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Announcement of 2009 Final Results

Results highlights

● Revenue	HK\$5,300 million (+67.8%)
● Gross profit	HK\$1,839 million (+52.2%)
● Operating profit	HK\$1,395 million (+330.7%)
● Profit for the year from continuing operations	HK\$801 million (+87.9%)
● Profit attributable to equity holders of the Company from continuing operations	HK\$725 million (+73.6%)
● Loss attributable to equity holders of the Company (continuing and discontinued operations)	HK\$-697 million (-214.7%)
● Basic earnings/(losses) per share	
— Continuing operations	HK10.17 cents (+73.6%)
— Discontinued operations	<u>HK-19.95 cents</u>
	HK-9.78 cents (-214.7%)
● Property Contracted sales GFA	526,900 square meter(+77%)
● Property Contracted sales	HK\$6,930 million(+98%)

Chairman's Statement

Year 2009 was a monumental year in which economies worldwide battled a historic financial crisis. Predicated on the objective of 'proactively mitigating the crisis and managing for sustainable development', the Company and its subsidiaries (the "Group") crystallized its strategy and designated property development as its core business. At the same time, the Group fine-tuned its mid to long term development plans and completed a transformational business restructuring during the year and implemented measures to further develop its human resources, IT and other corporate infrastructures. The Group also took advantage of ample liquidity and the stabilization of the property market brought about by the stimulus policies in the PRC and managed to accelerate the pace of property development and to enhance its sales and marketing efforts. As a result, the Group significantly improved its operating efficiency and achieved record-high contracted sales and revenue in 2009 since its founding.

At the same time as the Group strived to maintain the growth momentum, it carefully reviewed its resources and capabilities, and reaffirmed the development plans of "home base in Guangzhou and strategic expansion nationwide" and "residential properties as the core, balanced with key commercial components." During the reporting period, we added 1.38 million square meters (sq.m.) of gross floor area (GFA) to our landbank in locations such as Pearl River New City, Guangzhou University City, Jiangmen, Zhongshan and Yantai, which represented the first step of our "strategic nation-wide expansion" initiative, and boosted significantly our sustainable development capabilities and growth momentum.

In line with the objective of growing its core business, the Group has been vigorously pursuing structural adjustments and optimization initiatives. Subsequent to the disposal of the newsprint business at the end of 2008, the Group undertook a transformational restructuring exercise which spinned off its then subsidiary GZI Transport Limited ("GZT", HKEx Stock Code: 01052) by means of distribution and sale of GZT shares. The exercise raised approximately HK\$1.6 billion in cash for investment in real estate development. At the same time, the Company changed its name from "Guangzhou Investment Company Limited" to "Yuexiu Property Company Limited", so as to highlight the Group's principal business. The restructuring has successfully laid a solid foundation for the future sustainable and healthy development of both the Group and GZT.

FUTURE PROSPECTS

Looking forward, the Company expects the world's economy to remain complicated, presenting both challenges and opportunities. We believe that factors supporting the long-term development of the real estate industry, such as powerful economic

growth, rapid urbanization, fervent demand for upgrade of living standards, favourable demographic shifts remain intact. To capitalize on these trends and in accordance with the Group's motto of "Refine operations to improve quality, and Accelerate development to turn a new page", we will continue to explore and innovate, heighten risk control, prudently execute our new mid to long term development plans, enhance our competencies, increase the size of landbank, and seek to take advantage of market opportunities. In summary, the Group will strive to optimize its asset structure, capital structure and organizational structure, so as to create value for our shareholders and investors and serve our community.

ACKNOWLEDGEMENT

I would like to take this opportunity to thank all the directors, the management team and all the staff for their diligence over the past year and their contribution to the Group's developments. I would also like to thank all the shareholders, our colleagues from the banking and investment communities, and business partners for their continued support and trust.

LU Zhifeng

Chairman

AUDITED RESULTS

The board of directors (“Directors” or “Board”) of Yuexiu Property Company Limited (“Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) prepared under Hong Kong Financial Reporting Standards for the year ended 31 December 2009, as follow:

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2009

	<i>Note</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Revenue	2	5,300,212	3,158,523
Cost of sales	3	<u>(3,461,206)</u>	<u>(1,950,403)</u>
Gross profit		1,839,006	1,208,120
Proceeds from sales of investment properties		268,311	540,717
Direct costs of investment properties sold		<u>(223,731)</u>	<u>(378,129)</u>
Gain on sales of investment properties		44,580	162,588
Fair value gains/(losses) on revaluation of investment properties		312,812	(271,050)
Gain on disposal of a subsidiary		—	28,552
Selling and distribution expenses	3	(213,180)	(198,021)
General and administrative expenses	3	<u>(588,025)</u>	<u>(606,254)</u>
Operating profit		1,395,193	323,935
Finance income		52,618	33,108
Finance costs	4	(72,179)	(165,813)
Net foreign exchange gain on financing activities		18,122	242,988
Share of profit/(loss) of			
- jointly controlled entities		(1,981)	(786)
- associated entities		123,245	89,068
Excess of the share of the fair value of net assets of an associated entity acquired over acquisition cost		<u>—</u>	<u>40,988</u>
Profit before tax		1,515,018	563,488
Taxation	5	<u>(713,748)</u>	<u>(137,076)</u>

	<i>Note</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Profit for the year from continuing operations		801,270	426,412
Discontinued operations (Loss)/profit for the year from discontinued operations	6	<u>(1,093,620)</u>	<u>547,068</u>
(Loss)/profit for the year		<u>(292,350)</u>	<u>973,480</u>
Attributable to Equity holders of the Company		(697,414)	607,964
Minority interests		<u>405,064</u>	<u>365,516</u>
		<u>(292,350)</u>	<u>973,480</u>
(Losses)/earnings per share for profit from continuing operations and (loss)/profit from discontinued operations attributable to equity holders of the Company (expressed in HK cents per share)	7		
- Basic			
From continuing operations		10.17	5.86
From discontinued operations		<u>(19.95)</u>	<u>2.67</u>
		<u>(9.78)</u>	<u>8.53</u>
- Diluted			
From continuing operations		10.11	5.83
From discontinued operations		<u>(19.84)</u>	<u>2.66</u>
		<u>(9.73)</u>	<u>8.49</u>
Dividends	8	<u>660,403</u>	<u>242,313</u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2009**

	Year ended 31 December	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss)/profit for the year	<u>(292,350)</u>	<u>973,480</u>
Other comprehensive income:		
Currency translation differences	(365)	1,016,064
Share of change in fair value of cash-flow hedges of an associated entity	—	26,266
Change in fair value of available-for-sale financial assets, net of tax	264,440	(94,479)
Transfer of reserve to profit and loss upon disposal of subsidiaries	<u>(23,601)</u>	<u>(188,887)</u>
Other comprehensive income for the year, net of tax	<u>240,474</u>	<u>758,964</u>
Total comprehensive income for the year	<u>(51,876)</u>	<u>1,732,444</u>
Attributable to:		
- Equity holders of the Company	(469,106)	1,048,298
- Minority interests	<u>417,230</u>	<u>684,146</u>
	<u>(51,876)</u>	<u>1,732,444</u>

**CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2009**

	<i>Note</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Intangible operating rights		—	7,048,250
Property, plant and equipment		1,474,486	633,991
Investment properties		8,505,995	5,943,845
Leasehold land and land use rights		6,300,663	4,603,921
Interests in jointly controlled entities		187,018	458,788
Interests in associated entities		1,661,729	3,717,392
Goodwill		—	125,994
Available-for-sale financial assets		1,229,395	976,977
Deferred tax assets		<u>83,096</u>	<u>90,592</u>
		19,442,382	23,599,750
Current assets			
Properties under development		4,551,681	5,463,575
Properties held for sale		796,846	582,541
Leasehold land and land use rights		6,888,123	6,727,380
Prepayments for land use rights		1,562,689	1,884,375
Inventories		103,281	105,716
Trade receivables	9	60,250	66,910
Other receivables, prepayments and deposits		624,120	465,255
Taxation recoverable		379,408	136,951
Charged bank deposits		2,095,628	403,994
Cash and cash equivalents		<u>4,915,280</u>	<u>3,496,547</u>
		21,977,306	19,333,244

	<i>Note</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
LIABILITIES			
Current liabilities			
Trade payables	10	138,680	96,877
Land premium payable		498,787	560,046
Advance receipts from customers		4,628,108	2,395,953
Other payables and accrued charges		4,500,208	4,885,632
Borrowings		2,143,636	5,696,028
Taxation payable		<u>941,743</u>	<u>595,430</u>
		<u>12,851,162</u>	<u>14,229,966</u>
Net current assets		<u>9,126,144</u>	<u>5,103,278</u>
Total assets less current liabilities		<u>28,568,526</u>	<u>28,703,028</u>
Non-current liabilities			
Borrowings		12,158,903	4,444,650
Deferred tax liabilities		<u>2,648,332</u>	<u>3,120,876</u>
		<u>14,807,235</u>	<u>7,565,526</u>
Net assets		<u>13,761,291</u>	<u>21,137,502</u>
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		713,658	712,685
Other reserves		8,998,815	9,310,663
Retained earnings			
- Proposed dividends		—	57,015
- Others		<u>3,588,407</u>	<u>4,398,755</u>
		13,300,880	14,479,118
Minority interests		<u>460,411</u>	<u>6,658,384</u>
Total equity		<u>13,761,291</u>	<u>21,137,502</u>

NOTES TO THE FINANCIAL STATEMENTS

1 Basis of preparation

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

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

The Group has adopted the following new and amended HKFRS as of 1 January 2009:

- HKAS 1 (Revised), ‘Presentation of Financial Statements’;
- HKAS 23 (Revised), ‘Borrowing Costs’;
- HKAS 40 (Amendment), ‘Investment Property’ (and consequential amendments to HKAS 16);
- HKFRS 2 (Amendment), ‘Share-based Payment’;
- HKFRS 7 (Amendment), ‘Financial Instruments: Disclosures’ ;
- HKFRS 8, ‘Operating Segments’ ;
- HK(IFRIC) - Int 15, ‘Agreements for the Construction of Real Estate’.

The following amendments and interpretations to existing standards become effective in 2009 but are not relevant to the Group:

HKAS 16 (Amendment)	Property, Plant and Equipment
HKAS 19 (Amendment)	Employee Benefits
HKAS 20 (Amendment)	Accounting for Government Grants and Disclosure of Government Assistance
HKAS 27 (Amendment)	Consolidated and Separate Financial Statements
HKAS 28 (Amendment)	Investments in Associates
HKAS 29 (Amendment)	Financial Reporting in Hyperinflationary Economies
HKAS 31 (Amendment)	Interest in Joint Venture
HKAS 32 and HKAS 1 (Amendment)	Puttable Financial Instruments and Obligations
HKAS 36 (Amendment)	Impairment of Assets

HKAS 38 (Amendment)	Intangible Assets
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement
HKAS 41 (Amendment)	Agriculture
HK(IFRIC)-Int 9 (Amendment)	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC)-Int 18	Transfers of Assets from Customers

The following standard, amendments/revisions and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2010 or later periods, but the Group has not early adopted them:

		Effective for accounting periods beginning on or after
HKAS 24 (Revised)	Related Party Transactions	1 January 2011
HKAS 27 (Amendment)	Consolidated and Separate Financial Statements	1 July 2009
HKAS 32 (Amendment)	Classification of Rights Issues	1 February 2010
HKAS 38 (Amendment)	Intangible Assets	1 July 2009
HKAS 39 (Amendment)	Eligible Hedged Items	1 July 2009
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards	1 July 2009
HKFRS 1 (Amendment)	First-time Adoption of Hong Kong Financial Reporting Standards — Additional Exemptions for First-time Adopters	1 January 2010
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions	1 January 2010
HKFRS 3 (Revised)	Business Combinations	1 July 2009
HKFRS 5 (Amendment)	Measurement of Non-current Assets (or Disposal Group) Classified as Held for Sale	1 January 2010
HKFRS 9	Financial Instruments	1 January 2013
HK(IFRIC)-Int 17	Distribution of Non-cash Assets to Owners	1 July 2009
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010

The Group has already commenced an assessment of the related impact of adopting the above new standard, amendments/revisions and interpretations to existing standards 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.

In addition, HKICPA also published a number of amendments for the existing standards under its annual improvement projects issued in October 2008 and May 2009, certain of which has not yet become effective in 2009. These amendments have not been early adopted by the Group and are not expected to have a significant financial impact on the results and financial position of the Group.

2 **Segment information**

The chief operating decision-maker has been identified as 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 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 HK\$'000	Property management HK\$'000	Property investment HK\$'000	Others HK\$'000	Total continuing operations HK\$'000	Discontinued operations (Toll operations and paper) HK\$'000	Group HK\$'000
Year ended 31 December 2009							
Revenue	3,945,844	393,861	320,875	743,709	5,404,289	989,840	6,394,129
Inter-segment revenue	—	(21,346)	(984)	(81,747)	(104,077)	—	(104,077)
Revenue from external customers	<u>3,945,844</u>	<u>372,515</u>	<u>319,891</u>	<u>661,962</u>	<u>5,300,212</u>	<u>989,840</u>	<u>6,290,052</u>
Segment results	<u>1,106,770</u>	<u>10,375</u>	<u>604,146</u>	<u>(99,123)</u>	<u>1,622,168</u>	<u>433,973</u>	<u>2,056,141</u>
Share of profit/(loss) of:							
- jointly controlled entities	(1,981)	—	—	—	(1,981)	(6,440)	(8,421)
- associated entities	<u>123,245</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>123,245</u>	<u>220,938</u>	<u>344,183</u>
Year ended 31 December 2008							
Revenue	1,874,822	362,519	312,608	780,545	3,330,494	3,867,197	7,197,691
Inter-segment revenue	—	(32,151)	(2,339)	(137,481)	(171,971)	—	(171,971)
Revenue from external customers	<u>1,874,822</u>	<u>330,368</u>	<u>310,269</u>	<u>643,064</u>	<u>3,158,523</u>	<u>3,867,197</u>	<u>7,025,720</u>
Segment results	<u>275,981</u>	<u>19,380</u>	<u>141,771</u>	<u>(67,470)</u>	<u>369,662</u>	<u>546,688</u>	<u>916,350</u>
Share of profit/(loss) of:							
- jointly controlled entities	(786)	—	—	—	(786)	(19,816)	(20,602)
- associated entities	<u>89,068</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>89,068</u>	<u>271,513</u>	<u>360,581</u>

	Property development HK\$'000	Property management HK\$'000	Property investment HK\$'000	Others HK\$'000	Discontinued operations (Toll operations)	Group HK\$'000
As at 31 December 2009						
Segment assets	28,612,098	234,046	8,505,995	598,047	—	37,950,186
Interests in jointly controlled entities	187,018	—	—	—	—	187,018
Interests in associated entities	<u>1,661,729</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,661,729</u>
Total assets	<u>30,460,845</u>	<u>234,046</u>	<u>8,505,995</u>	<u>598,047</u>	<u>—</u>	<u>39,798,933</u>
As at 31 December 2008						
Segment assets	21,982,952	141,720	5,943,845	414,881	9,781,674	38,265,072
Interests in jointly controlled entities	189,637	—	—	—	269,151	458,788
Interests in associated entities	<u>1,627,160</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,090,232</u>	<u>3,717,392</u>
Total assets	<u>23,799,749</u>	<u>141,720</u>	<u>5,943,845</u>	<u>414,881</u>	<u>12,141,057</u>	<u>42,441,252</u>

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

	Year ended 31 December	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment results	1,622,168	369,662
Unallocated operating costs	(226,975)	(74,279)
Gain on disposal of a subsidiary	<u>—</u>	<u>28,552</u>
Operating profit	1,395,193	323,935
Finance income	52,618	33,108
Finance costs	(72,179)	(165,813)
Net foreign exchange gain on financing activities	18,122	242,988
Share of profit/(loss) of:		
— jointly controlled entities	(1,981)	(786)
— associated entities	123,245	89,068
Excess of the share of the fair value of net assets of an associated entity acquired over acquisition cost	<u>—</u>	<u>40,988</u>
Profit before tax and discontinued operations	<u>1,515,018</u>	<u>563,488</u>

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

	As at 31 December	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Total segment assets	39,798,933	42,441,252
Deferred tax assets	83,096	90,592
Taxation recoverable	379,408	136,951
Corporate assets	<u>1,158,251</u>	<u>264,199</u>
Total assets	<u>41,419,688</u>	<u>42,932,994</u>

	Revenue from		Total assets	
	continuing operations		as at 31 December	
	Year ended 31 December 2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	160,475	127,045	2,254,894	2,076,744
China	5,138,543	3,030,267	37,499,919	40,322,112
Overseas	<u>1,194</u>	<u>1,211</u>	<u>44,120</u>	<u>42,396</u>
	<u>5,300,212</u>	<u>3,158,523</u>	39,798,933	42,441,252
Unallocated assets			<u>1,620,755</u>	<u>491,742</u>
			<u>41,419,688</u>	<u>42,932,994</u>

3 Expenses by nature

Cost of sales, selling and distribution expenses, and general and administrative expenses of continuing operations included the following:

	2009	2008
	HK\$'000	HK\$'000
Advertising and promotion expenses	147,973	119,502
Cost of inventories/properties sold included in cost of sales	3,130,457	1,617,738
Direct operating expenses arising from investment properties		
- that generate rental income	67,816	67,796
- that did not generate rental income	204	204
Depreciation		
- Owned property, plant and equipments	48,914	37,087
- Leased property, plant and equipments	46	40
Provision for impairment of property, plant and equipment	4,730	1,113
Amortisation of leasehold land and land use rights	123,662	116,326
(Reversal of)/provision for impairment of leasehold land and land use rights	(39,199)	53,333
Operating leases - Land and buildings	2,863	1,044
Auditor's remuneration	7,376	7,937
Employee benefit expenses	596,214	567,944
Provision for impairment of properties under development and properties held for sale	—	3,037
Provision for other receivables	—	41,920
Write-off of bad debts	1,297	—
Reversal of provision for trade receivables	(14,147)	—
Others	<u>184,205</u>	<u>119,657</u>
	<u>4,262,411</u>	<u>2,754,678</u>

4 Finance costs

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Interest on bank loans and overdrafts wholly repayable within five years	343,267	376,912
Interest on bank loans wholly repayable over five years	128,626	37,729
Bank loan handling fees	8,999	7,026
Interest on loans from related companies	<u>656</u>	<u>1,764</u>
Total borrowing costs incurred	481,548	423,431
Less: amount capitalised as investment properties, properties under development and property, plant and equipment	<u>(409,369)</u>	<u>(257,618)</u>
	<u><u>72,179</u></u>	<u><u>165,813</u></u>

5 Taxation

- (a) Hong Kong profits tax has been provided at the rate of 16.5 percent (2008: 16.5 percent) on the estimated assessable profit for the year.
- (b) China enterprise income taxation is provided on the profits of the Group's subsidiaries, associated entities and jointly controlled entities in China at 25 percent (2008: 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. In 2008, no provision for withholding income tax was made for undistributed profit of the Group's subsidiaries in China since the Group had sufficient cash surplus as at 31 December 2008 and would not demand for dividend distribution from its subsidiaries in China in the coming future. Subsequent to the disposal of GZT, a subsidiary of the Group, during 2009, the Group revisited its dividend pay-out policy and considered it is necessary to demand dividend distribution from the subsidiaries in China. Accordingly, withholding income tax was provided for the dividend distributed during the year and undistributed profit, recognised based on HKFRS, of the Group's subsidiaries, jointly controlled entities and associated entities in PRC at a tax rate of 5 percent or 10 percent, when applicable, for the year ended 31 December 2009.

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

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

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Company and subsidiaries		
Current taxation		
Hong Kong profits tax	1,357	2,589
China enterprise income tax	107,272	310,970
China land appreciation tax	313,912	266,866
Corporate withholding income tax	49,030	—
Under/(over)-provision in prior years	24,569	(13,649)
Deferred taxation		
Origination and reversal of temporary difference	53,277	(428,445)
Impact of change in tax rate	—	(1,255)
Corporate withholding income tax on undistributed profits	<u>164,331</u>	<u>—</u>
	<u>713,748</u>	<u>137,076</u>
6 (Loss)/profit for the year from discontinued operations		
	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
(Loss)/gain on disposal of a subsidiary	(1,593,911)	90,379
Profit from discontinued operations	<u>500,291</u>	<u>456,689</u>
	<u>(1,093,620)</u>	<u>547,068</u>

7 Earnings per share

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

	2009	2008
Basic		
Profit from continuing operations attributable to equity holders of the Company (HK\$'000)	724,824	417,455
(Loss)/profit from discontinued operations attributable to equity holders of the Company (HK\$'000)	<u>(1,422,238)</u>	<u>190,509</u>
(Loss)/profit attributable to equity holders of the Company (HK\$'000)	<u>(697,414)</u>	<u>607,964</u>
Weighted average number of ordinary shares in issue ('000)	<u>7,128,839</u>	<u>7,125,702</u>
Basic (losses)/earnings per share (HK cents)		
From continuing operations	10.17	5.86
From discontinued operations	<u>(19.95)</u>	<u>2.67</u>
	<u>(9.78)</u>	<u>8.53</u>

Diluted

Diluted earnings 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.

	2009	2008
Profit from continuing operations attributable to equity holders of the Company (HK\$'000)	724,824	417,455
(Loss)/profit from discontinued operations attributable to equity holders of the Company (HK\$'000)	<u>(1,422,238)</u>	<u>190,509</u>
(Loss)/profit attributable to equity holders of the Company (HK\$'000)	<u>(697,414)</u>	<u>607,964</u>
Weighted average number of ordinary shares in issue ('000)	7,128,839	7,125,702
Adjustments for share options ('000)	<u>40,799</u>	<u>37,537</u>
Weighted average number of ordinary shares for diluted earnings per share ('000)	<u>7,169,638</u>	<u>7,163,239</u>
Diluted (losses)/earnings per share (HK cents)		
From continuing operations	10.11	5.83
From discontinued operations	<u>(19.84)</u>	<u>2.66</u>
	<u>(9.73)</u>	<u>8.49</u>

8 Dividends

The dividends paid in 2009 and 2008 were approximately HK\$717 million (HK10.05 cents per share) and HK\$363 million (HK5.10 cents per share) respectively. The directors do not recommend the payment of a final dividend for the year ended 31 December 2009.

	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim, paid, of nil (2008: HK2.60 cents) per ordinary share	—	185,298
Special, paid (2008: Nil) (Note)	660,403	—
Final, proposed, of nil (2008: HK0.8 cent) per ordinary share	<u>—</u>	<u>57,015</u>
	<u>660,403</u>	<u>242,313</u>

Note:

Special dividend was paid by way of the following:

- (a) shares in GZT of approximately HK\$438 million on the basis of 174 shares of GZT for every 2,000 shares held in the Company; and
- (b) cash of approximately HK\$222 million.

9 Trade receivables

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

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
0 - 30 days	27,557	35,385
31 - 90 days	13,589	6,219
91 - 180 days	2,964	539
181 - 365 days	—	15
Over 1 year	<u>90,998</u>	<u>113,733</u>
	135,108	155,891
Less: provision for impairment of trade receivables	<u>(74,858)</u>	<u>(88,981)</u>
	<u>60,250</u>	<u>66,910</u>

10 Trade payables

The ageing analysis of the trade payables is as follows:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
0 - 30 days	60,144	60,083
31 - 90 days	55,380	32,024
91 - 180 days	17,583	—
181 - 365 days	10	19
1 - 2 years	1,471	4,519
Over 2 years	<u>4,092</u>	<u>232</u>
	<u>138,680</u>	<u>96,877</u>

11 Comparative figures

Certain prior year comparative figures have been reclassified to conform with the changes in presentation in the current year.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the reporting period, the Group realized revenue of HK\$5,300 million, representing an increase of 67.8% over the previous year. Profits attributable to the shareholders from continuing operations amounted to HK\$725 million, representing an increase of 73.6% over the previous year. Basic earnings per share from continuing operations were HK10.17 cents, representing an increase of 73.6% over the previous year.

Losses attributable to the shareholders from both continuing and discontinued operations amounted to approximately HK\$697 million, which was due to the one-off non-cash loss of approximately HK\$1,594 million, representing the difference between the net asset value of GZT and the market prices of GZT, incurred during the separation of the toll road business. During the spin-off of our toll road business, the Group distributed a special dividend (equivalent to approximately HK\$0.09 per share) to qualifying shareholders of the Company.

The Board of Directors does not recommend the payment of a final dividend for the year 2009. Cash retained will be invested in the Group's core business which the Board believes will generate greater return to the shareholders.

MARKET ANALYSIS

In 2009, the PRC government rolled out a number of stimulus policies and measures to combat the effects of the global financial crisis, which proved to be instrumental in "securing GDP growth of at least 8% ". During the reporting period, China's GDP reached RMB33,535.3 billion, representing an increase of 8.7% over the previous year, while Guangzhou's GDP grew to RMB911.3 billion, representing an increase of 11.5% over the previous year.

With the combined effects of a relatively loose monetary policy, government incentives to encourage purchases, and solid domestic demand, China's real estate market underwent rapid growth in 2009. During the year a total of 937.13 million sq.m. of commodity housing was sold nation-wide, an increase of 42.1% over the previous year. Total transaction value amounted to RMB 4,399.5 billion, or an increase of 75.5% over the previous year. In Guangzhou, a total area of 11.18 million sq.m. of commodity housing was sold, an increase of 58.8% over the previous year. Total transaction value amounted to RMB 108.7 billion, or an increase of 62.1% over the previous year, with the average transaction price rising slightly by 2.1% over the previous year to RMB 9,726 per sq.m. Although the average transaction price in 2009

for Guangzhou as a whole remained stable, the average transaction price for the six core districts in Guangzhou's urban area in December 2009 increased by a hefty 32.9% over the previous year to RMB 13,810 per sq.m., which generally reflected the rise of housing prices in Guangzhou.

GROWTH IN PROPERTY SALES

During the reporting period, the Group took full advantage of the opportunities arising from the revival of the domestic real estate industry, and reaped record results in terms of contracted sales. A total GFA of 526,900 sq.m. was sold, representing an increase of 77% over the previous year, and reaching 117% of the target of 450,000 sq.m. for 2009. Contracted sales value amounted to HK\$6.93 billion, an increase of 98% over the previous year and 139% of the HK\$5 billion target for 2009. Average contract sales price reached HK\$13,100 per sq.m., representing an increase of 12% over the previous year. Excluding Cong Hua Glade Village and Southern Le Sand, both of which are located in the suburbs, the average transaction price for the Group's urban projects stood at HK\$17,000 per sq.m., representing an increase of 41% over the previous year.

To improve product quality, the Group made great strides in optimizing the layout of our housing projects, which proved to be helpful in enhancing our competitive position and has resulted in strong sales at our projects: Starry Winking or Xing Hui Yun Jin achieved the sales target for the whole year within two months of launch in 2009, with sales of HK\$1.8 billion and an average price of HK\$24,200 per sq.m.; Jiang Nan New Mansion, Springland Garden and Ling Nan Riverside were launched during the Golden Week of the National Day and were all sold out within one day. The Group's two major suburb projects, Southern Le Sand and Cong Hua Glade Village, recorded a year-on-year increase in contracted sales of 206% and 203% respectively.

Our contracted sales are summarized below:

Project Name	Land Use	GFA (sq.m.)	Amount (HK\$ mil)	ASP (HK\$/sq.m.)	Location
Southern Le Sand	Low-rise Department/Villa	117,900	805	6,800	Nansha, Guangzhou
Cong Hua Glade Village	Low-rise Department/Villa	76,200	460	6,000	Conghua, Guangzhou
Starry Winking	Residential	72,800	1,759	24,200	Tianhe, Guangzhou
Springland Garden	Residential	71,800	1,042	14,500	Haizhu, Guangzhou
Jiang Nan New Mansion	Residential	62,900	1,098	17,500	Haizhu, Guangzhou
Ling Nan Riverside	Residential	39,000	607	15,600	Liwan, Guangzhou
Rayon Jardin	Residential	35,600	515	14,500	Haizhu, Guangzhou
Ling Nan Ya Yuan	Residential	21,200	172	8,100	Baiyun, Guangzhou
Other Projects	N/A	<u>29,500</u>	<u>472</u>	16,000	Guangzhou
Total		<u>526,900</u>	<u>6,930</u>	13,100	

During the year, total property sales recognized amounted to approximately 374,200 sq. m. (including investment properties of 12,400 square metres), representing an increase of 85.6% over the previous year. Recognized sales revenue amounted to approximately HK\$4,214 million (including sold investment properties of HK\$268 million), representing an increase of 74.4% over the previous year. The average price of property sales recognized for the year amounted to approximately HK\$11,300 per sq. m. (including investment properties), representing a decrease of 6% over the previous year.

Recognized sales are summarized as follows:

Project Name	Land Use	GFA (sq.m.)	Amount (HK\$ mil)	ASP (HK\$/sq.m.)	Location
Southern Le Sand	Low-rise Department/Villa	34,100	364	10,700	Nansha, Guangzhou
Cong Hua Glade Village	Low-rise Department/Villa	58,800	367	6,200	Conghua, Guangzhou
Springland Garden	Residential	110,400	1,347	12,200	Haizhu, Guangzhou
Rayon Jardin	Residential	103,400	1,391	13,500	Haizhu, Guangzhou
Ling Nan Ya Yuan	Residential	46,200	375	8,100	Baiyun, Guangzhou
Other Projects	N/A	<u>8,900</u>	<u>102</u>	11,300	Guangzhou
Sub-total		361,800	3,946	10,900	
Investment Properties	N/A	<u>12,400</u>	<u>268</u>	21,600	Guangzhou
Total		<u>374,200</u>	<u>4,214</u>	11,300	

Contracted sales transactions which have not yet been recognized amounted to approximately 392,400 sq. m., or approximately HK\$5,464 million in value at the end of 2009. The average price achieved is approximately HK\$13,900 per sq. m..

Details are summarized as follows.

Project Name	Land Use	GFA (sq.m.)	Amount (HK\$ mil)	ASP (HK\$/sq.m.)	Location
Southern Le Sand	Low-rise Department/Villa	109,500	725	6,600	Nansha, Guangzhou
Cong Hua Glade Village	Low-rise Department/Villa	39,800	258	6,500	Conghua, Guangzhou
Starry Winking	Residential	72,800	1,759	24,200	Tianhe, Guangzhou
Springland Garden	Residential	50,600	776	15,300	Haizhu, Guangzhou
Jiang Nan New Mansion	Residential	62,900	1,098	17,500	Haizhu, Guangzhou
Ling Nan Riverside	Residential	39,000	607	15,600	Liwan, Guangzhou
Other Projects	N/A	<u>17,800</u>	<u>241</u>	13,500	Guangzhou
Total		<u>392,400</u>	<u>5,464</u>	13,900	

EXPANSION IN LANDBANK

In line with the expansion plans of “home base in Guangzhou and strategic expansion nationwide”, the Group initiated strategic adjustment, optimized its structure, expanded its development scale and enhanced its sustainable development capability. During the reporting period, the Group won bids on parcels of land located in Guangzhou, Jiangmen, Zhongshan and Yantai. As a result, our expansion has begun to take shape, with the total GFA of quality residential sites acquired during the year amounting to almost 1.38 million square metres. Sites in Guangzhou University City were acquired to form large combined tracts of land, which should help create strategic value and economies of scale. The acquisition of the Yantai site also marked a pivotal step in pursuing strategic expansion in the Bohai Rim Economic Zone.

These sites were acquired at auction through Guangzhou City Construction & Development Co., Ltd., a 95% owned subsidiary of the Company.

Details of the sites acquired in 2009 are as follows:

Project Name	Land Use	Land Area (sq.m.)	GFA (sq.m.)	Premium (RMB mil)	Land Cost (RMB/sq.m.)	Location
Jiangmen Properties	Residential/ Commercial	187,886	432,000	968	2,240	Beixin, Jiangmen
D8-C3, Pearl River New City	Residential	6,349	22,500	345	15,324	Tianhe, Guangzhou
University City Properties (No.1-9)	Residential	112,784	352,000	2,967	8,432	Panyu, Guangzhou
Yantai Plot	Residential/ Commercial/ Office	73,771	154,000	260	1,688	Zhifu, Yantai
Zhongshan Plot	Residential/ Commercial	167,188	418,000	544	1,302	Nanqu, Zhongshan
Total		<u>547,978</u>	<u>1,378,500</u>	<u>5,084</u>	3,688	

The Group believes that not only do the acquisitions of the aforesaid sites reflect the Group's intent to further consolidate its leading position in Guangzhou, where the majority of its operations are carried out, they are also consistent with the Group's plans of strategic expansion nationwide. The main reasons for land acquisitions in cities other than Guangzhou are as follows:

The Jiangmen site, facing a planned country park to the south, possesses unique scenery. It is located in the municipal administrative office and central business area currently under development, which is the central focus of the urban development program in Jiangmen. With a population of 4.14 million, Jiangmen is a central city in the western Pearl River Delta. With the introduction of the "Reform & Development Plan of the Pearl River Delta (PRD) Region" initiative, the construction of the Hong Kong-Zhuhai-Macau Bridge and the commencement of operation of the Pearl River Delta Intercity Rail transport Joint Network in 2010, Jiangmen will become an increasingly prominent city and will be well positioned for greater real estate development.

The Yantai site is located in the centre of the old town in Zhifu District, Yantai City, Shandong Province, surrounded by well-developed infrastructure. Yantai City has a permanent population of about 6.50 million, and its GDP ranks among the top in Shandong Province. Yantai is a beautiful city with mild climate and is situated between mountains and sea. In 2005, it won a “United Nations Habitat Award” for being one of the most liveable cities in the world. Securing the Yantai Plot represents an important step in the Group’s expansion plans.

The Zhongshan site is located in the centre of the Southern District in Zhongshan City adjacent to the district government office. Zhongshan City is one of the key cities in the Pearl River Delta, with a permanent population of about 2.50 million and a GDP that ranks fifth in Guangdong Province. With the formation of a “Circle of cities accessible within one hour” with Guangzhou at the center, the commencement of construction of the Hong Kong-Zhuhai-Macao Bridge, and the opening of the Guangzhou-Zhuhai intercity rail network in 2010, the prospects of the real estate market in Zhongshan City are excellent.

At the end of 2009, the Group had a total of approximately 4,350,000 sq.m. in undeveloped landbank, comprising approximately 60% in residential properties, 9% in office properties, 15% in commercial properties and 16% in carpark and others. The followings are the brief descriptions of the relevant projects:

Project Name	GFA (sq.m.)	Residential (sq.m.)	Office (sq.m.)	Commercial (sq.m.)	Carpark	Location
					& others (sq.m.)	
Southern Le Sand	1,818,000	912,000	57,000	426,000	423,000	Nansha,Guangzhou
Jiangmen Properties	432,000	346,000	—	86,000	—	Beixin,Jiangmen
Zhongshan Plot	418,000	351,000	—	67,000	—	Nanqu,Zhongshan
Jin Sha Zhou Plot	425,000	284,000	—	10,000	131,000	Baiyun,Guangzhou
University City Properties	352,000	352,000	—	—	—	Panyu,Guangzhou
B2-10, Pearl River New City	211,000	—	151,000	11,000	49,000	Tianhe,Guangzhou
Yantai Plot	154,000	116,000	19,000	19,000	—	Zhifu,Yantai
Sports Stadium Building	125,000	—	81,000	25,000	19,000	Yuexiu,Guangzhou
Fortune World Plaza (portion)	119,000	—	78,000	16,000	25,000	Liwan,Guangzhou
Hua Du Plot	91,000	91,000	—	—	—	Huadu,Guangzhou
Jiang Nan New Village phase 3&4	60,000	34,000	—	—	26,000	Haizhu,Guangzhou
Yau Tong Property	59,000	59,000	—	—	—	Yautong,Hong Kong
D8-C3, Pearl River New City	22,500	22,500	—	—	—	Tianhe,Guangzhou
Other Projects	<u>64,700</u>	<u>32,000</u>	<u>—</u>	<u>7,000</u>	<u>25,700</u>	N/A
Total	<u>4,351,200</u>	<u>2,599,500</u>	<u>386,000</u>	<u>667,000</u>	<u>698,700</u>	

PROJECT DEVELOPMENT

In response to intense competition, the Group accelerated the pace of project development. It took less than 17 months to go from the commencement of construction to pre-sale at the Starry Winking project, which met its pre-sale target two months ahead of schedule and was completed approximately 20% faster than previous developments. Key projects, including Jiang Nan New Mansion, Springland

Garden and Ling Nan Riverside, also reached pre-sale targets one month ahead of schedule and nearly 1,800 more units were launched for sale during the Golden Week of the National Day with a total asset value of over HK\$3 billion.

At the same time, the Company accelerated land requisition, planning and design, invitation for tenders and other key tasks to shorten the construction period. Design plans for projects such as B2-10, Pearl River New City were granted approval three months ahead of schedule, and the Jiangmen project completed its planning and design phase two months ahead of schedule. The rapid progress created favourable conditions for the smooth commencement of construction works.

As of 31 December 2009, properties under development amounted to approximately 2,200,000 sq.m., comprising approximately 42% in residential properties, 17% in office properties, 16% in commercial properties and 25% in carpark and others. Details are summarized below:

Project Name	GFA (sq.m.)	Residential (sq.m.)	Office (sq.m.)	Commercial (sq.m.)	Carpark	Location
					& others (sq.m.)	
Southern Le Sand	376,000	154,000	124,000	68,000	30,000	Nansha, Guangzhou
Fortune World Plaza(portion)	210,000	—	—	186,000	24,000	Liwan, Guangzhou
Asia Pacific Century Plaza	232,000	—	105,000	27,000	100,000	Tianhe, Guangzhou
Jiang Nan New Mansion	229,000	148,000	—	23,000	58,000	Haizhu, Guangzhou
Ling Nan Riverside	192,000	176,000	—	—	16,000	Liwan, Guangzhou
Starry Winking	186,000	121,000	—	19,000	46,000	Tianhe, Guangzhou
Springland Garden	165,000	124,000	—	20,000	21,000	Haizhu, Guangzhou
Cong Hua Glade Village	152,000	122,000	—	—	30,000	Conghua, Guangzhou
Guangzhou IFC (portion)	159,000	—	—	—	159,000	Tianhe, Guangzhou
D3-7, Pearl River New City	135,000	—	95,000	12,000	28,000	Tianhe, Guangzhou
Jiang Nan New Village phase 3 Zone 7	78,000	57,000	—	1,000	20,000	Haizhu, Guangzhou
Other Projects	<u>86,000</u>	<u>22,000</u>	<u>42,000</u>	<u>—</u>	<u>22,000</u>	N/A
Total	<u>2,200,000</u>	<u>924,000</u>	<u>366,000</u>	<u>356,000</u>	<u>554,000</u>	

MANAGEMENT OF INVESTMENT PROPERTIES

To enhance the quality of key investment properties including the Guangzhou International Finance Centre (“IFC”) and Fortune World Plaza, the Group strengthened cooperation with international professional firms. At the same time, the Group put greater efforts into the disposal of none-core investment properties so as to optimize our asset structure. The Group has engaged Jones Lang LaSalle to provide property management services and CB Richard Ellis to launch global promotion for office leasing at IFC. The Group also introduced top domestic and international brands, such as the Four Seasons Group and Guangzhou Friendship Store, to the IFC. Fortune World Plaza has been designed as a shopping centre combining a retail arcade with a wholesale market.

Investment properties as of 31 December 2009 amounted to approximately 990,000 sq.m., comprising approximately 37% in office properties, 35% in commercial properties, and 28% in car parks. Rental revenue from investment properties and property management fees amounted to approximately HK\$692 million, representing an increase of 8.0% over the previous year. During the reporting period, the portfolio’s fair value appreciated by approximately HK\$313 million to HK\$8,506 million.

Part of the floor area at the IFC, destined to be a landmark building in Southern China, has been classified as investment property in accordance with the latest accounting standard since its topping-out in December 2008.

Details of the Group's investment properties are as follows:

Project Name	GFA (sq.m.)	Office (sq.m.)	Commercial (sq.m.)	Carpark (sq.m.)	Location
Guangzhou IFC (portion)	237,300	171,300	44,700	21,300	Tianhe,Guangzhou
Popark Plaza	85,000	—	85,000	—	Tianhe,Guangzhou
Jin Han Building	45,800	45,800	—	—	Yuexiu,Guangzhou
Hong Kong Properties	22,200	11,100	11,100	—	Hong Kong
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
Victory Plaza (Tower Building portion)	26,000	26,000	—	—	Tianhe,Guangzhou
Jiangxing Building	17,900	17,900	—	—	Haizhu,Guangzhou
Yue Xiu City Plaza	17,500	—	17,500	—	Yuexiu,Guangzhou
Hong Fa Building	17,300	17,300	—	—	Tianhe,Guangzhou
Other Projects (include carparks)	430,200	44,100	136,200	249,900	N/A
Total	<u>991,000</u>	<u>362,400</u>	<u>346,100</u>	<u>282,500</u>	

COST CONTROL

Through improving our tendering and sourcing processes, we have significantly reduced the cost of purchases. At the same time, through heightened scrutiny and enhanced evaluation of costs throughout the whole construction chain, we have either achieved better design solutions or effectively reduced construction costs.

PROGRESS IN SYSTEM REFORM

During the reporting period, the Group managed to reform its human resources management system, whereby all of its major subsidiaries engaged in real estate development had appointed professional consultants for human resources planning. As a result, corporate organizational structure, job position chart, staff appraisal system and remuneration & welfare system, etc. were modified and a more market-oriented employment mechanism was established.

In addition, the Group also made improvements in product standardization and research on energy-savings product features. A solid foundation was therefore laid for further product research and developments. Some of these research projects won partial sponsorship from the government.

BRAND REPUTATION

During the reporting period, the Group's brand reputation continued to grow. The Group received a number of honours, such as placing 35th in the "Top 100 Real Estate Enterprises in China" announced by the China Industrial Information Issuing Centre under the National Bureau of Statistics, being selected as one of the "Top 20 Best-Seller Real Estate Enterprises in Guangzhou in 2009" rated by the China Real Estate Appraisal Centre, as well as being listed among the "Top 20 Most Creditworthy Real Estate Enterprises in Guangdong" by www.people.com.cn under the People's Daily and the four state-owned commercial banks. In addition, our office tower project Victory Plaza received the "9th Zhan Tianyou Award on Civil Engineering Projects in China".

OTHER BUSINESSES

In 2009, revenue from real estate supplementary businesses (mainly decoration and supermarket segments) amounted to HK\$662 million, representing an increase of 3% over the previous year.

During the year, GZI Real Estate Investment Trust ("GZI REIT") recorded satisfactory operating results and realized gross revenue of HK\$532 million,

representing an increase of 7.4% over the previous year. As the Group held 35.58% interest in the trust, it would receive a cash distribution of HK\$89 million.

FUTURE PROSPECTS

The Group is confident about the long term prospect of the property market in the PRC. Armed with its market leadership in its home base of Guangzhou and plans of strategically expanding its footprint nationally, the Group will seek to leverage its expertise and track record in executing its growth strategies. With property development unambiguously designated as its core business and its organizational and management structure being improved upon to become more market oriented, the Group is confident that it is well positioned to confront the challenges and capitalize on the opportunities this exciting market has to offer in the future.

Specifically, the Group aims to achieve the following tasks:

Enhancing our sales and marketing capability. We plan to reach contracted sales of HK\$9 billion and 540,000 sq.m. in 2010 and aim to join the “HKD10 Billion Club” in terms of sales in 2011. According to initial figures, we sold a total of 130,300 sq.m. for RMB 2,030 million (equivalent to HK\$2,307 million) in January and February 2010, representing an increase of 157.5% and 347.1% as compared with the corresponding periods in 2009, and accomplishing 24.1% and 25.7% of the 2010 annual target. As the new supply of commodity housing in Guangzhou’s urban areas continues to decrease, we expect that prices will remain high. Since the Group’s projects launched for sale in 2010 are mainly located in these urban areas, the Group is highly confident that the full year sales target is achievable.

Increasing our land reserve. We will continue to expand our land portfolio and optimize the quality of our land reserve. At the same time as we adhere to our home base in Guangzhou, we look to extend our footprint to the Pearl River Delta and select first and second tier key cities in other regions. Generally speaking, we seek to acquire high-quality and sizable sites with total floor area of 1.5 times the contracted sales area in every year.

Speeding up disposal of non-core assets. We will speed up the process of divesting our holdings of small and non performing shop bays, office buildings, residential space and parking areas.

Shortening the project development cycle. We will speed up project development by implementing product standardization, shortening the initial planning stage and the marketing cycle so as to enhance project returns and cash flow.

Strengthening brand management. Based on the existing brand of “Yuexiu City Construction”, we will continue to enhance our branding strategy, promote our brand name and lift our brand image. We will try to build a multi-level branding system which matches our product standardization drive while taking into account local market needs, product grading and customer demand.

FINANCIAL REVIEW

Financial Summary

1. Profit attributable to shareholders from continuing operations amounted to approximately HK\$725 million, increased 73.6% over the previous year

After the distribution and share offer of the entire holding of GZT shares during the year, revenue reached approximately HK\$5,300 million, increased 67.8% over the previous year, and marked a new record high. Operating profit amounted to approximately HK\$1,395 million, representing a sharp increase of 330.7% from approximately HK\$324 million of previous year. Excluding the effect of fair value gains/(losses) on revaluation of investment properties, the operating profit increased by 81.8% over the previous year. Operating profit margin (operating profit over revenue) was approximately 26%, increased by 16 percentage points over the previous year of approximately 10%. Net profit margin from continuing operations (profit attributable to shareholders from continuing operations over revenue) was approximately 14%, increased by 1 percentage point over the previous year of 13%.

2. Optimize business structure, succeed in split-off toll road business and focus on core property business

Following the completion of distribution and share offer of entire holding of GZT shares in 2009, the Group has been solely engaged in property business.

Despite an one-off non-cash loss of approximately HK\$1,594 million was recorded from the transaction, net cash proceeds of approximately HK\$1,610 million (after deducting cash payment and related transaction costs) was received from the distribution and share offer of GZT shares. All of the cash received had been used for the development of property projects.

In the year under review, the Group actively revised its strategies and expanded business scale. Around 1.38 million square meters (GFA) of high quality parcels of land were acquired through auctions during the year, at a total cost of approximately RMB5,084 million, thus further enhancing the capacity of sustainable development. As at 31 December 2009, the Group’s total assets amounted to approximately HK\$41,420 million.

3. Healthy financial position and adequate working capital

During the year, the Group has kept a healthy financial position while successfully tackled the adverse impact of international financial crisis. As at 31 December 2009, working capital (current assets over current liabilities) stood at approximately HK\$9,126 million, a 78.8% higher when compared to last year. Current ratio was 1.71. Cash and pledged bank deposits amounted to approximately HK\$7,011 million (31 December 2008: HK\$3,900 million) and available committed banking facilities amounted to approximately HK\$4,300 million. The Group maintains a strong financial position and adequate working capital which provides a secured source of capital for the future development of the Group.

Following the distribution and share offer of GZT shares, the gearing ratio (total debts less cash over net assets plus total debts less cash) of the Group stood at approximately 41.4% (2008: 31.5%).

ANALYSIS ON OPERATING RESULTS

Continuing operations

Revenue and gross profit

In 2009, the Group recorded revenue (excluding the sales of investment properties) of approximately HK\$5,300 million, representing an increase of 67.8% over the previous year. Gross profit amounted to approximately HK\$1,839 million, representing an increase of 52.2% over the previous year of approximately HK\$1,208 million. Average gross profit margin dropped slightly from 38% in the previous year to 35% in 2009.

Revenue from the sales of properties (excluding the sales of investment properties) amounted to approximately HK\$3,946 million, representing a significant increase of 111% over the previous year. Gross profit reached approximately of HK\$1,389 million, an increase of 76.4% over the previous year. Average gross profit margin dropped to 35% from 42% of previous year.

During the year, proceeds from sales of investment properties with a carrying value of approximately HK\$224 million amounted to approximately HK\$268 million, thus generating a gain of HK\$45 million.

Selling and general administrative expenses

During the year, selling expenses increased to approximately HK\$213 million, representing an increase of 7.7% 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.

Due to the significant increase in contracted sales, the selling expenses ratio in 2009 (selling expenses over contracted sales) was 3.1%, decreased by 2.6 percentage points from 5.7% in the previous year.

General administrative expenses amounted to approximately HK\$588 million, representing a decrease of 3% over the previous year of approximately HK\$606 million. Excluding the effect of bad debts, the administrative expenses increased by 6.5% 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 general administrative expenses ratio in 2009 (general administrative expenses over contracted sales) was 8.5%, decreased by 8.8 percentage points from 17.3% in the previous year.

Finance costs

With the effect of the increase in bank borrowings and interest margins, the Group's actual finance costs amounted to approximately HK\$482 million, representing an increase of 13.9% over approximately HK\$423 million in the previous year. Finance costs capitalized increased to approximately HK\$409 million in 2009 over approximately HK\$258 million capitalized in the previous year. Finance costs recognized as expenses were therefore approximately HK\$72 million, representing a decrease of 56.5% over approximately HK\$166 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 HK\$123 million. This was mainly contributed by the Group's share of a 35.58% equity interest in GZI REIT which generated to the Group a profit contribution of approximately HK\$107 million, an increase of 33% over an approximately HK\$80 million contribution in the previous year.

Taxation expenses

During the year, taxation expenses amounted to approximately HK\$714 million, representing an increase of 421% over approximately HK\$137 million in the previous year. This was mainly due to the significant increase in recognized sales revenue and the fair value gains on the revaluation of investment properties.

Discontinued operations

The Group completed the distribution and share offer of its entire holding of GZT shares in 2009. An one-off non-cash loss of approximately HK\$1,594 million was recorded as a result of the difference between the share of net asset value of GZT and the market prices of the distribution and share offer of GZT shares. During the year, GZT however generated to the Group a profit contribution of approximately HK\$500 million (before minority interest). After deducting the share to minority interest of HK\$328 million, the discontinued operations incurred a net loss of approximately HK\$1,422 million to the Group.

Following the disposal, the results of GZT were reported as discontinued operations and were presented separately in the consolidated income statement in accordance with the HKFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”.

Profit/(loss) attributable to equity holders of the Company

Profit attributable to equity holders of the Company from the continuing operations for 2009 amounted to approximately HK\$725 million, representing an increase of 73.6% over the previous year of HK\$417 million. Loss attributable to equity holders of the Company from the discontinued operations amounted to approximately HK\$1,422 million. Overall the Group recorded a net loss attributable to equity holders of the Company of approximately HK\$697 million, representing a decrease of 214.7% over the previous year.

Earnings per share

Basic earnings per share attributable to equity holders of the Company from the continuing operations for 2009 were HK10.17 cents (2008: HK5.86 cents). Basic loss per share attributable to equity holders of the Company from the discontinued operations was HK19.95 cents.

Liquidity and financial resources

As at 31 December 2009, the Group’s working capital (current assets less current liabilities) amounted to approximately HK\$9,126 million (2008: HK\$5,103 million). The Group’s current ratio was 1.71. Cash and cash equivalents amounted to approximately HK\$4,915 million (2008: HK\$3,497 million). Charged bank deposits amounted to approximately HK\$2,096 million (2008: HK\$404 million). Undrawn committed bank facilities amounted to approximately HK\$4,300 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 proactively 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	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank borrowings (floating rate)		
Denominated in RMB	10,010,221	5,606,927
Denominated in Hong Kong dollar	<u>4,234,917</u>	<u>4,121,888</u>
Total bank borrowings	14,245,138	9,728,815
Unsecured other borrowings	56,818	411,382
Finance lease	124	75
Overdrafts	<u>459</u>	<u>406</u>
Total debts	<u><u>14,302,539</u></u>	<u><u>10,140,678</u></u>
Ageing analysis:		
Repayable within one year	2,143,636	5,696,028
In the second year	2,802,319	1,572,655
In the third to fifth year	6,528,645	1,394,199
Over five year	2,827,939	1,122,576
With no fixed repayment terms	<u>—</u>	<u>355,220</u>
Total borrowings	14,302,539	10,140,678
Less: Bank balances and cash	<u>(4,915,280)</u>	<u>(3,496,547)</u>
Net borrowings	9,387,259	6,644,131
Shareholders' equity (excluding minority interests)	<u>13,300,880</u>	<u>14,479,118</u>
Total capitalization	<u><u>22,688,139</u></u>	<u><u>21,123,249</u></u>
Gearing ratio	41.4%	31.5%

As at 31 December 2009, the Group's bank borrowings amounted to HK\$14,245 million, in which the borrowings repayable within one year amounted to HK\$2,144 million, representing a 15.0% of the total bank borrowings. During the year, net new bank borrowings from property business increased by approximately HK\$5,300 million, which has been injected in full into the development of property projects.

Capital expenditures and investments

In 2009, the Group's capital expenditures on property, plant, equipment and investment properties amounted to HK\$368 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. In light of the financial crisis, the Group expects the current low interest rate environment to persist for an extended period of time. 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 2009, the Group had unpaid land premium commitment in respect of the land acquisition of approximately HK\$3,016 million.

Other than the above, the Group's capital commitments in respect of the property, plant, equipment and investment properties amounted to approximately HK\$3,614 million (2008: approximately HK\$628 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 2009, total contingent liabilities relating to these guarantees amounted to approximately HK\$ 1,176 million (2008: approximately HK\$883 million)

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 HK\$74 million. The Deed of Indemnity will expire on 30 May 2014.

Final dividend

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2009 (2008: final dividend HK0.8 cent per ordinary share).

CORPORATE GOVERNANCE

The Company has complied with the code provisions of the Code on Corporate Governance Practices (“Code Provisions”) contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the year ended 31 December 2009, except for the following deviations.

Code Provision A.4.1

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

REVIEW OF ANNUAL RESULTS

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

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2009 have been agreed by the Group's auditor, PricewaterhouseCoopers Hong Kong, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers Hong Kong in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers Hong Kong on the preliminary announcement.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

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

By order of the Board
LU Zhifeng
Chairman

Hong Kong, 25 March 2010

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

Executive Directors: LU Zhifeng (Chairman), ZHANG Zhaoxing, LIANG Yi, TANG Shouchun, LIANG Youpan and LAM Yau Fung Curt

Independent Non-executive Directors: YU Lup Fat Joseph, LEE Ka Lun and LAU Hon Chuen Ambrose