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G-PROP (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 286)

FINAL RESULTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	Notes	2010 HK\$'000	2009 HK\$'000 (restated)
Revenue	3	8,483	9,099
Costs of sales		(204)	(178)
Gross profit		8,279	8,921
Other income	5	210	856
Administrative expenses		(5,218)	(2,710)
Fair value changes on investment properties		(4,150)	5,200
(Loss) profit before tax	6	(879)	12,267
Income tax (expense) credit	7	(980)	379
(Loss) profit for the year		(1,859)	12,646
Other comprehensive income			
— Fair value changes on available-for-sale financial assets		5,415	26,941
Total comprehensive income for the year		3,556	39,587
(Loss) profit for the year attributable to owners of the Company		(1,859)	12,646
Total comprehensive income for the year attributable to owners of the Company		3,556	39,587
(Loss) earnings per share	9		
Basic and diluted (HK cents per share)		(0.08)	0.56

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	31 December 2010 HK\$'000	31 December 2009 HK\$'000 (restated)	1 January 2009 HK\$'000 (restated)
Non-current assets				
Investment properties		28,350	32,500	27,300
Goodwill		2,939	2,939	2,939
Interests in jointly controlled entities		–	–	–
Available-for-sale financial assets	10	79,677	158,473	127,704
Deferred tax assets		–	928	468
		<u>110,966</u>	<u>194,840</u>	<u>158,411</u>
Current assets				
Deposits, prepayments and other receivables	11	705	685	1,839
Short-term loans receivable		–	–	–
Loan to a fellow subsidiary		200,000	200,000	136,000
Available-for-sale financial assets	10	85,031	–	–
Tax recoverable		–	–	106
Time deposits and bank balances		91,242	91,247	5,442
		<u>376,978</u>	<u>291,932</u>	<u>143,387</u>
Current liabilities				
Creditors and accruals	12	1,220	1,244	1,361
Deposits and receipts in advance		427	394	398
Tax liabilities		9	16	24
Amount due to fellow subsidiaries		230	189	144
		<u>1,886</u>	<u>1,843</u>	<u>1,927</u>
Net current assets		<u>375,092</u>	<u>290,089</u>	<u>141,460</u>
Total assets less current liabilities		<u><u>486,058</u></u>	<u><u>484,929</u></u>	<u><u>299,871</u></u>
Equity attributable to owners of the Company				
Share capital		24,282	24,282	20,282
Share premium		351,638	351,638	210,168
Translation reserve		234	234	234
Securities investments reserve		1,318	(4,097)	(31,038)
Retained profits				
– proposed final dividend		4,857	2,428	–
– others		103,623	110,339	100,121
		<u>485,952</u>	<u>484,824</u>	<u>299,767</u>
Non-current liability				
Deferred tax liabilities		106	105	104
		<u>486,058</u>	<u>484,929</u>	<u>299,871</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

1. BASIS OF PREPARATION

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

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

2. APPLICATION OF NEW AND REVISED HKFRSs

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

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

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

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

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

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

Effect of change in accounting policy on consolidated statement of comprehensive income:

	Year ended 31 December 2009		
	Originally stated <i>HK\$'000</i>	Amendment to HKAS 12 <i>HK\$'000</i>	Restated <i>HK\$'000</i>
Income tax (expense) credit	(479)	858	379
Profit for the year attributable to owners of the Company	11,788	858	12,646
Earnings per share (HK cents)	0.53	0.03	0.56

Effect of change in accounting policy on consolidated statement of financial position:

	At 31 December 2009			At 1 January 2009		
	Originally stated <i>HK\$'000</i>	Amendment to HKAS 12 <i>HK\$'000</i>	Restated <i>HK\$'000</i>	Originally stated <i>HK\$'000</i>	Amendment to HKAS 12 <i>HK\$'000</i>	Restated <i>HK\$'000</i>
Deferred tax assets	–	928	928	–	468	468
Deferred tax liabilities	(2,424)	2,319	(105)	(2,025)	1,921	(104)
Retained profits	(109,520)	(3,247)	(112,767)	(97,732)	(2,389)	(100,121)

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

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

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

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

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

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

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

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

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

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

3. REVENUE

Revenue represents the aggregate amounts received and receivable, summarised as follows:

	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Rental income	1,695	1,685
Interest income from investment and finance	6,788	7,414
	<u>8,483</u>	<u>9,099</u>

4. OPERATING SEGMENTS

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

For management purposes, the Group currently engages in two reportable segments – (i) investment and finance; and (ii) properties investment. The segmentations are based on the information about the operations of the Group that management uses to make decisions.

Principal activities are as follows:

Investment and finance	—	Investing and financing activities
Properties investment	—	Property leasing

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

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

Revenue from the largest customer of investment and finance segment represents approximately HK\$2,354,000 (2009: HK\$1,942,000) of the Group's total revenue.

Operating segment information is presented below:

The segment results for the year ended 31 December 2010

	Investment and finance <i>HK\$'000</i>	Properties investment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue			
Revenue from external customers			
— Hong Kong	<u>6,788</u>	<u>1,695</u>	<u>8,483</u>
Results			
Segment results for reportable segments			
— Hong Kong	<u>4,437</u>	<u>1,508</u>	5,945
Interest income			93
Unallocated corporate expenses			(2,767)
Income tax expense			<u>(980)</u>
Core profit (excluding major non-cash item)			2,291
Major non-cash item			
— fair value changes on investment properties			<u>(4,150)</u>
Loss for the year attributable to owners of the Company			<u>(1,859)</u>

The segment assets and liabilities as at 31 December 2010

	Investment and finance <i>HK\$'000</i>	Properties investment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Assets			
Segment assets for reportable segments			
— Hong Kong	<u>452,846</u>	<u>32,159</u>	485,005
Unallocated corporate assets			<u>2,939</u>
Consolidated total assets			<u>487,944</u>
Liabilities			
Segment liabilities for reportable segments			
— Hong Kong	<u>1,326</u>	<u>551</u>	1,877
Unallocated corporate liabilities			<u>115</u>
Consolidated total liabilities			<u>1,992</u>

The segment results for the year ended 31 December 2009

	Investment and finance <i>HK\$'000</i>	Properties investment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i> (restated)
Revenue			
Revenue from external customers			
— Hong Kong	<u>7,414</u>	<u>1,685</u>	<u>9,099</u>
Results			
Segment results for reportable segments			
— Hong Kong	<u>8,195</u>	<u>1,523</u>	9,718
Interest income			59
Unallocated corporate expenses			(2,710)
Income tax credit			<u>379</u>
Core profit (excluding major non-cash item)			7,446
Major non-cash item			
— fair value changes on investment properties			<u>5,200</u>
Profit for the year attributable to owners of the Company			<u>12,646</u>

The segment assets and liabilities as at 31 December 2009

	Investment and finance <i>HK\$'000</i>	Properties investment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i> (restated)
Assets			
Segment assets for reportable segments			
— Hong Kong	<u>448,156</u>	<u>34,749</u>	482,905
Unallocated corporate assets			<u>3,867</u>
Consolidated total assets			<u>486,772</u>
Liabilities			
Segment liabilities for reportable segments			
— Hong Kong	<u>1,391</u>	<u>436</u>	1,827
Unallocated corporate liabilities			<u>121</u>
Consolidated total liabilities			<u>1,948</u>

5. OTHER INCOME

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Other income included the followings:		
Interest income	93	59
Exchange gain, net	<u>–</u>	<u>775</u>

6. (LOSS) PROFIT BEFORE TAX

(Loss) profit before tax has been arrived at after charging:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Staff costs:		
Directors' emoluments	410	350
Salaries and other benefits	899	806
Retirement benefit scheme contributions	40	37
	1,349	1,193
Auditors' remuneration	300	330
Exchange loss, net	<u>2,451</u>	<u>–</u>
and after crediting:		
Gross rental income from investment properties	1,695	1,685
Less: direct operating expenses from investment properties that generated rental income during the year	(187)	(161)
direct operating expenses from investment properties that did not generate rental income during the year	(17)	(17)
	<u>1,491</u>	<u>1,507</u>

7. INCOME TAX EXPENSE (CREDIT)

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i> (restated)
The charge (credit) comprises:		
Current tax		
Hong Kong	51	55
Underprovision in prior years	–	25
	51	80
Deferred tax	929	(459)
	<u>980</u>	<u>(379)</u>

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profits for both years.

8. DIVIDENDS

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Final dividend for 2009 paid on 25 June 2010 of HK0.1 cent (2008: Nil) per share	<u>2,428</u>	<u>–</u>

Subsequent to the end of the reporting period, the final dividend of HK0.2 cents (2009: HK0.1 cent) per ordinary share has been proposed by the directors of the Company and is subject to approval by the shareholders in forthcoming annual general meeting.

9. (LOSS) EARNINGS PER SHARE

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

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i> (restated)
(Loss) earnings:		
(Loss) profit for the year for the purpose of basic and diluted (loss) earnings per share	<u>(1,859)</u>	<u>12,646</u>
Number of shares:		
Weighted average number of ordinary shares in issue	<u>2,428,255,008</u>	<u>2,245,241,309</u>

For the years ended 31 December 2010 and 2009, diluted (loss) earnings per share is the same as the basic (loss) earnings per share as there were no diluting events during both years.

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
The Group's available-for-sale financial assets comprise:		
Floating rate notes		
— Listed	38,976	41,121
— Unlisted	125,732	117,352
	<u>164,708</u>	<u>158,473</u>
Analysis for reporting purposes as:		
— Non-current assets	79,677	158,473
— Current assets	85,031	—
	<u>164,708</u>	<u>158,473</u>

The listed and unlisted floating rate notes carry floating interest at EURIBOR plus 0.2% and LIBOR plus 0.3% to 0.35% per annum respectively. The floating rate notes will mature between 2011 and 2014.

11. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

There were no trade debtors included in deposits, prepayments and other receivables as at 31 December 2010 and 2009.

12. CREDITORS AND ACCRUALS

There were no trade payable included in creditors and accruals as at 31 December 2010 and 2009.

13. COMPARATIVE FIGURES

Certain comparative figures presented in the consolidated financial statements have been restated to comply with the relevant new HKFRSs.

DIVIDENDS

The Board has recommended the payment of final dividend of HK0.2 cents per ordinary share for the Year (2009: HK0.1 cent). Subject to shareholders' approval at the forthcoming annual general meeting of the Company to be held on 26 May 2011, the recommended final dividend will be paid on or around 17 June 2011 to shareholders whose names appear on the register of members of the Company on 26 May 2011.

As there was no interim dividend declared (2009: Nil), the total distribution for 2010 amounts to HK0.2 cents per ordinary share (2009: HK0.1 cent).

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 24 May 2011 to 26 May 2011, both days inclusive. For the purpose of ascertaining the members' entitlement to the recommended final dividend and the attendance of the forthcoming annual general meeting of the Company, all share transfers documents accompanied by the relevant share certificates must be lodged with the Company's Branch Registrar and Transfer Office in Hong Kong, namely Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 23 May 2011.

FINANCIAL OPERATION REVIEW

Results

Revenue for the Year was HK\$8,483,000 (2009: HK\$9,099,000), an decrease of HK\$616,000 when compared with last year. Gross profit for the Year amounted to HK\$8,279,000 (2009: HK\$8,921,000), a decrease of HK\$642,000 as compared with last year. The decrease in revenue and gross profit resulted from the interest income from floating rate notes of HK\$4,434,000 (2009: HK\$5,472,000) and loan to a fellow subsidiary of HK\$2,354,000 (2009: HK\$1,942,000).

For property leasing, the rental income increased to HK\$1,695,000 (2009: HK\$1,685,000), it was mainly due to the slight increase of occupancy rate of the property. Included in the current year result was a decrease in fair value on investment properties of HK\$4,150,000 (2009: increase of HK\$5,200,000).

During the Year, no finance cost was recorded (2009: Nil).

Exchange loss included in administrative expenses of HK\$2,451,000 (2009: exchange gain of HK\$775,000) was mainly due to the conversion of foreign currency floating rate notes to Hong Kong dollars.

(Loss) Profit Attributable to Owners of the Company

For the Year, the Group recorded a loss attributable to owners of the Company of HK\$1,859,000 (2009 restated: profit of HK\$12,646,000) which was mainly due to the decrease in fair value on investment properties, decrease in interest income on floating rate notes and exchange loss upon conversion of the floating rate notes. The basic and diluted loss per share are HK0.08 cents (2009 restated: earnings per share of HK0.56 cents).

Core Profit

If the major non-cash item of loss of HK\$4,150,000 (2009: gain of HK\$5,200,000) is excluded, the core profit attributable to owners of the Company will become HK\$2,291,000 (2009 restated: HK\$7,446,000).

The major non-cash item for the Year was the loss on fair value changes on investment properties of HK\$4,150,000 (2009: gain of HK\$5,200,000).

Net Asset Value

As at 31 December 2010, the Group's total net asset to owners of the Company was HK\$485,952,000 (2009 restated: HK\$484,824,000), an increase of HK\$1,128,000 when compared with last year. Such increase was caused by (a) final dividend paid for 2009 of HK\$2,428,000; (b) the loss for the Year of HK\$1,859,000; and (c) the increase in fair value of available-for-sale financial assets of HK\$5,415,000.

Net asset value per share to owners of the Company as at 31 December 2010 was HK20.01 cents (2009 restated: HK19.97 cents).

Investment and Finance

As at 31 December 2010, the Group had various long term floating rate notes (the “FRN”) in principal amount of EUR3,800,000 and US\$16,500,000 as available-for-sale financial assets. The denominated currencies of the FRN are European dollars and United States dollars and the maturity dates are between 2011 and 2014. The interest rates are calculated mainly with reference to the EURIBOR and LIBOR. Further the Group made a short term three-year revolving loan to Chinese Estates Group of HK\$200,000,000 at HIBOR plus 1% per annum. No hedging for interest rate and foreign currency were subsisted during the Year.

As at 31 December 2010, the carrying amount of the FRN amounted to HK\$164,708,000 (2009: HK\$158,473,000) and the loan amounted to HK\$200,000,000 (2009: HK\$200,000,000) representing 33.8% and 41.0% of the total assets of the Group respectively.

Equity

The number of issued ordinary shares as at 31 December 2010 and 31 December 2009 were 2,428,255,008.

Debt and Equity Ratio

The Group did not have any borrowings as at 31 December 2010 and 31 December 2009.

The Group continued to maintain a strong capital and cash position. Time deposits and bank balances as at 31 December 2010 was approximately HK\$91,242,000 (2009: HK\$91,247,000). The majority of the Group’s income for the Year was denominated in Hong Kong dollars and United States dollars and no hedging for non-Hong Kong dollars assets or investments have been made during the Year.

Pledge of Assets

As at 31 December 2010 and 31 December 2009, no assets were pledged by the Group to secure any banking facilities and the Group did not have any obligations under banking facility documentation.

Capital Commitment and Contingent Liabilities

The Group did not have any material capital commitment and contingent liabilities as at 31 December 2010 and 31 December 2009.

Financial and Interest Income/Expenses

Interest income was included in revenue and other income for the Year. Interest income was HK\$6,881,000 (2009: HK\$7,473,000), representing a decrease of 7.92% from last year. It was mainly due to the decrease in interest income from FRN for the Year. There was no finance cost (2009: Nil) during the Year.

Remuneration Policies and Share Option Scheme

As at 31 December 2010, the Group did not employ any staff (2009: Nil). The total staff cost excluding Directors’ emoluments for the Year was approximately HK\$939,000 (2009: HK\$843,000) representing the staff cost recharged from other fellow subsidiaries of the Company. The Company had adopted share option scheme since 15 February 2002. There were no outstanding options at the beginning and at the end of the Year. No options were granted, exercised, cancelled and lapsed during the Year.

Property Valuation

A property valuation has been carried out by B. I. Appraisals Limited, an independent qualified professional valuers, in respect of the Group's investment properties held as at 31 December 2010 and that valuation was used in preparing this year's consolidated financial statements. The Group's investment properties were valued at HK\$28,350,000 as at 31 December 2010 (2009: HK\$32,500,000), a decrease in fair value of approximately HK\$4,150,000 was recognised in the consolidated statement of comprehensive income for the Year.

BUSINESS REVIEW

The Group was continuously engaged in the businesses of property investment, finance and securities investment during the Year.

Finance and Securities Investment

During the Year, the Company had advanced a total sum of HK\$200,000,000 to the Chinese Estates Group under the three-year revolving loan facility agreement made in November 2008 ("Revolving Loan"). The Company had accrued an interest income from the Revolving Loan totaling about HK\$2,354,000 at the interest rate of HIBOR plus 1% per annum for the Year, comparing with the interest income of HK\$1,942,000 therefrom in previous year.

On the other hand, the investment in various floating rate notes ("FRN") for long-term investment purpose in the aggregate principal amount of EUR3,800,000 and US\$16,500,000 had generated an interest income of approximately HK\$4,434,000 during the Year, in comparison with approximately HK\$5,472,000 interest income of the last year. The fair value of the FRN amounted to HK\$164,708,000 as at 31 December 2010, representing an increment of HK\$6,235,000 or approximately 3.93% as compared to HK\$158,473,000 as at 31 December 2009.

Investment Properties

As at 31 December 2010, the Group held 31 car parking spaces with 5 adjoining spaces and a carport basement situated in Wanchai and Central. The relevant occupancy rate was approximately 76.76% with rental income amounted to HK\$1,695,000 for the Year. The rental income represented an increment of 0.59% as compared to last year. Such increase on rental income was mainly attributable to the increase usage of car parking spaces in early 2010.

As a result of unrealized valuation loss on the Group's investment properties and the reduction of interest income from FRN as well as exchange loss upon conversion of FRN, the Group recorded a loss attributable to owners of the Company of HK\$1,859,000.

PROSPECTS

During the Year, although Hong Kong continues to show substantial economic recovery from the global financial tsunami, there were still a number of external and internal challenges, especially inflow of hot money, inflation and rapid rise on real properties price. The Government's act on imposing hefty taxes for selling a residential unit within two years of its purchase in November 2010, for example, was one of the series of market-cooling moves which have impact against real estates developers and investors. As the Group currently does not have stocks of residential units for sale, the executive measures by the Government on cooling properties market for the time being do not have an immediate adverse effect upon us. The current standstill interest rate is regarded as abnormal to the financial sector and the Hong Kong Monetary Authority has given its warnings that the local interest rate could increase abruptly at any time and may be quicker than one is expecting. The local major banks have started to increase the interest margin for mortgage loans and certain medium and small size banks also follow suit. In anticipation of potential increase in interest rate, the current policy in lending funds of HK\$200 million to the Chinese Estates Group would be beneficial and prudent.

The carpark rental income, the interest income from the Revolving Loan and the interest income from investment in various FRN will continue to be the main sources of income to the Group. Meanwhile, the Company will review fund application to meet business requirements from time to time.

CORPORATE GOVERNANCE

The Company had fully applied the principles and complied with the requirements of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the Year. None of the Directors was aware of any information that would reasonably indicate that the Company was during the Year, incompliant with the Code except for several deviations (some of them are minor deviations in form), concerning Code provisions A.2 (Role of chairman), A.4.1 (Specific term of office for the non-executive directors), C.2.2 (Adequacy of resources, qualifications and experience of staff of the listed company's accounting and financial reporting function, and their training programmes and budget as part of internal control) and E.1.2 (Attendance of the chairman of the board at the annual general meeting). For details of such deviations, please refer to page 18 of the 2010 interim report of the Company. Full coverage of the aforesaid deviations of the Code provisions will be reproduced in the Corporate Governance Report which will be included in the forthcoming 2010 annual report of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules as a code of conduct regarding securities transactions by the Directors. The Company has also adopted a code of conduct regarding securities transactions by the relevant employees on terms no less exacting than the required standard set out in the Model Code (the "Employees' Code"). Having made specific enquiry of all Directors and the relevant employees, all Directors and the relevant employees confirmed that they have complied with the required standard set out in the Model Code and the Employees' Code throughout the Year.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Year.

REVIEW OF FINANCIAL RESULTS

The financial results for the Year have been reviewed by the Audit Committee of the Company.

APPRECIATION

I would like to take this opportunity to express our gratitude to the shareholders of the Company for their continued support, and our fellow Directors and those who have worked for the Group for their valuable contribution.

By Order of the Board
Lam, Kwong-wai
Company Secretary

Hong Kong, 17 March 2011

As at the date of this announcement, the Board comprised Mr. Kong, Chi-ming and Mr. Leung, Wing-pong as Executive Directors and Dr. David Chain, Chi-woo, Mr. Lam, Yat-fai and Mr. Leung, Yun-fai as Independent Non-executive Directors.

Website: <http://www.g-prop.com.hk>