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

(Incorporated in Hong Kong with limited liability)

(Stock code: 123)

Announcement of 2011 Annual Results

Results Highlights

- Total revenue hit a record high of approximately RMB10,272 million, a substantial increase of 47% over the previous year.
- Operating profit amounted approximately RMB8,082 million, with return on equity (ROE) up to 25%.
- Property sales remained satisfactory, with contracted sales of approximately RMB9,054 million, or 101% of our full year target.
- Office area of Guangzhou IFC, contributing to the fair value gains of approximately RMB4,700 million was fully delivered.
- Further strengthening nationwide strategic expansion, with landbank amounted to approximately 11.16 million sq.m..
- Project construction progressed steadily, with new construction starts and property under development amounted to 1.59 million sq.m. and 3.96 million sq.m. respectively.
- Maintained a healthy financial position, with abundant working capital and good relationships with the financial institutions.

Future Strategies

- Shorten the development cycle, so as to improve asset turnover and ROE.
- Build up excellent sales force to achieve another contracted sales of RMB10,000 million.
- Improve commercial property operating to facilitate normalized interaction between “Yuexiu Property and Yuexiu REIT”.

Results highlights

• Revenue	RMB9,569 million (+70%)
• Total revenue (including the sales of investment properties)	RMB10,272 million (+47%)
• Operating profit	RMB8,082 million (+349%)
• Profit attributable to equity holders of the Company	RMB5,137 million (+459%)
• Basic earnings per share	RMB0.5533 (+351%)
• Property Contracted sales GFA	608,500 square meter (+12%)
• Property Contracted sales	RMB9,054 million (+2%)
• Total assets	RMB61,196 million (+21%)
• Shareholders' equity	RMB20,288 million (+28%)
• Shareholders' equity per share	RMB2.185 (+28%)

Chairman’s Statement

2011 (“Reporting Period”) was a year clouded by global financial and economic turmoil. Domestically, the once vibrant property market was cooling off following the various revision policy measures meted out by the central government. In response to these challenging market conditions, the Group steadfastly adhered to its corporate strategy of “strengthening management to improve quality, deepening reform to gain breakthroughs” and implemented effective measures to enhance the penetration capabilities and attained the annual sales targets, thus actualising its three year plan of “refining operations for better development prospects” which would have a profound impact on the long-term development of the Group. As a result, the Group recorded leapfrogging growth in both sales and profit.

First, sales steadily rose. During the Reporting Period, despite the restrictive policy measures on purchase, price and credit amongst various first and second tier cities, the Group focused on improving the quality of its products and services, and refining its sales and marketing policy to provide “a touch of class for the affluent, and economic standardization for the mass” to cater for the needs of different market segments. Sales hit a new high and the annual sales target was accomplished. The contracted sales revenue and contracted sales gross floor area (“GFA”) of approximately RMB9,054 million and 608,500 sq.m. were recorded, representing an increase of 2% and 12.1% respectively year on year.

Second, core businesses rapidly expanded. During the Reporting Period, to maintain the momentum of rapid expansion of its business, while having regard to the factors such as market trend, the projected cash flow position, and sustainability in terms of operations scale and planned project development costs, the Group acquired six pieces of land parcels in good geographical locations in Guangzhou, Zhongshan, Shenyang and Hangzhou, increasing the landbank by approximately GFA2.01 million sq.m. for a total investment of approximately RMB5,516 million, with a view to further strengthening the strategic nation-wide expansion in line with its corporate strategy of “home base in the Pearl River Delta, with footholds in Yangtze River Delta, Bohai Rim Economic Zone and Central Region”. As at the end of the Reporting Period, the Group had a landbank of approximately GFA11.16 million sq.m. (including properties under development).

In addition, debt financing achieved a breakthrough. Amidst a very tight liquidity environment, the Group capitalized on the good relationship with its core banks and managed to increase its net new bank borrowings by approximately RMB4,100 million during the Reporting Period, which provided the extra resources needed to fund the rapid expansion. Furthermore, the Group took advantage of the “cross border” interest rate differentials and increased the ratio of offshore loans from 27% to 35%, resulting in a substantial saving in the overall costs of debt of the Group. As at the end of the Reporting Period, the Group had a sufficient level of working capital with cash and charged bank deposits amounted to approximately RMB6,128 million and undrawn committed banking facilities were in the proximity of RMB2,800 million. Gearing ratio of the Group was approximately 45.50%, which was at a reasonable level amongst industry players, showing the financial conditions of the Group were indeed healthy and stable.

Finally, Group performance and branding gained wider market recognition. Along with the recent strong growth trend in business performance and corporate repositioning, the Group gained wider market recognition. During the year, it received various accolades from the finance and investment community, including “China’s Most Promising Companies 2011” and “Gold Award for Social Responsibility and Investor Relations 2011” awarded by “The Asset”, a famous financial magazine in Hong Kong, “Excellence of Listed Enterprise Awards” by “Capital Weekly” and “Outstanding Chinese Property Developer Award” by “Economic Digest” in Hong Kong.

FUTURE PROSPECTS

In 2012, we anticipate the recovery of the global economy may be checked by uncertainties. The central government will continue to administer the revision policies and measures with no less vigor than 2011 to rein in excessive investments and speculation in the residential property sector, to allow time for the effects of the cooling off measures to precipitate so as to steer the market towards a healthy, sustainable and stable development. The Chinese economy showed strong and stable growth in the past few years, and urbanization closely followed suit. The urbanization process is expected to translate into a strong demand for residential properties. We believe the real estate industry will continue to be a pillar industry of the Chinese economy, and a key driver for domestic consumption. 2012 will be full of challenges and opportunities.

For the Group, 2012 will mark the commencement of a new phase of its corporate business plan. We will advance from the stage of “refining operations” to the stage of “all round improvements”, the completion of which would have great significance to the Group’s long-term development. In face of the extremely complicated economic situation and keen completion from other domestic property players, the Group is confident about its future development. Inspired by our new corporate motto of “Nurturing Inner Force by intensive drills to increase resilience, forging ahead by taking swift responsive actions to break barriers”, we will methodically implement the strategic growth plan formulated by the Board to maintain a stable growth, control and manage finance and other business risks, and create our own niche market with a view to laying a solid foundation for accomplishing our mission of “all round improvements” to ensure a new breakthrough in this new development phase.

With respect to operations and management, the Group will closely study the opportunity of harnessing the unique (amongst the domestic property players) synergy benefits that may be afforded by the twin listing platforms engaging in property development and commercial property investment within the Group and will endeavour to promote the normalized interaction with Yuexiu REIT with a view to attain a dynamic and sustainable balance between growth and stability through such process. Meantime, the Group will closely monitor the development trend of domestic market consumption, and will venture in product design by blending in concepts, technologies and elements of low-carbonization, intelligent and humanity features to build modern, superior and high-end products to meet the consumption trend of house buyers. In addition, the Group will continue to pay close attention to market dynamics, respond quickly to market changes, and maintain moderately stable development for both residential and commercial properties. We will also manage financial risks, retain a stable and healthy cash flow, and constantly improve the quality of our asset and operation, in order to realize favorable returns to our shareholders and the society.

ACKNOWLEDGEMENT

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

Lu Zhifeng
Chairman

RESULTS

The board of directors (“Directors” or “Board”) of Yuexiu Property Company Limited (“Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (the “Group”) prepared under Hong Kong Financial Reporting Standards for the year ended 31 December 2011, as follow:

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

	<i>Note</i>	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>
Revenue	3	9,569,006	5,633,963
Cost of sales	4	<u>(5,564,912)</u>	<u>(3,752,700)</u>
Gross profit		4,004,094	1,881,263
Proceeds from sales of investment properties		703,142	1,345,068
Direct costs of investment properties sold		(595,802)	(875,742)
Gain on sales of investment properties		107,340	469,326
Fair value gains on revaluation of investment properties		4,955,613	258,690
Selling and marketing costs	4	(255,344)	(214,056)
Administrative expenses	4	<u>(729,957)</u>	<u>(593,977)</u>
Operating profit		8,081,746	1,801,246
Finance income		53,339	43,429
Finance costs	5	(472,950)	(219,976)
Net foreign exchange gain on financing activities		221,886	120,419
Share of (loss)/profit of			
- jointly controlled entities		(761)	23,430
- associated entities		<u>480,886</u>	<u>232,066</u>
Profit before taxation		8,364,146	2,000,614
Taxation	6	<u>(3,107,917)</u>	<u>(1,021,249)</u>
Profit for the year		<u><u>5,256,229</u></u>	<u><u>979,365</u></u>

	<i>Note</i>	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>
Attributable to			
Equity holders of the Company		5,136,661	918,840
Non-controlling interests		<u>119,568</u>	<u>60,525</u>
		<u>5,256,229</u>	<u>979,365</u>
Earnings per share for profit attributable to equity holders of the Company (expressed in RMB per share)	7		
- Basic		<u>0.5533</u>	<u>0.1228</u>
- Diluted		<u>0.5517</u>	<u>0.1221</u>

Details of dividends payable to equity holders of the Company are set out in Note 8.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011**

	2011	2010
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year	5,256,229	979,365
Other comprehensive income:		
Currency translation differences	(80,397)	(114,064)
Change in fair value of available-for-sale financial assets, net of tax	(324,866)	57,121
Transfer of reserve to profit and loss upon disposal of a subsidiary	<u>—</u>	<u>(920)</u>
Other comprehensive loss for the year, net of tax	<u>(405,263)</u>	<u>(57,863)</u>
Total comprehensive income for the year	<u>4,850,966</u>	<u>921,502</u>
Attributable to		
Equity holders of the Company	4,747,758	857,664
Non-controlling interests	<u>103,208</u>	<u>63,838</u>
	<u>4,850,966</u>	<u>921,502</u>

**CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2011**

	<i>Note</i>	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		2,624,912	2,199,676
Investment properties		11,922,571	7,632,075
Land use rights		557,609	547,113
Interests in jointly controlled entities		100,477	110,289
Interests in associated entities		2,008,062	1,608,654
Available-for-sale financial assets		722,573	1,154,600
Deferred tax assets		65,119	44,216
Accrued rent receivable		<u>75,889</u>	<u>—</u>
		<u>18,077,212</u>	<u>13,296,623</u>
Current assets			
Properties under development		29,777,812	17,305,880
Properties held for sale		2,666,073	2,621,017
Prepayments for land use rights		2,064,505	6,254,647
Inventories		100,798	47,847
Trade receivables	9	4,523	10,041
Other receivables, prepayments and deposits		847,434	3,329,834
Taxation recoverable		501,004	442,329
Charged bank deposits		1,306,754	1,021,635
Cash and cash equivalents		<u>4,820,904</u>	<u>6,451,077</u>
		<u>42,089,807</u>	<u>37,484,307</u>
Non-current assets held-for-sale		<u>1,028,790</u>	<u>—</u>

	<i>Note</i>	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>
LIABILITIES			
Current liabilities			
Trade and note payables	10	327,476	171,301
Land premium payable		45,944	45,944
Advance receipts from customers		5,392,740	7,900,585
Other payables and accrued charges		6,108,568	4,633,355
Borrowings		10,590,713	6,033,686
Taxation payable		<u>770,604</u>	<u>536,868</u>
		<u>23,236,045</u>	<u>19,321,739</u>
Liabilities associated with non-current assets held-for-sale		<u>122,552</u>	<u>—</u>
Net current assets		<u>19,760,000</u>	<u>18,162,568</u>
Total assets less current liabilities		<u>37,837,212</u>	<u>31,459,191</u>
Non-current liabilities			
Borrowings		11,191,453	11,702,660
Deferred tax liabilities		5,839,752	3,410,438
Deferred revenue		<u>68,184</u>	<u>—</u>
		<u>17,099,389</u>	<u>15,113,098</u>
Net assets		<u>20,737,823</u>	<u>16,346,093</u>
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		851,021	850,915
Share premium		8,871,970	8,870,951
Other reserves		379,865	769,930
Retained earnings			
- Proposed dividends		343,551	—
- Others		<u>9,841,467</u>	<u>5,368,564</u>
		20,287,874	15,860,360
Non-controlling interests		<u>449,949</u>	<u>485,733</u>
Total equity		<u>20,737,823</u>	<u>16,346,093</u>

NOTES

1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”). 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.

2 Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2010, as described in those annual financial statements.

(a) *Revised standard adopted by the Group:*

The following revision to standard is mandatory for the first time for the financial year beginning 1 January 2011:

- HKAS 24 (Revised), “Related Party Disclosures” is effective for annual periods beginning on or after 1 January 2011. It introduces an exemption from all of the disclosure requirements of HKAS 24 for transactions among government related entities and the government. Those disclosures are replaced with a requirement to disclose (i) the name of the government and the nature of their relationship; (ii) the nature and amount of any individually significant transactions; and (iii) the extent of any collectively-significant transactions qualitatively or quantitatively. It also clarifies and simplifies the definition of a related party. The adoption of the revised standard only results in additional disclosures.

(b) *Amendments and interpretation to existing standards effective in 2011 but not relevant to the Group:*

HKAS 32 (Amendment)	Classification of Rights Issues
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments

- (c) *New standards and amendments and revision to existing standards 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 1 (Amendment)	Presentation of Financial Statements	1 July 2012
HKAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets	1 January 2012
HKAS 19 (Amendment)	Employee Benefits	1 January 2013
HKAS 27 (Revised)	Separate Financial Statements	1 January 2013
HKFRS 1 (Amendment)	Disclosures - 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 2015
HKFRS 10	Consolidated Financial Statements	1 January 2013
HKFRS 11	Joint Arrangements	1 January 2013
HKFRS 12	Disclosure of Interests in Other Entities	1 January 2013
HKFRS 13	Fair Value Measurements	1 January 2013

The Group has already commenced an assessment of the related impact of adopting the above new standards and amendments and revision 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.

3 **Segment information**

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

The Board considers the business by nature of business activities and assesses the performance of property development, property management, property investment and 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 and other unallocated operating costs. 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 <i>RMB'000</i>	Property management <i>RMB'000</i>	Property investment <i>RMB'000</i>	Others <i>RMB'000</i>	Group <i>RMB'000</i>
Year ended 31 December 2011					
Revenue	8,476,738	401,702	453,777	753,943	10,086,160
Inter-segment revenue	<u>—</u>	<u>(50,576)</u>	<u>(8,489)</u>	<u>(458,089)</u>	<u>(517,154)</u>
Revenue from external customers	<u>8,476,738</u>	<u>351,126</u>	<u>445,288</u>	<u>295,854</u>	<u>9,569,006</u>
Segment results	<u>2,679,367</u>	<u>(8,481)</u>	<u>5,470,397</u>	<u>29,117</u>	<u>8,170,400</u>
Depreciation and amortisation	<u>(47,226)</u>	<u>(898)</u>	<u>—</u>	<u>(19,206)</u>	<u>(67,330)</u>
Share of (loss)/profit of					
- jointly controlled entities	(761)	—	—	—	(761)
- associated entities	<u>—</u>	<u>—</u>	<u>480,886</u>	<u>—</u>	<u>480,886</u>
Year ended 31 December 2010					
Revenue	4,301,313	371,383	297,486	999,661	5,969,843
Inter-segment revenue	<u>—</u>	<u>(27,344)</u>	<u>(8,638)</u>	<u>(299,898)</u>	<u>(335,880)</u>
Revenue from external customers	<u>4,301,313</u>	<u>344,039</u>	<u>288,848</u>	<u>699,763</u>	<u>5,633,963</u>
Segment results	<u>934,659</u>	<u>7,559</u>	<u>876,001</u>	<u>61,828</u>	<u>1,880,047</u>
Depreciation and amortisation	<u>(44,345)</u>	<u>(793)</u>	<u>—</u>	<u>(19,043)</u>	<u>(64,181)</u>
Share of profit of					
- jointly controlled entities	23,430	—	—	—	23,430
- associated entities	<u>—</u>	<u>—</u>	<u>232,066</u>	<u>—</u>	<u>232,066</u>

	Property development <i>RMB'000</i>	Property management <i>RMB'000</i>	Property investment <i>RMB'000</i>	Others <i>RMB'000</i>	Group <i>RMB'000</i>
As at 31 December 2011					
Segment assets	45,686,760	349,060	11,922,571	300,371	58,258,762
Interests in jointly controlled entities	100,477	—	—	—	100,477
Interests in associated entities	<u>—</u>	<u>—</u>	<u>2,008,062</u>	<u>—</u>	<u>2,008,062</u>
Total reportable segments' assets	<u>45,787,237</u>	<u>349,060</u>	<u>13,930,633</u>	<u>300,371</u>	<u>60,367,301</u>
Total reportable segments' assets include:					
Additions to non-current assets (other than available-for-sale financial assets and deferred tax assets)	<u>548,567</u>	<u>2,517</u>	<u>984,084</u>	<u>217</u>	<u>1,535,385</u>
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	<u>—</u>	<u>—</u>	<u>1,608,654</u>	<u>—</u>	<u>1,608,654</u>
Total reportable segments' assets	<u>38,697,400</u>	<u>241,928</u>	<u>9,240,729</u>	<u>326,743</u>	<u>48,506,800</u>
Total reportable segments' assets include:					
Additions to non-current assets (other than available-for-sale financial assets and deferred tax assets)	<u>739,917</u>	<u>937</u>	<u>716,121</u>	<u>2,704</u>	<u>1,459,679</u>

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

	Year ended 31 December	
	2011	2010
	<i>RMB'000</i>	<i>RMB'000</i>
Segment results	8,170,400	1,880,047
Unallocated operating costs	<u>(88,654)</u>	<u>(78,801)</u>
Operating profit	8,081,746	1,801,246
Finance income	53,339	43,429
Finance costs	(472,950)	(219,976)
Net foreign exchange gain on financing activities	221,886	120,419
Share of (loss)/profit of:		
- jointly controlled entities	(761)	23,430
- associated entities	<u>480,886</u>	<u>232,066</u>
Profit before taxation	<u>8,364,146</u>	<u>2,000,614</u>

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

	As at 31 December	
	2011	2010
	<i>RMB'000</i>	<i>RMB'000</i>
Total reportable segments' assets	60,367,301	48,506,800
Deferred tax assets	65,119	44,216
Taxation recoverable	501,004	442,329
Corporate assets	<u>262,385</u>	<u>1,787,585</u>
Total assets	<u>61,195,809</u>	<u>50,780,930</u>

	Revenue		Total assets	
	Year ended 31 December		As at 31 December	
	2011	2010	2011	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Hong Kong	147,741	142,103	1,929,069	1,755,919
China	9,364,683	5,489,368	58,427,692	46,699,036
Overseas	<u>56,582</u>	<u>2,492</u>	<u>10,540</u>	<u>51,845</u>
	<u>9,569,006</u>	<u>5,633,963</u>	60,367,301	48,506,800
Unallocated assets			<u>828,508</u>	<u>2,274,130</u>
			<u>61,195,809</u>	<u>50,780,930</u>

4 Expenses by nature

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

	2011	2010
	<i>RMB'000</i>	<i>RMB'000</i>
Advertising and promotion expenses	188,596	142,078
Cost of inventories/properties sold included in cost of sales	5,085,660	3,307,675
Direct operating expenses arising from investment properties		
- that generate rental income	42,699	66,643
- that did not generate rental income	128	201
Depreciation		
- Owned property, plant and equipments	49,754	49,281
- Leased property, plant and equipments	62	36
Provision for impairment of property, plant and equipment	31,202	34,664
Amortisation of land use rights	17,514	14,864
Operating leases - Land and buildings	14,513	24,145
Auditor's remuneration	6,708	6,000
Employee benefit expenses	777,620	670,400
(Reversal of)/provision for impairment of properties under development	(4,023)	100,668
Others	<u>339,780</u>	<u>144,078</u>
	<u>6,550,213</u>	<u>4,560,733</u>

5 Finance costs

	2011	2010
	<i>RMB'000</i>	<i>RMB'000</i>
Interest on bank loans and overdrafts wholly repayable within five years	997,103	578,654
Interest on bank loans wholly repayable over five years	193,673	175,357
Interest on loans from related companies	<u>514</u>	<u>586</u>
Total borrowing costs incurred	1,191,290	754,597
Less: amount capitalised as investment properties, properties under development and property, plant and equipment	<u>(718,340)</u>	<u>(534,621)</u>
	<u>472,950</u>	<u>219,976</u>

6 Taxation

- (a) Hong Kong profits tax has been provided at the rate of 16.5 percent (2010: 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 (2010: 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 tax rates ranging from 5 percent to 10 percent (2010: 5 percent to 10 percent).

- (c) China land appreciation tax is levied at progressive rates ranging from 30 percent to 60 percent on the appreciation of land value, being the proceeds of sales of properties less deductible expenditure including costs of land, development and construction.
- (d) The amount of taxation charged to the consolidated income statement comprises:

	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>
<u>Company and subsidiaries</u>		
Current taxation		
Hong Kong profits tax	25	3,767
China enterprise income tax	262,669	163,364
China land appreciation tax	415,094	150,182
Corporate withholding income tax	—	49,297
(Over-provision)/under-provision in prior years	(6,501)	1,900
Deferred taxation		
Origination and reversal of temporary difference	2,050,863	621,100
Corporate withholding income tax on undistributed profits	<u>385,767</u>	<u>31,639</u>
	<u>3,107,917</u>	<u>1,021,249</u>

7 Earnings per share

Basic

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

	2011	2010
Profit attributable to equity holders of the Company (RMB'000)	<u>5,136,661</u>	<u>918,840</u>
Weighted average number of ordinary shares in issue ('000)	<u>9,283,749</u>	<u>7,484,311</u>
Basic earnings per share (RMB)	<u>0.5533</u>	<u>0.1228</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.

	2011	2010
Profit attributable to equity holders of the Company (RMB'000)	<u>5,136,661</u>	<u>918,840</u>
Weighted average number of ordinary shares in issue ('000)	9,283,749	7,484,311
Adjustments for share options ('000)	<u>26,444</u>	<u>41,235</u>
Weighted average number of ordinary shares for diluted earnings per share ('000)	<u>9,310,193</u>	<u>7,525,546</u>
Diluted earnings per share (RMB)	<u>0.5517</u>	<u>0.1221</u>

8 **Dividends**

	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>
Interim, paid, of HK\$0.04 equivalent to RMB0.033 (2010: nil) per ordinary share	304,758	—
Final, proposed, of HK\$0.045 equivalent to RMB0.037 (2010: nil) per ordinary share	<u>343,551</u>	<u>—</u>
	<u><u>648,309</u></u>	<u><u>—</u></u>

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:

	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>
0 - 30 days	2,112	6,740
31 - 90 days	409	40
91 - 180 days	125	63
181 - 365 days	77	—
Over 1 year	<u>58,030</u>	<u>69,104</u>
	60,753	75,947
Less: provision for impairment of trade receivables	<u>(56,230)</u>	<u>(65,906)</u>
	<u><u>4,523</u></u>	<u><u>10,041</u></u>

10 **Trade and note payables**

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

	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>
0 - 30 days	33,419	165,993
31 - 90 days	292,344	3,343
91 - 180 days	744	988
181 - 365 days	296	—
1 - 2 years	59	400
Over 2 years	<u>614</u>	<u>577</u>
	<u><u>327,476</u></u>	<u><u>171,301</u></u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2011 (“Reporting Period”), the Group realized total revenue (including the sales of investment properties) of approximately RMB10,272 million, an increase of 47% over the previous year. Recognized sales revenue of properties and revaluation gain of investment properties surged significantly. Profit attributable to equity holders reached approximately RMB5,137 million, an increase of 459% over the previous year. Basic earnings per share amounted to approximately RMB0.5533 an increase of 351% over the previous year. Excluding the factor of revaluation gains on investment properties, profit attributable to equity holders was approximately RMB1,607 million, representing an increase of 121% over the previous year.

The Board recommends a final dividend for 2011 of HK\$0.045 per share, which is equivalent to approximately RMB0.037 per share. Together with the interim dividend of HK\$0.04 per share, which is equivalent to approximately RMB0.033 per share, dividend for the year totals HK\$0.085 per share, which is equivalent to approximately RMB0.07 per share, accounting for 40% of the profit attributable to equity holders excluding the revaluation gains on investment properties.

Market Analysis

In 2011, the global financial and economic environment became even more unpredictable as a result of the economic uncertainties arising from major developed countries. Undergoing such an instable external economic environment, China domestic economy still keeps growing at a decent pace. According to data disclosed by National Bureau of Statistics, China’s GDP reached RMB47,156.4 billion in 2011, an increase of 9.2% over the previous year.

With respect to the domestic real estate market, 2011 was a challenging year. As there remained a series of regulatory policies, the market had slowed down its growth pace. During the Reporting Period, the total GFA sold of nationwide commodity housing was approximately 1,099.0 million sq.m., up 4.9% over the previous year. Total sales value reached approximately RMB5,911.9 billion, an increase of 12.1% over the previous year. Average selling price (ASP) per sq.m. was approximately RMB5,379, representing an increase of 7.0% over the previous year. In Guangzhou, the total GFA sold of new commodity housing was approximately 7.78 million sq.m., down 0.8% over the previous year. Total sales amount reached approximately RMB111.0 billion, an increase of 4.9% over the previous year. Average selling price (ASP) per sq.m. was approximately RMB14,259, representing an increase of 5.8% over the previous year.

Achieving Another Breakthroughs in Sales

Facing the capricious real estate market environment, the Group repositioned its product by taking proactive, real-time and innovative marketing strategy which distinguished itself among the industry and resulted in positive sales revenue. During the Reporting Period, our contracted sales value amounted to approximately RMB9,054 million (an increase of 2.2% over the previous year) and contracted sales GFA reached approximately 608,500 sq.m. (an increase of 12.1% over the previous year), representing 112.7% and 100.6% of the annual contracted sales target of no less than 540,000 sq.m. and RMB9,000 million, respectively, achieving the annual targets. The ASP of contracted sales was approximately RMB14,900 per sq.m., declining 9.6% as compared to last year. Specific details are summarized as follows:

Project Name	Land Use	GFA <i>(sq.m.)</i>	Value <i>(RMB mil)</i>	ASP <i>(RMB/sq.m.)</i>	Location
Jiang Nan New Mansion	Residential/ Commercial	26,100	1,052	40,300	Haizhu, Guangzhou
Springland Garden	Residential	30,200	722	23,900	Haizhu, Guangzhou
Ling Nan Riverside	Residential	38,200	796	20,800	Liwan, Guangzhou
Starry Winking	Residential	3,600	134	37,800	Tianhe, Guangzhou
Huadu Glade Greenland	Residential	12,500	95	7,600	Huadu, Guangzhou
Paradiso Homeland	Residential	9,600	237	24,600	Haizhu, Guangzhou
Rayon Jardin	Residential	12,800	272	21,200	Haizhu, Guangzhou
Cong Hua Glade Village	Low-rise Apartment/Villa	26,300	231	8,800	Conghua, Guangzhou
Southern Le Sand	Low-rise Apartment/Villa	113,700	994	8,700	Nansha, Guangzhou
Fortune Century Square	Office/Service Apartment	36,800	1,048	28,500	Tianhe, Guangzhou
Starry Wenhua	Residential	29,700	597	20,100	Panyu, Guangzhou

Project Name	Land Use	GFA <i>(sq.m.)</i>	Value <i>(RMB mil)</i>	ASP <i>(RMB/sq.m.)</i>	Location
Starry Golden Sands	Residential	18,000	245	13,600	Baiyun, Guangzhou
Jiangmen Starry Regal Court	Residential	23,700	174	7,300	Beixin, Jiangmen
Yantai Starry Phoenix	Residential	23,000	156	6,800	Zhifu, Yantai
Shenyang Yuexiu Hill Lake (formerly Shenyang Linghai Mingzhu)	Residential	8,500	91	10,700	Xinqu, Shenyang
Other Projects	N/A	15,600	351	22,500	Guangzhou
Investment Properties	N/A	<u>63,000</u>	<u>875</u>	13,900	Guangzhou
Subtotal		491,300	8,070	16,400	
Popark Plaza	Commercial	117,200	984	8,400	Tianhe, Guangzhou
Total		<u>608,500</u>	<u>9,054</u>	14,900	

During the year, recognized sales GFA (including approximately 36,500 sq.m. of investment properties) reached approximately 585,700 sq.m., representing an increase of 38.0% over the previous year. Recognized sales from property sales (including approximately RMB703 million from investment properties) amounted to approximately RMB9,180 million, representing an increase of 62.6% over the previous year. ASP reached approximately RMB15,700 per sq.m. (including sold investment properties), representing an increase of 18.0% over the previous year. Details are summarized as follows:

Project Name	Land Use	GFA <i>(sq.m.)</i>	Value <i>(RMB mil)</i>	ASP <i>(RMB/sq.m.)</i>	Location
Jiang Nan New Mansion	Residential	146,500	2,598	17,700	Haizhu, Guangzhou
Starry Winking	Residential	49,200	1,159	23,600	Tianhe, Guangzhou
Rayon Jardin	Residential	13,000	277	21,300	Haizhu, Guangzhou
Springland Garden	Residential	81,300	1,277	15,700	Haizhu, Guangzhou
Ling Nan Riverside	Residential	136,800	2,150	15,700	Liwan, Guangzhou
Southern Le Sand	Low-rise Apartment/Villa	52,300	425	8,100	Nansha, Guangzhou
Cong Hua Glade Village	Low-rise Apartment/Villa	62,300	445	7,100	Conghua, Guangzhou
Other Projects	N/A	<u>7,800</u>	<u>146</u>	18,700	Guangzhou
Subtotal		549,200	8,477	15,400	
Investment Properties	N/A	<u>36,500</u>	<u>703</u>	19,300	Guangzhou
Total		<u><u>585,700</u></u>	<u><u>9,180</u></u>	15,700	

Properties sold but not yet recognized amounted to 441,900 sq.m. in GFA and RMB7,293 million in value. ASP was approximately RMB16,500 per sq.m. Details are summarized as follow:

Project Name	Land Use	GFA <i>(sq.m.)</i>	Value <i>(RMB mil)</i>	ASP <i>(RMB/sq.m.)</i>	Location
Jiang Nan New Mansion	Commercial	23,800	1,007	42,300	Haizhu, Guangzhou
Springland Garden	Residential/ Commercial	22,800	567	24,900	Haizhu, Guangzhou
Ling Nan Riverside	Residential	25,300	543	21,500	Liwan, Guangzhou
Starry Winking	Residential	4,200	168	40,000	Tianhe, Guangzhou
Paradiso Homeland	Residential	43,000	1,005	23,400	Haizhu, Guangzhou
Cong Hua Glade Village	Low-rise Apartment/Villa	6,900	63	9,100	Conghua, Guangzhou
Huadu Glade Greenland	Residential	12,500	95	7,600	Huadu, Guangzhou
Southern Le Sand	Low-rise Apartment/Villa	122,600	1,015	8,300	Nansha, Guangzhou
Fortune Century Square	Office/Service Apartment	36,800	1,048	28,500	Tianhe, Guangzhou
Starry Wenhua	Residential	29,700	597	20,100	Panyu, Guangzhou
Starry Golden Sands	Residential	18,000	245	13,600	Baiyun, Guangzhou
Jiangmen Starry Regal Court	Residential	23,700	174	7,300	Beixin, Jiangmen
Yantai Starry Phoenix	Residential	23,000	156	6,800	Zhifu, Yantai
Shenyang Yuexiu Hill Lake (formerly Shenyang Linghai Mingzhu)	Residential	8,500	91	10,700	Xinqu, Shenyang
Other Projects	N/A	8,300	199	24,000	Guangzhou
Investment Properties	N/A	<u>32,800</u>	<u>320</u>	9,800	Guangzhou
Total		<u>441,900</u>	<u>7,293</u>	16,500	

Landbank - Strengthening Strategic Nation-Wide Expansion

During the Reporting Period, the Group increased the landbank by approximately GFA2.01 million sq.m. with total investments of approximately RMB5,516 million (presenting approximately 92% of the set investment amount of RMB6,000 million assumed at the beginning of the Period), with a view to further strengthening the strategic nation-wide expansion of home base in the Pearl River Delta, with footholds in Yangtze River Delta, Bohai Rim Economic Zone and Central Region. Under constant regulations, the land market was calming down to a reasonable level during the Reporting Period. We will carry out a careful due diligence towards land purchase while continue to seek new opportunities for expansion in line with our corporate strategy. As at the end of the Reporting Period, the Group had a landbank of approximately GFA11.16 million sq.m. (including undeveloped properties and properties under construction). If classified by region, Guangzhou accounted for about 49%, Zhongshan for about 15%, Jiangmen for about 5%, Foshan for about 3%, Hangzhou for about 10%, Wuhan for about 6%, Shenyang for about 9%, Yantai for about 2% 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 56%, 10%, 13%, and 21% respectively.

Land acquisitions recorded for the Reporting Period are summarised as follow:

Project Name	Land Use	PGFA (sq.m.)	Premium (RMB mil)	Land Cost (RMB/ sq.m.)	Location
Shenyang Linghai Mingzhu	Residential	366,700	1,038	2,831	Xinqu, Shenyang
Shenyang Nanta Street Plot	Residential/ Commercial	669,900	2,150	3,209	Dongling, Shenyang
Guangzhou Science City Project Plot	Residential	299,000	1,410	4,716	Luogang, Guangzhou
Hangzhou Lin-an Land Phase II Plot	Residential/ Commercial	211,000	396	1,877	Linan, Hangzhou
ZhongShan Dongsheng Plot	Residential	427,300	259	606	DongSheng, Zhongshan
Other Projects	Residential	<u>39,400</u>	<u>263</u>	6,675	
Total		<u>2,013,300</u>	<u>5,516</u>	2,740	

As at the end of the Reporting Period, the Group owned approximately 7.20 million sq.m. of undeveloped properties. If classified by region, Guangzhou accounted for about 37%, Zhongshan for about 17%, Jiangmen for about 4%, Foshan for about 4%, Hangzhou for about 17%, Wuhan for about 7%, Shenyang for about 13% 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 60%, 9%, 14%, and 17% respectively. Details are summarized as follows:

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%	1,703,300	944,500	249,500	444,600	64,700	Nansha, Guangzhou
Panyu Southern District Land	95%	266,800	266,800	—	—	—	Panyu, Guangzhou
Starry Golden Sands	100%	220,000	153,200	—	5,000	61,800	Baiyun, Guangzhou
Sporty Stadium Building	100%	125,000	—	81,300	25,000	18,700	Yuexiu, Guangzhou
Science City Project Plot	95%	299,000	208,500	—	9,800	80,700	Haizhu, Guangzhou
Other Projects	95%	<u>60,000</u>	<u>31,500</u>	<u>—</u>	<u>6,800</u>	<u>21,700</u>	Guangzhou
Subtotal (Guangzhou)		<u>2,674,100</u>	<u>1,604,500</u>	<u>330,800</u>	<u>491,200</u>	<u>247,600</u>	
Zhongshan Starry Winking (Formely Zhongshan Nanqu Plot)	95%	303,900	200,500	—	8,300	95,100	Nanqu, Zhongshan
Zhongshan Bo-ai Plot	95%	512,600	243,700	126,700	3,000	139,200	Dongqu, Zhongshan
Zhongshan DongSheng Plot	100%	427,300	338,400	—	31,100	57,800	DongSheng, Zhongshan
Subtotal (Zhongshan)		<u>1,243,800</u>	<u>782,600</u>	<u>126,700</u>	<u>42,400</u>	<u>292,100</u>	
Jiangmen Starry Regal Court	95%	233,700	162,700	—	21,100	49,900	Beixin, Jiangmen
Nanhai Plot	95%	291,100	100,000	31,600	84,300	75,200	Foshan, Nanhai
Hangzhou Lin-an Plot	100%	1,174,500	832,500	48,000	104,000	190,000	Lin-an, Hangzhou
Wuhan Qiaokou Land	95%	538,100	160,200	139,500	64,800	173,600	Qiaokou, Wuhan

Project Name	Interest Holding	PGFA (sq.m.)	Residential (sq.m.)	Office (sq.m.)	Commercial (sq.m.)	Carpark & others (sq.m.)	Location
Shenyang Yuexiu Hill Lake (formerly Shenyang Linghai Mingzhu)	99.95%	276,300	273,800	—	—	2,500	Xinqu, Shengyang
Shenyang Nanta Street Plot	100%	669,900	311,800	—	197,600	160,500	Dongling, Shengyang
Yau Tong Property	100%	58,800	58,800	—	—	—	Yautong, Hong Kong
Other Projects	100%	<u>39,400</u>	<u>39,400</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>NA</u>
Total		<u>7,199,700</u>	<u>4,326,300</u>	<u>676,600</u>	<u>1,005,400</u>	<u>1,191,400</u>	

Project Construction Carried Out On Schedule

Aiming to lay a solid foundation for “all round improvements”, the Group implemented methodical project planning and cooperative team work in enhancing efficiency and capability of project development and construction, in order to ensure sufficient inventory for sales when future market rebound. During the Reporting Period, the Group’s GFA of new construction starts was approximately 1.59 million sq.m., achieving 114.8% of the 2011 target of 1.39 million sq.m.

As at the end of the Reporting Period, the GFA of projects under development of the Group amounted to approximately 3.96 million sq.m. Classifying by regions, Guangzhou accounted for about 70%, Zhongshan for about 10%, Jiangmen for about 9%, Yantai for about 6%, Wuhan for about 3%, and Shenyang for about 2%. If classified by land use, residential area, office area, commercial area and parking and other areas accounted for about 48%, 11%, 12% and 29% respectively. Details are summarized as follows:

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%	473,800	363,400	—	4,000	106,400	Nansha, Guangzhou
Asia Pacific Century Plaza	95%	232,000	—	105,000	27,000	100,000	Tianhe, Guangzhou

Project Name	Interest Holding	PGFA Residential (sq.m.)	Residential (sq.m.)	Office Commercial (sq.m.)	Commercial (sq.m.)	Carpark & others (sq.m.)	Location
Starry Wenhua	95%	221,000	142,000	—	—	79,000	Panyu, Guangzhou
Starry Wenhan	95%	164,000	109,000	—	—	55,000	Panyu, Guangzhou
Starry Wenyu	95%	126,100	89,000	—	—	37,100	Panyu, Guangzhou
Panyu Southern District Land	95%	287,300	84,000	—	49,000	154,300	Panyu, Guangzhou
Fortune World Plaza	97.55%	386,000	—	78,700	197,100	110,200	Liwan, Guangzhou
Starry Golden Sands	100%	188,800	133,000	—	4,800	51,000	Baiyun, Guangzhou
Guangzhou IFC (portion)	99%	57,700	—	—	57,700	—	Tianhe, Guangzhou
Fortune Century Square	100%	134,400	—	96,700	9,600	28,100	Tianhe, Guangzhou
Fortune Center	95%	210,400	—	157,000	7,000	46,400	Tianhe, Guangzhou
Zhujiang New Town	95%	35,200	21,000	—	—	14,200	Tianhe, Guangzhou
Huadu Glade Greenland	100%	93,400	71,000	—	—	22,400	Huadu, Guangzhou
Paradiso Homeland	95%	74,000	58,000	—	—	16,000	Haizhu, Guangzhou
Jiang Nan New Village phase 3&4 (portion)	95%	62,200	38,200	—	—	24,000	Haizhu, Guangzhou
Other Projects	95%	<u>39,700</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>39,700</u>	Guangzhou
Subtotal (Guangzhou)		2,786,000	1,108,600	437,400	356,200	883,800	
Jiangmen Starry Regal Court	95%	350,200	250,600	—	5,600	94,000	Beixin, Jiangmen
Zhongshan Starry Winking (formerly Zhongshan Nanqu Plot)	95%	251,500	140,300	—	70,500	40,700	Nanqu, Zhongshan
Zhongshan Starry Jun Ting (formerly Zhongshan Qiguan Plot)	100%	151,700	106,000	—	9,000	36,700	Shiqi, Zhongshan
Yantai Starry Phoenix	95%	219,800	116,000	—	32,000	71,800	Zhifu, Yantai

Project Name	Interest Holding	PGFA (sq.m.)	Residential (sq.m.)	Office (sq.m.)	Commercial (sq.m.)	Carpark & others (sq.m.)	Location
Shenyang Yuexiu Hill Lake (formerly Shenyang Linghai Mingzhu)	99.95%	90,400	80,000	—	—	10,400	Xinqu, Shenyang
Wuhan Qiaokou Land	95%	<u>105,800</u>	<u>105,800</u>	<u>—</u>	<u>—</u>	<u>—</u>	Qiaokou, Wuhan
Total		<u>3,955,400</u>	<u>1,907,300</u>	<u>437,400</u>	<u>473,300</u>	<u>1,137,400</u>	

STABLE INCOME FROM DIVERSIFIED PORTFOLIO

The Group believes that, when residential property market is influenced by the government's macro-economic control, investment properties, on the other hand can generate stable revenue and dispense part of operating risks. In 2011, revaluation gain on investment properties amounted to approximately RMB4,956 million. The increase is primarily contributed from office, commercial and parking spaces of Guangzhou International Finance Centre ("GZIFC"), which were fully operated during the Reporting Period. The rental level and occupancy rate improved substantially and accordingly generated approximately RMB4,700 million of revaluation gain. The occupancy rate of the office area also increased to 54% by the end of the period from 25% at the end of 2010, with the highest rent RMB320/ sq.m. during the Reporting Period. It broke the highest record of rent for office building in Guangzhou.

By the end of the reporting period, the Group's GFA of investment properties amounted to approximately 698,100 sq.m., of which, office, commercial and parking space accounted for approximately 41%, 28% and 31% respectively. Particulars of the investment properties are summarized as follows:

Project Name	GFA (sq.m.)	Office (sq.m.)	Commercial (sq.m.)	Car park/ Others (sq.m.)	Location
Guangzhou IFC (portion)	227,500	162,000	44,300	21,200	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	34,500	—	31,000	3,500	Baiyun, Guangzhou
Xiangkang Commercial Plaza	32,200	28,800	—	3,400	Yuexiu, Guangzhou
Yuexiu City Plaza	35,000	—	16,700	18,300	Yuexiu, Guangzhou
Victory Plaza	22,400	500	—	21,900	Tianhe, Guangzhou
Other Projects(include carparks)	239,000	35,300	84,300	119,400	Guangzhou
Hong Kong Properties	<u>29,700</u>	<u>11,100</u>	<u>3,200</u>	<u>15,400</u>	Hong Kong
Subtotal	<u>698,100</u>	<u>283,500</u>	<u>200,200</u>	<u>214,400</u>	
Popark Plaza (Sold)	115,000	—	85,000	30,000	Tianhe, Guangzhou
Hong Fa Building (Sold)	32,300	17,300	—	15,000	Tianhe, Guangzhou
Total	<u>845,400</u>	<u>300,800</u>	<u>285,200</u>	<u>259,400</u>	

CONTINUOUS REFINEMENT OF MANAGEMENT SYSTEM

In order to move towards nationwide, the Group refined its management system to facilitate its overall improvement. We continuously enhanced our sales through various creative marketing strategies, unique selling proposition and a view to constantly breaking barriers in facing market changes. We have effectively gained our brand awareness and successfully established brand image outside Guangzhou. In addition, we strengthened real-time cost management by formulating Administrative Measures on Target Cost (目標成本管理辦法), which further standardized our cost management, and conducted real-time cost track and management for projects through ERP system.

OTHER BUSINESSES

Yuexiu Real Estate Investment Trust (“Yuexiu REIT”), an associate of the Group, achieved gross revenue of approximately RMB522 million, representing an increase of 7.8% over the previous year. The total amount of distributable income was RMB231 million, representing an increase of 5.08% over the previous year. As the Group held a 35.58% interest in the trust, it would receive a cash distribution of RMB82 million.

FUTURE PROSPECTS

In 2012, the global economies and domestic real estate market are entangled with many uncertainties. The Group will closely monitor market developments and adjust its strategy to proactively respond to the vibrant property market. The Group’s major task in 2012 are set out as follows:

Shorten the development cycle, so as to improve the asset turnover and ROE.

The Group will continue exploring new approaches for accelerating project development in a proactive manner, further enhancing its ability in project development and construction, implementing methodical project planning and cooperative team work, and shortening project development cycle, in order to improve return on net assets and assets turnover and to strike to meet the industry benchmark. The GFA of new construction starts in 2012 is estimated to be approximately 1.86 million sq.m., and the completed GFA to be approximately 1.01million sq.m..

Build up excellent sales force to achieve another construction sales of RMB10 billion.

Sales is a key in the entire cycle of real estate development, especially in a highly competitive environment, nurturing and building of sales force play a vital role in supporting sustainable development. The Group will further specialize its marketing strategy, establish sales systems and mechanisms different from other industries, integrate internal and external marketing resources, and actively hire quality real estate agencies, in order to accelerate the turnover of property inventory and speed up the sales of non-core commercial properties.

The Group expects that the GFA available for sales in 2012 will amount to approximately 1.45 million sq.m. Despite of the uncertainties in the current real estate market, contracted sales in 2012 are preliminarily targeted to be 960,000 sq.m. and RMB10,000 million. The Group estimates that 8 new projects, including Fortune Apartment, Starry Wenyu, Starry Wenhan and Panyu Southern District Land Project in Guangzhou, Starry Winking and Starry Jun Ting in Zhongshan, Qiaokou Project in Wuhan and Lin-an Project in Hangzhou, will be launched, while new phases of current projects for sale will be introduced successively in 2012, which will lay a solid foundation for another sales target of RMB10,000 million.

Improve commercial property operation to facilitate normalized interaction between “Yuexiu Property and Yuexiu REIT”.

Focused on development of residential properties, the Group will consistently improve its business operation capability, by establishing a platform to earnestly facilitate normalized interaction between “Yuexiu Property and Yuexiu REIT”. In respect of the two major commercial properties of the Group, we estimate 80% rentable office area in Guangzhou IFC will be leased out in 2012. Particularly, Four Seasons Hotel will commence operation in the second quarter of 2012, and service apartment will be also operated within the period from the end of the second quarter to the beginning of the third quarter. The preparation of the Fortune World Plaza pre-leasing will attain significant breakthrough and we expect that it will commence operation in 2012.

Commit low cost expansion, to continuously propel nationwide strategic layout.

The Group will, leveraging its advantages in diversified land reserve and in line with its capital position, strategically focus on acquiring more prime land resources in core district of Guangzhou, to prudently seek opportunity with potential growth and optimum investment return, moderately acquire prominent land reserves at low cost

use, so as to rationalize the proportion of our land for residential development and investment properties in line with the corporate strategy “home base in the Pearl River Delta, with footholds in Yangtze River Delta, Bohai Rim Economic Zone and Central Region.”

FINANCIAL REVIEW

Financial Highlights

1. Revenue reached record level and profit attributable to equity holders of the Company achieved solid growth

Revenue (including the sales of investment properties) of the Group recorded a significant increase of 47% to approximately RMB10,272 million over the previous year, of which, revenue from sales of properties achieved record level of RMB9,180 million, up 63% as compared to last year. Contracted sales not yet recognized amounted to approximately 441,900 sq.m., with contracted sales revenue of approximately RMB7,300 million.

Profit attributable to equity holders of the Company increased to approximately RMB5,137 million, representing a significant increase of 459%. Basic earnings per share were RMB0.5533. Net profit margin (excluding the fair value gains on revaluation of investment properties) was 16%, increased by 5 percentage points over the 11% of last year.

2. Solid financial position and adequate working capital

Working capital (current assets less current liabilities) amounted to RMB 19,760 million. Cash and charged bank deposits amounted to approximately RMB6,128 million. Undrawn committed banking facilities were in the proximity of RMB2,800 million. The Group remained in a solid financial position and had sufficient working capital to cope with the future development of the Group.

3. Equity attributable to shareholders attained stable growth

Total assets amounted to approximately RMB61,196 million, representing an increase of 21% over the previous year. Shareholders' equity increased by 28% to RMB20,288 million. Shareholders' equity per share was RMB2.185. Return on equity was 25%, increased 18 percentage point over the 7% of last year. Increase in shareholders' equity continued to bring considerable capital appreciation for each shareholders.

ANALYSIS ON OPERATING RESULTS

Profit attributable to equity holders of the Company

For the year ended 31 December 2011, the Group recorded profit attributable to equity holders of approximately RMB5,137 million, a significant increase of 459% over the previous year. Excluding the factor of the fair value gains on revaluation of investment properties, profit attributable to equity holders was approximately RMB1,607 million, a significant increase of 121% over the previous year.

Revenue and gross profit

For the year ended 31 December 2011, the Group's revenue (excluding the sales of investment properties) amounted to approximately RMB9,569 million, a significant increase of 70% over the previous year. Gross profit margin was 42%, increased by 9 percentage points over the previous year.

As recognized sales GFA increased to 585,700 sq.m. from last year of 424,400 sq.m. Revenue from property sales (including the sales of investment properties) reported a significant increase of 63% to approximately RMB9,180 million for the year. Gross profit margin for property sales was 40%, increased by 5 percentage points over the previous year.

Fair value gains on revaluation of investment properties

For the year ended 31 December 2011, fair value gains on revaluation of investment properties amounted to approximately RMB4,956 million, a significant increase of 1,816% over the previous year. This was mainly attributable to the fair value gain on revaluation of investment properties for Guangzhou IFC amounted to approximately RMB4,700 million.

Selling and marketing costs and administrative expenses

For the year ended 31 December 2011, selling and marketing costs amounted to approximately RMB255 million, an increase of 19% over the previous year, and the administrative expenses amounted to approximately RMB730 million, an increase of 23% over the previous year. The increase in expenses was due to continuous growth of the Group, or, more specifically, commencement of construction and pre-sale of our projects located across the nation. The selling and marketing costs accounted for 2.8% (2010: 2.4%) to the contracted sales and the administrative expenses accounted for 8.1% (2010: 6.7%) to the contracted sales.

Finance costs

With the effect of increase in interest rate and our increased bank borrowings, the Group's interest expenses before capitalisation during the year amounted to approximately RMB1,191 million, an increase of 58% as compared to those for previous year of approximately RMB755 million. Meanwhile, due to the increase in properties under development as compared to previous year, capitalized interest expenses increased to approximately RMB718 million over those for the previous year of approximately RMB535 million. As a result, finance costs recognized as expenses were approximately RMB473 million, an significant increase of 115% over those in the previous year of approximately RMB220 million.

Share of profits of associated entities

For the year ended 31 December 2011, overall net contribution from the Group's associated entities amounted to RMB481 million, an increase of 107% over the previous year. This was mainly derived from the Group's a 35.58% interest held associated entity, Yuexiu REIT (Stock code: 00405). Yuexiu REIT reported the profit after taxation increased by 110% to RMB 1,337 million. The Group's share of profit increased by 110% to approximately RMB476 million.

Taxation

For the year ended 31 December 2011, taxation amounted to approximately RMB3,108 million, an significant increase of 204% over the previous year of RMB1,021 million. This was mainly due to the significant increase in revenue and fair value gains on revaluation of investment properties.

Earnings per share

For the year ended 31 December 2011, basic earnings per share attributable to equity holders of the Company were RMB0.5533 (2010: RMB0.1228).

Final dividend

The Directors have resolved to recommend the payment of a final dividend for 2011 of HK\$0.045 which is equivalent to approximately RMB0.037 (2010: nil) per share payable to shareholders whose names appear on the Register of Members of the Company at the close of business on 11 June 2012. Subject to the approval of shareholders at the forthcoming annual general meeting of the Company, the final dividend will be paid on or about 28 June 2012. Together with the interim dividend of HK\$0.04 which was equivalent to approximately RMB0.033 per share, total dividends for the year ended 31 December 2011 will amount to HK\$0.085 which is equivalent to approximately RMB0.07 per share. Total dividends accounted for 40% of the profit attributable to equity holders excluding the factor of revaluation gains on investment properties.

Dividend payable to shareholders will be paid in Hong Kong dollar (“HK\$”). The exchange rate adopted by the Company for its dividend payable is the average middle rate of HK\$ to RMB, as announced by the People’s Bank of China, for the five business days preceding the date of declaration of dividend.

Liquidity and financial resources

As at 31 December 2011, the Group’s working capital (current assets less current liabilities) amounted to approximately RMB19,760 million (2010: RMB18,163 million). The Group’s current ratio (current assets over current liabilities) was 1.85 times. Cash and cash equivalents amounted to approximately RMB4,821 million (2010: RMB6,451 million). Charged bank deposits amounted to RMB1,307 million (2010: RMB1,022 million). Undrawn committed bank facilities amounted to approximately RMB2,800 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:

	2011	2010
	<i>RMB'000</i>	<i>RMB'000</i>
Bank borrowings (floating rate)		
Denominated in RMB	14,347,503	12,871,558
Denominated in Hong Kong dollar	6,808,442	4,815,481
Denominated in United States dollar	<u>625,679</u>	<u>—</u>
Total bank borrowings	21,781,624	17,687,039
Unsecured other borrowings	—	48,940
Finance lease	224	154
Overdrafts	<u>318</u>	<u>213</u>
Total debts	<u>21,782,166</u>	<u>17,736,346</u>
Ageing analysis:		
Repayable within one year	10,590,713	6,033,686
In the second year	4,842,425	7,280,071
In the third to fifth year	3,349,028	1,422,589
Over five year	<u>3,000,000</u>	<u>3,000,000</u>
Total borrowings	21,782,166	17,736,346
Less: Cash and cash equivalents	<u>(4,820,904)</u>	<u>(6,451,077)</u>
Net borrowings	16,961,262	11,285,269
Shareholders' equity (excluding minority interests)	<u>20,287,874</u>	<u>15,860,360</u>
Total capitalization	<u>37,249,136</u>	<u>27,145,629</u>
Gearing ratio	45.5%	41.6%

During the year, the Group's net new bank borrowings increased by approximately RMB4,100 million, which has been injected in full into the development of property projects.

Capital expenditures and investments

In 2011, the Group's capital expenditures on property, plant, equipment, construction in progress, investment properties and land use rights amounted to approximately RMB1,544million.

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 2011, the Group had unpaid land premium payable in respect of the land acquisition of approximately RMB1,079 million (2010: RMB3,145 million). As at the announcement date of the Company, the Group had unpaid land premium payable of approximately RMB400 million.

Other than the above, Group also had capital commitments in respect of the property, plant, equipment and investment properties amounted to approximately RMB1,456 million (2010: RMB2,243 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 the 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 2011, total contingent liabilities relating to these guarantees amounted to approximately RMB2,123 million (2010: RMB1,923 million).

As at 31 December 2011, in connection with the disposal of a subsidiary to Yuexiu REIT in 2008, the Group entered into a Deed of Indemnity to indemnify Yuexiu REIT against certain liabilities for land premium, mortgage guarantees and deferred taxation with an estimated total amount of approximately RMB60 million. The Deed of Indemnity will expire on 30 May 2014.

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 2011, 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 2011 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, 1 March 2012

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

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

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