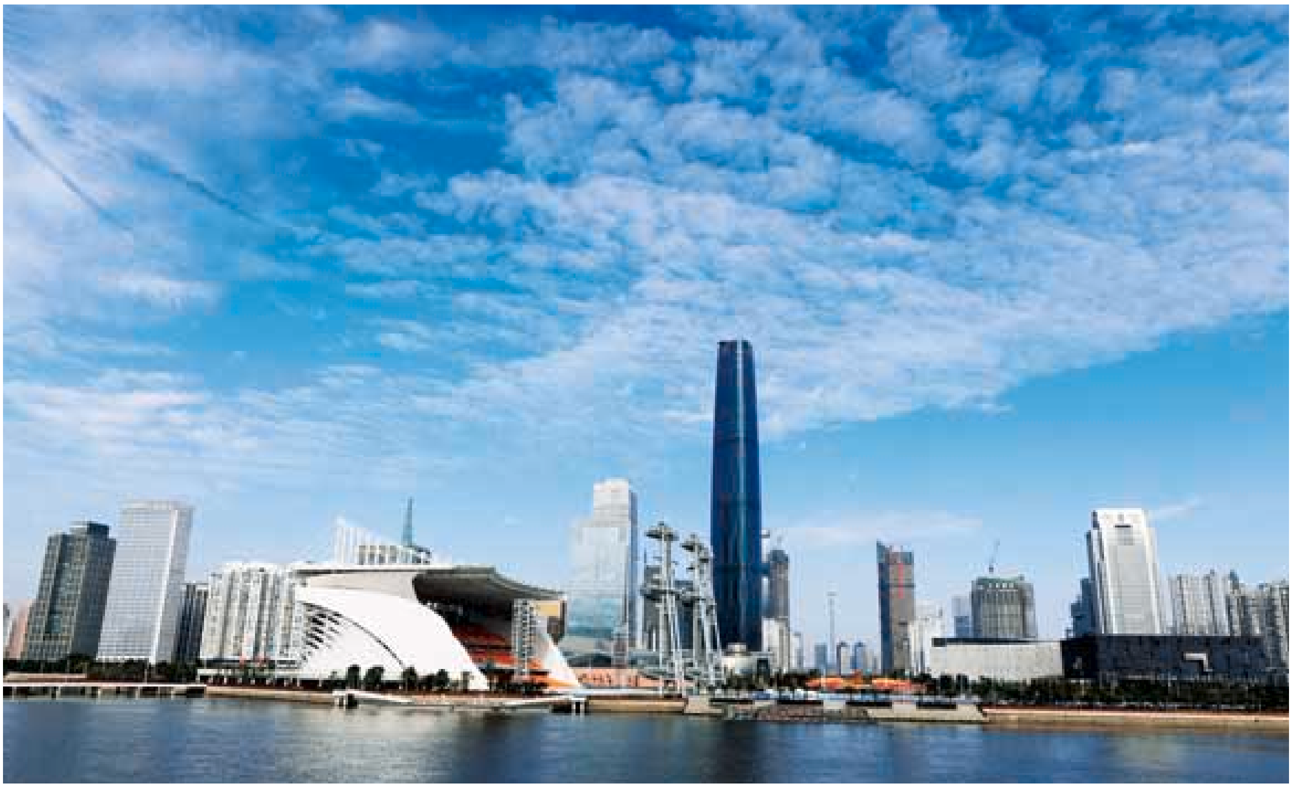
越秀地產股份有限公司
YUEXIU PROPERTY COMPANY LIMITED

(Stock Code: 00123)

2011 ANNUAL REPORT

CONTENTS

CORPORATE PROFILE



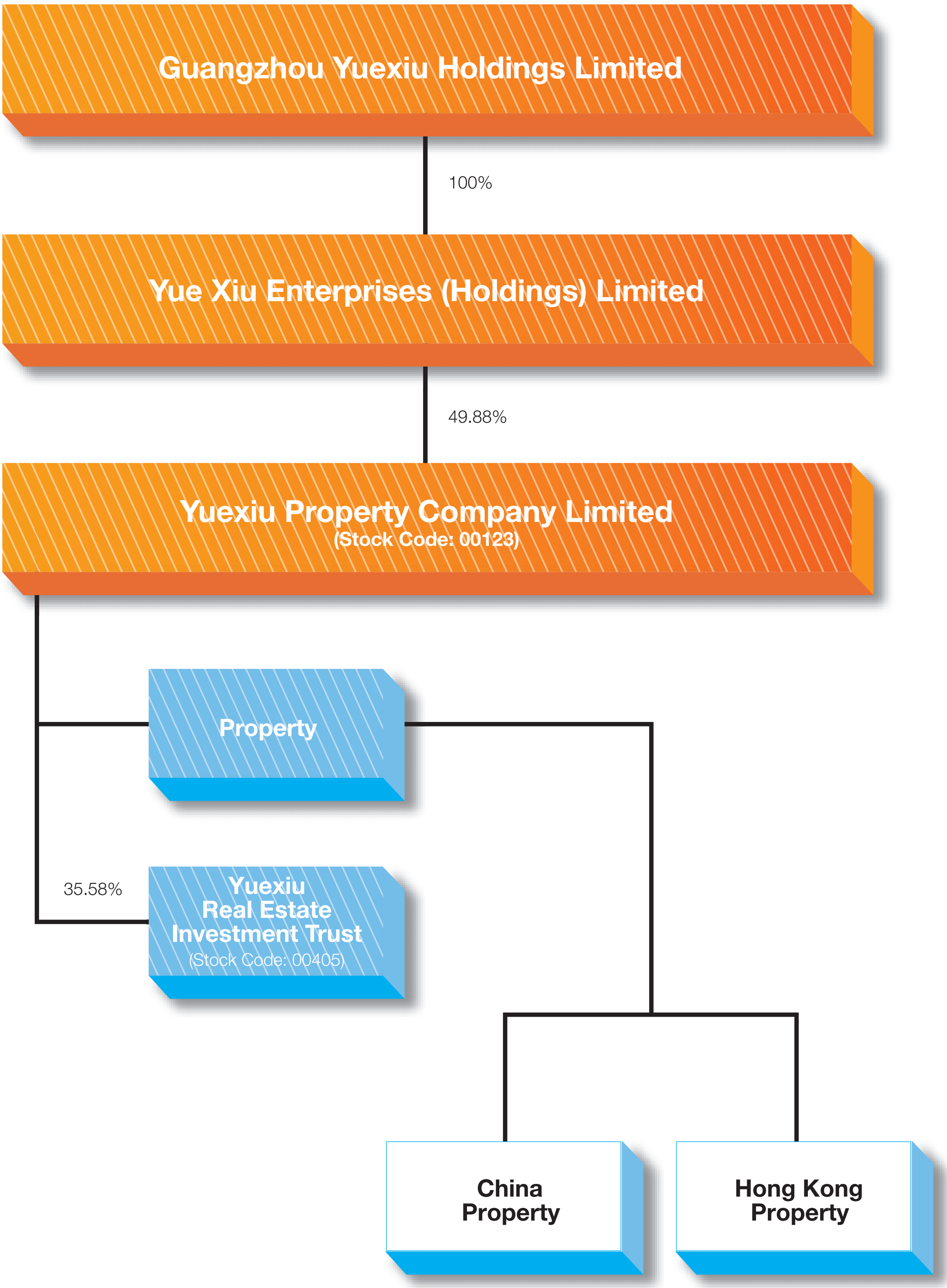
Yuexiu Property Company Limited (formerly "Guangzhou Investment Company Limited", "Company", stock code: 00123) was listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange") in December 1992 and which is a constituent stock of Morgan Stanley Capital International China Index. Guangzhou Yuexiu Holdings Limited ("GZ Yue Xiu"), a substantial shareholder of the Company, is a state-owned enterprise under the supervision of the State-owned Assets Supervision and Administration Commission ("SASAC") of the Guangzhou Municipal People's Government.

The core business of the Company and its subsidiaries ("the Group") is property development and investment, with a main focus in Guangzhou, and gradually expanding into the Pearl River Delta, Yangtze River Delta, Bohai Rim Economic Zone and Central Region. As at 31 December 2011, the Group had properties under development and undeveloped properties with total gross floor area ("GFA") of approximately 11.16 million square meters ("sq.m.").

The Group also holds 35.58% interest in Yuexiu Real Estate Investment Trust ("Yuexiu REIT", stock code: 00405), a Hong Kong collective investment scheme authorized under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and the first listed real estate investment trust which invests in property market in China.

CORPORATE PROFILE

As at 31 December 2011



FINANCIAL HIGHLIGHTS

INCOME STATEMENT HIGHLIGHTS

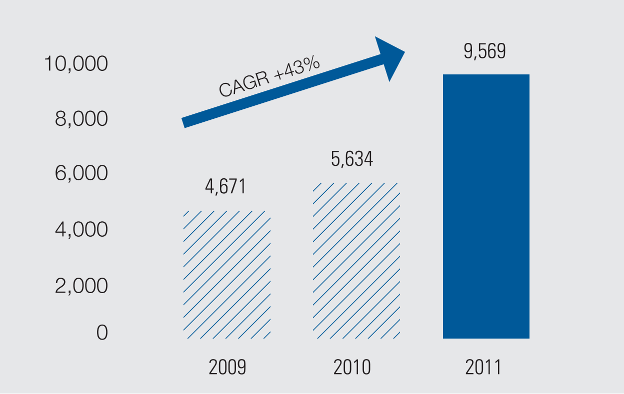
RMB'000	***Year ended 31 December*** **2011**	**2010**	**Change**
Revenue	9,569,006	5,633,963	+69.8%
Total revenue (including the sales of investment properties)	10,272,148	6,979,031	+47.2%
Gross profit	4,004,094	1,881,263	+112.8%
Operating profit	8,081,746	1,801,246	+348.7%
Profit attributable to equity holders of the Company	5,136,661	918,840	+459.0%
Basic earnings per share (RMB)	0.5533	0.1228	+350.6%

BALANCE SHEET HIGHLIGHTS

RMB'000	***Year ended 31 December*** **2011**	**2010**	**Change**
Total cash (including cash, cash equivalents and charged bank deposits)	6,127,658	7,472,712	-18.0%
Total assets	61,195,809	50,780,930	+20.5%
Total assets less current liabilities	37,837,212	31,459,191	+20.3%
Shareholders' equity	20,287,874	15,860,360	+27.9%

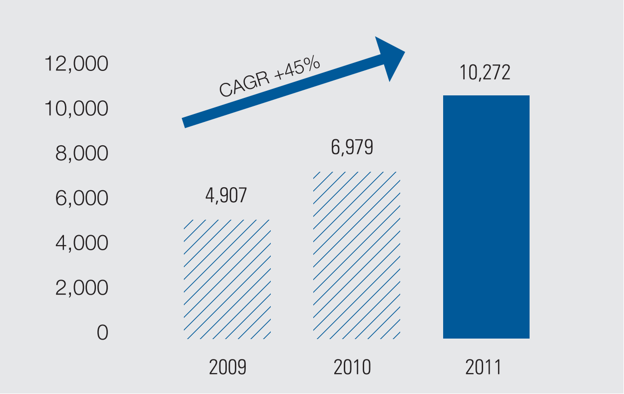
Revenue

(RMB million)



Total Revenue (including the sales of investment properties)

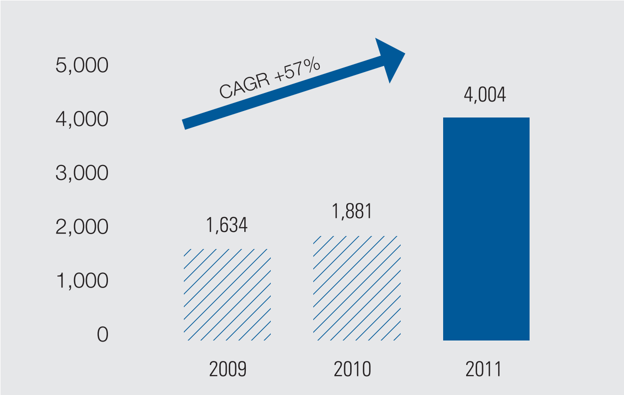
(RMB million)



FINANCIAL HIGHLIGHTS

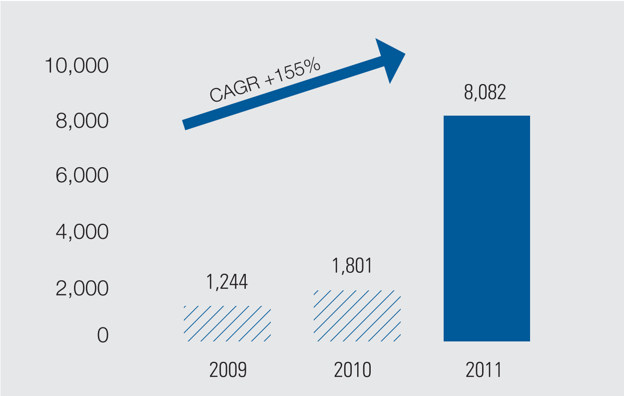
Gross Profit

(RMB million)



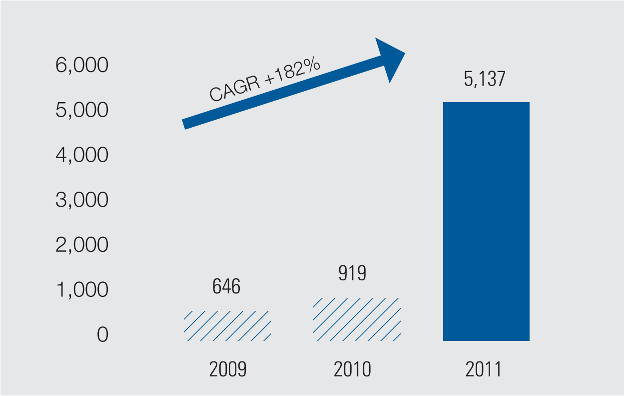
Operating Profit

(RMB million)



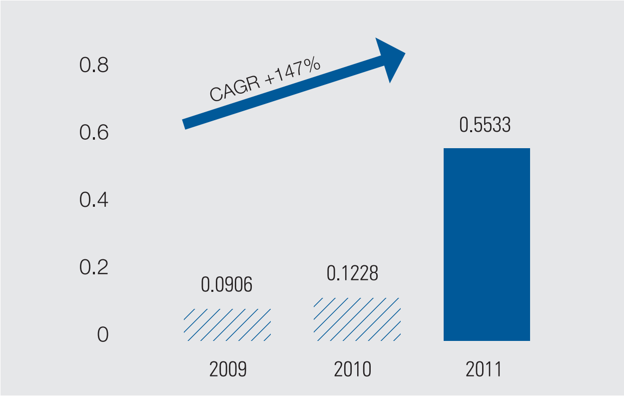
Profit attributable to equity holders of the Company

(RMB million)



Basic Earnings Per Share

(RMB)



KEY EVENTS OF THE YEAR

MARCH

- Jiangmen Starry Regal Court received the "Precertification under Leadership in Energy and Environment Design ("LEED") for Core and Shell Development Gold Level" by U.S. Green Building Council

MARCH

- Acquired a parcel of land in Nanta Street of Shenyang with GFA of approximately 669,900 sq.m. at a consideration of approximately RMB2,150 million
- Commencement of construction works of Fortune Center Guangzhou which will be the third height building in Zhujiang New City

APRIL

- The honourable Mr. Michael David Bear, the Lord Mayor of London, visited Guangzhou International Finance Center

MAY

- The new component of Southern Le Sand was launched for sale

JUNE

- The first phase office of Guangzhou International Finance Center was delivered

KEY EVENTS OF THE YEAR

JULY

- The Group's headquarter was relocated to Guangzhou International Finance Center
- Huadu Glade Greenland and Jiangmen Starry Regal Court were launched for sale

AUGUST

- Yantai Starry Phoenix was launched for sale
- Commencement of construction works of Wuhan Qiaokou Project

SEPTEMBER

- Acquired a parcel of land in Guangzhou Science City with GFA of approximately 299,000 sq.m. at a consideration of approximately RMB1,410 million
- Acquired a parcel of land in Dongsheng of Zhongshan with GFA of approximately 427,300 sq.m. at a consideration of approximately RMB259 million
- Fortune Century Square Guangzhou, Starry Golden Sands, Starry Wenhua and new component of Jiang Nan New Mansion were launched for sale

OCTOBER

- Acquired another parcel of land in Lin'an of Hangzhou with GFA of approximately 211,000 sq.m. at a consideration of approximately RMB396 million

DECEMBER

- The Group was honoured with "Gold Award for Social Responsibility and Investor Relations 2011 " and "China's Most and Promising Companies 2011" by The Asset, a renowned asian financial magazine

CHAIRMAN'S STATEMENT

Chairman
Mr. Lu Zhifeng

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.

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 2.2% 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 for the third consecutive year.

CHAIRMAN'S STATEMENT

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 competition 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

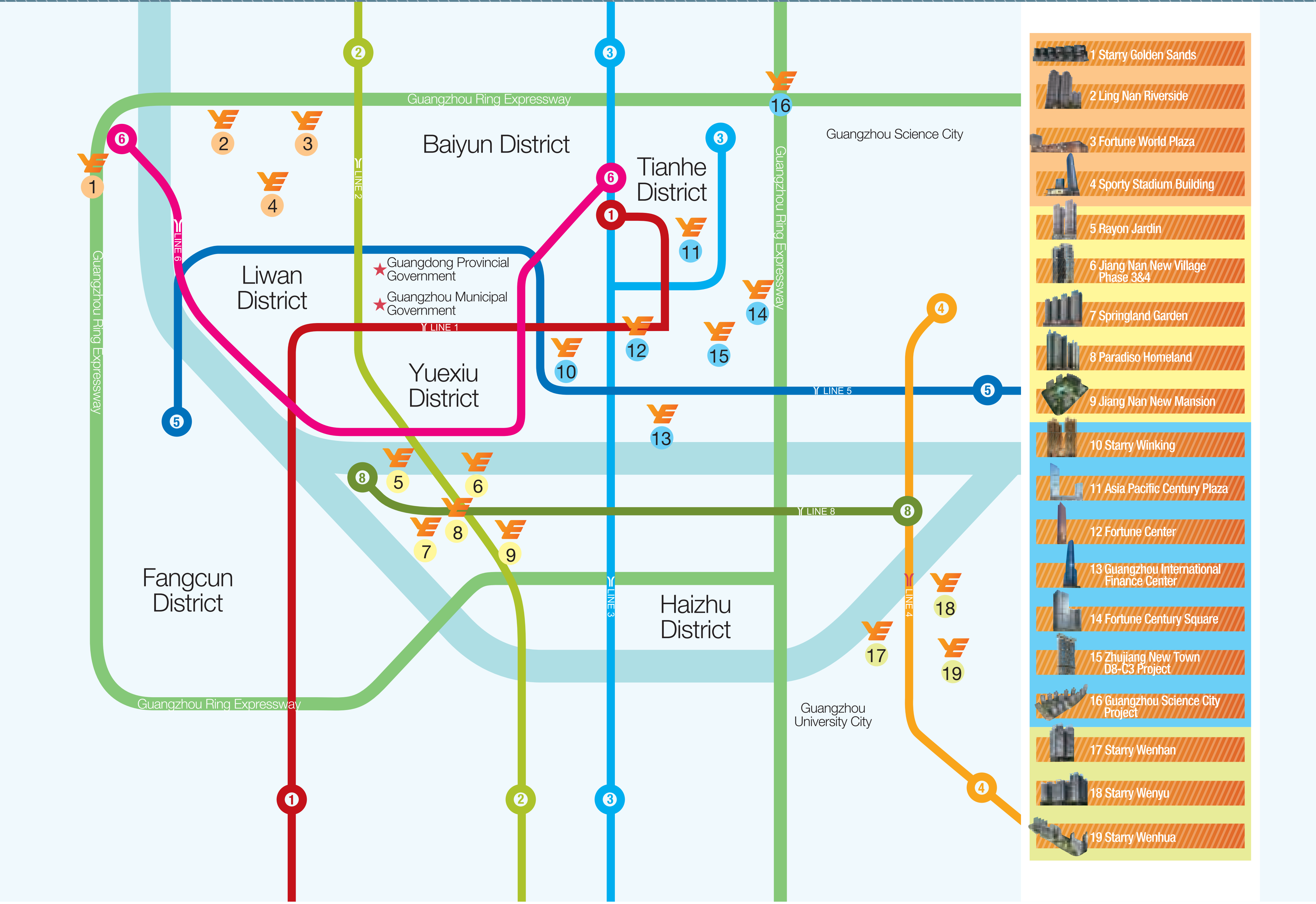
I would like to take this opportunity to thank our directors, management and all the staff for their efforts and satisfactory results in the past year. At the same time, I would also like to thank all the shareholders, our relationship banks, all our friends of the investment community, and business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

Chairman
Lu Zhifeng

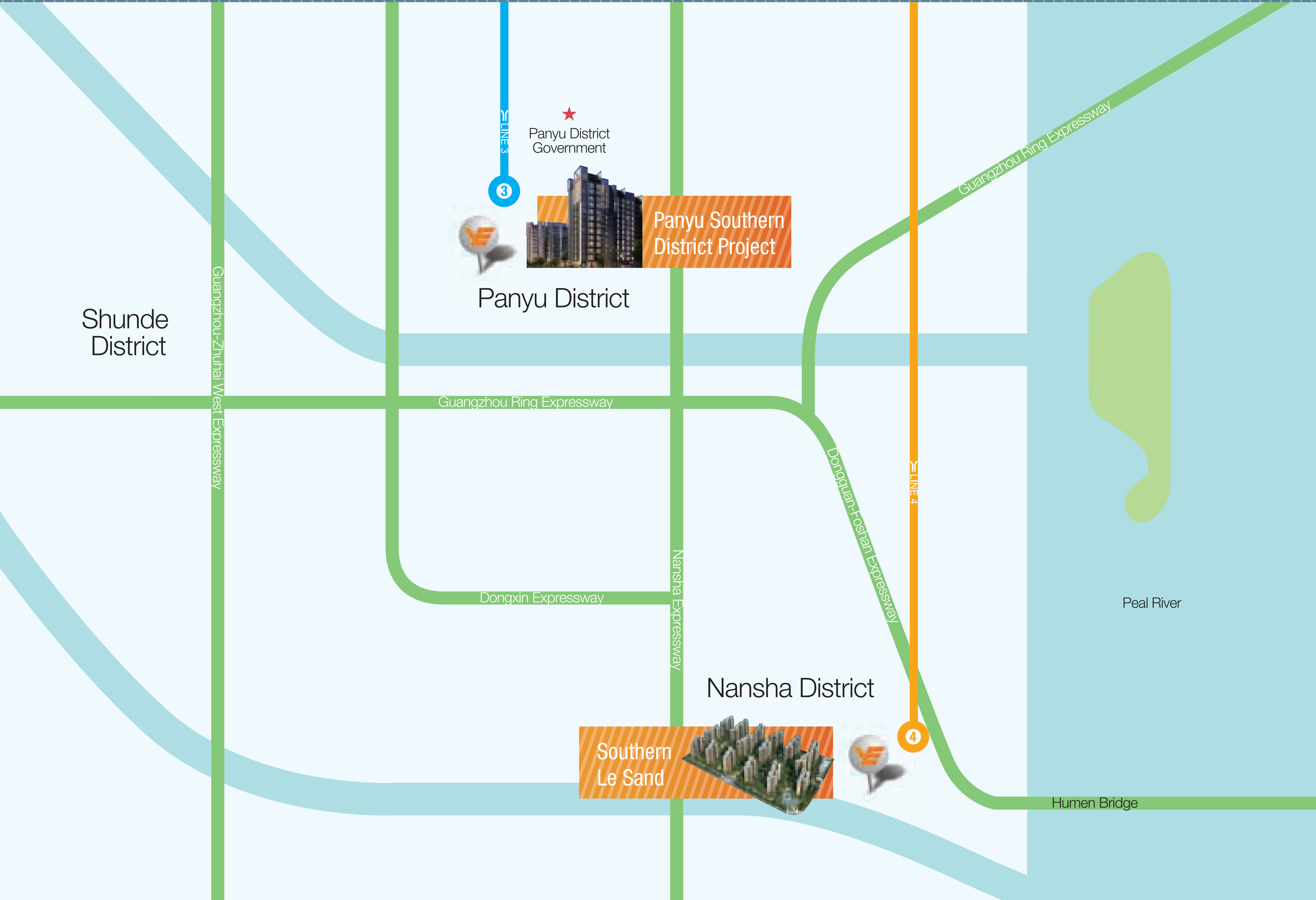
Hong Kong, 1 March 2012


Shenyang
Yantai
Wuhan
Hangzhou
Guangdong
Hong Kong
Foshan
Guangzhou
Jiangmen
Zhongshan

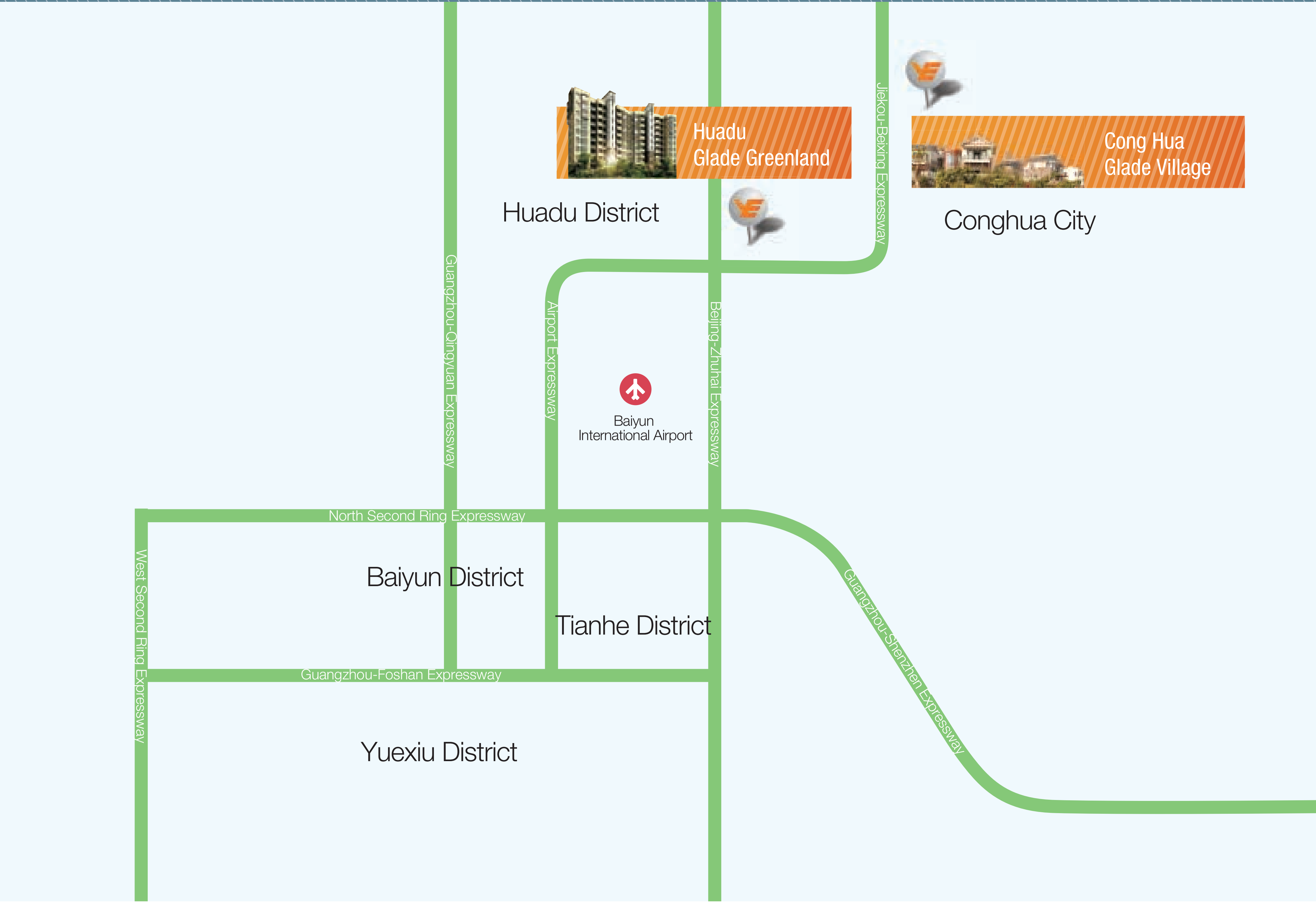
Location Map of Projects in Guangzhou



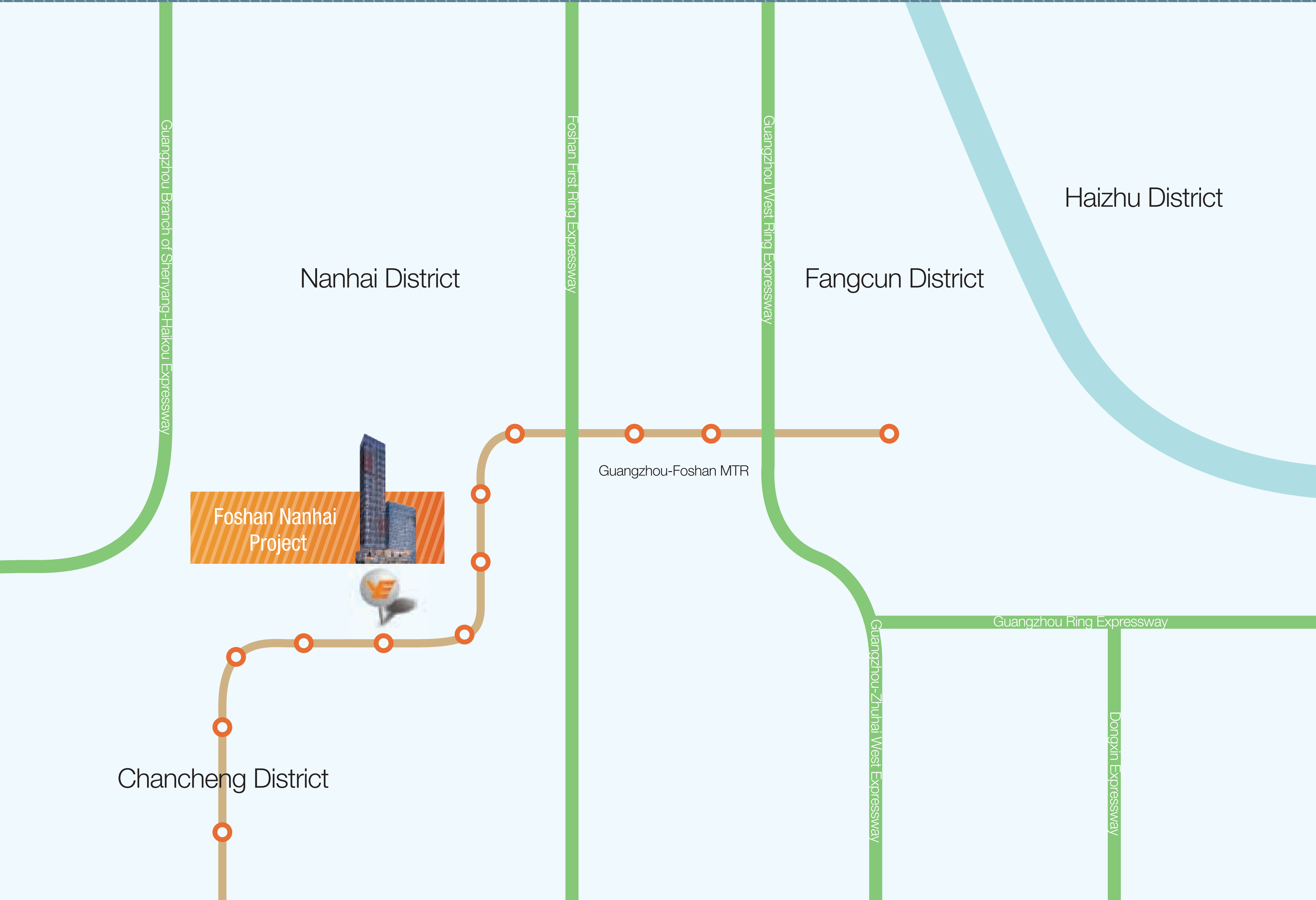
Location Map of Projects in Panyu and Nansha



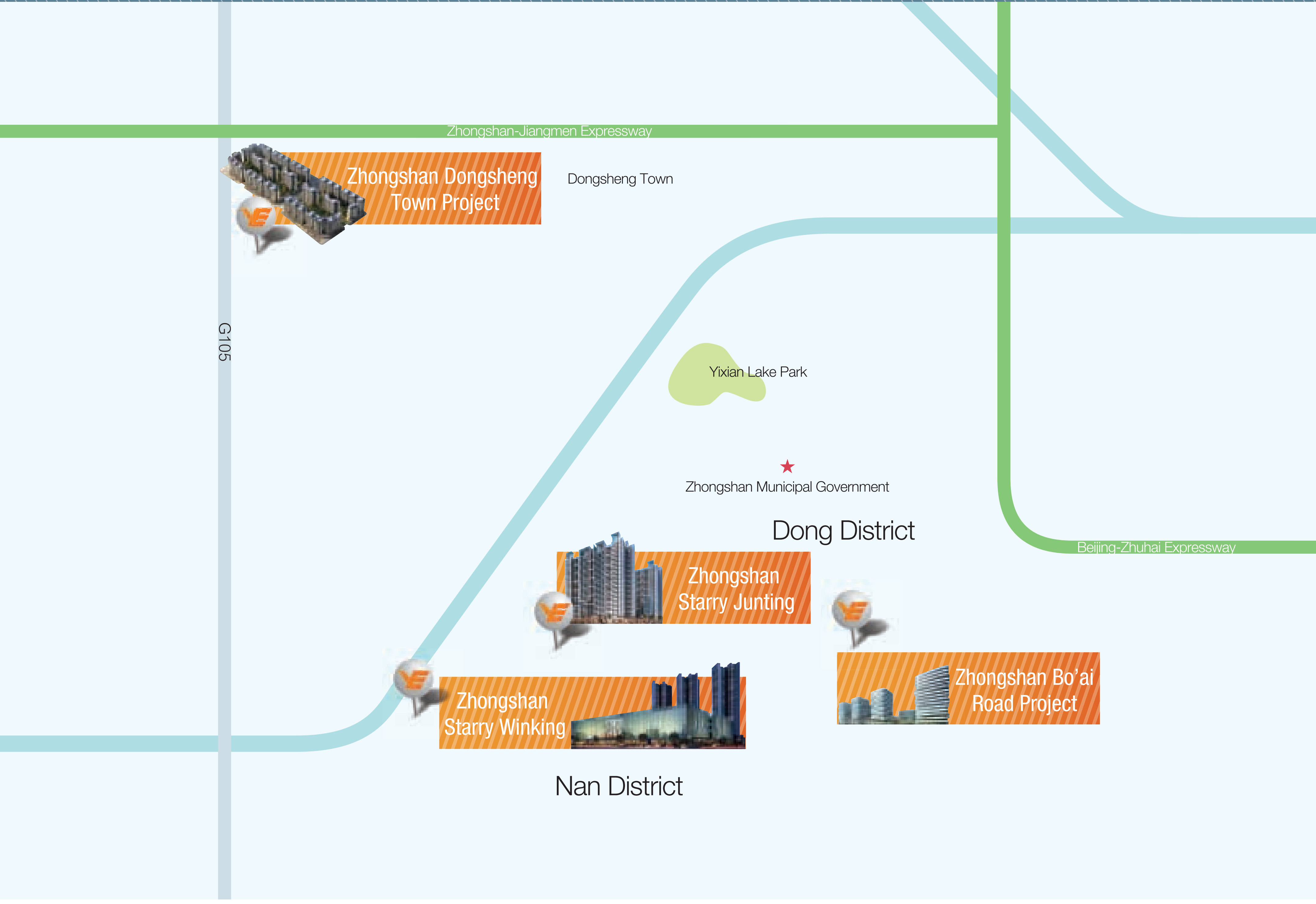
Location Map of Projects in Huadu and Conghua



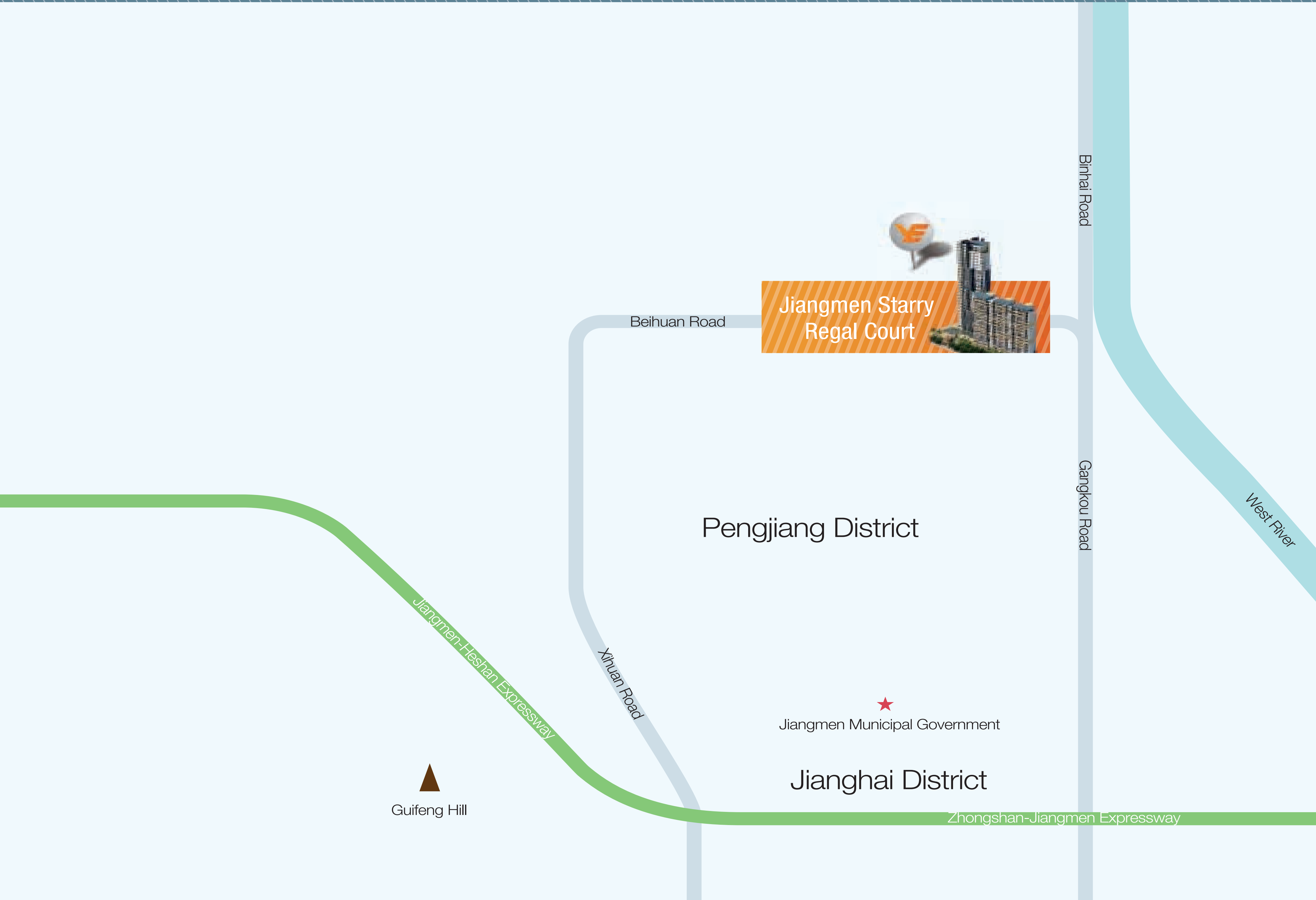
Location Map of Project in Foshan



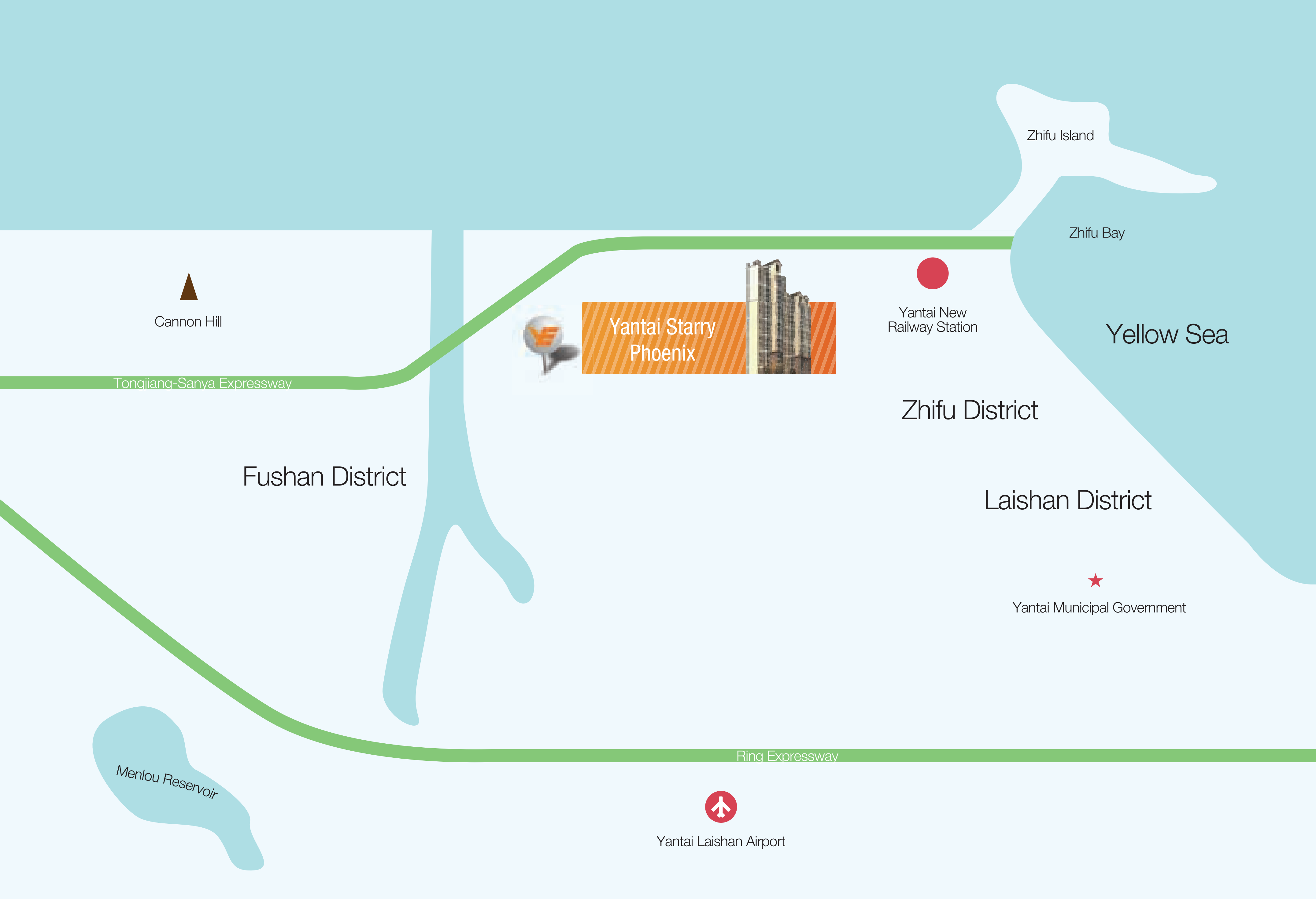
Location Map of Projects in Zhongshan



Location Map of Project in Jiangmen

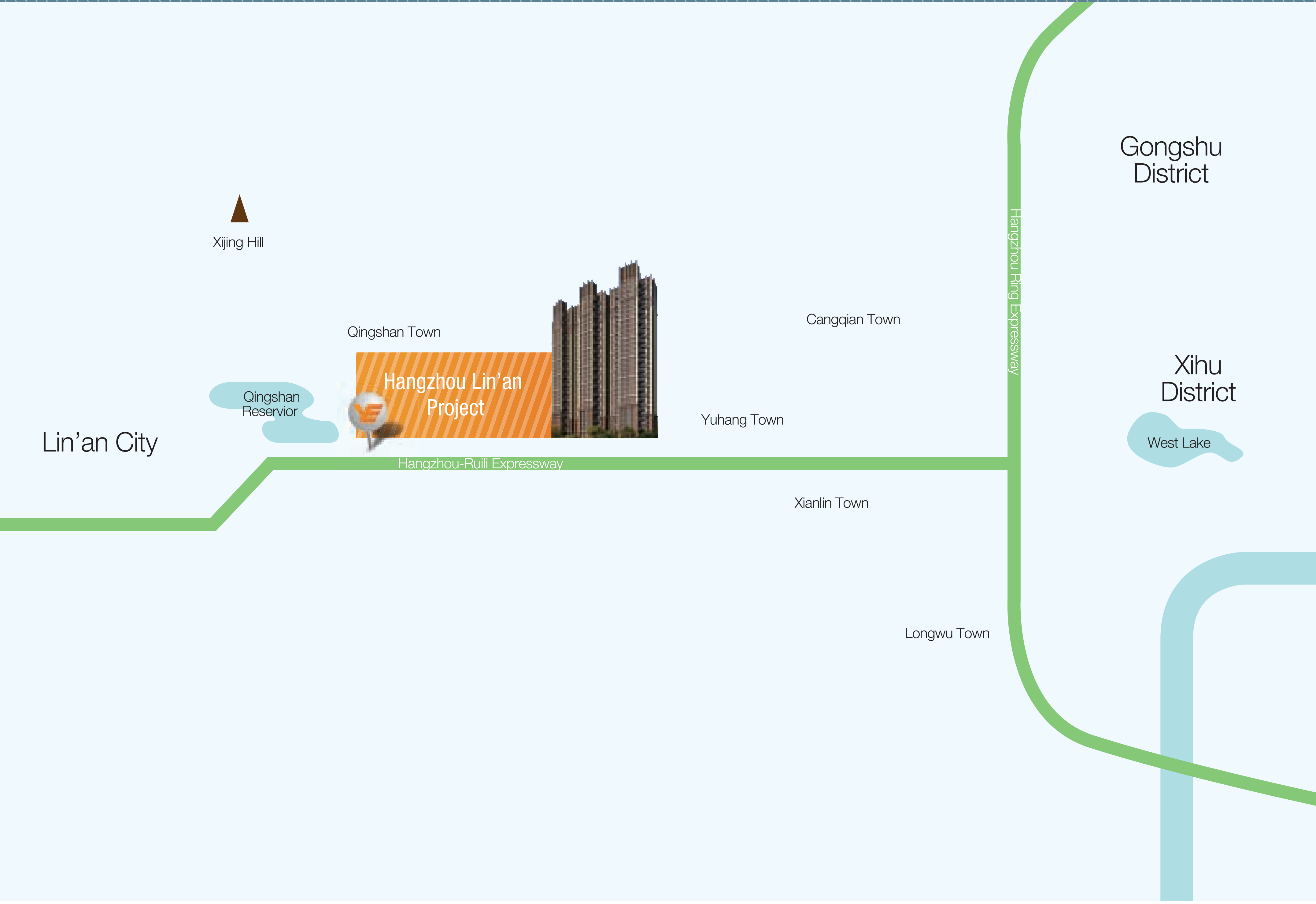


Location Map of Projects in Yantai



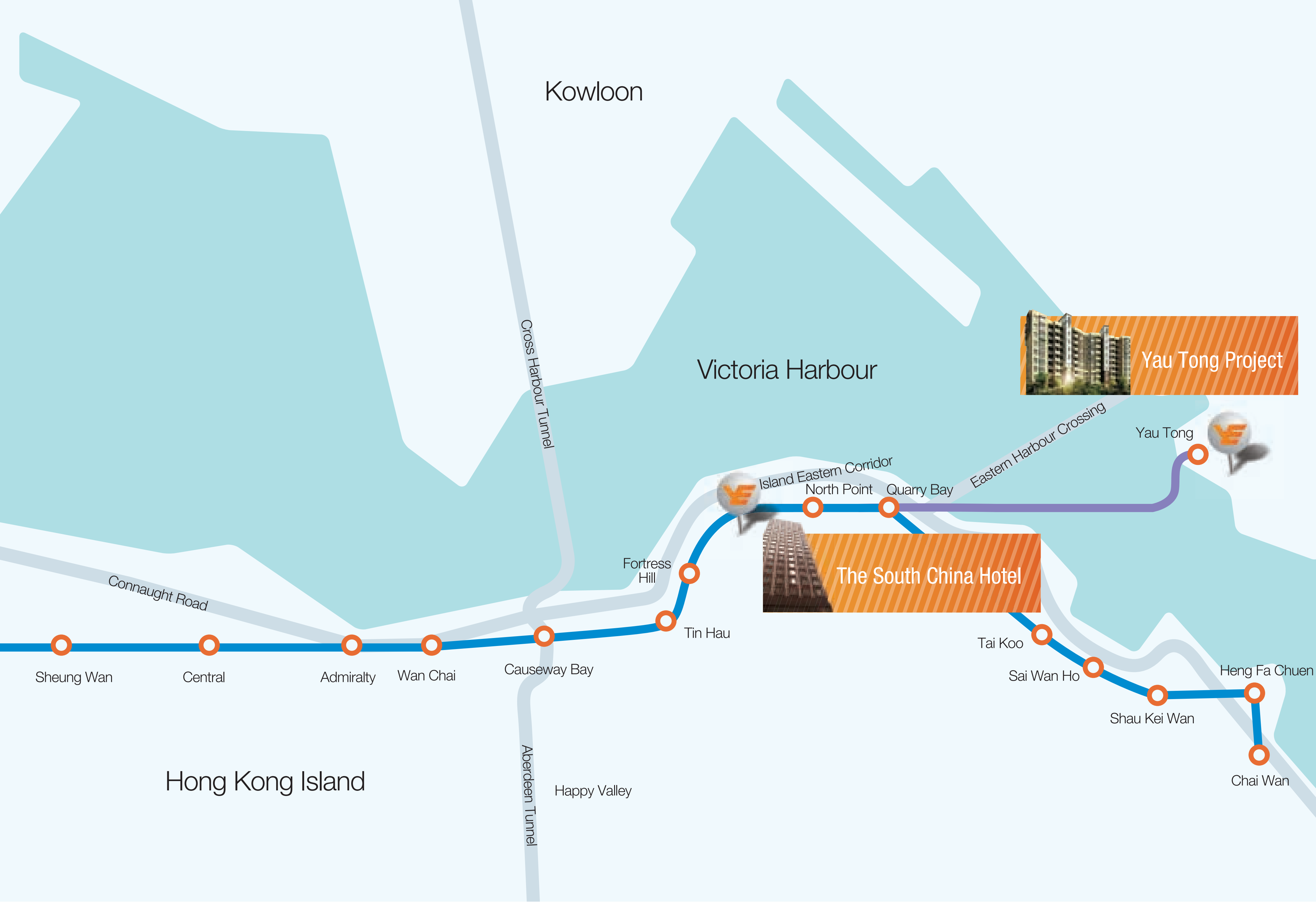
Location Map of Projects in Shenyang

Location Map of Project in Hangzhou



Location Map of Project in Wuhan

Location Map of Projects in Hong Kong



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 statistic published by the National Bureau of Statistics as well the Guangzhou Bureau of Statistics, China's GDP reached RMB47,156.4 billion in 2011, an increase of 9.2% over the previous year, while GDP of Guangzhou amounted RMB1,230.3 billion, representing a growth of 11.0% as compared to 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Achieving Another Breakthrough 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 (sq.m.)	Value (RMB mil)	ASP (RMB/sq.m.)	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
Starry Golden Sands	Residential	18,000	245	13,600	Baiyun, Guangzhou
Jiangmen Starry Regal Court	Residential	23,700	174	7,300	Pengjiang, Jiangmen
Yantai Starry Phoenix	Residential	23,000	156	6,800	Zhifu, Yantai
Shenyang Yuexiu Hill Lake (formerly Shenyang Linghai Mingzhu Project)	Residential	8,500	91	10,700	Shenbei, Shenyang
Other Projects	N/A	15,600	351	22,500	Guangzhou
Investment Properties	N/A	63,000	875	13,900	Guangzhou
Subtotal		491,300	8,070	16,400	
Popark Plaza	Commercial	117,200	984	8,400	Tianhe, Guangzhou
Total		608,500	9,054	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 (sq.m.)	Value (RMB mil)	ASP (RMB/sq.m.)	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	7,800	146	18,700	Guangzhou
Subtotal		549,200	8,477	15,400	
Investment Properties	N/A	36,500	703	19,300	Guangzhou
Total		585,700	9,180	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 (sq.m.)	Value (RMB mil)	ASP (RMB/sq.m.)	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	Pengjiang, Jiangmen
Yantai Starry Phoenix	Residential	23,000	156	6,800	Zhifu, Yantai
Shenyang Yuexiu Hill Lake (formerly Shenyang Linghai Mingzhu Project)	Residential	8,500	91	10,700	Shenbei, Shenyang
Other Projects	N/A	8,300	199	24,000	Guangzhou
Investment Properties	N/A	32,800	320	9,800	Guangzhou
Total		441,900	7,293	16,500	

MANAGEMENT DISCUSSION AND ANALYSIS

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 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 Project	Residential	366,700	1,038	2,831	Shenbei, Shenyang
Shenyang Nanta Street Project	Residential/ Commercial	669,900	2,150	3,209	Dongling, Shenyang
Guangzhou Science City Project	Residential	299,000	1,410	4,716	Luogang, Guangzhou
Hangzhou Lin'an Land Phase II Project	Residential/ Commercial	211,000	396	1,877	Lin'an, Hangzhou
Zhongshan Dongsheng Town Project	Residential	427,300	259	606	Dongsheng, Zhongshan
Other Projects	Residential	39,400	263	6,675	
Total		2,013,300	5,516	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 Project	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	95%	299,000	208,500	–	9,800	80,700	Luogang, Guangzhou
Other Projects	95%	60,000	31,500	–	6,800	21,700	Guangzhou
Subtotal (Guangzhou)		2,674,100	1,604,500	330,800	491,200	247,600	
Zhongshan Starry Winking (Formerly Zhongshan Nanqu Plot)	95%	303,900	200,500	–	8,300	95,100	Nanqu, Zhongshan
Zhongshan Bo'ai Road Project	95%	512,600	243,700	126,700	3,000	139,200	Dongqu, Zhongshan
Zhongshan Dongsheng Town Project	100%	427,300	338,400	–	31,100	57,800	Dongsheng, Zhongshan
Subtotal (Zhongshan)		1,243,800	782,600	126,700	42,400	292,100	
Jiangmen Starry Regal Court	95%	233,700	162,700	–	21,100	49,900	Pengjiang, Jiangmen
Foshan Nanhai Project	95%	291,100	100,000	31,600	84,300	75,200	Foshan, Nanhai
Hangzhou Lin'an Project	100%	1,174,500	832,500	48,000	104,000	190,000	Lin'an, Hangzhou
Wuhan Qiaokou Project	95%	538,100	160,200	139,500	64,800	173,600	Qiaokou, Wuhan
Shenyang Yuexiu Hill Lake (formerly Shenyang Linghai Mingzhu Project)	99.95%	276,300	273,800	–	–	2,500	Shenbei, Shenyang
Shenyang Nanta Street Project	100%	669,900	311,800	–	197,600	160,500	Dongling, Shenyang
Yau Tong Project	100%	58,800	58,800	–	–	–	Yautong, Hong Kong
Other Projects	100%	39,400	39,400	–	–	–	NA
Total		7,199,700	4,326,300	676,600	1,005,400	1,191,400	

MANAGEMENT DISCUSSION AND ANALYSIS

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 of1.39 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
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 Project	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
GZ 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 D8-C3 Project	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%	39,700	–	–	–	39,700	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	Pengjiang, Jiangmen
Zhongshan Starry Winking (formerly Zhongshan Nanqu Land)	95%	251,500	140,300	–	70,500	40,700	Nanqu, Zhongshan
Zhongshan Starry Junting (formerly Zhongshan Qiguan Land)	100%	151,700	106,000	–	9,000	36,700	Dongqu, Zhongshan
Yantai Starry Phoenix	95%	219,800	116,000	–	32,000	71,800	Zhifu, Yantai
Shenyang Yuexiu Hill Lake (formerly Shenyang Linghai Mingzhu Project)	99.95%	90,400	80,000	–	–	10,400	Shenbei, Shenyang
Wuhan Qiaokou Land Project	95%	105,800	105,800	–	–	–	Qiaokou, Wuhan
Total		3,955,400	1,907,300	437,400	473,300	1,137,400	

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 relieve 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 Center ("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 portion 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
GZ IFC (portion)	227,500	162,000	44,300	21,200	Tianhe, Guangzhou
Jin Han Building	45,800	45,800	–	–	Yuexiu, Guangzhou
Guang Yuan Cultural Center	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	29,700	11,100	3,200	15,400	Hong Kong
Subtotal	698,100	283,500	200,200	214,400	
Popark Plaza (Sold)	115,000	–	85,000	30,000	Tianhe, Guangzhou
Hong Fa Building (Sold)	32,300	17,300	–	15,000	Tianhe, Guangzhou
Total	845,400	300,800	285,200	259,400	

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 preposition 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 Enterprise Resource Planning ("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 volatile 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 1.01 million 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 plays a vital role in supporting sustainable development. The Group will further specialize its marketing strategy, establish different sales system and mechanism from other industries, integrate internal and external marketing resource, 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 GZ 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 in operation at the beginning of the third quarter. We anticipate the preparation of the Fortune World Plaza pre-leasing would start in 2012.

Committed to low cost expansion, to continuously propelling nationwide strategic layout

The Group will, leveraging on its advantages in diversified land reserve and in line with its capital position, strategically focus on acquiring more prime land in core district of Guangzhou, prudently seek opportunity with potential growth and optimum investment return, moderately acquire prominent land reserve at low cost use, so as to rationalize the proportion of our land resource for residential development and investment properties in line with the corporate strategy "home base in Guangzhou and strategic expansion nationwide."

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 RMB19,760 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 GZ 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, a 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, a 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Capital structure

The Group's capital structure is summarized as follow:

	2011 RMB'000	2010 RMB'000
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	**625,679**	—
Total bank borrowings	**21,781,624**	17,687,039
Unsecured other borrowings	**—**	48,940
Finance lease	**224**	154
Overdrafts	**318**	213
Total debts	**21,782,166**	17,736,346
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	**3,000,000**	3,000,000
Total borrowings	**21,782,166**	17,736,346
Less: Cash and cash equivalents	**(4,820,904)**	(6,451,077)
Net borrowings	**16,961,262**	11,285,269
Shareholders' equity (excluding minority interests)	**20,287,874**	15,860,360
Total capitalization	**37,249,136**	27,145,629
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 RMB1,544 million.

Interest rate exposure

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

Foreign exchange exposure

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

Commitments for leasehold land and property, plant and equipment

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, the 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Continuing Disclosure Requirements under Rule 13.21 of the Listing Rules

In accordance with the requirements under Rule 13.21 of the Listing Rules, the directors of the Company reported below details of loan facilities, which exist at any time during the year ended 31 December 2011 and include conditions relating to specific performance of the controlling shareholder of the Company.

(a) On 8 December 2009, the Company, as borrower, entered into a HK$3,200 million loan agreement with a group of banks with a final maturity in December 2012.

(b) On 1 April 2011, the Company, as borrower, entered into two bilateral agreements with two banks for unsecured term loan facilities in the aggregate amount of HK$800 million. In particular, the first loan facility was a facility of up to HK$500 million for a term of 3 years from the date of the relevant letter of offer, i.e., 10 March 2011. The second loan facility of up to HK$300 million was for a term of 3 years from 1 April 2011, the date of the relevant facility agreement.

(c) On 26 May 2011, the Company, as borrower, entered into a facility letter with a bank. The facility letter is for an unsecured 3-year term loan facility of up to HK$400 million from the date of the acceptance of the facility.

(d) On 16 June 2011, the Company, as borrower, entered into a facility letter with a bank. The facility letter is for an unsecured 3-year term loan facility of up to HK$500 million from the date of the facility letter, i.e. 9 June 2011.

(e) On 29 June 2011, the Company, as borrower, entered into a facility agreement with a bank. The facility agreement is for an unsecured 3-year term loan facility of up to HK$1,000 million from the date of the facility agreement.

Pursuant to the aforesaid loan agreements / facility agreements or letters, Yue Xiu Enterprises (Holdings) Limited, the substantial shareholder of the Company is required, at all times, (i) to be the single largest beneficial shareholder of the Company; (ii) to be owned as to at least 51% beneficial interest by Guangzhou Municipal People's Government for facility (c); (iii) to be wholly owned by Guangzhou Municipal People's Government for facility (e); (iv) to maintain shareholding interest of not less than 35% in the issued voting share capital of the Company; (v) to maintain effective management control over the Company for facilities (a), (b), (d) and (e). Breach of the above specific performance obligations will constitute an event of default. Upon the occurrence of such event of default, the relevant bank may declare the relevant facility to be terminated and all the indebtedness under the relevant facility would become due and payable.

These obligations have been duly complied with for the year ended 31 December 2011.

CORPORATE SOCIAL RESPONSIBILITY REPORT

Since its establishment, the Group has been adhering to its philosophy of "Responsibility, Teamwork and Passion", and is endeavored to construct harmonious architectures for better living. During the Reporting Period, the Group had a deeper understanding of and actively fulfilled its corporate social responsibility. Under the clear guiding principle of "Be a socially responsible large corporation", the Group has initiated its corporate social responsibility activities systematically and has achieved remarkable results.

Charitable Donations

During Reporting Period, the Group continued to support social charitable activities with its best efforts, especially in poverty relief in the cities of Maoming and Conghua, Guangdong Province, and the total charitable donations amounted to approximately RMB3,000,000. The poverty-relief rate of Niuliujia village and Pozi village of Maoming City reached 94% and 93.5% respectively by successfully achieving the collective targets of the villagers. Moreover, the home renovation program for the poor and low-income households in Niuliujia village was in good progress; therefore, 84% of the annual target set out in the poverty-relief plan was met. The donation for Hengkeng village of Conghua City reached approximately RMB480,000 and poverty-relief rate was 56%.

Volunteer Service

The Group encourages staff to actively participate in voluntary activities and calls upon all staff to apply their knowledge and skills in social charitable works which would, in turn, enable them to expand their horizons and enhance their personal values. During the Reporting Period, the Group organized charitable project aimed at helping the poor, aged and disabled, and blood donations with 1,680 and 185 staff took part in them, respectively.

Staff Training

The Group is also highly concerned about the career development and psychological quality of its staff. To promote the all-round development of its staff, the Group had created a solid and fair platform for them to better realize their personal values. As for the training aspect, the Group collaborated with a professional consulting agent in conducting an assessment and analysis on the training system. The Group has initiated its first talent development program, namely the "Starry Program（星匯計劃）", under which three sub-programs have been developed, including the "Starry Golden Sands（星匯•金沙）" program for fresh staff, the "Starry Winking（星匯•雲錦）" program for business experts, and the "Starry Phoenix（星匯•鳳凰）" program for potential mid-level managements. By offering training courses, job rotation and promotion competition, these programs provide the Group with key talents for corporate development.

CORPORATE SOCIAL RESPONSIBILITY REPORT

ENVIRONMENTAL PROTECTION

As a responsible property developer, the Group adheres to its philosophy of "Intelligent, Green and Low-Carbon Development". It facilitates the research and development of green building technologies, actively promotes the application of the research achievements, and formulates applicable guidelines on technological design, construction and operational management that are in line with the practical needs of the company, so as to create a green value chain with its unique characteristics. As for planning and design, certain projects are designed in accordance with the national green building standards and the US "Leadership in Energy and Environment Design (LEED)" certification and assessment standards. As for materials, products with high-quality, energy-saving, low-carbon and environmental-friendly features would be purchased at first priority. As for construction, construction technologies that meet environmental standards would be adopted to reduce pollution and damage to the environment caused by dust, noise, waste gas and waste water produced in the course of construction.

FUTURE PROSPECTS

The Group will further improve its market management mechanism and core competencies through intensifying the adjustment to organization restructuring, recruitment of talents, standardization process and strategic plans on horizontal and vertical expansion. Meanwhile, the Group will further strengthen its effort on key areas like staff development, poverty relief and environmental protection to leverage on its achievement, proactively explore and perform corporate social responsibilities, and strive to realize a new era of excellence for the company and to create better living conditions for the people with a stronger sense of mission and responsibility.

INVESTOR RELATIONS REPORT

The Group believes that timely and effective communication with shareholders and investors to further strengthen their understanding and recognition of the company will not only contribute to consolidating and expanding its shareholder base, increase shareholder value but will also enhance the company's capabilities to manage its market capitalization, access new financing sources and reduce financing costs. The Group maintains good communication with shareholders and investors through diversified channels, and evaluates with an open mind suggestions and recommendations received, in order to achieve effective two-way interactive communication between the investors and management.

INVESTOR RELATIONS ACTIVITIES

During the Reporting Period, the Group actively organized and participated in a variety of investor relations activities. In addition to post-result roadshows in Hong Kong, Singapore, Beijing and Shanghai, the Group also attended 19 large-scale conferences held by investment banks, and organized about 300 one-on-one meetings and about 56 site visits for the shareholders and investors.

The Group also seeks to gain a better understanding on investment institutions worldwide and its own shareholder structure through studying professional analysis reports and meeting with shareholders and high quality investors in order to proactively consolidate the shareholder base of the company. With the efforts made in the year, investment institutions have acquired a more in-depth understanding of the company, and continuously follow up with the company's development.

INVESTOR RELATIONS REPORT

MAJOR INVESTOR RELATIONS ACTIVITIES IN 2011

Month	Venue	Activities
January	Hangzhou	Guoyuan (HK) 2011 Sector Selection Strategy Seminar
	Beijing	Deutsche Bank Access China Conference
February	Guangzhou	Site Visits for Financial Media
March	Hong Kong	2010 Annual Results Analysts' Conference and Press Conference
	Hong Kong	2010 Annual Results Roadshow Co-organized with Deutsche Bank
	Singapore	2010 Annual Results Roadshow Co-organized with Standard Chartered Bank
	Shanghai	2010 Annual Results Roadshow Co-organized with Samsung Securities
April	Guangzhou	Site Visits for Fund Managers and Analysts
	Hong Kong	Royal Bank of Scotland China Access Day
May	Singapore	Citi Asia Pacific Property Conference
	Beijing	The 16th CLSA China Forum
	Hong Kong	Macquarie Greater China Conference
June	Beijing	J.P. Morgan China Conference
	Guangzhou	Site Visits for Hong Kong Stock Commentators
	Singapore	Daiwa Property Seminar 2011
	Singapore	The 8th Nomura Asia Equity Forum
	Hong Kong	NDR Co-organized with BOCOM International
July	Hong Kong	Royal Bank of Scotland HK/China Access
	Hong Kong	Citi HK/China Mini Conference 2011
August	Hong Kong	2011 Interim Results Analysts' Conference and Press Conference
	Hong Kong	2011 Interim Results Roadshow Co-organized with Standard Chartered Bank
	Beijing	2011 Interim Results Roadshow Co-organized with BOC International
	Shanghai	2011 Interim Results Roadshow Co-organized with J.P. Morgan
	Singapore	2011 Interim Results Roadshow Co-organized with Morgan Stanley
September	Hong Kong	Kingsway HK Investors Conference
October	Beijing	Bank of America Merrill Lynch Greater China Conference
	Macau	Citi Greater China Investor Conference
November	Hong Kong	Daiwa Investment Conference (HK) 2011
	Hong Kong	CLSA China & HK Property Access Day
December	Tokyo	Nomura Investment & Global Real Estate Forum 2011
	Hong Kong	Bank of America Merrill Lynch Greater China Property Corporate Day
	Hong Kong	Royal Bank of Scotland HK/China Access Conference

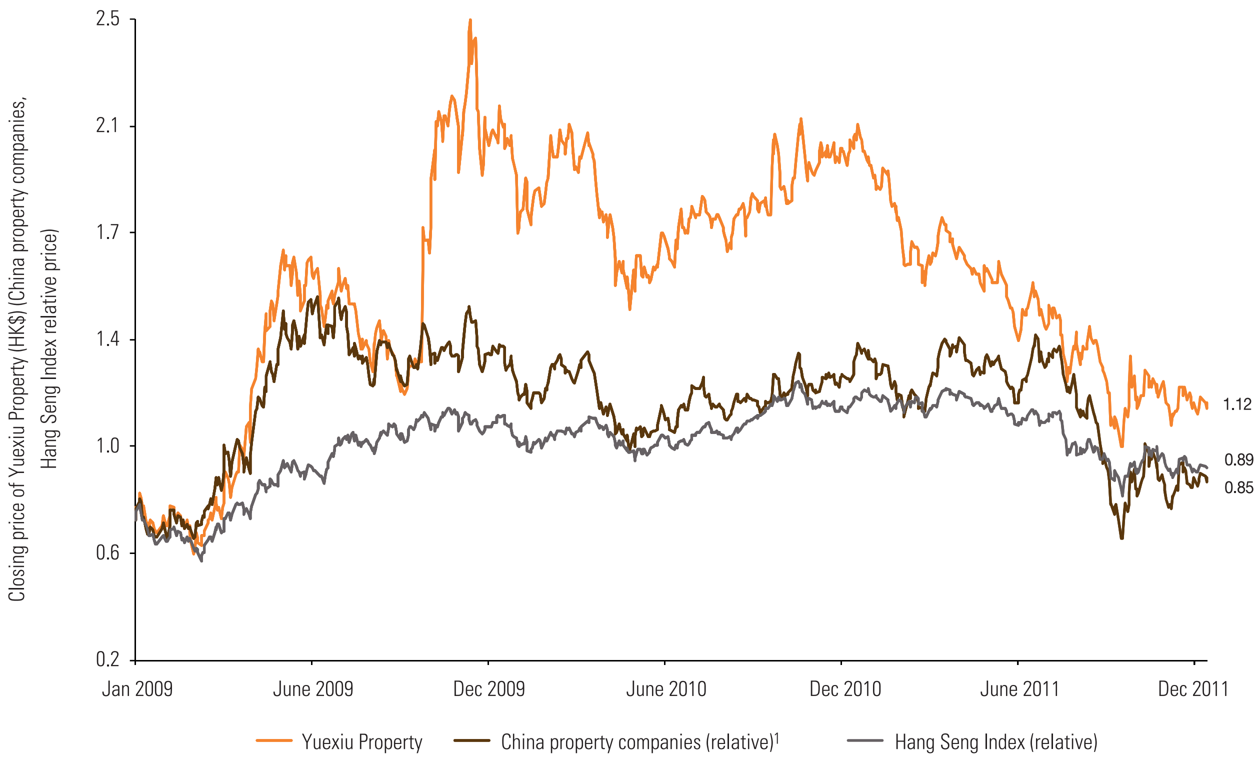
RESEARCH COVERAGE

The Group enhanced the public awareness of the Company through active investor relations activities, while large investment banks and securities companies also kept on updating their research reports on the Group, among which, financial institutions such as Deutsche Bank, Standard Chartered Bank, ICBC International, BOCOM International, BOC International and Daiwa updated their research reports on the Group several times during the Reporting Period and paid constant attention to the development trend of the Group, which indirectly demonstrated investment institutions are becoming increasingly interested in the Group.

During the Reporting Period, the number of research reports on the Group significantly increased to 42 from 34 in 2010. The ratings of most reports are "BUY", which indicates that analysts concur with the Company's operating strategies and are optimistic about the future development prospects of the Company.

SHARE PRICE PERFORMANCE

The restructuring of the Group and capital operation from 2009 to 2011 received full recognition from the market, and the stock price performance of the company outperformed the relative prices of some major comparable China property companies which were listed in Hong Kong and the Hang Seng Index in the last three years.



Data Source: *Bloomberg*

[1] China property companies refer to the 9 large China property companies which are currently listed in Hong Kong

INVESTOR RELATIONS REPORT

AWARDS

The Group repeatedly received awards from well-known professional organizations by leveraging on its excellent corporate governance, remarkable development prospects and professional effort in investor relations, and once again proved the affirmation and recognition of the Group by capital markets, which was conducive to the enhancement of its brand reputation.

Gold Award for Social Responsibility and Investor Relations 2011	The Asset
China's Most Promising Companies 2011	The Asset
Outstanding China Property Developer Awards 2011	Economic Digest
Excellence of Listed Enterprise Awards 2011	Capital Weekly




FUTURE PROSPECTS

With its clear business positioning and definite future development strategy, the Company will obtain more attention from high quality investors. Therefore, the Group will continue to improve and enhance communication and linkage with investors in a diversified manner. More opportunities will be created for more investors to gain an in-depth understanding of the Company, while on the other hand, the management will have a better understanding of the investors' feedback to the Company, so as to better improve the corporate governance of the Company as well as to continuously enhance and realize shareholders' value and interests.

DIRECTORS' PROFILES

EXECUTIVE DIRECTORS

Mr Lu Zhifeng, aged 59, was appointed executive director and Chairman of the Company in 2008. He is also the Chairman of Guangzhou Yue Xiu Holdings Limited ("GZ Yue Xiu"), a substantial shareholder of the Company, and Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu"). Mr Lu holds a Master of Business Administration degree and the qualification of senior economist in China. He has accumulated nearly forty years of experience in production operation, capital and corporate management. Before taking up his post of Chairman of the Company, Mr Lu was the managing director of Guangzhou Automobile Industry Group Co., Ltd., vice chairman of Guangzhou Automobile Group Co., Ltd., chairman of Guangzhou Honda Automobile Co., Ltd., and vice chairman and executive director of Denway Motors Limited. Before that, he had been general manager of Guangzhou Yangcheng Automobile Group Co. and vice chairman and managing director of Guangzhou Yangcheng Automobile Co., Ltd.

Mr Zhang Zhaoxing, aged 48, was appointed executive director, a Vice Chairman and General Manager of the Company in 2008. He is a vice chairman and general manager of GZ Yue Xiu and Yue Xiu and Chairman of Yue Xiu Transport Infrastructure Limited (formerly known as " GZI Transport Limited"), a company listed on the Stock Exchange (Stock Code: 1052). Mr Zhang holds an Executive Master of Business Administration degree awarded by Huazhong University of Science and Technology, and possesses the qualification of senior accountant in China. He has extensive experience in the financial management, industrial operation, capital operation and corporate culture development of large enterprises. Before taking up his post of Vice Chairman and General Manager of the Company, Mr Zhang was the director and general manager of Guangzhou Radio Group Co., Ltd., chairman and general manager of Haihua Electronics Enterprise (China) Corporation, chairman of Guangzhou Guangdian Real Estate Development Co., Ltd. and a director of GRG Banking Equipment Co., Ltd., a company listed on The Shenzhen Stock Exchange (Stock Code: 002152).

Mr Liang Yi, aged 59, was appointed executive director of the Company in 2003. He is also a Vice Chairman of the Company and a director of GZ Yue Xiu and Yue Xiu. Mr Liang graduated from the Chinese People's Liberation Army Engineering Soldier's University majoring in public administration. Prior to joining Yue Xiuin June 2001, he assumed leading roles in Guangzhou Chemical Industry Bureau and organizations under the party Committee of Guangzhou Municipal People's Government. Mr Liang had made outstanding contribution in establishing the administrative supervisory system of Guangzhou. He has over 20 years of experience in public administration.

Mr Tang Shouchun, aged 49, was appointed executive director of the Company in 2006. Mr Tang is currently a deputy general manager of GZ Yue Xiu and Yue Xiu, and is responsible for overseeing the Group's financial and treasury affairs. Mr Tang graduated from Nanjing Agricultural University and is a senior accountant, senior economist and registered asset appraiser in China, and has a Doctor degree in Agricultural Economics and Management. Prior to joining Yue Xiu in 2002, he taught at Southwestern University of Finance and Economics in Chengdu and was a vice professor of South China Normal University in Guangzhou. He had been a director and chief accountant of Guangzhou City Construction & Development Group Co. Ltd., responsible for overseeing financial accounting, financial management and capital operation of the company. He also participated in the planning and operation management of various large real estate projects. He has extensive experience in the financial management and capital operation of large enterprises.

DIRECTORS' PROFILES

Mr Chen Zhihong, aged 50, was appointed executive director and General Manager, Operations of the Company in 2011. Mr Chen holds a master of business administration degree of the South China University of Technology and the qualifications of economist and engineer in China. He joined Yue Xiu in January 2001 and has held management positions of deputy general manager and general manager of the corporate management department and general manager of the investment department. In January 2006, he was promoted as a deputy general manager of the Company and as a deputy managing director of Guangzhou City Construction & Development Co. Ltd. Prior to joining Yue Xiu, Mr. Chen Zhihong worked for Guangzhou Paper Group for almost 20 years and had been engaged in the operational management of the enterprise and has been seconded to Restructuring Commission of Guangzhou Municipality (廣州市政府體制改革委員會) to participate in economic restructuring. He has extensive experience in the real estate industry and is familiar with the regulatory policies for the real estate industry in China.

Mr Lam Yau Fung Curt, aged 43, was appointed executive director of the Company in 2010. He is also the director of capital markets of Yue Xiu. Mr Lam was previously Head of Corporate Finance and Business Development at GOME Electrical Appliances Holding Limited (Stock Code: 493), one of China's largest electronics retailers, which is listed on the Stock Exchange. Prior to joining GOME, he spent more than 10 years working in investment banking and capital markets at Schroders Asia, ABN AMRO Rothschild, and Deutsche Bank. Mr Lam has extensive experience in financial management, investment and transaction analysis, capital markets, and corporate finance. He is a Chartered Financial Analyst (CFA) and holds a MBA from Rice University in the US.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr Yu Lup Fat Joseph, aged 64, has been an independent non-executive director of the Company since 1992. Mr Yu holds a Master's degree in applied finance from Macquarie University in Australia and a diploma of management studies from the University of Hong Kong. Mr Yu has over 40 years of experience in investment, banking and finance.

Mr Lee Ka Lun, aged 57, has been an independent non-executive director of the Company since 2000. He is an accountant by profession. Mr Lee is a Fellow of the Association of Chartered Certified Accountants in UK and has over 20 years of experience in banking and auditing. He is an independent non-executive director of Chow Sang Sang Holdings International Limited (Stock Code: 116) and REXLot Holdings Limited (Stock Code: 555). The shares of the companies mentioned above are listed on the Stock Exchange.

Mr Lau Hon Chuen, GBS, JP, alias Ambrose Lau, aged 64, has been an independent non-executive director of the Company since 2004. He obtained a Bachelor of Laws degree from the University of London and is a Solicitor of the High Court of Hong Kong, a China-Appointed Attesting Officer and a Notary Public. Mr Lau is the Senior Partner of Messrs. Chu & Lau, Solicitors & Notaries and is currently a Standing Committee Member of the National Committee of the Chinese People's Political Consultative Conference. Mr Lau is currently an independent non-executive director of Franshion Properties (China) Limited (Stock Code: 817), Glorious Sun Enterprises Limited (Stock Code: 393), Yuexiu Transport Infrastructure Limited (Stock Code: 1052), Qin Jia Yuan Media Services Company Limited (Stock Code: 2366), The Hong Kong Parkview Group Limited (Stock Code: 207), Wing Hang Bank, Limited (Stock Code: 302) and Brightoil Petroleum (Holdings) Limited (Stock Code: 933). The shares of the companies mentioned above are listed on the Stock Exchange. He is also a Director of Bank of China Group Insurance Company Limited, BOC Group Life Assurance Company Limited, Nanyang Commercial Bank, Limited, Chu & Lau Nominees Limited, Sun Hon Investment And Finance Limited, Wydoff Limited and Wytex Limited. Mr Lau served as the Chairman of the Central and Western District Board between 1988 and 1994, the President of the Law Society of Hong Kong in 1992-1993, a Member of the Bilingual Laws Advisory Committee between 1988 and 1997 and a Member of the Legislative Council of Hong Kong from 1995 to 2004 (between 1997 and 1998 he was a member of the Provisional Legislative Council).

CORPORATE GOVERNANCE REPORT

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

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

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

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

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

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

THE BOARD

Responsibilities

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

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

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

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

CORPORATE GOVERNANCE REPORT

Composition

The composition of the Board ensures a balance of skills and experience appropriate to the requirements of the business of the Company and to the exercising of independent judgment. For a list of directors during the year ended 31 December 2011 and their respective profiles, please refer to page 54 of the Report of the Directors and the Directors' Profiles.

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

During the year ended 31 December 2011, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise.

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

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

Appointment and Succession Planning of Directors

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

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

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

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

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

Training for Directors

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

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

Board Meetings

Number of Meetings and Directors' Attendance

In year 2011, the Board held 17 meetings (including circulation of written resolutions). The attendance record of each member of the Board is set out below :

Directors	**Attendance of Board meetings in 2011**
Executive directors	
Lu Zhifeng	17/17
Zhang Zhaoxing	17/17
Liang Yi	17/17
Tang Shouchun	17/17
Liang Youpan[1]	7/7
Chen Zhihong[2]	10/10
Lam Yau Fung Curt	17/17
Independent non-executive directors	
Yu Lup Fat Joseph	17/17
Lee Ka Lun	17/17
Lau Hon Chuen Ambrose	14/17

Notes:

1. Resigned with effect from 13 June 2011.

2. Appointed with effect from 13 June 2011.

Practices and Conduct of Meetings

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

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

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

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

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

BOARD COMMITTEES

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

Audit Committee

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

The main duties of the Audit Committee include the following:

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

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

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

The Audit Committee held two meetings during the year ended 31 December 2011 to review the financial results and reports, financial reporting and compliance procedures, internal control system and risk management system and the re-appointment of the external auditors. The attendance record of each Audit Committee member is set out below:

Directors	**Attendance of Audit Committee meetings in 2011**
Yu Lup Fat Joseph	2/2
Lee Ka Lun	2/2
Lau Hon Chuen Ambrose	2/2

The Company's annual results for the year ended 31 December 2011 have been reviewed by the Audit Committee.

Remuneration Committee

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

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

The Remuneration Committee met once on 29 February 2012 (with all members present) and reviewed and approved the remuneration policy and structure of the Company and remuneration packages of the executive directors for the year under review.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2011.

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

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

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

The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2011.

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

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

The remuneration paid to the external auditor of the Company in respect of audit services and non-audit services for the year ended 31 December 2011 amounted to RMB6,700,000 and RMB1,800,000 respectively.

INTERNAL CONTROLS

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

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

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

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

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

SHAREHOLDER RIGHTS AND INVESTOR RELATIONS

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

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

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

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

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

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The principal activities of the Group consist of development, selling and management of properties, and holding of investment properties. The principal activities of its principal subsidiaries, jointly controlled entities, associated entities are set out in the section headed "Group Structure" on pages 139 to 149.

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 63.

The Directors have declared and now recommend the following dividends in respect of the year ended 31 December 2011:

	RMB'000
Interim dividend of HK$0.04 equivalent to approximately RMB0.033 per share paid on 18 November 2011	304,758
Proposed final dividend of HK$0.045 equivalent to approximately RMB0.037 per share	343,551
	648,309

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 29 May 2012 to Wednesday, 6 June 2012, both days inclusive, during which period no transfer of shares will be registered. For the purpose of ascertaining the shareholders' eligibility to participate in the forthcoming annual general meeting of the Company to be held on 6 June 2012, all transfers of shares accompanied by the relevant share certificates must be lodged for registration with the Company's Share Registrar, Tricor Abacus Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Monday, 28 May 2012.

RESERVES

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

DONATIONS

Charitable donations made by the Group during the year amounted to approximately RMB3,000,000.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group and the Company are set out in Note 15 to the financial statements.

MAJOR PROPERTY PROJECTS

Details of the major property projects held for/under development, for sale and for investment purposes of the Group in Guangzhou Municipality are set out in the Business Review section on pages 26 to 29.

SHARE CAPITAL

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

PRE-EMPTIVE RIGHTS

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

FIVE YEAR FINANCIAL SUMMARY

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

	Year ended 31 December				
			As restated		As restated
	2011	2010	2009	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Results					
Profit attributable to equity holders of the Company	**5,136,661**	918,840	(607,264)	552,760	1,054,526

	As at 31 December				
			As restated		As restated
	2011	2010	2009	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets and liabilities					
Total assets	**61,195,809**	50,780,930	36,953,836	38,353,575	41,274,408
Total liabilities	**(40,457,986)**	(34,434,837)	(24,438,585)	(19,325,881)	(21,932,223)
Non-controlling interests	**(449,949)**	(485,733)	(439,502)	(5,903,397)	(6,429,458)
Shareholders' equity (excluding non-controlling interests)	**20,287,874**	15,860,360	12,075,749	13,124,297	12,912,727

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S SHARES

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

INTEREST CAPITALISED

During the year, interest capitalised as development cost in respect of investment properties, properties under development and property, plant and equipment amounted to approximately RMB718 million (2010: RMB535 million).

DISTRIBUTABLE RESERVES

As at 31 December 2011, the distributable reserves of the Company available for distribution amounted to RMB1,818 million (2010: RMB2,229 million).

DIRECTORS

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

Mr Lu Zhifeng	
Mr Zhang Zhaoxing	
Mr Liang Yi	
Mr Tang Shouchun	
Mr Chen Zhihong	(appointed with effect from 13 June 2011)
Mr Liang Youpan	(resigned with effect from 13 June 2011)
Mr Lam Yau Fung Curt	
Mr Yu Lup Fat Joseph*	
Mr Lee Ka Lun*	
Mr Lau Hon Chuen Ambrose*	

* *Independent non-executive directors*

The Directors' Profiles are set out on pages 43 and 44.

ROTATION AND RE-ELECTION OF DIRECTORS

Messrs Tang Shouchun, Lam Yau Fung Curt and Lau Hon Chuen Ambrose retire by rotation in accordance with Article 91 of the Company's Articles of Association at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election. Mr Chen Zhihong retires in accordance with Article 97 of the Company's Articles of Associations and, being eligible, offers himself for re-election at the forthcoming general meeting.

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

DIRECTOR'S SERVICE CONTRACTS

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

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

DIRECTOR'S INTEREST IN CONTRACTS

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

CONNECTED TRANSACTIONS

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

Date	Connected Party	Relationship with the Company	Nature of Transaction	Consideration	Payment made/ received during the reporting year
1 January 2009	Yue Xiu Cold Storage & Warehousing Limited	Subsidiary of substantial shareholder	Lease of 16 Tung Yuen Street, Yau Tong, Kowloon, Hong Kong [1]	HK$250,000 per month exclusive of rates	HK$3,000,000
12 January 2010	Hi-Watt Battery Industry Co. Ltd.	Subsidiary of substantial shareholder	Lease of part of Hi-Watt Industrial Building, 21 Tung Yuen Street, Yau Tong, Kowloon for 19,226 sq.ft. from 1 December 2009 for a term of 2 years[2]	HK$67,291 per month	HK$807,492

Notes:

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

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

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

INTERESTS OF DIRECTORS

As at 31 December 2011, the interests and short positions of the directors of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which are required to be recorded in the register maintained by the Company under Section 352 of the SFO or notified to the Company and the Stock Exchange were as follows:

1. *Long positions in shares of the Company:*

Name of Director	Nature of interest	Beneficial interest in shares	Approximate % of interest
Mr Lee Ka Lun	Personal	4,550,000	0.05
Mr Lau Hon Chuen Ambrose	Personal	3,640,000	0.04
Mr Chen Zhihong	Personal	751,740	0.01

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

			Number of share options		
Name of Director	Date of grant	Adjusted exercise price per share HK$	Outstanding as at 1 January 2011	Exercised during the year	Outstanding as at 31 December 2011
Mr Tang Shouchun	23/06/2004(a)	0.607	1,620,375	–	1,620,375
Mr Chen Zhihong	23/06/2004(a)	0.607	623,221(b)	–	623,221

Notes:

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

(b) Balance as at 13 June 2011, date of appointment of Mr Chen Zhihong as a director of the Company.

Save as disclosed herein, as at 31 December 2011, none of the directors of the Company had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which are required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO or notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

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

DISCLOSEABLE INTERESTS OF SHAREHOLDERS UNDER THE SECURITIES AND FUTURES ORDINANCE

As at 31 December 2011, the following persons had an interest or short position in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name	Capacity	Number of shares held	Approximate % of interest
廣州越秀集團有限公司 (Guangzhou Yue Xiu Holdings Limited)*(Note)*	Interests of controlled corporations	4,631,163,657 (Long position)	49.88

Note:

廣州越秀集團有限公司 (Guangzhou Yue Xiu Holdings Limited) is deemed by the SFO to be interested in 4,631,163,657 shares in the Company as a result of its indirect holding of such shares through its wholly-owned subsidiaries, details of which were as follows:

Name	Long position in shares
Yue Xiu	4,631,163,657
Superb Master Ltd.	302,247,835
Excellence Enterprises Co., Ltd. ("Excellence")	4,323,213,675
Bosworth International Limited ("Bosworth")	3,160,100,867
Sun Peak Enterprises Ltd. ("Sun Peak")	735,387,900
Novena Pacific Limited ("Novena")	735,387,900
Shine Wah Worldwide Limited ("Shine Wah")	205,463,700
Morrison Pacific Limited ("Morrison")	205,463,700
Perfect Goal Development Co., Ltd. ("Perfect Goal")	176,458,100
Greenwood Pacific Limited ("Greenwood")	176,458,100
Seaport Development Limited ("Seaport")	45,803,108
Goldstock International Limited ("Goldstock")	45,803,108
Yue Xiu Finance Company Limited	5,702,147

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

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

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

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

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

SHARE OPTIONS

The Company

On 26 June 2002, the shareholders of the Company approved the resolutions relating to the termination of the old share option scheme and the adoption of a new share option scheme ("2002 Share Option Scheme"). The 2002 Share Option Scheme complies with the amendments to Chapter 17 of the Listing Rules and is due to expire in June 2012.

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

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

Movements during the year of the options granted under the share option scheme of the Company to the Participants including the directors of the Company as disclosed on page 56 were as follows:

Number of share options									
outstanding as at 1 January 2011	exercised during the year	granted during the year	lapsed during the year	outstanding as at 31 December 2011	Exercise price per share HK$	Adjusted exercise price per share HK$	Date of grant	Exercisable period	Weighted average closing price (c) HK$
11,290,686	–	–	(1,038,702)	10,251,984	0.410	0.395	02/05/2003	02/05/2003 - 01/05/2013 (b)	N/A
1,703,471	–	–	(560,899)	1,142,572	0.814	0.784	27/10/2003	27/10/2003 - 26/10/2013 (b)	N/A
9,040,857	(344,849)	–	(2,332,923)	6,363,085	0.846	0.814	23/12/2003	23/12/2003 - 22/12/2013 (b)	1.75
35,993,091	(903,956)	–	(8,652,384)	26,436,751	0.630	0.607	23/06/2004	23/06/2004 - 22/06/2014 (b)	1.86

Notes:

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

(b) The options are exercisable in 3 tranches.

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

INDEPENDENT NON-EXECUTIVE DIRECTOR'S FEES

Three independent non-executive directors of the Company each received RMB180,000 as director's fees for the year ended 31 December 2011.

MANAGEMENT CONTRACTS

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

PUBLIC FLOAT

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

REPORT OF THE DIRECTORS

MAJOR CUSTOMERS AND SUPPLIERS

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

AUDITOR

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

On behalf of the Board

Lu Zhifeng
Chairman

Hong Kong, 1 March 2012

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF YUEXIU PROPERTY COMPANY LIMITED

(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Yuexiu Property Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 63 to 149, which comprise the consolidated and company balance sheets as at 31 December 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 1 March 2012

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2011

	Note	2011 RMB'000	2010 RMB'000
Revenue	5	**9,569,006**	5,633,963
Cost of sales	6	**(5,564,912)**	(3,752,700)
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	21	**107,340**	469,326
Fair value gains on revaluation of investment properties	16	**4,955,613**	258,690
Selling and marketing costs	6	**(255,344)**	(214,056)
Administrative expenses	6	**(729,957)**	(593,977)
Operating profit		**8,081,746**	1,801,246
Finance income	7	**53,339**	43,429
Finance costs	8	**(472,950)**	(219,976)
Net foreign exchange gain on financing activities		**221,886**	120,419
Share of (loss)/profit of			
– jointly controlled entities	22	**(761)**	23,430
– associated entities	23	**480,886**	232,066
Profit before taxation		**8,364,146**	2,000,614
Taxation	9	**(3,107,917)**	(1,021,249)
Profit for the year	10	**5,256,229**	979,365
Attributable to			
Equity holders of the Company		**5,136,661**	918,840
Non-controlling interests		**119,568**	60,525
		5,256,229	979,365
Earnings per share for profit attributable to equity holders of the Company (expressed in RMB per share)	11		
– Basic		**0.5533**	0.1228
– Diluted		**0.5517**	0.1221

The notes on pages 73 to 149 form an integral part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	2011 RMB'000	2010 RMB'000
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	**–**	(920)
Other comprehensive loss for the year, net of tax	**(405,263)**	(57,863)
Total comprehensive income for the year	**4,850,966**	921,502
Attributable to:		
– Equity holders of the Company	**4,747,758**	857,664
– Non-controlling interests	**103,208**	63,838
	4,850,966	921,502

The notes on pages 73 to 149 form an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 December 2011

	Note	2011 RMB'000	2010 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	**2,624,912**	2,199,676
Investment properties	16	**11,922,571**	7,632,075
Land use rights	17	**557,609**	547,113
Interests in jointly controlled entities	22	**100,477**	110,289
Interests in associated entities	23	**2,008,062**	1,608,654
Available-for-sale financial assets	24	**722,573**	1,154,600
Deferred tax assets	39	**65,119**	44,216
Accrued rent receivable		**75,889**	—
		18,077,212	13,296,623
Current assets			
Properties under development	25	**29,777,812**	17,305,880
Properties held for sale	26	**2,666,073**	2,621,017
Prepayments for land use rights		**2,064,505**	6,254,647
Inventories	28	**100,798**	47,847
Trade receivables	29	**4,523**	10,041
Other receivables, prepayments and deposits		**847,434**	3,329,834
Taxation recoverable		**501,004**	442,329
Charged bank deposits	30	**1,306,754**	1,021,635
Cash and cash equivalents	31	**4,820,904**	6,451,077
		42,089,807	37,484,307
Non-current assets held-for-sale	32	**1,028,790**	—
LIABILITIES			
Current liabilities			
Trade and note payables	33	**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	34	**6,108,568**	4,633,355
Borrowings	35	**10,590,713**	6,033,686
Taxation payable		**770,604**	536,868
		23,236,045	19,321,739
Liabilities associated with non-current assets held-for-sale	32	**122,552**	—
Net current assets		**19,760,000**	18,162,568
Total assets less current liabilities		**37,837,212**	31,459,191

CONSOLIDATED BALANCE SHEET

As at 31 December 2011

	Note	2011 RMB'000	2010 RMB'000
Non-current liabilities			
Borrowings	35	**11,191,453**	11,702,660
Deferred tax liabilities	39	**5,839,752**	3,410,438
Deferred revenue		**68,184**	—
		17,099,389	15,113,098
Net assets		**20,737,823**	16,346,093
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	36	**851,021**	850,915
Share premium	36	**8,871,970**	8,870,951
Other reserves	38	**379,865**	769,930
Retained earnings			
– Proposed dividends	38	**343,551**	—
– Others	38	**9,841,467**	5,368,564
		20,287,874	15,860,360
Non-controlling interests		**449,949**	485,733
Total equity		**20,737,823**	16,346,093

On behalf of the Board

Zhang Zhaoxing
Director

Tang Shouchun
Director

The notes on pages 73 to 149 form an integral part of these consolidated financial statements.

BALANCE SHEET

As at 31 December 2011

	Note	2011 RMB'000	2010 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	**9,036**	9,762
Investment properties	16	**4,779**	15,403
Interests in subsidiaries	18	**18,541,119**	14,171,680
		18,554,934	14,196,845
Current assets			
Other receivables, prepayments and deposits		**1,585**	1,513
Dividend receivables		**1,007,914**	1,007,914
Cash and cash equivalents	31	**246,984**	1,760,911
		1,256,483	2,770,338
LIABILITIES			
Current liabilities			
Amounts due to subsidiaries	18	**46,543**	28,697
Other payables and accrued charges		**565,914**	113,997
Borrowings	35	**4,032,895**	933,473
		4,645,352	1,076,167
Net current (liabilities)/assets		**(3,388,869)**	1,694,171
Total assets less current liabilities		**15,166,065**	15,891,016
Non-current liabilities			
Borrowings	35	**3,618,512**	3,931,102
Net assets		**11,547,553**	11,959,914

BALANCE SHEET

As at 31 December 2011

	Note	2011 RMB'000	2010 RMB'000
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	36	**851,021**	850,915
Share premium	36	**8,871,970**	8,870,951
Other reserves	38	**7,019**	9,196
Retained earnings			
– Proposed dividends	38	**343,551**	—
– Others	38	**1,473,992**	2,228,852
Total equity		**11,547,553**	11,959,914

On behalf of the Board

Zhang Zhaoxing
Director

Tang Shouchun
Director

The notes on pages 73 to 149 form an integral part of this balance sheet.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

	Note	2011 RMB'000	2010 RMB'000
Operating activities			
Net cash used in operations	40	**(3,221,581)**	(5,669,018)
Interest received		**53,339**	43,429
Interest paid		**(1,191,290)**	(754,597)
Hong Kong profits tax paid		**(1,264)**	(3,407)
China taxation paid		**(529,543)**	(565,183)
Net cash used in operating activities		**(4,890,339)**	(6,948,776)
Investing activities			
Purchases of property, plant and equipment		**(535,149)**	(734,900)
Purchases of investment properties		**(954,084)**	(716,121)
Purchases of available-for-sale financial assets		**(752)**	(760)
Proceeds from sale of available-for-sale financial assets		**—**	7,870
Proceeds from sale of property, plant and equipment		**18,967**	5,171
Proceeds from sale of investment properties		**703,142**	1,345,068
Disposal of a subsidiary	20	**—**	(12,480)
Acquisition of a subsidiary	19	**(615,739)**	—
Dividends received from jointly controlled entities and associated entities		**78,683**	85,538
Repayment from jointly controlled entities and associated entities		**11,846**	86,289
(Increase) /decrease in charged bank deposits		**(285,119)**	823,565
Net cash (used in)/generated from investing activities		**(1,578,205)**	889,240
Financing activities			
Issue of ordinary shares		**942**	2,926,869
Capital contribution from non-controlling interests of subsidiaries		**9,030**	13,880
Dividends paid to equity holders of the Company		**(303,261)**	—
Dividends paid to non-controlling interests of subsidiaries		**—**	(31,015)
Increase in amount due to a substantial shareholder		**414,772**	1,669
Increase in amount due to jointly controlled entities and associated entities		**96,402**	47,401
Increase/(decrease) in amount due to related companies		**20,306**	(596)
New bank loans		**10,782,974**	7,940,820
Repayment of bank loans		**(5,941,249)**	(2,671,000)
New other borrowings		**70**	45
Repayment of other borrowings		**(48,940)**	(1,088)
Acquisition of additional interest in non-controlling interests		**(165,947)**	—
Net cash generated from financing activities		**4,865,099**	8,226,985

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

	Note	2011 RMB'000	2010 RMB'000
(Decrease) /increase in cash and cash equivalents		**(1,603,445)**	2,167,449
Cash and cash equivalents at the beginning of year		**6,450,864**	4,327,511
Exchange losses on cash and cash equivalents		**(23,816)**	(44,096)
		4,823,603	6,450,864
Less: Cash and cash equivalent included in non-current assets held-for-sale	32	**(3,017)**	—
Cash and cash equivalents at the end of year		**4,820,586**	6,450,864
Analysis of balances of cash and cash equivalents			
Bank balances and cash		**4,820,904**	6,451,077
Bank overdrafts		**(318)**	(213)
		4,820,586	6,450,864

The notes on pages 73 to 149 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	Attributable to equity holders of the Company				
	Share capital RMB'000	Share premium RMB'000	Reserves RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2011	850,915	8,870,951	6,138,494	485,733	16,346,093
Comprehensive income					
Profit for the year	–	–	5,136,661	119,568	5,256,229
Other comprehensive income					
Currency translation differences	–	–	(80,397)	–	(80,397)
Change in fair value of available-for-sale financial assets, net of tax	–	–	(308,506)	(16,360)	(324,866)
Total other comprehensive income	–	–	(388,903)	(16,360)	(405,263)
Total comprehensive income	–	–	4,747,758	103,208	4,850,966
Transactions with owners					
Issue of shares upon exercise of share options	106	836	–	–	942
Transfer upon exercise of share options	–	183	(183)	–	–
Capital injection to a subsidiary	–	–	–	9,030	9,030
Dividends paid	–	–	(303,261)	–	(303,261)
Total contributions by and distributions to owners of the Company	106	1,019	(303,444)	9,030	(293,289)
Changes in ownership interests in subsidiaries without change of control	–	–	(17,925)	(148,022)	(165,947)
Total transactions with owners	106	1,019	(321,369)	(138,992)	(459,236)
At 31 December 2011	851,021	8,871,970	10,564,883	449,949	20,737,823

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

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

The notes on pages 73 to 149 form an integral part of these consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

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

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

These financial statements are presented in Renminbi ("RMB"), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 1 March 2012.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

At 31 December 2011, the Company's current liabilities exceeded its current assets by approximately RMB3,388,869,000 (31 December 2010: Net current assets of RMB1,694,171,000). This is mainly because certain bank borrowings of approximately RMB4,032,895,000 will fall due within twelve months of the balance sheet date. The directors believe that the Company will be able to obtain sufficient cash flow from other group companies to repay the bank borrowings upon due dates or be able to renew such bank borrowings. As such, the directors believe that the Company will continue as a going concern and consequently have prepared the financial statements on a going concern basis.

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

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

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

The following amendments and interpretation to existing standards are mandatory for the first time for the financial year beginning 1 January 2011.

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

In addition, the Hong Kong Institute of Certified Public Accountants also published a number of amendments for the existing standards under its annual improvement project. These amendments do not have a significant financial impact on the results and financial position of the Group.

(c) New standards and amendments and revisions 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 2011)	Separate Financial Statements	1 January 2013
HKAS 28 (Revised 2011)	Associates and Joint Ventures	1 January 2013
HKAS 32 (Amendment)	Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities	1 January 2014
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 7 (Amendment)	Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities	1 January 2013
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 revisions 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Consolidation

(a) Subsidiaries

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

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

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

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

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

(b) Transactions with non-controlling interests

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Consolidation (continued)

(c) Associated entities

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

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

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

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

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

(d) Jointly controlled entities

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Consolidation (continued)

(d) Jointly controlled entities (continued)

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

2.3 Segment reporting

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

2.4 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Foreign currency translation (continued)

(c) Group companies

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

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

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

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

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

(d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or jointly controlled entities that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Property, plant and equipment

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

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

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.7).

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Investment properties

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

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

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Investment properties (continued)

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

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

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

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

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

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

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

2.7 Impairment of non-financial assets

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Financial assets

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

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

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

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' in the balance sheet (notes 2.11).

(c) Available-for-sale financial assets

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Financial assets (continued)

(c) Available-for-sale financial assets (continued)

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

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

Impairment testing of trade and other receivables is described in note 2.11.

2.9 Properties under development and properties held for sale

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

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

2.10 Inventories

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Trade and other receivables

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

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

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

2.12 Cash and cash equivalents

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

2.13 Trade and note payables

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

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

2.14 Borrowings

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

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

2.15 Borrowing costs

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Share capital

Ordinary shares are classified as equity.

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

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

2.17 Current and deferred income tax

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 Employee benefits

(a) *Pension obligations*

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

(b) *Share-based compensation*

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

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

(c) *Termination benefits*

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

(d) *Profit-sharing and bonus plans*

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Provisions

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

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

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

2.20 Revenue recognition

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

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

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

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 Leases

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

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

2.22 Government grants

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

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

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

2.23 Dividend distribution

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

2.24 Contingent liabilities and contingent assets

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.25 Financial guarantees

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

2.26 Non-current assets held-for-sale

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

2.27 Insurance contracts

The Group regards its financial guarantee contracts in respect of mortgage facilities provided to certain property purchasers and guarantees provided to its subsidiaries as insurance contracts.

The Group assesses at the end of each reporting period the liabilities under its insurance contracts using current estimates of future cash flows. Changes in carrying amount of these insurance liabilities are recognised in the income statement.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

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

At 31 December 2011, if RMB had strengthened/weakened by 5 percent against HKD and USD with all other variables held constant, post-tax profit for the year would have been approximately RMB9 million higher/lower (2010: post-tax profit RMB5 million higher/lower), mainly as a result of foreign exchange gains on translation of monetary assets and liabilities denominated in HKD and USD.

(ii) Cash flow interest rate risk

At 31 December 2011, if interest rates on borrowings had been 100 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been approximately RMB66 million lower/higher (2010: post-tax profit RMB41 million lower/higher) respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(a) *Market risk* (continued)

(iii) Price risk

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

The available-for-sale financial assets are mainly unlisted equity instruments in China and if the fair value of these equity investments increased or decreased by 10 percent, the Group's equity would have been increased or decreased by approximately RMB49 million (2010: RMB79 million).

(b) *Credit risk*

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

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

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

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

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

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

(c) *Liquidity risk*

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

Management monitors rolling forecasts of the Group's liquidity reserve which comprises undrawn borrowing facilities and cash and cash equivalents (note 31) on the basis of expected cash flows. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(c) *Liquidity risk* (continued)

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

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Group					
At 31 December 2011					
Borrowings	**11,862,070**	**5,512,141**	**4,084,430**	**5,769,699**	**27,228,340**
Trade and note payables	**327,476**	**—**	**—**	**—**	**327,476**
Land premium payable	**45,944**	**—**	**—**	**—**	**45,944**
Other payables and accrued charges	**5,637,236**	**—**	**—**	**—**	**5,637,236**
At 31 December 2010					
Borrowings	6,659,868	7,678,700	1,833,634	4,468,338	20,640,540
Trade and note payables	171,301	—	—	—	171,301
Land premium payable	45,944	—	—	—	45,944
Other payables and accrued charges	3,792,177	—	—	—	3,792,177
Company					
At 31 December 2011					
Borrowings	**4,217,036**	**914,569**	**2,858,266**	**—**	**7,989,871**
Amounts due to subsidiaries	**46,543**	**—**	**—**	**—**	**46,543**
Other payables and accrued charges	**551,256**	**—**	**—**	**—**	**551,256**
At 31 December 2010					
Borrowings	1,034,607	3,623,720	397,938	—	5,056,265
Amounts due to subsidiaries	28,697	—	—	—	28,697
Other payables and accrued charges	113,997	—	—	—	113,997

3 FINANCIAL RISK MANAGEMENT (continued)

3.2 Capital risk management

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

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

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

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

The gearing ratios at 31 December 2011 and at 31 December 2010 were as follows:

	2011 **RMB'000**	2010 RMB'000
Total borrowings (note 35)	**21,782,166**	17,736,346
Less: Cash and cash equivalents (note 31)	**(4,820,904)**	(6,451,077)
Net debt	**16,961,262**	11,285,269
Total equity (excluding non-controlling interests)	**20,287,874**	15,860,360
Total capital	**37,249,136**	27,145,629
Gearing ratio	**46%**	42%

The increase in the gearing ratio during 2011 resulted primarily from increasing in the bank borrowings to finance certain major property development projects.

3.3 Fair value estimation

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

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

3 FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

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

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

At 31 December 2011 and 2010, the Group had no level 1 or level 3 financial instruments, the only level 2 financial instrument represents the available-for-sale financial assets of approximately RMB723 million (2010: RMB1,155 million).

The fair value of the available-for-sale financial assets that are not traded in an active market is determined by using valuation techniques. The significant inputs required to fair value the available-for-sale financial assets represent the quoted market information of the related industries which are observable.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

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

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

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(c) Fair value of investment properties

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

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

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

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

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

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

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

(d) Provision for withholding income tax on undistributed profits

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

(e) Current and deferred income tax

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

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(f) Depreciation of property, plant and equipment

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

(g) Accruals for construction cost of public facilities

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

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

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

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

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

(i) Impairment of trade and other receivables

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

5 SEGMENT INFORMATION

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

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

5 SEGMENT INFORMATION (continued)

	Property development RMB'000	Property management RMB'000	Property investment RMB'000	Others RMB'000	Group RMB'000
As at 31 December 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	**—**	**—**	**2,008,062**	**—**	**2,008,062**
Total reportable segments' assets	**45,787,237**	**349,060**	**13,930,633**	**300,371**	**60,367,301**
Total reportable segments' assets include:					
Additions to non-current assets (other than available-for-sale financial assets and deferred tax assets)	**548,567**	**2,517**	**984,084**	**217**	**1,535,385**
As at 31 December 2010					
Segment assets	38,587,111	241,928	7,632,075	326,743	46,787,857
Interests in jointly controlled entities	110,289	—	—	—	110,289
Interests in associated entities	—	—	1,608,654	—	1,608,654
Total reportable segments' assets	38,697,400	241,928	9,240,729	326,743	48,506,800
Total reportable segments' assets include:					
Additions to non-current assets (other than available-for-sale financial assets and deferred tax assets)	739,917	937	716,121	2,704	1,459,679

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

	Year ended 31 December	
	2011 RMB'000	2010 RMB'000
Segment results	**8,170,400**	1,880,047
Unallocated operating costs (note)	**(88,654)**	(78,801)
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	**480,886**	232,066
Profit before taxation	**8,364,146**	2,000,614

Note: Unallocated operating costs include mainly staff salaries, rent and rates, depreciation and other operating expenses.

5 SEGMENT INFORMATION (continued)

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

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
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	**262,385**	1,787,585
Total assets	**61,195,809**	50,780,930

	Revenue Year ended 31 December		Total assets As at 31 December	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
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	**56,582**	2,492	**10,540**	51,845
	9,569,006	5,633,963	**60,367,301**	48,506,800
Unallocated assets			**828,508**	2,274,130
			61,195,809	50,780,930

6 EXPENSES BY NATURE

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

	2011 RMB'000	2010 RMB'000
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 (note 15)	**31,202**	34,664
Amortisation of land use rights (note 17)	**17,514**	14,864
Operating leases - Land and buildings	**14,513**	24,145
Auditor's remuneration	**6,700**	6,000
Employee benefit expenses (note 13)	**777,620**	670,400
(Reversal of)/provision for impairment of properties under development	**(4,023)**	100,668
Others	**339,788**	144,078
	6,550,213	4,560,733

7 FINANCE INCOME

	2011 RMB'000	2010 RMB'000
Interest income from bank deposits	**53,339**	43,429

8 FINANCE COSTS

	2011 RMB'000	2010 RMB'000
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	**514**	586
Total borrowing costs incurred	**1,191,290**	754,597
Less: amount capitalised as investment properties, properties under development and property, plant and equipment (note)	**(718,340)**	(534,621)
	472,950	219,976

Note: The average interest rate of borrowing costs capitalised for the year ended 31 December 2011 was approximately 5.88 percent per annum (2010: 5.98 percent per annum).

9 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 profit 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.

9 TAXATION *(continued)*

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

Company and subsidiaries	2011 RMB'000	2010 RMB'000
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)/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	**385,767**	31,639
	3,107,917	1,021,249

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

	2011 RMB'000	2010 RMB'000
Profit before taxation less share of profits less losses of associated entities and jointly controlled entities	**7,884,021**	1,745,118
Calculated at China enterprise income tax rate of 25 percent (2010: 25 percent)	**1,971,005**	436,280
Effect of different taxation rates	**2,667**	11,377
Income not subject to taxation	**(24,845)**	(19,034)
Expenses not deductible for taxation purposes	**28,056**	19,191
Net effect of tax loss not recognised and utilisation of previously unrecognised tax losses	**(4,774)**	14,761
(Over)/under-provision in prior years	**(6,501)**	1,900
Effect of land appreciation tax deductible for calculation of income tax purposes	**(252,180)**	(158,613)
Corporate withholding income tax	**385,767**	80,936
	2,099,195	386,798
Land appreciation tax	**1,008,722**	634,451
Taxation charges	**3,107,917**	1,021,249

10 LOSS FOR THE YEAR

The loss for the year is dealt with in the financial statements of the Company to the extent of RMB110,042,000 (2010: RMB56,196,000).

11 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)	**5,136,661**	918,840
Weighted average number of ordinary shares in issue ('000)	**9,283,749**	7,484,311
Basic earnings per share (RMB)	**0.5533**	0.1228

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)	**5,136,661**	918,840
Weighted average number of ordinary shares in issue ('000)	**9,283,749**	7,484,311
Adjustments for share options ('000)	**26,444**	41,235
Weighted average number of ordinary shares for diluted earnings per share ('000)	**9,310,193**	7,525,546
Diluted earnings per share (RMB)	**0.5517**	0.1221

12 DIVIDENDS

The dividends paid in 2011 was approximately RMB305 million (HK4 cents per share) (2010: Nil). The directors recommend the payment of a final dividend of RMB3.7 cents (HK4.5 cents) per ordinary share, totaling approximately RMB344 million. Such dividend is to be approved by the shareholders at the Annual General Meeting on 2 June 2012. These financial statements do not reflect this dividend payable.

	2011 **RMB'000**	2010 RMB'000
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	**343,551**	—
	648,309	—

13 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2011 **RMB'000**	2010 RMB'000
Wages, salaries and bonus	**614,071**	530,522
Pension costs (defined contribution plans)	**38,994**	33,993
Medical benefits costs (defined contribution plans)	**18,082**	13,937
Social security costs	**59,821**	54,271
Termination benefits	**78**	182
Staff welfare	**46,574**	37,417
Share options	**—**	78
	777,620	670,400

Pension scheme arrangements

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

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

The Group also participates in the Mandatory Provident Fund Scheme ("MPF Scheme") for other Hong Kong employees. Under the MPF Scheme, each of the Group and its employees makes monthly contributions to the scheme at 5 percent of the employee's relevant income, as defined in the Mandatory Provident Fund Scheme Ordinance. Both the Group's and the employee's contributions are subjected to a cap of HK$1,000 per month and contributions thereafter are voluntary. The contributions under the MPF Scheme are fully and immediately vested in the employees as accrued benefits once they are paid.

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

14 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) The remuneration of every Director received from the Company for the year ended 31 December 2011 is set out below:

Name of Director	Fees RMB'000	Salaries RMB'000	Discretionary bonuses RMB'000	Pension costs RMB'000	Total RMB'000
LU Zhifeng	—	1,759	10,760	66	12,585
ZHANG Zhaoxing	—	1,948	9,818	110	11,876
LIANG Yi	—	1,834	9,356	64	11,254
TANG Shouchun	—	1,846	8,426	89	10,361
LIANG Youpan (note (i))	—	1,662	4,211	72	5,945
LAM Yau Fung Curt	—	1,660	—	10	1,670
CHEN Zhihong (note (ii))	—	1,558	4,211	—	5,769
YU Lup Fat Joseph	180	—	—	—	180
LEE Ka Lun	180	—	—	—	180
LAU Hon Chuen Ambrose	180	—	—	—	180
Total	540	12,267	46,782	411	60,000

Note:

(i) Resigned on 13 June 2011

(ii) Appointed on 13 June 2011

14 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(continued)*

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

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

Note:

(i) Appointed on 1 January 2010

(ii) Resigned on 1 January 2010

No Directors waived emoluments in respect of the years ended 31 December 2011 and 2010. No emoluments were paid or payable by the Group to any Director as an inducement to join or upon joining the Group, or as compensation for loss of office for both years presented.

The five individuals whose emoluments were the highest in the Group for the years ended 31 December 2011 and 2010 are also Directors whose emoluments are reflected in the analysis presented above.

15 PROPERTY, PLANT AND EQUIPMENT

(a) Group

	Buildings RMB'000	Land RMB'000 (note)	Construction in progress RMB'000	Leasehold improvements, furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
At 1 January 2010						
Cost	571,286	447,401	890,000	118,071	60,878	2,087,636
Accumulated depreciation and impairment	(221,210)	(166,019)	—	(78,876)	(41,864)	(507,969)
Net book amount	350,076	281,382	890,000	39,195	19,014	1,579,667
Year ended 31 December 2010						
Opening net book amount	350,076	281,382	890,000	39,195	19,014	1,579,667
Exchange differences	(2,025)	(9,421)	—	(272)	(22)	(11,740)
Additions	6,162	—	710,373	12,426	5,939	734,900
Disposals	(1,777)	—	—	(3,590)	(122)	(5,489)
Disposal of a subsidiary (note 20)	—	—	—	(13,230)	(451)	(13,681)
Depreciation	(32,492)	(1,958)	—	(5,799)	(9,068)	(49,317)
Impairment	(34,664)	—	—	—	—	(34,664)
Closing net book amount	285,280	270,003	1,600,373	28,730	15,290	2,199,676
At 31 December 2010						
Cost	536,714	432,119	1,600,373	87,840	61,318	2,718,364
Accumulated depreciation and impairment	(251,434)	(162,116)	—	(59,110)	(46,028)	(518,688)
Net book amount	285,280	270,003	1,600,373	28,730	15,290	2,199,676

15 PROPERTY, PLANT AND EQUIPMENT (continued)

(a) Group (continued)

	Buildings RMB'000	Land RMB'000 (note)	Construction in progress RMB'000	Leasehold improvements, furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Year ended 31 December 2011						
Opening net book amount	285,280	270,003	1,600,373	28,730	15,290	2,199,676
Exchange differences	(1,789)	(13,092)	–	(336)	(23)	(15,240)
Additions	55,029	–	449,860	19,027	11,233	535,149
Disposals	(19,891)	–	–	(1,371)	(496)	(21,758)
Acquisition of a subsidiary (note 19)	646	–	–	11	576	1,233
Reclassification	41,686	–	(41,686)	–	–	–
Depreciation	(28,555)	(3,731)	–	(9,810)	(7,720)	(49,816)
Impairment	(31,202)	–	–	–	–	(31,202)
Transfer from investment properties (note 16)	6,870	–	–	–	–	6,870
Closing net book amount	308,074	253,180	2,008,547	36,251	18,860	2,624,912
At 31 December 2011						
Cost	549,952	410,874	2,008,547	98,842	70,170	3,138,385
Accumulated depreciation and impairment	(241,878)	(157,694)	–	(62,591)	(51,310)	(513,473)
Net book amount	308,074	253,180	2,008,547	36,251	18,860	2,624,912

Note: All the land of the Group are located in Hong Kong with lease terms over 50 years.

15 PROPERTY, PLANT AND EQUIPMENT *(continued)*

(b) Company

	Buildings RMB'000	Leasehold improvements, furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
At 1 January 2010				
Cost	13,747	1,921	7,431	23,099
Accumulated depreciation	(5,746)	(1,162)	(4,719)	(11,627)
Net book amount	8,001	759	2,712	11,472
Year ended 31 December 2010				
Opening net book amount	8,001	759	2,712	11,472
Additions	—	805	—	805
Disposal	—	(20)	—	(20)
Depreciation	(258)	(326)	(1,911)	(2,495)
Closing net book amount	7,743	1,218	801	9,762
At 31 December 2010				
Cost	13,747	2,310	7,431	23,488
Accumulated depreciation	(6,004)	(1,092)	(6,630)	(13,726)
Net book amount	7,743	1,218	801	9,762
Year ended 31 December 2011				
Opening net book amount	**7,743**	**1,218**	**801**	**9,762**
Additions	**—**	**669**	**—**	**669**
Disposal	**—**	**(5)**	**—**	**(5)**
Depreciation	**(264)**	**(392)**	**(734)**	**(1,390)**
Closing net book amount	**7,479**	**1,490**	**67**	**9,036**
At 31 December 2011				
Cost	**13,747**	**2,955**	**7,431**	**24,133**
Accumulated depreciation	**(6,268)**	**(1,465)**	**(7,364)**	**(15,097)**
Net book amount	**7,479**	**1,490**	**67**	**9,036**

Property, plant and equipment of the Group with an aggregate carrying amount of RMB2,375 million (2010: RMB2,033 million) were pledged as collateral for the Group's bank borrowings (note 44).

16 INVESTMENT PROPERTIES

(a) Group

	2011 RMB'000	2010 RMB'000
Beginning of the year	**7,632,075**	7,489,527
Exchange differences	**(25,510)**	(15,355)
Additions	**954,084**	716,121
Transfer to property, plant and equipment (note 15)	**(6,870)**	—
Disposals	**(561,221)**	(816,908)
Fair value gains	**4,955,613**	258,690
Transfer to non-current assets held-for-sale (note 32)	**(1,025,600)**	—
End of the year	**11,922,571**	7,632,075

(b) Company

	2011 RMB'000	2010 RMB'000
Beginning of the year	**15,403**	15,233
Exchange difference	**—**	(3)
Fair value gains	**431**	173
Disposal	**(11,055)**	—
End of the year	**4,779**	15,403

The investment properties were revalued at 31 December 2011 on an open market value basis by an independent firm of professional qualified surveyors, Greater China Appraisal Limited, employed by the Group. Valuations were performed using discounted cash flow projections based on estimates of future cash flows derived from the terms of any existing leases and other contracts and from external evidence such as current market rents for similar properties in the same location and condition, using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

As at 31 December 2011, investment properties with an aggregate net book amount of RMB10,464 million (2010: RMB5,876 million) were pledged as collateral for the Group's bank borrowings (note 44).

16 INVESTMENT PROPERTIES (continued)

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

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
In Hong Kong:				
Leases of between 10 to 50 years	**505,447**	369,004	**—**	—
Leases of over 50 years	**52,854**	140,774	**4,779**	15,403
Outside Hong Kong (Note):				
Leases or land use rights of between 10 to 50 years	**11,364,270**	7,122,297	**—**	—
	11,922,571	7,632,075	**4,779**	15,403

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

17 LAND USE RIGHTS

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

	2011	2010
	RMB'000	RMB'000
Beginning of the year	**547,113**	552,514
Additions	**53,849**	9,463
Transfer to properties held for sale	**(25,839)**	—
Amortisation	**(17,514)**	(14,864)
End of the year	**557,609**	547,113

	2011	2010
	RMB'000	RMB'000
Analysed as:		
Non-current, in China	**557,609**	547,113

17 LAND USE RIGHTS *(continued)*

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

	2011 **RMB'000**	2010 RMB'000
In China:		
Land use rights of between 10 to 50 years	**557,609**	547,113

Land use rights with an aggregate net book amount of RMB270 million (2010: nil) as at 31 December 2011 were pledged as collateral for the Group's bank borrowings (note 44).

18 INTERESTS IN SUBSIDIARIES

	Company	
	2011 **RMB'000**	2010 RMB'000
Investments in unlisted shares, at cost	**59,714**	59,714
Amounts due from subsidiaries (note (a))	**18,481,405**	14,111,966
	18,541,119	14,171,680
Amounts due to subsidiaries (note (b))	**(46,543)**	(28,697)

(a) The amounts due from subsidiaries are unsecured and not repayable within one year. Except for a total amount of approximately RMB15,548 million (2010: approximately RMB12,012 million) which are interest free, all amounts due from subsidiaries are interest bearing at 2.5 to 5.5 percent (2010: 2.5 to 5.5 percent) per annum.

The balances as at 31 December 2011 and 2010 were not in default or impaired.

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

	Company	
	2011 **RMB'000**	2010 RMB'000
HKD	**2,973,397**	4,177,853
RMB	**15,508,008**	9,934,113
	18,481,405	14,111,966

18 INTERESTS IN SUBSIDIARIES (continued)

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

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

	Company	
	2011	2010
	RMB'000	RMB'000
RMB	**32,781**	28,697
Singapore dollars	**13,762**	—
	46,543	28,697

(c) Details of the principal subsidiaries of the Group as at 31 December 2011 are set out on pages 139 to 148.

19 BUSINESS COMBINATION

On 30 December 2010, the Group entered into Sales and Purchase Agreements with two independent third parties to acquire the entire equity interest in Shenyang Linghai Property Development Company Limited ("Shenyang Linghai"), held directly as to 99% by a Hong Kong company and 1% by an individual at a total consideration of RMB618 million. Shenyang Linghai is engaged in the development and construction of real estates in Shenyang, China. The transaction was completed on 27 January 2011.

Details of the net assets acquired and goodwill are as follows:

	RMB'000
Purchase consideration:	
Cash paid	388,326
Liabilities assumed and paid	229,674
	618,000
Less: fair value of net identifiable assets acquired (see below)*	(618,000)
Goodwill	—

19 BUSINESS COMBINATION *(continued)*

The assets and liabilities arising from the acquisition are as follows:

	Fair value
	RMB'000
Property, plant and equipment	1,233
Properties under development	1,169,000
Other receivables, prepayments and deposits	1,903
Cash and cash equivalents	2,261
Trade and other payables and accrued charges	(426,317)
Deferred tax liabilities	(130,080)
Net identifiable assets acquired	618,000
Cash outflow to acquire business, net of cash acquired:	
Purchase consideration	388,326
Liabilities assumed and paid	229,674
Cash and cash equivalents in the subsidiary acquired	(2,261)
Cash outflow on acquisition	615,739

Acquisition-related costs of approximately RMB1 million have been recorded in administrative expenses during the year ended 31 December 2011.

20 DISPOSAL OF A SUBSIDIARY

Disposal of Guangzhou Homecity Supermarket

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

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

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

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

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

21 GAIN ON SALES OF INVESTMENT PROPERTIES

During the year, the Group disposed of certain investment properties with total sales proceeds of approximately RMB703 million (2010: RMB1,345 million) resulting in a total net gain of approximately RMB107 million (2010: RMB469 million).

22 INTERESTS IN JOINTLY CONTROLLED ENTITIES

	Group	
	2011	2010
	RMB'000	RMB'000
Share of net assets	**61,231**	61,992
Amounts due from jointly controlled entities (note 45(c))	**59,589**	80,365
Less: provision for impairment of amounts due from jointly controlled entities	**(20,343)**	(32,068)
	100,477	110,289
Amounts due to jointly controlled entities (note 45(c))	**(236,344)**	(155,489)

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

	2011	2010
	RMB'000	RMB'000
Revenue	**3,508**	121,707
Expenses	**(4,269)**	(98,277)
(Loss)/profit for the year	**(761)**	23,430
Assets:		
Non-current assets	**1,599**	1,760
Current assets	**94,828**	113,956
	96,427	115,716
Liabilities:		
Current liabilities	**(35,196)**	(53,724)
Net assets	**61,231**	61,992

Details of the Group's jointly controlled entities as at 31 December 2011 are set out on page 149.

The Group's jointly controlled entities did not have any significant capital commitments at 31 December 2011 (2010: Nil).

23 INTERESTS IN ASSOCIATED ENTITIES

	Group	
	2011	2010
	RMB'000	RMB'000
Share of net assets	**1,952,255**	1,550,052
Amounts due from associated entities (note 45(c))	**55,807**	58,602
	2,008,062	1,608,654
Amounts due to associated entities (note 45(c))	**(156,871)**	(141,324)

All the interests in associated entities held by the Group are unlisted except for an investment in an associated entity with a carrying value of approximately RMB1,820 million (2010: RMB1,423 million) which is listed on the Stock Exchange. The fair value of the interests in this associated entity amounted to approximately RMB1,055 million as at 31 December 2011 (2010: RMB1,401 million).

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

	2011	2010
	RMB'000	RMB'000
Revenue	**206,435**	190,659
Profit after tax	**480,886**	232,066
Assets	**2,901,058**	2,425,385
Liabilities	**(948,803)**	(875,333)
Net assets	**1,952,255**	1,550,052

Details of the Group's associated entities as at 31 December 2011 are set out on page 149.

The Group's associated entities did not have any significant capital commitments at 31 December 2011 (2010: Nil).

24 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2011	2010
	RMB'000	RMB'000
Beginning of the year	**1,154,600**	1,082,483
Additions	**752**	760
Disposals	**(6,500)**	(7,989)
(Decrease)/increase in fair value	**(426,279)**	79,346
End of the year	**722,573**	1,154,600

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

25 PROPERTIES UNDER DEVELOPMENT

	Group	
	2011	2010
	RMB'000	RMB'000
Properties under development	**29,777,812**	17,305,880

Properties under development are mainly located in China.

As at 31 December 2011, the Group's properties under development of approximately RMB18,965 million (2010: RMB8,002 million) were pledged as collateral for the Group's bank borrowings (note 44).

26 PROPERTIES HELD FOR SALE

	Group	
	2011	2010
	RMB'000	RMB'000
Properties held for sale	**2,666,073**	2,621,017

Properties held for sale are mainly located in China.

As at 31 December 2011, the Group's properties held for sale of approximately RMB43 million (2010: nil) were pledged as collateral for the Group's bank borrowings (note 44).

27 COMMITMENTS UNDER OPERATING LEASES

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

	Group	
	2011	2010
	RMB'000	RMB'000
Not later than one year	**18,819**	10,831
Later than one year and not later than five years	**34,207**	11,737
Later than five years	**–**	108
	53,026	22,676

28 INVENTORIES

	Group	
	2011	2010
	RMB'000	RMB'000
Raw materials	**99**	105
Work-in-progress	**99,069**	46,371
Finished goods	**1,630**	1,371
	100,798	47,847

The cost of inventories recognised as expense and included in "cost of sales" amounted to approximately of RMB165,231,000 (2010: RMB523,777,000).

29 TRADE RECEIVABLES

	Group	
	2011	2010
	RMB'000	RMB'000
Trade receivables	**60,753**	75,947
Less: provision for impairment of trade receivables	**(56,230)**	(65,906)
	4,523	10,041

The fair values of trade receivables approximate their carrying amounts.

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

	Group	
	2011	2010
	RMB'000	RMB'000
0 - 30 days	**2,112**	6,740
31 - 90 days	**409**	40
91 - 180 days	**125**	63
181 - 365 days	**77**	—
Over 1 year	**58,030**	69,104
	60,753	75,947

As at 31 December 2011, trade receivables of approximately RMB2,521,000 (2010: RMB6,780,000) were fully performing.

29 TRADE RECEIVABLES *(continued)*

As at 31 December 2011, trade receivables of approximately RMB2,002,000 (2010: RMB3,261,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables from the due date is as follows:

	Group	
	2011	2010
	RMB'000	RMB'000
Up to 3 months	**125**	63
Over 3 months	**1,877**	3,198
	2,002	3,261

As at 31 December 2011, trade receivables of approximately RMB56,230,000 (2010: RMB65,906,000) were impaired. The amount of the provision was RMB56,230,000 as at 31 December 2011 (2010: RMB65,906,000). The individual impaired receivables mainly relate to customers, which are in unexpected difficult economic situations. The ageing of these receivables from the due date is as follows:

	Group	
	2011	2010
	RMB'000	RMB'000
Over 3 months	**56,230**	65,906

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

	Group	
	2011	2010
	RMB'000	RMB'000
Beginning of the year	**65,906**	65,906
Reversal of impairment	**(9,676)**	—
End of the year	**56,230**	65,906

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

The Group's trade receivables are denominated in RMB.

30 CHARGED BANK DEPOSITS

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

31 CASH AND CASH EQUIVALENTS

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash at bank	**4,630,781**	4,964,464	**84,844**	299,776
Short-term bank deposits	**190,123**	1,486,613	**162,140**	1,461,135
	4,820,904	6,451,077	**246,984**	1,760,911

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
HKD	**522,493**	1,903,565	**222,580**	1,752,677
RMB	**3,630,865**	4,524,942	**1,135**	8
USD	**650,727**	20,568	**6,450**	7,240
Others	**16,819**	2,002	**16,819**	986
	4,820,904	6,451,077	**246,984**	1,760,911

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

The average effective interest rate on short-term bank deposits was 0.8 percent (2010: 0.5 percent).

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

32 NON-CURRENT ASSETS HELD-FOR-SALE - GROUP

In September 2011, the Group signed a sales and purchase agreement to dispose of Hongfa Building in Guangzhou. The transaction is expected to be completed in 2012.

On 9 December 2011, the Group signed another sales and purchase agreement to dispose of Speed Advance Limited which owns the investment property of Guangzhou East Station, to an independent third party for cash consideration and assignment of shareholder's loan and the transaction is expected to be completed in December 2012.

The assets and liabilities related to the investment property and Speed Advance Limited, a wholly owned subsidiary of the Company, have been presented as held for sale.

(a) Non-current assets held-for-sale

	2011 **RMB'000**	2010 RMB'000
Investment properties	**1,025,600**	—
Cash and cash equivalents	**3,017**	—
Other assets	**173**	—
	1,028,790	—

(b) Liabilities associated with non-current assets held-for-sale

	2011 **RMB'000**	2010 RMB'000
Other payables and accrued charges	**67,472**	—
Deferred tax liabilities	**55,080**	—
	122,552	—

NOTES TO THE FINANCIAL STATEMENTS

33 TRADE AND NOTE PAYABLES

	Group	
	2011	2010
	RMB'000	RMB'000
Trade payables	**22,111**	26,944
Note payables	**305,365**	144,357
	327,476	171,301

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

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

	Group	
	2011	2010
	RMB'000	RMB'000
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	**614**	577
	327,476	171,301

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

34 OTHER PAYABLES AND ACCRUED CHARGES

	Group	
	2011	2010
	RMB'000	RMB'000
Accrual for construction related costs	**4,188,168**	3,264,179
Accrued employee benefits costs	**152,116**	136,400
Amounts due to related parties	**908,395**	376,915
Other payables	**859,889**	855,861
	6,108,568	4,633,355

35 BORROWINGS

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Non-current				
Long-term bank borrowings				
– Secured	**6,732,744**	9,552,216	**14,803**	2,691,657
– Unsecured	**4,458,552**	2,101,401	**3,603,552**	1,190,402
Obligations under finance leases	**157**	103	**157**	103
Loan from a related company (note 45(c))	**—**	48,940	**—**	48,940
	11,191,453	11,702,660	**3,618,512**	3,931,102
Current				
Bank overdrafts	**318**	213	**—**	—
Short-term bank borrowings				
– Secured	**680,000**	270,000	**—**	—
– Unsecured	**936,623**	2,699,811	**636,623**	339,811
Current portion of long-term bank borrowings				
– Secured	**5,651,562**	825,000	**2,551,062**	—
– Unsecured	**3,322,143**	2,238,611	**845,143**	593,611
Obligations under finance leases	**67**	51	**67**	51
	10,590,713	6,033,686	**4,032,895**	933,473
Total borrowings	**21,782,166**	17,736,346	**7,651,407**	4,864,575

The maturity of borrowings is as follows:

Group

	Bank borrowings and overdrafts		Other loans	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within one year	**10,590,646**	6,033,635	**67**	51
In the second year	**4,842,387**	7,280,033	**38**	38
In the third to fifth year	**3,348,909**	1,373,584	**119**	49,005
Over five years	**3,000,000**	3,000,000	**—**	—
	21,781,942	17,687,252	**224**	49,094

35 BORROWINGS (continued)

Company

	Bank borrowings and overdrafts		Other loans	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within one year	**4,032,828**	933,422	**67**	51
In the second year	**827,446**	3,542,035	**38**	38
In the third to fifth year	**2,790,909**	340,024	**119**	49,005
	7,651,183	4,815,481	**224**	49,094

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

	2011			2010		
	HK$	**RMB**	**USD**	HK$	RMB	USD
Bank overdrafts	**5.72%**	**1.23%**	**—**	4.08%	—	—
Bank borrowings	**2.43%**	**7.65%**	**2.11%**	2.38%	6.18%	—
Other loans	**2.10%**	**—**	**—**	1.20%	—	—

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

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
HKD	**6,808,984**	4,864,788	**6,808,667**	4,864,575
RMB	**14,347,503**	12,871,558	**217,061**	—
USD	**625,679**	—	**625,679**	—
	21,782,166	17,736,346	**7,651,407**	4,864,575

The fair values of borrowings approximate their carrying amounts.

36 SHARE CAPITAL AND SHARE PREMIUM

	Number of shares ('000)	Share capital RMB'000	Share premium RMB'000	Total RMB'000
At 1 January 2010	7,136,582	668,202	6,126,174	6,794,376
Issue of shares upon open offer	2,141,822	182,333	2,740,999	2,923,332
Issue of shares upon exercise of share options (Note 37)	4,359	380	3,157	3,537
Transfer upon exercise of share options	—	—	621	621
At 31 December 2010	9,282,763	850,915	8,870,951	9,721,866
Issue of shares upon exercise of share options (Note 37)	1,249	106	836	942
Transfer upon exercise of share options	—	—	183	183
At 31 December 2011	9,284,012	851,021	8,871,970	9,722,991

The total authorised number of ordinary shares is 20,000 million shares (2010: 20,000 million shares) with a par value of HK$0.1 per share (2010: HK$0.1 per share). All issued shares are fully paid.

37 SHARE OPTIONS

Movements of share options are as follows:

	Number of share options '000
At 1 January 2010	67,168
Adjusted during the year	2,219
Exercised during the year	(4,359)
Lapsed during the year	(7,000)
At 31 December 2010	58,028
At 1 January 2011	**58,028**
Exercised during the year	**(1,249)**
Lapsed during the year	**(12,585)**
At 31 December 2011	**44,194**

37 SHARE OPTIONS (continued)

Particulars of share options as at 31 December 2011 and 2010 are as follows:

Date of grant	Exercise period	Exercise price HK$	Number of outstanding share options 2011 '000	2010 '000
2 May 2003	2 May 2003 - 1 May 2013	0.3950	**10,252**	11,291
27 October 2003	27 October 2003 - 26 October 2013	0.7840	**1,142**	1,703
23 December 2003	23 December 2003 - 22 December 2013	0.8140	**6,363**	9,041
23 June 2004	23 June 2004 - 22 June 2014	0.6070	**26,437**	35,993
			44,194	58,028

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

All (2010: all) of the outstanding share options were exercisable.

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

38 RESERVES

(a) Group

	Capital redemption reserve RMB'000	Statutory reserves (note a) RMB'000	Exchange fluctuation reserve RMB'000	Available-for-sale financial assets fair value reserve RMB'000	Employee share-based compen-sation reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2011	1,699	202,575	(157,859)	716,018	7,497	5,368,564	6,138,494
Currency translation differences	–	–	(80,397)	–	–	–	(80,397)
Change in fair value of financial assets							
– gross	–	–	–	(404,465)	–	–	(404,465)
– tax	–	–	–	101,116	–	–	101,116
– effect of withholding tax	–	–	–	(5,157)	–	–	(5,157)
Profit attributable to shareholders	–	–	–	–	–	5,136,661	5,136,661
Transfer	–	1,015	–	–	–	(1,015)	–
Transfer upon exercise of share options	–	–	–	–	(183)	–	(183)
Transfer upon lapse of share options	–	–	–	–	(1,994)	1,994	–
Changes in ownership interests in subsidiaries without change of control (note)	–	–	–	–	–	(17,925)	(17,925)
Dividends paid	–	–	–	–	–	(303,261)	(303,261)
At 31 December 2011	1,699	203,590	(238,256)	407,512	5,320	10,185,018	10,564,883
Representing:							
2011 final dividend proposed						343,551	
Others						9,841,467	
						10,185,018	

Note: On 6 December 2011, the Group acquired the remaining equity interest of certain subsidiaries at a total consideration of RMB166 million. The carrying amount of the non-controlling interests of these subsidiaries acquired was RMB148 million in total on the date of acquisition. The Group recognised a decrease in non-controlling interests of RMB148 million and a decrease in equity attributable to shareholders of approximately RMB18 million.

38 RESERVES (continued)

(a) Group (continued)

	Capital redemption reserve RMB'000	Statutory reserves (note a) RMB'000	Exchange fluctuation reserve RMB'000	Available-for-sale financial assets fair value reserve RMB'000	Employee share-based compen-sation reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2010	1,699	200,829	(43,795)	662,210	9,114	4,451,316	5,281,373
Currency translation differences	–	–	(114,064)	–	–	–	(114,064)
Change in fair value of financial assets							
– gross	–	–	–	74,928	–	–	74,928
– tax	–	–	–	(18,732)	–	–	(18,732)
– effect of withholding tax	–	–	–	(2,388)	–	–	(2,388)
Profit attributable to shareholders	–	–	–	–	–	918,840	918,840
Disposal of a subsidiary	–	(920)	–	–	–	–	(920)
Transfer	–	2,666	–	–	–	(2,666)	–
Employee share options scheme - value of employee services	–	–	–	–	78	–	78
Transfer upon exercise of share options	–	–	–	–	(621)	–	(621)
Transfer upon lapse of share options	–	–	–	–	(1,074)	1,074	–
At 31 December 2010	1,699	202,575	(157,859)	716,018	7,497	5,368,564	6,138,494
Representing:							
2010 final dividend proposed						–	
Others						5,368,564	
						5,368,564	

Note:

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

38 RESERVES *(continued)*

(b) Company

	Capital redemption reserve RMB'000	Employee share-based compensation reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2011	**1,699**	**7,497**	**2,228,852**	**2,238,048**
Transfer upon exercise of share options	**—**	**(183)**	**—**	**(183)**
Transfer of reserve upon lapse of share options	**—**	**(1,994)**	**1,994**	**—**
Loss for the year	**—**	**—**	**(110,042)**	**(110,042)**
Dividends paid	**—**	**—**	**(303,261)**	**(303,261)**
At 31 December 2011	**1,699**	**5,320**	**1,817,543**	**1,824,562**
Representing:				
2011 final dividend proposed			**343,551**	
Others			**1,473,992**	
			1,817,543	
At 1 January 2010	1,699	9,114	2,283,974	2,294,787
Employee share options scheme - value of employee services	—	78	—	78
Transfer upon exercise of share options	—	(621)	—	(621)
Transfer of reserve upon lapse of share options	—	(1,074)	1,074	—
Loss for the year	—	—	(56,196)	(56,196)
At 31 December 2010	1,699	7,497	2,228,852	2,238,048
Representing:				
2010 final dividend proposed			—	
Others			2,228,852	
			2,228,852	

39 DEFERRED TAXATION

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

The movements in the deferred tax liabilities account are as follows:

	Group	
	2011	2010
	RMB'000	RMB'000
Beginning of the year	**3,366,222**	2,691,724
Deferred taxation charged to consolidated income statement (note 9(d))	**2,436,630**	652,739
Acquisition of a subsidiary (note 19)	**130,080**	—
Disposal of a subsidiary (note 20)	**—**	1,441
Deferred taxation charged to equity	**(101,413)**	22,225
Exchange differences	**(1,806)**	(1,907)
Transfer to liabilities associated with non-current assets held-for-sale (note 32)	**(55,080)**	—
End of the year	**5,774,633**	3,366,222

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

	Group				
	Different bases in reporting expenses with tax authorities	**Provision for impairment of properties**	**Tax losses**	**Others**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
At 1 January 2011	**254,647**	**—**	**22,415**	**—**	**277,062**
Credited to income statement	**17,678**	**18,608**	**20,428**	**625**	**57,339**
At 31 December 2011	**272,325**	**18,608**	**42,843**	**625**	**334,401**
At 1 January 2010	276,722	6,110	25,750	—	308,582
Exchange differences	559	—	(77)	—	482
Charged to income statement	(21,193)	(6,110)	(3,258)	—	(30,561)
Disposal of a subsidiary	(1,441)	—	—	—	(1,441)
At 31 December 2010	254,647	—	22,415	—	277,062

39 DEFERRED TAXATION (continued)

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

	Group						
	Revaluation of properties RMB'000	Accelerated depreciation RMB'000	Revaluation of investments RMB'000	Different bases in reporting revenue with tax authorities RMB'000	Others RMB'000	Undistributed profits of subsidiaries, jointly controlled entities and associated entities RMB'000	Total RMB'000
At 1 January 2011	**1,162,041**	**64,469**	**264,068**	**1,914,287**	**16,995**	**221,424**	**3,643,284**
Exchange differences	**566**	**(2,372)**	**–**	**–**	**–**	**–**	**(1,806)**
Charged/(credited) to income statement	**1,387,474**	**17,931**	**(35,769)**	**735,040**	**3,526**	**385,767**	**2,493,969**
Charged to reserves	**–**	**–**	**(106,570)**	**–**	**–**	**5,157**	**(101,413)**
Acquisition of a subsidiary (note 19)	**130,080**	**–**	**–**	**–**	**–**	**–**	**130,080**
Transfer to liabilities associate with non-current assets held-for-sale (note 32)	**(49,127)**	**–**	**–**	**–**	**–**	**(5,953)**	**(55,080)**
At 31 December 2011	**2,631,034**	**80,028**	**121,729**	**2,649,327**	**20,521**	**606,395**	**6,109,034**
At 1 January 2010	1,729,494	64,595	244,298	759,094	15,428	187,397	3,000,306
Exchange differences	–	(1,358)	(67)	–	–	–	(1,425)
(Credited)/charged to income statement	(567,453)	1,232	–	1,155,193	1,567	31,639	622,178
Charged to reserves	–	–	19,837	–	–	2,388	22,225
At 31 December 2010	1,162,041	64,469	264,068	1,914,287	16,995	221,424	3,643,284

39 DEFERRED TAXATION (continued)

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

	Group	
	2011 RMB'000	2010 RMB'000
Deferred tax assets		
– Hong Kong profits tax	**19,493**	21,665
– China enterprise income tax	**45,626**	22,551
	65,119	44,216
Deferred tax liabilities		
– Hong Kong profits tax	**56,374**	39,781
– China enterprise income tax	**3,845,719**	2,006,125
– China land appreciation tax	**1,937,659**	1,364,532
	5,839,752	3,410,438

Deferred tax assets are recognised for tax losses carried forward and revaluation of properties to the extent that realisation of the related tax benefits through future taxation profits is probable. As at 31 December 2011, the Group had unrecognised deferred tax benefits of approximately RMB190 million (2010: RMB192 million) in respect of tax losses of approximately RMB1,102 million (2010: RMB1,118 million). Tax losses amounting to RMB91 million (2010: RMB84 million) will expire at various dates up to and including 2016 (2010: 2015). The remaining tax losses have no expiry date.

40 NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of operating profit to net cash used in operations:

	2011	2010
	RMB'000	RMB'000
Operating profit	**8,081,746**	1,801,246
Depreciation and amortisation	**67,330**	64,181
Loss on disposal of property, plant and equipment	**2,791**	318
Provision for impairment of property, plant and equipment	**31,202**	34,664
Gain on sales of investment properties	**(107,340)**	(469,326)
Fair value gains on revaluation of investment properties	**(4,955,613)**	(258,690)
Gain on disposal of a subsidiary	**—**	(6,329)
Loss on disposal of available-for-sale financial assets	**—**	119
Reversal of provision for trade receivables	**9,676**	—
Employee share option scheme	**—**	78
Increase in properties under development, properties held for sale and prepayments for land use rights	**(6,467,516)**	(8,659,354)
Increase in accrual rental receivable	**(75,889)**	—
Increase in inventories	**(52,951)**	(2,687)
Decrease/(increase) in trade receivables, other receivables, prepayments and deposits	**2,470,780**	(2,733,413)
(Decrease)/increase in trade and note payables, other payables and accrued charges	**(1,760,008)**	4,582,298
Increase in deferred revenue	**68,184**	—
Movement in balances with related companies	**15,692**	(24,155)
Decrease in amount due to non-controlling interests	**(6,774)**	(10,867)
Net exchange difference for working capital	**(542,891)**	12,899
Net cash used in operations	**(3,221,581)**	(5,669,018)

41 FUTURE MINIMUM RENTAL PAYMENTS RECEIVABLE

At 31 December 2011, the Group and the Company had future minimum rental payments receivable under certain non-cancellable leases as follows:

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Not later than one year	**415,400**	143,856	**—**	—
Later than one year and not later than five years	**1,074,865**	293,803	**—**	—
Later than five years	**287,882**	178,407	**—**	—
	1,778,147	616,066	**—**	—

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

42 CAPITAL COMMITMENTS

	Group	
	2011	2010
	RMB'000	RMB'000
Capital commitments in respect of property, plant and equipment and investment properties:		
Contracted but not provided for	**626,790**	1,215,405
Authorised but not contracted for	**829,463**	1,027,989
	1,456,253	2,243,394

At 31 December 2011, the Group had no financial commitments in respect of equity capital to be injected into any jointly controlled entity or associated entity (2010: Nil).

The Company did not have any significant capital commitments at 31 December 2011 (2010: Nil).

43 GUARANTEES

	Group		Company	
	2011 RMB'000	2010 RMB'000	**2011 RMB'000**	2010 RMB'000
Guarantees for mortgage facilities granted to certain property purchasers of the Group's properties (note (a))	**2,122,850**	1,923,248	**—**	—
Guarantees for banking and loan facilities granted to subsidiaries (note (b))	**—**	—	**37,545**	39,425
	2,122,850	1,923,248	**37,545**	39,425

Note:

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

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

(c) In connection with the disposal of a subsidiary to Yuexiu Real Estate Investment Trust (formerly known as "GZI Real Estate Investment Trust") ("Yuexiu REIT") in 2008, the Group entered into a Deed of Indemnity to indemnify Yuexiu REIT against certain liabilities for land premium and deferred taxation with an estimated total amount of approximately RMB60 million (2010: RMB63 million). The Deed of Indemnity will expire on 30 May 2014.

44 SECURITIES FOR BANKING FACILITIES

At 31 December 2011, certain banking facilities and loans granted to the Group and the Company were secured by:

(a) mortgages of certain of the Group's properties under development, properties held for sale, investment properties, property, plant and equipment with aggregate carrying values of approximately RMB18,965 million (2010: RMB8,002 million), RMB43 million (2010: nil), RMB10,464 million (2010: RMB5,876 million) and RMB2,375 million (2010: RMB2,033 million) respectively;

(b) mortgages of certain of the Group's land use rights with an aggregate carrying value of RMB270 million (2010: nil); and

(c) assignment of shareholder's loans between certain companies in the consolidated group with an aggregate amount of approximately RMB10,254 million (2010: RMB4,874 million).

45 SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Related parties

The Company's substantial shareholder is Yue Xiu Enterprises (Holdings) Limited ("YXE"). The table below summarises the names of related parties, with whom the Group has significant transactions during the year, and their relationship with the Company as at 31 December 2011:

Significant related parties	Relationship with the Company
Yue Xiu Enterprises (Holdings) Limited ("YXE")	A substantial shareholder
Kiu Fung Limited ("Kiu Fung")	A subsidiary of YXE
Yue Xiu Finance Company Limited ("YXF")	A subsidiary of YXE
Yue Xiu International Development Limited ("YXIDL")	A subsidiary of YXE
Yue Xiu Cold Storage and Warehousing Limited ("YXCSWL")	A subsidiary of YXE
Hi-Watt Battery Industry Company Limited ("HWB") (Note)	A subsidiary of YXE
Yuexiu Real Estate Investment Trust ("Yuexiu REIT")	An associated entity

Note: HWB was disposed by YXE in December 2011.

(b) Transactions with related parties

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

		2011 RMB'000	2010 RMB'000
(I)	Transactions with YXE		
	Rental expenses and property management fees paid to YXE	(1,793)	(1,878)
	Rental income received from YXE	129	84
	Loan interest paid to YXE	(228)	—
(II)	Transactions with YXF		
	Service fees paid to YXF	(301)	(314)
(III)	Transaction with YXIDL		
	Loan interest paid to YXIDL	(286)	(586)
(IV)	Transactions with Yuexiu REIT		
	Asset management fees received from Yuexiu REIT	34,414	29,449
	Tenancy service fees received from Yuexiu REIT	17,828	16,669
	Rental expenses paid to Yuexiu REIT	(3,519)	(3,977)
(V)	Transaction with Kiu Fung		
	Management fees received from Kiu Fung	1,078	1,132
(VI)	Transaction with YXCSWL		
	Rental income received from YXCSWL	2,493	2,598
(VII)	Transaction with HWB		
	Rental income received from HWB	671	699

45 SIGNIFICANT RELATED PARTY TRANSACTIONS *(continued)*

(c) Balances with related parties

	Note	Group 2011 RMB'000	Group 2010 RMB'000
Amount due to a substantial shareholder	(iii), (viii)	**(490,002)**	(75,230)
Amounts due from associated entities	(i), (v), (vii)	**76,579**	73,469
Amounts due to associated entities	(i), (iii)	**(156,871)**	(141,324)
Amounts due from jointly controlled entities	(i), (iv), (vii)	**39,246**	48,297
Amounts due to jointly controlled entities	(i), (iii)	**(236,344)**	(155,489)
Loan from a related company	(ii), (vi)	**—**	(48,940)
Amounts due to related companies	(i), (iii)	**(25,178)**	(4,872)

	Note	Company 2011 RMB'000	Company 2010 RMB'000
Amount due to a substantial shareholder	(iii), (viii)	**(489,700)**	(74,913)
Loan from a related company	(ii), (vi)	**—**	(48,940)

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

Note:

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

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

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

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

(v) The balance is included in interests in associated entities except for an amount of approximately RMB20,771,595 (2010: RMB14,867,000) which is included in other receivables, prepayments and deposits.

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

(vii) These balances were not in default or impaired, except for a provision for impairment losses of approximately RMB20,343,000 (2010: RMB32,068,000) made for an amount due from a jointly controlled entity.

(viii) Except for an amount approximately RMB486,420,000 (2010:Nil) is unsecured, interest bearing at 3.3 percent per annum and repayable within the next 12 months, the remaining balances are unsecured, interest free and repayable on demand.

45 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(d) Key management compensation

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

	2011	2010
	RMB'000	RMB'000
Fees	**540**	540
Other emoluments:		
Basis salaries, housing allowances,		
other allowances and benefits in kind	**59,049**	39,278
Pension costs	**411**	678
	60,000	40,496

GROUP STRUCTURE

PRINCIPAL SUBSIDIARIES

As at 31 December 2011, the Company held shares/interests in the following principal subsidiaries:

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/ registered capital	Effective percentage of attributable interest held by the Company				Principal activities
			2011		2010		
			Direct	Indirect	Direct	Indirect	
Able Business Development Limited	Hong Kong	1 Ordinary share of HK$1 each	–	100	–	100	Property investment
Able Step Investment Limited	Hong Kong	1 Ordinary share of HK$1 each	–	100	–	100	Property investment
Acon Investment Ltd.	British Virgin Islands	1 Ordinary share of US$1 each	–	100	–	100	Investment holding
Beexiu Industrial (Shenzhen) Co., Ltd.	China, limited liability company	Registered capital HK$7,000,000	–	100	–	100	Property development
Bond Master Limited	Hong Kong	1 Ordinary share of HK$1 each	–	100	–	100	Property investment
Charm Smart Development Limited	Hong Kong	2 Ordinary shares of HK$1 each	–	100	–	100	Property development
Companhia de Fomento Predial Yue Xiu (Macau), Limitada	Macau	1 share of MOP198,000 and 1 share of MOP2,000	–	100	–	100	Property development
Companhia de Gestao Imobiliaria Hang Sao, Limitada	Macau	1 share of MOP99,000 and 1 share of MOP1,000	–	100	–	100	Property management
Crystal Path Investment Limited	Hong Kong	1 Ordinary share of HK$1 each	–	100	–	100	Property investment
Dalian Perfect Base Property Development Co., Ltd.	China, limited liability company	Registered capital US$7,500,000	–	100	–	100	Property development
Dragon Yield Holding Limited	British Virgin Islands	1 Ordinary share of US$1 each	100	–	100	–	Investment holding
Easy Excel Development Limited	Hong Kong	2 Ordinary shares of HK$1 each	–	100	–	100	Property investment

GROUP STRUCTURE

PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/ registered capital	Effective percentage of attributable interest held by the Company				Principal activities
			2011		2010		
			Direct	Indirect	Direct	Indirect	
Elsburg Limited	Hong Kong	10,000 Ordinary shares of HK$1 each	–	100	–	100	Property investment
Extra Act Limited	Hong Kong	1,000 Ordinary shares of HK$1 each	–	100	–	100	Investment holding
Fundscore Development Limited	Hong Kong	500,000 Ordinary shares of HK$1 each	–	100	–	100	Property investment
Glory Mission Development Limited	Hong Kong	1 Ordinary share of HK$1 each	–	100	–	100	Property investment
Green Park Development Limited	Hong Kong	1 Ordinary share of HK$1 each	–	100	–	100	Property investment
Guangzhou Bright Growth City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB88,315,800	–	95	–	95	Property development
Guangzhou Carry Win City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB28,684,800	–	95	–	95	Property development
Guangzhou Central Funds City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB37,236,300	–	95	–	95	Property development
Guangzhou Charcon Real Estate Co., Ltd.	China, limited liability company	Registered capital HK$259,670,000	–	100	–	100	Property development
Guangzhou Charfar Real Estate Company Limited	China, limited liability company	Registered capital RMB111,450,000	–	75	–	75	Property development
Guangzhou Charho Real Estate Company Limited	China, limited liability company	Registered capital RMB190,000,000	–	100	–	100	Property development
Guangzhou City Construction & Development Co. Ltd.	China, limited liability company	Registered capital RMB1,908,610,000	–	95	–	95	Property development
Guangzhou City Construction & Development Consulting Ltd.	China, limited liability company	Registered capital RMB2,145,800	–	98.13	–	98.13	Consulting services in property development

PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/ registered capital	Effective percentage of attributable interest held by the Company				Principal activities
			2011		2010		
			Direct	Indirect	Direct	Indirect	
Guangzhou City Construction & Development Decoration Ltd.	China, limited liability company	Registered capital RMB35,882,800	–	98.62	–	98.62	Decoration and design
Guangzhou City Construction & Development Group Nansha Co. Ltd	China, limited liability company	Registered capital RMB380,000,000	–	95.48	–	95	Property development
Guangzhou City Construction & Development Jingcheng Property Co. Ltd.	China, limited liability company	Registered capital RMB13,712,500	–	99.75	–	95	Property development
Guangzhou City Construction & Development Property Ltd.	China, limited liability company	Registered capital RMB12,994,800	–	99.75	–	95	Property development and investment
Guangzhou City Construction Project Management Co., Ltd.	China, limited liability company	Registered capital RMB8,921,500	–	98.25	–	65	Project management
Guangzhou City Construction & Development Weicheng Enterprise Ltd.	China, limited liability company	Registered capital RMB955,300	–	80	–	80	Property investment
Guangzhou City Construction & Development Xingye Property Agent Ltd.	China, limited liability company	Registered capital RMB37,520,000	–	97.60	–	52	Real estate agency
Guangzhou Construction & Development Holdings (China) Limited	British Virgin Islands	1 Ordinary share of US$1 each	100	–	100	–	Investment holding

GROUP STRUCTURE

PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/ registered capital	Effective percentage of attributable interest held by the Company				Principal activities
			2011		2010		
			Direct	**Indirect**	Direct	Indirect	
Guangzhou Cowan City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB28,684,800	**–**	**95**	–	95	Property development
Guangzhou Eastern Growth City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB12,734,400	**–**	**95**	–	95	Property development
Guangzhou Faithbond City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB16,231,400	**–**	**95**	–	95	Property development
GZ City Construction & Development Grandcity Parking Property Management Co., Ltd.	China, limited liability company	Registered capital RMB2,730,600	**–**	**99.06**	–	81.26	Car parking management
Guangzhou Grandcity Development Ltd.	China, limited liability company	Registered capital RMB539,578,600	**–**	**100**	–	100	Property development
Guangzhou Guangxiu City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB18,287,700	**–**	**95**	–	95	Property development
Guangzhou Honour City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB16,386,800	**–**	**95**	–	95	Property development
Guangzhou Investment Finance Company Limited	Hong Kong	2 Ordinary shares of HK$1 each	**100**	**–**	100	–	Financial services
Guangzhou Keen Asia City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB14,083,200	**–**	**95**	–	95	Property development
Guangzhou May Hua City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB12,853,900	**–**	**95**	–	95	Property development
Guangzhou Million Top City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB28,684,800	**–**	**95**	–	95	Property development
Guangzhou Perfect City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB14,448,600	**–**	**95**	–	95	Property development

PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/ registered capital	Effective percentage of attributable interest held by the Company 2011 Direct	2011 Indirect	2010 Direct	2010 Indirect	Principal activities
Guangzhou Seaport City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB23,074,600	–	95	–	95	Property development
Guangzhou Sincere Land City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB14,083,200	–	95	–	95	Property development
Guangzhou Sun Peak City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB14,440,300	–	95	–	95	Property development
Guangzhou Talent Gather City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB11,952,000	–	95	–	95	Property development
Guangzhou Tiyu Building Company Limited	China, limited liability company	Registered capital US$26,700,000	–	100	–	100	Property development and investment
Guangzhou Top Jade City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB11,952,000	–	95	–	95	Property development
Guangzhou Tung Win City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB11,952,000	–	95	–	95	Property development
Guangzhou Unionwin City Real Estates Co. Ltd	China, limited liability company	Registered capital RMB19,776,700	–	95	–	95	Property development
Guangzhou White Horse Clothings Market Ltd.	China, limited liability company	Registered capital RMB118,873,900	–	100	–	100	Property investment
Guangzhou White Horse Property Management Co., Ltd.	China, limited liability company	Registered capital RMB5,000,000	–	99.84	–	96.75	Property management
Guangzhou Winbase City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB11,952,000	–	95	–	95	Property development
Guangzhou Winner City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB28,684,800	–	95	–	95	Property development
Guangzhou Xingcheng Enterprise Development Ltd.	China, limited liability company	Registered capital RMB154,612,700	–	99.75	–	95	Property investment

GROUP STRUCTURE

PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/ registered capital	Effective percentage of attributable interest held by the Company 2011 Direct	2011 Indirect	2010 Direct	2010 Indirect	Principal activities
Guangzhou Yicheng Property Management Ltd.	China, limited liability company	Registered capital RMB5,000,000	–	99.28	–	85.68	Property management
Guangzhou Yieldwise City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB14,083,200	–	95	–	95	Property development
Guangzhou Yuecheng Industrial Ltd.	China, limited liability company	Registered capital HK$300,000,000	–	100	–	100	Investment holding
Guangzhou Yuesheng Industrial Ltd.	China, limited liability company	Registered capital HK$300,000,000	–	100	–	100	Investment holding
Guangzhou Yuehui Industrial Ltd.	China, limited liability company	Registered capital HK$300,000,000	–	100	–	100	Investment holding
Guangzhou Yuehui Property Development Limited	China, limited liability company	Registered capital RMB1,294,610,300	–	98.84	–	97.55	Property development
Guangzhou Yueli Industrial Ltd.	China, limited liability company	Registered capital HK$300,000,000	–	100	–	100	Investment holding
Guangzhou Yue Xiu City Construction International Finance Center Co., Ltd.	China, limited liability company	Registered capital RMB2,650,000,000	–	99	–	99	Property development
Guangzhou Ziwei City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB59,618,800	–	95	–	95	Property development
Hangzhou Linan Yuexiu Property Development Limited	China, limited liability company	Registered capital US$199,600,000	–	100	–	100	Property development
Honstar Investments Limited	British Virgin Islands	1 Ordinary share of US$1 each	–	100	–	100	Investment holding
Hoover (China) Limited	Hong Kong	1 Ordinary share of HK$1 each	–	100	–	100	Property investment
Jamsin Limited	Hong Kong	2 Ordinary shares of HK$1 each	100	–	100	–	Property holding

PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/ registered capital	Effective percentage of attributable interest held by the Company				Principal activities
			2011		2010		
			Direct	Indirect	Direct	Indirect	
Jiangmen Yue Xiu City Construction Property Development Limited	China, limited liability company	Registered capital RMB220,000,000	–	95	–	95	Property development
Jumbo Good Development Limited	Hong Kong	2 Ordinary shares of HK$1 each	–	100	–	100	Property investment
Jumbo King Development Limited	Hong Kong, Singapore	2 Ordinary shares of HK$1 each	100	–	100	–	Property investment
Kingswell Limited	Hong Kong	1 Ordinary share of HK$1 each	–	100	–	100	Property investment
Lucken Limited	Hong Kong	3 Ordinary shares of HK$1 each	–	100	–	100	Property investment
Market Rise Limited	British Virgin Islands	1 Ordinary share of US$1 each	–	100	–	100	Investment holding
Merry Growth Development Limited	Hong Kong	100 Ordinary shares of HK$1 each	–	100	–	100	Property investment
Nation Harvest Development Limited	Hong Kong	2 Ordinary shares of HK$1 each	–	100	–	100	Investment holding
Sino Peace Development Limited	Hong Kong	1 Ordinary share of HK$1 each	–	100	–	100	Property investment
Smart Rise Development Limited	Hong Kong	100 Ordinary shares of HK$1 each	–	100	–	100	Property investment
Sociedade de Fomento Predial Codo (Macau) Limitada	Macau	1 share of MOP99,000 and 1 share of MOP1,000	–	100	–	100	Property development
Solution Investment Limited	Hong Kong	2 Ordinary shares of HK$1 each	–	100	–	100	Property investment
Super Gain Development Limited	British Virgin Islands	350,000 Ordinary shares of HK$1 each	–	100	–	100	Investment holding
Superland Development Ltd.	British Virgin Islands	10,000 Ordinary shares of HK$1 each	–	100	–	100	Investment holding
Techcon Investment Limited	Hong Kong	1,000 Ordinary shares of HK$1 each	–	100	–	100	Hotel operations

GROUP STRUCTURE

PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/ registered capital	Effective percentage of attributable interest held by the Company				Principal activities
			2011		2010		
			Direct	Indirect	Direct	Indirect	
Viclong Company Limited	Hong Kong	100 Ordinary shares of HK$100 each	–	100	–	100	Property investment
Winston Investment Limited	Hong Kong	1 Ordinary share of HK$1 each	–	100	–	100	Property investment
Yue Xiu APT Parking Limited	Hong Kong	10,000 Ordinary shares of HK$1 each	–	100	–	100	Car parking management
Yue Xiu Property Agency Limited	Hong Kong	2 Ordinary shares of HK$1 each	–	100	–	100	Property agency services
Yue Xiu Property Consultants Limited	Hong Kong	100 Ordinary shares of HK$1 each and 500,000 Non-voting deferred shares of HK$1 each	–	100	–	100	Property management consultancy services
Yue Xiu Property Management Limited	Hong Kong	10,000 Ordinary shares of HK$1 each	–	100	–	100	Building management services
Yuexiu Property (B.V.I.) Limited	British Virgin Islands	1 Ordinary share of US$1 each	100	–	100	–	Investment holding
Yuexiu Property (China) Company Limited	British Virgin Islands	5,000 Ordinary shares of HK$1 each	–	100	–	100	Investment holding
Yuexiu Property (HK) Company Limited	British Virgin Islands	1 Ordinary share of HK$1 each	–	100	–	100	Investment holding
Yuexiu Property (Macau) Company Limited	British Virgin Islands	1 Ordinary share of HK$1 each	–	100	–	100	Investment holding
Yuexiu REIT Asset Management Limited	Hong Kong	10,000,000 Ordinary shares of HK$1 each	100	–	100	–	Asset management
廣州華振科技投資有限公司	China, limited liability company	Registered capital RMB 20,000,000	–	100	–	100	Investment holding
佛山市南海區越秀地產開發有限公司	China, limited liability company	Registered capital RMB 100,000,000	–	95	–	95	Property development

GROUP STRUCTURE

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/ registered capital	Effective percentage of attributable interest held by the Company				Principal activities
			2011		2010		
			Direct	**Indirect**	Direct	Indirect	
烟台越秀地產開發有限公司	China, limited liability company	Registered capital RMB260,000,000	**–**	**95**	–	95	Property development
中山越星房地產開發有限公司	China, limited liability company	Registered capital US$50,000,000	**–**	**100**	–	100	Property development
中山市越秀地產開發有限公司	China, limited liability company	Registered capital RMB330,000,000	**–**	**95**	–	95	Property development
中山市金滿房地產開發有限公司	China, limited liability company	Registered capital RMB28,994,528	**–**	**100**	–	–	Property development
瀋陽嶺海房地產有限公司	China, limited liability company	Registered capital US$2,980,000	**–**	**99.95**	–	–	Property development
越秀地產（瀋陽）物業管理有限公司	China, limited liability company	Registered capital RMB3,000,000	**–**	**99.95**	–	–	Property management
廣州市富城物業管理有限公司	China, limited liability company	Registered capital RMB800,000	**–**	**49.88**	–	49.88	Property management
越秀地產（烟台）物業管理有限公司	China, limited liability company	Registered capital RMB3,000,000	**–**	**95**	–	95	Property management
瀋陽越秀地產有限公司	China, limited liability company	Registered capital HKD2,280,000,000	**–**	**100**	–	–	Property development
武漢越秀地產開發有限公司	China, limited liability company	Registered capital RMB1,920,000,000	**–**	**99.75**	–	–	Property development
中山市越秀地產物業管理有限公司	China, limited liability company	Registered capital RMB3,000,000	**–**	**95**	–	–	Property management
廣州城建物業家政服務有限公司	China, limited liability company	Registered capital RMB500,000	**–**	**99.74**	–	99.74	Property management
廣州市薈景綠化有限公司	China, limited liability company	Registered capital RMB2,000,000	**–**	**99.70**	–	99.70	Greening services
廣州城建物業設備工程有限公司	China, limited liability company	Registered capital RMB500,000	**–**	**99.70**	–	99.70	Provision of construction service
廣州市城秀房地產開發有限公司	China, limited liability company	Registered capital RMB10,000,000	**–**	**95**	–	95	Property development

GROUP STRUCTURE

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/ registered capital	Effective percentage of attributable interest held by the Company				Principal activities
			2011		2010		
			Direct	Indirect	Direct	Indirect	
廣州市宏秀房地產開發有限公司	China, limited liability company	Registered capital RMB10,000,000	–	100	–	100	Property development
廣州市宏錦房地產開發有限公司	China, limited liability company	Registered capital RMB650,000,000	–	100	–	100	Property development
越秀地產（江門）物業管理有限公司	China, limited liability company	Registered capital RMB3,000,000	–	95	–	95	Property management
廣州越秀城建仲量聯行物業服務有限公司	China, limited liability company	Registered capital RMB5,000,000	–	57	–	57	Property management

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

PRINCIPAL JOINTLY CONTROLLED ENTITIES

As at 31 December 2011, the Group held the following principal jointly controlled entities:

Name of jointly controlled entity	Place of establishment and operation	Percentage of voting power	Effective percentage of interest in ownership/profit sharing				Principal activities
			2011		2010		
			Direct	Indirect	Direct	Indirect	
Hainan China City Property Development Co., Ltd.	China	57.14	–	52	–	52	Property development
Guangdong Xinshidai Real Estate Ltd.	China	33.33	–	45/44	–	45/44	Property development
Guangzhou South House Property Industry Co., Ltd	China	28.57	–	30	–	30	Property development and management

PRINCIPAL ASSOCIATED ENTITIES

As at 31 December 2011, the Group held shares/interests in the following principal associated entities:

Name of associated entity	Place of establishment and operation	Effective percentage of interest in ownership/ voting power/profit sharing				Principal activities
		2011		2010		
		Direct	Indirect	Direct	Indirect	
Guangzhou Xin Yue Real Estate Development Co. Ltd	China	–	28.20	–	28.20	Property development
Yuexiu Real Estate Investment Trust	Hong Kong	–	35.58	–	35.58	Property investment

CORPORATE AND INVESTOR RELATIONS INFORMATION

BOARD OF DIRECTORS

Executive directors

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

Independent non-executive directors & audit committee members

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

COMPANY SECRETARY

Mr Yu Tat Fung

QUALIFIED ACCOUNTANT

Miss Lam Sing Wah

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

HONG KONG LEGAL ADVISER

Baker & McKenzie

PRINCIPAL BANKERS

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

WEBSITES TO ACCESS COMPANY INFORMATION

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

REGISTERED OFFICE

26th Floor
Yue Xiu Building
160 Lockhart Road
Wanchai, Hong Kong

SHARE REGISTRAR

Tricor Abacus Limited
26/F, Tesbury Centre
28 Queen's Road East
Hong Kong

SHARE LISTING

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

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

INVESTOR RELATIONS

For further information about
Yuexiu Property Company Limited,
please contact:
Mr Ha Hang Leung, Alan
Telephone : (852) 2511 6671
Facsimile : (852) 2598 7688
Email : contact@yuexiu.com.hk

ADR DEPOSITARY BANK

The Bank of New York
American Depositary Receipts
620 Avenue of the Americas, 6th Floor
New York, NY 10011, USA
Telephone : (646) 885 3218
Facsimile : (646) 885 3043