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花样年

FANTASIA

Fantasia Holdings Group Co., Limited

花樣年控股集團有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 01777)

ANNOUNCEMENT OF 2010 ANNUAL RESULTS

FINANCIAL HIGHLIGHTS

– The Group's total revenue has increased by 81.9% to RMB4,471 million in 2010 from RMB2,459 million in 2009

– Gross profit margin has increased to 43.0% in 2010 from 41.8% in 2009

– The Group's profit and total comprehensive income for the year attributable to the owners of the Company increased by 116.2% to RMB807 million in 2010 from RMB373 million in 2009

– Earnings per share has increased by 70.0% to RMB0.17 in 2010 from RMB0.10 in 2009

– The Board proposed the payment of a final dividend of HK4.00 cents per share

The Board of Directors (the "Board") of Fantasia Holdings Group Co., Limited (the "Company") is pleased to announce the audited financial results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2010 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	2010 RMB'000	2009 RMB'000
Revenue	3	**4,471,234**	2,458,673
Cost of sales		**(2,546,440)**	(1,431,812)
Gross profit		**1,924,794**	1,026,861
Other income, gains and losses	4	**32,199**	26,566
Change in fair value of investment properties		**320,461**	34,476
Recognition of change in fair value of completed properties for sale upon transfer to investment properties		**67,326**	–
Selling and distribution expenses		**(131,278)**	(80,480)
Administrative expenses		**(238,724)**	(177,229)
Finance costs	5	**(180,131)**	(51,800)
Impairment loss recognised in respect of goodwill		**(5,375)**	–
Share of results of associates		**406**	(1,899)
Profit before taxation	6	**1,789,678**	776,495
Income tax expense	7	**(828,708)**	(407,050)
Profit and total comprehensive income for the year		**960,970**	369,445
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		**807,281**	373,469
Non-controlling interests		**153,689**	(4,024)
		960,970	369,445
Earnings per share – Basic (RMB)	9	**0.17**	0.10

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2010

	Notes	2010 RMB'000	2009 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**374,434**	163,530
Investment properties		**1,697,677**	581,368
Interests in associates		**17,795**	12,941
Advance to an associate		**72,041**	72,396
Prepaid lease payments		**346,045**	164,457
Premium on prepaid lease payments		**359,203**	45,794
Prepayment		**43,370**	70,586
Land development expenditure		**393,849**	–
Deposits paid for acquisition of subsidiaries		**–**	423,000
Deposits paid for acquisition of a property project		**37,000**	352,056
Deferred tax assets		**157,504**	88,818
		3,498,918	1,974,946
CURRENT ASSETS			
Properties for sale		**7,644,582**	4,576,936
Prepaid lease payments		**6,881**	4,704
Premium on prepaid lease payments		**6,101**	1,428
Deposits paid for acquisition of land use rights		**763,095**	–
Trade and other receivables	*10*	**977,179**	987,961
Prepayment to a related party for construction work		**7,500**	–
Amounts due from customers for contract works		**15,939**	3,808
Tax recoverable		**5,580**	17,503
Restricted bank deposits		**85,161**	189,712
Bank balances and cash		**2,371,452**	3,696,488
		11,883,470	9,478,540
CURRENT LIABILITIES			
Trade and other payables	*11*	**1,686,718**	873,797
Deposits received for sale of properties		**1,834,067**	2,380,242
Amount due to a related party		**100,549**	1,519
Tax payable		**1,104,147**	544,877
Borrowings – due within one year		**2,132,381**	1,266,320
		6,857,862	5,066,755
NET CURRENT ASSETS		**5,025,608**	4,411,785
TOTAL ASSETS LESS CURRENT LIABILITIES		**8,524,526**	6,386,731

	2010	2009
	RMB'000	*RMB'000*
NON-CURRENT LIABILITIES		
Deferred tax liabilities	**128,121**	32,280
Amount due to a related party	**–**	99,340
Borrowings – due after one year	**2,642,605**	2,173,750
Senior notes	**787,330**	–
	3,558,056	2,305,370
	4,966,470	4,081,361
CAPITAL AND RESERVES		
Share capital	**429,389**	429,389
Reserves	**4,072,745**	3,340,870
Equity attributable to owners of the Company	**4,502,134**	3,770,259
Non-controlling interests	**464,336**	311,102
	4,966,470	4,081,361

1. GENERAL

The Company was incorporated in the Cayman Islands on 17 October 2007 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "SEHK") with effect from 25 November 2009. The address of the registered office of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY 1-1111, Cayman Islands and its principal place of business in Hong Kong is Room 1103, Top Glory Tower, 262 Gloucester Road, Causeway Bay, Hong Kong while its principal place of business in the People's Republic of China (the "PRC") is 27/F, Block A, Hailrun Complex, No.6021 Shennan Boulevard, Shenzhen 518040, Guangdong Province, the PRC.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS"s)

New and revised Standards and Interpretations applied in the current year

In the current year, the Group has applied the following new and revised Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

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

Except as described below, the application of the new and revised Standards and Interpretations in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

HKFRS 3 (as revised in 2008) Business Combinations

HKFRS 3 (as revised in 2008) has been applied in the current year prospectively to business combinations of which the acquisition date is on or after 1 January 2010 in accordance with the relevant transitional provisions. Its application has affected the accounting for business combinations in the current year.

- HKFRS 3 (as revised in 2008) allows a choice on a transaction-by-transaction basis for the measurement of non-controlling interests at the date of acquisition (previously referred to as 'minority' interests) either at fair value or at the non-controlling interests' share of recognised identifiable net assets of the acquiree. In the current year, in accounting for the acquisition of Shenzhen Hui Gang Property Management Company Limited (深圳市匯港物業管理有限公司) ("Shenzhen Hui Gang"), the Group has elected to measure the non-controlling interests by reference to the proportionate share of the acquiree's net identifiable assets at the acquisition date.

- HKFRS 3 (as revised in 2008) requires acquisition-related costs to be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in profit or loss as incurred, whereas previously they were accounted for as part of the cost of the acquisition.

The application of HKFRS 3 (Revised) has had no material impact on the Group's results for the reported periods.

HKAS 27 (as revised in 2008) Consolidated and Separate Financial Statements

The application of HKAS 27 (as revised in 2008) has resulted in changes in the Group's accounting policies for changes in ownership interests in subsidiaries of the Group.

Specifically, the revised Standard has affected the Group's accounting policies regarding changes in the Group's ownership interests in its subsidiaries that do not result in loss of control. In prior years, in the absence of specific requirements in HKFRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised, when appropriate; for decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss. Under HKAS 27 (as revised in 2008), all such increases or decreases are dealt with in equity, with no impact on goodwill or profit or loss.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised Standard requires the Group to derecognise all assets, liabilities and non-controlling interests at their carrying amounts and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

These changes have been applied prospectively from 1 January 2010 in accordance with the relevant transitional provisions.

The application of the revised Standard has affected the accounting for the Group's acquisition of additional interest in Shenzhen Xingyanhang Property Company Limited (深圳市星彥行置業有限公司) ("Shenzhen Xingyanhang") in the current year. The change in policy has resulted in the difference of approximately RMB306,000 between the consideration received an the adjustment to the non-controlling interests. Therefore, the change in accounting policy has resulted in a decrease of net assets of approximately RMB306,000 as at 31 December 2010 and respective cash outflow has included under financing activities in the consolidated statement of cash flows.

In addition, the cash consideration paid in the current year of RMB306,000 has been included in cash flow from financing activities.

Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* ("HK Int 5") clarifies that term loans that include a clause that gives the lender the unconditional right to call the loans at any time ('repayment on demand clause') should be classified by the borrower as current liabilities. The Group has applied HK Int 5 for the first time in the current year. Hong Kong Interpretation 5 requires retrospective application.

In order to comply with the requirements set out in HK Int 5, the Group has changed its accounting policy on classification of term loans with a repayment on demand clause. In the past, the classification of such term loans were determined based on the agreed scheduled repayment dates set out in the loan agreements. Under HK Int 5, term loans with a repayment on demand clause are classified as current liabilities.

As at 31 December 2010, bank loans (that are repayable more than one year after the end of the reporting period but contain a repayment on demand clause) with the aggregate carrying amount of approximately RMB199,111,000 have been classified as current liabilities. The application of HK Int 5 has had no impact on the reported profit or loss for the current and prior years.

Such term loans have been presented in the earliest time band in the maturity analysis for financial liabilities.

New and revised Standards and Interpretations issued but not yet effective

The Group has not early applied the following new and revised Standards, Amendments or Interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[1]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[3]
HKFRS 9	Financial Instruments[4]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
HKAS 24 (as revised in 2009)	Related Party Disclosures[6]
HKAS 32 (Amendments)	Classification of Rights Issues[7]
HK(IFRIC) – INT 14 (Amendments)	Prepayments of a Minimum Funding Requirement[6]
HK(IFRIC) – INT 19	Extinguishing Financial Liabilities with Equity Instruments[2]

1 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate
2 Effective for annual periods beginning on or after 1 July 2010
3 Effective for annual periods beginning on or after 1 July 2011
4 Effective for annual periods beginning on or after 1 January 2013
5 Effective for annual periods beginning on or after 1 January 2012
6 Effective for annual periods beginning on or after 1 January 2011
7 Effective for annual periods beginning on or after 1 February 2010

HKFRS 9 *Financial Instruments* (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 *Financial Instruments* (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

- Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new Standard may have a significant impact on amounts reported in respect of the Groups' financial assets. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The amendments to HKAS 12 titled *Deferred Tax: Recovery of Underlying Assets* mainly deal with the measurement of deferred tax for investment properties that are measured using the fair value model in accordance with HKAS 40 *Investment Property*. Based on the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the fair value model, the carrying amounts of the investment properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. The directors anticipate that the application of the amendments to HKAS 12 may have a significant impact on deferred tax recognised for investment properties that are measured using the fair value model. However, it is not practicable to provide a reasonable estimate of that effect until a detail review has been completed.

The directors of the Company anticipate that the application of the other new and revised Standards, Amendments or Interpretations will have no material impact on the consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

	2010	2009
	RMB'000	*RMB'000*
Sales of properties	**4,320,413**	2,322,037
Rental income from investment properties	**17,727**	10,806
Agency fee from provision of property agency services	**36,845**	57,775
Management fee and installation services from provision of property operation services	**89,228**	63,900
Hotel operations	**7,021**	4,155
	4,471,234	2,458,673

Included in revenue, which is under property development segment, is an amount of nil (2009: RMB107,919,000) in respect of completed properties sold in exchange for the advertising spaces provided by the customers. The prepaid advertising spaces of RMB43,370,000 (2009: RMB70,586,000) and RMB31,013,000 (2009: RMB33,599,000) are recorded in prepayment under non-current assets and trade and other receivables under current assets, respectively for such arrangement.

The segment information reported externally was analysed on the basis of their products and services supplied by the Group's operating divisions which is consistent with the internal information that are regularly reviewed by the directors of the Company, the chief operating decision maker, for the purposes of resource allocation and assessment of performance because the management has chosen to organise the Group around differences in products and services.

Inter-segment revenue are eliminated on consolidation.

The Group has five operating segments as follows:

Property development	–	developing and selling of properties in the PRC
Property investment	–	leasing of investment properties
Property agency services	–	provision of property agency and other related services
Property operation services	–	provision of property management, installation of security systems and other related services
Hotel operations	–	provision of hotel accommodation, hotel management and related services, food and beverage sales and other ancillary services

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of central administration costs and directors' salaries, interest income, imputed interest income on non-current interest-free advance to an associate, exchange loss, share of results of associates, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resources allocation and assessment of segment performance.

For the purposes of monitoring segment performance and allocating resources between segments, the chief operating decision maker also reviews the segment assets attributable to each operating segment, which comprises assets other than interests in associates, advance to an associate, restricted bank deposits, bank balances and cash and other corporate assets.

The following is an analysis of the Group's revenue, results and other material items by reportable segment under review:

Segment revenues, results, assets and other material items for 31 December 2010:

	Property development	Property investment	Property agency services	Property operation services	Hotel operations	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
External revenues	**4,320,413**	**17,727**	**36,845**	**89,228**	**7,021**	**4,471,234**
Inter-segment revenues	**5,184**	**–**	**32,511**	**18,557**	**5**	**56,257**
Segment result	**1,606,296**	**403,384**	**7,409**	**36,244**	**(14,836)**	**2,038,497**
Segment assets	**10,522,812**	**1,703,856**	**10,959**	**105,042**	**329,400**	**12,672,069**
Amounts included in the measure of segment profit or loss or segment assets:						
Additions to non-current assets *(note)*	**2,960,308**	**795,848**	**872**	**6,332**	**175,693**	**3,939,053**
Change in fair value of investment properties	**–**	**320,461**	**–**	**–**	**–**	**320,461**
Recognition of change in fair value of completed properties for sale upon transfer to investment properties	**–**	**67,326**	**–**	**–**	**–**	**67,326**
Impairment loss recognised in respect of goodwill	**–**	**–**	**–**	**5,375**	**–**	**5,375**
Release of prepaid lease payments	**8,039**	**–**	**–**	**–**	**–**	**8,039**
Release of premium on prepaid lease payments	**3,997**	**–**	**–**	**–**	**–**	**3,997**
Depreciation of property, plant and equipment	**5,287**	**–**	**1,582**	**1,777**	**2,294**	**10,940**
(Gain) loss on disposal of property, plant and equipment	**11**	**–**	**66**	**–**	**–**	**77**
Allowance on bad and doubtful debts, net	**2,400**	**–**	**–**	**537**	**–**	**2,937**

Inter-segment revenues are charged at prevailing market rate.

Segment revenues, results, assets and other material items for 31 December 2009:

	Property development *RMB'000*	Property investment *RMB'000*	Property agency services *RMB'000*	Property operation services *RMB'000*	Hotel operations *RMB'000*	Total *RMB'000*
External revenues	2,322,037	10,806	57,775	63,900	4,155	2,458,673
Inter-segment revenues	951	42	14,135	9,994	–	25,122
Segment result	783,517	43,979	13,654	27,574	(684)	868,040
Segment assets	6,170,342	938,989	12,022	60,533	193,285	7,375,171
Amounts included in the measure of segment profit or loss or segment assets:						
Additions to non-current assets *(note)*	143,337	76,766	962	3,103	184,137	408,305
Change in fair value of investment properties	–	34,476	–	–	–	34,476
Release of prepaid lease payments	845	–	–	–	–	845
Release of premium on prepaid lease payments	357	–	–	–	–	357
Depreciation of property, plant and equipment	4,485	–	2,015	1,240	1,046	8,786
(Gain) loss on disposal of property, plant and equipment	(10)	–	82	–	–	72
Allowance on bad and doubtful debts, net	–	–	83	41	–	124

Inter-segment revenues are charged at prevailing market rate.

Note: Non-current assets excluded interests in associates, advance to an associate, prepayment, deposits paid for acquisition of subsidiaries and a property project, deferred tax assets.

Reconciliation:

	2010 *RMB'000*	2009 *RMB'000*
Revenue:		
Total revenue for reportable segments	**4,527,491**	2,483,795
Elimination of inter-segment revenues	**(56,257)**	(25,122)
Group's total revenues	**4,471,234**	2,458,673
Profit or loss:		
Segment result	**2,038,497**	868,040
Elimination of inter-segment result	**(43,134)**	(1,650)
Unallocated amounts:		
Unallocated income	**20,917**	15,387
Unallocated corporate expenses	**(41,502)**	(51,583)
Finance costs	**(180,131)**	(51,800)
Impairment of loss recognised in respect of goodwill	**(5,375)**	–
Share of results of associates	**406**	(1,899)
Profit before taxation	**1,789,678**	776,495
Assets:		
Total assets for reportable segments	**12,672,069**	7,375,171
Unallocated assets:		
Interests in associates	**17,795**	12,941
Advance to an associate	**72,041**	72,396
Restricted bank deposits	**85,161**	189,712
Bank balances and cash	**2,371,452**	3,696,488
Corporate assets	**163,870**	106,778
Group's total assets	**15,382,388**	11,453,486

	2010	2009
	RMB'000	*RMB'000*
Other material items:		
Release of prepaid lease payments		
Reportable segment totals	**8,039**	845
Unallocated amount	**–**	–
Group's total	**8,039**	845
Release of premium on prepaid lease payments		
Reportable segment totals	**3,997**	357
Unallocated amount	**–**	–
Group's total	**3,997**	357
Depreciation of property, plant and equipment		
Reportable segment totals	**10,940**	8,786
Unallocated amount	**118**	116
Group's total	**11,058**	8,902
Additions to non-current assets		
Reportable segment totals	**3,939,053**	408,305
Unallocated amount	**69**	32
Group's total	**3,939,122**	408,337
(Gain) loss on disposal of property, plant and equipment		
Reportable segment totals	**(77)**	72
Unallocated amount	**–**	–
Group's total	**(77)**	72
Allowance on bad and doubtful debt, net		
Reportable segment totals	**2,937**	124
Unallocated amount	**–**	101
Group's total	**2,937**	225
Impairment loss recognised in respect of goodwill		
Reportable segment totals	**5,375**	–
Unallocated amount	**–**	–
	5,375	–

The Group's revenue from external customers is derived solely from its operations in the PRC, and non-current assets of the Group are mainly located in the PRC.

During the years ended 31 December 2010 and 2009, there was no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

4. OTHER INCOME, GAINS AND LOSSES

	2010	2009
	RMB'000	RMB'000
Interest income	**15,781**	6,038
Imputed interest income on non-current interest-free advance to an associate	**3,593**	9,349
Forfeiture income on deposits received	**378**	384
Government grant (note)	**10,133**	10,448
Exchange gain (loss)	**1,618**	(1,334)
Others	**696**	1,681
	32,199	26,566

Note: The amount represents the grants received from the relevant PRC government to encourage the development of real estate industry. The subsidies are unconditional and granted on a discretionary basis to the Group during the year.

5. FINANCE COSTS

	2010	2009
	RMB'000	RMB'000
Interest on:		
– borrowings wholly repayable within five years	**239,575**	111,086
– borrowings not wholly repayable within five years	**1,742**	1,485
– senior notes	**74,589**	–
– amount due to a related party	**7,098**	5,153
– loans from shareholders	**–**	70,904
Less: Amount capitalised in properties under development for sale	**(139,657)**	(131,233)
Amount capitalised in construction in progress	**(3,216)**	(5,595)
	180,131	51,800

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 6.06% (2009: 6.65%) per annum to expenditure on qualifying assets.

6. PROFIT BEFORE TAXATION

	2010	2009
	RMB'000	*RMB'000*
Profit before taxation has been arrived at after charging (crediting):		
Directors' emoluments	**10,104**	5,380
Other staff's salaries and allowances	**181,983**	101,887
Retirement benefit scheme contributions	**13,575**	10,435
Total staff costs	**205,662**	117,702
Less: Amount capitalised in properties under development for sale	**(36,690)**	(7,131)
	168,972	110,571
Auditor's remuneration	**3,221**	2,503
Release of prepaid lease payments	**8,039**	845
Release of premium on prepaid lease payments	**3,997**	357
Depreciation of property, plant and equipment	**11,058**	8,902
(Gain) loss on disposal of property, plant and equipment	**(77)**	72
Allowance on bad and doubtful debts, net	**2,937**	225
Cost of properties recognised as an expense	**2,014,859**	1,338,646
Contract cost recognised as an expense	**27,456**	14,163
Rental expenses in respect of rented premises under operating leases	**8,636**	7,065
Gross rental income from investment properties	**(17,727)**	(10,806)
Less: direct operating expenses from investment properties that generated rental income	**2,130**	1,303
	(15,597)	(9,503)

7. INCOME TAX EXPENSE

	2010	2009
	RMB'000	*RMB'000*
Current tax:		
PRC taxes		
Enterprise income tax	**360,752**	217,833
Land appreciation tax ("LAT")	**440,801**	263,215
	801,553	481,048
Deferred tax		
Current year	**34,800**	(69,237)
Underprovision of deferred tax assets	**(7,645)**	(4,761)
	27,155	(73,998)
	828,708	407,050

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the income of the Group neither arise in nor is derived from Hong Kong.

The Group's PRC enterprise income tax is calculated based on the applicable tax rates on assessable profits, if applicable.

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights and all property development expenditures.

The income tax expense for the year can be reconciled to the profit before taxation per the consolidated statement of comprehensive income as follows:

	2010	2009
	RMB'000	***RMB'000***
Profit before taxation	**1,789,678**	776,495
Tax at PRC enterprise income tax rate of 25% *(note i)*	**447,420**	194,124
Tax effect of share of results of associates	**(102)**	474
Tax effect of income not taxable for tax purposes	**(898)**	(2,337)
Tax effect of expenses not deductible for tax purposes *(note ii)*	**33,525**	35,373
Tax effect of tax losses not recognised	**40,418**	6,324
Utilisation of tax losses previously not recognised	**(3,076)**	(4,026)
Tax effect of different tax rates on subsidiaries	**(11,535)**	(12,519)
LAT	**440,801**	263,215
Deferred tax effect of LAT	**(110,200)**	(65,804)
Underprovision of deferred tax assets	**(7,645)**	(4,761)
Others	**–**	(3,013)
Income tax expense for the year	**828,708**	407,050

Notes:

(i) Majority of the assessable profits of the Group were derived from subsidiaries situated in Chengdu of the PRC and the applicable income tax rate was 25%.

(ii) The amounts for the year ended 31 December 2010 mainly relate to the tax effect of expenses incurred by offshore companies, including the interest on senior notes, legal and professional fees in connection with the issue of senior notes in May 2010.

The amounts for the year ended 31 December 2009 mainly relate to the tax effect of expenses incurred by offshore companies, including the interest on loans from shareholders, legal and professional fees in connection with the listing of the Company's share in the SEHK.

8. DIVIDENDS

	2010 *RMB'000*	2009 *RMB'000*
Final dividend for 2009 of HK1.75 cents per share (2009: nil) *(Note i)*	**75,100**	–
Dividends paid to non-controlling shareholders *(Note ii)*	**3,297**	1,267

Notes:

(i) Subsequent to the end of the reporting period, a final dividend for 2010 of HK4.00 cents (2009: Final dividend for 2009 of HK1.75 cents) per share has been proposed by the directors in the annual general meeting. The final dividends proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(ii) The amount represents dividends paid by the PRC subsidiaries to their non-controlling shareholders.

9. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following data:

	2010 *RMB'000*	2009 *RMB'000*
Earnings		
Earnings for the purpose of basic earnings per share (Profit for the year attributable to owners of the Company)	**807,281**	373,469

	2010	2009
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**4,873,888,750**	3,768,544,897

No diluted earnings per share is presented as the Company did not have any potential ordinary shares in issue during both years or at the end of the reporting period.

For the year ended 31 December 2009, the weighted average number of ordinary shares reflect the weighted average effect of the 100,000 shares in issue before the capitalisation issue, adjusted for the 3,644,900,000 shares issued pursuant to the capitalisation issue and 1,228,888,750 shares issued in the global offering.

10. TRADE AND OTHER RECEIVABLES

Trade receivables are mainly arisen from sales of properties, rental income derived from investment properties, agency fee income in respect of property rentals, service and management income in respect of property management.

Considerations in respect of properties sold are received in accordance with the terms of the related sales and purchase agreements, normally within 30 days from date of the sales and purchase agreements.

Rental income from investment properties is received in accordance with the terms of the relevant lease agreements, normally within 30 days from the issuance of invoices.

Management and service fee income is received in accordance with the terms of the relevant property service agreements, normally within 30-90 days from the issuance of invoices.

Hotel operation income is in the form of cash sales.

	2010	2009
	RMB'000	*RMB'000*
Trade receivables	**116,301**	105,301
Other receivables	**90,403**	85,048
Deposits for the auction in respect of the sale of land *(Note i)*	**–**	143,000
Deposits for the acquisition of properties for sale	**–**	352,056
Prepayments and other deposits	**44,733**	99,591
Prepayments for suppliers	**336,598**	143,433
Prepayments for construction work	**339,971**	–
Other tax prepayment *(Note ii)*	**49,173**	59,532
	977,179	987,961

Notes:

(i) The amount represented the deposits paid for the auction in respect of the acquisition of land in Shanghai. Subsequent to 31 December 2009, the Group did not win the auction and the relevant deposits were refunded to the Group in January 2010.

(ii) During the year ended 31 December 2010, the Group is required to prepay business tax amounting to approximately RMB159,252,000 (2009: RMB116,381,000) in accordance with the relevant PRC tax rules in respect of its pre-sale of property development projects. As at 31 December 2010, amount of approximately RMB48,938,000 (2009: RMB57,948,000) has been prepaid and included in other tax prepayment.

The following is an aged analysis of trade receivables of the Group net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period:

	2010	2009
	RMB'000	*RMB'000*
0 to 30 days	**87,063**	86,481
31 to 90 days	**10,229**	10,634
91 to 180 days	**5,544**	4,082
181 to 365 days	**10,576**	1,465
Over 1 year	**2,889**	2,639
	116,301	105,301

For property investment and property operating services, before accepting any new customer, the Group would assess the potential customer's credit quality and defined credit rating limits of each customers. Limits attributed to customers are reviewed once a year.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date and no impairment is necessary for those balances which are not past due.

At 31 December 2010, included in the Group's trade receivable balance are debtors with aggregate carrying amount of approximately RMB28,692,000 (2009: RMB13,199,000) which are past due for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and amounts are still considered recoverable based on historical experience. The Group does not hold any collateral over these balances.

Ageing of trade receivables which are past due but not impaired

	2010	2009
	RMB'000	*RMB'000*
31 to 90 days	**9,683**	5,031
91 to 180 days	**5,544**	4,064
181 to 365 days	**10,576**	1,465
Over 1 year	**2,889**	2,639
	28,692	13,199

Movement in the allowance for doubtful debts in respect of trade and other receivables

	2010	2009
	RMB'000	*RMB'000*
Balance at beginning of the year	**1,520**	2,513
Impairment losses reversed	**(103)**	(223)
Impairment losses written off	**(1,520)**	(1,218)
Impairment losses recognised	**3,040**	448
Balance at end of the year	**2,937**	1,520

As at 31 December 2010, included in the allowance for doubtful debts are individually impaired trade and other receivables with an aggregate balance of RMB2,937,000 (2009: RMB1,520,000) of which the debtors have been in dispute with the Group.

11. TRADE AND OTHER PAYABLES

	2010	2009
	RMB'000	*RMB'000*
Trade payables	**1,319,641**	652,710
Other payables	**220,721**	111,253
Other tax payables	**36,520**	34,906
Payroll payable	**20,192**	26,503
Welfare payable	**2,895**	2,813
Retention payable	**16,442**	27,996
Consideration payable	**63,900**	–
Accruals	**6,407**	17,616
	1,686,718	873,797

Trade payables principally comprise amounts outstanding for purchase of materials for the construction of properties for sale, investment properties and hotels and ongoing expenditures. The average credit period for purchase of construction materials ranged from 6 months to 1 year.

The following is an aged analysis of the Group's trade payables and retention payable presented based on the invoice date at the end of the reporting period:

	2010	2009
	RMB'000	*RMB'000*
0 to 60 days	**881,583**	536,031
61 to 180 days	**346,243**	50,392
181 to 365 days	**67,903**	66,287
1 – 2 years	**37,944**	26,283
2 – 3 years	**1,272**	275
Over 3 years	**1,138**	1,438
	1,336,083	680,706

At 31 December 2010, the balances of approximately RMB16,442,000 (2009: RMB27,996,000) with age over 1 year represent the retention money of approximately 5% to 10% of the construction contract price.

12. EVENTS AFTER THE REPORTING PERIOD

(1) On 17 January 2011, Fantasia Group (China) Company Limited (花樣年集團(中國)有限公司) ("Fantasia Group"), a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with an independent third party, whereby Fantasia Group agreed to sell 85% equity interest in a subsidiary of the Group which was engaged in provision of property operation services namely Shenzhen Xingyan Property Consultancy Company Limited (深圳市星彥地產顧問有限公司) ("Shenzhen Xingyan") for a consideration of approximately RMB21,250,000.

At the date these consolidated financial statements were authorised for issue, the aforesaid transaction has been completed.

(2) On 18 February 2011, Fantasia Group entered into an equity transfer agreement with an independent third party, whereby Fantasia Group agreed to sell 37.5% equity interest in and dispose of the advance to an associate of the Group. The associate was engaged in property development namely Dongguan Zuoting Youyuan Industry Investment Company Limited (東莞市左庭右院實業投資有限公司) for an consideration of approximately RMB96,000,000.

At the date these consolidated financial statements were authorised for issue, the aforesaid transaction has not been completed.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In 2010, under the highly volatile market condition, the Group continued to adhere to its strategy that focuses on both "urban complexes and boutique upscale residences". Given that the impact of the policy changes on non-residential properties was relatively small, the Group managed to take a further lead in urban complexes segment. With an aim to identify investment opportunities with high quality and low cost, we continued to focus on the four most prosperous economic regions in China to expand the strategic penetration and coverage of our property business. We continued to enhance our capability in centralized management of the property business and to strengthen the overall capability of the team and the reputation of Fantasia in the regions we have newly entered. Such effort made us more mature, stronger and confident for achieving steady growth of the Company.

Contract Sales and Project Development

During the reporting period, our Group recorded contract sales of RMB3,892 million and contract sales area of 382,154 square meters, of which, RMB2,244 million and 191,026 square meters, respectively, were derived from urban complexes projects.

During the reporting period, the contributions from property contract sales of our Group came from 15 projects in 7 cities, two additional cities as compared to 2009, namely Suzhou and Huizhou. Accordingly, the profitability of the multi-region business of the Company was further improved.

In 2010, the sales results of our Group mainly attributed to the projects, including Shenzhen Love Forever, Chengdu Meinian International Plaza, Chengdu Hailrun Plaza and Tianjin Hailrun Plaza, etc.

Chengdu-Chongqing Economic Zone

Chengdu-Chongqing Economic Zone is one of the economic zones with the most development potential in China. The Western Development in China and industrial migration brought the opportunity of development to this zone. The positioning to be developed as a world-class internationalized city and garden city will enhance the attractiveness of Chengdu, so as to make the property market in such zone prosper.

Our Group entered Chengdu in 2001. With expertise and brand reputation we gained for the past 10 years, our Group has been one of the strongest property developers in the Chengdu area. In 2010, the market share of our Group in commercial property (office building and retail shops) market in Chengdu was approximately 5%, and we ranked the second in terms of sales area for the year, which further enhanced our edges on the development of urban complexes in the property market in Chengdu.

During the reporting period, our Group recorded contract sales area of approximately 244,103 sq. meters in Chengdu-Chongqing zone; and recorded contract sales of approximately RMB2,019 million, attributing the property contract sales total area and total contract sales of our group 64% and 52%, respectively.

As at 31 December 2010, our Group had 4 projects or phases of projects under construction in Chengdu-Chongqing zone, with a total planned gross floor area of approximately 568,311 sq. meters. The saleable area was 489,646 sq. meters, of which approximately 325,000 sq. meters had been obtained a pre-sale permit, and approximately 111,407 sq. meters were sold in advance. Other than the projects under construction, our Group still had 6 projects or phases of projects to be developed in Chengdu-Chongqing Economic Zone, with a total planned gross floor area of approximately 2.92 million square meters. Our Group also entered into framework agreements in respect of 2 projects, and the total planned gross floor area is expected to be approximately 4.91 million square meters.

Pearl River Delta

Pearl River Delta is one of the most important areas for economic growth in China. Since the establishment of our group, we have been stabilizing our business development in Greater Shenzhen zone (Shenzhen, Dongguan, Huizhou). During the reporting period, our Group acquired the land of Dongguan Wonderland. With the speeding up of Shenzhen, Dongguan and Huizhou unity, the development prospects of this project will be fruitful.

In addition, our Group entered Guilin during the year to further expand its strategic penetration and coverage around the Pearl River Delta.

During the reporting period, our Group recorded contract sales area of approximately 85,433 sq. meters in Pearl River Delta; and recorded contract sales of approximately 1,210 million, attributing the property contract sales total area and total contract sales of our group 22% and 31%, respectively.

As at 31 December 2010, our Group had 4 projects or phases of projects under construction, with a total planned gross floor area of approximately 320,490 square meters and saleable area of approximately 257,141 square meters. Our Group also had 4 projects or phases of projects to be developed, with a total planned gross floor area of approximately 3.25 million square meters.

Beijing-Tianjin Metropolitan Area

Beijing-Tianjin zone is the area where headquarters of many international companies are located and commercial activities are frequent. The zone will gradually become an influential and significant zone for the whole country, or even for the Asia Pacific region. Following the inclusion of the development of Tianjin Binhai New Area into the national development strategy, the country firstly confirmed Tianjin to be developed as the core northern economic center.

During the reporting period, our Group obtained two plots of land in Tianjin, namely Future Plaza and Wuqing project, which will further expand the development scale of the Company in Beijing-Tianjin Metropolitan Area.

During the reporting period, our Group reported contract sales area of approximately 38,186 sq. meters and contract sales of RMB506 million in Beijing-Tianjin Metropolitan Area, representing 10% and 13% of the property total contract sales area and total contract sales of our Group, respectively.

As at 31 December 2010, our Group had 4 projects or phases of projects under construction and to be developed in Beijing-Tianjin Metropolitan Area, with an aggregate planned gross floor area of approximately 849,038 sq. meters, and estimated saleable area of approximately 800,000 sq. meters.

Yangtze River Delta

Yangtze River Delta zone is the leader of China's economic development. Due to the development of the industry group, its aggregate economic output developed rapidly and was anticipated to be comparable to world-class city zone. Accordingly, every city in the region became a major growing point of China property industry. Our Group was constantly aware of such region, and obtained 4 pieces of land consecutively in 2010, namely Wuxi Love Forever project, Wuxi Hailrun Complex project, Nanjing Banqiao Metro (南京板橋新城) project and Suzhou Lago Paradise Project (the Group formally acquired Suzhou Lago Paradise Project by listing in February 2010), which further expanded the strategic layout in the Yangtze River Delta after our entry into Yixing.

Wuxi Love Forever project is located in the new district area, with a floor area of 123,670 square meters. This area is one of the four residential areas in the new district, and it is also one of the development focuses in the future which enjoys excellent development potential. Wuxi Hailrun Complex project is located in Binhu Liyuan Development Zone (濱湖蠡園開發區), with a total gross floor area of approximately 83,000 square meters. The entire district is positioned as a Research Business District high-end commercial development district, and as the demonstration zone for creative industry in Jiangsu Province. With well-developed capability in the development of urban complex and our strong brand name, we are confident to develop the project as a boutique and popular project.

Nanjing project is located at Banqiao Metro (板橋新城) in Yuhuatai district, the significant developing area in Nanjing, with the gross floor area of approximately 66,497 sq. meters. Having this project, our Group entered Nanjing for the first time. Nanjing is one of the most important cultural education centers in China and a critical transportation hub of Eastern China. As an important history city in Yangtze River Delta, we saw a strong growth momentum in the economy of Nanjing. Our Group has great confidence in Nanjing's long-term development prospect. After strategically entering Nanjing, we will further expand our business development there.

During the reporting period, our Group recorded contract sales area of approximately 14,432 sq. meters, and contract sales of approximately RMB157 million in the Yangtze River Delta , representing 4% property total contract sales area and 4% total contract sales of our group. Suzhou Lago Paradise project (apartment), as the first project after Fantasia entered Suzhou, was all sold out on the first day when launched to the market. This demonstrated the leading edges of the Group on the products and the extending influence of our brand.

As at 31 December 2010, our group had 5 projects or phases of projects under construction and to be developed in Yangtze River Delta, with the aggregate planned gross floor area of approximately 1,020,826 sq. meters, and estimated saleable area of approximately 1 million sq. meters.

During the reporting period, the area of newly developed and completed projects were approximately 221,309 square meters and 554,242 square meters respectively, and the total gross floor area of projects under construction (including projects under construction and projects completed in 2010) was approximately 1,538,180 square meters, and the total saleable area was approximately 1.25 million square meters.

Newly Developed Projects

During the reporting period, our group had 5 projects or phases of projects which were newly developed, with total gross floor area of 221,309 square meters.

Completed Projects

During the reporting period, the Group had 8 completed projects or phases of projects in Dongguan, Yixing, Shenzhen, Guilin, Chengdu and Tianjin, with a total gross floor area of approximately 554,242 square meters and provided approximately 479,537 square meters of saleable area. As at 31 December 2010, the Group has achieved accumulated contract sales area of approximately 298,794 square meters with respect to the above projects, and contract sales area sold during the year of 2010 was approximately 110,832 square meters. Approximately 16,028 square meters would be held by the Group for investment purpose, while the remaining 164,715 square meters were held for sales.

Projects under Construction

As at 31 December 2010, the Group had 10 projects or phases of projects under construction, with a total planned gross floor area of 983,938 square meters and planned gross saleable area was 808,787 square meters. As at 31 December 2010, the Group has achieved accumulated contract sales of approximately 231,089 square meters with respect to the above projects, and contract sales area sold during 2010 was approximately 226,580 square meters. Approximately 577,698 square meters were held by the Group for sale purpose, which provided guarantee for the sales of the Group for the next 1 to 2 years.

Urban complexes and boutique upscale residences are the core product series of the Group. At present, our Group has 4 urban complexes projects under construction, namely Shenzhen Funian Plaza, phase 1.3 of Chengdu Meinian International Plaza, Chengdu Future Plaza and phase 2 of Tianjin Hailrun Plaza, with a total planned gross floor area of 590,000 square meters, representing approximately 60% of the total gross floor area of projects under construction. The Group also owned 3 boutique upscale residences projects, namely Stage 1 of Phase 2 of Chengdu Mont Conquerant, Phase 2 of Dongguan Mont Conquerant and Phase 1 of Suzhou Lago Paradise with a total gross floor area of approximately 150,000 square meters, representing approximately 15% of the total gross floor area of projects under construction.

Projects to be Developed

As at 31 December 2010, the Group had 17 projects or phases of projects to be developed, with a planned gross floor area of approximately 7,939,619 square meters, of which, the total planned gross floor area of 6 projects in Chengdu-Chongqing Economic Zone was approximately 2,917,629 square meters, with a proportion of approximately 37%; and the total planned gross floor area of 4 projects in the Pearl River Delta was approximately 3,247,263 square meters, with a proportion of approximately 41%; and the 4 projects in Yangtze River Delta had a total planned gross floor area of 1,008,978 square meters, with a proportion of approximately 13% and the 3 projects in Beijing-Tianjin Metropolitan Area had a total planned gross floor area of 765,749 square meters, with a proportion of approximately 9%.

Our Land Bank

During the reporting period, the Group continued to focus on the four most prosperous economic regions in China (Chengdu-Chongqing Economic Zone, Pearl River Delta, Yangtze River Delta and Beijing-Tianjin Metropolitan Area) and adhere to its strategy centering on "urban complexes and boutique upscale residences". Leveraging on its edges on sufficient fund, the Group actively captured the land investment opportunities of high quality and low cost, and entered four cities of high strategic importance in Dali, Wuxi, Guilin and Nanjing with an aim to further improve the strategic penetration and extend the coverage of the property business of Fantasia.

In 2010, our Company obtained 10 pieces of land in Suzhou, Dali, Wuxi, Tianjin, Dongguan, Guilin, Nanjing and Chengdu etc, with an aggregate planned gross floor area of approximately 4.45 million sq. meters.

As at 31 December 2010, the total planned gross floor area of the Group's land bank amounted to approximately 13.94 million square meters, and planned gross floor area of attributable land bank amounted to approximately 13.88 million square meters. Included in the above were properties with a planned gross floor area of approximately 8.92 million square meters with land use right and framework agreements in respect of properties with a planned gross floor area of approximately 5.02 million square meters.

Property Management Business

The property operation business of the Group experienced continuous rapid growth during the reporting period. Color Life Property, a subsidiary of the Group, acquired a number of property management companies, and established branch companies in Shanghai, Xi'an, Guilin and Dali. As of 31 December 2010, the Group managed a total of 229 projects in various cities, including Shenzhen, Chengdu, Huizhou, Dongguan, Xi'an, Zhuhai and Yangjiang, with the area contracted for management and under management totaling 18.10 million square meters, representing a year-on-year increase of 31%. With the continuous expansion of Color Life Property throughout the country, we also constantly optimize the management and control mode of our regional operation, and are gradually establishing a leading information management platform suitable for the future development of our business. In 2010, to further improve our capacity of providing better services to our Group in respect of the two core high-end products, the Group has started the preparation of establishing a high-end service brand — Fantasia Property Management International to provide the high-end customers of the Group with high-end property services of higher quality.

Color Life Property, a subsidiary of the Group, was honored to be "2010 China Property Services Enterprise of Brand Excellence" and ranked 33rd in "Top 100 of China Property Management Enterprises"; meanwhile, it was elected as one of the "Top 10 of the Most Potential Property Management Enterprises in Shenzhen".

Property Agency Business

During the reporting period, the Group has acted as the property agent for a total of 37 projects in Chengdu, Shenzhen, Dongguan and several cities in Anhui Province. The sales area under our agency services was approximately 2.93 million square meters.

Hotel Management Business

2010 was the second year after the Group's entry into the hotel industry, and the Group has had its own preliminary hotel brand plans and a variety of management systems and operating plans in respect of hotel brands. We constantly recruit excellent talents in hotel construction and management, and the construction and management team of the Company has been expanding. During the reporting period, Geyuan Hotel in Yixing was opened and commenced commercial operation. For the coming 3 to 5 years, the Group plans to build and operate more than 10 hotels in Shenzhen, Tianjin, Chengdu, Suzhou and Guilin.

During the reporting period, we continued to expand our cooperation with excellent professional institutions in the hotel industry, and we established solid business cooperation relationships with certain globally well-known brands in hotel brand planning design, hotel interior design and hotel management, including YANG RUTHERFORD, JAYA, NTA, PAL, WEST PACES, RHOMBUS, which will further drive our development in hotel business.

FINANCIAL REVIEW

Revenue

Revenue of the Group mainly consists of revenue derived from (i) the sales of our developed properties, (ii) the lease of investment properties, (iii) the provision of property agency and related services, (iv) the provision of property operation and related services and (v) the provision of hotel management and related services. For the year ended 31 December 2010, turnover of the Group amounted to approximately RMB4,471 million, representing an increase of 81.9% from approximately RMB2,459 million in 2009. Profit and total comprehensive income for the year attributable to the equity holders of the Company was approximately RMB807 million, representing an increase of 116.2% from approximately RMB373 million in 2009.

Property Development

We recognize revenue from the sale of a property when the significant risks and rewards of ownership have been transferred to the purchaser, i.e., when the relevant property has been completed and the possession of the property has been delivered to the purchaser. Revenue from property development represents proceeds from sales of our properties held for sales. Revenue derived from property development increased by 86.1% to approximately RMB4,320 million in 2010 from approximately RMB2,322 million in 2009. This increase was due primarily to an increase in total gross floor area ("GFA") and an increase in the average selling price of properties sold to our customers.

Property Investment

Revenue generated from property investment increased by 64.0% to approximately RMB18 million in 2010 from approximately RMB11 million in 2009. The increase was due primarily to the continuing growth of the investment properties.

Property Agency Services

Revenue derived from property agency services decreased by 36.2% to approximately RMB37 million in 2010 from approximately RMB58 million in 2009. The decrease was due primarily to a decrease in the aggregate sale price of the properties that our property agency services business sold in 2010 as a result of cautious real estate activities in 2010 as compared to that in 2009.

Property Operation Services

Revenue derived from property operation services increased by 39.6% to approximately RMB89 million in 2010 from approximately RMB64 million in 2009. This increase was due primarily to an increase in the GFA of properties that we managed during 2010.

Hotel Services

Revenue derived from hotel services increased by 69.0% to approximately RMB7 million in 2010 from approximately RMB4 million in 2009. This increase was due primarily to an increase in occupancy rate of the hotel during 2010.

Gross Profit and Margin

Gross profit increased by 87.4% to approximately RMB1,925 million in 2010 from approximately RMB1,027 million in 2009, while our gross profit margin increased to 43.0% in 2010 from 41.8% in 2009. This increase was in line with the increase in the total revenue in 2010 and our change in proportion in product mix.

Other Income, Gain and Losses

Other income, gain and losses increased by 21.3% to approximately RMB32 million in 2010 from approximately RMB27 million in 2009. The increase was due primarily to the increase in interest income, as the initial public offering of the Company at the end of 2009 and issuance of senior notes in mid-2010 resulted in an increase in the average bank balances.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 63.1% to approximately RMB131 million in 2010 from approximately RMB80 million in 2009. This increase was due primarily to an increase in general selling, marketing and advertising activities resulting from an increase in the number of properties that were pre-sold in 2010 as compared to that in 2009.

Administrative Expenses

Our administrative expenses increased by 34.7% to approximately RMB239 million in 2010 from approximately RMB177 million in 2009. This increase was due primarily to the increase in number of offices and staff cost in new locations due to our expansion.

Finance Costs

Our finance costs increased by 247.7% to approximately RMB180 million in 2010 from approximately RMB52 million in 2009. This increase was due primarily to an increase in bank loans and senior notes to finance the business operation and development, which in turn increased the interest expenses.

Income Tax Expenses

Our income tax expenses increased by 103.6% to approximately RMB829 million in 2010 from approximately RMB407 million in 2009. This increase was due primarily to an increase in enterprises income tax and land appreciation tax as a result of increase in properties sold and recognized in 2010 as compared to that in 2009.

Profit and Total Comprehensive Income Attributable to Owners of the Company

Profit and total comprehensive income attributable to owners of the Company increased by 116.2% to approximately RMB807 million in 2010 from approximately RMB373 million in 2009. This increase was due primarily to an increase in properties recognised in 2010 as compared to that in 2009. Our net profit margin maintained at a satisfactory level of 18.1% in 2010 as compared to 15.2% in 2009.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Cash Position

As at 31 December 2010, the Group's bank balances and cash was approximately RMB2,457 million (2009: approximately RMB3,886 million), representing a decrease of 36.8% as compared to that as at 31 December 2009. The Company was listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") by the end of 2009 and thus a large amount of proceeds were maintained as at 31 December 2009. A portion of our cash are restricted bank deposits that are restricted for use of property development. These restricted bank deposits will be released upon completion of the development of the relevant properties in which such deposits relate to. As at 31 December 2010, the Group's restricted cash was approximately RMB85 million (2009: approximately RMB190 million), representing a decrease of 55.1% as compared to that as at 31 December 2009.

Current Ratio and Gearing Ratio

As at 31 December 2010, the Group has current ratio (being current assets over current liabilities) of approximately 1.73 compared to that of 1.87 as at 31 December 2009. The gearing ratio was 69.0% as at 31 December 2010 while the Group was in a net cash positions as at 31 December 2009 after the successful listing during November 2009. The gearing ratio was measured by net debt (aggregated bank borrowings and senior notes net of bank balances and cash and restricted cash) over the equity attributable to owners of the Company. The total debt (being aggregated bank borrowings and senior notes) over total assets ratio continued to be healthy, maintaining at 36.2% (2009: 30.0%) as of 31 December 2010.

Borrowings and Charges on the Group's Assets

As at 31 December 2010, the Group had an aggregate bank borrowings and senior notes of approximately RMB4,775 million and approximately RMB787 million, respectively. Amongst the bank borrowings, approximately RMB2,132 million will be repayable within 1 year, approximately RMB2,537 million will be repayable between 2 to 5 years and approximately RMB106 million will be repayable after 5 years. The senior notes were repayable between 2 to 5 years.

As at 31 December 2010, a substantial part of the bank borrowings were secured by land use rights and properties of the Group. The senior notes were jointly and severally guaranteed by certain subsidiary companies of the Group and by pledge of their shares.

Exchange Rate Risk

The Group mainly operates in the PRC. Other than the foreign currency denominated bank deposits, bank borrowings and senior notes, the Group does not have any other material direct exposure to foreign exchange fluctuations. Appreciation in RMB would have a positive effect on the value on paying interest and repayment of foreign currency bank borrowings and senior notes. During 2010, though the exchange rates of RMB against U.S. dollar and the Hong Kong dollar kept on increasing, the directors of the Company (the "Directors") expect that any fluctuation of RMB's exchange rate will not have material adverse effect on the operation of the Group.

Commitments

As at 31 December 2010, the Group had committed payment for the land premium on land acquisitions and construction amounting to approximately RMB140 million (2009: nil) and approximately RMB1,765 million (2009: RMB1,060 million), respectively.

Contingent Liabilities

As at 31 December 2010, the Group had provided guarantees amounting to approximately RMB1,690 million (2009: approximately RMB1,626 million) in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with accrued interests thereon and any penalty owed by the defaulted purchasers to banks. The Group is then entitled to take over the legal title of the related properties. The guarantee period commences from the dates of grant of the relevant mortgages loans and ends after the purchaser obtained the individual property ownership certificate. In the opinion of the Directors, no provision for the guarantee contracts was recognized in the financial statement for the year ended 31 December 2010 as the default risk is low.

Employees and Remuneration Policies

As at 31 December 2010, the Group had approximately 4,199 employees, of which 607 employees involved in the property development sector, 417 in the property agency services sector, 2,794 in the property operation services sector and 381 in the hotel services sector. Total staff costs, including directors' emoluments, for the year ended 31 December 2010 amounted to approximately RMB206 million (2009: approximately RMB118 million). Remuneration is determined by reference to their performance, skills, qualifications and experiences of the staff concerned and according to the prevailing industry practice. Besides salary payments, other staff benefits include contribution of the mandatory provident fund (for Hong Kong employees) and state-managed retirement pension scheme (for PRC employees), a discretionary bonus program and a share option scheme.

As at 31 December 2010, no options had been granted, exercised or cancelled under the share option scheme adopted on 27 October 2009.

DIVIDEND

The Board proposed the payment of a final dividend of HK4.00 cents per share for the year ended 31 December 2010 to shareholders whose names appear on the register of members of the Company on 13 May 2011. The proposed final dividend will be paid on or about 2 June 2011 after the receipt of approval by shareholders of the Company at 2011 annual general meeting (the "AGM") of the Company.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 6 May 2011 to Friday, 13 May 2011, both days inclusive, during which period no transfer of shares will be registered. In order to determine the identity of the shareholders who are entitled to attend and vote at the AGM, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre,183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 5 May 2011.

ANNUAL GENERAL MEETING

The AGM will be held on 13 May 2011 and the Notice of Annual General Meeting will be published and dispatched in the manner as required by the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange in due course.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices ("Code on Corporate Governance") contained in Appendix 14 of the Listing Rules on the Stock Exchange, except for the following deviation:

Code A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Mr. Pan Jun is the chairman and chief executive officer of the Company. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The balance of power and authority is ensured by the operations of the Board, which comprises experienced and high caliber individuals and meets regularly to discuss issues affecting operations of the Company. The Board believes that this structure is conductive to strong and consistent leadership, enabling the Group to make and implement decisions promptly and efficiently. The Board has full confidence in Mr. Pan and believes that his appointment to the posts of chairman and chief executive officer is beneficial to the business prospects of the Company.

Audit Committee

The Company has established an audit committee in compliance with the Listing Rules to fulfill the functions of reviewing and monitoring the financial reporting and internal control of the Company. The audit committee of the Company currently comprises four independent non-executive Directors, including Mr. Ho Man, Mr. Liao Martin Cheung Kong, JP, Mr. Huang Ming and Mr. Xu Quan, while Mr. Ho Man is the chairman of the audit committee.

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

Remuneration Committee

The Company has established a remuneration committee in compliance with the Listing Rules. The remuneration committee currently comprises an executive director, Mr. Pan Jun, and four independent non-executive Directors, Mr. Huang Ming, Mr. Ho Man, Mr. Liao Martin Cheung Kong, JP and Mr. Xu Quan, while Mr. Huang Ming is the chairman of the remuneration committee.

Nomination Committee

The Company has established a nomination committee in compliance with the Listing Rules. The nomination committee currently comprises two executive Directors, Ms. Zeng Jie and Mr. Pan Jun, and four independent non-executive Directors, Mr. Ho Man, Mr. Liao Martin Cheung Kong, JP, Mr. Huang Ming and Mr. Xu Quan, while Ms. Zeng Jie is the chairman of the nomination committee.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct regarding directors' securities transactions. The Company has made specific enquiry with all Directors whether the Directors have complied with the required standard set out in the Model Code regarding directors' securities transactions during the year ended 31 December 2010 and all Directors confirmed that they have complied with the Model Code.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company is empowered by the applicable Companies Law of the Cayman Islands and the Articles of the Association to repurchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange. There was no purchase, sale or redemption by the Company or any of its subsidiaries, of the Company's listed shares during the year ended 31 December 2010.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within knowledge of its directors, the Company has maintained a sufficient public float throughout the year ended 31 December 2010.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This results announcement is published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.cnfantasia.com). The annual report of the Company for the year ended 31 December 2010 containing all the information required by the Listing Rules will be dispatched to the Company's shareholders and published on the above websites in due course.

SCOPE OF WORK OF DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2010 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

ACKNOWLEDGEMENT

Through 15 years of development since its founding, Fantasia has gone through many ups and downs and come under questions about developing in this industry. Although we are experiencing huge pressure and a severe winter, we will not stop pursuing for a bright and prosperous spring. I would like to extend my heartfelt gratitude to all our staff, shareholders, investors and partners who are always on our side. Your insistence and understanding have paved the way for Fantasia to grow continuously.

By order of the Board
Fantasia Holdings Group Co., Limited
Pan Jun
Chairman

Hong Kong, 14 March 2011

As at the date of this announcement, the executive Directors are Mr. Pan Jun, Ms. Zeng Jie, Mr. Feng Hui Ming and Mr. Chan Sze Hon; the independent non-executive Directors are Mr. Ho Man, Mr. Liao Martin Cheung Kong, JP, Mr. Huang Ming and Mr. Xu Quan.