(176)
(IV) Transactions with GZI REIT		
Asset management fees received from GZI REIT	**29,449**	28,375
Tenancy service fees received from GZI REIT	**16,669**	15,959
Rental expenses paid to GZI REIT	**(3,977)**	(3,347)
(V) Transaction with GHB		
Loan interest received from GHB	**—**	15
(VI) Transaction with Kiu Fung		
Management fees received from Kiu Fung	**1,132**	—
(VII) Transaction with YXCSWL		
Rental income received from YXCSWL	**2,598**	2,644
(VIII) Transaction with HWB		
Rental income received from HWB	**699**	1,238

45 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(c) Balances with related parties

		Group	
	Note	**2010** **RMB'000**	2009 RMB'000
Amount due to a substantial shareholder	(i), (iii)	**(75,230)**	(73,561)
Amounts due from associated entities	(i), (v), (vii)	**73,469**	76,165
Amounts due to associated entities	(i), (iii)	**(141,324)**	(118,848)
Amounts due from jointly controlled entities	(i), (iv), (vii)	**48,297**	131,889
Amounts due to jointly controlled entities	(i), (iii)	**(155,489)**	(130,564)
Loan from a related company	(ii), (vi)	**(48,940)**	(50,028)
Amounts due to related companies	(i), (iii)	**(4,872)**	(5,468)

		Company	
	Note	**2010** **RMB'000**	2009 RMB'000
Amount due to a substantial shareholder	(i), (iii)	**(74,913)**	(72,705)
Loan from a related company	(ii), (vi)	**(48,940)**	(50,028)

Except for the amount due to a substantial shareholder, amounts due from associated entities and loans from a related company which are denominated in HKD, all others related party balances are denominated in RMB.

Note:

(i) The balance is unsecured, interest free and repayable on demand.

(ii) The loan balance is unsecured, interest bearing at Hong Kong Interbank Offer Rate plus 1 percent per annum and is not repayable within the next 12 months.

(iii) These balances are included in other receivables, prepayments and deposits or other payables and accrued charges, as appropriate.

(iv) The balance is included in interests in jointly controlled entities.

(v) The balance is included in interests in associated entities except for an amount of approximately RMB14,867,000 (2009: RMB15,552,000) which is included in other receivables, prepayments and deposits.

(vi) The balance is included in long-term borrowings.

(vii) These balances were not in default or impaired, except for a provision for impairment losses of approximately RMB32,068,000 (2009: RMB32,068,000) made for an amount due from a jointly controlled entity.

45 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(d) Key management compensation

The aggregate amounts of emoluments paid or payable to key management of the Group are as follows:

	2010	2009
	RMB'000	RMB'000
Fees	**540**	477
Other emoluments:		
Basis salaries, housing allowances, other allowances and benefits in kind	**39,278**	32,596
Pension costs	**678**	1,228
	40,496	34,301

46 EVENTS AFTER THE BALANCE SHEET DATE

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

Group Structure

PRINCIPAL SUBSIDIARIES

As at 31 December 2010, the Company held shares/interests in the following principal subsidiaries:

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/ registered capital	Effective percentage of attributable interest held by the Company				Principal activities
			2010		2009		
			Direct	**Indirect**	Direct	Indirect	
Able Step Investment Limited	Hong Kong	1 Ordinary share of HK$1 each	—	**100**	—	100	Property investment
Beexiu Industrial (Shenzhen) Co., Ltd.	China, limited liability company	Registered capital RMB7,000,000	—	**100**	—	100	Property development
Bond Master Limited	Hong Kong	1 Ordinary share of HK$1 each	—	**100**	—	100	Property investment
Charm Smart Development Limited	Hong Kong	2 Ordinary shares of HK$1 each	—	**100**	—	100	Property development
Companhia de Fomento Predial Yue Xiu (Macau), Limitada	Macau	1 share of MOP198,000 and 1 share of MOP2,000	—	**100**	—	100	Property development
Companhia de Gestao Imobiliaria Hang Sao, Limitada	Macau	1 share of MOP99,000 and 1 share of MOP1,000	—	**100**	—	100	Property management
Crystal Path Investment Limited	Hong Kong	1 Ordinary share of HK$1 each	—	**100**	—	100	Property investment
Dalian Perfect Base Property Development Co., Ltd.	China, limited liability company	Registered capital US$7,500,000	—	**100**	—	100	Property development
Dragon Yield Holding Limited	British Virgin Islands	1 Ordinary share of US$1 each	**100**	**—**	100	—	Investment holding
Easy Excel Development Limited	Hong Kong	2 Ordinary shares of HK$1 each	—	**100**	—	100	Property investment
Elsburg Limited	Hong Kong	10,000 Ordinary shares of HK$1 each	—	**100**	—	100	Property investment
Fundscore Development Limited	Hong Kong	500,000 Ordinary shares of HK$1 each	—	**100**	—	100	Property investment
Glory Mission Development Limited	Hong Kong	1 Ordinary share of HK$1 each	—	**100**	—	100	Property investment
Green Park Development Limited	Hong Kong	1 Ordinary share of HK$1 each	—	**100**	—	100	Property investment

PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/ registered capital	Effective percentage of attributable interest held by the Company 2010 Direct	2010 Indirect	2009 Direct	2009 Indirect	Principal activities
Guangzhou Bright Growth City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB88,315,800	—	**95**	—	95	Property development
Guangzhou Carry Win City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB28,684,800	—	**95**	—	95	Property development
Guangzhou Central Funds City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB37,236,300	—	**95**	—	95	Property development
Guangzhou Charcon Real Estate Co., Ltd.	China, limited liability company	Registered capital RMB259,670,000	—	**100**	—	100	Property development
Guangzhou Charfar Real Estate Company Limited	China, limited liability company	Registered capital RMB111,450,000	—	**75**	—	75	Property development
Guangzhou Charho Real Estate Company Limited	China, limited liability company	Registered capital US$5,000,000	—	**100**	—	100	Property development
Guangzhou City Construction & Development Co. Ltd.	China, limited liability company	Registered capital RMB1,631,012,700	—	**95**	—	95	Property development
Guangzhou City Construction & Development Consulting Ltd.	China, limited liability company	Registered capital RMB2,145,800	—	**98.13**	—	98.13	Consulting services in property development
Guangzhou City Construction & Development Decoration Ltd.	China, limited liability company	Registered capital RMB35,882,800	—	**98.62**	—	98.62	Decoration and design
Guangzhou City Construction & Development Group Nansha Co. Ltd	China, limited liability company	Registered capital RMB25,000,000	—	**95**	—	95	Property development
Guangzhou City Construction & Development Jingcheng Property Co. Ltd.	China, limited liability company	Registered capital RMB13,712,500	—	**95**	—	95	Property development
Guangzhou City Construction & Development Property Ltd.	China, limited liability company	Registered capital RMB12,994,800	—	**95**	—	95	Property development and investment
Guangzhou City Construction Project Management Co., Ltd.	China, limited liability company	Registered capital RMB8,921,500	—	**65**	—	65	Project management

PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/ registered capital	Effective percentage of attributable interest held by the Company				Principal activities
			2010		2009		
			Direct	**Indirect**	Direct	Indirect	
Guangzhou City Construction & Development Weicheng Enterprise Ltd.	China, limited liability company	Registered capital RMB955,300	—	**80**	—	80	Property investment
Guangzhou City Construction & Development Xingye Property Agent Ltd.	China, limited liability company	Registered capital RMB37,520,000	—	**52**	—	52	Real estate agency
Guangzhou Construction & Development Holdings (China) Limited	British Virgin Islands	1 Ordinary share of US$1 each	**100**	—	100	—	Investment holding
Guangzhou Cowan City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB28,684,800	—	**95**	—	95	Property development
Guangzhou Eastern Growth City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB12,734,400	—	**95**	—	95	Property development
Guangzhou Faithbond City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB16,231,400	—	**95**	—	95	Property development
GZ City Construction & Development Grandcity Parking Property Management Co., Ltd.	China, limited liability company	Registered capital RMB2,730,600	—	**81.26**	—	81.26	Car parking management
Guangzhou Grandcity Development Ltd.	China, limited liability company	Registered capital RMB539,578,600	—	**100**	—	100	Property development
Guangzhou Guangxiu City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB18,287,700	—	**95**	—	95	Property development
Guangzhou Honour City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB16,386,800	—	**95**	—	95	Property development
Guangzhou Investment Finance Company Limited	Hong Kong	2 Ordinary shares of HK$1 each	**100**	—	100	—	Financial services
Guangzhou Keen Asia City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB14,083,200	—	**95**	—	95	Property development
Guangzhou May Hua City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB12,853,900	—	**95**	—	95	Property development

PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/ registered capital	Effective percentage of attributable interest held by the Company 2010 Direct	2010 Indirect	2009 Direct	2009 Indirect	Principal activities
Guangzhou Million Top City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB28,684,800	—	**95**	—	95	Property development
Guangzhou Perfect City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB14,448,600	—	**95**	—	95	Property development
Guangzhou Seaport City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB23,074,600	—	**95**	—	95	Property development
Guangzhou Sincere Land City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB14,083,200	—	**95**	—	95	Property development
Guangzhou Sun Peak City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB14,440,300	—	**95**	—	95	Property development
Guangzhou Talent Gather City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB11,952,000	—	**95**	—	95	Property development
Guangzhou Tiyu Building Company Limited	China, limited liability company	Registered capital US$26,700,000	—	**100**	—	100	Property development and investment
Guangzhou Top Jade City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB11,952,000	—	**95**	—	95	Property development
Guangzhou Tung Win City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB11,952,000	—	**95**	—	95	Property development
Guangzhou Unionwin City Real Estates Co. Ltd	China, limited liability company	Registered capital RMB19,776,700	—	**95**	—	95	Property development
Guangzhou White Horse Clothings Market Ltd.	China, limited liability company	Registered capital RMB118,873,900	—	**100**	—	100	Property investment
Guangzhou White Horse Property Management Co.,Ltd.	China, limited liability company	Registered capital RMB5,000,000	—	**96.75**	—	96.75	Property management
Guangzhou Winbase City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB11,952,000	—	**95**	—	95	Property development
Guangzhou Winner City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB28,684,800	—	**95**	—	95	Property development
Guangzhou Xingcheng Enterprise Development Ltd.	China, limited liability company	Registered capital RMB154,612,700	—	**95**	—	95	Property Investment

PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/ registered capital	Effective percentage of attributable interest held by the Company				Principal activities
			2010		2009		
			Direct	Indirect	Direct	Indirect	
Guangzhou Yicheng Property Management Ltd.	China, limited liability company	Registered capital RMB3,403,700	—	**85.68**	—	85.68	Property management
Guangzhou Yieldwise City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB14,083,200	—	**95**	—	95	Property development
Guangzhou Yuecheng Industrial Ltd.	China, limited liability company	Registered capital RMB300,000,000	—	**100**	—	100	Investment holding
Guangzhou Yuesheng Industrial Ltd.	China, limited liability company	Registered capital RMB300,000,000	—	**100**	—	100	Investment holding
Guangzhou Yuehui Industrial Ltd.	China, limited liability company	Registered capital RMB300,000,000	—	**100**	—	100	Investment holding
Guangzhou Yuehui Property Development Limited	China, limited liability company	Registered capital RMB 1,212,244,900	—	**98.76**	—	97.55	Property development
Guangzhou Yueli Industrial Ltd.	China, limited liability company	Registered capital RMB300,000,000	—	**100**	—	100	Investment holding
Guangzhou Yue Xiu City Construction International Finance Center Co., Ltd.	China, limited liability company	Registered capital RMB2,000,000,000	—	**99**	—	99	Property development
Guangzhou Ziwei City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB59,618,800	—	**95**	—	95	Property development
GZI REIT Asset Management Limited	Hong Kong	10,000,000 Ordinary shares of HK$1 each	**100**	—	100	—	Asset management
Honstar Investments Limited	British Virgin Islands	1 Ordinary share of US$1 each	—	**100**	—	100	Investment holding
Hoover (China) Limited	Hong Kong	1 Ordinary share of HK$1 each	—	**100**	—	100	Property investment
Jamsin Limited	Hong Kong	2 Ordinary shares of HK$1 each	**100**	—	100	—	Property holding
Jiangmen Yue Xiu City Construction Property Development Limited	China, limited liability company	Registered capital RMB 220,000,000	—	**95**	—	95	Property development

PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/ registered capital	Effective percentage of attributable interest held by the Company				Principal activities
			2010		2009		
			Direct	**Indirect**	Direct	Indirect	
Jumbo Good Development Limited	Hong Kong	2 Ordinary shares of HK$1 each	—	**100**	—	100	Property investment
Jumbo King Development Limited	Hong Kong, Singapore	2 Ordinary shares of HK$1 each	**100**	—	100	—	Property investment
Kingswell Limited	Hong Kong	1 Ordinary share of HK$1 each	—	**100**	—	100	Property investment
Lucken Limited	Hong Kong	3 Ordinary shares of HK$1 each	—	**100**	—	100	Property investment
Merry Growth Development Limited	Hong Kong	100 Ordinary shares of HK$1 each	—	**100**	—	100	Property investment
Nation Harvest Development Limited	Hong Kong	2 Ordinary shares of HK$1 each	—	**100**	—	100	Investment holding
Sino Peace Development Limited	Hong Kong	1 Ordinary share of HK$1 each	—	**100**	—	100	Property investment
Smart Rise Development Limited	Hong Kong	100 Ordinary shares of HK$1 each	—	**100**	—	100	Property investment
Sociedade de Fomento Predial Codo(Macau) Limitada	Macau	1 share of MOP99,000 and 1 share of MOP1,000	—	**100**	—	100	Property development
Solution Investment Limited	Hong Kong	2 Ordinary shares of HK$1 each	—	**100**	—	100	Property investment
Super Gain Development Limited	British Virgin Islands	350,000 Ordinary shares of HK$1 each	—	**100**	—	100	Investment holding
Techcon Investment Limited	Hong Kong	1,000 Ordinary shares of HK$1 each	—	**100**	—	100	Hotel operations
Viclong Company Limited	Hong Kong	100 Ordinary shares of HK$100 each	—	**100**	—	100	Property investment
Winston Investment Limited	Hong Kong	1 Ordinary share of HK$1 each	—	**100**	—	100	Property investment
Yue Xiu APT Parking Limited	Hong Kong	10,000 Ordinary shares of HK$1 each	—	**100**	—	100	Car parking management

PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/ registered capital	Effective percentage of attributable interest held by the Company 2010 Direct	2010 Indirect	2009 Direct	2009 Indirect	Principal activities
Yue Xiu Property Agency Limited	Hong Kong	2 Ordinary shares of HK$1 each	—	**100**	—	100	Property agency services
Yue Xiu Property Consultants Limited	Hong Kong	100 Ordinary shares of HK$1 each and 500,000 Non-voting deferred shares of HK$1 each	—	**100**	—	100	Property management consultancy services
Yue Xiu Property Management Limited	Hong Kong	10,000 Ordinary shares of HK$1 each	—	**100**	—	100	Building management services
Yuexiu Property (B.V.I.) Limited	British Virgin Islands	1 Ordinary share of US$1 each	**100**	—	100	—	Investment holding
Yuexiu Property (China) Company Limited	British Virgin Islands	5,000 Ordinary shares of HK$1 each	—	**100**	—	100	Investment holding
Yuexiu Property (HK) Company Limited	British Virgin Islands	1 Ordinary share of HK$1 each	—	**100**	—	100	Investment holding
Yuexiu Property (Macau) Company Limited	British Virgin Islands	1 Ordinary share of HK$1 each	—	**100**	—	100	Investment holding
廣州華振科技投資有限公司	China, limited liability company	Registered capital RMB20,000,000	—	**100**	—	100	Investment holding
佛山市南海區越秀地產開發有限公司	China, limited liability company	Registered capital RMB100,000,000	—	**95**	—	—	Property development
杭州臨安越秀實業有限公司	China, limited liability company	Registered capital US$99,600,000	—	**100**	—	—	Property development
烟台越秀地產開發有限公司	China, limited liability company	Registered capital RMB260,000,000	—	**95**	—	—	Property development
中山越星房地產開發有限公司	China, limited liability company	Registered capital US$50,000,000	—	**100**	—	—	Property development
中山市越秀地產開發有限公司	China, limited liability company	Registered capital RMB250,000,000	—	**95**	—	—	Property development

The above table includes the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

PRINCIPAL JOINTLY CONTROLLED ENTITIES

As at 31 December 2010, the Group held the following principal jointly controlled entities:

Name of jointly controlled entity	Place of establishment and operation	Percentage of voting power	Effective percentage of interest in ownership/ profit sharing				Principal activities
			2010		2009		
			Direct	**Indirect**	Direct	Indirect	
Hainan China City Property Development Co., Ltd.	China	57.14	—	**52**	—	52	Property development
Guangdong Xinshidai Real Estate Ltd.	China	33.33	—	**45 /44**	—	45 /44	Property development
Guangzhou South House Property Industry Co., Ltd	China	28.57	—	**30**	—	30	Property development and management

PRINCIPAL ASSOCIATED ENTITIES

As at 31 December 2010, the Group held shares/interests in the following principal associated entities:

Name of associated entity	Place of establishment and operation	Effective percentage of interest in ownership/ voting power/ profit sharing				Principal activities
		2010		2009		
		Direct	**Indirect**	Direct	Indirect	
Guangzhou Xin Yue Real Estate Development Co. Ltd	China	—	**28.20**	—	28.20	Property development
GZI Real Estate Investment Trust	Hong Kong	—	**35.58**	—	35.58	Property investment

Corporate and Investor Relations Information

BOARD OF DIRECTORS

Executive directors

Mr Lu Zhifeng *(Chairman)*
Mr Zhang Zhaoxing
Mr Liang Yi
Mr Tang Shouchun
Mr Liang Youpan
Mr Lam Yau Fung Curt

Independent non-executive directors & audit committee members

Mr Yu Lup Fat Joseph
Mr Lee Ka Lun
Mr Lau Hon Chuen Ambrose

COMPANY SECRETARY

Mr Yu Tat Fung

QUALIFIED ACCOUNTANT

Miss Lam Sing Wah

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

HONG KONG LEGAL ADVISER

Baker & McKenzie

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
The Bank of East Asia Limited
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Industrial and Commercial Bank of China (Asia) Limited
Wing Lung Bank Limited

WEBSITES TO ACCESS COMPANY INFORMATION

http://www.yuexiuproperty.com
http://www.irasia.com/listco/hk/yuexiuproperty
http://www.hkexnews.hk

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28 Queen's Road East
Hong Kong

SHARE LISTING

The Company's shares are listed on:
The Stock Exchange of Hong Kong Limited
Singapore Exchange Securities Trading Limited

The stock codes are:
The Stock Exchange of Hong Kong Limited – 00123
Reuters – 123.HK
Bloomberg – 123 HK

INVESTOR RELATIONS

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