恒盛地產
GLORIOUS PROPERTY

# Glorious Property Holdings Limited
# 恒盛地產控股有限公司

(Incorporated in the Cayman Islands with limited liability)

**(Stock Code: 00845)**

## ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2011

The board of directors (the "Board") of Glorious Property Holdings Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (together, the "Group") for the year ended 31 December 2011 ("2011 Annual Results"). The 2011 Annual Results have been reviewed by the audit committee of the Company (the "Audit Committee") and approved by the Board on 30 March 2012.

**FINANCIAL HIGHLIGHTS**

- Revenue increased by 34.7% to RMB9,585.4 million.
- Profit attributable to the equity holders decreased by 38.6% to RMB2,215.7 million.
- Profit attributable to the equity holders (excluding fair value gains of investment properties and the related tax effect and other one-off gains/losses) increased by 33.0% to RMB1,734.9 million.
- Gross profit margin for the current period was 39.6%, compared to 48.1% for last year.
- Net profit margin attributable to the equity holders (excluding the fair value gains of investment properties and the related tax effect and other one-off gains/losses) was 18.1%, compared to 18.3% for last year.
- Equity attributable to the equity holders increased 15.2% to RMB17,050.9 million.
- The Company achieved a property sales of RMB13,322.0 million, representing an increase of 5.1% from last year. The GFA sold was 1.56 million sq.m., representing an increase of 36.4% from last year.

## OVERALL RESULTS

For the year ended 31 December 2011, the Group recorded a consolidated revenue of RMB9,585.4 million, representing a growth of 34.7% compared to RMB7,114.0 million in 2010. The Group's profit attributable to equity holders for the year ended 31 December 2011 was RMB2,215.7 million, representing a decrease of 38.6% compared to RMB3,608.6 million for 2010. Profit attributable to the equity holders for the year ended 31 December 2011 (excluding the fair value gain of investment properties and the related tax effect and other one-off gain/losses) amounted to RMB1,734.9 million, representing a growth of 33.0% from RMB1,304.1 million for 2010.

Earnings per share for the year ended 31 December 2011 were RMB0.28 (2010: RMB0.46).

The Board has resolved not to recommend for shareholders' approval at its forthcoming annual general meeting on Tuesday, 29 May 2012 the payment of a final dividend for the year ended 31 December 2011.

## MARKET REVIEW

In 2011, the Central Government of China has maintained stringent austerity measures towards the property sector, aiming to further curb the investment and speculation activities and facilitate the reasonable decline of housing price. These measures are to ensure steady and healthy development of the property sector. During the period, home purchase restriction was implemented in more than 40 major cities nationwide and the price limitation was also implemented in certain cities. As pilot cities, Shanghai and Chongqing have implemented property tax since the beginning of the year. Besides, the Central Government of China has successfully prevented investment speculative funds from getting into the property sector via tightening bank lending and implementing credit policies such as differentiated treatment of the first house and other houses.

Austerity policies have played a positive role in stabilizing the property sector. Property investment and the growth rate of residential sales have dropped. At the same time, the austerity policies also lead to the decrease of effective demand from the market by changing the expectations of buyers and because the wait-and-see sentiment of buyers was getting strong. Growth of transaction volume for commodity houses nationwide was slowing down in the second half of the year. The overall transaction volume in the property market of first- and second-tier cities falling significantly compared to that of 2010. Under the severe pressure of the Central Government, adjustment emerged in housing price, resulting in deteriorating business environment for property developers who are faced with tough market challenges.

During the year, faced with regulation on real estate and changes in the market, the Group has responded actively to adopt different sales strategies, moderately price-cutting strategies and flexible and feasible marketing strategies for cities and projects with different characteristics. The Group has moderately fastened the development speed, sales pace of existing projects and promotion pace of new projects, in order to ensure a fast recovery of the sales funds. As a result, the Group achieved a better sales result compared to that of 2010.

## BUSINESS REVIEW

### i. Revenue

For the year ended 31 December 2011, the Group recorded a consolidated revenue of RMB9,585.4 million, up 34.7% from RMB7,114.0 million of 2010. The sold and delivered GFA for the year was 1,012,818 sq.m., representing an increase of 100.4% over 505,295 sq.m. for 2010. Meanwhile, the average selling price recognised declined by 32.8% to RMB9,460 per sq.m. from RMB14,071 per sq.m. for last year.

In 2011, the Group recognised revenue for 13 projects, up from 11 projects of 2010. Among which, revenue from properties of 7 projects in the first-tier cities, including Shanghai and Beijing, and revenue from sales of 6 projects in the second- and third-tier cities, including Tianjin, Wuxi, Hefei, Shenyang, Harbin and Nantong, accounted for 57.3% and 42.7% of the Group's consolidated revenue respectively. Of the total area sold and delivered in 2011, approximately 28.5% was from projects in the Shanghai Region, 29.4% from Yangtze River Delta (excluding Shanghai), 7.3% from Pan Bohai Rim and 34.8% from Northeast China.

Projects in which properties were sold and delivered for years ended 31 December 2010 and 2011 included:

| **Properties sold and delivered** | **City** | **2011**<br>**Revenue**<br>***RMB'000*** | **GFA sold and delivered**<br>***sq.m.*** | **Average selling price recognised**<br>***RMB per sq.m.*** | 2010<br>Revenue<br>*RMB'000* | GFA sold and delivered<br>*sq.m.* | Average selling price recognised<br>*RMB per sq.m.* |
|---|---|---|---|---|---|---|---|
| Sunshine Venice | Shanghai | **23,893** | **1,032** | **23,152** | 28,604 | 1,559 | 18,348 |
| Chateau De Paris | Shanghai | **16,171** | **2,327** | **6,949** | 15,513 | 543 | 28,569 |
| Shanghai Park Avenue | Shanghai | **2,500** | **467** | **5,353** | – | – | – |
| Shanghai Bay | Shanghai | **1,319,933** | **19,501** | **67,685** | 3,210,877 | 73,437 | 43,723 |
| Royal Lakefront | Shanghai | **3,494,509** | **265,159** | **13,179** | 395,228 | 29,412 | 13,438 |
| Sunshine Bordeaux | Beijing | **526,558** | **67,262** | **7,828** | 36,389 | 7,294 | 4,989 |
| Royal Mansion | Beijing | **111,189** | **4,820** | **23,068** | 1,178,069 | 39,660 | 29,704 |
| Sunshine Holiday | Tianjin | **24,415** | **1,630** | **14,979** | 685,747 | 76,912 | 8,916 |
| No.1 City Promotion | Wuxi | **28,455** | **4,324** | **6,581** | 235,888 | 38,020 | 6,204 |
| Classical Life | Suzhou | **–** | **–** | **–** | 13,482 | 1,836 | 7,343 |
| Nantong Glorious Chateau | Nantong | **938,992** | **194,910** | **4,818** | – | – | – |
| Hefei Villa Glorious | Hefei | **529,138** | **98,720** | **5,360** | – | – | – |
| Sunny Town | Shenyang | **713,506** | **116,816** | **6,108** | 575,451 | 114,480 | 5,027 |
| Harbin Villa Glorious | Harbin | **1,852,476** | **235,850** | **7,854** | 734,712 | 122,142 | 6,015 |
| Sub-total | | **9,581,735** | **1,012,818** | **9,460** | 7,109,960 | 505,295 | 14,071 |
| Other revenue | | **3,708** | | | 4,065 | | |
| **Total** | | **9,585,443** | | | 7,114,025 | | |

### ii. Property Sales

In 2011, the property sales of the Group was RMB13,322.0 million, representing a year-on-year (YOY) growth of 5.1%, while property sales area totaled 1.56 million sq.m., representing an increase of 36.4% from that of last year. Property sales in Northeast China accounted for approximately one third of the annual total sales of the Group, amounting to RMB4,267.7 million with a YOY growth of 103.4%, while property sales area was 700,000 sq.m. with a YOY growth of 133.2%. In addition, on the property sales of individual project whose annual sales goal has been achieved, Royal Lakefront of Shanghai and Changchun Villa Glorious ranked the best in the Group. Royal Lakefront completed the annual sales target in the first half of 2011, recording a total property sales of RMB1,886.2 million for the whole year; Changchun Villa Glorious recorded sales of approximately RMB550 million on its first launching day, setting a new record for property sales in Changchun and realised property sales of RMB1,036.1 million for the entire year.

During the year under review, the Group had a good performance in property sales, especially in the second- and third-tier cities including Nantong, Hefei, Shenyang, Changchun and Harbin. It was mainly because the Group has strengthened its penetration in second- and third-tier cities in the past two years and accelerated the pace of selling and promoting strategies in such cities. As a result, the sales amount in the second- and third-tier cities increased from RMB5,979.9 million in 2010 to RMB8,515.8 million in 2011, representing an increase of 42.4%.

Property sales amount and GFA sold by region in 2010 and 2011 are set out below:

| **Region** | **Property sales amount (RMB'000)** | | | **GFA Sold (sq.m.)** | | |
|---|---|---|---|---|---|---|
| | **2011** | 2010 | % Change | **2011** | 2010 | % Change |
| Shanghai Region | **3,703,754** | 5,723,574 | -35.3% | **161,339** | 242,448 | -33.5% |
| Yangtze River Delta | **3,976,077** | 3,517,931 | 13.0% | **569,468** | 481,967 | 18.2% |
| Pan Bohai Rim | **1,374,484** | 1,340,182 | 2.6% | **134,263** | 122,414 | 9.7% |
| Northeast China | **4,267,681** | 2,098,586 | 103.4% | **699,731** | 300,022 | 133.2% |
| **Total** | **13,321,996** | **12,680,273** | **5.1%** | **1,564,801** | **1,146,851** | **36.4%** |

In 2012, the Group plans to launch 19 projects for sales, including Shanghai Villa Glorious, Shanghai Bay and Royal Lakefront; Tianjin Royal Bay Seaside, Glorious Artstyle Townhouse and Sunshine Holiday; Nantong Glorious Chateau, Nantong Guanghuabei Project, Nantong Villa Glorious, Nantong Royal Bay, Hefei Villa Glorious, Hefei Royal Garden, Bashangjie Project and No.1 City Promotion; Sunny Town, Dalian Villa Glorious, Changchun Villa Glorious, Harbin Villa Glorious and Harbin Royal Garden. The Group expects that the total saleable area in 2012 will be over 2.2 million sq.m..

Projects available for sale in 2012:

| | City | Project | Saleable GFA sq.m. | Interests Attributable to the Group |
|---|---|---|---|---|
| **Shanghai Region** | | | | |
| 1 | Shanghai | Shanghai Villa Glorious | 268,161 | 100% |
| 2 | Shanghai | Shanghai Bay | 80,123 | 100% |
| 3 | Shanghai | Royal Lakefront | 6,868 | 100% |
| | **Subtotal** | | **355,152** | |
| **Pan Bohai Rim** | | | | |
| 4 | Tianjin | Tianjin Royal Bay Seaside | 176,288 | 100% |
| 5 | Beijing | Glorious Artstyle Townhouse | 45,458 | 100% |
| 6 | Tianjin | Sunshine Holiday | 24,000 | 100% |
| | **Subtotal** | | **245,746** | |
| **Yangtze River Delta** | | | | |
| 7 | Nantong | Nantong Glorious Chateau | 56,177 | 100% |
| 8 | Nantong | Nantong Guanghuabei Project | 63,555 | 100% |
| 9 | Nantong | Nantong Villa Glorious | 71,619 | 100% |
| 10 | Nantong | Nantong Royal Bay | 140,986 | 100% |
| 11 | Hefei | Hefei Villa Glorious | 42,518 | 100% |
| 12 | Hefei | Hefei Royal Garden | 199,135 | 100% |
| 13 | Hefei | Bashangjie Project | 104,237 | 100% |
| 14 | Wuxi | No.1 City Promotion | 172,953 | 100% |
| | **Subtotal** | | **851,180** | |
| **Northeast China** | | | | |
| 15 | Shenyang | Sunny Town | 32,215 | 100% |
| 16 | Dalian | Dalian Villa Glorious | 142,017 | 100% |
| 17 | Changchun | Changchun Villa Glorious | 294,549 | 100% |
| 18 | Harbin | Harbin Villa Glorious | 127,124 | 100% |
| 19 | Harbin | Harbin Royal Garden | 169,805 | 100% |
| | Subtotal | | **765,710** | |
| | **Total** | | **2,217,788** | |

Shanghai Region, Yangtze River Delta, Pan Bohai Rim and Northeast China account for 16%, 38%, 11% and 35% respectively of the total resources available for sale. Northeast China, Yangtze River Delta and Shanghai Region will be the major regions contributing to sales of the Group in 2012.

**iii. Construction and Development**

In 2011, the total GFA completed and delivered was approximately 1.31 million sq.m.. The projects under construction in various regions progressed as planned, adding another 2.0 million sq.m. to new construction area. By the end of 2011, the Group had a total of 32 projects under development in 12 cities with a total area under construction of 4.9 million sq.m..

The Group plans to commence 1.0 million sq.m. of construction area in 2012. It is expected that by the end of 2012, the total area under construction will be 4.60 million sq.m..

During the year, the Group set up the economic operations centre and project management centre, to further strengthen the programme management, project management, cash flow management and capital management in order to enhance the refined and specialized management of the Group. Administrative operations management of the Group is maturing, and the information technology platform is also being improved, which do not only save the management cost but also further enhance the management efficiency and control ability for projects. The Group has also specially set up a cost management committee and by enhancing the management capability of the project management centre, a long-term mechanism in project quality management can be sturdily established, with a view to strike a sustainable balance between project quality and progress.

**iv. Land Bank**

In 2011, the Group maintained a prudent investment strategy in acquiring land, selectively adding low-cost and high quality land in the existing core urban areas and emerging economic zones with potential of rapid development. During the period, the Group acquired two land parcels located in New District in Jinzhou of Dalian and Rugao Economic Development Zone in Nantong respectively. Total cost of the land acquired by the Group during 2011 was RMB995 million with a total GFA of 732,859 sq.m. and an average floor price of RMB1,358 per sq.m..

As at 31 December 2011, the total land bank of the Group was 17.90 million sq.m., which is sufficient to meet its development need in the coming five to seven years. The average land cost is RMB1,338 per sq.m.. The relatively low-cost land bank provides the Group with a strong foundation for sustaining higher profit margins in the years to come.

The Group's land bank is evenly distributed over first-, second- and third-tier cities, of which 20% is in first-tier cities and 80% in second- and third-tier cities. The high quality, low cost and reasonably distributed land bank of the Group will facilitate its long-term sustainable development.

Overview of land bank of the Group by projects as at 31 December 2011:

| | Project Name | City | Location | Use | Land Cost *(RMB/ sq.m.)* | Land Bank *(sq. m.)* | Interest Attributable to the Group |
|---|---|---|---|---|---|---|---|
| **Shanghai Region** | | | | | | | |
| 1 | Shanghai Bay | Shanghai | Xuhui District | Residential, hotel, office and commercial | 611 | 751,111 | 100% |
| 2 | Sunshine Venice | Shanghai | Putuo District | Residential, hotel and commercial | 554 | 59,335 | 100% |
| 3 | Royal Lakefront | Shanghai | Fengxian District | Residential and commercial | 1,870 | 162,477 | 100% |
| 4 | Shanghai Villa Glorious | Shanghai | Baoshan District | Residential and commercial | 923 | 866,019 | 100% |
| 5 | Caohejing Project | Shanghai | Xuhui District | Office, hotel and commercial | 9,703 | 121,300 | 100% |
| 6 | Zhongcao Xincun Project | Shanghai | Xuhui District | Serviced apartment and commercial | 9,703 | 91,000 | 100% |
| **Sub-total** | | | | | **1,782** | **2,051,242** | |
| **Pan Bohai Rim** | | | | | | | |
| 7 | Sunshine Holiday | Tianjin | Hedong District East | Residential, hotel and commercial | 799 | 72,281 | 100% |
| 8 | Tianjin Royal Bay Seaside | Tianjin | Dagang District | Residential, hotel and commercial | 1,396 | 934,014 | 100% |
| 9 | Tianjin Royal Bay Lakeside | Tianjin | Tuanbohu District | Residential and commercial | 1,225 | 1,567,303 | 70% |
| 10 | Royal Mansion | Beijing | Haidian District | Residential and commercial | 3,395 | 90,406 | 100% |
| 11 | Sunshine Bordeaux | Beijing | Daxing District | Residential and commercial | 493 | 1,320,752 | 100% |
| 12 | Glorious Artstyle Townhouse | Beijing | Daxing District | Residential and commercial | 3,862 | 100,270 | 100% |
| **Sub-total** | | | | | **1,133** | **4,085,026** | |

| | Project Name | City | Location | Use | Land Cost *(RMB/ sq.m.)* | Land Bank *(sq. m.)* | Interest Attributable to the Group |
|---|---|---|---|---|---|---|---|
| **Yangtze River Delta** | | | | | | | |
| 13 | Nantong Glorious Chateau | Nantong | Rugao Economic Development Zone | Residential and commercial | 322 | 4,263,655 | 100% |
| 14 | Nantong Guanghuabei Project | Nantong | Rugao Town | Residential and commercial | 1,234 | 388,859 | 100% |
| 15 | Rongsheng Plaza | Nantong | Xincheng District | Hotel, office and commercial | 348 | 297,486 | 100% |
| 16 | Nantong Royal Bay | Nantong | Chongchuan District | Residential, office and commercial | 4,719 | 738,374 | 100% |
| 17 | Nantong Villa Glorious | Nantong | Chongchuan District | Residential and commercial | 2,707 | 304,190 | 100% |
| 18 | No.1 City Promotion | Wuxi | Wuxi New District | Residential, hotel and commercial | 679 | 425,207 | 100% |
| 19 | Classical Life | Suzhou | Changshu New District | Residential and commercial | 1,446 | 10,052 | 100% |
| 20 | Hefei Villa Glorious | Hefei | Yaohai District | Residential and commercial | 680 | 223,586 | 100% |
| 21 | Bashangjie Project | Hefei | Yaohai District | Residential, hotel, office and commercial | 881 | 1,347,100 | 100% |
| 22 | Hefei Royal Garden | Hefei | Luyang District | Residential, hotel and commercial | 1,207 | 498,378 | 100% |
| 23 | Nanjing Royal Bay | Nanjing | Xiaguan District | Residential and commercial | 6,013 | 663,913 | 60% |
| **Sub-total** | | | | | **1,365** | **9,160,800** | |

| | Project Name | City | Location | Use | Land Cost *(RMB/ sq.m.)* | Land Bank *(sq. m.)* | Interest Attributable to the Group |
|---|---|---|---|---|---|---|---|
| **Northeast China** | | | | | | | |
| 24 | Harbin Villa Glorious | Harbin | Qunli New District | Residential and commercial | 979 | 172,478 | 100% |
| 25 | Harbin Royal Garden | Harbin | Qunli New District | Residential and commercial | 2,451 | 222,697 | 100% |
| 26 | Sunny Town | Shenyang | Yuhong District | Residential and commercial | 1,133 | 237,552 | 100% |
| 27 | Changchun Villa Glorious (East) | Changchun | Gaoxin District | Residential and commercial | 868 | 611,217 | 100% |
| 28 | Changchun Villa Glorious (West) | Changchun | Gaoxin District | Residential and commercial | 1,004 | 845,088 | 100% |
| 29 | Dalian Villa Glorious | Dalian | Jinzhou District | Residential and commercial | 1674 | 165,375 | 100% |
| 30 | Dalian 200# Land Parcel | Dalian | Jinzhou District | Residential and commercial | 1497 | 344,000 | 70% |
| **Sub-total** | | | | | **1,214** | **2,598,407** | |
| **Total** | | | | | **1,338** | **17,895,475** | |

## v. Development of Commercial Properties

The Group will steadily develop its commercial properties. As at 31 December 2011, approximately 200,000 sq.m. of commercial properties of the Group were completed, of which Sunshine Venice was completed and available for leasing with a total GFA of 90,000 sq.m..

During the year, about 780,000 sq.m. of major commercial property projects are still under construction. Shenyang Glorious Plaza is expected to be completed by the end of 2012 and the pre-completion leasing rate is satisfactory. In the next five years, the total floor area of completed commercial properties of the Group is expected to reach 2.66 million sq.m.. Retail commercial properties, high-end office buildings and high-end hotels will account for 58%, 27% and 15% of total commercial properties under development respectively. The Group plans to hold most of the commercial properties to secure stable rental income.

## FUTURE OUTLOOK

In 2012, the global economy is expected to recover in a slow pace. European sovereign debt crisis showing no sign of improvement will impact on the Eurozone economies which may fall into recession and ultimately will drag on the pace of global economic recovery. Despite the fact that China's economy grew rapidly, the growth rate may be slowed down by external influence. "Preserving the Growth, Adjusting the Structure and Curbing the Inflation" will become the basic tones of the economic development of China in 2012. Given the considerable uncertainties loom over the major economies, such as Europe, the United States in 2012, it may bring influence to the international financial markets and the world economic prospect.

The Central Government of China is expected to continue to maintain the stringent austerity measures for the property market. The austerity measures are unlikely to be changed if there is no sign of significant decline on housing prices or the prices do not meet the Central Government's expectation. Under the backdrop of the persistent macroeconomic control on the property market, the austerity measures are expected to be refined in 2012 with an aim to satisfy the home purchasers' reasonable need and curb the demand for investment and speculation. Nevertheless, local fine-tuning will not be able to change the severe situation of the overall property market and property developers will still face tremendous challenges.

Due to the unlikely relaxation of the property market control, the falling trend of home prices and transaction volume may persist, particularly in the first half of 2012. In response to this market condition, property developers may need to further increase revenue source and cut costs. On one hand, strategies such as price reduction and active promotion may be used to accelerate inventory digestion and increase capital turnover. On the other hand, cost control methods, including prudent land purchase and cut down on operation, will be implemented in order to secure operational cash flow. The Group anticipates that a hastened adjustment towards the real estate market, differentiation of real estate enterprises become more obvious and industry consolidation will be sped up, which may result in market concentration.

### Sales and Pricing Strategy

In 2012, the Group will continue to keep abreast of the market and implement active and flexible strategies in sales and pricing to speed up sales and cash inflows for existing projects. The Group will adopt a strategy of deep penetration into the current markets in existing cities. Focus will be put on existing cities at where its projects with sound results are located so as to fully capitalize the local resources, build up its brand name and achieve sustainable development.

### Investment Strategy

The Group strikes to adhere to its prudent investment strategy of "balancing outflows and inflows." The Group will reasonably and prudently increase certain high-quality land bank based on the cash inflows from sales and prudent financial policy requirement. The focus of the Group is to explore opportunities in existing cities and regions with strong solid demand. While maintaining the land bank at a reasonable level, the Group is seeking to further optimise its land portfolio in regional and city-levels so as to lay a solid foundation for the mid and long-term development.

### Operational Strategy

The Group will hold on to its development philosophy of operating prudently to hasten sales and cash inflow for new operations. It will trim down construction area appropriately depending on the market changes so as to effectively control the expenditures and to ensure the security of operation and stable development. Furthermore, the Group will optimise management in the aspects of refinement, standardization and informatisation to strengthen the efforts on costs and quality control. The Group will also stick to the steady development of commercial property in core urban areas of the first-tier and second-tier cities and concentrate on enhancing the development and operation management of its current commercial projects and gradually improve the proportion of the Group's income from the operative investment property.

### Financial Strategy

The Group will continue to adhere to its prudent financial policy and adopt a more diversified financing structure through multiple platforms and channels to ensure that the funding required for the rapid development of its businesses will be met while total borrowings will be controlled at a reasonable level. Meanwhile, the Group will continue to strengthen its capital structure by reducing the proportion of short-term loan. The Group will maintain its refined cash flow management to effectively control financial risks.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2011

| *RMB'000* | *Note* | **2011** | 2010 |
|---|---|---|---|
| Revenue | *2* | **9,585,443** | 7,114,025 |
| Cost of sales | | **(5,788,246)** | (3,694,934) |
| Gross profit | | **3,797,197** | 3,419,091 |
| Other income | *3* | **182,695** | 803,239 |
| Other gains, net | *4* | **724,419** | 2,410,578 |
| Selling and marketing expenses | | **(240,998)** | (197,133) |
| Administrative expenses | | **(435,957)** | (421,057) |
| Finance costs | *5* | **(2,526)** | (3,750) |
| Share of profit of an associate | | **338** | 1,351 |
| Share of loss of a jointly controlled entity | | **(4,143)** | (50,090) |
| Profit before income tax | | **4,021,025** | 5,962,229 |
| Income tax expenses | *6* | **(1,811,944)** | (2,353,451) |
| Profit for the year | | **2,209,081** | 3,608,778 |
| Profit for the year attributable to: | | | |
| – the Company's equity holders | | **2,215,654** | 3,608,552 |
| – non-controlling interests | | **(6,573)** | 226 |
| | | **2,209,081** | 3,608,778 |
| Other comprehensive income: | | | |
| Gain/loss recognised directly in equity | | **–** | – |
| Total comprehensive income for the year | | **2,209,081** | 3,608,778 |
| Total comprehensive income for the year attributable to: | | | |
| – the Company's equity holders | | **2,215,654** | 3,608,552 |
| – non-controlling interests | | **(6,573)** | 226 |
| | | **2,209,081** | 3,608,778 |
| Earnings per share for profit attributable to the Company's equity holders (expressed in RMB per share) | | | |
| – Basic | *7* | **0.28** | 0.46 |
| – Diluted | *7* | **0.28** | 0.46 |

**CONSOLIDATED BALANCE SHEET**
As at 31 December 2011

| *RMB'000* | *Note* | **2011** | 2010 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **722,872** | 573,753 |
| Investment properties | | **8,557,663** | 7,223,208 |
| Intangible assets | | **2,833** | 3,360 |
| Investment in an associate | | **6,189** | 5,851 |
| Investment in a jointly controlled entity | | **25,767** | 29,910 |
| Loan to a jointly controlled entity | | **1,967,905** | – |
| Deferred income tax assets | | **308,027** | 201,167 |
| | | **11,591,256** | 8,037,249 |
| **Current assets** | | | |
| Properties under development | | **22,862,050** | 16,791,838 |
| Completed properties held for sale | | **2,929,268** | 1,989,004 |
| Inventories | | **6,849** | 6,636 |
| Trade and other receivables and prepayments | *9* | **9,942,396** | 7,672,916 |
| Amount due from a jointly controlled entity | | **–** | 1,903,472 |
| Prepaid taxes | | **205,995** | 89,706 |
| Restricted cash | | **2,145,255** | 1,683,880 |
| Cash and cash equivalents | | **1,021,098** | 4,151,420 |
| | | **39,112,911** | 34,288,872 |
| **Total assets** | | **50,704,167** | 42,326,121 |
| **EQUITY** | | | |
| **Capital and reserves attributable to the Company's equity holders** | | | |
| Share capital | | **68,745** | 68,745 |
| Share premium | | **7,822,982** | 7,822,982 |
| Reserves | | **9,159,191** | 6,907,191 |
| | | **17,050,918** | 14,798,918 |
| Non-controlling interests | | **1,293,778** | 493,051 |
| **Total equity** | | **18,344,696** | 15,291,969 |

| ***RMB'000*** | *Note* | **2011** | 2010 |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Borrowings | *10* | **5,583,223** | 7,780,952 |
| Deferred income tax liabilities | | **1,476,239** | 1,212,088 |
| Obligation under finance lease | | **17,396** | 17,232 |
| | | **7,076,858** | 9,010,272 |
| **Current liabilities** | | | |
| Advanced proceeds received from customers | | **6,915,588** | 6,565,180 |
| Trade and other payables | *11* | **4,751,758** | 2,458,068 |
| Income tax payable | | **4,311,586** | 2,994,321 |
| Borrowings | *10* | **9,302,813** | 6,005,443 |
| Obligation under finance lease | | **868** | 868 |
| | | **25,282,613** | 18,023,880 |
| **Total liabilities** | | **32,359,471** | 27,034,152 |
| **Total equity and liabilities** | | **50,704,167** | 42,326,121 |
| **Net current assets** | | **13,830,298** | 16,264,992 |
| **Total assets less current liabilities** | | **25,421,554** | 24,302,241 |

## NOTES:

### 1 Basis of Preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements have been prepared in accordance with the HKFRSs under the historical cost convention, as modified by the revaluation of investment properties.

***(i) New and amended standards adopted by the Group***

The Group has adopted the following new standards, amendments and interpretations on 1 January 2011:

| | |
|---|---|
| HKAS 24 (Revised) | Related Party Disclosures |
| HKAS 32 (Amendment) | Financial Instruments: Presentation in Classification of Right Issue |
| HK(IFRIC)-Int 14 (Amendment) | Prepayments of a Minimum Funding Requirement |
| HK(IFRIC)-Int 19 | Extinguishing Financial Liabilities with Equity Instruments |
| Improvements to HKFRS 2010 | |

The adoption of the above new standards, amendments and interpretations to standards has no significant impact to the Group's financial position for all periods presented in this report.

***(ii) Standards, amendments and interpretations that are not yet effective and have not been early adopted by the Group***

The following standards, amendments and interpretations have been published and are mandatory for the accounting periods beginning on or after 1 January 2011 or later periods, and the Group has not early adopted:

- HKAS 1 (Amendment) "Presentation of financial statements" requires entities to group items presented in "other comprehensive income" on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). HKAS 1 (Amendment) will be effective for accounting period beginning on or after 1 July 2012.

- HKAS 12 "Income taxes" currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in HKAS 40, 'Investment property'. This amendment therefore introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, HK(SIC) 21 "Income taxes – recovery of revalued non-depreciable assets", will no longer apply to investment properties carried at fair value. The amendments also incorporate into HKAS 12 the remaining guidance previously contained in HK(SIC) 21, which is withdrawn. HKAS 12 (Amendment) will be effective for accounting period beginning on or after 1 January 2012.

- HKFRS 9 "Financial instruments" addresses the classification, measurement and recognition of financial assets and financial liabilities. HKFRS 9 was issued in November 2009 and October 2010. It replaces the parts of HKAS 39 that relate to the classification and measurement of financial instruments. HKFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the HKAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. HKFRS 9 will be effective for accounting period beginning on or after 1 January 2015.

- HKFRS 10 "Consolidated financial statements" builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. HKFRS 10 will be effective for accounting period beginning on or after 1 January 2013.

- HKFRS 11 "Joint arrangements" is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. HKFRS 11 will be effective for accounting period beginning on or after 1 January 2013.

- HKFRS 12 "Disclosures of interests in other entities" includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. HKFRS 12 will be effective for accounting period beginning on or after 1 January 2013.

- HKFRS 13 "Fair value measurement" aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs. HKFRS 13 will be effective for accounting period beginning on or after 1 January 2013.

There are no other HKFRSs or HK(IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group. The Group has already commenced an assessment of the impact of these new standards or amendments but is not yet in a position to state whether these new standards or amendments would have a significant impact on its results of operations and financial position.

## 2 Segment Information

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

The Board considers the business from geographical perspective and assesses the performance of property development in four reportable operating segments, namely Shanghai Region, Yangtze River Delta (excluding Shanghai), Pan Bohai Rim and Northeast China.

The Board assesses the performance of the operating segments based on a measure of segment results. This measurement basis excludes the effects of non-recurring expenditure from the operating segments. Other information provided, except as noted below, to the Board is measured in a manner consistent with that in the consolidated financial statements.

Total segment assets excluded deferred income tax assets and other unallocated corporate assets.

Sales between segments are carried out in terms equivalent to those that prevail in arm's length transactions. The revenue from external parties reported to the Board is measured in a manner consistent with that in the consolidated statement of comprehensive income.

| *RMB'000* | Shanghai Region | Yangtze River Delta (excluding Shanghai) | Pan Bohai Rim | Northeast China | Others | Total |
|---|---|---|---|---|---|---|
| **Year ended 31 December 2011** | | | | | | |
| Total revenue | **4,872,900** | **1,496,586** | **662,161** | **2,565,982** | **–** | **9,597,629** |
| Inter-segment revenue | **(12,186)** | **–** | **–** | **–** | **–** | **(12,186)** |
| Revenue (from external customers) | **4,860,714** | **1,496,586** | **662,161** | **2,565,982** | **–** | **9,585,443** |
| Segment results | **2,347,184** | **68,757** | **118,799** | **766,093** | **(52,447)** | **3,248,386** |
| Depreciation and amortisation | **(9,915)** | **(3,613)** | **(3,325)** | **(2,069)** | **(1,375)** | **(20,297)** |
| Fair value changes of investment properties | **477,620** | **–** | **42,335** | **157,181** | **–** | **677,136** |
| Interest income | **49,308** | **79,085** | **1,043** | **1,573** | **14,457** | **145,466** |
| Finance costs | **(427)** | **(1,352)** | **(193)** | **(519)** | **(35)** | **(2,526)** |
| Income tax expenses | **(1,298,483)** | **(55,664)** | **(50,109)** | **(407,688)** | **–** | **(1,811,944)** |
| **Year ended 31 December 2010** | | | | | | |
| Total revenue | 3,867,240 | 249,370 | 1,900,206 | 1,310,163 | – | 7,326,979 |
| Inter-segment revenue | (212,954) | – | – | – | – | (212,954) |
| Revenue (from external customers) | 3,654,286 | 249,370 | 1,900,206 | 1,310,163 | – | 7,114,025 |
| Segment results | 2,257,301 | (5,263) | 684,981 | 245,278 | (387,449) | 2,794,848 |
| Depreciation and amortisation | (6,625) | (1,704) | (2,663) | (749) | (480) | (12,221) |
| Fair value changes of investment properties | 2,452,402 | – | – | – | – | 2,452,402 |
| Grant income | – | – | – | – | 665,160 | 665,160 |
| Interest income | 85,409 | 3,497 | 3,154 | 1,921 | 5,577 | 99,558 |
| Finance costs | (2,430) | (672) | (447) | (171) | (30) | (3,750) |
| Income tax expenses | (1,858,220) | 294 | (253,368) | (75,867) | (166,290) | (2,353,451) |

| *RMB'000* | Shanghai Region | Yangtze River Delta (excluding Shanghai) | Pan Bohai Rim | Northeast China | Others | Elimination | Total |
|---|---|---|---|---|---|---|---|
| **As at 31 December 2011** | | | | | | | |
| Total segment assets | **29,870,673** | **28,497,850** | **6,453,050** | **9,318,674** | **16,280,377** | **(43,481,468)** | **46,939,156** |
| Total segment assets include: | | | | | | | |
| Investment in an associate | **6,189** | **–** | **–** | **–** | **–** | **–** | **6,189** |
| Investment in a jointly controlled entity | **25,767** | **–** | **–** | **–** | **–** | **–** | **25,767** |
| Deferred income tax assets | | | | | | | **308,027** |
| Other unallocated corporate assets | | | | | | | **3,456,984** |
| Total assets | | | | | | | **50,704,167** |
| **As at 31 December 2010** | | | | | | | |
| Total segment assets | 24,253,724 | 19,408,164 | 6,272,495 | 4,288,017 | 9,296,739 | (24,218,153) | 39,300,986 |
| Total segment assets include: | | | | | | | |
| Investment in an associate | 5,851 | – | – | – | – | – | 5,851 |
| Investment in a jointly controlled entity | 29,910 | – | – | – | – | – | 29,910 |
| Deferred income tax assets | | | | | | | 201,167 |
| Other unallocated corporate assets | | | | | | | 2,823,968 |
| Total assets | | | | | | | 42,326,121 |

| ***RMB'000*** | **2011** | 2010 |
|---|---|---|
| Segment results | **3,248,386** | 2,794,848 |
| Fair value changes of investment properties | **677,136** | 2,452,402 |
| Grant income | **–** | 665,160 |
| Depreciation and amortisation | **(20,297)** | (12,221) |
| Loss on redemption of a financial liability | **(27,140)** | (33,768) |
| Operating profit | **3,878,085** | 5,866,421 |
| Interest income | **145,466** | 99,558 |
| Finance costs | **(2,526)** | (3,750) |
| Profit before income tax | **4,021,025** | 5,962,229 |
| Additions to: | | |
| – Property, plant and equipment | **167,339** | 93,618 |
| – Investment properties | **598,613** | 169,068 |
| – Intangible assets | **–** | 1,800 |

***Analysis of revenue by category***

| | | |
|---|---|---|
| Sales of properties | **9,581,735** | 7,109,960 |
| Others | **3,708** | 4,065 |
| Total | **9,585,443** | 7,114,025 |

## 3 Other Income

| *RMB'000* | **2011** | 2010 |
|---|---|---|
| Interest income | **145,466** | 99,558 |
| Grant income (a) | **–** | 665,160 |
| Rental income | **26,772** | 30,961 |
| Others | **10,457** | 7,560 |
| | **182,695** | 803,239 |

(a) The amount represented the grant income from the local government authorities as an appreciation of the Group's contribution.

## 4 Other Gains, Net

| *RMB'000* | **2011** | 2010 |
|---|---|---|
| Fair value changes of investment properties | **677,136** | 2,452,402 |
| Loss on redemption of a financial liability | **(27,140)** | (33,768) |
| Exchange gains/(losses), net | **74,423** | (8,056) |
| | **724,419** | 2,410,578 |

## 5 Finance Costs

| *RMB'000* | **2011** | 2010 |
|---|---|---|
| Interest expenses: | | |
| – Bank borrowings | **1,210,000** | 724,014 |
| – Promissory Notes | **–** | 24,335 |
| – Shanghai Bay Arrangement | **348,267** | 376,073 |
| – Senior Notes due 2015 | **258,725** | 47,841 |
| – others | **14,021** | 4,089 |
| Total interest expenses | **1,831,013** | 1,176,352 |
| Less: interest capitalised on qualifying assets | **(1,828,487)** | (1,172,602) |
| | **2,526** | 3,750 |

## 6 Income Tax Expenses

| *RMB'000* | **2011** | 2010 |
|---|---|---|
| Current income tax | | |
| – PRC corporate income tax | **767,853** | 598,699 |
| – PRC land appreciation tax | **886,800** | 1,026,898 |
| | **1,654,653** | 1,625,597 |
| Deferred income tax | | |
| – Origination and reversal of temporary differences | **157,291** | 727,854 |
| | **157,291** | 727,854 |
| | **1,811,944** | 2,353,451 |

PRC corporate income tax is provided at the rate of 25% for each of the years ended 31 December 2010 and 2011 of the profits for the PRC statutory financial reporting purpose, adjusted for those items, which are not assessable or deductible for the PRC corporate income tax purpose.

No Hong Kong profits tax has been provided for the years ended 31 December 2010 and 2011 as there is no assessable profit for these years.

PRC land appreciation tax ("LAT") 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 lease charges of land use rights and all property development expenditures, which is included in the consolidated statement of comprehensive income as income tax. The Group has estimated the tax provision for LAT according to the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects and the tax authorities might disagree with the basis on which the provision for LAT is calculated.

## 7 Earnings Per Share

### *(a) Basic*

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

| *RMB'000* | **2011** | 2010 |
|---|---|---|
| Profit attributable to the Company's equity holders | **2,215,654** | 3,608,552 |
| Weighted average number of ordinary shares in issue (thousands) | **7,792,646** | 7,792,646 |

### (b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the year ended 31 December 2010 and 2011, the Company only has share options that are dilutive potential ordinary shares.

| | **2011** | 2010 |
|---|---|---|
| **Earnings (RMB'000)** | | |
| Profit attributable to the Company's equity holders | **2,215,654** | 3,608,552 |
| **Number of Shares** | | |
| Weighted average number of ordinary shares in issue (thousands) | **7,792,646** | 7,792,646 |
| Adjustment for share options (thousands) | **5,019** | 27,237 |
| Weighted average number of ordinary shares for diluted earnings per share (thousands) | **7,797,665** | 7,819,883 |

## 8 Dividend

The Board has resolved not to recommend for shareholders' approval at its forthcoming annual general meeting on 29 May 2012 the payment of a final dividend for the year ended 31 December 2011.

## 9 Trade and Other Receivables and Prepayments

| ***RMB'000*** | **2011** | 2010 |
|---|---|---|
| Trade receivables due from third parties (a) | **79,055** | 549,951 |
| Other receivables due from third parties | **1,290,427** | 220,056 |
| Prepayments: | **8,572,914** | 6,902,909 |
| Related parties | **1,608,420** | 1,317,199 |
| Third parties | **6,964,494** | 5,585,710 |
| | **9,942,396** | 7,672,916 |

(a) Trade receivables are mainly arisen from sales of properties. Proceeds in respect of sales of properties are to be received in accordance with the terms of the related sales and purchase agreements and customers are generally required to settle the receivables within 30 days after the date of signing the sales and purchase agreements. The ageing analysis of trade receivables at the balance sheet dates by due date is as follows:

| ***RMB'000*** | **2011** | 2010 |
|---|---|---|
| Within 6 months | **34,012** | 533,699 |
| Between 7 and 12 months | **34,705** | 2,520 |
| Between 13 months and 3 years | **10,338** | 13,732 |
| | **79,055** | 549,951 |

## 10 Borrowings

| *RMB'000* | **2011** | 2010 |
|---|---|---|
| Borrowings included in non-current liabilities: | | |
| Bank borrowings – secured | **3,686,123** | 5,811,335 |
| Senior Notes due 2015 – secured | **1,897,100** | 1,969,617 |
| | **5,583,223** | 7,780,952 |
| Borrowings included in current liabilities: | | |
| Bank borrowings – secured | **9,302,813** | 3,918,435 |
| Shanghai Bay Arrangement – secured | **–** | 2,087,008 |
| | **9,302,813** | 6,005,443 |
| Total borrowings | **14,886,036** | 13,786,395 |

The maturities of the Group's total borrowings at the balance sheet date are as follows:

| *RMB'000* | **2011** | 2010 |
|---|---|---|
| Within 1 year | **9,302,813** | 6,005,443 |
| After 1 and within 2 years | **2,518,952** | 3,465,631 |
| After 2 and within 5 years | **2,638,185** | 3,754,548 |
| After 5 years | **426,086** | 560,773 |
| | **14,886,036** | 13,786,395 |

## 11 Trade and Other Payables

| *RMB'000* | **2011** | 2010 |
|---|---|---|
| Trade payables: | **2,997,697** | 1,458,718 |
| Related parties | **3,524** | 5,510 |
| Third parties | **2,994,173** | 1,453,208 |
| Other payables due to third parties | **1,604,276** | 906,214 |
| Other taxes payable | **149,785** | 93,136 |
| | **4,751,758** | 2,458,068 |

The ageing analysis of trade payables at the balance sheet date is as follows:

| *RMB'000* | **2011** | 2010 |
|---|---|---|
| Within 6 months | **2,143,779** | 1,215,891 |
| Between 7 and 12 months | **605,866** | 97,651 |
| Between 13 months and 5 years | **248,052** | 145,176 |
| | **2,997,697** | 1,458,718 |

## FINANICAL REVIEW

For the year ended 31 December 2011, the Group recorded a consolidated revenue of RMB9,585.4 million, representing a growth of 34.7% compared to RMB7,114.0 million in 2010. The higher revenue in 2011 was mainly due to more properties delivered in 2011 than 2010. During the year, the Group delivered properties of 1,012,818 sq.m., as compared to 505,295 sq.m. for the year ended 31 December 2010. Due to the higher proportion of properties delivered in the second- and third-tier cities in current year, average selling price decreased to RMB9,460 per sq.m. in 2011 from RMB14,071 per sq.m. in 2010. Royal Lakefront in Shanghai, Harbin Villa Glorious and Shanghai Bay in Shanghai were the three projects that contributed highest revenue for the current year, amounting to RMB3,494.5 million, RMB1,852.5 million and RMB1,319.9 million respectively, representing 36.5%, 19.3% and 13.8% of the Group's consolidated revenue for the year ended 31 December 2011. Other new projects, including Nantong Glorious Chateau and Hefei Villa Glorious, started to contribute revenue for the Group in 2011 and the revenue from these new projects accounted for 15.3% of the Group's total revenue in 2011.

The Group's consolidated gross profit for 2011 was RMB3,797.2 million, representing an increase of 11.1% from a gross profit of RMB3,419.1 million in 2010. The increase in consolidated gross profit was mainly due to the increase in revenue in 2011. The Group's gross profit margin was 39.6% for the year ended 31 December 2011, as compared to 48.1% for the year ended 31 December 2010. The lower gross profit margin for 2011 was mainly due to higher proportion of properties being sold and delivered in the second- and third-tier cities at where the average selling prices and profit margins are generally lower.

Other income for the year ended 31 December 2011 was RMB182.7 million, mainly included interest income of RMB145.5 million (2010: RMB99.6 million). Other income for the year ended 31 December 2010 was RMB803.2 million, which mainly included a grant income from the local government authorities of RMB665.2 million as an appreciation of the Group's contribution.

Other gains, net for the year ended 31 December 2011 were RMB724.4 million (2010: RMB2,410.6 million), which were primarily due to a fair value gain on the Group's investment properties of RMB677.1 million (2010: RMB2,452.4 million).

The Group's profit before income tax for the year ended 31 December 2011 was RMB4,021.0 million, representing a decrease of 32.6% compared to RMB5,962.2 million for 2010. The lower profit before income tax for 2011 was primarily due to decrease in fair value gains from investment properties and other income in 2011.

The Group's profit attributable to the Company's equity holders for the year ended 31 December 2011 was RMB2,215.7 million, representing a decrease of 38.6% compared to RMB3,608.6 million for 2010. Profit attributable to the equity holders, excluding fair value gains from investment properties and the related tax effect and other one-off gains/losses, amounted to RMB1,734.9 million (2010: RMB1,304.1 million), which represented 18.1% of the Group's revenue for the year ended 31 December 2011 (2010: 18.3%).

**Current assets and liabilities**

As at 31 December 2011, the Group held total current assets of approximately RMB39,112.9 million (2010: RMB34,288.9 million), comprising mainly properties under development, trade and other receivables and prepayments and cash and bank balances. Properties under development increased by 36.1% from RMB16,791.8 million as at 31 December 2010 to RMB22,862.1 million as at 31 December 2011, mainly attributable to the continuous progress of the Group's property development projects in 2011 and an increase in the number of projects under construction. Trade and other receivables and prepayments increased by 29.6% from RMB7,672.9 million as at 31 December 2010 to RMB9,942.4 million as at 31 December 2011, mainly due to higher balance of prepayment for land premium as at 31 December 2011 whereby the relevant land use right certificates had yet to be obtained as at 31 December 2011. Total cash and bank balances decreased from RMB5,835.3 million as at 31 December 2010 to RMB3,166.4 million as at 31 December 2011. Total current liabilities as at 31 December 2011 amounted to RMB25,282.6 million, compared with RMB18,023.9 million as at 31 December 2010, which was mainly due to an increase in short-term borrowings that are due for repayment in 2011. As at 31 December 2011, the current ratio (calculated as the total current assets divided by the total current liabilities) was 1.5 (2010: 1.9). The decrease in the current ratio in 2011 was mainly due to higher level of current borrowings.

**Liquidity and Financial Resources**

During 2011, the Group funded its property development projects principally from proceeds from pre-sales of properties and bank loans.

As at 31 December 2011, the Group had cash and cash equivalents of RMB1,021.1 million as compared to RMB4,151.4 million as at 31 December 2010.

The Group's total borrowings amounted to RMB14,886.0 million, representing an increase of 8.0% compared to RMB13,786.4 million as at 31 December 2010.

The Group monitors its capital on the basis of the gearing ratio. Gearing ratio is calculated as net debt divided by total equity attributable to the Company's equity holders. Net debt is calculated as total borrowings less cash and bank balances (including cash and cash equivalents and restricted cash). The gearing ratios as at 31 December 2011 and 2010 were as follows:

| ***RMB'000*** | **2011** | 2010 |
|---|---|---|
| Total borrowings | **14,886,036** | 13,786,395 |
| Less: cash and bank balances | **(3,166,353)** | (5,835,300) |
| Net debt | **11,719,683** | 7,951,095 |
| Total equity attributable to the Company's equity holders | **17,050,918** | 14,798,918 |
| Gearing ratio | **68.7%** | 53.7% |

The increase in gearing ratio for 2010 was resulted from the increase in the Group's borrowings in the current year to finance the payment of land premium and construction expenditures.

**Pledge of Assets**

As at 31 December 2011, the Group had construction in progress, investment properties, properties under development and completed properties held for sale of an aggregate carrying value of RMB10,451.6 million (2010: RMB7,507.0 million) which had been pledged for the Group's borrowings. Besides, the Group had also pledged the equity interest of certain of its subsidiaries and a jointly controlled entity and certain bank deposits for its borrowings.

As at 31 December 2011, properties under development of the Group of RMB421.2 million were being pledged as collateral for certain borrowings by a non-controlling shareholder of a subsidiary (2010: Nil).

**Financial Guarantee**

The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure the repayment obligations of such purchasers. As at 31 December 2011, the amount of outstanding guarantees for mortgages was RMB6,148.4 million (2010: RMB4,389.5 million).

**EMPLOYEES**

As at 31 December 2011, the Group had a total of 1,468 employees (2010: 1,192). Salaries of employees are maintained at competitive levels while bonuses are granted on a discretionary basis. Other employee benefits include provident fund, insurance, medical cover as well as share option scheme.

In order to attract, retain and motivate executives and key employees serving any members of the Group or other persons contributing to the Group, the Company had adopted a share option scheme (the "Share Option Scheme") on 9 September 2009 in addition to a pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") which was adopted by the Company on the same day. As at 31 December 2011, there were 78,000,000 share options that were granted to the directors and employees of the Company under the Pre-IPO Share Option Scheme and remained outstanding. As at 31 December 2011, there was no share option granted under the Share Option Scheme.

## CORPORATE GOVERNANCE

### Corporate Governance Practices

The Company has complied with the applicable code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year ended 31 December 2011, save for the deviation from the code provision E.1.2 which stipulates that the chairman of the board should attend the annual general meeting. The chairman of the Board did not attend the annual general meeting of the Company (the "2011 AGM") held on 20 May 2011 due to other business engagements. Mr. Cheng Li Xiong, the chief executive officer and executive director of the Company, chaired the 2011 AGM on behalf of the chairman of the Board and was available to answer questions.

### Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors. All directors have confirmed, following specific enquiries being made by the Company, that they have complied with the required standard set out in the Model Code during the year ended 31 December 2011.

## AUDIT COMMITTEE

The Audit Committee was established on 9 September 2009 with written terms of reference, which comprises four independent non-executive directors, namely, Mr. Yim Ping Kuen (chairman of the Audit Committee), Mr. Liu Shun Fai, Mr. Wo Rui Fang and Mr. Han Ping.

The Audit Committee has reviewed with management the 2011 Annual Results and took the view that the Company was in full compliance with all applicable accounting standards and regulations and has made adequate disclosure.

## ANNUAL GENERAL MEETING

The annual general meeting of the Company for 2012 will be held at Oasis Room, 8th Floor, Renaissance Harbour View Hotel Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on Tuesday, 29 May 2012 at 3:30 p.m..

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 28 May 2012 to Tuesday, 29 May 2012, both days inclusive, during which period no transfer of shares in the Company will be effected. In order to qualify for the right to attend and vote at the annual general meeting, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's share registrar 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 Friday, 25 May 2012.

## 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 as at 31 December 2011.

## PUBLICATION OF ANNUAL REPORT

The 2011 annual report of the Company containing all the applicable information required by the Listing Rules will be despatched to the shareholders of the Company and published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.gloriousphl.com.cn in due course.

By Order of the Board
**Glorious Property Holdings Limited**
**Zhang Zhi Rong**
*Chairman*

Hong Kong, 30 March 2012

*As at the date of this announcement, the executive directors are Messrs. Zhang Zhi Rong, Ding Xiang Yang, Cheng Li Xiong, Liu Ning, Xia Jing Hua, Yan Zhi Rong and Yu Xiu Yang; the independent non-executive directors are Messrs. Yim Ping Kuen, Liu Shun Fai, Wo Rui Fang and Han Ping.*