FANTASIA

Fantasia Holdings Group Co., Limited 2012 Annual Report

Stock Code: 01777

花样年
FANTASIA

FANTASIA

让生活更有风格

Make Life in Style

CONTENTS

FANTASIA

CORPORATE INFORMATION

DIRECTORS

Executive Directors
Mr. Pan Jun (Chairman)
Ms. Zeng Jie, Baby
Mr. Lam Kam Tong

Independent Non-Executive Directors
Mr. Ho Man
Mr. Liao Martin Cheung Kong, JP
Mr. Huang Ming
Mr. Xu Quan

COMPANY SECRETARY
Mr. Lam Kam Tong

AUTHORIZED REPRESENTATIVES
Mr. Pan Jun
Mr. Lam Kam Tong

AUDIT COMMITTEE
Mr. Ho Man (Committee Chairman)
Mr. Liao Martin Cheung Kong, JP
Mr. Huang Ming
Mr. Xu Quan

REMUNERATION COMMITTEE
Mr. Huang Ming (Committee Chairman)
Mr. Ho Man
Mr. Liao Martin Cheung Kong, JP
Mr. Xu Quan
Mr. Pan Jun

NOMINATION COMMITTEE
Mr. Pan Jun (Committee Chairman)
Mr. Ho Man
Mr. Liao Martin Cheung Kong, JP
Mr. Huang Ming
Mr. Xu Quan
Ms. Zeng Jie, Baby

AUDITORS
Deloitte Touche Tohmatsu
Certified Public Accountants

PRINCIPAL BANKERS
Agricultural Bank of China
China Construction Bank Corporation
China Everbright Bank Co., Ltd.
Industrial and Commercial Bank of China Limited
The Hongkong and Shanghai Banking Corporation Limited

LEGAL ADVISORS

As to Hong Kong Law
Sidley Austin

As to PRC Law
Commerce & Finance Law Offices

As to Cayman Islands Law
Conyers Dill & Pearman

REGISTERED OFFICE
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

CORPORATE HEAD OFFICE IN HONG KONG
Room 1103
Top Glory Tower
262 Gloucester Road
Causeway Bay
Hong Kong

CORPORATE HEADQUARTERS IN PEOPLE'S REPUBLIC OF CHINA
F/27, Block A
Hailrun Complex
No. 6021 Shennan Boulevard
Shenzhen 518040
Guangdong Province
China

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road
George Town
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

LISTING INFORMATION

The Company's Share Listing
Ordinary shares
The Stock Exchange of Hong Kong Limited
Stock Code: 01777

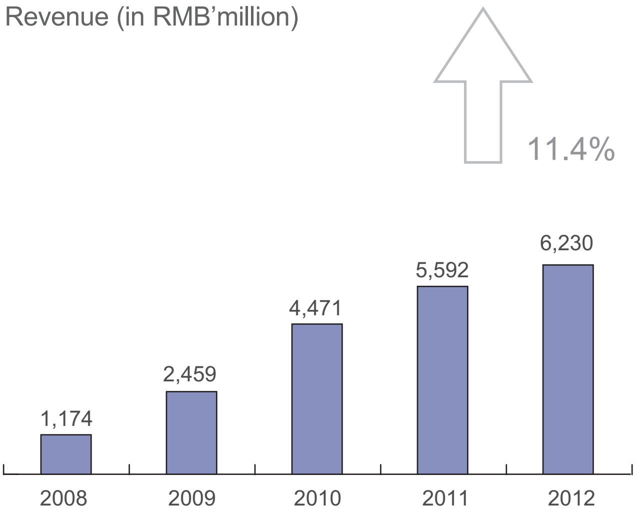
The Company's Senior Notes Listing
14%, 5 years senior notes due 2015
13.75%, 5 years senior notes due 2017
The Singapore Exchange Securities Trading Limited

WEBSITE
http://www.cnfantasia.com

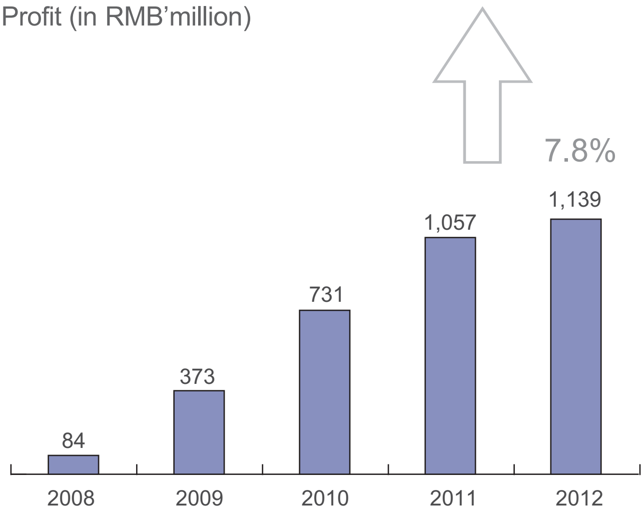
FANTASIA

FINANCIAL HIGHLIGHT

Revenue (in RMB'million)



Profit (in RMB'million)



	2008	2009	2010	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	1,174,211	2,458,673	4,471,234	5,592,350	6,230,050
Gross profit	469,477	1,026,861	1,924,794	2,391,700	2,520,272
Profit attributable to owners of the Company	84,259	373,469	730,798	1,057,479	1,139,241
Basic earnings per share (RMB)	0.02	0.10	0.16	0.21	0.22
Total assets	4,957,322	11,453,486	15,382,388	18,122,636	24,526,597
Total liabilities	3,510,965	7,372,125	10,534,896	12,240,380	17,605,431

FANTASIA

HONOURS AND AWARDS

ON COMPANY LEVEL:

- In January 2012, Dongguan Fantasia Real Estate Investment Co., Ltd. was awarded "Outstanding Contribution Award 2011" (2011年度突出貢獻獎) by Liaobu Town Committee of the CPC (中共寮步鎮委員會) and the People's Government of Liaobu Town (寮步鎮人民政府);
- In January 2012, Dongguan Fantasia Real Estate Investment Co., Ltd. was awarded "Outstanding Enterprise of Real Estate Development Companies 2011" (2011年度房地產開發企業先進單位) awarded by Dongguan Housing and Urban-Rural Construction Bureau (東莞市住房和城鄉建設局);
- In January 2012, Guilin Fantasia Real Estate Development Co., Ltd. won the honour of "The Top 20 Taxpayers in Guilin Real Estate Industry 2011" (桂林市房地產業2011年納稅20強) awarded by Guilin Real Estate Association (桂林市房地產業協會);
- In February 2012, Suzhou Fantasia Real Estate Development Co., Ltd. was awarded "Major Tax-payer 2011" (2011年度納稅大戶) by the People's Government of Wuzhong District in Suzhou City (蘇州市吳中區人民政府);
- In March 2012, Fantasia Group (China) Co., Ltd. won the honour of "China Top 100 Real Estate Developers 2012" (2012中國房地產百強企業) awarded by Enterprise Research Institute of the Development Research Center of the State Council (國務院發展研究中心企業研究所), Real Estate Research Institute of Tsinghua University (清華大學房地產研究所) and China Index Research Institute (中國指數研究所);
- In March 2012, Fantasia Holdings Group Co., Limited won the honour of "China Top 100 Real Estate Developers 2012" (2012年中國房地產開發企業100強) awarded by China Real Estate Research Institute (中國房地產研究會), China Real Estate Association (中國房地產業協會) and China Real Estate Assessment Center (中國房地產評測中心);
- In April 2012, Fantasia Group (China) Co., Ltd. won the honour of "China Top 100 Real Estate Developers for Four Consecutive Years from 2009 to 2012" (2009-2012連續四年中國房地產百強企業) awarded by China Real Estate Top 10 Research Team (中國房地產TOP 10研究所);
- In May 2012, Fantasia Holdings Group Co., Limited won the honour of "Top 50 China Real Estate Listed Companies in terms of Comprehensive Strength 2012" (2012年中國房地產上市公司綜合實力五十強) awarded by China Real Estate Research Institute (中國房地產研究會), China Real Estate Association (中國房地產業協會) and China Real Estate Assessment Center (中國房地產評測中心);
- In May 2012, Fantasia Group (China) Co., Ltd. won the honour of "Most Influential Real Estate Brand in Shenzhen, Dongguan, and Huizhou 2011" (2011年深莞惠地產最具影響力品牌) awarded by Shenzhen Media Group (深圳廣播電影電視集團);
- In June 2012, Shenzhen Color Life Services Group Co., Limited won the honour of "Top 10 Growth Enterprises in Top 100 Property Services Companies in China in 2012" (2012中國物業服務百強企業成長性TOP 10) and "China Top 100 Property Services Companies for Four Consecutive Years from 2009 to 2012" (2009-2012連續四年榮獲中國物業服務百強企業) awarded by China Real Estate Top 10 Research Teams (中國房地產TOP10研究組);
- In July 2012, Fantasia Holdings Group Co., Limited was awarded the "Listed Real Estate Company with the Best Investment Value 2012" (2012年度最具投資投資價值地產上市公司大獎) by 21ST CENTURY BUSINESS HERALD (《21世紀經濟報導》) and Golden Brick Award Selection Committee for Real Estate of China (中國地產金磚獎評選委員會);
- In July 2012, Fantasia Group (China) Co., Ltd. was awarded the honour of the "Initiator of Mangrove Wetlands Preservation Foundation in Shenzhen" (深圳紅樹林濕地保護基金會發起人);

- In July 2012, Fantasia Holdings Group Co., Limited won the honour of "Shenzhen Real Estate Development Company with the Best Brand Value" (深圳房地產開發最具品牌價值企業) awarded by Shenzhen Real Estate Association (深圳市房地產業協會);

- In July 2012, Fantasia Holdings Group Co., Limited won the honour of "China Outstanding Real Estate Developer 2012" (2012年中國傑出房地產商) awarded by Economic Digest of Hong Kong (香港《經濟一週》);

- In August 2012, Shenzhen Color Life Services Group Co., Limited won the honour of "2012 China Property Services Enterprise of Brand Excellence" (2012中國物業服務優秀品牌企業) awarded by China Index Research Institute, with the brand value of RMB422 million;

- In August 2012, Fantasia Holdings Group Co., Limited won the honour of "2012 China Best Commercial Real Estate Brand" (2012中國最佳商業地產品牌) awarded by the Organizing Committee of Boao Real Estate Forum (博鰲房地產論壇組委會);

- In December 2012, Fantasia Holdings Group Co., Limited won the honour of the "Partner for the Voluntary Service Provision Program Initiated by the Communist Youth League for the Children of Migrant Workers" (共青團關愛農民工子女志願服務行動合作夥伴) awarded by the Chinese Young Volunteers Association (中國青年志願者協會);

- In December 2012, Dongguan Huaqianli Property Development Company Limited was awarded the honour of "Enthusiastic Supporter for Cultural Undertakings" (熱心支援文化事業) by Huangjiang Town Committee of the CPC (中共黃江鎮委員會) and the People's Government of Huangjiang Town (黃江鎮人民政府);

- In December 2012, Fantasia Group (China) Co., Ltd. was awarded the honour of the "Brand for the Year 2012" (2012年度品牌大獎) by Nanfang City News (《南方都市報》);

- In January 2013, Fantasia Group (China) Co., Ltd. was listed in the "List of Top 100 Outstanding Real Estate Enterprises in China for 2012" (2012年度中國房地產卓越100榜) and the "List of China's Outstanding Real Estate Management and Teams in China for 2012" (2012年度中國房地產管理與團隊卓越榜) selected by guandian.cn (觀點地產新媒體);

ON PROJECT LEVEL:

- In January 2012, Wuxi Hailrun Complex was awarded the honour of "Top 10 Most Anticipated Real Estate 2012" (2012年十大期待樓盤) by efw.cn (無錫e房網);

- In January 2012, Guilin Fantasia Town was awarded the honour of "Guilin 2011 Top 20 Real Estate Sellers" (桂林市房地產業2011年銷售20強) by Guilin Real Estate Association (桂林房地產業協會);

- In January 2012, Guilin Fantasia Town was awarded the honour of "The Best Real Estate Project Selected by Internet Users" (網友口碑最好樓盤) by guilin.house.sina.com (桂林新浪樂居);

- In January 2012, Huizhou Fantasia Special Town was awarded the honour of "Internet Users' Top Ten Beloved Real Estate in Huizhou in 2011-2012" (2011-2012年度惠州網友十大喜愛樓盤) by Soufun.com (搜房網);

- In March 2012, Wuxi Love Forever was awarded the honour of "Top 10 Most Influential Famous Real Estates Project 2011" (2011年度最具影響力十大名盤) by Wuxi Daily Press Group (無錫日報報業集團);

- In March 2012, Rhombus Fantasia Chengdu Hotel was awarded the honour of "2012 China Hotel Starlight Awards – China's Top Ten Newly-Opened Hotels" (2012中國星光獎之"中國十佳最新開業酒店大獎") from the China Hotel Starlight Award Committee (中國酒店星光獎評審委員會);

- In May 2012, Wuxi Love Forever was awarded the honour of 2012 "Most Popular Real Estate Among Newly-Wed Couples" (2012年度無錫婚房人氣樓盤冠軍) by House.QQ.com (騰訊房產);

- In May 2012, Chengdu Hailrun Plaza was awarded the honour of "Five-star Commercial Building in Jinjiang District" (錦江區五星級商務樓宇) by Property Management Association for Commercial Buildings in Jinjiang District, Chengdu (成都市錦江區商務樓宇物業管理協會);
- In May 2012, Shenzhen Funian Plaza was awarded the honour of "Renchenxingye Office Building" (壬辰興業寫字樓) by First (Ethnic Chinese) Human Settlement Science Forum Organization Committee (首屆(華人)人居環境科學論壇組委會);
- In May 2012, Shenzhen Funian Plaza was awarded the honour of the "Best Commercial Complex in Shenzhen, Dongguan and Huizhou in 2011" (2011深莞惠最佳商業綜合體) by Shenzhen Media Group (深圳廣播電影電視集團);
- In May 2012, Shenzhen Meinian International Complex was awarded the honour of the "Building with Excellent Property Management in Nanshan District for 2012" (2012年度南山區物業管理優秀大廈) by the Housing and Construction Bureau of Nanshan District, Shenzhen (深圳市南山區住房和建設局);
- In June 2012, Wuxi Hailrun Complex was awarded the honour of "Wuxi Car-owners' Most Favored Real Estate" (無錫車友最喜愛樓盤) by Wuxi Radio and TV Group (無錫廣播電視集團);
- In June 2012, the brand "U Hotel" was awarded the "9th Golden Pillow Award of China Hotels: 2012 China Chained Boutique Hotel Brand with the Most Development Potential" (第九屆中國酒店金枕頭獎：2012年度中國最具發展潛力精品連鎖酒店品牌) by 21st Century Business Herald (《21世紀經濟報導》);
- In June 2012, U Hotel was awarded the honour of "China Green Hotel 4A" (中國綠色飯店4A) by China Green Hotel Working Committee (全國綠色飯店工作委員會);
- In July 2012, Shenzhen Funian Plaza was awarded the Grand Prize for Commercial Real Estate for 2012" (2012年度商業地產大獎) by "21st Century Business Herald" (《21世紀經濟報導》) and Golden Brick Award Selection Committee for Real Estate of China (中國地產金磚獎評選委員會);
- In July 2012, Suzhou Lago Paradise was awarded the honour of "2012 China's 9th Villa Festival – 2012 China's Villa Innovation Prize" (2012第九屆中國別墅節－2012年中國別墅創新獎) by soufun.com (搜房網);
- In July 2012, Huizhou Fantasia Special Town was awarded the honour of "Top 10 Real Estate Sellers in Eastern Shenzhen for the First Half of 2012" (2012上半年深圳東樓盤銷售十強) by Sina Leju (新朗樂居);
- In August 2012, Tianjin Love Forever was awarded the honour of "The Most Influential Villa in China in 2012" (2012中國最具影響力別墅) by the Organizing Committee of Boao Real Estate Forum (博鰲房地產論壇組委會) and guandian.cn (觀點地產新媒體);
- In November 2012, Chengdu Grande Valley was awarded the honour of the "Demonstration Unit of Quality Service" (優質服務窗口) by Chengdu Property Management Association (成都市物業管理協會);
- In November 2012, Rhombus Fantasia Chengdu Hotel was awarded the "Hotel with Best Service Prize" (最佳服務酒店) under the Best Hotel Prize (最佳酒店大獎) by City Travel magazine (《城市旅遊》雜誌);
- In December 2012, Suzhou Lago Paradise was awarded the honour of "Suzhou LEJU Innovation Summit in 2012 – Brand Real Estate in Baidu.com" (2012蘇州LEJU創新峰會－百度品牌樓盤) by Sina Leju (新浪樂居);
- In December 2012, Yuhuatai Project won the "Golden Medal for the Best Selling Real Estate of the Year" (年度金牌暢銷樓盤) granted by Nanjing Daily (《南京日報》);
- In December 2012, Dongguan Wonderland won the "Golden Medal for the Best Selling Real Estate of the Year" (年度金牌暢銷樓盤) granted by Nanfang City News (《南方都市報》)
- In December 2012, Shenzhen Funian Plaza was awarded the "Grand Prize of Office Building of the Year at the 2012 China's Real Estate Annual Meeting" (2012中國地產年會年度寫字樓大獎) by Nanfang City News (《南方都市報》)
- In December 2012, Yuhuatai Project was awarded the honour of the "Commercial Real Estate with the Most Investment Potential in Nanjing for 2012" (2012年南京最具投資價值商用樓盤) by Soufun.com (搜房網);
- In January 2013, Yuhuatai Project was awarded the honour of "The Best Commercial Real Estate in Nanjing, China for 2012" (2012中國(南京)最佳商業地產) by Yangtse Evening News (《揚子晚報》);

FANTASIA

MILESTONE OF BUSINESS DEVELOPMENT

In January 2012, Shenzhen Colour Life Services Group Co., Ltd. (深圳市彩生活服務集團有限公司), a subsidiary of the Company, initiated the "Happiness in China" (幸福中國行) program;

In February 2012, we signed a strategic cooperation agreement with Shenzhen Longri Landscape Company Limited (深圳市龍日園藝景觀有限公司);

In February 2012, Shenzhen U Hotel, our first self-operated brand hotel, was officially opened for business;

In February 2012, we initiated the "Warm Spring Program" (暖春行動) to bring forth an innovative marketing model and drive the demand for residential properties;

In April 2012, the sixth "Fantasia – Voyage to Happiness" public welfare project under the theme of "Cuisine in China" was launched in Beijing;

In April 2012, our new commercial brand "花生唐" made its debut in Nanjing;

In May 2012, the "Me and My Friends" (我和我的朋友) activity was launched for the old friends of the Company to purchase properties;

In June 2012, the "Cuisine Festival" of "Cuisine in China" public welfare project was launched in Grande Valley in Chengdu;

In June 2012, we entered into a strategic alliance memorandum with Starwood Group to announce that the parties would establish a long-term and friendly cooperation relationship in the fields of hotel development, construction and management, prior to which, the two parties had cooperated in three projects, namely Guilin Fantasia Town (桂林花樣城), Chengdu Meinian Plaza (成都美年廣場) and the introduction of Four Points by Sheraton (福朋喜來登酒店) into Grande Valley in Chengdu;

In August 2012, we signed a contract with Shenzhen Able Electronics Co., Ltd. ("Able Electronics") to acquire the entire equity interest of Able Electronics in Baolong Industrial Zone in Longgang, Shenzhen at a consideration of RMB27.18 million;

In August 2012, we established our new corporate vision, mission and culture to gradually achieve our transformation into a financial holding group oriented towards eight major businesses;

In September 2012, the "Cuisine in China" public welfare project was launched in Dali;

In September 2012, Tianjin Future Plaza was wound up;

In September 2012, Shenzhen Colour Life Services Group Co., Ltd. (深圳市彩生活服務集團有限公司), a subsidiary of the Company, and China Everbright Bank, Shenzhen Branch held the signing ceremony of the joint IC Card project, where the "e-card for Colorful Life" (彩生活e卡通) was officially launched by the parties together to build a new intelligent community;

In September 2012, we issued USD250 million 13.75% senior bonds due in 2017;

In October 2012, we acquired the entire equity interest of Huawanli Investment at the consideration of RMB779.2 million and obtained the land use right of a parcel of land located in Chaoyang District, Beijing through which we formally entered into the market in Beijing;

In November 2012, the "Cuisine in China" public welfare project was launched in Nanjing;

In November 2012, we acquired the 61% equity interest of Topsearch Shenzhen at the consideration of RMB213 million. Topsearch Shenzhen's assets include two parcels of land located in Shekou, Shenzhen;

In November 2012, the Third Return Banquet for Suppliers was held in Shenzhen;

In November 2012, the Third Return Banquet for Diamond Customers was held in Shenzhen;

In November 2012, the cornerstone laying ceremony of the Nanjing-Full of Happiness Project, our first output management project, was held;

In December 2012, Rhombus Fantasia Chengdu Hotel was officially opened for business and it was the first five-star all-suite boutique hotel in Western China;

In December 2012, a team of volunteers of the Company participated in "Run for Love-One Foundation's 2012 Shenzhen (Yantian) Mountain Marathon" to raise winter warmth bags for the children in poverty-striken regions.

FANTASIA

SOCIAL RESPONSIBILITY

VOYAGE TO HAPPINESS

In 2012, working in collaboration with Shu Qiao (殳俏), a renowned cuisine author, the sixth "Fantasia – Voyage to Happiness" (花樣年•發現幸福之旅) embarked on the voyage of "Cuisine in China" for discovering handcrafted cuisines. During 2012, in search of traditional artistry of handcrafted cuisines, Shu Qiao visited Chengdu, Dali and Nanjing to look for cultural background, ingredients and cooking methods of different cuisines. "Cuisine in China", a charitable gourmet event, was held in the form of "Cuisine Festival" in which off-line activities were organised in Beijing, Chengdu, Dali and Nanjing to share the culture of traditional handcrafted cuisines with Fantasia's customers and local people and sample handcrafted cuisines on the spot, bringing amusing, tasty and valuable experience to the participants. In 2013, the "Cuisine in China" charitable gourmet event will be summed up in a series of documentaries and books on "Cuisine in China" which present the whole process of the making of traditional handcrafted cuisines, recalling tasty memories of and inspiring thoughts on healthy and organic foods.

EDUCATION SUPPORT INITIATIVE

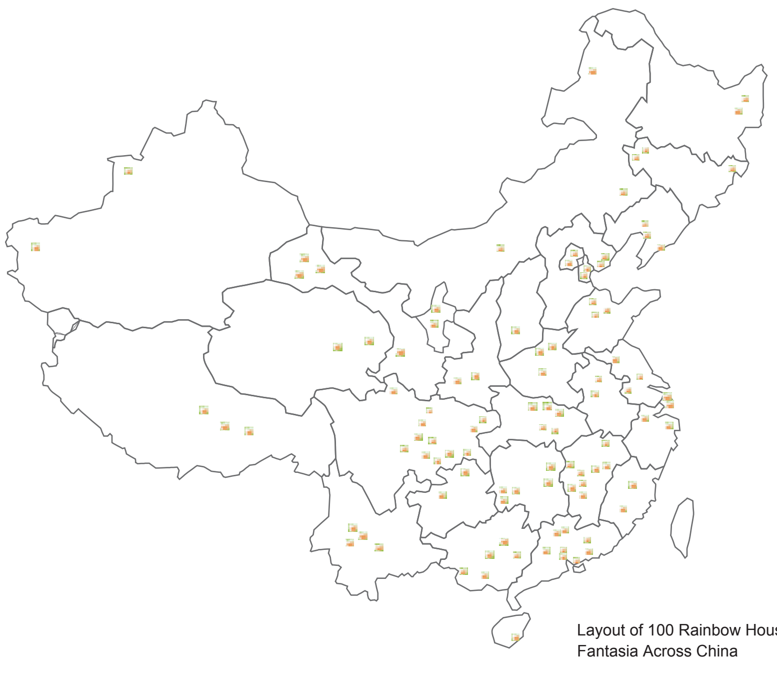
In 2012, with the "New Hope Model" for centralised education of left-behind children provided by Fantasia Hope Primary School in Ji'an County (吉安縣花樣年希望小學) as a blueprint and in strategic cooperation with the Central Committee of Chinese Communist Youth League, Fantasia launched the "Fantasia – Education Support Initiative" which aims at providing tailored after-school tuition and activities for the children of rural migrant workers, in particular left-behind children. With the "Fantasia – Rainbow Houses" as the activity base and the "Rainbow Classes" (七彩課堂) as the theme of the caring activities, the "Fantasia – Education Support Initiative" is a "Four-in-one" combination consisting of venues, activities, volunteers and one-to-one pairing up.

In three years, Fantasia will establish 100 "Fantasia – Rainbow Houses" for 100 schools for the children of rural migrant workers in all provincial-level administrative regions in China, and organise "Rainbow Classes" activities on a regular basis to provide continuing care for those children. After confirmation from volunteers who have carried out on-site inspection, the first batch which consists of 82 "Fantasia – Rainbow Houses" donated with naming rights will soon be completed.

Since the commencement of the Fantasia – Education Support Initiative, we have received overwhelming support from our staff. The Fantasia First Session Alumni Union of Cheung Kong Graduate School of Business (花樣年長江商學院一期同學會) has made a donation to build the flagship "Fantasia – Rainbow House" (花樣年•七彩小屋) and launched the campaign of "Sports Shoes Giving in Cold Snap" (天涼贈球鞋), donating a pair of sports shoes for each of the more than 900 students of Ji'an Hope Primary School (吉安希望小學).

VOLUNTEERS

By the end of 2012, Fantasia promoted volunteer service among its staff on the principle of "Joyful Serving" (樂享公益), fostering the idea of "Joyful" experience from voluntary works and creating a value of life that is fun and rewarding through community service. Since the launch in spring 2009 of "Fantasia – Scheme of Teaching Support from New Pillars" (花樣年•新棟樑支教計劃), the role model of Fantasia volunteer service, 35 "Fantasia New Pillars" (花樣年新棟樑) have been to Fantasia Hope Primary School in Ji'an County to provide teaching support. The objective of Fantasia volunteer campaign is to attract more volunteers from the Company and from the public to allow them to experience the interest and the joy of life while helping others.



Layout of 100 Rainbow Houses of Fantasia Across China

FANTASIA

CHAIRMAN'S STATEMENT

Dear shareholders,

I. INNOVATION AND TRANSFORMATION

2012 is an extraordinary year for Fantasia. In despite of the increasing effect of the macro control on the real estate industry and the slump of the overall market that lasted until the end of the year, Fantasia managed to record contract sales of over RMB8 billion, representing a year-on-year increase of 14.4%.

In addition to the pursuit of financial growth, Fantasia has always been striving to improve its social and historical value with a view to growing into a respectable enterprise with outstanding economic and social value. People's lifestyle and consumptive habits are gradually changing because of the internet and new technologies, traditional industries and models are in face of unprecedented threats and challenges. With the beginning of the era of experience economy, the service requirements of the customers are also changing, and the real estate industry is also confronted with the new challenges emerging in the new economic era and will need to transform. Given the above, in 2012, we had formulated a strategy for the next 10 years. After analyzing and reviewing the experience we have accumulated and the lessons we have learnt during the past 16 years, we come to realize that, no matter what changes have taken place in the internal or external environment, Fantasia has always been persisting in the constant pursuit of innovation and the improvement of customer experience.

Since our listing in three years ago, Fantasia has, in addition to the expansion of the real estate business, accomplished the entry into the hotel business and the commercial fields in related industries. By 2012, Fantasia has grown into a financial holding group covering eight major areas of value-added services, namely financial service, community service, property management, real estate development, business management, hotel management, cultural tourism and senior housing, and has been steadily carrying out all the plans set in accordance with the strategy. We expect that ten years later when we look back upon the road we took to our unprecedented success, we know it is the choice we made today that has helped Fantasia precisely grasp the business cycle, determine the development model and gain a broader vision and platform. I would like to express my gratitude to the shareholders for your trust in and support for Fantasia, as well as your continued company along the way to our dreams and innumerable achievements.

M A K E L I F E I N S T Y L E

II. RESULTS AND DIVIDENDS

For the financial year ended 31 December 2012, the Group recorded revenue of approximately RMB6,230 million, which represents an increase of 11.4% over last year. Net profit attributable to owners of the Company during the year was RMB1,139 million, representing an increase of 7.8% as compared to last year. Excluding the revenue contributed by the change in fair value of investment properties and net of the effect on relevant taxation and minority interests, the net profit contributed by the core businesses of the Group reached RMB892 million, representing an increase of 3.8% as compared to last year.

To reward our shareholders for their support, the Board proposed a final dividend of HK5.5 cents per share in respect of the year 2012, subject to shareholders' approval at the upcoming annual general meeting.

III. MARKET AND BUSINESS REVIEW

The year 2012 witnessed the enhancement of the mutual effect between the global economy and trade, the worsening of the European debt crisis, the significant slowdown of the economic growth worldwide and the differentiation of the economical contradictions resulted from the unbalanced development of different regions. In response to the worsening crisis, major countries including the United States, Japan, Brazil and the United Kingdom put in place loose monetary policies, which marked a new upsurge in the global capital market.

Influenced by the global economy, there were a number of uncertainties for the domestic economy. As such, the overall objective was adjusted from "Inflation Control" to "Steady Growth", and positive financial policies and steady monetary policies were implemented. Although the M2 reached RMB97.42 trillion by the end of the year and China ranked the first amongst the major economies worldwide in terms of the ratio of M2 to GDP, the economic growth was significantly driven by the monetary policies, and the growth rate of the economy for the whole year eventually reached 7.8%, higher than the 7.5% anticipated at the beginning of the year, which represented a gradual recovery of the real economy.

In response to the structural transformation of the economic growth, initiatives have been taken domestically to adjust the real estate market and relieve the risks of the investment and financing platforms. The real estate industry continued to record a steady growth in spite of severe challenges, and the sales area and sales amount for the whole year reached 1,113,040,000 square meters and RMB6,445.6 billion respectively, representing a year-on-year increase of 1.8% and 10.01%. Having experienced the implementation of the policies on "purchase restriction and loan restriction", the industry and the customers and enterprises therein became more mature, and different regions, which could be divided into four tiers, started to show different growth potentials with a clear division between the first two tiers and the last two tiers. Moreover, customers started to have preferences for products and the attributes of the real estates got clearer than ever. In consideration of the said background, the Group formulated the operating strategy of "Being Steady and Prudent" at the beginning of the year with an emphasis on the safe management of the cash flows and the capital, and carried out the sales by means of active marketing. Through the reliance upon the "demand of the home buyers" and "the complexes free from the purchase restriction" as well as the cash flows and the profits, the Group recorded a significant increase in the revenue from the major businesses and overfulfilled the sales objective of RMB7.2 billion for the whole year. The contract sales amount and the contract area for the year reached over RMB8 billion and approximately 960,000 square meters respectively, representing a year-on-year increase of 14.4% and 28.7%.


Chengdu Future Plaza


Shenzhen Funian Plaza

1. We re-established the corporate vision, mission, culture and strategy

Based on our review on the growing progress in the past 16 years, the analysis on the core drivers for the growth of Fantasia and the judgments on the global economy and the consumption trend in the future, we defined the pursuit of innovative business model, unique grade and taste and rich business content as the corporate mission of Fantasia. We devote ourselves to becoming a leader for the interesting, tasteful and colorful living space and experience.

In this regard, we systematically drew up the development plans for the eight major value-added business segments of the Group in the next 10 years, which can be summarized as "1232":

- "1" stands for one engine: the financial service platform to drive the other business segments through the provision of financial support;
- "2" stands for two platforms: to build a community network service platform and a property management service platform for small to medium enterprises to serve a broad customer base;
- "3" stands for three transitions: the three asset-intensive businesses, namely the real estate, commerce and hotel businesses, gradually transit to the development model oriented by a light asset base through financial leveraging;
- The last "2" stands for two cultivation plans: to cultivate unique business models for the cultural tourism segment and the senior housing segment and make sure they are capable of rapid expansion in the market.

2. We enhanced the financial holding and strategic control functions of the Group and implemented a three-level control structure

During the reporting period, with the establishment of the Group's strategy for the next 10 years and the diversified business portfolio centered on the real estate gradually becoming mature, the Group formed a control model that could be divided into three levels, namely the companies in various regions/cities, the business groups and the headquarters of the Group. The Group enhanced the functions of financial and strategic control and resource integration of the headquarters, and improved the management capabilities of the business groups at the second level as well as the executive capabilities of the companies in various regions/cities.

3. A number of companies in the regions/cities achieved satisfactory results through stable operation.

During the reporting period, with Yuhuatai Project launched into the market, the Group had recorded sales revenue from all the ten cities it had presence in. Certain companies in the cities that had been in stable operation for many years became increasingly mature, and earned a good reputation and influence in the local market.

In Chengdu, the three landmark projects in the High-technology Zone, namely Meinian Plaza, Funian Plaza and Future Plaza, were put for sale at the same time, and recorded an accumulated sales amount of RMB1,324.35 million, ranking the 6th in Chengdu High-technology Zone and representing a share of 3.4% in the local market.

In Guilin, Fantasia Town and Lakeside Eden generated sales revenue of RMB716.49 million in aggregate, representing a share of 7.8% of the whole market in Guilin City.

In Dongguan, Wonderland contributed sales revenue of RMB956.34 million during the whole year, ranking the 5th among the stand-alone projects in Dongguan City.

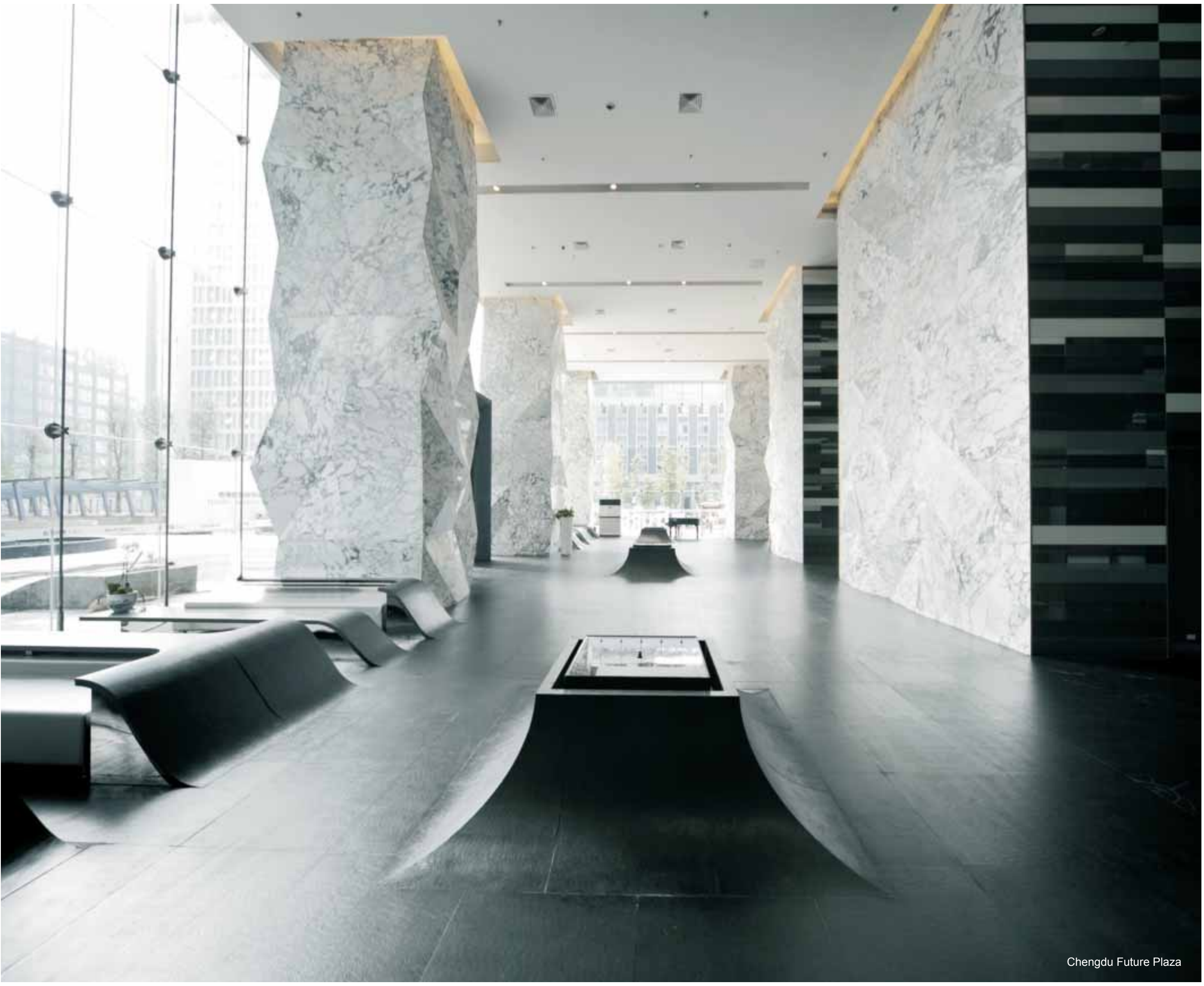
In Huizhou, Fantasia Special Town was better received than other competitors in the competitive market through innovation, and generated sales revenue of RMB683.39 million over the whole year, ranking the 1st in the local market.

By leveraging on the unique understanding on customers, commerce and investment, Fantasia attempted to put the Yuhuatai Project on sale through the innovative combination between commercial and financial products. All the first 58 units launched for sale under the unfavorable environment were sold out on the date of launch, and the supplementary products were once again well received in the market, which had added and improved the overall commercial value of the Banqiao district.

4. Further speed up the course of property business by focusing on cities and optimizing the product portfolio

The Group's contract sales exceeded RMB8 billion, of which RMB3,900 million was derived from urban complexes projects, accounting for approximately 49% of the total sales.

The policy of "purchase-restriction and loan-restriction" makes real estate products continue to be featured with simplification. And the rapid decrease of the so-called "house ticket", together with the final imposition of house duty around the country, would continue to induce gloomy clouds over the market. Consequently, the effect of the policy of "purchase-restriction and loan-restriction" will gradually show up. It was on the basis of the above judgments that in 2012, the Group mainly made investments in the lands located in some first-tier cities like Beijing and Shenzhen which have great market potential and could bring abundant returns and with a focus on the establishment of urban complexes. By doing so, we believe in the following one to three years we will be able to bring more profit returns for our shareholders.



Chengdu Future Plaza

Chengdu Funian Plaza

Chengdu Funian Plaza

5. Issue US$250 million senior notes

Under the background of a gloomy global capital market with cautious market participants, the successful issuance of US$250 million 5-year senior notes in the second half of 2012 was crucial for the Group to replenish cash and secure promising investment projects in an unfavorable market.

6. The Group's financial business revived and issued its first real estate fund successfully

During the reporting period, we issued our first real estate fund successfully and raised a total of RMB280 million for the purpose of investment in an industrial park project that the Group previously obtained. The industrial park is located in Nanshan District, Shenzhen, covering an area of 17,990 square meters with a gross floor area of approximately 39,586 square meters, and is obtained by the Group in 2011 through acquisition.

Looking forward, we will further take advantage of the self-development and finance platforms, expand the real estate fund business, liberalize the fund management, increase the Group's investment as a parent fund, build up a platform for fund investment and invest in some optimal projects that can bring great returns.

7. Bring our service into every household in the community

The property operation business of the Group experienced continuous rapid growth during the reporting period. Shenzhen Colour Life Services Group Co., Limited (深圳市彩生活服務集團有限公司) ("Colour Life Services Group"), a subsidiary of the Group, acquired a number of property management companies. As of 31 December 2012, Colour Life Services Group managed a total of 437 projects, representing a growth of 38% as compared to last year, with the area under management totaling about 50.31 million square meters, representing a year-on-year increase of 65%. The Group's business coverage has also been extended to 24 core cities.

In order to face challenges brought by the rising labor cost of property services and accommodate the demand for community services in an era of mobile communication, the Group has taken the initiative to promote Colour Life V2.0 model on the basis of information technology infrastructure and we believe this would further increase our service efficiency for the community, the replicability of our property management and the ability of seamlessly integrating the offline business to online business, while enhancing our leading favorable position relative to the traditional property management companies. We plan to enhance the modification project in regard to Colour Life V 2.0 model for the communities managed under Colour Life Services Group in 2013, further establish 150 more communities managed under Color Life V 2.0 and 150 more Colour Space shops (彩空間) around China, optimize Colour Life online service and transaction platform with SOLOMO model, boost Colour Life's ability to explore and integrate the peripheral commercial resources of the community by adopting innovative and interactive intelligent mobile device as a terminal access for customer's mutual connection and Colour Space as a physical terminal access for the customers to experience online shopping while introducing and expanding the application of Colour Life online platform to the peripheral commercial entities in the community and thus contributing to the development of Colour Life Service Group as a leading integrated services provider for offering services to mini commercial areas with a radius of 5 miles long extending from the community.

8. Hotel service

During the reporting period, the Group's Chengdu-based flagship hotel, Rhombus Fantasia Chengdu Hotel, was awarded the honour of "2012 China Hotel Starlight Awards – China's Top Ten Newly-Opened Hotels" and the "Hotel with Best Innovation" under the Annual Media Awards-Example of China.

Until the end of 2012, 4 hotels have already opened for business under the Group's management and in the following three to five years, the Group will run about 16 hotels located in Shenzhen, Tianjin, Chengdu, Suzhou and Guilin respectively with a gross floor area of about 280,000 square meters. On 28 June 2012, the Group signed a strategic alliance memorandum with Starwood Hotels & Resorts Worldwide, Inc. (喜達屋酒店管理集團), through which both parties formally announced to establish a long-term and friendly cooperation relationship in the fields of hotel development, construction and management and expanded the cooperation platform between the Group and world-renowned hotel management teams.

IV. OUR FUTURE BUSINESS

From the perspective of the long business cycle, Fantasia shall not be contented with the benefits from the rapid economic growth. As there is a possibility that the real estate market will experience downturn, we must think for our future business in a fast paced environment. The rapid development of the internet is changing people's service need and bringing about a new round of technological revolution, which in return will further promote the diversification of businesses and change people's traditional consumption habits. Fantasia profoundly realizes that to continuously care about customers' experience and provide satisfied services is the value of our sustained existence.

1. Developing financial business with the support of our real estate and various service platforms

The industrial advantage in the related value chains of real estate industry and the massive terminal advantage in community service form the customer advantage of Fantasia in the finance industry. Creative service mode and understanding of the business mode of integrating industrial resources contribute to the judgment of Fantasia to the future consumption trend in the finance industry. It is believed that with the upgrading of Internet technology, numerous new financial business modes will spring up, while Fantasia will launch the financial business at a high starting point due to the accumulation over the past 16 years.

2. Pursuing quality growth in the real estate business and gradually expanding its size through cooperation and output management

On the premise of the gradual slowdown of land dividend and demographic dividend, profit from scales will increasingly rely on technicalization. As a capital-intensive industry, we will expand the size through the market, reasonably use financial leverage, insist on our judgment to district value and the selection of product structure and fully explore the land value through integrating resources and improving service ability to realize quality and sizable growth in the future.

3. Integrating the whole business chain of real estate, promoting the industrialization of construction and leading the technological revolution of the industry

As the third industrial revolution represented by atomic energy, computer technology and biotechnology is around the corner, the technology of Internet and Internet of things will thoroughly change people's way of life. The traditional craftsmanship of construction with more than two thousand years of history will come to an end due to technical improvement, decreasing workforce and environment protection. However, Fantasia, will make efforts to become the leader of the revolution.

We will further improve the integration of the whole business chain of real estate by implementing industrialization and enhance our business management ability by returning to the nature of finance and manufacturing industries

4. Expanding the scale of community service and accelerating the implementation progress of V2.0 community service

The major community service platforms under the Group, namely Color Life Services Group and Property International, will continue to expand the service scale through innovation until reaching the leading standard nationwide in the future. We will establish strong customer reliance through the provision of basic services, fully explore customers' need by judging the future consumption behavior and make the community service permeate into customers with our complete online and offline platform.

5. Implementing experience research in a scientific and systematic way and emphasizing the service ability in business, hotel, healthcare and cultural tourism sectors with a transition from heavy to light

In the related industrial fields with real estate as its core, the traditional and mediocre mindset is still prevailing and constrains numerous operators. With the coming of the experience economy in which customers will have a more diversified choice, the core elements which attracted customers in the past will depreciate and even become the obstacle to moving forward. In the future, Fantasia will devote more resources to study the experience economy and consumption behavior systematically and scientifically, incorporate the findings into the daily operation of our service business unit, and create an unique service charm.

6. Actively seeking investment opportunity in overseas emerging markets and integrating the eight businesses of the Group with a global vision

With the integration of global economy, the new round of labor division in each region and the outflow of Chinese capital to the world, integrating global resources to develop the Group's business is becoming a trend. We need to join the resources of the Group with those of the whole world in the new round of labor division and actively seek investment opportunity in emerging markets, such as the developing countries in Southeast Asia and South America. The globalization of our business will further enhance the Group's ability in resource integration and profit mode.

APPRECIATION

2012 is an extremely meaningful year for Fantasia. Through the development in the past 16 years, we have witnessed the miracle of China's economy and experienced the ups and downs of the industry. From our hard working in the coastal area of South China to our prospering across the country, Fantasia comes to realize the importance of "innovation" and "experience service", and has formulated a detailed strategy for the future development in the next ten years. Throughout the past 16 years, with the understanding and support of all our staff, shareholders, investors and partners who have always been with us, Fantasia has made outstanding achievement during its development. In the future which we are full of expectation, we hope all of you could join us to embark on a journey which will be both challenging and rewarding, with the hope of bringing joy and happiness to everyone.

PAN Jun
Chairman
Hong Kong, 23 March 2013

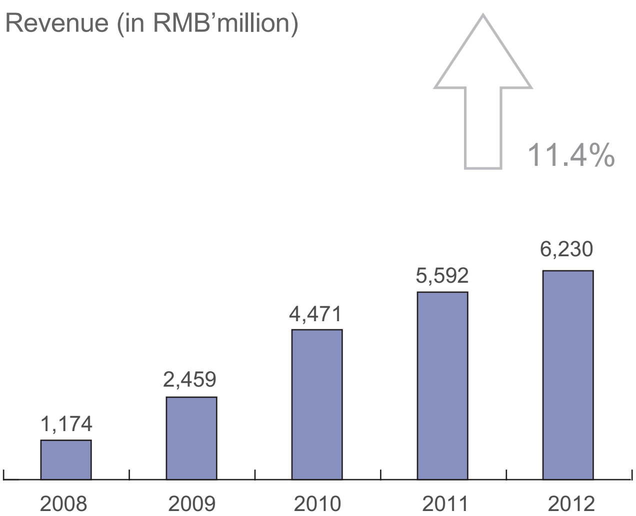
FANTASIA

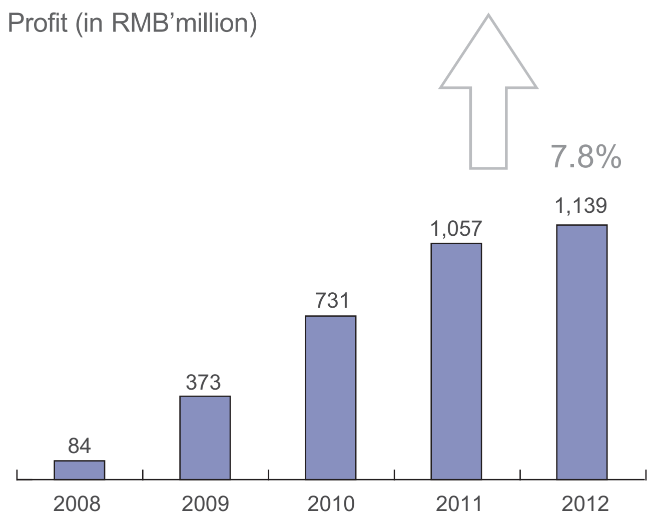
MANAGEMENT DISCUSSION AND ANALYSIS

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 2012, turnover of the Group amounted to approximately RMB6,230 million, representing an increase of 11.4% from approximately RMB5,592 million in 2011. Profit for the year attributable to the owners of the Company was approximately RMB1,139 million, representing an increase of 7.8% from approximately RMB1,057 million in 2011.





MANAGEMENT DISCUSSION AND ANALYSIS

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 9.1% to approximately RMB5,885 million in 2012 from approximately RMB5,396 million in 2011. This increase was due primarily to an increase in total gross floor area ("GFA") sold to our customers.

The table below sets forth the total revenue derived from each of the projects and the aggregate GFA of properties sold in 2012 and 2011.

	2012			2011		
	Total Revenue	GFA sold	Average Selling Price	Total Revenue	GFA sold	Average Selling Price
	RMB'000	Square meters	RMB	RMB'000	Square meters	RMB
Chengdu Future Plaza (成都香年廣場)	1,311,210	125,194	10,473	–	–	–
Shenzhen Funian Plaza (深圳福年廣場)	779,537	22,592	34,505	–	–	–
Huizhou Fantasia Special Town (惠州別樣城)	691,572	137,054	5,046	366,991	70,136	5,233
Tianjing Future Plaza (天津香年廣場)	594,511	50,702	11,725	–	–	–
Chengdu Fantasia Town (成都花樣城)	584,605	138,738	4,214	378,592	88,059	4,299
Dongguan Wonderland (東莞江山)	511,323	62,483	8,183	–	–	–
Wuxi Love Forever (無錫花郡)	438,723	62,496	7,020	–	–	–
Suzhou Lago Paradise (蘇州太湖天城)	247,283	22,819	10,837	131,398	11,880	11,060
Dongguan Mont Conquerant (東莞君山)	242,746	27,887	8,705	564,365	61,750	9,139
Chengdu MIC Plaza[1] (成都美年國際廣場)	147,861	19,964	7,406	1,198,527	130,058	9,215
Shenzhen Meinian International Complex (深圳美年廣場)	131,039	4,378	29,931	897,520	32,118	27,944
Chengdu Grande Valley (成都大溪谷)	101,440	12,211	8,307	138,899	16,522	8,407
Chengdu Belle Eqopue[2] (成都君山)	32,181	5,210	6,177	33,125	3,757	8,818
Tianjin Hailrun Plaza (天津喜年廣場)	20,729	1,768	11,725	660,198	50,674	13,028
Shenzhen Love Forever (深圳花郡)	2,852	99	28,808	907,563	44,903	20,212
Yixing Town on the Water (宜興雲海間)	–	–	–	14,374	1,293	11,121
Shenzhen Flower Harbor (深圳花港家園)	–	–	–	9,036	766	11,800
Chengdu Hailrun Plaza (成都喜年廣場)	–	–	–	6,084	168	36,286
	5,837,612	693,595	8,416	5,306,672	512,084	10,363
Other (including sales of carparks and construction of relocation housing)	47,702	–	–	89,617	–	–
	5,885,314	–	–	5,396,289	–	–

Note: 1 Chengdu MIC Plaza formerly known as Chengdu Meinian International Plaza

2 Chengdu Belle Eqopue formerly known as Chengdu Mont Conquerant

Property Investment

Revenue generated from property investment increased by 136.8% to approximately RMB90 million in 2012 from approximately RMB38 million in 2011. The increase was primarily due to the continuing growth of the investment properties and the increase in occupancy rate.

Property Agency Services

Revenue derived from property agency services increased by 27.3% to approximately RMB14 million in 2012 from approximately RMB11 million in 2011. Due to the restructuring of the Company's business, the property agency services business has been disposed of in January 2011 in order for the management to concentrate on the major business, but we maintained the property agency service in the second hand market as a value-added service in the property operation business team.

Property Operation Services

Revenue derived from property operation services increased by 48.0% to approximately RMB185 million in 2012 from approximately RMB125 million in 2011. This increase was due primarily to an increase both in the GFA of properties that we managed and coverage of value added service we provided to customers during 2012.

Hotel Services

Revenue derived from hotel services increased by 139.1% to approximately RMB55 million in 2012 from approximately RMB23 million in 2011. This increase was due primarily to an increase in occupancy rate of the hotel during 2012.

Gross Profit and Margin

Gross profit increased by 5.4% to approximately RMB2,520 million in 2012 from approximately RMB2,392 million in 2011, while our gross profit margin maintained at a high level of 40.5% in 2012 whereas it was 42.8% in 2011. This increase in gross profit was in line with the increase in the total revenue in 2012. On the other hand, the decreased in profit margin in 2012 was resulted from the change in composition of completed properties delivered.

Other Income, Gain and Losses

Other income, gain and losses decreased by 31.9% to approximately RMB32 million in 2012 from approximately RMB47 million in 2011. The decrease was primarily due to the exchange gain resulting from translation of our US dollar bank borrowings was decreased in 2012 as the exchange rate became stable.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 19.8% to approximately RMB314 million in 2012 from approximately RMB262 million in 2011. 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 2012 as compared to that in 2011. Our contract sales in 2012 was approximately RMB8,014 million while that in 2011 was approximately RMB7,005 million.

Administrative Expenses

Our administrative expenses decreased by 5.8% to approximately RMB292 million in 2012 from approximately RMB310 million in 2011. This decrease was due primarily to the management of the Company is able to utilize and allocate the resources much more efficiency than before by implementation of an effective budgeting system.

Finance Costs

Our finance costs decreased by 46.8% to approximately RMB58 million in 2012 from approximately RMB108 million in 2011. Most of our bank loans and senior notes were used for projects constructions and decrease in finance cost was due primarily to the increase in the number of project under construction, resulted to the increase in capitalization rate.

Income Tax Expenses

Our income tax expenses increased by 21.5% to approximately RMB1,261 million in 2012 from approximately RMB1,038 million in 2011. 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 2012 as compared to that in 2011.

Profit Attributable to Owners of the Company

Profit attributable to owners of the Company increased by 7.8% to approximately RMB1,139 million in 2012 from approximately RMB1,057 million in 2011. This increase was due primarily to an increase in properties recognised in 2012 as compared to that in 2011.

Liquidity, Financial and Capital Resources

Cash Position

As at 31 December 2012, the Group's bank balances and cash was approximately RMB3,496 million (2011: approximately RMB1,336 million), representing an increase of 161.7% as compared to that as at 31 December 2011. A portion of our cash is 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 2012, the Group's restricted cash was approximately RMB708 million (2011: approximately RMB315 million), representing an increase of 124.8% as compared to that as at 31 December 2011.

Current Ratio and Gearing Ratio

As at 31 December 2012, the Group has current ratio (being current assets over current liabilities) of approximately 1.48 compared to that of 1.50 as at 31 December 2011. The gearing ratio was 66.4% as at 31 December 2012 compared to that of 74.2% as at 31 December 2011. 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 32.1% (2011: 30.3%) as of 31 December 2012.

Borrowings and Charges on the Group's Assets

As at 31 December 2012, the Group had an aggregate borrowings and senior notes of approximately RMB5,552 million (31 December 2011: approximately RMB4,741 million) and approximately RMB2,329 million (31 December 2011: approximately RMB752 million), respectively. Amongst the borrowings, approximately RMB1,861 million (31 December 2011: approximately RMB1,896 million) will be repayable within 1 year, approximately RMB3,337 million (31 December 2011: approximately RMB2,153 million) will be repayable between 2 to 5 years and approximately RMB354 million (31 December 2011: approximately RMB692 million) will be repayable after 5 years. The senior notes were repayable between 2 to 5 years.

As at 31 December 2012, a substantial part of the 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 its business in China. 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 2012, though the exchange rates of RMB against U.S. dollar and the Hong Kong dollar kept on increasing, the Directors expect that any fluctuation of RMB's exchange rate will not have material adverse effect on the operation of the Group.


Shenzhen Funian Plaza

Commitments

As at 31 December 2012, the Group had committed payment for the construction and land development expenditure amounting to approximately RMB4,718 million (2011: RMB2,773 million) and RMB91 million (2011: RMB98 million), respectively.

Contingent Liabilities

As at 31 December 2012, the Group had provided guarantees amounting to approximately RMB2,751 million (2011: approximately RMB2,479 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 2012 as the default risk is low.

Employees and Remuneration Policies

As at 31 December 2012, the Group had approximately 7,502 employees (31 December 2011: 6,929 employees). Total staff costs, including the Directors' emoluments, for the year ended 31 December 2012 amounted to approximately RMB242 million (2011: approximately RMB251 million). Remuneration is determined with reference to the 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 Chinese employees), a discretionary bonus program and a share option scheme.

The Company adopted the share option scheme on 27 October 2009. In October 2012, the Group has granted share options to subscribe 68,430,000 shares of the Company (the "Shares") in conformity with the share option scheme to some of the directors and employees of the Group, at an exercise price of HK$0.8 per share. 23,260,000 (2011: Nil) share options had lapsed during the year. Up to 31 December 2012, no share option had been exercised. As at 31 December 2012, the outstanding share options were 119,400,000. Please refer to the paragraph headed "Share Option Scheme" in this report for further details.

INTRODUCTION

2012 is an extraordinary year for Fantasia, during which, it had, in addition to the expansion of the real estate business, has successively completed the business foundation for the related hotel and commercial businesses. As of 2012, by virtue of the solid base established in the real estate industry, Fantasia has grown into an enterprise covering eight major real estate related services, namely financial service, community service, property management, real estate development, business management, hotel management, cultural tourism and senior housing, and has targeted to become a leader for the interesting, tasteful and colorful living space and experience. During the reporting period, the community service and hotel management segments recorded the most significant growth among all the value-added businesses in relation to the real estate industry and achieved satisfactory results. On the other hand, under the background of a gloomy global capital market with cautious market participants, the Group issued US$250 million 13.75% senior notes due 2017 and US$250 million 10.75% senior notes due 2020 in September 2012 and January 2013, respectively. This was crucial for the Group to replenish cash and secure promising investment projects in an unfavorable market.

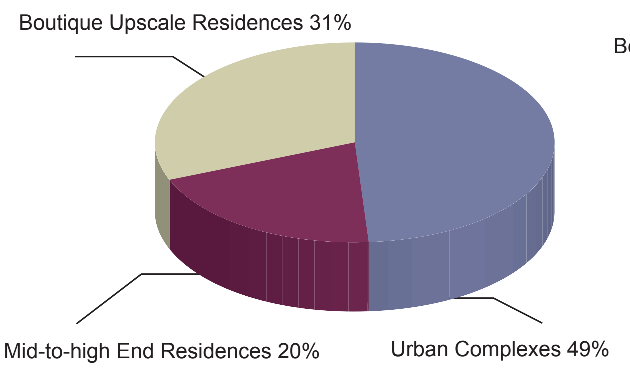
REAL ESTATE DEVELOPMENT

Contract Sales and Projects Development

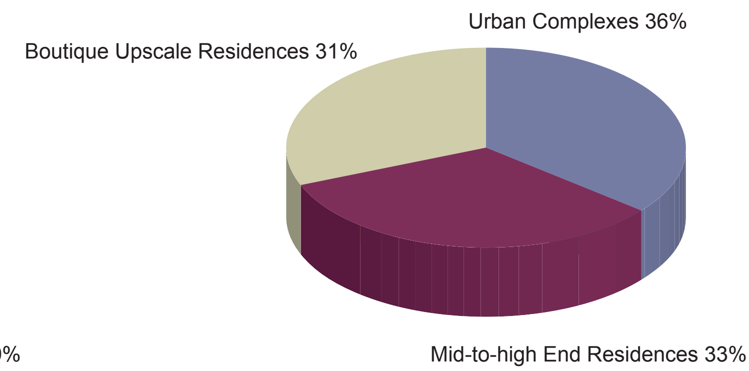
Having experienced the implementation of the policies on “purchase-restriction and loan-restriction” during the past two years, the industry, the customers and the enterprises have become more mature, and different tiers of cities started to show different growth potentials with a clear division between the first-and-second-tier cities and the third-and-fourth-tier cities. The Group formulated the operating strategy of “Being Steady and Prudent” at the beginning of the year with an emphasis on the safe management of the cash flows and the capital, and carried out the sales by means of active marketing. Through the reliance upon the “rigid demand” products and “the complexes free from the purchase restriction”, the Group overfulfilled the sales objective of RMB7.2 billion for the whole year.

During the reporting period, the Group recorded contract sales of RMB8,014 million and contract sales area of 959,905 square meters. RMB3,911 million of the total contract sales was derived from urban complexes projects, accounting for 49% of the total sales. The uniformity of the real estate products resulted from the purchase-restriction and loan-restriction policies is expected to continue in line with the increasing influence of such policies. Therefore, in 2012, we mainly acquired land in the first-tier cities with high appreciation potential and rich capital return, such as Beijing and Shenzhen, and focused our efforts on urban complex, which we believe will yield a more substantial profit return in the next three years.

The Proportion of Contract Sales Attributable to Different Categories of Products



The Proportion of Contract Sales Area Attributable to Different Categories of Products

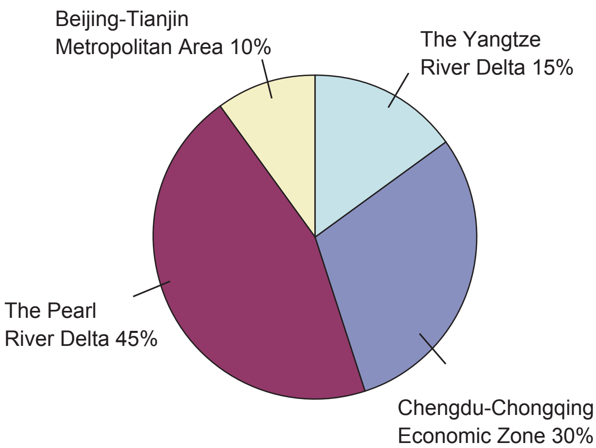


The proportions of contract sales and areas attributable to different categories of products in 2012

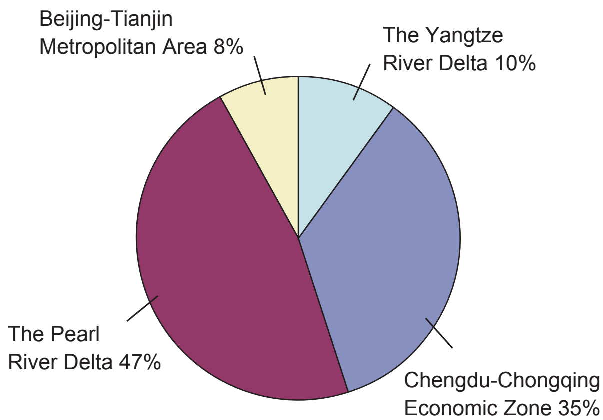
	Amounts		Areas	
	(RMB million)	%	(square meters)	%
Urban Complexes	3,911	49%	340,483	36%
Mid-to-high End Residences	1,646	20%	320,067	33%
Boutique Upscale Residences	2,457	31%	299,355	31%
Total	**8,014**	**100%**	**959,905**	**100%**

During the reporting period, the contract sales contribution of our real estate business were mainly derived from 10 cities, including Chengdu and Shenzhen, and 19 projects, including Shenzhen Funian Plaza, Chengdu Future Plaza, Chengdu Funian Plaza, Chengdu Fantasia Town, Dongguan Wonderland and Huizhou Fantasia Special Town, as compared to nine cities and 18 projects for the same period last year. This reflects that, as a result of the continuous efforts over the past years, the project companies in the cities have become more mature by virtue of the operating experience accumulated, and have established favorable reputations and influences in the local markets, and this resulted in the more balanced business development of the Group and a continuous growth in the contributions from different regions.

The Proportion of Contract Sales in the Four Core Regions in 2012



The Proportion of Contract Sales Area in the Four Core Regions in 2012



The breakdown of contract sales in the four core regions in 2012

	Amounts		Areas	
	(RMB million)	%	(square meters)	%
The Pearl River Delta	3,574	45%	449,236	47%
Chengdu-Chongqing Economic Zone	2,439	30%	330,088	35%
The Yangtze River Delta	1,223	15%	99,435	10%
Beijing-Tianjin Metropolitan Area	778	10%	81,146	8%
Total	**8,014**	**100%**	**959,905**	**100%**

Pearl River Delta

Pearl River Delta is one of the most important drivers for economic growth in China, and the area in which Fantasia undertook strategic transformation by the earliest time. The Group has, since 2010, been developing a Greater Shenzhen Zone, with Shenzhen being the center and Huizhou and Dongguan being the radiated regions, while speeding up the business development in Guilin market as to further expand our strategic penetration and coverage around the Pearl River Delta. In 2012, the Group newly acquired 61% of interest in a plot of land located at Shekou, Shenzhen as one of the Group's initiatives in acquiring additional land bank in first-tier cities since 2012.

After having made a series of sales records in the property market in Huiyang District in 2011, Huizhou Fantasia Special Town again made a new record during the reporting period and has achieved an annual sales revenue of RMB681.42 million through launching new and innovative products which are well-received in the market and this has made Fantasia rank the top in the local market. With the sales strategy of closely following the market demand, Dongguan Wonderland realized an annual sales revenue of RMB954.75 million and has ranked the top five in the single project sales in Dongguan. Guilin Fantasia Town and Lakeside Eden, being Fantasia's first two large-scale projects for entering into the Guilin market, and given its superior geographic location in the future urban center district, sound district planning and ancillary facilities and the resources planning for the awesome and spectacular view of an enormous lake, had drawn extensive market attention every time when products were launched to the market. During the reporting period, the two projects achieved a sales revenue of RMB714.65 million, accounting for 8.9% of a total sales market in Guilin.

During the reporting period, the Group recorded contract sales area of approximately 449,236 square meters in Pearl River Delta; and recorded contract sales of approximately RMB3,574 million, attributing 47% and 45% of the Group's total contract sales area and total contract sales, respectively.

As at 31 December 2012, the Group had five projects or phases of projects under construction in Pearl River Delta, with a total planned GFA of approximately 1,013,151 square meters and saleable area of approximately 765,301 square meters. The Group also had five projects or phases of projects to be developed, with a total planned GFA of approximately 2,204,446 square meters, and has entered into one framework agreement, with a total planned GFA expected to be approximately 99,540 square meters.

Chengdu-Chongqing Economic Zone

Chengdu-Chongqing Economic Zone is one of the economic regions which enjoys highest potential for development in China. After a decade of development, the property market of the zone has become more mature. Chengdu shall become the strategic economic region for modern services industry and new and high-technology industry driven by its system planning for transport development.

The Group entered Chengdu market in early 2001. With brand reputation we gained over more than 10 years, the Group has been one of the strongest property developers in Chengdu. During the reporting period, despite the market saturation of the commercial properties and the persistent market pressure, Fantasia, with its favorable corporate brand image and the measures undertaken, has strengthened its leading position in the market of urban complexes.

During the reporting period, the Group recorded contract sales area of approximately 330,088 square meters in Chengdu-Chongqing zone; and recorded contract sales of approximately RMB2,439 million, attributing 35% and 30% of the property total contract sales area and total contract sales to the Group, respectively.

As at 31 December 2012, the Group had seven projects or phases of projects under construction in Chengdu-Chongqing zone, with a total planned GFA of approximately 1,095,952 square meters. The saleable area was approximately 837,695 square meters. Other than the projects under construction, the Group still had four projects or phases of projects to be developed in Chengdu-Chongqing Economic Zone, with a total planned GFA of approximately 2,009,373 square meters. The Group also entered into framework agreements in respect of two projects, with a total planned GFA expected to be approximately 4,536,379 square meters. After over 2 years of primary land development, the Group acquired a parcel of land with the total GFA of 377,484 square meters in Pixian in 2012 and our Company may further expand its areas of land bank in Chengdu area phase by phase.

Beijing-Tianjin Metropolitan Area

Beijing-Tianjin Metropolitan Area, which is the third pole for China's economic growth as well as the core of the Capital Economic Circle and the hinterland of Bohai Economic Rim Region, has a prominent strategic position. This area, enjoying the convenience of being the national political, economic and cultural center, has made itself as one of the most attractive areas in China. During the reporting period, the Group, in pursuit of its development strategy, has acquired a plot of commercial use land with the GFA of approximately 140,000 square meters located at Qingnian Road, Chaoyang District in Beijing (北京朝陽區青年路), and this represented a significant step for entering the real estate market in Beijing under the trend of the eastern development of CBD in Beijing.

During the reporting period, the Group reported contract sales area of approximately 81,146 square meters and contract sales of RMB778 million in Beijing-Tianjin Metropolitan Area, representing 8% and 10% of the property total contract sales area and total contract sales of the Group, respectively.

As at 31 December 2012, the Group had one project or phase of project under construction in Beijing-Tianjin Metropolitan Area, with an aggregate planned GFA of approximately 75,028 square meters, and estimated saleable area of approximately 53,121 square meters, and also three projects or phases of projects to be developed, with an aggregate planned GFA of approximately 775,630 square meters.

Yangtze River Delta

Yangtze River Delta is the region which enjoys the strongest integrative strength and the most-balanced development. Due to its extensive geographic coverage and strategic development, the region shall become important focuses for the growth of China's real estate industry. The Group has been paying strong attention to the Group's existing projects and the first-tier cities with high appreciation potential in this region.

During the reporting period, with its thorough understanding to the needs of customers, commercial development and investment, Fantasia has put Nanjing Yuhuatai Project (南京花生唐) into the market for testing the market acceptance of an innovative product which combines commercial and financial features, and the first 58 sets of products were sold out in the first day of sales. Further products subsequently launched to the market were also well-received in the market. This has filled the gap of supplies of such products in Banqiaopian District (板橋片區) and has raised the commercial value of the whole district. On the other hand, as expected, the markets in Suzhou and Wuxi were still impacted by the macro-control policies on real estate industry, and the Group therefore adjusted its marketing strategy in order to minimise the impact. The Group recorded contract sales area of approximately 99,435 square meters, and contract sales of approximately RMB1,223 million in the Yangtze River Delta, representing 10% and 15% of the property total contract sales area and total contract sales of the Group.

As at 31 December 2012, the Group had four projects or phases of projects under construction in Yangtze River Delta, with the aggregate planned GFA of approximately 488,082 square meters, and estimated saleable area of approximately 338,721 square meters, and two phases of projects to be developed, with the aggregate planned GFA of approximately 364,234 square meters, and has entered into framework agreement in respect of one project, with a total planned GFA expected to be approximately 49,246 square meters.

During the reporting period, the GFA of newly developed and completed projects were approximately 1,454,515 square meters and 979,928 square meters, respectively, and the GFA of projects under construction and to be developed were approximately 2,672,213 square meters, and 5,353,683 square meters, respectively.

Guilin Lakeside Eden

Chengdu Longnian International Centre

Nanjing Xingfuwanxiang

Newly Developed Projects

During the reporting period, the Group had 10 projects or phases of projects which were newly developed, with a total planned GFA of approximately 1,454,515 square meters.

Summary of newly developed projects in 2012

Serial number	Project name	Project location	Nature of land	Expected completion date	Company's interest	Aggregate GFA
						Square meters
Pearl River Delta						
1	Phase 3 of Dongguan Wonderland	Huangjiang Town, Dongguan City	Residential and commercial	2014	100%	158,625
2	Phase 1.1 of Guilin Lakeside Eden	Lingui New District, Guilin City	Residential and commercial	2014	100%	37,635
3	Phase 3 of Huizhou Fantasia Special Town	Huinan Road, Huizhou City	Residential and commercial	2014	100%	160,250
4	Phase 1 and 2 of Huizhou Love Forever	Huangyuyong, Daya Bay, Huizhou City	Residential and commercial	Phase 1: 2013 Phase 2: 2014	100%	138,767
Chengdu-Chongqing Economic Zone						
1	Phase 4.2 of Chengdu Fantasia Town	Wenjiang District, Chengdu City	Residential and commercial	2014	100%	161,355
2	Phase 2.1 of Chengdu Meinian Plaza	Chengdu High-technology District	Residential, commercial and education	2015	100%	424,872
3	Chengdu Long Nian International Centre	Pitong Town, Pixian County, Chengdu City	Residential and commercial	2015	100%	192,758
4	Chengdu Grande Valley	Pujiang County, Chengdu City	Residential and commercial	2014	100%	40,616
Yangtze River Delta						
1	Yuhuatai Project	Yuhuatai District, Nanjing City	Wholesale and retail	2013	100%	94,774
2	Suzhou Lago Paradise Land Plot No. 4	Taihu National Tourism Vacation Zone, Suzhou City	Accommodation and dining, and residential	2013	100%	44,863
Total						**1,454,515**

BUSINESS REVIEW

Completed Projects

During the reporting period, the Group had nine projects or phases of projects completed, with a total GFA of approximately 979,928 square meters.

Summary of completed projects in 2012

Serial number	Project name	GFA	Gross saleable area	Area held for sale		Area held by the Company	Contract sales area in 2012
				Area for sale	Contract sales area		
		Square meters	Square meters	Square meters	Square meters	Square meters	Square meters
Pearl River Delta							
1	Shenzhen Funian Plaza	61,156	46,793	745	22,592	23,456	22,592
2	Phase 1 of Dongguan Wonderland	83,195	64,958	371	64,587	–	7,975
3	Phase 2 of Huizhou Fantasia Special Town	180,511	159,199	12,955	146,244	–	84,364
Chengdu-Chongqing Economic Zone							
1	Phase 3 of Chengdu Fantasia Town	180,586	135,736	178	135,558	–	34,088
2	Chengdu Future Plaza	244,338	203,747	68,659	126,088	9,000	61,563
3	Phase 2.1 of Chengdu Belle Epoque	13,080	8,339	4,602	112	3,625	–
Yangtze River Delta							
1	Suzhou Lago Paradise Land Plot No. 6	50,755	41,321	15,016	26,305	–	5,757
2	Phase 1 of Wuxi Love Forever	111,215	83,675	16,482	67,193	–	40,940
Beijing-Tianjin Metropolitan Area							
1	Tianjin Future Plaza	55,092	54,673	2,404	52,269	–	38,247
Total		**979,928**	**798,441**	**121,412**	**640,948**	**36,081**	**295,526**

Projects under Construction

As at 31 December 2012, the Group had 17 projects or phases of projects under construction, with a total planned GFA of 2,672,213 square meters and a planned gross saleable area of 1,994,838 square meters. As at 31 December 2012, the Group has achieved accumulated contract sales of approximately 692,239 square meters with respect to the above projects.

Urban complexes and boutique upscale residences are the core product series of the Group. At present, the Group has six projects or phases of projects of urban complexes which are under construction, namely Phase 1 of Guilin Fantasia Town, Chengdu Funian Plaza, Phase 2 of Chengdu MIC Plaza*, Phase 1 of Chengdu Long Nian International Centre, Wuxi Hailrun Complex and Nanjing Yuhuatai Project, with a total planned GFA of approximately 1.44 million square meters, representing approximately 54% of the total GFA of projects under construction. The Group also owned six projects or phases of projects of boutique upscale residences which are under construction, namely Phase 2 and 3 of Dongguan Wonderland, Phase 1.1 of Guilin Lakeside Eden, Phase 2.2 of Chengdu Grande Valley, Phase 1.1 of Tianjin Love Forever, Land 4 and 6 of Suzhou Lago Paradise and Phase 2 and 3 of Wuxi Love Forever, with a total GFA of approximately 645,490 square meters, representing approximately 24% of the total GFA of projects under construction.


Shenzhen TCL Project

* *formerly known as Chengdu Meinian International Centre*

The Group also owned four projects or phases of projects of mid-to-high end residences which are under construction, namely Phase 3 of Huizhou Fantasia Special Town, Phase 1 and 2 of Huizhou Love Forever, Phase 4.1 and 4.2 of Chengdu Fantasia Town and Dali Human Art Wisdom, with a total GFA of approximately 556,550 square meters, representing approximately 21% of the total GFA of projects under construction and the Group also owned one hotel project under construction, namely Chengdu Daxigu Fupeng Hotel (成都大溪谷福朋酒店), with a total GFA of approximately 33,700 square meters, representing approximately 1% of the total GFA of projects under construction.

Summary of projects under construction

Serial number	Project name	Project location	Nature of land	Company's interest	Estimated completion date	GFA	Gross saleable area	Area held for sale		Estimated area to be held by the Company	Contract Sales area during 2012	Product Category
								Area for sale	Contract Sales area			
						Square meters	Square meters	Square meters	Square meters	Square meters	Square meters	
Huizhou												
1	Phase 3 of Fantasia Special Town	Huinan Road, Huizhou City	Residential and commercial	100%	2014	160,250	113,183	76,328	36,855	–	36,855	mid-to-high end residence
2	Phase 1 and 2 of Love Forever	Huangyuyong, Daya Bay, Huizhou City	Residential and commercial	100%	Phase 1: 2013 Phase 2: 2014	138,766	111,455	91,784	19,671	–	19,671	mid-to-high end residence
Dongguan												
1	Phase 2 and 3 of Dongguan Wonderland	Huangjiang Town, Dongguan City	Residential and commercial	100%	Phase 2: 2013 Phase 3: 2014	235,569	173,053	43,379	129,674	–	129,905	boutique upscale residence
Guilin												
1	Phase 1 of Guilin Fantasia Town	Lingui New District, Guilin City	Residential and commercial	100%	Phase 1.1: 2013 Phase 1.2: 2014 Phase 1.3: 2014	440,931	330,646	93,773	166,350	70,523	103,533	urban complex
2	Phase 1.1 of Guilin Lakeside Eden	Lingui New District, Guilin City	Residential and commercial	100%	2014	37,635	36,964	23,763	13,201	–	13,201	boutique upscale residence
Chengdu												
1	Phase 2.2 of Grande Valley	Pujiang County, Chengdu City	Residential	100%	2014	6,916	6,347	2,160	4,187	–	4,187	boutique upscale residence
2	Chengdu Daxigu Fupeng Hotel	Pujiang County, Chengdu City	Commercial and financial	100%	2016	33,700	33,700	–	–	33,700	–	hotel
3	Phase 4.1 and 4.2 of Fantasia Town	Wenjiang District, Chengdu City	Residential and commercial	100%	Phase 4.1: 2013 Phase 4.2: 2014	180,237	134,499	30,747	103,752	–	103,218	mid-to-high end residence
4	Funian Plaza	Chengdu High-technology Zone, Chengdu City	Commercial and financial	100%	2013	180,168	132,151	56,597	75,554	–	41,013	urban complex
5	Phase 2 of Chengdu MIC Plaza	Chengdu High-technology Zone, Chengdu City	Residential, commercial and education	100%	2016	424,872	344,236	343,735	501	–	501	urban complex
6	Phase 1 of Longnian International Centre	Pixian County, Chengdu City	Residential and commercial	100%	2015	192,758	122,274	117,926	4,348	–	4,348	urban complex
Dali												
1	Human Art Wisdom	Xianguan Town, Dali City	City and town residential (with commercial services)	100%	2013	77,301	64,488	16,235	48,253	–	36,092	mid-to-high end residence
Tianjin												
1	Phase 1.1 of Love Forever	Wuqing District, Tianjin City	Residential	100%	2013	75,028	53,121	16,313	36,808	–	36,198	boutique upscale residence
Suzhou												
1	Land 4 and 6 of Lago Paradise	Taihu National Tourism Vacation Zone, Suzhou City	Accommodation and dining, and residential	100%	2013 and 2014	82,907	47,651	35,242	12,409	–	11,386	boutique upscale residence
Wuxi												
1	Phase 2 and 3 of Love Forever	New District, Wuxi City	Residential and commercial	100%	2013 and 2015	207,435	141,111	139,075	2,036	–	2,036	boutique upscale residence
2	Hailrun Complex	Binhu District, Wuxi City	R&D design, business office and commercial	100%	2013	102,967	83,126	68,949	14,177		14,177	urban complex
Nanjing												
1	Yuhuatai Project	Yuhuatai District, Nanjing City	Wholesale and retail	100%	2013	94,773	66,833	20,391	24,463	21,979	24,463	urban complex
Total						**2,672,213**	**1,944,838**	**1,176,397**	**692,239**	**126,202**	**580,553**	

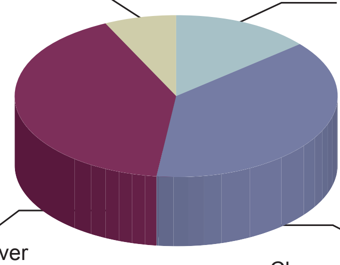
Note: Contracted sales area refers to the accumulated area subject to signed sales contract.

M A K E L I F E I N S T Y L E

Projects to be Developed

As at 31 December 2012, the Group had 14 projects or phases of projects to be developed, with a total planned GFA of approximately 5,353,683 square meters, of which, the total planned GFA of four projects in Chengdu-Chongqing Economic Zone was approximately 2,009,373 square meters, with a proportion of approximately 38%; and the total planned GFA of five projects in the Pearl River Delta was approximately 2,204,446 square meters, with a proportion of approximately 41%; and the two projects in Yangtze River Delta had a total planned GFA of approximately 364,234 square meters, with a proportion of approximately 7% and the three projects in Beijing-Tianjin Metropolitan Area had a total planned GFA of approximately 775,630 square meters, with a proportion of approximately 14%.

Chart Showing the Distribution of Projects to be Developed



Summary of projects to be developed

Serial number	Project name	Project location	Nature of land	Company's interest	Total GFA	Average cost of floor area
					Square meters	RMB/Square meters
Shenzhen						
1	Topsearch Project	Shekou, Shenzhen City	Industrial and warehouse	61%	77,500	2,754
2	Nanshan Project	Nanshan District, Shenzhen City	Industrial, business and financial	100%	39,587	7,970
Subtotal					*117,087*	
Huizhou						
1	Remaining phases of Fantasia Special Town	Huinan Road, Huizhou City	Residential and commercial	100%	253,532	423
Subtotal					*253,532*	
Guilin						
1	Remaining phases of Fantasia Town	Lingui New District, Guilin City	Residential and commercial	100%	239,726	393
2	Remaining phases of Lakeside Eden	Lingui New District, Guilin City	Residential and commercial	100%	1,594,101	393
Subtotal					*1,833,827*	
Chengdu						
1	Remaining phases of Grande Valley	Pujiang County, Chengdu City	Residential and commercial	100%	1,516,370	281
2	Remaining phases of MIC Plaza	Chengdu High-technology Zone, Chengdu City	Residential, commercial and education	100%	24,973	669
3	Remaining phases of Belle Epoque	Laojunshan, Xinjin County, Chengdu City	Residential, commercial and ancillary	100%	283,304	823
4	Remaining phases of Long Nian International Centre	Pixian County, Chengdu City	Residential and commercial	100%	184,726	823
Subtotal					*2,009,373*	

Chengdu Funian Plaza

Serial number	Project name	Project location	Nature of land	Company's interest	Total GFA	Average cost of floor area
					Square meters	RMB/Square meters
Beijing						
1	Qingnian Road Project	Qingnian Road, Beijing City	Commercial, business office and car park	100%	140,000	5,195
Subtotal					*140,000*	
Tianjin						
1	Yingcheng Lake Project	Hangu District, Tianjin City	Residential, commercial, and tourism	100%	168,339	766
2	Remaining phases of Love Forever	Hangu District, Tianjin City	City and town residential	100%	467,291	1,183
Subtotal					*635,630*	
Suzhou						
1	Remaining phases of Lago Paradise	Taihu National Tourism Vacation Zone, Suzhou City	Accommodation, dining, residential	100%	344,814	1,522
Subtotal					*344,814*	
Wuxi						
1	Remaining phases of Love Forever	New Development Zone, Wuxi City	Residential and commercial	100%	19,420	1,523
Subtotal					*19,420*	
Total					**5,353,683**	

Our Land Bank

During the reporting period, the Group adhered to its prudent investment strategy and its development direction of acquiring land in first-tier cities, such as Beijing and Shenzhen, which enjoys strong market potential and are capable of delivering prosperous return. We have only entered into one framework agreement in relation to a land parcel in Shenzhen in August 2012, and acquired three land parcels, namely Chengdu Pixian (成都郫縣), Beijing Qingnian Road Project (北京青年路項目) and Shenzhen Topsearch Building Project (深圳至卓大廈項目) in July, October and November 2012, respectively.

As at 31 December 2012, the planned GFA of the Group's land bank amounted to approximately 8.02 million square meters, and the planned GFA of properties with framework agreements signed amounted to 4.69 million square meters.


Chengdu Grande Valley

Summary of our land bank by regions as at 31 December 2012

Region	Projects under construction	Projects to be developed	Projects under framework agreements	Aggregate planned GFA of land bank	Proportion
	Square meters	Square meters	Square meters	Square meters	
Chengdu-Chongqing Economic Zone				7,641,704	61%
Chengdu	1,018,651	2,009,373	3,539,848	6,567,872	
Dali	77,301	–	996,531	1,073,832	
The Pearl River Delta				3,317,137	25%
Shenzhen	–	117,087	99,540	216,627	
Huizhou	299,016	253,532	–	552,548	
Dongguan	235,569	–	–	235,569	
Guilin	478,566	1,833,827	–	2,312,393	
Beijing-Tianjin Metropolitan Area				850,658	6%
Beijing	–	140,000	–	140,000	
Tianjin	75,028	635,630	–	710,658	
The Yangtze River Delta				1,013,267	8%
Suzhou	82,907	344,814	49,246	574,239	
Wuxi	310,402	19,420	–	344,255	
Nanjing	94,773	–	–	94,773	
Total	**2,673,213**	**5,353,683**	**4,685,165**	**12,822,766**	

COMMUNITY SERVICE AND PROPERTY MANAGEMENT

In its “Twelfth Five-year Plan for the Development of the Tertiary Industry”, the Chinese government announced certain requirements which placed an emphasis on the development of life-related services in a liberalized and international manner so as to provide the favorable environment for the healthy growth of community-related services.

The property operation business of the Group experienced continuous rapid growth through Colour Life Services Group during the reporting period. Colour Life Services Group acquired a number of property management companies. As of 31 December 2012, Colour Life Services Group managed a total of 437 projects, representing a growth of 38% as compared to last year, with the area under management totaling about 50.31 million square meters, representing a year-on-year increase of 65%. In 2012, Colour Life Services

Group has expanded its business development to 24 core cities where six cities were newly entered, namely Ganzhou, Shangrao, Nanjing, Ningxia, Xiamen and Beijing while Xian and Shanghai were the cities where we have commenced the operation of our property service business. This has formulated an initial strategic layout which covers the core cities scattered all over the nation. Colour Life Services Group has become a large-scale property service group with four quality corporations for first class property and three quality corporations for second class property, indicating a significant rise in the reputation of the community services brand of Colour Life, and it has turned itself from a pure management company into a community service operator which offers a wide coverage of online and offline services.

In order to face challenges brought by the rising labor cost of property services and accommodate the demand for community services in an era of mobile communication, the Group has taken the initiative to promote Colour Life V2.0 model on the basis of information technology infrastructure and we believe this would further increase our service efficiency for the community, the replicability of our community management and the ability of seamlessly integrating the offline business to online business, while enhancing our leading favorable position relative to the majority of traditional property management companies which engage in fundamental property management only.

We plan to enhance the modification plan in regard to Colour Life V2.0 model for the communities managed under Colour Life Services Group in 2013, establish an addition of 150 V2.0 model communities and 150 Colour Space shops (彩空間) around China, optimize Colour Life online service and transaction platform with SOLOMO model, boost Colour Life's ability to explore and integrate the peripheral commercial resources of the community by adopting innovative and interactive smart mobile products as a terminal access for customers' mutual connection and Colour Space as a physical terminal access for the customers to experience online shopping while introducing and expanding the application of Colour Life online platform to the peripheral commercial entities in the community and thus contributing to the development of Colour Life Services Group as a leading integrated services provider for offering services to mini commercial areas with radius of five miles long extending from the community.

HOTEL MANAGEMENT

In 2012, Fantasia Group accelerated its pace to initiate cooperation with international well-known hotel management enterprises. On 28 June 2012, Fantasia Group signed a strategic alliance memorandum with Starwood Hotels & Resorts Worldwide, Inc. (喜達屋酒店管理集團) thereby formally announcing that both parties would establish a long-term and amicable cooperating relationship in the fields of hotel development, construction and management, and allowing us to further expand our cooperation platform with international well-known hotel management groups. During the reporting period, our hotel projects in Chengdu, Suzhou and Guilin had progressed smoothly.

Meanwhile, Fantasia is committed to building its own boutique hotel brands, and the positioning of and analysis on the proprietary brand of "U" hotel (有園) and "HYDE" hotel (個園) have been established so far. The "U" series of hotels emphasizes on the simplicity and elegance of the brand, the cultivation of a creative environment tailored for social activities and the promotion of a brand new philosophy of hotel services. At the award ceremony of the 9th "Golden Pillow Award of China Hotels" (中國酒店金枕頭獎), the brand "U Hotel" was awarded "2012 China Chained Boutique Hotel Brand with the Most Development Potential" (2012年度中國最具發展潛力精品連鎖酒店品牌).

U Hotel in Shenzhen was put into service on 25 February 2012. Having been evaluated and chosen by China Hotel Association (中國飯店協會) and jointly evaluated by Shenzhen Hotels Association (深圳市飯店業協會), U Hotel in Shenzhen was recognized as Green Hotel 4A (4A級綠色飯店) in June 2012. U Hotel in Tianjin is planned to commence trial operation in 2013.

Following the brand of "U", Fantasia's HYDE Hotel is another hotel brand created and run by Fantasia Group. Designed for corporate retreat and private accommodation, HYDE Hotel is positioned as a Four-Star hotel which offers a full range of business and leisure facilities and embodies a fashionable and exquisite layout, a simple style as well as a quiet and understated environment. Fantasia's HYDE Hotel provides with an impressive service experience and splendid enjoyment of a spacious, silent and green environment, crafted to integrate both culture and art and filled with Eastern Zen style. Promoting a healthy and relaxing, smart and fulfilling as well as balanced lifestyle, HYDE Hotel is devoted to offer customers a mid-end to high-end experience of a serene oasis, a palace for nourishing your body and a space for inspiration.

Fantasia's HYDE Hotel, situated at the foot of Laojun Mountain in Xinjin County of Chengdu, will commence trial operation in early January 2013. By integrating the history of Laojun Mountain and the local Taoist culture, the boutique hotel features the theme of health maintenance and spiritual cultivation.

During the reporting period, Rhombus Fantasia Chengdu Hotel, the flagship hotel of Fantasia Group in Chengdu, was awarded "Top 10 Newly Opened Hotels in China" (中國十佳最新開業酒店大獎) from the 2012 China Hotel Starlight Awards (中國酒店星光獎) and "Best Innovative Hotel" (最佳創意酒店獎) from the Example of China Annual Media Award (榜樣中國年度傳媒大獎).

By the end of 2012, there were four hotels operating under the name of Fantasia. In the coming 3 to 5 years, Fantasia plans set up approximately 16 hotels in regions such as Shenzhen, Tianjin, Chengdu, Suzhou and Guilin, with a total GFA of approximately 280,000 square meters.

BUSINESS MANAGEMENT SERVICES

Since urban complex is an important type of product among the real estate products of the Group, and under the Group's corporate mission for pursuing innovative business model and offering a wider coverage of business with its experience accumulated over the past 16 years, Shenzhen Fantasia Business Management, a subsidiary of the Group, actively participated in the Group's certain large-scale business invitation, business planning and investment invitation projects, and it has successfully introduced two big supermarkets, international fashion brands and international cinemas into the Nanjing Yuhuatai Project (南京花生唐) and Guilin Huashengtang (桂林花生唐), and this has attracted other renowned domestic and international brands into such commercial projects and improved the recognition of the Huashengtang (花生唐) series of projects in the market. We believe that Fantasia Business Management will earn a stable and constantly increasing return in the future.

Grande Valley International Country Club

MAKE LIFE IN STYLE

The board of directors (the "Board") of the Company consists of seven directors (the "Directors"), four of whom are independent non-executive Directors. The Board has the general powers and duties for the management and conduct of our business. We have entered into service contracts with each of our Directors.

EXECUTIVE DIRECTORS

Mr. PAN Jun (**潘軍**), aged 42, is the chairman of our board, an executive Director, the chief executive officer, the chairman of our Company's nomination committee, and a member of our Company's remuneration committee. He joined our Group in 1999 and is responsible for the overall operation of our Group's projects, the formulation of our development strategies, as well as supervising the project planning, business and operation management of our Group. He is also currently the president of Fantasia Group (China) Company Limited, the general manager of Shenzhen Fantasia Real Estate Group Limited and the director of a number of the Group's subsidiaries. Mr. Pan has over 16 years of experience in the real estate development industry in China and prior to joining our Group, Mr. Pan was the project manager, the manager of the marketing department, the manager of the valuation department and the assistant to the general manager of World Union Real Estate Consultancy (Shenzhen) Ltd. (世聯地產顧問(深圳)有限公司). Mr. Pan obtained a Bachelor's degree in conservancy and hydropower engineering from Chengdu University of Science and Technology (成都科技大學) in 1992 and holds an EMBA degree from Tsinghua University. Mr. Pan is also a registered property valuer in China and a member of the Shenzhen Institution of Real Estate Appraisers (深圳市不動產估價學會).

Ms. ZENG Jie, Baby (**曾寶寶**), aged 42, is an executive Director of our Company. She is also a member of our Company's nomination committee. From 1994 to 1996, Ms. Zeng was the general manager of Shenzhen Kingkey Property Development Company Limited (深圳京基房地產開發有限公司). In 1996, Ms. Zeng established Fantasia Group (China) Company Limited. During the period from 2006 to 2011, Ms. Zeng was the chairlady of Fantasia Group (China) Company Limited and Shenzhen Fantasia Real Estate Group Limited. She is one of the controlling shareholders and the largest shareholder of the Company. Ms. Zeng holds an EMBA degree from Cheung Kong Graduate School of Management (長江商學院).

Mr. LAM Kam Tong (**林錦堂**), aged 44, is an executive Director, the chief financial officer and the company secretary of our Company. Mr. Lam joined our Group in May 2012 and is responsible for investor relation, financial and regulatory related matters of our Group. He is a member of the Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants. Mr. Lam received his bachelor of business administration degree from The Chinese University of Hong Kong in July 1991. He has over 14 years of experience in professional auditing as well as extensive experience in the areas of investor relations, auditing, mergers and acquisitions and offshore financing. Mr. Lam is currently an independent non-executive director of both Sheng Yuan Holdings Limited (盛源控股有限公司), a company listed on the Main Board of the Stock Exchange, and Pegasus Entertainment Holdings Limited (天馬娛樂控股有限公司), a company listed on the Growth Enterprise Market of the Stock Exchange. Before joining our Group, Mr. Lam was an executive director, the chief financial officer and company secretary of China Aoyuan Property Group Ltd. (中國奧園地產股份有限公司), a company listed on the Main Board of the Stock Exchange, for over three years. From May 2006 to October 2010, Mr. Lam was the company secretary and qualified accountant for Greentown China Holdings Ltd. (綠城中國控股有限公司), another listed company on the Main Board of the Stock Exchange.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. HO Man (**何敏**), aged 43, is an independent non-executive Director. He is also the chairman of our Company's audit committee and a member of each of our Company's remuneration committee and nomination committee, respectively. Mr. Ho holds a Master of Science degree in Finance from the London Business School and is a Chartered Financial Analyst and Certified Public Accountant. Mr. Ho has over 15 years of experience in private equity and financial industry. He joined Chepstow Capital Advisers Limited, a Hong Kong based mid-market private equity house, as managing director in January 2010 and is responsible for deal sourcing, evaluation and structuring, negotiation, post investment monitoring and realization, with particular emphasis on Hong Kong and the PRC. Prior to this, Mr. Ho joined CLSA Capital Partners (HK) Limited ("CLSA") in August 1997 and until October 2009 was the managing director, head of China Growth and Expansion Capital of CLSA. Mr. Ho was a non-executive director and a member of the audit committee of SCUD Group Limited (飛毛腿集團有限公司), a company listed on the Main Board of the Stock Exchange, and a non-executive director and an audit committee member of Shanghai Tonva Petrochemical Co., Ltd. (上海棟華石油化工股份有限公司), a company listed on the Growth Enterprise Market of the Stock Exchange, until October 2009.

Mr. LIAO Martin Cheung Kong, JP (**廖長江**), aged 55, is an independent non-executive Director. He is also a member of each of the audit committee, the remuneration committee and the nomination committee, respectively. Mr. Liao was appointed a Justice of the Peace in 2004. He is elected Deputy (representing Hong Kong SAR) to the 12th National People's Congress of the People's Republic of China. In Hong Kong, Mr. Liao serves as a Member of the Legislative Council of the Hong Kong SAR, Chairman of the Hong Kong Council for Accreditation of Academic and Vocational Qualifications, a Council and Court member of the University of Hong Kong and Chairman of the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Review Tribunal. Mr. Liao graduated with a Bachelor of Economic Science (Hons) degree and a Master of Laws degree from University College London. Mr. Liao was Called to the Bar in England and Wales in 1984 and was Called to the Bar in Hong Kong in 1985 and is a practising barrister in Hong Kong. Mr. Liao is also an advocate and solicitor admitted in Singapore since 1992.

Mr. HUANG Ming (**黃明**), aged 48, is an independent non-executive Director. He is also the chairman of the Company's remuneration committee and a member of each of our Company's audit committee and nomination committee, respectively. He has been a Professor of Finance at the Johnson Graduate School of Management at Cornell University since July 2005 and the Head of School of Finance of Shanghai University of Finance & Economics from 2006 to April 2009. Mr. Huang was an Assistant Professor of Finance at Stanford University, Graduate School of Business from 1998 to 2002. Mr. Huang was also the Associate Dean and visiting Professor of Finance and the Professor of Finance at the Cheung Kong Graduate School of Business (長江商學院) from 2004 to 2005 and from 2008 to 2010 respectively. Since July 2010, Mr. Huang has been a Professor of Finance at the China Europe International Business School (中歐國際工商學院). Mr. Huang graduated from Peking University in 1985 majoring in Physics. Mr. Huang then obtained a Ph.D in Physics and a Ph.D in Business from Cornell University and Stanford University respectively. Mr. Huang is a non-executive director of the Annuity Fund Management Board of China National Petroleum Corporation (中國石油天然氣集團年金理事會) and Yingli Green Energy Holdings Co Ltd (英利綠色能源控股有限公司) since 2007 and 2008, respectively. He has also been appointed as a non-executive director of Qihoo 360 Technology Co. Ltd. (奇虎360科技有限公司), a company listed on the New York Stock Exchange, in 2011. Mr. Huang is currently a non-executive director of 360buy Group (京東商城集團), Guosen Securities Company Limited (國信證券有限公司), and Tebon Securities Co. Ltd. (德邦證券有限公司).

Mr. XU Quan (**許權**), aged 70, is an independent non-executive Director. He is also a member of each of our Company's audit committee, remuneration committee and nomination committee, respectively. Mr. Xu is a qualified real estate senior engineer and real estate valuer. Mr. Xu obtained a Postgraduate Programme Diploma in Shenzhen Real Property from Jinan University (暨南大學) in 1992. In 1993, Mr. Xu was qualified as a real estate senior engineer (房地產高級工程師) and later in 1995, obtained his qualification as an individual member in the Guangdong Real Property Valuer Association (廣東省房地產估價師學會). Since 2003, Mr. Xu has been the Chairman of Shenzhen Real Estate Association (深圳市房地產業協會).

SENIOR MANAGEMENT

Mr. JIAO Chuhua (焦曙華), aged 43, is the vice president of Fantasia Group (China) Company Limited. Mr. Jiao joined our Group in December 2011 and is responsible for the financing business of our Group. Prior to joining the Group, he was the director of Gaosheng Consultancy Co., Ltd. (高盛顧問有限公司) from 2005 to 2011, the deputy general manager of the asset management and investment department of Kaili Asset Management Co., Ltd. (凱利資產管理有限公司) from 2002 to 2005 and the audit manager of the Anderson HuaQiang CPA accounting firm from 1997 to 2002. Mr. Jiao received a Bachelor's degree in Finance from Jiangxi College of Finance and Economics (江西財經學院) (now known as Jiangxi University of Finance and Economics (現稱為江西財經大學)) in 1991.

Mr. WANG Liang (王亮), aged 43, is the vice president of Fantasia Group (China) Company Limited. He is also the director and supervisor of a number of the Group's subsidiaries. Mr. Wang joined our Group in April 2006 and is primarily responsible for the hotel, senior housing and health businesses, investment management and internal control of the Group. Prior to joining our Group, he was the director of the financial management department of Huafu HK Co. Limited (香港華孚集團) and the general manager of the financial management department of one of its subsidiaries from 2005 to 2006, the assistant to general manager of the financial management department of Shenzhen Feishang Industry Group Co., Ltd. (深圳市飛尚實業發展(集團)有限公司) in 2005 and the deputy manager of the finance department of Shenzhen Southern Zhongji Containers Manufacture Co. Ltd. (深圳南方中華集裝箱製造有限公司) from 1994 to 2001. Mr. Wang received a Bachelor's degree in business economics from Yangzhou Normal University (揚州師範學院) in 1992.

Mr. TANG Xue Bin (唐學斌), aged 45, is the director and general manager of Shenzhen Colour Life Services Group Co. Limited (深圳市彩生活服務集團有限公司) and also a director of certain subsidiaries of our Group. Mr. Tang joined our Group in 2002 and is responsible for the operation of Shenzhen Colour Life Services Group. Prior to joining our Group, he was the deputy general manager of China Overseas Property Management Ltd. (中海物業管理有限公司) from 1997 to 2001. Mr. Tang obtained a Bachelor's degree in industrial electrical automation (工業電氣自動化) from Tongji University (同濟大學) in 1993 and an EMBA degree from China Europe International Business School (中歐國際工商學院) in 2010.

COMPANY SECRETARY

Mr. LAM Kam Tong (林錦堂). For details of Mr. Lam's profile, please refer to the paragraph headed "executive Directors" above.

The Directors have pleasure in presenting their annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 48 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2012 are set out in the consolidated statement of comprehensive income on page 60.

DIVIDENDS DISTRIBUTION

The Directors recommend the declaration of a final dividend at the rate of HK5.5 cents per share payable to all persons registered as holders of Shares on 21 May 2013. The aggregate amount shall be paid out of the Company's share premium account. The Register of Members of the Company will be closed for the following periods:

(a) For the purpose of determining shareholders who are entitled to attend and vote at the forthcoming annual general meeting to be held on 10 May 2013 ("AGM"), the register of members of the Company will be closed on Monday, 6 May 2013 to Friday, 10 May 2013, both days inclusive. In order to qualify for attending and voting at the AGM, all transfer documents should be lodged for registration with Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 3 May 2013.

(b) For the purpose of determining shareholders who qualify for the final dividend, the register of members of the Company will be closed on Thursday, 16 May 2013 to Tuesday, 21 May 2013, both days inclusive. In order to qualify for the final dividend, all transfer documents should be lodged for registration with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 15 May 2013.

SHARE CAPITAL

Details of change during the year in the share capital of the Company are set out in note 39 to the consolidated financial statements.

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment during the year are set out in note 15 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

Distributable reserves of the Company as at 31 December 2012, calculated under the Cayman Islands Companies Law, amounted to RMB2,705,875,000 (2011: RMB2,823,954,000) representing share premium of RMB2,451,225,000 and accumulated profits of RMB254,650,000.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive Directors:
Mr. Pan Jun (Chairman)
Ms. Zeng Jie, Baby
Mr. Lam Kam Tong (appointed on 28 May 2012)
Mr. Feng Hui Ming (resigned on 3 September 2012)
Mr. Chan Sze Hon (resigned on 30 November 2012)

Independent non-executive Directors:
Mr. Ho Man
Mr. Liao Martin Cheung Kong, JP
Mr. Huang Ming
Mr. Xu Quan

In accordance with the provisions of the Company's articles of association, Ms. Zeng Jie, Baby, Mr. Lam Kam Tong and Mr. Ho Man will retire by rotation and, being eligible, offer themselves for re-election at the AGM. A circular containing the explanatory statement on repurchase by the Company of the Shares, the biographical details of the Director candidates and the notice of the AGM will be sent to Shareholders.

Each of Mr. Pan Jun and Ms. Zeng Jie, Baby entered into a service contract with the Company for an initial term of three years commencing from 25 November 2009 and Mr. Lam Kam Tong has entered into a service contract with the Company for an initial term of three years commencing from 23 May 2012. Mr. Lam was then appointed as executive Director on 28 May 2012. The above service contracts may only be terminated in accordance with the provisions of such service contract or by either party giving to the other not less than three months prior notice in writing.

Each of the independent non-executive Directors is appointed for initial term of three years commencing from 25 November 2009.

No Director proposed for re-election at the AGM has a service contract with the Company which is not determinable by the Group within one year without payment of compensation, other than normal statutory compensation.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITION SHARES

As of 31 December 2012, the interests and short positions of the Directors and the chief executive in the Shares, underlying Shares and debentures of the Company or of any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

(i) Long positions in the Shares and underlying shares:

Director	Nature of interest	Number of issued ordinary shares held	Interest in underlying Shares	Approximate percentage of shareholding
Ms. Zeng Jie, Baby	Interest of controlled corporation[(1)]	3,184,795,500	–	61.16%
	Personal	–	9,980,000[(2)]	0.19%
Mr. Pan Jun	Personal	–	9,980,000[(2)]	0.19%
Mr. Lam Kam Tong	Personal	–	2,770,000[(2)]	0.05%
Mr. Ho Man	Personal	–	1,600,000[(2)]	0.03%
Mr. Liao Martin Cheung Kong, JP	Personal	–	1,600,000[(2)]	0.03%
Mr. Huang Ming	Personal	–	1,600,000[(2)]	0.03%
Mr. Xu Quan	Personal	–	1,600,000[(2)]	0.03%

Notes:

(1) Fantasy Pearl International Limited ("Fantasy Pearl") is owned as to 80% by Ice Apex Limited ("Ice Apex") and 20% by Graceful Star Overseas Limited ("Graceful Star"). While Ice Apex is wholly owned by Ms. Zeng Jie, Baby, Ms. Zeng Jie, Baby is deemed to be interested in the shares of the Company held by Fantasy Pearl for the purpose of Part XV of the SFO.

(2) The relevant Director was granted options to subscribe for such number of Shares under the Scheme (as defined under the sub-section headed "Share Option Scheme" in this section) on 29 August 2011.

(ii) Long positions in Association Corporation

Director	Nature of interest	Name of associate corporation	Number of shares	Description of shares	Percentage of that associated corporation's issued share capital
Ms. Zeng Jie, Baby	Corporate interest	Fantasy Pearl	80	No par value	80%
Mr. Pan Jun	Corporate interest	Fantasy Pearl	20	No par value	20%

Notes:

(1) These are shares held by Ice Apex in Fantasy Pearl and Ice Apex is wholly owned by Ms. Zeng Jie, Baby.

(2) These are shares held by Graceful Star in Fantasy Pearl and Graceful Star is wholly owned by Mr. Pan Jun.

Save as disclosed above, as at 31 December 2012, none of the Directors and chief executive of the Company had an interest or short position in the equity or debt securities and underlying shares of the Company or any associated corporations (within the meaning of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO (including the interests and short positions which the director is taken or deemed to have under such provisions of the SFO; or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme") which became effective on 27 October 2009 for the purpose of rewarding eligible participants who have contributed to the Group and to encourage eligible participants to work towards enhancing the value of the Company. Eligible participants of the Scheme include Directors and employees of the Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters or service providers of any member of the Group who the Board considers, in its sole discretion, have contributed or will contribute to the Group. Subject to earlier termination by the Company in general meeting or by the Board, the Scheme shall be valid and effective for a period of 10 years from the date of its adoption.

The total number of Shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% in nominal amount of the aggregate of Shares in issue, unless with the prior approval from the Company's shareholders. The maximum number of Shares in respect of which options may be granted under the Scheme to any individual in any 12-month period is not permitted to exceed 1% in nominal amount of the aggregate of Shares in issue, unless with the prior approval from the Company's shareholders and with such participants and his associates abstaining from voting. Options granted to any Director, chief executive or substantial shareholder of the Company, or any of their respective associates, shall be subject to the prior approval of the independent non-executive Directors. Where any option granted to a substantial shareholder or an independent non-executive Director, or any of their respective associates, would result in the Shares issued or to be issued upon exercise of all options already granted and to be granted to such person in the 12 month period, (i) representing in aggregate over 0.1% of the Shares in issue on the date of such grant; and (ii) having an aggregate value, based on the closing price of the Shares, in excess of HK$5 million, such grant of options shall be subject to prior approval by resolutions of the Shareholders (voting by way of poll).

An offer of the grant of an option under the Scheme shall remain open for acceptance for 28 days from the date of grant. Upon acceptance of such grant, the grantee shall pay HK$1 to the Company as consideration. Options may be exercised in accordance with the terms of the Scheme at any time from the date of grant until the expiry of 10 years from such date. The subscription price shall be determined by the Board in its absolute discretion, and in any event shall not be less than the higher of (i) the closing price of the Shares on the date of grant, (ii) the average closing price of the Shares for the five business days immediately preceding the date of grant, and (iii) the nominal value of a Share. As at the date of this report, the total number of Shares available for issue under the Scheme is 5,087,821,750 Shares, representing 9.77% as at the date of this report.


Shenzhen Funian Plaza

The summary below set out the details of options granted as at 31 December 2012 pursuant to the Scheme:

Name	Date of grant	Exercise price HK$	Closing price of the Shares on the date of grant HK$	Number of share option Balance as at 1 January 2012	Granted during the year	Exercisable/ exercised during the year	Cancelled/ lapsed during the year	Balance as at 31 December 2012	Note
Mr. Pan Jun	29 August 2011	0.836	0.82	4,990,000	–	–	–	4,990,000	(2)
	16 October 2012	0.8	0.77	–	4,990,000	–	–	4,990,000	(3)
Ms. Zeng Jie, Baby	29 August 2011	0.836	0.82	4,990,000	–	–	–	4,990,000	(2)
	16 October 2012	0.8	0.77	–	4,990,000	–	–	4,990,000	(3)
Mr. Feng Hui Ming (resigned on 3 September 2012 and the options lapsed automatically upon his resignation)	29 August 2011	0.836	0.82	2,770,000	–	–	2,770,000	0	(1)
	29 August 2011	0.836	0.82	2,250,000	–	–	2,250,000	0	(2)
Mr. Chan Sze Hon (resigned on 30 November 2012 and the options lapsed automatically upon his resignation)	29 August 2011	0.836	0.82	2,310,000	–	–	2,310,000	0	(1)
	29 August 2011	0.836	0.82	1,500,000	–	–	1,500,000	0	(2)
	16 October 2012	0.8	0.77	–	2,770,000	–	2,770,000	0	(3)
Mr. Lam Kam Tong	16 October 2012	0.8	0.77	–	2,770,000	–	–	2,770,000	(3)
Mr. Ho Man	29 August 2011	0.836	0.82	800,000	–	–	–	800,000	(2)
	16 October 2012	0.8	0.77	–	800,000	–	–	800,000	(3)
Mr. Liao Martin Cheung Kong, JP	29 August 2011	0.836	0.82	800,000	–	–	–	800,000	(2)
	16 October 2012	0.8	0.77	–	800,000	–	–	800,000	(3)
Mr. Huang Ming	29 August 2011	0.836	0.82	800,000	–	–	–	800,000	(2)
	16 October 2012	0.8	0.77	–	800,000	–	–	800,000	(3)
Mr. Xu Quan	29 August 2011	0.836	0.82	800,000	–	–	–	800,000	(2)
	16 October 2012	0.8	0.77	–	800,000	–	–	800,000	(3)
Other employees	29 August 2011	0.836	0.82	36,970,000	–	–	7,660,000	29,310,000	(1)
	29 August 2011	0.836	0.82	15,250,000	–	–	2,750,000	12,500,000	(2)
	16 October 2012	0.8	0.77	–	49,710,000	–	1,250,000	48,460,000	(3)
Total					68,430,000		23,260,000	119,400,000	

Notes:

(1) The share options are exercisable during the following periods:

(a) up to 10% of the share options granted to each grantee at any time after the expiration of 12 months from 29 August 2011 to 28 August 2021 and after the grantee has satisfied the vesting conditions specified by the Board;

(b) up to 20% of the share options granted to each grantee at any time after the expiration of 24 months from 29 August 2011 to 28 August 2021 and after the Grantee has satisfied the vesting conditions specified by the Board; and

(c) up to 70% of the share options granted to each grantee at any time after the expiration of 36 months from 29 August 2011 to 28 August 2021 and after the Grantee has satisfied the vesting conditions specified by the Board.

(2) The share options are exercisable during the following periods:

(a) up to 10% of the share options granted to each Grantee at any time after the expiration of 12 months from the 29 August 2011 to 28 August 2021;

(b) up to 20% of the share options granted to each Grantee at any time after the expiration of 24 months from 29 August 2011 to 28 August 2021; and

(c) up to 70% of the share options granted to each Grantee at any time after the expiration of 36 months from 29 August 2011 to 28 August 2021.

(3) The share options are exercisable during the following periods:

(a) up to 10% of the share options granted to each Grantee at any time after the expiration of 12 months from the 16 October 2012 to 15 October 2022 and after the Grantee has satisfied the vesting conditions specified by the Board;

(b) up to 20% of the share options granted to each Grantee at any time after the expiration of 24 months from 16 October 2012 to 15 October 2022 and after the Grantee has satisfied the vesting conditions specified by the Board; and

(c) up to 70% of the share options granted to each Grantee at any time after the expiration of 36 months from 16 October 2012 to 15 October 2022 and after the Grantee has satisfied the vesting conditions specified by the Board.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company is empowered by the applicable laws of the Cayman Islands and its articles of 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 2012.

SENIOR NOTES

The Company first time issued senior notes due 2015 in the principal amount of US$120 million at a coupon rate of 14% per annum, on 5 May 2010, for the purpose of funding the then and new property projects (including construction cost and land premium) and general corporate purposes.

On 20 September 2012, the Company issued senior notes due 2017 ("Senior Notes due 2017") in the principal amount of US$250 million at a coupon rate of 13.75% per annum and on 16 January 2013, the Company further issued senior notes due 2020 ("Senior Notes due 2020") in the principal amount of US$250 million at a coupon rate of 10.75% per annum. The Company intended to use the proceeds of both notes issued to refinance its existing indebtedness, finance its existing and new property development projects (including land premium and construction costs), and for other general corporate purposes.

Further details of the Senior Notes due 2017 and Senior Notes due 2020 are set out in note 38 to the consolidated financial statements.

BORROWINGS

Details of the borrowings of the Group are set out in note 37 of the consolidated financial statements.

DIRECTOR'S INTERESTS IN SIGNIFICANT CONTRACTS

Save as disclosed in note 47 to the consolidated financial statements, no significant contract, to which the Company, its holding company, its controlling shareholders, fellow subsidiaries or subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACT

No management contracts in force during the year for the management and administration of the whole or any substantial part of the Group's business subsisted at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS

As of 31 December 2012, so far as the Directors are aware, the following persons or institutions have beneficial interests or short positions in any shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, Cap 571 of the Laws of Hong Kong, or who is directly and/or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Chengdu Funian Plaza

Name of shareholder	Nature of interest	Number of Shares	Approximate percentage of interest in our Company as at 31 December 2012
Fantasy Pearl	Beneficial interest(1)	3,184,795,500	61.16%
Ice Apex	Interest of controlled corporation(2)	3,184,795,500	61.16%
Ms. Zeng Jie, Baby	Interest of controlled corporation(2)	3,184,795,500	61.16%

Notes:

(1) Fantasy Pearl is owned as to 80% by Ice Apex and 20% by Graceful Star. Ice Apex is deemed to be interested in the shares held by Fantasy Pearl for the purpose of Part XV of the SFO. Graceful Star is entitled to a pre-emptive right over shares in the capital of Fantasy Pearl pursuant to an agreement made between, among others, Ms. Zeng Jie, Baby, Mr. Pan Jun, Ice Apex and Graceful Star.

(2) Ice Apex is wholly owned by Ms. Zeng Jie, Baby. Ms. Zeng Jie, Baby is deemed to be interested in the shares held by Ice Apex for the purpose of Part XV of the SFO.

Save as disclosed above, as of 31 December 2012, no other shareholder, other than directors or chief executives, of the Company had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors meet the guidelines for assessing independence in accordance with Rule 3.13 of the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

During the reporting period, the aggregate sales attributable to the five largest customers of the Group accounted for less than 30% of the Group's total sales in the year.

During the reporting period, the aggregate purchases attributable to the five largest suppliers of the Group accounted for less than 30% of the Group's total purchases.

None of the Directors, their associates or any shareholders (which to the knowledge of the Director owned more than 5% of the Company's issued share capital) has a beneficial interest in the Group's five largest customers or suppliers.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2012, the Group has entered the following connected transactions:

Continuing connected transactions which are exempted from the reporting, annual review, announcement and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules:

The following related party transactions as disclosed in note 47 to the consolidated financial statements also constituted continuing connected transactions under the Listing Rules:

(a) The Group provided management services to Huidong Dayawan San Jiao Zhou Recreation Company Limited ("San Jiao Zhou"). During the year ended 31 December 2012, provision of such management services by Shenzhen Colour Life Network Services Company Limited to San Jiao Zhou amounted to approximately RMB612,000 (2011: approximately RMB980,000).

(b) During the year ended 31 December 2012, the Group received properties rental income from Shenzhen Xi Fu Hui Club Management Company Limited of approximately RMB301,000 (2011: RMB301,000).

(c) Shenzhen Cube Architecture Designing Consultants Company Limited ("Cube Architecture") provides design services to the subsidiaries of the Company. During the year ended 31 December 2012, provision of such design services by Cube Architecture amounted to approximately RMB1,099,000 (2011: RMB4,154,000).

Since each of the percentage ratios (other than the profits ratio) for the annual amount of the above transactions were less than 0.1%, the above continuing connected transactions are exempted from the reporting, announcement and independent shareholders' approval requirements.

INTERESTS IN COMPETITORS

None of the Directors or chief executive of the Company or any of their respective associates have engaged in any business that competes or may compete with the business of the Group or have any other conflict of interests with the Group.

Suzhou Lago Paradise

EMOLUMENT POLICY

The Group's emolument policy is designed to attract, retain and motivate talented individuals to contribute to the success of the business. The emolument policy of the employees of the Group is formulated and reviewed by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the Directors are decided by the Remuneration Committee, having regards to the Group's operating results, individual performance and comparable market statistics.

The Group operates a Mandatory Provident Fund ("MPF") Scheme under rules and regulations of MPF Schemes Ordinance for all its employees in Hong Kong. All the employees of the Group in Hong Kong are required to join the MPF Scheme. Contributions are made based on a percentage of the employees' salaries and are charged to consolidated income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme. No forfeited contribution is available to reduce the contribution payable in the future years as of 31 December 2012.

The Group's subsidiaries in the PRC, in compliance with the applicable regulations of the PRC, participated in a state-managed retirement benefits scheme operated by the local government. The subsidiaries are required to contribute a specific percentage of their payroll costs to the retirement benefits schemes. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions. During the reporting period, the total amounts contributed by the Group to the schemes and costs charged to the consolidated income statement represent contribution payable to the schemes by the Group at rates specified in the rules of the schemes.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association, or the laws of Cayman Islands, which would oblige the Company to offer new shares on a prorate basis to existing shareholders.

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report contained in this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within knowledge of its directors at the latest practicable date (i.e. 22 March 2013) prior to the issue of the Annual Report, the Company has maintained a sufficient public float throughout the year ended 31 December 2012.

EVENTS AFTER THE END OF THE REPORTING PERIOD

Details of significant events occurring after the end of the reporting period are set out in note 50 to the consolidated financial statements.

AUDITOR

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as the auditor of the Company.

On behalf of the Board
Pan Jun
Chairman

Hong Kong, 23 March 2013

Tianjin Love Forever

FANTASIA

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE REPORT

The Company is committed to maintain high standards of corporate governance with a view to assuring the conduct of management of the Company as well as protecting the interests of all shareholders. The Company has always recognized the importance of the shareholders' transparency and accountability. It is the belief of the Board that shareholders can maximize their benefits from good corporate governance.

CORPORATE GOVERNANCE CODE

The Company has adopted and complied with the principles and code provisions (the "Code Provisions") set out in the Code on Corporate Governance Practices (the "Code on Corporate Governance") which was subsequently revised as the Corporate Governance Code (the "Revised CG Code"; together with the Code on Corporate Governance, the "CG Codes") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") effective from 1 April 2012, 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.

During the year ended 31 December 2012, the Company regularly reviews its corporate governance practices to ensure they continue to meet the respective requirements of the CG Codes. The key corporate governance principles and practices of the Company are summarised in this report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted 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 of 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 2012 and all Directors confirmed that they complied with the Model Code.

THE BOARD

Responsibilities

The Board is responsible for the leadership and control of the Company and overseeing the Group's businesses, strategic decisions and performances, and has full and timely access to all relevant information in relation to the Group's businesses and affairs, but the day-to-day management is delegated to the management of the Company. The independent non-executive Directors possess respectively professional qualifications and related management experience in the areas of financial accounting, law, global economy and real estate and have contributed to the Board with their professional opinions.

Further, the Board is in charge of the task of maximizing the financial performance of the Company, formulating strategies and management policies of the Group, approving strategic objectives and is responsible for providing the shareholders with a long-term return with stable and continuous growth.

The Board reserves for its decisions all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters.

Rhombus Fantasia Chengdu Hotel

Composition and qualification requirements

As at 31 December 2012, the Board comprised three executive Directors, being Mr. Pan Jun (Chairman), Ms. Zeng Jie, Baby and Mr. Lam Kam Tong, and four independent non-executive Directors, being Mr. Ho Man, Mr. Liao Martin Cheung Kong, JP, Mr. Huang Ming and Mr. Xu Quan. Biographical details of each Director are set out on pages 41 to 42.

The Board members have no financial, business, family or other material/relevant relationships with each other. Such balanced board composition is formed to ensure strong independence exists across the Board.

During the year ended 31 December 2012, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise, and the independent non-executive directors represented over one-third of the Board.

The Company has received an annual confirmation of independence from each of the independent non-executive Directors. The Company is of the view that all the independent non-executive Directors meet the guidelines for assessing independence in accordance with Rule 3.13 of the Listing Rules.

Board meetings and annual general meeting

The Board meets on a regular basis and 9 Board meetings and the annual general meeting for the year ended 31 December 2011 were held during the year. The individual attendance record is as follows:

Directors	No. of Board meetings attended/ No. of Board meetings held	AGM
Executive Directors		
Mr. Pan Jun	9/9	1/1
Ms. Zeng Jie, Baby	8/9	0/1
Mr. Lam Kam Tong (appointed on 28 May 2012)	5/6	N/A
Mr. Feng Hui Ming (resigned on 3 September 2012)	4/4	1/1
Mr. Chan Sze Hon (resigned on 30 November 2012)	4/9	1/1
Independent non-executive Directors		
Mr. Ho Man	7/9	1/1
Mr. Liao Martin Cheung Kong, JP	6/9	1/1
Mr. Huang Ming	7/9	1/1
Mr. Xu Quan	7/9	1/1


Grande Valley International Country Club

Directors have timely access to relevant information prior to each board meeting. Directors are given the opportunity to include matters in the agenda for regular board meetings while Directors are entitled to have access to board papers and related materials to allow them to make informed decisions on matters arising from board meetings.

Minutes of board meetings and meetings of other committees are kept by the Company Secretary and are open for inspection by Directors.

Appointment and re-election of Directors

All executive Directors have entered into service contracts with the Company for a specific term of three years while all independent non-executive Directors have entered into letters of appointment with the Company for a specific term of three years. One-third of the Directors are subject to retirement from office by rotation and re-election at the annual general meeting once every three years in accordance with our Company's Articles of Association. The Directors to retire by rotation shall include any Director who wishes to retire and not to offer himself for re-election and those of the other Directors who have been longest in office since their election or re-election. A retiring Director is eligible for re-election.

Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office until the next following annual general meeting and be eligible for re-election. Any Director appointed pursuant to the aforesaid Article shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation.

Internal control

The Board is responsible for maintaining and reviewing the effectiveness of the internal control system of the Group. It has carried out reviews of the existing implemented system and procedures, including control measures of financial and operational compliance and risk management functions of the Group twice per annum.

Directors' Training and professional development

All directors should keep abreast of the responsibilities as a director, and of the conduct and business activities of the Company. The Company is responsible for arranging and funding suitable induction programme and on-going training and professional development programme for the Directors. Accordingly, the Company will arrange an induction programme newly appointed director before his/her formal appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Group and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements being a newly appointed director. The Company further arranges an on-going training and professional development seminar for Directors.

During the year of 2012, all Directors were provided with monthly newsletter on the Group's business, operations and financial matters as well as updates, if any, on applicable legal and regulatory and market changes to facilitate the discharge of their responsibilities. The Company had also organised a seminar on the "Update of Directors' Obligations under the Securities and Futures Ordinance and the Corporate Governance Code" for the Directors. The seminar was facilitated by Company's legal advisors with presentation and relevant materials. Continuing briefings and professional development for directors will be arranged whenever necessary.

All Directors had provided the Company Secretary with their training records for the year of 2012.

Indemnification of Directors and officers

The Company has arranged appropriate insurance coverage on directors' and officers' liabilities in respect of legal actions against Directors and senior management arising out of corporate activities.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The chairman and chief executive officer of our Company is Mr. Pan Jun. The reasons for the two roles are being preformed by the same individual are set out on the section "Corporate Governance Code" of this report.

BOARD COMMITTEES

To enhance the effectiveness of the management of the Company, the Board has established three committees, namely the audit committee, the nomination committee and the remuneration committee to monitor corresponding aspects of the Company's affairs. The composition and the roles and functions of each committee are summarised as follows.

Audit Committee

The Company has established the audit committee (the "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. In order to comply with the Revised CG Code, the Board adopted a revised terms of reference of the Audit Committee on 12 March 2012. The revised terms of reference of the Audit Committee are available on the websites of the Company and the Stock Exchange.

The Audit Committee 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. During the year of 2012, the Audit Committee held two meetings. The individual attendance record is as follows:

Director	No. of meetings attended/ No. of meetings held
Mr. Ho Man (Committee chairman)	2/2
Mr. Liao Martin Cheung Kong, JP	1/2
Mr. Huang Ming	2/2
Mr. Xu Quan	2/2

The major roles and functions of the Audit Committee are to review important accounting policies, to supervise the Company's financial reporting processes, to monitor the performance of the external auditors and the internal audit department, to review and evaluate the effectiveness of the Company's financial reporting procedures and internal controls and to ensure the compliance with applicable statutory accounting and reporting requirements, legal and regulatory requirements, internal rules and procedures approved by the Board.

During the reporting period, Audit Committee has been provided with the Group's financial statements, internal controls reports and other necessary financial information to consider, review and access significant issues arising from the financial statements, internal controls and work conducted. The Audit Committee also recommended the appointment of external auditors for the Company.

Remuneration Committee

The Company has established the remuneration committee (the "Remuneration Committee") in compliance with the Listing Rules. In order to comply with the Revised CG Code, the Board adopted a revised terms of reference of the Remuneration Committee on 12 March 2012. The revised terms of reference of the Remuneration Committee are available on the websites of the Company and the Stock Exchange.

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 committee. The individual attendance record is as follows:

Director	No. of meetings attended/ No. of meetings held
Mr. Huang Ming (Committee chairman)	2/2
Mr. Ho Man	1/2
Mr. Liao Martin Cheung Kong, JP	1/2
Mr. Xu Quan	2/2
Mr. Pan Jun	2/2

The Remuneration Committee is responsible for advising the Board on the remuneration policy and framework of the Directors and senior management member(s), as well as reviewing and determining the remuneration of all executive Directors and senior management member(s) with reference to the Company's objectives from time to time.

During the year ended 31st December 2012, the Remuneration Committee reviewed, and determined the remuneration package of the Directors and senior management. The remuneration policy of the Group and details of the remuneration of the Directors are set out in the section headed "Report of the Directors" and note 12 to the financial statements.

Nomination Committee

The Company has established the nomination committee (the "Nomination Committee") in compliance with the Listing Rules. The Nomination Committee currently comprises two executive Directors, Mr. Pan Jun, and, Ms. Zeng Jie, Baby and four independent non-executive Directors, Mr. Ho Man, Mr. Liao Martin Cheung Kong, JP, Mr. Huang Ming and Mr. Xu Quan.

In order to comply with the Revised CG Code, the Board (a) adopted a revised terms of reference of the Nomination Committee and (b) announced that Mr. Pan Jun was appointed as chairman of the Nomination Committee in place of Ms. Zeng Jie, Baby with effect from 12 March 2012. Ms. Zeng Jie, Baby remains as a member of the Nomination Committee. The revised terms of reference of the Nomination Committee are available on the websites of the Company and the Stock Exchange.

The Nomination Committee is primarily responsible for considering and nominating suitable candidates to become members of the Board. Criteria adopted by the Nomination Committee in considering the suitability of a candidate for directorship includes his/her qualifications, experience, expertise and knowledge as well as the requirements under the Listing Rules.

The Nomination Committee held one meeting during the year ended 31 December 2012. The individual attendance record is as follows:

Director	No. of meetings attended/ No. of meetings held
Mr. Pan Jun (Committee chairman)	1/1
Mr. Ho Man	0/1
Mr. Liao Martin Cheung Kong, JP	1/1
Mr. Huang Ming	1/1
Mr. Xu Quan	1/1
Ms. Zeng Jie, Baby	1/1

Members of the Nomination Committee have also reviewed the composition of the Board which is determined by directors' skills and experience appropriate to the Company's business.

During the year ended 31st December 2012, the Nomination Committee accessed the independence of the independent non-executive Directors and the Directors to be re-elected at the 2012 annual general meeting of the Company before putting forth for discussion and approval by the Board, and also reviewed the composition of the Board.

AUDITORS' REMUNERATION

The statement of the external auditors of the Company about their reporting responsibilities on the Company's financial statements for the year ended 31 December 2012 is set out in the section headed "Independent Auditors' Report" in this annual report.

During the year, the total remuneration in respect of statutory audit services paid to the Company's auditors, Messrs. Deloitte Touche Tohmatsu ("Deloitte") and PRC local auditors, amounted to approximately RMB3,146,000 and RMB1,019,000, respectively. Total service charges are as follows:

	RMB'000
Paid to Deloitte for statutory audit services	3,146
Paid to PRC auditors for statutory audit services	1,019
Total	4,165

Chengdu Grande Valley

INTERNAL CONTROLS

The Board has overall responsibility for the Group's system of internal control and for reviewing its effectiveness in order to safeguard the Group's assets and shareholders' interests. The Board will conduct regular review regarding internal control systems of the Group.

During the year ended 31 December 2012, the Audit Committee reviewed and discussed with the Group's internal audit team and the senior management on the adequacy and effectiveness of the Company's internal control systems including financial, operational and compliance controls and risk management. The Audit Committee further made recommendations to the Board to ensure reliability of financial reporting and compliance with applicable statutory accounting and reporting requirements, legal and regulatory requirements, internal rules and procedures approved by the Board, to identify and manage potential risks of the Group. Besides, the Audit Committee and the Board also will perform regular review on the Group's performance and internal control system in order to ensure effective measures are in place to protect material assets and identify business risks of the Group.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements of the Group in accordance with statutory requirements and applicable accounting standards. The Directors also acknowledge their responsibilities to ensure that the financial statements of the Group are published in a timely manner.

The reporting responsibilities of our Company's external auditors on the financial statements of the Group are set out on page 60 of the "Independent Auditors' Report" in this annual report.

SHAREHOLDERS RIGHTS

Procedures for Shareholders to convene an extraordinary general meeting and putting forward proposals at Shareholders' meetings

Pursuant to the article 58 of the articles of association of the Company, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures by which enquiries may be put to the Board

Shareholders are provided with contact details of the Company, such as website, telephone hotline, fax number, email address and postal address, in order to enable them to make any query that they may have with respect to the Company. They can also send their enquiries to the Board or the company secretary through the above means. If shareholders have any enquiries in respect of their shareholdings and entitlements to dividend, they may contact Computershare Hong Kong Investor Services Limited, our share registrar from time to time.

INVESTOR RELATIONS

Constitutional Documents

There has been no significant change in the Company's constitutional documents during the year ended 31 December 2012.

Effective Communication with Shareholders and Investors

As a showpiece of the Company facing the capital market, the Board believes that a transparent and timely disclosure of the Group's latest information will enable the shareholders and investors to have better understanding on the Group's operations and strategies. The Company recognises the importance of maintaining effective investor relations with the existing and potential investors. To enhance the communication between the Company and the investors, as well as to maintain the transparency of the Company, the team of Investor Relations engages in providing effective ways for shareholders and investors to obtain latest company information. In addition to the issue of monthly and quarterly newsletters and interim and annual financial reports, the Company's website at "www.cnfantasia.com" also acts as a communication platform with shareholders and investors, where information and updates on the Group's business developments and operations, financial information, corporate governance practices and other information are available for public access. The Company will also actively correspond to any enquiries raised by the shareholders and investors through emails and phone calls. Meanwhile, the Company has also arranged company meetings, telephone conferences, investors meetings, luncheons and site visits, held a number of non-deal road shows and actively participated in a couple of global investors conferences and forums held by investment banks.

The Board also considers that general meetings of the Company provide a useful forum for shareholders to exchange views with the Board. The Chairman of the Board as well as the chairmen and/or other members of the Audit Committee, Remuneration Committee and Nomination Committee normally attend the annual general meetings and other shareholders' meetings of the Company to reply questions raised.

As one of the measures to safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting. All resolutions proposed at general meetings will be voted by poll pursuant to the Listing Rules and the poll voting results will be posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.cnfantasia.com) immediately after the relevant general meetings.

FANTASIA

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

TO THE MEMBERS OF FANTASIA HOLDINGS GROUP CO., LIMITED
花樣年控股集團有限公司
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Fantasia Holdings Group Co., Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 61 to 137, which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2012, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
18 March 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000 (restated)
Revenue	7	6,230,050	5,592,350
Cost of sales and services		(3,709,778)	(3,200,650)
Gross profit		2,520,272	2,391,700
Other income, gains and losses	8	31,800	46,922
Change in fair value of investment properties	16	167,876	182,980
Recognition of change in fair value of completed properties for sale upon transfer to investment properties	29	330,257	191,142
Selling and distribution expenses		(314,100)	(262,433)
Administrative expenses		(291,966)	(309,972)
Finance costs	9	(57,698)	(108,471)
Impairment loss recognised in respect of goodwill	26	–	(1,321)
Share of results of associates		417	171
Gain on disposal of an associate		–	3,533
Gain on disposal of a subsidiary	41	–	17,589
Profit before taxation	10	2,386,858	2,151,840
Income tax expense	11	(1,261,209)	(1,038,344)
Profit for the year		1,125,649	1,113,496
Other comprehensive income (expense)			
Surplus on revaluation of properties		45,708	11,795
Deferred taxation liability arising from revaluation of properties		(14,633)	(4,851)
Other comprehensive income for the year (net of income tax)		31,075	6,944
Total comprehensive income for the year		1,156,724	1,120,440
Profit for the year attributable to:			
Owners of the Company		1,139,241	1,057,479
Non-controlling interests		(13,592)	56,017
		1,125,649	1,113,496
Total comprehensive income attributable to:			
Owners of the Company		1,163,210	1,064,423
Non-controlling interests		(6,486)	56,017
		1,156,724	1,120,440
Earnings per share – Basic (RMB)	14	0.22	0.21
Earnings per share – Diluted (RMB)	14	0.22	0.21

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2012

	Notes	31 December 2012 RMB'000	31 December 2011 RMB'000 (restated)	1 January 2011 RMB'000 (restated)
NON-CURRENT ASSETS				
Property, plant and equipment	15	585,687	529,215	374,434
Investment properties	16	3,422,233	2,443,694	1,697,677
Interests in associates	17	1,171	1,077	17,795
Interest in a jointly controlled entity	18	19,720	–	–
Advance to an associate	19	–	–	72,041
Goodwill	26	16,488	–	–
Prepaid lease payments	20	822,252	163,307	346,045
Premium on prepaid lease payments	21	591,144	440,275	359,203
Prepayment		–	11,890	43,370
Land development expenditure	22	1,217,463	1,335,848	393,849
Deposits paid for acquisition of subsidiaries	23	6,890	8,084	–
Deposit paid for acquisition of a property project	24	126,004	104,900	37,000
Deposit paid for acquisition of land use rights	25	158,123	–	763,095
Deferred tax assets	28	329,372	220,826	157,504
		7,296,547	5,259,116	4,262,013
CURRENT ASSETS				
Properties for sale	29	11,372,628	10,222,320	7,644,582
Prepaid lease payments	20	28,121	6,413	6,881
Premium on prepaid lease payments	21	19,219	11,157	6,101
Trade and other receivables	30	2,142,501	1,216,377	977,179
Amounts due from related parties	31	–	3,262	7,500
Amounts due from customers for contract works	32	52,482	16,359	15,939
Tax recoverable		77,179	51,143	5,580
Financial assets at fair value through profit or loss	33	42,200	–	–
Restricted bank deposits	34	707,614	315,134	85,161
Bank balances and cash	34	2,788,106	1,021,355	2,371,452
		17,230,050	12,863,520	11,120,375
CURRENT LIABILITIES				
Trade and other payables	35	2,603,457	2,268,829	1,686,718
Deposits received for sale of properties		4,186,104	2,619,004	1,834,067
Amounts due to customers for contract works	32	2,291	–	–
Amounts due to related parties	36	1,573	2,547	100,549
Tax payable		2,238,038	1,527,259	1,104,147
Borrowings – due within one year	37	2,452,294	2,100,069	2,132,381
		11,483,757	8,517,708	6,857,862
NET CURRENT ASSETS		5,746,293	4,345,812	4,262,513
TOTAL ASSETS LESS CURRENT LIABILITIES		13,042,840	9,604,928	8,524,526

	Notes	31 December 2012 RMB'000	31 December 2011 RMB'000 (restated)	1 January 2011 RMB'000 (restated)
NON-CURRENT LIABILITIES				
Deferred tax liabilities	28	692,558	429,372	247,099
Borrowings – due after one year	37	3,100,113	2,640,933	2,642,605
Senior notes	38	2,329,003	752,367	787,330
		6,121,674	3,822,672	3,677,034
		6,921,166	5,782,256	4,847,492
CAPITAL AND RESERVES				
Share capital	39	457,093	457,093	429,389
Reserves		6,144,037	5,144,506	4,002,262
Equity attributable to owners of the Company		6,601,130	5,601,599	4,431,651
Non-controlling interests		320,036	180,657	415,841
		6,921,166	5,782,256	4,847,492

The consolidated financial statements on pages 61 to 137 were approved and authorised for issue by the Board of Directors on 18 March 2013 and are signed on its behalf by:

Pan Jun
DIRECTOR

Lam Kam Tong
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	Attributable to owners of the Company											
	Share capital RMB'000	Share premium RMB'000 (Note i)	Special reserve RMB'000 (Note ii)	Share options reserve RMB'000 (Note iii)	Contribution reserve RMB'000	Statutory reserves RMB'000 (Note iv)	Discretionary reserves RMB'000 (Note iv)	Property revaluation reserve RMB'000 (Note v)	Accumulated profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2011 (audited) (originally stated)	429,389	2,481,236	(901)	–	40,600	34,105	1,477	–	1,516,228	4,502,134	464,336	4,966,470
Adjustments (note 2)	–	–	–	–	–	–	–	–	(70,483)	(70,483)	(48,495)	(118,978)
At 1 January 2011 (restated)	429,389	2,481,236	(901)	–	40,600	34,105	1,477	–	1,445,745	4,431,651	415,841	4,847,492
Profit for the year	–	–	–	–	–	–	–	–	1,057,479	1,057,479	56,017	1,113,496
Surplus on revaluation of properties	–	–	–	–	–	–	–	11,795	–	11,795	–	11,795
Deferred taxation liability arising from revaluation of properties	–	–	–	–	–	–	–	(4,851)	–	(4,851)	–	(4,851)
Other comprehensive income for the year	–	–	–	–	–	–	–	6,944	–	6,944	–	6,944
Profit and total comprehensive income for the year (restated)	–	–	–	–	–	–	–	6,944	1,057,479	1,064,423	56,017	1,120,440
Issue of shares	27,704	304,736	–	–	–	–	–	–	–	332,440	–	332,440
Acquisition of additional interest in subsidiaries	–	–	(58,577)	–	–	–	–	–	–	(58,577)	(286,263)	(344,840)
Acquisition of subsidiaries (note 40(b))	–	–	–	–	–	–	–	–	–	–	(260)	(260)
Disposal of partial interest without loss of control	–	–	(4,690)	–	–	–	–	–	–	(4,690)	4,690	–
Disposal of a subsidiary (note 41)	–	–	–	–	–	–	–	–	–	–	(646)	(646)
Dividend paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	(8,722)	(8,722)
Dividend paid to shareholders of the Company (note 13)	–	(165,888)	–	–	–	–	–	–	–	(165,888)	–	(165,888)
Recognition of equity-settled share-based payments (note 44)	–	–	–	2,240	–	–	–	–	–	2,240	–	2,240
Transfer	–	–	–	–	–	6,303	–	–	(6,303)	–	–	–
At 31 December 2011 (restated)	457,093	2,620,084	(64,168)	2,240	40,600	40,408	1,477	6,944	2,496,921	5,601,599	180,657	5,782,256
Profit for the year	–	–	–	–	–	–	–	–	1,139,241	1,139,241	(13,592)	1,125,649
Surplus on revaluation of properties	–	–	–	–	–	–	–	36,233	–	36,233	9,475	45,708
Deferred taxation liability arising from revaluation of properties	–	–	–	–	–	–	–	(12,264)	–	(12,264)	(2,369)	(14,633)
Other comprehensive income for the year	–	–	–	–	–	–	–	23,969	–	23,969	7,106	31,075
Profit and total comprehensive income (expense) for the year	–	–	–	–	–	–	–	23,969	1,139,241	1,163,210	(6,486)	1,156,724
Acquisition of subsidiaries (note 40)	–	–	–	–	–	–	–	–	–	–	141,215	141,215
Contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	4,650	4,650
Dividend paid to shareholders of the Company (note 13)	–	(168,859)	–	–	–	–	–	–	–	(168,859)	–	(168,859)
Recognition of equity-settled share-based payments (note 44)	–	–	–	5,180	–	–	–	–	–	5,180	–	5,180
Transfer	–	–	–	–	–	131	–	–	(131)	–	–	–
At 31 December 2012	457,093	2,451,225	(64,168)	7,420	40,600	40,539	1,477	30,913	3,636,031	6,601,130	320,036	6,921,166

Notes:

(i) Pursuant to article 16 of the Company's Article of Association, the Company is permitted to pay out final dividend from share premium account.

(ii) Special reserve arising from the acquisition or disposal of equity interests in subsidiaries without loss of control represents the difference between the consideration paid or received and the adjustment to the non-controlling interests.

(iii) Share options reserve represents the share-based payment under the Company's share option scheme.

(iv) The statutory reserves and discretionary reserves relate to subsidiaries in the People's Republic of China (the "PRC") and are non-distributable. Transfers to these reserves are determined by the board of directors or the shareholders' meeting of the PRC subsidiaries in accordance with the relevant laws and regulations of the PRC. These reserves can be used to offset accumulated losses, expand the scale of production and business and increase capital upon approval from the relevant authorities.

(v) Property revaluation surplus arose from the transfer of owner-occupied property to investment properties at the date of change in use.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2012

	2012 RMB'000	2011 RMB'000
OPERATING ACTIVITIES		
Profit before taxation	2,386,858	2,151,840
Adjustments for:		
Change in fair value of investment properties	(167,876)	(182,980)
Recognition of change in fair value of completed properties for sale upon transfer to investment properties	(330,257)	(191,142)
Release of prepaid lease payments	12,102	4,824
Release of premium on prepaid lease payments	11,133	6,864
Release of prepayments	20,960	14,533
Depreciation of property, plant and equipment	37,478	21,474
Loss (gain) on disposal of property, plant and equipment	31	(5)
Impairment loss recognised in respect of goodwill	–	1,321
Allowance (reversal) on bad and doubtful debts, net	10,547	(265)
Interest income	(10,424)	(8,941)
Imputed interest income on non-current interest-free advance to an associate	–	(537)
Finance costs	57,698	108,471
Net foreign exchange gain	(7,483)	(28,573)
Share of results of associates	(417)	(171)
Share-based payment expenses	5,180	2,240
Gain on disposal of a subsidiary	–	(17,589)
Gain on disposal of an associate	–	(3,533)
Operating cash flows before movements in working capital	2,025,530	1,877,831
Addition to prepaid lease payments	(506,918)	(148,412)
Decrease (increase) in land development expenditure	238,955	(909,960)
Increase in properties for sale	(576,574)	(1,229,587)
Increase in deposits paid for acquisition of land use rights	(158,123)	–
Increase in trade and other receivables	(962,992)	(141,850)
Decrease in prepayments	10,000	17,000
Increase in amounts due from customers for contract works	(36,123)	(420)
(Decrease) increase in amounts due to related parties	(1,397)	2,547
Increase in amounts due to customers for contract works	2,291	–
Increase in trade and other payables	191,038	519,205
Increase in deposits received for sale of properties	1,567,100	784,937
Decrease in amounts due from related parties	–	7,500
Cash generated from operations	1,792,787	778,791
Enterprise income tax ("EIT") paid, net	(191,844)	(218,726)
Land appreciation tax ("LAT") paid	(244,626)	(326,729)
Interest paid	(510,313)	(436,914)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	846,004	(203,578)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
INVESTING ACTIVITIES			
Deposits paid for acquisition of a property project		(21,104)	(67,900)
Increase in restricted bank deposits		(392,480)	(229,973)
Purchase of structured deposits		(42,200)	–
Settlement of consideration payable		(87,114)	(63,900)
Purchases of property, plant and equipment		(134,819)	(155,933)
Additions to investment properties		(149,580)	(273,973)
Acquisitions of assets and liabilities through acquisitions of subsidiaries (net of cash and cash equivalents acquired)	40(a)	(458,074)	(180,223)
Acquisition of business (net of cash and cash equivalents acquired)	40(b)	(53)	822
Interest received		10,424	8,941
Dividend received from an associate		323	–
Proceeds from disposal of property, plant and equipment		6,109	8,114
Disposal of a subsidiary	41	6,375	11,691
Disposal of an associate		–	96,000
Deposits paid for acquisition of subsidiaries		(5,680)	(8,084)
Proceeds from disposal of investment properties		21,856	1,450
Repayment (advance) of amounts due from related parties		3,262	(3,262)
Capital injection to a jointly controlled entity		(19,720)	–
NET CASH USED IN INVESTING ACTIVITIES		(1,262,475)	(856,230)
FINANCING ACTIVITIES			
Net proceeds from the issuance of senior notes	38	1,530,324	–
Contribution from a non-controlling shareholders		4,650	–
New borrowings raised		3,356,804	2,755,861
Repayment of borrowings		(2,539,965)	(2,738,576)
Dividend paid to shareholders of the Company		(168,859)	(165,888)
Dividend paid to non-controlling shareholders		–	(8,722)
Advance from (repayment to) a related party		423	(100,549)
Acquisition of additional interest in subsidiaries		–	(344,840)
Proceeds from issue of shares		–	332,440
NET CASH FROM (USED IN) FINANCING ACTIVITIES		2,183,377	(270,274)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		1,767,906	(1,330,082)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		1,021,355	2,371,452
Effect of foreign exchange rate changes		(1,155)	(20,015)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash		2,788,106	1,021,355

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. Its parent is Fantasy Pearl International Limited, a limited liability company incorporated in the British Virgin Islands (the "BVI"). Its ultimate holding company is Ice Apex Limited, a limited liability company also incorporated in the BVI. Its ultimate controlling party is Ms. Zeng Jie, Baby, who is a director of the Company. 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.

The Company acts as an investment holding company. Details of the principal activities of its subsidiaries are set out in note 48.

The consolidated financial statements are presented in Renminbi ("RMB"), which is the functional currency of the Company.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

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

Amendments to HKAS 12	Deferred tax: Recovery of Underlying Assets
Amendments to HKFRS 7	Financial Instruments: Disclosures – Transfers of Financial Assets
Amendments to HKAS 1	As part of the Annual Improvements to HKFRSs 2009-2011 Cycle issued in 2012

Except as described below, the application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 1 *Presentation of Financial Statements* (as part of the Annual Improvements to HKFRSs 2009–2011 Cycle issued in June 2012)

Various amendments to HKFRSs were issued in June 2012, the title of which is Annual Improvements to HKFRSs 2009–2011 Cycle. The effective date of these amendments is annual periods beginning on or after 1 January 2013. In the current year, the Group has applied for the first time the amendments to HKAS 1 in advance of the effective date (annual periods beginning on or after 1 January 2013).

HKAS 1 requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). The amendments to HKAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position.

In the current year, the Group has applied the amendments to HKAS 12 *Deferred Tax: Recovery of Underlying Assets* for the first time, which has resulted in a material effect on the information in the consolidated statement of financial position as at 1 January 2011. In accordance with the amendments to HKAS 1, the Group has therefore presented a third statement of financial position as at 1 January 2011 without the related notes.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

Amendments to HKAS 12 *Deferred Tax: Recovery of Underlying Assets*

The Group has applied for the first time the amendments to HKAS 12 *Deferred Tax: Recovery of Underlying Assets* in the current year. Under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 *Investment Property* are presumed to be recovered entirely through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The Group measures its investment properties using the fair value model. As a result of the application of the amendments to HKAS 12, the directors reviewed the Group's investment property portfolios and concluded that none of the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, the directors have determined that the 'sale' presumption set out in the amendments to HKAS 12 is not rebutted.

As a result of the application of the amendments to HKAS 12, the Group recognised additional deferred taxes in respect of those investment properties situated in the PRC which are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time and are subject to land appreciation tax and enterprise income tax on disposal of these investment properties.

Accordingly, the Group recognises the deferred taxes on changes in fair value of the investment properties taking into account the land appreciation tax and PRC enterprise income tax payable on disposal of these investment properties. Previously, the Group recognised deferred taxes on changes in fair value of investment properties using PRC enterprise income tax rate on the basis that the entire carrying amounts of the properties were recovered through use.

The amendments to HKAS 12 have been applied retrospectively, resulting in the Group's deferred tax liabilities being increased by approximately RMB118,978,000 as at 1 January 2011, with the corresponding debit being recognised in retained earnings and non-controlling interests. Similarly, the deferred tax liabilities have been increased by approximately RMB217,025,000 as at 31 December 2011.

In the current year, deferred taxes have been provided for changes in fair value of the Group's investment properties. The change in accounting policy has resulted in the Group's income tax expense for the years ended 31 December 2012 and 31 December 2011 being increased by approximately RMB131,709,000 and RMB96,145,000 respectively and hence resulted in profit for the years ended 31 December 2012 and 31 December 2011 being decreased by the same amounts.

Summary of the effect of the above change in accounting policy

The effect of the change in accounting policy described above on the results for the current and preceding year by line items presented in the consolidated statement of comprehensive income is as follows:

	2012 RMB'000	2011 RMB'000
Increase in income tax expense and decrease in profit for the year	131,709	96,145
Increase in deferred tax charge recognised in other comprehensive income in relation to change in fair value of owner-occupied properties to investment properties	3,205	1,902

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

Summary of the effect of the above change in accounting policy (continued)

The effect of the change in accounting policy described above on the financial positions of the Group as at the end of the immediately preceding financial year, i.e. 31 December 2011, is as follows:

	As at 31 December 2011 (originally stated) RMB'000	Adjustments RMB'000	As at 31 December 2011 (restated) RMB'000
Deferred tax liabilities and total effect of net assets	212,347	217,025	429,372
Accumulated profits	2,663,549	(166,628)	2,496,921
Special reserve (Note)	(15,673)	(48,495)	(64,168)
Property revaluation reserve	8,846	(1,902)	6,944
Total effect on equity	2,656,722	(217,025)	2,439,697

The effect of the change in accounting policy described above on the financial positions of the Group as at the beginning of the comparative period, i.e. 1 January 2011, is as follows:

	As at 1 January 2011 (originally stated) RMB'000	Adjustments RMB'000	As at 1 January 2011 (restated) RMB'000
Deferred tax liabilities and total effect on net assets	128,121	118,978	247,099
Accumulated profits	1,516,228	(70,483)	1,445,745
Non-controlling interests	464,336	(48,495)	415,841
Total effect on equity	1,980,564	(118,978)	1,861,586

Note: In 2011, the Group acquired the non-controlling interests in two subsidiaries with the excess of the consideration paid over the adjustment to the carrying amount of the non-controlling interests being debited to special reserve in that year. The application of the amendments to HKAS 12 retrospectively has resulted in an increase in deferred tax liabilities and hence a decrease in the non-controlling interests of RMB48,495,000 at 1 January 2011. The application of the amendments has also resulted in special reserve being further debited by the same amount as at 31 December 2011.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

Summary of the effect of the above change in accounting policy (continued)

	2012 RMB	2011 RMB
Impact on basic earnings per share		
Basic earnings per share before adjustment	0.24	0.23
Adjustments arising from change in accounting policy in relation to application of amendments to HKAS 12 in respect of deferred taxes on investment properties	(0.02)	(0.02)
Reported basic earnings per share	0.22	0.21
Impact on diluted earnings per share		
Diluted earnings per share before adjustment	0.24	0.23
Adjustments arising from change in accounting policy in relation to application of amendments to HKAS 12 in respect of deferred taxes on investment properties	(0.02)	(0.02)
Reported diluted earnings per share	0.22	0.21

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle, except for the amendments HKAS 1[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[2]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangement[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HKAS 19 (as revised in 2011)	Employee Benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to HKAS 1	Presentation of Item of Other Comprehensive Income[4]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[2]
HKFRIC 20	Stripping Costs in the Production Phase of a Surface Mine[1]

1 Effective for annual periods beginning on or after 1 January 2013
2 Effective for annual periods beginning on or after 1 January 2014
3 Effective for annual periods beginning on or after 1 January 2015
4 Effective for annual periods beginning on or after 1 July 2012

Annual Improvements to HKFRSs 2009–2011 Cycle issued in June 2012

The *Annual Improvements to HKFRSs 2009–2011 Cycle* include a number of amendments to various HKFRSs. The amendments are effective for annual periods beginning on or after 1 January 2013. Amendments to HKFRSs include the amendments to HKAS 16 *Property, Plant and Equipment* and the amendments to HKAS 32 *Financial Instruments: Presentation.*

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

Summary of the effect of the above change in accounting policy (continued)

Annual Improvements to HKFRSs 2009–2011 Cycle issued in June 2012 (continued)

The amendments to HKAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in HKAS 16 and as inventory otherwise. The directors do not anticipate that the application of the amendments will have a material effect on the Group's consolidated financial statements.

The amendments to HKAS 32 clarify that income tax on distributions to holders of an equity instrument and transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 *Income Taxes*. The directors do not anticipate that the application of the amendments to HKAS 32 will have a material effect on the Group's consolidated financial statements.

HKFRS 9 *Financial Instruments*

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at 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 reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that 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 recognition 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 of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as 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 2015, with earlier application permitted.

The directors do not anticipate that the application of the amendments to HKAS 9 will have a material effect on the Group's consolidated financial statements.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and SIC-Int 12 Consolidation – Special Purpose Entities. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 *Interests in Joint Venture*. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. SIC-Int 13 *Jointly Controlled Entities – Non-monetary Contributions by Venturers* will be withdrawn upon the effective date of HKFRS 11. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate consolidation.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

HKFRS 9 *Financial Instruments* (continued)

New and revised Standards on consolidation, joint arrangements, associates and disclosures (continued)

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013 with earlier application permitted provided that all of these standards are applied early at the same time.

The directors anticipate that the application of these five standards may not have significant impact on amounts reported in the consolidated financial statements when the new standards are applied in the future accounting periods.

HKFRS 13 *Fair Value Measurement*

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 *Financial Instruments: Disclosures* will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. The directors anticipate that the application of the new standard may affect certain amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income*

The amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income* introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and other comprehensive income' and an 'income statement' is renamed as a 'statement of profit or loss'. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in future accounting periods.

3. Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for certain properties and financial instruments that are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The significant accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance (effective from 1 January 2010 onwards).

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognise as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

3. Significant Accounting Policies (Continued)

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another Standard.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the relevant cash-generating units (or groups of cash generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequent whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in a subsequent periods.

On subsequent disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

3. Significant Accounting Policies (Continued)

Property, plant and equipment (continued)

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Buildings under development for future owner-occupied purpose

When buildings are in the course of development for production or for administrative purposes, the amortisation of prepaid lease payments provided during the construction period is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation including properties under construction for such purposes.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

Property that is being constructed or developed for future use as investment property is classified as investment property. If the fair value cannot be reliably determined, the investment property under development will be measured at cost until such time as fair value can be determined or construction is completed.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

3. Significant Accounting Policies (Continued)

Interests in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. The associate uses accounting policies that differ from those of the Group for like transactions and events in similar circumstances. Appropriate adjustments have been made to conform the associates' accounting policies to those of the Group. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the jointly controlled entities. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a jointly controlled entity. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3. Significant Accounting Policies (Continued)

Land development expenditure

Land development expenditure is stated at the lower of cost and net realisable value. The cost includes expenditure directly attributable to the development of relevant projects such as road construction, demolition, resettlement work and borrowing cost.

Properties for sale

Completed properties and properties under development for sale in the ordinary course of business are included in current assets and stated at the lower of cost and net realisable value. Cost includes the cost of land, development expenditure, borrowing costs capitalised in accordance with the Group's accounting policy, and other attributable expenses.

Net realisable value represents the estimated selling price for properties for sale less all estimated costs of completion and costs necessary to make the sale.

The Group transfers a property from inventories to investment property when there is a change of intention to hold the property to earn rentals or/and for capital appreciation rather than for sale in the ordinary course of business, which is evidenced by the commencement of an operating lease to another party. Any difference between the fair value of the property at the date of transfer and its previous carrying amount is recognised in profit or loss.

Installation contracts

Where the outcome of the installation contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, as measured by reference to the proportion that value of works performed to date, which is reflected by the billings agreed with the customer to date, relative to the estimated total revenue for each contract. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract works. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract works. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advance received included in other payables. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade and other receivables.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair values of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3. Significant Accounting Policies (Continued)

Financial instruments (continued)

Financial assets

The Group's financial assets are generally classified as, loans and receivables and financial assets at fair value through profit or loss ("FVTPL"). The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including advance to an associate, deposits paid for acquisition of land use rights, subsidiaries and a property project, trade and other receivables, amounts due from related parties, restricted bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Financial assets at fair value through profit or loss

Financial assets at FVTPL represent those designated as at FVTPL on initial recognition.

A financial asset may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets. Fair value is determined in the manner described in note 33.

Impairment of financial assets

Financial assets other than those at FVTPL are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

3. Significant Accounting Policies (Continued)

Financial instruments (continued)

Impairment of financial assets (continued)

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When trade receivables are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Other financial liabilities

Other financial liabilities (including trade and other payables, amounts due to related parties, borrowings and senior notes) are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Senior notes

Senior notes issued by the Group that contain both liability and early redemption option (which is not closely related to the host contract) are classified separately into respective items on initial recognition. At the date of issue, both the liability and early redemption option components are recognised at fair value.

In subsequent periods, the liability component of the senior notes is carried at amortised cost using the effective interest method. The early redemption option is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the senior notes are allocated to the liability and early redemption option components in proportion to their relative fair values. Transaction costs relating to the early redemption option are charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the senior notes using the effective interest method.

3. Significant Accounting Policies (Continued)

Financial instruments (continued)

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial guarantee contract issued by the Group and not designated at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policy.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment losses on tangible assets other than goodwill (see accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

3. Significant Accounting Policies (Continued)

Financial instruments (continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for properties sold and services provided in the normal course of business, net of discounts and sales related taxes.

Sales of properties

Revenue from sales of properties in the ordinary course of business is recognised when the respective properties have been completed and delivered to the buyers. Deposits and instalments received from purchasers prior to meeting the above criteria for revenue recognition are included in the consolidated statement of financial position under current liabilities.

When the completed properties are sold in exchange for dissimilar goods or services, the exchange is regarded as a transaction which generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred.

Agency fee, service income, management fee, parking fee and consultation fee

Agency fee, service income, management fee, parking fee and consultation fee are recognised when services are provided.

Contract revenue

Contract revenue from installation contract is recognised when the outcome of the contract can be estimated reliably and the stage of completion at the end of reporting period can be measured reliably. Revenue from construction contracts is recognised on the percentage of completion method, measured by reference to the proportion that value of works performed to date relative to the estimated total revenue for each contract. When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract cost incurred that it is probable to be recoverable.

Hotel operation

Revenue from hotel accommodation, hotel management and related services, food and beverage sales and other ancillary services is recognised when the services are rendered.

Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

3. Significant Accounting Policies (Continued)

Leasing (continued)

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as “prepaid lease payments” in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Prepaid lease payments

The prepaid lease payments represent upfront payments for land use rights for the purpose of development of properties for sale or for use in the production or supply of goods or services, and are initially recognised at cost and released to profit or loss over the remaining lease term on a straight-line basis. The prepaid lease payments in respect of development of projects for sale whereby the construction work is expected to complete beyond normal operating cycle are classified under non-current assets.

Premium on prepaid lease payments

The premium on prepaid lease payments represent the excess of the consideration paid over the carrying amount of the prepaid lease payments in respect of leasehold lands in the PRC acquired through acquisition of subsidiaries and released to profit or loss over the remaining lease term on a straight-line basis. The premium on prepaid lease payments in respect of projects whereby the construction work is expected to complete beyond normal operating cycle are classified under non-current assets.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from the “profit before taxation” as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. Significant Accounting Policies (Continued)

Taxation (continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in HKAS 12.

Current and deferred tax are recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Retirement benefit costs

Payments to state-managed retirement benefit scheme and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of the entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss in the period in which they arise.

Share-based payment transactions

Equity-settled share-based payment transactions

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will continue to be held in share options reserve.

4. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying accounting policies

The following is the critical judgments, apart from those involving estimations (see below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Deferred taxation on investment properties

For the purposes of measuring deferred taxes arising from investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in measuring the Group's deferred taxation on investment properties, the directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted.

As a result, the Group has recognised the related deferred taxes on changes in fair value of investment properties taking into account the land appreciation tax and PRC enterprise income tax payable on disposal of its investment properties.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Determination of net realisable value of properties under development for sale and completed properties for sale

Properties under development for sale and completed properties for sale are stated at the lower of cost and net realisable value with aggregate carrying amount of approximately RMB11,372,628,000 (2011: RMB10,222,320,000). Cost of each unit in each phase of development is determined using the weighted average method. The net realisable value is the estimated selling price less estimated selling expenses and estimated cost of completion (if any), which are determined based on best available information. Where there is any decrease in the estimated selling price arising from any changes to the property market conditions in the PRC, there may be write-down on the properties under development for sale and completed properties for sale.

LAT

The Group is subject to land appreciation tax in the PRC. However, the implementation and settlement of the tax varies amongst different tax jurisdictions in various cities of the PRC and certain projects of the Group have not finalised their land appreciation tax calculations and payments with any local tax authorities in the PRC. Accordingly, significant estimate is required in determining the amount of land appreciation and its related income tax provisions. The Group recognised the land appreciation tax based on management's best estimates. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax expense and the related income tax provisions in the periods in which such tax is finalised with local tax authorities.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit or taxable temporary difference will be available against which the losses can be utilised. Significant management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits or taxable temporary difference together with future tax planning strategies.

Recognition and allocation of construction costs on properties under development

Development costs of properties are recorded as properties under development during the construction stage and will be transferred to completed properties for sale and charged to the consolidated statement of comprehensive income upon the recognition of the sales of the properties. Before the final settlement of the development costs and other costs relating to the sale of the properties, these costs are accrued by the Group based on management's best estimate. During the development stage, the Group typically divides the development projects into phases. Costs that are common to different phases are allocated to individual phases based on saleable area. Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect the profit or loss in future years.

4. Critical Accounting Judgments and Key Sources of Estimation Uncertainty (continued)

Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2012, the carrying amount of trade receivable is RMB964,674,000 (2011: carrying amount of RMB410,171,000).

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2012, the carrying amount of goodwill net of accumulated impairment loss was approximately RMB16,488,000.

5. Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year. The capital structure of the Group consists of net debt, which includes amounts due to related parties as disclosed in note 36, borrowings as disclosed in note 37, senior notes as disclosed in note 38, cash and cash equivalents as disclosed in note 34 and equity attributable to owners of the Company, comprising share capital and reserves.

The directors of the Company review the capital structure periodically. As a part of this review, the corporate finance department reviews the planned construction projects proposed by engineering department and prepares the annual budget taking into account of the provision of funding.

The directors of the Company then assess the annual budget and consider the cost of capital and the risks associated with each class of capital. The directors of the Company also balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

6. Financial Instruments

(a) Categories of financial instruments

	31 December 2012 RMB'000	31 December 2011 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	4,702,811	2,530,510
Financial assets at FVTPL	42,200	–
Financial liabilities		
Amortised cost	10,309,378	7,655,232

(b) Financial risk management objectives and policies

The Group's major financial instruments include financial assets at fair value through profit or loss, advance to an associate, deposits paid for acquisition of land use rights, subsidiaries and a property project, trade and other receivables, amounts due from related parties, restricted bank deposits, bank balances and cash, trade and other payables, amounts due to related parties, borrowings and senior notes. Details of these financial instruments are disclosed in respective notes.

The management monitors and manages the financial risks relating to the operations of the Group through internal risk assessment which analyses exposures by degree and magnitude of risks. The risks included market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

6. Financial Instruments (continued)

(c) Foreign currency risk management

The Group has bank balances, borrowings and senior notes which are denominated in foreign currencies of the relevant group entities, hence is exposed to exchange rate fluctuations.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the respective reporting periods are as follow:

	31 December 2012 RMB'000	31 December 2011 RMB'000
Assets		
United States Dollars ("USD")	1,030,061	5,195
Hong Kong Dollars ("HKD")	60,681	288,798
Taiwan Dollars ("TWD")	1,693	3,496
Japanese Yan ("JPY")	8	–
Liabilities		
USD	3,245,589	1,596,688
HKD	137,841	163,761

The Group currently does not enter into any derivative contracts to minimise the currency risk exposure. However, the management will consider hedging significant currency risk should the need arise.

The Group mainly exposes to the effects of fluctuation in USD and HKD against RMB.

The following table details the Group's sensitivity to a 5% (2011: 5%) increase and decrease in the RMB against the relevant foreign currencies. 5% (2011: 5%) is the sensitivity rate used in management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% (2011: 5%) change in foreign currency rates. The sensitivity analysis includes bank balances, borrowings and senior notes. A positive number indicates an increase in profit for the year where the RMB strengthens against the relevant currencies. For a 5% (2011: 5%) weakening of the RMB against the relevant currencies, there would be an equal and opposite impact on the profit for the year.

	2012 RMB'000	2011 RMB'000
USD		
Increase in profit for the year	110,776	79,575
HKD		
Increase (decrease) in profit for the year	3,858	(6,252)
TWD		
Decrease in profit for the year	(85)	(175)

During the year ended 31 December 2012, in management's opinion, the sensitivity analysis is unrepresentative of the foreign exchange risk as the year end exposure does not reflect the exposure during the year. USD denominated borrowings and HKD denominated bank balances were incurred in the last quarter of the 2011 and 2012 financial year, which results in an increment in the respective balances at year end.

6. Financial Instruments (continued)

(d) Interest rate risk management

The Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances and variable-rate borrowings.

The Group is also exposed to fair value interest rate risk which relates primarily to its fixed-rate borrowings and senior notes (see notes 37 and 38). The Group currently does not use any derivative contracts to hedge its loans to interest rate risk. However, the management will consider hedging significant interest rate exposure should the need arise.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the London Interbank Offered Rate ("LIBOR") arising from the Group's USD borrowings, the Hong Kong Interbank Offer Rate ("HIBOR") arising from the Group's HKD borrowings and Benchmark Borrowing Rate of The People's Bank of China ("Benchmark Rate") from the Group's RMB borrowings.

Sensitivity analysis

Bank balances and restricted bank deposits

The sensitivity analysis below has been determined based on the exposure to interest rates for the bank balances and restricted bank deposits at the end of the reporting period. A 25 basis points (2011: 25 basis points) increase or decrease is used and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been higher/lower by 25 basis points (2011: 25 basis points) and all other variables were held constant, the Group's profit for the year ended 31 December 2012 would increase/decrease by approximately RMB6,554,000 (2011: increase/decrease of approximately RMB2,506,000).

Variable-rate borrowings

The sensitivity analysis below has been determined based on the exposure to interest rates for the variable-rate borrowings at the end of the reporting period. A 50 basis points (2011: 50 basis points) increase or decrease is used and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been higher/lower by 50 basis points (2011: 50 basis points) and all other variables were held constant, the Group's profit for the year ended 31 December 2012 would decrease/increase by approximately RMB3,811,000 (2011: decrease/increase of approximately RMB5,036,000), net of interest that would be capitalised or not capitalised in accordance with the Group's accounting policy.

(e) Credit risk management

As at 31 December 2012, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position; and

- the amount of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in note 46.

In order to minimise the credit risk, the Group has policies in place for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk on trade receivables, with exposure spread over a number of counterparties and customers.

6. Financial Instruments (continued)

(e) Credit risk management (continued)

At 31 December 2012, the Group has concentration of credit risk on the deposits for acquisition of a property project, land use rights and subsidiaries paid to counterparties which are all engaged in PRC property development business and property operation service.

The Group's credit risk on liquid funds is limited because the counterparties are banks with high credit ratings and good reputation established in the PRC and Hong Kong. The Group's credit risk on deposits paid on acquisition of a property project, land use rights and subsidiaries are not significant as the counterparties are enterprises with good reputation established in PRC.

For properties under development which are subject to pre-sales agreements, the Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of the properties for an amount up to 70% of the total purchase price of the property. If a purchaser defaults on the payment of its mortgage during the term of guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount of the loan and any accrued interest thereon. Under such circumstances, the Group is able to retain the customer's purchase deposit and sell the property to recover any amounts paid by the Group to the bank. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

(f) Liquidity risk management

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings and ensures compliance with loan covenants.

The Group relies on borrowings, amounts due to related parties and senior notes as a significant source of liquidity. As at 31 December 2012, the Group has total available unutilised overdraft and bank loan facilities of approximately RMB408,154,000 (2011: RMB478,000,000).

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

6. Financial Instruments (continued)

(f) Liquidity risk management (continued)

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

Liquidity table

	Weighted average effective interest rate %	On demand or less than 1 month RMB'000	1-3 months RMB'000	3 months to 1 year RMB'000	1-5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
As at 31 December 2012								
Non-derivative financial liabilities								
Trade and other payables	–	713,833	385,021	1,275,584	51,957	–	2,426,395	2,426,395
Amounts due to related parties	–	1,573	–	–	–	–	1,573	1,573
Borrowings								
– fixed rate	13.6	6,695	13,390	439,808	200,361	–	660,254	592,000
– variable rate	7.0	434,449	200,743	1,411,460	3,369,179	153,386	5,569,217	4,960,407
Financial guarantee contracts	–	2,750,751	–	–	–	–	2,750,751	–
Senior notes	14.9	–	108,032	213,628	3,348,286	–	3,669,946	2,329,003
		3,907,301	707,186	3,340,480	6,969,783	153,386	15,078,136	10,309,378
As at 31 December 2011								
Non-derivative financial liabilities								
Trade and other payables	–	786,674	389,199	949,438	34,005	–	2,159,316	2,159,316
Amounts due to related parties	–	2,547	–	–	–	–	2,547	2,547
Borrowings								
– fixed rate	–	–	–	–	–	–	–	–
– variable rate	6.7	238,280	46,333	1,862,997	2,544,013	799,036	5,490,659	4,741,002
Financial guarantee contracts	–	2,478,814	–	–	–	–	2,478,814	–
Senior notes	14.9	–	–	105,855	1,020,746	–	1,126,601	752,367
		3,506,315	435,532	2,918,290	3,598,764	799,036	11,257,937	7,655,232

Bank loans with a repayment on demand clause are included in the "on demand or less than 1 month" time band in the above maturity analysis. As at 31 December 2012, the aggregate undiscounted principal amounts of these bank loans amounted to approximately RMB591,641,000 (2011: RMB203,761,000). Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans will be repaid ranging from 1 year to 3 years after the reporting date in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to RMB665,539,000 (2011: RMB221,662,000).

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

6. Financial Instruments (continued)

(g) Fair value

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Except for the senior notes set out in note 38, the directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised costs in the consolidated financial statements approximate their fair values.

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets at FVTPL

	Level 2	
	2012	2011
	RMB'000	RMB'000
Structured deposits	42,200	–

7. Revenue and Segment Information

	2012 RMB'000	2011 RMB'000
Sales of properties (Note)	5,885,314	5,396,289
Rental income from investment properties	90,266	37,887
Agency fee from provision of property agency services	14,470	10,571
Management fee and installation services fee from provision of property operation services	184,683	124,895
Hotel operations	55,317	22,708
	6,230,050	5,592,350

Note: The properties sold by the Group are mainly represented by residential and commercial properties.

The segment information reported externally was analysed on the basis of the different 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. This is also the basis of organisation in the Group, whereby the management has chosen to organise the Group around differences in products and services. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

Inter-segment revenue are eliminated on consolidation.

The Group has five reportable and 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 described in note 3. 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 gain, share of results of associates, gain on disposal of an associate, 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 and jointly controlled entity, financial assets at fair value through profit or loss, advance to an associate, restricted bank deposits, bank balances and cash and other corporate assets.

7. Revenue and Segment Information (continued)

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

Segment revenues, results, assets and other material items for 31 December 2012:

	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	5,885,314	90,266	14,470	184,683	55,317	6,230,050
Inter-segment revenues	52,388	1,643	1,157	286,021	–	341,209
Segment result	2,205,017	294,225	8,109	108,853	(53,756)	2,562,448
Segment assets	16,279,343	3,422,232	8,359	415,056	432,359	20,557,349
Amounts included in the measure of segment profit or loss or segment assets:						
Additions to non-current assets (note)	34,723	154,868	–	25,714	98,368	313,673
Change in fair value of investment properties	–	167,876	–	–	–	167,876
Recognition of change in fair value of completed properties for sale upon transfer to investment properties	330,257	–	–	–	–	330,257
Release of prepaid lease payments	7,454	–	–	–	4,648	12,102
Release of premium on prepaid lease payments	11,133	–	–	–	–	11,133
Depreciation of property, plant and equipment	18,421	–	1	2,862	16,077	37,361
Loss on disposal of property, plant and equipment	31	–	–	–	–	31
Allowance (reversal) on bad and doubtful debts, net	11,012	–	–	(465)	–	10,547

Inter-segment revenues are charged at prevailing market rate.

7. Revenue and Segment Information (continued)

Segment revenues, results, assets and other material items for 31 December 2011:

	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	5,396,289	37,887	10,571	124,895	22,708	5,592,350
Inter-segment revenues	3,617	1,835	7,430	158,781	–	171,663
Segment result	2,008,475	231,581	42,396	68,366	(39,869)	2,310,949
Segment assets	13,319,848	2,445,142	2,011	302,290	422,111	16,491,402
Amounts included in the measure of segment profit or loss or segment assets:						
Additions to non-current assets (note)	51,822	278,636	144	8,185	153,284	492,071
Change in fair value of investment properties	–	182,980	–	–	–	182,980
Recognition of change in fair value of completed properties for sale upon transfer to investment properties	191,142	–	–	–	–	191,142
Release of prepaid lease payments	4,736	–	–	–	88	4,824
Release of premium on prepaid lease payments	6,864	–	–	–	–	6,864
Depreciation of property, plant and equipment	7,771	–	338	2,450	10,687	21,246
Loss (gain) on disposal of property, plant and equipment	33	–	–	(25)	(13)	(5)
(Reversal) allowance on bad and doubtful debts, net	(2,334)	–	–	2,069	–	(265)

Inter-segment revenues are charged at prevailing market rate.

Note: Additions to non-current assets comprise mainly additions to goodwill, property, plant and equipment and investment properties and exclude interests in associates, prepayments, deposits paid for acquisition of subsidiaries and a property project and deferred tax assets.

7. Revenue and Segment Information (continued)

Reconciliation:

	2012 RMB'000	2011 RMB'000
Revenue:		
Total revenue for reportable segments	6,571,259	5,764,013
Elimination of inter-segment revenues	(341,209)	(171,663)
Group's total revenues	6,230,050	5,592,350
Profit or loss:		
Total segment results	2,562,448	2,310,949
Elimination of inter-segment result	(67,278)	(50,728)
Unallocated amounts:		
Unallocated income	17,945	38,053
Unallocated corporate expenses	(68,976)	(40,346)
Finance costs	(57,698)	(108,471)
Impairment loss recognised in respect of goodwill	–	(1,321)
Share of results of associates	417	171
Gain on disposal of an associate	–	3,533
Profit before taxation	2,386,858	2,151,840

Reconciliation:

	2012 RMB'000	2011 RMB'000
Assets:		
Total assets for reportable segments	20,557,349	16,491,402
Unallocated assets:		
Interests in associates	1,171	1,077
Interest in a jointly controlled entity	19,720	–
Financial assets at fair value through profit or loss	42,200	–
Restricted bank deposits	707,614	315,134
Bank balances and cash	2,788,106	1,021,355
Corporate assets	410,437	293,668
Group's total assets	24,526,597	18,122,636

7. Revenue and Segment Information (continued)

	2012 RMB'000	2011 RMB'000
Other material items:		
Release of prepaid lease payments		
Reportable segment and Group's totals	12,102	4,824
Release of premium on prepaid lease payments		
Reportable segment and Group's totals	11,133	6,864
Depreciation of property, plant and equipment		
Reportable segment totals	37,361	21,246
Unallocated amount	117	228
Group's total	37,478	21,474
Additions to non-current assets		
Reportable segment totals	313,673	492,071
Unallocated amount	–	568
Group's total	313,673	492,639
Loss (gain) on disposal of property, plant and equipment		
Reportable segment and Group's totals	31	(5)
Allowance (reversal) on bad and doubtful debt, net		
Reportable segment and Group's totals	10,547	(265)
Impairment loss recognised in respect of goodwill		
Reportable segment and Group's totals	–	1,321

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 2012 and 2011, there was no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

8. Other Income, Gains and Losses

	2012 RMB'000	2011 RMB'000
Interest income	10,424	8,941
Imputed interest income on non-current interest-free advance to an associate	–	537
Forfeiture income on deposits received	853	1,148
Government grant (note)	8,505	5,797
Net exchange gain	7,483	28,573
Others	4,535	1,926
	31,800	46,922

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.

9. Finance Costs

	2012 RMB'000	2011 RMB'000
Interest on:		
– borrowings wholly repayable within five years	393,156	294,931
– borrowings not wholly repayable within five years	10,715	30,247
– senior notes (note 38)	169,161	75,029
– amounts due to related parties	–	1,744
Less: Amount capitalised in properties under development for sale	(381,978)	(256,522)
Amount capitalised in land development expenditure	(120,570)	(32,039)
Amount capitalised in investment properties under development	(4,951)	(4,663)
Amount capitalised in construction in progress	(7,835)	(256)
	57,698	108,471

In 2012, certain amount of borrowing costs capitalised arose on the general borrowing pool and were calculated by applying the capitalisation rate of 9.6% per annum to expenditure on qualifying assets.

10. Profit before Taxation

	2012 RMB'000	2011 RMB'000
Profit before taxation has been arrived at after charging (crediting):		
Directors' emoluments (note 12)	9,800	8,617
Other staff's salaries and allowances	208,861	218,619
Retirement benefit scheme contributions	19,930	22,052
Share-based payments	3,378	1,578
Total staff costs	241,969	250,866
Less: Amount capitalised in properties under development for sale	(85,566)	(67,475)
Amount capitalised in land development expenditure	(4,021)	–
Amount capitalised in investment properties under development	(1,152)	–
	151,230	183,391
Auditor's remuneration	4,165	4,069
Release of prepaid lease payments	12,102	4,824
Release of premium on prepaid lease payments	11,133	6,864
Depreciation of property, plant and equipment	37,478	21,474
Loss (gain) on disposal of property, plant and equipment	31	(5)
Allowance (reversal) on bad and doubtful debts, net	10,547	(265)
Cost of properties sold recognised as an expense	3,420,029	2,771,307
Contract cost recognised as an expense	29,695	39,318
Rental expenses in respect of rented premises under operating leases	6,994	7,688
Gross rental income from investment properties	(90,266)	(37,887)
Less: direct operating expenses from investment properties that generated rental income	7,139	3,658
	(83,127)	(34,229)

11. Income Tax Expense

	2012 RMB'000	2011 RMB'000 (restated)
Current tax:		
PRC taxes		
EIT	541,120	520,569
LAT	580,082	403,675
	1,121,202	924,244
Deferred tax (note 28)		
Current year	140,007	114,913
Underprovision of deferred tax assets	–	(813)
	140,007	114,100
	1,261,209	1,038,344

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

The Group's PRC enterprise income tax is calculated based on the applicable tax rate 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:

	2012 RMB'000	2011 RMB'000 (restated)
Profit before taxation	2,386,858	2,151,840
Tax at PRC enterprise income tax rate of 25% (2011: 25%) (note i)	596,715	537,960
Tax effect of share of results of associates	(104)	(43)
Tax effect of income not taxable for tax purposes	(2,539)	(1,131)
Tax effect of expenses not deductible for tax purposes (note ii)	57,122	58,271
Tax effect of tax losses not recognised	53,572	60,575
Utilisation of tax losses previously not recognised	(2,116)	(5,858)
Tax effect of different tax rates of subsidiaries	(8,211)	(9,518)
LAT	580,082	403,675
Tax effect of LAT	(145,021)	(100,919)
Underprovision of deferred tax assets	–	(813)
Others (note iii)	131,709	96,145
Income tax expense for the year	1,261,209	1,038,344

Notes:

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

(ii) The amounts for the years ended 31 December 2012 and 2011 mainly relate to the tax effect of expenses incurred by offshore companies, including the interest on senior notes and professional fees.

(iii) The amounts for the years ended 31 December 2012 and 2011 represent the deferred taxes of LAT payable on changes in fair value of the Group's investment properties in the PRC upon sales of those investment properties.

12. Directors', Chief Executive's and Employees' Remuneration

The emoluments of the directors and the chief executive on a named basis are as follows:

	Fees RMB'000	Salaries and other benefits RMB'000	Discretionary bonus RMB'000 (note v)	Retirement benefit scheme contributions RMB'000	Share-based payments RMB'000	Total RMB'000
For the year ended 31 December 2012						
Executive directors:						
Pan Jun (潘軍) (note i)	–	1,984	–	43	448	2,475
Zeng Jie (曾寶寶)	–	1,984	–	43	448	2,475
Feng Huiming (馮輝明) (note ii)	–	772	–	43	270	1,085
Lam Kam Tong (林錦堂) (note iii)	–	702	514	6	51	1,273
Chan Sze Hon (陳思翰) (note iv)	–	938	–	9	297	1,244
Independent non-executive directors:						
He Min (何敏)	240	–	–	–	72	312
Huang Ming (黃明)	240	–	–	–	72	312
Liao Changjiang (廖長江)	240	–	–	–	72	312
Xu Quan (許權)	240	–	–	–	72	312
	960	6,380	514	144	1,802	9,800
For the year ended 31 December 2011						
Executive directors:						
Pan Jun (潘軍)	–	1,802	–	37	150	1,989
Zeng Jie (曾寶寶)	–	1,802	–	37	150	1,989
Feng Huiming (馮輝明)	–	1,003	656	37	151	1,847
Chan Sze Hon (陳思翰)	–	1,010	602	9	115	1,736
Independent non-executive directors:						
He Min (何敏)	240	–	–	–	24	264
Huang Ming (黃明)	240	–	–	–	24	264
Liao Changjiang (廖長江)	240	–	–	–	24	264
Xu Quan (許權)	240	–	–	–	24	264
	960	5,617	1,258	120	662	8,617

Notes:

(i) Mr Pan Jun is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

(ii) Resigned on 3 September 2012

(iii) Appointed on 28 May 2012

(iv) Resigned on 30 November 2012

(v) The discretionary bonus is determined by the board of directors based on the Group's performance for each financial year.

12. Directors' Chief Executive's and Employees' Remuneration (continued)

Employees' emoluments

The five individuals with the highest emoluments in the Group included 2 (2011: 2) directors for both years. Details of their emoluments are set out above. The emoluments of the remaining 3 (2011: 3) of the five highest paid individuals are as follows:

	2012 RMB'000	2011 RMB'000
Salaries and allowances	3,265	2,198
Discretionary bonus	1,133	4,003
Retirement benefit scheme contributions	128	109
Share-based payments	734	185
	5,260	6,495

Their emoluments were within the following band:

	2012 No. of employees	2011 No. of employees
HK$1,500,001 to HK$2,000,000	1	–
HK$2,000,001 to HK$3,000,000	2	2
HK$3,000,001 to HK$3,500,000	–	1

During the years ended 31 December 2012 and 2011, no remuneration was paid by the Group to any of the directors and Chief Executive or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors and Chief Executive waived any remuneration for the years ended 31 December 2012 and 2011.

13. Dividends

	2012 RMB'000	2011 RMB'000
Final dividend for the financial year ended 31 December 2011 of HK4.00 cents per share (2011: final dividends for the financial year ended 31 December 2010 of HK4.00 cents) (Note i)	168,859	165,888
Dividends paid to non-controlling shareholders (Note ii)	–	8,722

Notes:

(i) Subsequent to the end of the reporting period, a final dividend for the financial year ended 31 December 2012 of HK5.50 cents, equivalent to RMB4.46) (2011: final dividend for the financial year ended 31 December 2011 of HK4.00 cents, equivalent to RMB3.24 cents) per share amounting to HK286,397,196, equivalent to RMB231,981,721, in aggregate has been proposed by the directors for approval by the shareholders 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.

14. Earnings Per Share

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

	2012 RMB'000	2011 RMB'000 (restated)
Earnings		
Earnings for the purpose of basic and diluted earnings per share (Profit for the year attributable to owners of the Company)	1,139,241	1,057,479

	2012	2011
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	5,207,221,750	5,041,481,175
Effect of dilutive potential ordinary shares		
Share options	2,790,310	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	5,210,012,060	5,041,481,175

The weighted average number of ordinary shares during the year ended 31 December 2011 has been adjusted for the effect of the subscription shares as set out in note 39.

No adjustment for diluted earnings per share is presented as share option granted by the Company as the exercise prices are higher than the average market price of the Company's shares during the year ended 31 December 2011.

15. Property, Plant And Equipment

	Hotel buildings RMB'000	Buildings RMB'000	Renovations and leasehold improvements RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1 January 2011	54,489	39,775	25,562	38,124	19,066	243,252	420,268
Transfer from completed properties for sale (Note i)	44,906	–	–	–	–	–	44,906
Transfer from properties under development for sale (Note ii)	–	–	–	–	–	11,270	11,270
Acquisition of business (note 40(b))	–	–	–	18	–	–	18
Additions	–	4,312	657	23,474	4,561	124,805	157,809
Transfer	–	40,933	–	93	–	(41,026)	–
Transfer to investment properties (Note iii)	–	(27,939)	–	–	–	–	(27,939)
Disposals	–	(8,387)	(761)	(1,456)	(882)	–	(11,486)
Disposal of a subsidiary (note 41)	–	–	(5,115)	(3,480)	(802)	–	(9,397)
At 31 December 2011	99,395	48,694	20,343	56,773	21,943	338,301	585,449
Additions	–	1,438	6,940	25,499	2,878	105,899	142,654
Acquisition of subsidiaries	–	–	–	1,444	–	–	1,444
Transfer	316,620	43,080	–	–	–	(359,700)	–
Transfer to investment properties (Note iii)	–	(44,008)	–	–	–	–	(44,008)
Disposals	–	(4,300)	–	(2,335)	(217)	–	(6,852)

15. Property, Plant And Equipment (continued)

	Hotel buildings RMB'000	Buildings RMB'000	Renovations and leasehold improvements RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
At 31 December 2012	416,015	44,904	27,283	81,381	24,604	84,500	678,687
DEPRECIATION							
At 1 January 2011	895	6,169	14,048	16,123	8,599	–	45,834
Provided for the year	4,779	1,879	2,219	9,708	2,889	–	21,474
Eliminated on disposals	–	(859)	(760)	(911)	(847)	–	(3,377)
Eliminated on disposal of a subsidiary (note 41)	–	–	(4,907)	(2,472)	(318)	–	(7,697)
At 31 December 2011	5,674	7,189	10,600	22,448	10,323	–	56,234
Provided for the year	14,501	2,206	6,736	10,857	3,178	–	37,478
Eliminated on disposals	–	(425)	–	(248)	(39)	–	(712)
At 31 December 2012	20,175	8,970	17,336	33,057	13,462	–	93,000
CARRYING AMOUNTS							
At 31 December 2012	395,840	35,934	9,947	48,324	11,142	84,500	585,687
At 31 December 2011	93,721	41,505	9,743	34,325	11,620	338,301	529,215

Notes:

(i) During the year ended 31 December 2011, buildings of RMB44,906,000 were transferred from completed properties for sale as a result of the change in use of property as approved by the management of the Group.

(ii) During the year ended 31 December 2011, RMB11,270,000 was transferred from properties under development for sale as a result of change in intended use to self-use properties as approved by the management of the Group.

(iii) During the year ended 31 December 2012, RMB44,008,000 (2011: RMB27,939,000) was transferred from buildings to investment properties upon change in use as evidenced by signing of relevant tenancy agreements. The excess of the fair value of these properties at the date of change in use over the carrying amounts, amounting to approximately RMB45,708,000 (2011: RMB11,795,000) were recognised in other comprehensive income and accumulated in the property revaluation reserve in equity and non-controlling interests.

The following useful lives are used in the calculation of depreciation:

Hotel buildings	Over the shorter of the term of lease range from 37 years to 47 years or 20 years
Buildings	Over the shorter of the term of lease range from 11 years to 37 years or 50 years
Renovations and leasehold improvements	5–10 years
Furniture, fixtures and equipment	5 years
Motor vehicles	5 to 10 years

At 31 December 2012, certain of the Group's buildings and hotel buildings with carrying amounts of RMB60,561,000 (2011: RMB1,121,000) were pledged to banks to secure certain banking facilities granted to the Group.

The hotel buildings amounting to approximately RMB351,302,000 (2011: RMB47,830,000) and RMB44,538,000 (2011: RMB45,891,000) are held under medium-term and long-term leases in the PRC, respectively. All the buildings are held under medium-term lease in the PRC at the end of both reporting periods.

16. Investment Properties

	Completed Investment properties (at fair value) RMB'000	Investment properties under construction (at fair value) RMB'000	investment properties under construction (at cost) RMB'000	Total RMB'000
FAIR VALUE OR COST				
At 1 January 2011	844,530	–	853,147	1,697,677
Transfer from property, plant and equipment (note 15)	39,734	–	–	39,734
Additions	–	–	278,636	278,636
Transfer from completed properties for sale (note 29)	246,117	–	–	246,117
Transfers upon completion of construction work	993,338	(993,338)	–	–
Transfers to fair value model	–	881,960	(881,960)	–
Disposal	(1,450)	–	–	(1,450)
Net change in fair value recognised in profit or loss	71,602	111,378	–	182,980
At 31 December 2011	2,193,871	–	249,823	2,443,694
Transfer from property, plant and equipment (note 15)	89,716	–	–	89,716
Additions	–	–	154,531	154,531
Transfer from completed properties for sale (note 29)	588,272	–	–	588,272
Transfers upon completion of construction work	269,042	(269,042)	–	–
Transfers to fair value model	–	404,354	(404,354)	–
Disposal	(21,856)	–	–	(21,856)
Net change in fair value recognised in profit or loss	51,188	116,688	–	167,876
At 31 December 2012	3,170,233	252,000	–	3,422,233

At 31 December 2012, the fair values of the Group's completed investment properties of approximately RMB3,170,233,000 (2011: RMB2,193,871,000) and investment properties under development of approximately RMB252,000,000 (2011: nil) at the end of the reporting period were arrived at on the basis of a valuation carried out by Jones Lang LaSalle Sallmanns Limited. Jones Lang LaSalle Sallmanns Limited is a firm of independent qualified professional valuers not connected with the Group, and has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuations of completed investment properties were arrived at by reference to net rental income allowing for reversionary income potential and market evidence of transaction prices for similar properties in the same locations and conditions, where appropriate.

At 31 December 2011, the fair value of investment properties under construction with carrying amounts of approximately RMB249,823,000 were not reliably determinable, therefore, these investment properties under development were measured at cost until either its fair value becomes reliably determinable or construction is completed. During the year ended 31 December 2012, the investment properties under development were substantially completed and therefore fair value can be reliably determined, which has been arrived at using the capitalisation of net income derived from the properties located nearby, taking into account the construction costs that would be expended to complete the development, the developer's profit and percentage of completion of the properties.

At 31 December 2012, investment properties with fair value of RMB633,145,000 (2011: RMB484,365,000) represents completed car parks which can be legally transferred, leased and mortgaged but the title certificates cannot be currently applied as there was no special provisions to obtain any title certificates, according to the relevant laws and regulations in Shenzhen, Suzhou and Tianjin areas.

At 31 December 2012, certain of the Group's investment properties with an aggregate fair value of approximately RMB1,636,564,000 (2011: RMB1,015,147,000) were pledged to banks to secure the banking facilities granted to the Group.

The investment properties amounting to approximately RMB1,185,782,000 (2011: RMB920,737,000) and RMB2,236,451,000 (2011: RMB1,522,957,000) are held under medium-term and long-term leases in the PRC, respectively.

All of the Group's property interests held under operating leases to earn rentals are measured using the fair value model and are classified and accounted for as investment properties.

17. Interests in Associates

	31 December 2012 RMB'000	31 December 2011 RMB'000
Cost of investment, unlisted	500	500
Share of post-acquisition results and other comprehensive income, net of dividends received	671	577
	1,171	1,077

As at 31 December 2012 and 2011, the Group had interests in the following associates:

Name of associate	Registered capital	Equity interest attributable to the Group as at 31 December 2012	2011	Principal activities
Yuezhong Property Management Company Limited 越眾物業管理有限公司	RMB1,000,000	50%	50%	Property management
Fantasia Investment (Singapore) PTE. LTD 新加坡置富投資有限公司	SGD100	29%	–	Inactive

The summarised financial information in respect of the Group's associates is set out below:

	31 December 2012 RMB'000	31 December 2011 RMB'000
Total assets	6,359	5,796
Total liabilities	(4,017)	(3,641)
Net assets	2,342	2,155
Group's share of net assets of associates	1,171	1,077

	2012 RMB'000	2011 RMB'000
Revenue	9,304	9,622
Total comprehensive income for the year	835	347
Group's share of results of associates	417	171

18. Interest in a Jointly Controlled Entity

	31 December 2012 RMB'000	31 December 2011 RMB'000
Cost of investment, unlisted	19,720	–

As at 31 December 2012, the Group had interest in the following jointly controlled entity:

Name of investee	Total capital amount injected by investors	Group's capital contribution over total capital injected by investors as at 31 December 2012	Principal activity
新疆同之年股權投資合夥企業 (有限合夥) Xinjiang Tongzhinian Equity Investment Partnership (Limited Liability Partnership) ("Xinjiang Tongzhinian")	RMB210,000,000	9.4%	Inactive

Xinjiang Tongzhinian was formed during the year ended 31 December 2012 whereby its principal activity is to carry out investment in property projects. Xinjiang Tongzhinian has not yet commenced its operation up to 31 December 2012. Pursuant to the terms of the joint venture agreement signed on 3 August 2012 between an indirect wholly owned subsidiary of the Company and the other joint venture partner of Xinjiang Tongzhinian, an investment committee was set up by Xinjiang Tongzhinian which has the power to govern the significant investment, operating and financial policies and decisions of Xinjiang Tongzhinian. The Group has the right to appoint three members out of five to the investment committee. Nevertheless, pursuant to the joint venture agreement, all resolutions by the investment committee require two-third of the committee members' approval. As such, the significant investment, financial and operating policies and decision of Xinjiang Tongzhinian require unanimous consent from both the Group and the other joint venture partner. Xinjiang Tongzhinian is regarded as a jointly controlled entity of the Company.

The summarised financial information in respect of the Group's interest in this jointly controlled entity which is accounted for using equity method is set out below:

	31 December 2012 RMB'000
Current assets	19,720

19. Advance to an Associate

At 1 January 2011, the amount represented the advance to an associate, Dongguan Zuoting Youyuan, which was non-trade nature and would not be recoverable within one year from the end of the reporting period and therefore considered as a non-current asset. The amount was unsecured, interest-free and measured at amortised cost using the effective interest method at the borrowing rate of 5.48% per annum.

The balance was disposed together with the equity interests held by Group at a cash consideration of RMB96,000,000 during the year ended 31 December 2011.

20. Prepaid Lease Payments

The Group's prepaid lease payments comprise:

	31 December 2012 RMB'000	31 December 2011 RMB'000
Leasehold land in the PRC		
Medium-term lease	267,687	68,312
Long-term lease	582,686	101,408
	850,373	169,720

Analysed for reporting purposes as:

	31 December 2012 RMB'000	31 December 2011 RMB'000
Current asset	28,121	6,413
Non-current asset	822,252	163,307
	850,373	169,720

During the year ended 31 December 2012, the Group acquired prepaid lease payments of approximately RMB635,608,000 (2011: RMB19,547,000) through the acquisition of subsidiaries as disclosed in note 40(a).

During the year ended 31 December 2012, the Group acquired prepaid lease payments of approximately RMB461,070,000 (2011: RMB911,507,000) through public auction.

During the year ended 31 December 2012, prepaid lease payments of approximately RMB11,299,000 (2011: RMB7,110,000) were transferred from properties under development for sale as a result of change in intended use of the land to self-use properties.

During the year ended 31 December 2012, prepaid lease payments of RMB461,070,000 (2011: RMB1,114,926,000) was transferred to properties under development for sale upon commencement of the related construction work in certain property development projects.

At 31 December 2012, certain of the Group's prepaid lease payments with a carrying amount of approximately RMB235,757,000 (2011: RMB62,310,000) were pledged to banks to secure the banking facilities granted to the Group.

21. Premium on Prepaid Lease Payments

Premium on prepaid lease payments of the Group represent the excess of the fair value over the carrying amount of the prepaid lease payments and amounting to approximately RMB349,388,000 (2011: RMB185,792,000) and RMB260,975,000 (2011: RMB265,640,000) in respect of leasehold lands in the PRC under medium-term and long-term lease acquired through purchase of subsidiaries during the years and are amortised over the period of the remaining lease term on a straight-line basis.

	RMB'000
COST	
At 1 January 2011	367,518
Acquisition of assets and liabilities through acquisition of subsidiaries (note 40(a))	187,956
Transfer to properties under development for sale (Note)	(95,000)
At 31 December 2011	460,474
Acquisition of assets and liabilities through acquisition of subsidiaries (note 40(a))	170,064
At 31 December 2012	630,538
AMORTISATION	
At 1 January 2011	2,214
Amortised for the year	6,864
Eliminated on transfer to properties under development for sale (Note)	(36)
At 31 December 2011	9,042
Amortised for the year	11,133
At 31 December 2012	20,175
CARRYING AMOUNTS	
At 31 December 2012	610,363
At 31 December 2011	451,432

	31 December 2012 RMB'000	31 December 2011 RMB'000
Analysed for reporting purposes as:		
Current asset	19,219	11,157
Non-current asset	591,144	440,275
	610,363	451,432

Note: During the year ended 31 December 2011, premium on prepaid lease payments with carrying amount of approximately RMB94,964,000 was transferred to properties under development for sales upon commencement of the related construction work in certain property development projects.

22. Land Development Expenditure

	31 December 2012 RMB'000	31 December 2011 RMB'000
Cost incurred	1,217,463	1,335,848

22. Land Development Expenditure (continued)

(i) In September 2009, the Group entered into an agreement ("Agreement 1") with the People's Government of Pixian County ("Pixian Government") relating to the joint development of the Wangcong Ancient Sichuan Culture Park located in Pixian County, Chengdu, Sichuan Province ("Land Development Project 1"). Under the Agreement 1, the Group is responsible for preparing overall plans and detailed designs of the culture park including the improvement for parcels of land and its ancillary facilities pursuant to the guidelines set by the Pixian Government as well as the construction of road nearby while the Pixian Government is required to complete the demolition and resettlement work on these parcels of land. The land development expenditure represents the cost incurred in respect of the road construction, demolition and resettlement work. During the year ended 31 December 2012, the addition costs incurred by the Group amounted to approximately RMB202,468,000 (2011: RMB411,999,000), a refund by the Pixian Government based on the cost incurred for certain parcels of the Land Development Project 1 which have been auctioned amounted to approximately RMB345,398,000 (2011: nil), and the balance at 31 December 2012 is RMB662,918,000 (2011: RMB805,848,000).

Pixian Government is required to arrange public auction for these parcels of land after 30 days that the Group completed the related road construction, demolition and resettlement work and the Pixian Government is required to pay certain percentage of sale proceeds received in public auction to the Group by reference to the formula set out in the Agreement 1.

During the year ended 31 December 2012, Pixian Government sold certain parcels of land upon completion of the road construction, demolition and resettlement work, and paid to the Group amounting to approximately RMB345,398,000 upon completion of public auction. These parcels of land were successfully acquired by the Group through public auction. The difference between the refund by the Pixian Government and the cost previously incurred by the Group on developing these parcels of land has been deducted from properties under development for sale as adjustment of land cost upon the purchase of these parcels of land.

The Land Development Project 1 is not expected to be completed within the normal operating cycle of the Group and accordingly is classified as non-current assets.

(ii) In March 2011, the Group entered into agreement ("Agreement 2") with the People's Government of Chengdu ("Chengdu Government") relating to the development of the Wu Gui Qiao Town located in Jinjiang area, Chengdu, Sichuan Province ("Land Development Project 2"). Under the Agreement 2, the Group is required to jointly construct the ancillary facilities on these parcels of land pursuant to the guidelines set by the Chengdu Government while the Chengdu Government is required to complete the demolition and resettlement work on these parcels of land. The land development expenditure represents the cost incurred for constructing the ancillary facilities. The additions during the year ended 31 December 2012 amounted to approximately RMB24,545,000 (2011:RMB530,000,000) and balance at 31 December 2012 amounted to approximately RMB554,545,000 (2011: RMB530,000,000).

Chengdu Government is required to arrange public auction for these parcels of land on or before 30 June 2013 after the Group has completed the construction of ancillary facilities and the Chengdu Government is required to pay certain percentage of sale proceeds received in public auction to the Group by reference to the formula set out in the Agreement 2.

The Land Development Project 2 is not expected to be completed within the normal operating cycle of the Group and accordingly is classified as non-current assets.

23. Deposits Paid for Acquisition of Subsidiaries

As at 31 December 2012, the Group has made deposits of approximately RMB6,890,000 in relation to the acquisition of Nanjing Mingcheng Property Management Company Limited (南京名城物業管理有限公司) ("Nanjing Mingcheng"), Shanghai Tongyi Property Management Company Limited (上海通翼物業有限公司) ("Shanghai Tongyi") and Liaoning Jixiang Baite Company Limited (遼寧吉祥百特有限公司) ("Liaoning Jixiang") from third parties. The aforesaid companies are principally engaged in the property management in the PRC. At the date these consolidated financial statements were authorised for issue, the acquisition of Nanjing Mingcheng has been completed, and the acquisition of Shanghai Tongyi and Liaoning Jixiang have not been completed.

As at 31 December 2011, the Group had made deposits of approximately RMB8,084,000 in relation to the acquisition of Nanjing Fantasia Property Management Company Limited (南京花樣年物業管理有限公司) ("Nanjing Fantasia"), Tieling Zhengnan Property Management Company Limited (鐵嶺正南物業管理有限公司) ("Tieling Zhengnang"), Qinhuangdao Hongtianyuan Property Company Limited (秦皇島市宏添源物業公司) ("Qinhuangdao Hongtianyuan"), Shanghai Tongyi and Liaoning Jixiang from third parties. During the year ended 31 December 2012, the acquisition of Nanjing Fantasia, Tieling Zhengnang and Qinhuangdao Hongtianyuan have been completed. Details of the acquisition are set out in note 40(b).

24. Deposit Paid for Acquisition of a Property Project

During the year ended 31 December 2011, the Group had made deposit of approximately RMB104,900,000 in relation to the acquisition of a property project from an independent property developer. During the year ended 31 December 2012, the Group has made additional deposit of approximately RMB21,104,000 for acquiring the aforesaid property project.

The aforesaid deposit relates to acquisition of a building for hotel operations and is therefore classified as non-current assets.

At the date these consolidated financial statements were authorised for issue, the acquisition of the property project has not been completed.

25. Deposit Paid for Acquisition of Land Use Rights

As at 31 December 2012, the Group had made deposit of approximately RMB158,123,000 in relation to acquisition of land use rights from the third parties (2011: nil). In the opinion of the directors, the aforesaid transaction is expected to be completed within twelve months from the end of the reporting period.

26. Goodwill

	RMB'000
COST	
At 1 January 2011	30,195
Arising on acquisition of business (note 40(b))	1,321
At 31 December 2011	31,516
Arising on acquisition of business (note 40(b))	16,488
At 31 December 2012	48,004
IMPAIRMENT	
At 1 January 2011	30,195
Impairment loss recognised for the year	1,321
At 31 December 2011 and 31 December 2012	31,516
CARRYING AMOUNTS	
At 31 December 2012	16,488
At 31 December 2011	–

During the year ended 31 December 2012, the Group acquired 51% equity interests in Tieling Zhengnan, entire equity interests in Nanjing Fantasia, entire equity interests in Shaanxi Zhongqiang Property Management Company Limited (陝西中強物業管理有限公司) ("Shaanxi Zhongqiang"), entire equity interests in Heyuan Huada Property Management Company Limited (河源華達物業管理有限公司) ("Heyuan Huada") and 51% equity interests in Qinhuangdao Hongtianyuan from independent third parties at total consideration of approximately RMB15,440,000 (note 40(b)). The principal activities of the acquirees are mainly provision of property operation services.

During the year ended 31 December 2011, the Group acquired entire equity interests in Tianjin Xintang Property Management Company Limited (天津新塘物業管理有限公司) ("Tianjin Xintang"), 51% equity interests in Shenzhen Robert Housekeeper Property Management Company Limited (深圳市羅伯特管家物業管理有限公司) and entire equity interests in Huizhou Youling Property Management Company Limited (惠州友鄰物業管理有限公司) from independent third parties at total cash consideration of approximately RMB1,178,000 (note 40(b)). The principal activities of the acquirees are mainly provision of property operation services.

Goodwill acquired in business combination is allocated, at acquisition, to the cash generating units ("CGUs") that are expected to benefit from those business combinations.

27. Impairment Testing on Goodwill

During the year ended 31 December 2012, management of the Group determined that there is no impairment of its CGU containing goodwill for the acquisition of businesses.

During the year ended 31 December 2011, in the opinion of the directors, the performance of the businesses during the year was not as good as expected at the time of the acquisition due to the vigorous competition among other competitors and therefore impairment loss of RMB1,321,000 is recognised during the year.

28. Deferred Taxation

The following are the major deferred tax liabilities (assets) recognised and movements during the current and prior years are as follow:

	Fair value adjustment of investment properties RMB'000	Revaluation of properties RMB'000	Temporary difference on accruals RMB'000	Tax losses RMB'000	Others (note) RMB'000	Total RMB'000
At 1 January 2011 (restated)	293,834	–	(2,251)	(26,503)	(175,485)	89,595
Charge (credit) to profit or loss (restated)	189,370	–	(8,519)	(40,191)	(25,747)	114,913
Charge to other comprehensive income (restated)	–	4,851	–	–	–	4,851
Underprovision of deferred tax tax assets	–	–	–	–	(813)	(813)
At 31 December 2011 and 1 January 2012 (restated)	483,204	4,851	(10,770)	(66,694)	(202,045)	208,546
Charge to other comprehensive income	–	14,633	–	–	–	14,633
Charge (credit) to profit or loss	264,430	–	844	(43,309)	(81,958)	140,007
At 31 December 2012	747,634	19,484	(9,926)	(110,003)	(284,003)	363,186

Note: Others mainly represents the deductible temporary difference arising from LAT provision.

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	31 December 2012 RMB'000	31 December 2011 RMB'000 (restated)
Deferred tax assets	(329,372)	(220,826)
Deferred tax liabilities	692,558	429,372
	363,186	208,546

28. Deferred Taxation (continued)

At 31 December 2012, the Group had unutilised tax losses of approximately RMB1,108,746,000 (2011: RMB729,686,000). A deferred tax asset has been recognised in respect of approximately RMB440,012,000 (2011: RMB266,776,000) of such tax losses. No deferred tax asset has been recognised in respect of the remaining tax losses of RMB668,734,000 (2011: RMB462,910,000) due to the unpredictability of future profits streams. Pursuant to the relevant laws and regulations in the PRC, the unrecognised tax losses at the end of the reporting period will expire in the following years:

	2012 RMB'000	2011 RMB'000
2012	–	31,839
2013	17,314	18,102
2014	14,061	15,384
2015	116,575	116,575
2016	237,025	237,025
2017	183,087	–
No expiry	100,672	43,985
	668,734	462,910

At 31 December 2012, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries, for which deferred tax liabilities have not been recognised, was approximately RMB4,622,423,000 (2011: RMB3,266,386,000). No liability has been recognised in respect of these temporary differences because the Group is in a position to control the timing of the reversal of the temporary difference and it is probable that such differences will not reverse in the foreseeable future.

29. Properties for Sale

	31 December 2012 RMB'000	31 December 2011 RMB'000
Completed properties for sale	2,345,047	1,732,813
Properties under development for sale	9,027,581	8,489,507
	11,372,628	10,222,320

At 31 December 2012, certain of the Group's properties for sale with a carrying amount of RMB3,060,355,000 (2011: RMB1,434,836,000) were pledged to secure certain banking facilities granted to the Group.

During the year ended 31 December 2011, RMB44,906,000 and RMB11,270,000 were transferred to property, plant and equipment and construction in progress under property, plant and equipment respectively, as a result of change in intended use to operate hotel business and for self used buildings as approved by the management of the Group.

During the year ended 31 December 2012, RMB11,299,000 (2011:RMB7,110,000) was transferred to prepaid lease payments, as a result of change in intended use to operate hotel business and for self used buildings as approved by the management of the Group.

During the year ended 31 December 2012, completed properties for sale with an aggregate amount of approximately RMB258,015,000 (2011: RMB54,975,000) were transferred to investment properties upon change in use as evidenced by signing of relevant tenancy agreements. The excess of the fair value of these properties at the date of transfer over their carrying amounts, amounting to approximately RMB330,257,000 (2011: RMB191,142,000) were recognised in the consolidated statement of comprehensive income.

Included in the amount are properties under development for sale of approximately RMB4,239,726,000 (2011: RMB2,451,117,000) in relation to property development projects that are expected to complete after one year from the end of the reporting periods.

30. 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, certain portion are received on or before the date of delivery of the properties to customers which is recorded as deposits received for sale of properties. The remaining balances (net of deposit received in advance) are settled upon the release of funds from banks under mortgage facilities.

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.

	2012 RMB'000	2011 RMB'000
Trade receivables	964,674	410,171
Other receivables	109,523	93,568
Prepayments and other deposits	62,424	57,032
Prepayments for suppliers	217,188	280,925
Prepayments for construction work	643,326	293,111
Other tax prepayment (Note)	145,366	81,570
	2,142,501	1,216,377

Note: During the year ended 31 December 2012, the Group is required to prepay business tax amounting to approximately RMB187,493,000 (2011: RMB142,902,000) in accordance with the relevant PRC tax rules in respect of its pre-sale of property development projects. As at 31 December 2012, amount of approximately RMB132,308,000 (2011: RMB81,029,000) 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:

	31 December 2012 RMB'000	31 December 2011 RMB'000
0 to 30 days	487,829	214,728
31 to 90 days	256,995	150,069
91 to 180 days	30,727	25,401
181 to 365 days	113,747	16,072
Over 1 year	75,376	3,901
	964,674	410,171

The trade receivables as at 31 December 2012 included the receivables from the property sales of approximately RMB870,465,000 whereby the banks have agreed to provide mortgage facilities to the properties purchasers and the banks are in process of releasing the funds to the Group.

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.

30. Trade and Other Receivables (continued)

At 31 December 2012, included in the Group's trade receivable balance (excluding debtors which pending from banks to release fund) with aggregate carrying amount of approximately RMB26,709,000 (2011: RMB17,593,000) and 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

	31 December 2012 RMB'000	31 December 2011 RMB'000
91 to 180 days	3,620	8,782
181 to 365 days	15,427	4,910
Over 1 year	7,662	3,901
	26,709	17,593

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

	2012 RMB'000	2011 RMB'000
Balance at the beginning of the year	2,672	2,937
Impairment losses reversed	(1,558)	(2,812)
Impairment losses recognised	12,105	2,547
Balance at the end of the year	13,219	2,672

As at 31 December 2012, included in the allowance for doubtful debts are individually impaired trade and other receivables with an aggregate balance of RMB13,219,000 (2011: RMB2,672,000) of which the debtors have been in dispute with the Group.

31. Amounts Due from Related Parties

	31 December 2012 RMB'000	31 December 2011 RMB'000
深圳市天闊投資發展有限公司 Shenzhen Tiankuo Investment Development Company Limited ("Shenzhen Tiankuo") (note)	–	3,262

Note: The balance represents the advance to Shenzhen Tiankuo, a related company controlled by Ms. Zeng Jie, Baby, the controlling shareholder and director of the Company. The amount was unsecured, non-interest bearing and was non-trade nature. The amount was settled during the year ended 31 December 2012.

32. Amounts Due from Customers for Contract Works

	31 December 2012 RMB'000	31 December 2011 RMB'000
Contract costs incurred plus recognised profits less recognised losses	403,327	112,415
Less: Progress billings	(353,136)	(96,056)
	50,191	16,359
Analysed for reporting purposes as:		
Amounts due from customers for contract works	52,482	16,359
Amounts due to customers for contract works	(2,291)	–
	50,191	16,359

33. Financial Assets at Fair Value Through Profit or Loss

During the year ended 31 December 2012, the Group entered into several contracts of structured deposits with banks. The return and principal were not guaranteed by the relevant banks and the return was determined by reference to the performance of certain PRC government debt instruments and treasury notes. The entire combined contracts have been designated as at financial assets at FVTPL on initial recognition. The expected return rate stated in the contracts ranges from 2.3% to 4.4% per annum.

In the opinion of the directors, the fair value of the structured deposits at 31 December 2012 approximated their principal amounts. At the date the consolidated financial statements are authorised for issue, structured deposits amounting to approximately RMB31,200,000 have been settled after 31 December 2012 at their principal amounts together with returns which approximated the expected return. The remaining principal amounts together with the expected returns will be received by the Group when the structured deposits mature during the year ending 31 December 2013.

34. Restricted Bank Deposits/Bank Balances and Cash

Restricted bank deposits

The deposits carry interest rates ranging from 0.4% to 0.5% (2011: 0.4% to 0.5%) per annum. The restricted bank deposits amounting to approximately RMB61,343,000 (2011: RMB62,198,000) will be released upon the buyers obtaining the individual property ownership certificate, while a total amount RMB466,133,000 (2011: RMB252,936,000) are proceeds from presale of properties with the restriction of use for settlement of construction costs for relevant property projects, and term deposits amounting to approximately RMB180,138,000 (2011: nil) were pledged to banks to secure the short term banking facilities granted to the Group.

Bank balances and cash

The bank balances carry variable interest rates ranging from 0.4% to 2.9% (2011: 0.4% to 3.1%) per annum.

At 31 December 2012, bank balances of the Group denominated in USD, HKD, TWD and JPY foreign currencies of the relevant group entities, are approximately RMB1,030,061,000 (2011: RMB5,195,000), RMB60,681,000 (2011: RMB288,798,000) and RMB1,693,000 (2011: RMB3,496,000), RMB8,000 (2011:nil), respectively.

35. Trade and Other Payables

	31 December 2012 RMB'000	31 December 2011 RMB'000
Trade payables	1,730,059	1,696,289
Other payables*	332,415	254,332
Other tax payables	161,339	104,674
Payroll payable	48,181	50,403
Welfare payable	3,315	695
Retention payable	54,796	29,330
Consideration payable (note 40)	257,630	128,267
Accruals	15,722	4,839
	2,603,457	2,268,829

* Included in other payables is an amount of approximately RMB57,023,000 (2011: RMB45,644,000) which relates to the earnest money received from potential property buyers.

Trade payables principally comprise amounts outstanding for purchase of materials for the construction of properties for sale and ongoing expenditures. The average credit period for purchase of construction materials ranged from six months to one 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:

	31 December 2012 RMB'000	31 December 2011 RMB'000
0 to 60 days	1,269,307	1,325,615
61 to 180 days	296,571	261,680
181 to 365 days	103,925	23,344
1–2 years	77,074	94,931
2–3 years	21,054	16,238
Over 3 years	16,924	3,811
	1,784,855	1,725,619

At 31 December 2012, the balances of approximately RMB54,796,000 (2011: RMB29,330,000) with age over one year represent the retention money of approximately 5% to 10% of the construction contract price.

36. Amounts Due to Related Parties

	31 December 2012 RMB'000	31 December 2011 RMB'000
深圳立方建築設計顧問有限公司 Shenzhen Cube Architecture Designing Consultants Company Limited ("Cube Architecture") (Note i)	1,150	2,547
深圳市安美華照明有限公司 Shenzhen City Anmeihua Lighting Company Limited ("Anmeihua Lighting ") (Note ii)	423	–
	1,573	2,547

Notes:

(i) Cube Architecture is an associate of Shenzhen Tiankuo (defined in note 31), a related company controlled by Ms. Zeng Jie, Baby, the controlling shareholder and director of the Company. The amount is unsecured, non-interest bearing and represents the payables to Cube Architecture for the design fee of several property projects of the Group, and accordingly classified as trade nature. The aging of the balance is within 90 days.

(ii) Anmeihua Lighting is a non-controlling shareholder which held 49% equity interests in a subsidiary of the Company. The amount is unsecured, non-interest bearing and is non-trade nature.

37. Borrowings

	31 December 2012 RMB'000	31 December 2011 RMB'000
Bank loans	5,002,407	4,273,002
Other loans (Note i)	550,000	468,000
	5,552,407	4,741,002
Secured	3,951,677	4,711,002
Unsecured	1,600,730	30,000
	5,552,407	4,741,002
Carrying amount repayable (Note ii):		
Within one year	1,860,653	1,896,308
More than one year, but not exceeding two years	1,910,568	1,216,000
More than two years, but not exceeding five years	1,427,002	936,824
More than five years	354,184	691,870
	5,552,407	4,741,002
Less: Carrying amount of bank loans that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	(591,641)	(203,761)
Less: Amounts due within one year shown under current liabilities	(1,860,653)	(1,896,308)
	3,100,113	2,640,933

Notes:

(i) Other loans amounting to RMB550,000,000 (2011: RMB468,000,000) represent loans provided by certain trust companies, which are secured, carry interest of 13.5% to 17.0% (2011: 15.39%) per annum and repayable on 20 June 2013 to 5 January 2014 (2011: 30 April 2012). Included in these other loans are loans amounting to RMB420,000,000 (2011: nil) which are secured by certain directors (note 47).

(ii) The amounts due are based on scheduled repayment dates set out in the loan agreements.

37. Borrowings (continued)

At 31 December 2012, all borrowings are denominated in RMB except that secured borrowings amounting to approximately RMB916,586,000 (2011: RMB844,321,000) and RMB137,841,000 (2011: RMB163,762,000) are denominated in USD and HKD respectively, foreign currency of relevant group entities.

The analysis of the Group's fixed-rate borrowings based on their contractual maturity dates (or reset dates) are as follows:

	31 December 2012 RMB'000	31 December 2011 RMB'000
Fixed-rate borrowings:		
Within one year	392,000	–
More than one year, but not exceeding two years	200,000	–
	592,000	–

In addition, the Group has variable-rate borrowings which carry interest linked to LIBOR, HIBOR and Benchmark Rate. Interest is reset every six months. The analysis of the Group's variable-rate borrowings based on their contractual maturity dates are as follows:

	31 December 2012 RMB'000	31 December 2011 RMB'000
Variable-rate borrowings:		
Within one year	1,468,653	1,896,308
More than one year, but not exceeding two years	1,710,568	1,216,000
More than two years, but not exceeding five years	1,427,002	936,824
More than five years	354,184	691,870
	4,960,407	4,741,002

The ranges of effective interest rates (which are the contracted interest rates) on the Group's borrowings are as follows:

	2012	2011
Effective interest rate:		
Fixed-rate borrowings	12.6% to 18.0% per annum	N/A
Variable-rate borrowings		
LIBOR	+2.0% per annum	+2.0% per annum
HIBOR	+2.0% per annum	+2.0% per annum
Benchmark Rate	-0.4% to +2.6% per annum	-1.5% to +5.9% per annum

38. Senior Notes

(a) Senior note due 2015

On 12 May 2010, the Company issued senior notes in an aggregate principal amount of US$120,000,000 (the "Notes 1"). The issue price is 98.3% of the principal amount of the Notes 1. The Notes 1 are listed on the Singapore Exchange Securities Trading Limited. The Notes 1 carry interest of 14.0% per annum and interest is payable semi-annually on 12 May and 12 November in arrears. The Notes 1 will mature on 12 May 2015, unless redeemed earlier.

At any time, the Company may at its option redeem the Notes 1, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes 1 plus applicable premium as defined in the offering memorandum of the Company dated 5 May 2010 ("Applicable Premium 1") as of, and accrued and unpaid interest, if any to (but not including) the redemption date.

Applicable Premium 1 is the greater of (1) 1% of the principal amount of such Notes 1 and (2) the excess of the amount equivalent to the principal amount and related interest up to 12 May 2015 discounted at a rate equal to comparable treasury price in United States plus 100 basis points over the principal amount.

At any time and from time to time prior to 12 May 2013, the Company may redeem up to 35% of the aggregate principal amount of the Notes 1 with the net cash proceeds of one or more sales of ordinary shares of the Company in an equity offering at a redemption price of 114% of the principal amount of the Notes 1, plus accrued and unpaid interest, if any, to (but not including) the redemption date.

The Notes 1 contain a liability component and the above early redemption options:

(i) Liability component represents the present value of the contractually determined stream of future cash flows discounted at the prevailing market interest rate at that time applicable to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the embedded derivatives.

The interest charged for the year is calculated by applying an effective interest rate of approximately 14.9% per annum to the liability component since the Notes 1 were issued.

(ii) Early redemption options are regarded as embedded derivatives not closely related to the host contract. The directors consider that the fair value of the above early redemption options is insignificant on initial recognition, at 31 December 2011 and at 31 December 2012.

(b) Senior note due 2017

On 27 September 2012, the Company issued senior notes in an aggregate principal amount of US$250,000,000 (the "Notes 2"). The issue price is 99.5% of the principal amount of the Notes 2. The Notes 2 are listed on the Singapore Exchange Securities Trading Limited. The Notes 2 carry interest of 13.8% per annum and interest is payable semi-annually on 27 March and 27 September in arrears. The Notes will mature on 27 September 2017, unless redeemed earlier.

The Notes 2 may be redeemed in the following circumstances:

At any time, the Company may at its option redeem the Notes 2, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus applicable premium as defined in the offering memorandum of the Company dated 20 September 2012 ("Applicable Premium 2") as of, and accrued and unpaid interest, if any to (but not including) the redemption date.

Applicable Premium 2 is the greater of (1) 1% of the principal amount of such Notes 2 and (2) the excess of the amount equivalent to the principal amount and related interest up to 27 September 2017 discounted at a rate equal to comparable treasury price in United States plus 100 basis points over the principal amount.

At any time and from time to time prior to 27 September 2015, the Company may redeem up to 35% of the aggregate principal amount of the Notes 2 with the net cash proceeds of one or more sales of ordinary shares of the Company in an equity offering at a redemption price of 113.8% of the principal amount of the Notes 2, plus accrued and unpaid interest, if any, to (but not including) the redemption date.

38. Senior Notes (continued)

(b) Senior note due 2017 (continued)

The Notes 2 contain a liability component and the above early redemption options:

(i) Liability component represents the present value of the contractually determined stream of future cash flows discounted at the prevailing market interest rate at that time applicable to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the embedded derivatives.

The interest charged for the year is calculated by applying an effective interest rate of approximately 14.8% per annum to the liability component since the Notes 2 were issued.

(ii) Early redemption options are regarded as embedded derivatives not closely related to the host contract. The directors consider that the fair value of the above early redemption options is insignificant on initial recognition and at 31 December 2012.

	2012 RMB'000	2011 RMB'000
Carrying amount as at 1 January	752,367	787,330
Net proceeds on the date of issuance	1,530,324	–
Exchange gain	(16,408)	(38,384)
Interest expenses	169,161	113,413
Less: interest paid to note holders	(106,441)	(109,992)
Carrying amount as at 31 December	2,329,003	752,367

The fair value of the senior notes at 31 December 2012 amounted to approximately RMB2,662,171,000 (2011: RMB593,482,000). The fair value is calculated using the market price of the senior notes at the end of reporting period (or the nearest day of trading).

39. Share Capital

	Number of shares	Amount HK$	Equivalent to RMB'000
Ordinary shares of HK$0.1 each			
Authorised:			
At 1 January 2011, 31 December 2011, and 31 December 2012	8,000,000,000	800,000,000	704,008
Issued and fully paid:			
At 1 January 2011	4,873,888,750	487,388,875	429,389
Subscription of new shares (Note)	333,333,000	33,333,300	27,704
At 31 December 2011 and 31 December 2012	5,207,221,750	520,722,175	457,093

Note: On 24 June 2011, the Company and the former non-controlling shareholder of a subsidiary ("Subscriber") entered into a subscription agreement, which the Subscriber has agreed to subscribe for the subscription shares ("Subscription Shares") at a total subscription amount of RMB332,440,000. The issue price of the Subscription Shares is HK$1.2 per share which is determined with reference to the share price quoted on The Stock Exchange of Hong Kong Limited on 24 June 2011.

The Subscription Shares represent approximately 6.8% of the then existing issued share capital of the Company as at 24 June 2011 and approximately 6.4% of the enlarged issued share capital of the Company immediately after issue of the Subscription Shares. The Company intends to use the proceeds to finance continuing capital expenditure requirements and as general working capital for the Group's operating activities.

On 30 June 2011, total 333,333,000 Subscription Shares have been allotted and issued by the Company. These new issued shares rank pari passu with existing shares.

40. Acquisitions of Subsidiaries

(a) Acquisitions of assets and liabilities through acquisitions of subsidiaries

For the year ended 31 December 2012

On 31 December 2012, the Group acquired a parcel of land through the acquisition of 61% equity interests in Topsearch Printed Circuits (Shenzhen) Ltd. (至卓飛高線路板(深圳)有限公司) from an independent third party at a cash consideration of approximately RMB213,421,000.

On 20 November 2012, the Group acquired another parcel of land through the acquisition of 100% equity interests in Huawanli Investment (Beijing) Company Limited (花萬里投資(北京)有限公司) from another independent third party at a cash consideration of approximately RMB458,850,000, after deducting an amount of RMB320,300,000 relating to the amount owed by the purchaser to Huawanli Investment (Beijing) Company Limited (花萬里投資(北京)有限公司) at the date of acquisition.

The above transactions were accounted for as purchase of assets and liabilities. Details of the net assets acquired in respect of the above transactions is summarised below:

	RMB'000
Net assets acquired	
Prepaid lease payments	635,608
Premium on prepaid lease payments	170,064
Property, plant and equipment	1,154
Other receivables	1,246
Bank balances and cash	776
Other payables	(127)
	808,721
Identifiable net assets shared by non-controlling interests	(136,450)
	672,271
Total consideration satisfied by:	
Cash	458,850
Consideration payable (note)	213,421
	672,271
Net cash (outflow) inflow arising on acquisitions	
Cash consideration paid during the year	(458,850)
Bank balances and cash acquired	776
	(458,074)

Note: In 2013, the consideration payable has been settled.

40. Acquisitions of Subsidiaries (continued)

(a) Acquisitions of assets and liabilities through acquisitions of subsidiaries (continued)

For the year ended 31 December 2011

On 19 August 2011, the Group acquired a parcel of land through the acquisition of 100% equity interests in TCL King Electronics (Shenzhen) Company Limited (TCL王牌電子（深圳）有限公司) from third parties at a cash consideration of approximately RMB309,345,000.

The above transaction was accounted for as purchase of assets and liabilities. Details of the net assets acquired in respect of the above transactions is summarised below:

	RMB'000
Net assets acquired	
Prepaid lease payments	19,547
Premium on prepaid lease payments	187,956
Amount due from the Group	70,000
Other receivables	30,231
Bank balances and cash	1,777
Other payables	(166)
	309,345
Total consideration satisfied by:	
Cash	182,000
Consideration payables (note)	127,345
	309,345
Net cash (outflow) inflow arising on acquisition	
Cash consideration paid during the year	(182,000)
Bank balances and cash acquired	1,777
	(180,223)

Note: During the year ended 31 December 2012, the Group had settled RMB87,114,000 for the consideration payable due as at 31 December 2011.

(b) Acquisition of business

For the year ended 31 December 2012

During the year ended 31 December 2012, the Group acquired five subsidiaries from various independent third parties which the acquirees are principally engaged in provision of property operation services and were acquired with the objective of expansion of property operation services.

On 3 January 2012, the Group acquired 51% equity interests in Tieling Zhengnan at a consideration of approximately RMB1,980,000.

On 1 March 2012, the Group acquired entire equity interests in Nanjing Fantasia at a consideration of approximately RMB4,000,000.

On 1 July 2012, the Group acquired entire equity interests in Shaanxi Zhongqiang at a consideration of approximately RMB800,000.

On 8 August 2012, the Group acquired entire equity interests in Heyuan Huada at a consideration of approximately RMB5,680,000.

On 20 September 2012, the Group acquired 51% equity interests in Qinhuangdao Hongtianyuan at a consideration of approximately RMB2,980,000.

40. Acquisitions of Subsidiaries (continued)

(b) Acquisition of business (continued)

For the year ended 31 December 2012 (continued)

Consideration transferred

	RMB'000
Cash	12,384
Consideration payables	3,056
Total	15,440

Acquisition-related costs were insignificant and have been excluded from the cost of acquisition and have been recognised as an expense in the period within the "administrative expenses" line item in the consolidated statement of comprehensive income.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Property, plant and equipment	290
Trade and other receivables	13,675
Bank balances and cash	5,457
Trade and other payables	(15,695)
Tax payable	(10)
	3,717

The trade and other receivables acquired with a fair value of approximately RMB13,675,000 had gross contractual amounts of approximately RMB13,675,000.

Goodwill arising on acquisition

	RMB'000
Consideration transferred	15,440
Non-controlling interests	4,765
Less: fair value of net assets acquired	(3,717)
Goodwill arising on acquisition	16,488

The non-controlling interests amounting to approximately RMB4,765,000, was measured by reference to the proportionate share of the 49% of Tieling Zhengnan and 49% of Qinhuangdao Hongtianyuan's net identifiable assets at the acquisition date.

Goodwill arose on the acquisitions of Tieling Zhengnan, Nanjing Fantasia, Shaanxi Zhongqiang, Heyuan Huada and Qinhuangdao Hongtianyuan is because the acquisitions included the benefit of expected synergies and the future profitability as at acquisition date. These benefits could not be separately recognised from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

40. Acquisition of Subsidiaries (continued)

(b) Acquisition of business (continued)

For the year ended 31 December 2012 (continued)

Net cash outflow arising on acquisition

	RMB'000
Cash consideration paid	12,384
Less: deposits paid in 2011	(6,874)
Less: bank balances and cash acquired	(5,457)
	53

Included in the profit for the year ended 31 December 2012 is approximately RMB1,887,000 attributable to the additional businesses generated by Tieling Zhengnan, Nanjing Fantasia, Shaanxi Zhongqiang, Heyuan Huada and Qinhuangdao Hongtianyuan in total. Revenue for the year includes approximately RMB23,855,000 generated from Tieling Zhengnan, Nanjing Fantasia, Shaanxi Zhongqiang, Heyuan Huada and Qinhuangdao Hongtianyuan in total.

Had the above acquisitions been completed on 1 January 2012, the revenue of the Group for the year ended 31 December 2012 would have been approximately RMB6,283,792,000, and the profit for the year would have been approximately RMB1,127,267,000.

The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at 1 January 2012, nor is intended to be a projection of future results.

For the year ended 31 December 2011

On 19 April 2011, the Group acquired 100% equity interests in Tianjin Xintang from an independent third party at a consideration of approximately RMB78,000.

On 1 July 2011, the Group acquired 100% equity interests in Huizhou Youling from an independent third party at a consideration of approximately RMB500,000.

On 12 July 2011, the Group acquired 51% equity interests in Shenzhen Robert from an independent third party at a consideration of approximately RMB600,000.

The acquirees are principally engaged in provision of property operation services and were acquired with the objective of expansion of property operation services.

Consideration transferred

	RMB'000
Cash	256
Consideration payables (note)	922
Total	1,178

Note: During the year ended 31 December 2012, the Group has not yet settled for the consideration payable due as at 31 December 2011.

Acquisition-related costs were insignificant and have been excluded from the cost of acquisition and have been recognised as an expense in the period within the "administrative expenses" line item in the consolidated statement of comprehensive income.

40. Acquisition of Subsidiaries (continued)

(b) Acquisition of business (continued)

For the year ended 31 December 2011 (continued)

Consideration transferred (continued)

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Property, plant and equipment	18
Other receivables	1,157
Bank balances and cash	1,078
Trade and other payables	(2,629)
Tax payable	(27)
	(403)

The other receivables acquired with a fair value of approximately RMB1,157,000 had gross contractual amounts of approximately RMB1,157,000.

Goodwill arising on acquisition

	RMB'000
Consideration transferred	1,178
Non-controlling interests	(260)
Plus: fair value of net liabilities acquired	403
Goodwill arising on acquisition	1,321

The non-controlling interests amounting to approximately RMB260,000, was measured by reference to the proportionate share of the 49% of Shenzhen Robert's net identifiable liabilities at the acquisition date.

Goodwill arose on the acquisition of Tianjin Xintang, Huizhou Youling and Shenzhen Robert because the acquisition included the control premium and the future profitability as at acquisition date. These benefits could not be separately recognised from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Net cash inflow arising on acquisition

	RMB'000
Cash consideration paid	(256)
Bank balances and cash acquired	1,078
	822

40. Acquisition of Subsidiaries (continued)

(b) Acquisition of business (continued)

For the year ended 31 December 2011 (continued)

Impact of acquisition on the results of the Group

Included in the profit for the year ended 31 December 2011 is approximately RMB117,000 attributable to the additional businesses generated by Tianjin Xintang, Huizhou Youling and Shenzhen Robert in total. Revenue for the year includes approximately RMB4,396,000 generated from Tianjin Xintang, Huizhou Youling and Shenzhen Robert in total.

Had the above acquisition been completed on 1 January 2011, the revenue of the Group for the year ended 31 December 2011 would have been approximately RMB5,594,993,000, and the profit for the year would have been approximately RMB1,209,661,000.

The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at 1 January 2011, nor is intended to be a projection of future results.

41. Disposal of a Subsidiary

For the year ended 31 December 2011

On 14 February 2011, the Group disposed of its entire 85% equity interests in Shenzhen Xingyan Property Consultancy Company Limited (深圳市星彥地產顧問有限公司) ("Shenzhen Xingyan") to an independent third party for a consideration of approximately RMB21,250,000. Shenzhen Xingyan was engaged in provision of property agency services.

	RMB'000
Consideration satisfied by:	
Cash	14,875
Consideration receivable	6,375
	21,250

Note: The consideration receivable amounting to RMB6,375,000 has been settled during the year ended 31 December 2012.

	RMB'000
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	1,700
Trade and other receivables	2,415
Amounts due from Fantasia group companies	5,531
Bank balances and cash	3,184
Trade and other payables	(7,256)
Tax payable	(1,267)
Net assets disposed of	4,307
Gain on disposal of a subsidiary:	
Cash consideration	14,875
Consideration receivable	6,375
Non-controlling interests	646
Net assets disposed of	(4,307)
Gain on disposal	17,589
Net cash inflow arising on disposal:	
Cash consideration	14,875
Bank balances and cash disposed of	(3,184)
	11,691

42. Operating Lease Commitments

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2012 RMB'000	2011 RMB'000
Within one year	11,709	7,022
In the second to the fifth year inclusive	34,703	18,428
After the fifth year	3,310	5,638
	49,722	31,088

Operating lease payments represent rentals payable by the Group for certain offices premises. Leases are negotiated for an average term of 1 to 10 years with fixed rentals.

The Group as lessor

At the end of the reporting period, the Group has contracted with tenants for the following future minimum lease payments:

	2012 RMB'000	2011 RMB'000
Within one year	89,603	50,426
In the second to the fifth year inclusive	249,858	174,104
After the fifth year	132,139	106,234
	471,600	330,764

Property rental income represents rentals receivable by the Group. Leases are negotiated for an average term of 1 to 18 years with fixed rentals.

43. Other Commitments

	2012 RMB'000	2011 RMB'000
Construction commitments in respect of properties for sale contracted for but not provided in the consolidated financial statements	4,615,929	2,525,242
Land development expenditure commitments in respect of development cost contracted for but not provided in the consolidated financial statements	91,130	98,202
Construction commitments in respect of investment properties contracted for but not provided in the consolidated financial statements	47,192	206,353
Construction commitments in respect of hotels contracted for but not provided in the consolidated financial statements	54,482	41,646

44. Share Option Scheme

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 27 October 2009 for the primary purposes of providing incentives to certain directors and employees of the Company and its subsidiaries ("Eligible Employees"), and will expire on 28 August 2021 and 15 October 2022. Under the Scheme, the Board of Directors of the Company is authorised to grant options at a consideration of HK$1 per option to the Eligible Employees to subscribe for shares in the Company ("Shares").

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Scheme ("Options") and any other share option schemes of the Company shall not, in the absence of shareholders' approval, in aggregate exceed 10% of the shares of the Company in issue at any point in time. Options granted to a substantial shareholder or an independent non-executive director in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

The exercisable period of an option is determined by the directors at their discretion. The expiry date of the option may be determined by the Board of Directors of the Company which shall not be later than the expiry day of the Scheme.

The exercise price is determined by the directors of the Company, and will not be less than the greater of: (i) the closing price of the Company on the offer date; (ii) the average of the closing price of the Company's shares for the five trading days immediately preceding the offer of the options and (iii) the nominal value per share of the Company.

As at 31 December 2012, the total number of shares to be issued upon the exercise of all options granted under the Scheme is 119,400,000 (2011: 74,230,000) of HK$0.1 each, representing approximately 2.3% (2011: 1.4%) of the issued share capital of the Company.

Details of the share options granted under the Scheme during the years ended 31 December 2011 and 2012 is as follows:

Category of Grantee	Date of grant	Exercise price per share	Exercisable period	Vesting period
Directors	29 August 2011	HK$0.836	29/08/2012–28/08/2021	29/08/2011–28/08/2012
			29/08/2013–28/08/2021	29/08/2011–28/08/2013
			29/08/2014–28/08/2021	29/08/2011–28/08/2014
	16 October 2012	HK$0.8	16/10/2013–15/10/2022	16/10/2012–15/10/2013
			16/10/2014–15/10/2022	16/10/2012–15/10/2014
			16/10/2015–15/10/2022	16/10/2012–15/10/2015
Employees	29 August 2011	HK$0.836	29/08/2012–28/08/2021	29/08/2011–28/08/2012
			29/08/2013–28/08/2021	29/08/2011–28/08/2013
			29/08/2014–28/08/2021	29/08/2011–28/08/2014
	16 October 2012	HK$0.8	16/10/2013–15/10/2022	16/10/2012–15/10/2013
			16/10/2014–15/10/2022	16/10/2012–15/10/2014
			16/10/2015–15/10/2022	16/10/2012–15/10/2015

44. Share Option Scheme (continued)

The following table discloses movements of the Company's share options held by employees and directors during the years ended 31 December 2012 and 2011:

Category of Grantees	Date of grant	Exercisable period	Vesting period	Outstanding at 1 January 2011	Granted and outstanding at 31 December 2011	Granted during the year	Cancelled/ lapsed during the year	Exercised during the year	Outstanding at 31 December 2012
Directors	29 August 2011	29/08/2012 – 28/08/2021	29/08/2011 – 28/08/2012	–	2,201,000	–	(883,000)	–	1,318,000
		29/08/2013 – 28/08/2021	29/08/2011 – 28/08/2013	–	4,402,000	–	(1,766,000)	–	2,636,000
		29/08/2014 – 28/08/2021	29/08/2011 – 28/08/2014	–	15,407,000	–	(6,181,000)	–	9,226,000
	16 October 2012	16/10/2013 – 15/10/2022	16/10/2012 – 15/10/2013	–	–	1,872,000	(277,000)	–	1,595,000
		16/10/2014 – 15/10/2022	16/10/2012 – 15/10/2014	–	–	3,744,000	(554,000)	–	3,190,000
		16/10/2015 – 15/10/2022	16/10/2012 – 15/10/2015	–	–	13,104,000	(1,939,000)	–	11,165,000
				–	22,010,000	18,720,000	(11,600,000)	–	29,130,000
Employees	29 August 2011	29/08/2012 – 28/08/2021	29/08/2011 – 28/08/2012	–	5,222,000	–	(1,041,000)	–	4,181,000
		29/08/2013 – 28/08/2021	29/08/2011 – 28/08/2013	–	10,444,000	–	(2,082,000)	–	8,362,000
		29/08/2014 – 28/08/2021	29/08/2011 – 28/08/2014	–	36,554,000	–	(7,287,000)	–	29,267,000
	16 October 2012	16/10/2013 – 15/10/2022	16/10/2012 – 15/10/2013	–	–	4,971,000	(125,000)	–	4,846,000
		16/10/2014 – 15/10/2022	16/10/2012 – 15/10/2014	–	–	9,942,000	(250,000)	–	9,692,000
		16/10/2015 – 15/10/2022	16/10/2012 – 15/10/2015	–	–	34,797,000	(875,000)	–	33,922,000
				–	52,220,000	49,710,000	(11,660,000)	–	90,270,000
Total				–	74,230,000	68,430,000	(23,260,000)	–	119,400,000
Exercisable at the end of the year					–				5,499,000

The closing price of the shares on the date of grant was HK$0.82 at 29 August 2011 and HK$0.77 at 16 October 2012. Binomial Option Pricing Model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the Company's best estimate. The value of an option varies with different variables of certain subjective assumptions. The inputs into the model are as follows:

	16 October 2012	29 August 2011
Market price	HK$0.770	HK$0.820
Exercise price	HK$0.800	HK$0.836
Expected volatility	44.87%	40.43%
Risk-free rate	0.66%	1.74%
Expected dividend yield	5.195%	4.878%

During the year ended 31 December 2012, the estimated fair value of the options at the date of grant is approximately RMB13,680,000. During the year ended 31 December 2011, the estimated fair values of the options at the date of grant is approximately RMB15,225,000. The Group recognised the total expense of approximately RMB5,180,000 for the year ended 31 December 2012 (2011: RMB2,240,000) in relation to share options granted by the Company.

45. Retirement Benefits Plans

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under control of a trustee. The Group contributes lower of 5% of relevant payroll costs or HK$1,250 per person per month to the Scheme, which is matched by employees.

The employees of the Group in the PRC are members of state-managed retirement benefit scheme operated by the PRC Government. The Company's subsidiary is required to contribute a certain percentage of payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the scheme is to make the required contributions under the scheme.

46. Contingent Liabilities

	2012 RMB'000	2011 RMB'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	2,750,751	2,478,814

The Group had provided guarantees 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 mortgage loans and ends after the buyer obtained the individual property ownership certificate.

In the opinion of the directors, the fair value of guarantee contracts is insignificant at initial recognition. Also, no provision for the guarantee contracts at the end of the reporting period is recognised as the default risk is low.

47. RELATED PARTY DISCLOSURES

1) During the year, in addition to those disclosed in notes 31 and 36, the Group had significant transactions with related parties as follows:

Related parties	Relationship	Transactions	2012 RMB'000	2011 RMB'000
Huidong Dayawan San Jiao Zhou Company Limited 惠東縣大亞灣三角洲俱樂部有限公司	Company controlled by Ms. Zeng Jie, Baby, a controlling shareholder and director of the Company	Management service fee recognised	612	980
Shenzhen Xi Fu Hui Club Management Company Limited 深圳喜福會會所管理有限公司	Company controlled by Ms. Zeng Jie, Baby, a controlling shareholder and director of the Company	Property rental income recognised	301	301
Cube Architecture	An associate of Shenzhen Tiankuo, (defined in note 31), a related company controlled by Ms. Zeng Jie, Baby, the controlling shareholder and director of the Company	Design services fee incurred	1,099	4,154
Yu Shui 于水	Non-controlling shareholder of a subsidiary of the Company	Consideration paid in respect of acquisition of additional interest in a subsidiary of the Group	–	332,440
Zhongxu Investment Limited 中旭投資有限公司	Non-controlling shareholder of a subsidiary of the Company	Consideration paid in respect of acquisition of additional interest in a subsidiary of the Group	–	10,000

2) **Compensation of key management personnel**

The remuneration of directors and other members of key management during the year is as follows:

	2012 RMB'000	2011 RMB'000
Short-term benefit	50,422	61,260
Post-employment benefit	7,501	2,663
Share-based payment	4,803	1,985
	62,726	65,908

3) **Others**

As at 31 December 2012 and 2011, certain directors of the Company provided joint guarantees to the banks and trust company to secure the Group's bank and other borrowings amounting to RMB620,000,000 in aggregate.

During the year ended 31 December 2012, the Group sold certain properties to two directors of the Company, at a cash consideration of approximately RMB8,629,000 (2011: RMB3,391,000), the Group had sold certain properties to its key management personnels (excluding the aforesaid directors) of the Group, at a cash consideration of approximately RMB17,536,000 (2011: RMB3,068,000).

48. Particulars of Principal Subsidiaries of the Company

Particulars of principal subsidiaries indirectly held, unless otherwise stated, by the Company at 31 December 2012 and 2011 are as follows:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion ownership interest held by the Group 2012	2011	Principal activities	Legal form
Winning Sky International Limited	The BVI 8 March 2006	US$100	100% (directly)	100% (directly)	Investment holding	Private limited liability
Fantastic Victory Limited	The BVI 3 September 2007	US$100	100% (directly)	100% (directly)	Investment holding	Private limited liability
Wisdom Regal Limited	The BVI 3 September 2007	US$100	100% (directly)	100% (directly)	Investment holding	Private limited liability
Colour Life Services Group Co., Ltd ("Colour life Services")	The Cayman Islands 16 March 2012	HK$1,000	70% (directly)	70% (directly)	Investment holding	Private limited liability
Ace Link Pacific Limited#	The BVI 3 September 2007	US$100	70%	70%	Investment holding	Private limited liability
Precise Idea Limited	The BVI 17 June 2009	US$1	100% (directly)	100% (directly)	Investment holding	Private limited liability
Talent Bright International Limited	The BVI 17 June 2009	US$1	100% (directly)	100% (directly)	Investment holding	Private limited liability
香港花樣年投資控股集團有限公司 Fantasia Investment Holdings Company Limited ("Fantasia Investment Holdings")	Hong Kong 19 February 2001	HK$10,000	100%	100%	Investment holding	Private limited liability
悅泰投資有限公司 Joytime Investment Limited	Hong Kong 6 November 2007	HK$10,000	100%	100%	Investment holding	Private limited liability
金展集團有限公司 Gold Genius Holdings Limited#	Hong Kong 8 November 2007	HK$10,000	100%	100%	Investment holding	Private limited liability
花樣年酒店管理（國際）有限公司 Fantasia Hotel Management (International) Company Limited	Hong Kong 15 July 2009	HK$1	100%	100%	Investment holding	Private limited liability
花樣年物業管理(國際)有限公司 Fantasia Property Management (International) Company Limited	Hong Kong 15 July 2009	HK$1	100%	100%	Investment holding	Private limited liability
香港康年貿易有限公司 Hong Kong Kangnian Trading Company Limited	Hong Kong 24 September 2009	US$500,000	100%	100%	Trading and investment holding	Private limited liability

48. Particulars of Principal Subsidiaries of the Company (continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion ownership interest held by the Group 2012	2011	Principal activities	Legal form
花樣年集團(中國)有限公司 Fantasia Group (China) Company Limited*	The PRC 20 January 2006	RMB1,624,843,500	100%	100%	Investment holding and property development	Limited liability company
天津松江花樣年置業有限公司 Tianjin Songjiang Fantasia Real Estate Company Limited*	The PRC 29 May 2006	RMB50,000,000	60%	60%	Property development	Limited liability company
深圳市花樣年地產集團有限公司 Shenzhen Fantasia Real Estate Group Limited* ("Shenzhen Fantasia")	The PRC 28 September 1996	RMB150,000,000	100%	100%	Investment holding, property development and investment	Limited liability company
深圳市彩生活服務集團有限公司 Shenzhen Fantasia Colour Life Service Group Limited*	The PRC 25 August 2006	RMB15,000,000	70%	70%	Investment holding	Limited liability company
惠州大亞灣花萬裏實業有限公司 Huizhou Daya Bay Huawanli Industry Company Limited*	The PRC 8 June 2007	RMB51,000,000	100%	100%	Property development	Limited liability company
天津市花樣年投資有限公司 Tianjin Fantasia Investment Company Limited*	The PRC 12 June 2006	RMB100,000,000	100%	100%	Property development	Limited liability company
成都通和置業有限公司 Chengdu Tonghe Real Estate Company Limited*	The PRC 18 October 2001	RMB75,610,000	100%	100%	Property development and investment	Limited liability company
深圳市花千里房地產開發有限公司 Shenzhen Huaqianli Real Estate Investment Development Company Limited*	The PRC 28 August 2006	RMB660,339,487	100%	100%	Investment holding	Limited liability company
深圳置富房地產開發有限公司 Shenzhen Zhifu Real Estate Investment Development Company Limited*	The PRC 1 July 1994	RMB946,843,500	100%	100%	Property development and investment	Limited liability company
深圳宏威裝飾設計工程有限公司 Shenzhen Hongwei Decoration & Designing Company Limited*	The PRC 25 May 1994	RMB10,000,000	100%	100%	Provision of interior design services	Limited liability company
深圳市花樣年物業管理有限公司 Shenzhen Fantasia Property Management Company Limited*#	The PRC 11 December 2000	RMB5,000,000	100%	100%	Provision of property operation services	Limited liability company

48. Particulars of Principal Subsidiaries of the Company (continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion ownership interest held by the Group 2012	2011	Principal activities	Legal form
深圳市彩生活網絡服務有限公司 Shenzhen Colour Life Network Services Company Limited*#	The PRC 12 June 2007	RMB10,000,000	100%	100%	Provision of property operation services	Limited liability company
深圳市開元同濟樓宇科技有限公司 Shenzhen Kaiyuan Tongji Building Science & Technology Company Limited*#	The PRC 15 November 2001	RMB5,000,000	100%	100%	Provision of security system design, installation and maintenance services	Limited liability company
深圳市蓮塘物業管理有限公司 Shenzhen Liantang Property Management Company Limited*#	The PRC 16 November 1999	RMB5,500,000	100%	100%	Provision of property operation services	Limited liability company
花樣年實業發展(成都)有限公司 Fantasia (Chengdu) Development Company Limited*	The PRC 4 July 2001	RMB50,000,000	100%	100%	Property development and investment	Limited liability company
花樣年(成都)生態旅遊開發有限公司 Fantasia (Chengdu) Ecological Tourism Development Company Limited*	The PRC 7 September 2006	RMB1,344,970,000	100%	100%	Property development	Limited liability company
成都花萬裏置業有限公司 Chengdu Huawanli Real Estate Company Limited*	The PRC 25 October 2005	RMB100,000,000	100%	100%	Property development and investment	Limited liability company
成都花千里置業有限公司 Chengdu Huaqianli Real Estate Company Limited*	The PRC 6 November 2006	RMB704,680,000	100%	100%	Property development	Limited liability company
成都花百里置業有限公司 Chengdu Huabaili Real Estate Company Limited*	The PRC 22 May 2003	RMB270,000,000	100%	100%	Property development	Limited liability company
東莞市花樣年房地產投資有限公司 Dongguan Fantasia Real Estate Investment Company Limited*	The PRC 4 December 2006	RMB30,000,000	100%	100%	Property development	Limited liability company
雅浩科技發展(深圳)有限公司 Yahao Technology Development (Shenzhen) Company Limited*#	The PRC 25 August 2005	HKD1,000,000	100%	100%	Investment holding	Limited liability company
深圳市康年科技有限公司 Shenzhen Kangnian Technology Company Limited*	The PRC 9 February 2007	RMB100,000,000	100%	100%	Property development and investment	Limited liability company
四川西美投資有限公司 Sichuan Ximei Investment Company Limited*	The PRC 7 June 2004	RMB670,000,000	100%	100%	Property development	Limited liability company

48. Particulars of Principal Subsidiaries of the Company (continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion ownership interest held by the Group 2012	2011	Principal activities	Legal form
天津福大房地產銷售有限公司 Tianjin Fuda Real Estate Development Company Limited*	The PRC 18 October 2004	RMB45,000,000	100%	100%	Property development	Limited liability company
宜興市江南水鄉度假村有限公司 Yixing Jiangnan Shuixiang Tourism Resort Company Limited*	The PRC 19 April 2005	RMB28,000,000	60%	60%	Property development	Limited liability company
深圳市星彥行置業有限公司 Shenzhen Xingyanhang Property Company Limited*#	The PRC 23 April 2007	RMB4,000,000	92.65%	92.65%	Provision of agency services	Limited liability company
成都新津友幫房地產開發有限責任公司 Chengdu Xinjin Youbang Real Estate Development Company Limited*	The PRC 9 May 2004	RMB85,000,000	100%	100%	Property development	Limited liability company
成都花樣年望叢文化發展有限公司 Chengdu Fantasia Wangcong Culture Development Company Limited*	The PRC 6 August 2008	RMB300,000,000	100%	100%	Property development	Limited liability company
成都九蓉房地產開發有限公司 Chengdu Jiurong Real Estate Development Limited*	The PRC 22 August 2007	RMB320,000,000	100%	100%	Property development	Limited liability company
深圳花樣年商業管理有限公司 Shenzhen Fantasia Business Management Company Limited*	The PRC 3 June 2009	RMB120,000,000	100%	100%	Provision of property operation services	Limited liability company
深圳市花樣年酒店管理有限公司 Shenzhen Fantasia Hotel Management Company Limited*	The PRC 3 June 2009	RMB100,000,000	100%	100%	Hotel services	Limited liability company
深圳市彩悅酒店管理有限公司 Shenzhen Caiyue Hotel Management Company Limited*#	The PRC 20 August 2008	RMB100,000	100%	100%	Hotel services	Limited liability company
深圳市彩悅酒店有限公司 Shenzhen Caiyue Hotel Company Limited*#	The PRC 15 January 2009	RMB100,000	100%	100%	Hotel services	Limited liability company
寧夏回族自治區新聖基建築工程有限公司 Ningxia Hui Nationality Autonomous Region Xingshengji Construction Company Limited*	The PRC 22 July 2009	RMB50,000,000	100%	100%	Provision of construction services	Limited liability company

48. Particulars of Principal Subsidiaries of the Company (continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion ownership interest held by the Group 2012	2011	Principal activities	Legal form
深圳滙恒置業有限公司 Shenzhen Huiheng Property Company Limited*	The PRC 20 April 2006	RMB150,000,000	100%	100%	Property development	Limited liability company
惠州市惠陽區花千里實業有限公司 Huizhou Huiyang Huaqianli Industry Company Limited.*	The PRC 14 August 2011	RMB100,000,000	100%	100%	Property development	Limited liability company
花千里投資(北京)有限公司 Huaqianli Investment (Beijing) Company Limited.*	The PRC 15 March 2011	RMB10,00,000	100%	100%	Investment Holding	Limited liability company
蘇州花萬里房地產開發有限公司 Suzhou Huawanli Real Estate Company Limited*	The PRC 9 September 2009	RMB180,000,000	100%	100%	Property development	Limited liability company
蘇州林甲岩房產發展有限公司 Suzhou LKN Real Estate Company Limited*	The PRC 5 July 1994	RMB180,599,652	100%	100%	Property development	Limited liability company
深圳市匯港物業管理有限公司 Shenzhen Hui Gang Property Management Company Limited*#	The PRC 12 April 2002	RMB3,000,000	75%	75%	Provision of property operation services	Limited liability company
深圳市蓮塘物業管理有限公司 Shenzhen Liangtang Property Management Company Limited*	The PRC 16 November 1999	RMB5,500,000	100%	100%	Provision of property operation services	Limited liability company
成都市花樣年物業服務有限公司 Chengdu Fantasia Property Service Company Limited*	The PRC 23 December 2009	RMB5,000,000	100%	100%	Provision of property operation services	Limited liability company
東莞花千里房地產開發有限公司 Dongguan Huaqianli Property Development Company Limited*	The PRC 30 April 2011	RMB30,000,000	100%	100%	Property development	Limited liability company
深圳高華投資有限公司 Shenzhen Gaohua Investment Limited*	The PRC 12 March 2011	RMB200,000,000	100%	100%	Investment holding, property development and investment	Limited liability company
成都市諾亞舟實業有限公司 Chengdu Nuoyazhou Development Company Limited*	The PRC 17 June 2008	RMB300,000,000	100%	100%	Property development	Limited liability company
江蘇東發置業有限公司 Jiangsu Dongfa Real Estate Company Limited*	The PRC 2 March 2009	RMB20,000,000	100%	100%	Property development	Limited liability company
桂林萬豪房地產開發有限公司 Guilin Wanhao Property Development Limited*	The PRC 14 November 2007	RMB250,000,000	100%	100%	Property development	Limited liability company

48. Particulars of Principal Subsidiaries of the Company (continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion ownership interest held by the Group 2012	2011	Principal activities	Legal form
桂林聚豪房地產開發有限公司 Guilin Juhao Property Development Limited*	The PRC 14 November 2007	RMB250,000,000	100%	100%	Property development	Limited liability company
成都花港置業有限公司 Chendu Huagang Real Estate Company Limited*	The PRC 14 April 2012	RMB200,000,000	100%	100%	Property development	Limited liability company
TCL王牌電子(深圳)有限公司 TCL King Electronics (Shenzhen) Company Limited*	The PRC 9 October 1981	HKD100,000,000	100%	100%	Property development	Limited liability company
惠州市友鄰物業管理有限公司 Huizhou Youling Property Management Company Limited*#	The PRC 13 June 2008	RMB500,000	100%	100%	Provision of property operation services	Limited liability company
天津新塘物業管理有限公司 Tianjin Xintang Property Management Company Limited*#	The PRC 21 May 2007	RMB500,000	100%	100%	Provision of property operation services	Limited liability company
深圳市羅伯特管家物業管理有限公司 Shenzhen Robert Housekeeper Property Management Company Limited*#	The PRC 9 April 2002	RMB1,000,000	51%	51%	Provision of property operation services	Limited liability company
鐵嶺正南物業管理有限公司 Tieling Zhengnan Property Management Company Limited*#^	The PRC 18 March 2008	RMB500,000	51%	–	Provision of property operation services	Limited liability company
南京花樣年物業管理有限公司 Nanjing Fantasia Property Management Company Limited*#^	The PRC 29 June 2000	RMB5,000,000	100%	–	Provision of property operation services	Limited liability company
陝西中強物業管理有限公司 Shaanxi Zhongqiang Property Management Company Limited*#^	The PRC 8 September 2003	RMB3,000,000	100%	–	Provision of property operation services	Limited liability company
河源市華達物業管理有限公司 Heyuan Huada Property Management Company Limited*#^	The PRC 12 June 2002	RMB3,000,000	100%	–	Provision of property operation services	Limited liability company
秦皇島市宏添源物業服務有限公司 Qinhuangdao Hongtianyuan Property Service Company Limited*#^	The PRC 25 October 2005	RMB5,000,000	51%	–	Provision of property operation services	Limited liability company
至卓飛高線路板(深圳)有限公司 Topsearch Printed Circuits (Shenzhen) Ltd^	The PRC 25 September 1987	RMB391,093,510	61%	–	Property Development	Limited liability company

48. Particulars of Principal Subsidiaries of the Company (continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion ownership interest held by the Group 2012	2011	Principal activities	Legal form
花萬里投資(北京)有限公司 Huawanli Investment (Beijing) Company Limited*^	The PRC 13 September 2011	RMB779,150,000	100%	–	Property Development	Limited liability company
深圳市花萬里酒店管理有限公司 Shenzhen Huawanli Hotel* Management Company Limited	The PRC 23 October 2012	RMB1,000,000	100%	–	Hotel Management	Limited liability company
深圳市花樣年養生養老管理有限公司 Shenzhen Fantasia Senior Housing Management Company Limited*	The PRC 23 October 2012	RMB1,000,000	100%	–	Investment holding	Limited liability company
深圳市花樣年文化旅遊管理有限公司 Shenzhen Fantasia Culture Tourism Management Company Limited*	The PRC 15 October 2012	RMB1,000,000	100%	–	Investment holding	Limited liability company
深圳市花萬里商業管理有限公司 Shenzhen Huawanli Commercial Management Company Limited*	The PRC 15 October 2012	RMB1,000,000	100%	–	Investment holding	Limited liability company
大理市花千里文化旅遊開發有限公司 Dali Huaqianli Culture Tourism Development Company Limited*	The PRC 4 July 2012	RMB100,000,000	100%	–	Investment holding	Limited liability company
成都望叢房地產開發有限公司 Chengdu Wangcong Property Development Company Limited*	The PRC 28 June 2012	RMB20,000,000	100%	–	Property development	Limited liability company
深圳市同之年股權投資基金管理有限公司 Shenzhen Tongzhinian Equity Investment Fund Management Company Limited*	The PRC 20 August 2012	RMB10,000,000	54%	–	Investment holding	Limited liability company
深圳市花样年股權投資基金管理有限公司 Shenzhen Fantasia Equity Investment Fund Management Company Limited*	The PRC 15 May 2012	RMB10,000,000	100%	–	Investment holding	Limited liability company
惠州市花樣年房地產開發有限公司 Huizhou Fantasia Property Development Company Limited*	The PRC 23 March 2012	RMB1,000,000	100%	–	Property development	Limited liability company

* The English name is for identification purpose only.

These subsidiaries were held by a non-wholly owned subsidiary of the Company namely Colour Life Services at 31 December 2012.

^ These subsidiaries were acquired during the year ended 31 December 2012. Details are set out in note 40.

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

49. Information About the Statement of Financial Position of the Company

Information about the statement of financial position of the Company at the end of the reporting period includes:

	2012 RMB'000	2011 RMB'000
NON-CURRENT ASSETS		
Investments in unlisted subsidiaries	1,196,233	932,758
Advance to subsidiaries	4,263,648	3,475,509
	5,459,881	4,408,267
CURRENT ASSETS		
Other receivables	1,204	–
Banks balances and cash	248,259	49,229
	249,463	49,229
CURRENT LIABILITIES		
Amounts due to subsidiaries	204,208	417,478
Accruals	5,745	4,364
	209,953	421,842
NET CURRENT ASSETS (LIABILITIES)	39,510	(372,613)
TOTAL ASSETS LESS CURRENT LIABILITIES	5,499,391	4,035,654
NON-CURRENT LIABILITY		
Senior notes	2,329,003	752,367
	3,170,388	3,283,287
CAPITAL AND RESERVES		
Share capital (see note 39)	457,093	457,093
Reserves	2,713,295	2,826,194
	3,170,388	3,283,287

Movement of reserves:

	Share capital RMB'000	Share premium RMB'000	Accumulated profits RMB'000	Share options reserve RMB'000	Total RMB'000
At 1 January 2011	429,389	2,481,236	86,082	–	2,996,707
Subscription of new shares (note 39)	27,704	304,736	–	–	332,440
Profit and total comprehensive income for the year	–	–	117,788	–	117,788
Recognition of equity-settled share-based payments (note 44)	–	–	–	2,240	2,240
Dividend paid to shareholders of the Company (note 13)	–	(165,888)	–	–	(165,888)
At 31 December 2011	457,093	2,620,084	203,870	2,240	3,283,287
Profit and total comprehensive income for the year	–	–	50,780	–	50,780
Recognition of equity-settled share-based payments (note 44)	–	–	–	5,180	5,180
Dividend paid to shareholders of the Company (note 13)	–	(168,859)	–	–	(168,859)
At 31 December 2012	457,093	2,451,225	254,650	7,420	3,170,388

50. Events After the Reporting Period

On 22 January 2013, the Company issued additional senior notes with principal amount of US$250,000,000 at an issue price of 100% of the face value of the notes, which are unsecured and bear coupon interest at 10.75% per annum payable semi-annually in arrears and are due on 22 January 2020 and an announcement on the issue of this additional senior notes had been made by the Company on 16 January 2013.

FINANCIAL SUMMARY

Results

	For the year ended 31 December				
	2008 RMB'000 (Note 1)	2009 RMB'000	2010 RMB'000	2011 RMB'000 (restated)	2012 RMB'000
Revenue	1,174,211	2,458,673	4,471,234	5,592,350	6,230,050
Profit before taxation	254,071	776,495	1,789,678	2,151,840	2,308,691
Income tax expense	(156,550)	(407,050)	(828,708)	(1,038,344)	(1,203,850)
Profit for the year	97,521	369,445	960,970	1,113,496	1,104,111
Attributable to					
Owners of the Company	84,259	373,469	807,281	1,057,479	1,117,703
Non-controlling interests	13,262	(4,024)	153,689	56,017	(13,592)
	97,521	369,445	960,970	1,113,496	1,104,111

Assets and liabilities

	At 31 December				
	2008 RMB'000 (Note 1)	2009 RMB'000	2010 RMB'000 (restated)	2011 RMB'000 (restated)	2012 RMB'000
Total assets	4,957,322	11,453,486	15,382,388	18,122,636	24,628,778
Total liabilities	3,510,965	7,372,125	10,534,896	12,340,380	17,792,532
	1,446,357	4,081,361	4,847,492	5,782,256	6,836,246
Equity attributable to owners of the Company	1,145,964	3,770,259	4,431,651	5,601,599	6,579,592
Non-controlling interests	300,393	311,102	415,841	180,657	256,654
	1,446,357	4,081,361	4,847,492	5,782,256	6,836,246

Note:

1. The figures for the year ended 31 December 2008 have been extracted from the prospectus of the Company dated 12 November 2009.

MAJOR INVESTMENT PROPERTIES HELD BY THE GROUP

1. Completed properties held for investment

No.	Property	Type	Lease term	Gross floor	Interest attributable to the Group
1	Units 218, 219, 221 to 225, 227 and 228 of Fairy Land located at Renmin North Road Luohu District Shenzhen City Guangdong Province The PRC	Commercial	Long	385.45 m^2	100%
2	Units 101 and 148 and 200 car parking spaces of My Place located at Xiasha Village South Binhe Road Futian District Shenzhen City Guangdong Province The PRC	Commercial/ Carpark	Long/–	Commercial: 11,100.07 m^2	100%
3	Unit 16B of Jinfeng Mansion located at Shangbu South Road Futian District Shenzhen City Guangdong Province The PRC	Commercial	Medium	450.21 m^2	100%
4	Unit 110 and 191 car parking spaces of Pair Life located at Wenjindu Luohu District Shenzhen City Guangdong Province The PRC	Commercial/ Carpark	Long/–	Commercial: 1,234.93 m^2	100%
5	Units 24H, 24J, 24K, 24L, a community club (Unit 101) and 100 car parking spaces of Self Life located at the junction of Fuhua Road and Binhe Road Futian District Shenzhen City Guangdong Province The PRC	Residential/ Community club/ Carpark	Long/Long/–	Residential: 230.74 m^2 Community club: 1,252.3 m^2	100%
6	Units 105 to 108 and 200 car parking spaces of Hailrun Complex No. 6021 Shennan Boulevard Futian District Shenzhen City Guangdong Province The PRC	Commercial/ Carpark	Medium/–	Commercial: 42.91 m^2	100%
7	177 car parking spaces of Endless Blue located at the northern side of North Ring Xiameilin Futian District Shenzhen City Guangdong Province The PRC	Carpark	–		100%

MAJOR INVESTMENT PROPERTIES HELD BY THE GROUP

No.	Property	Type	Lease term	Gross floor	Interest attributable to the Group
8	Shops and 527 car parking spaces of Phase 1 of Love Forever located at the junction of Baoan Boulevard and Yulv Road Baoan District Shenzhen City Guangdong Province The PRC	Commercial/ Carpark	Long/–	Commercial: 3,944.01 m^2	100%
9	Shops and 507 car parking spaces of Phase 2 of Love Forever located at the junction of Baoan Boulevard and Yulv Road Baoan District Shenzhen City Guangdong Province The PRC	Commercial/ Carpark	Long/–	Commercial: 4,393.60 m^2	100%
10	Units 201–204 of Block C and 319 car parking spaces of Future Plaza located at Qiaocheng North Road Nanshan District Shenzhen City Guangdong Province The PRC	Office/ Carpark	Medium/–	Office: 1,511.51 m^2	100%
11	145 car parking spaces of Flower Harbour located at the northern side of Mingzhu Avenue Yantian District Shenzhen City Guangdong Province The PRC	Carpark	–		100%
12	A residential unit of Flower Harbour located at the northern side of Mingzhu Avenue Yantian District Shenzhen City Guangdong Province The PRC	Residential	Long	123.52 m^2	70%
13	Units 401 to 404 Xiangyun Tiandu Century Mansion located at the junction of Fuqiang Road and Xinzhou San Street in Futian District, Shenzhen City Guangdong Province The PRC	Office	Long	509.09 m^2	100%
14	First to Thrid Floors of U Hotel located at No.8 Xinggong Road Nanshan District Shenzhen City Guangdong Province The PRC	Office	Medium	4,990.00 m^2	100%

No.	Property	Type	Lease term	Gross floor	Interest attributable to the Group
15	Offices and 495 car parking spaces of Meinian International complex located at West to Nanhai Avenue and South to Dongbin Road Nanshan District Shenzhen City Guangdong Province The PRC	Office/Carpark	Medium/–	Office: 34,557.49 m^2	100%
16	Offices and 200 car parking spaces of Funian Plaza located at south to Shihua Road Free Trade Zone Futian, Shenzhen Guangdong Province The PRC	Office/Carpark	Medium/–	Office: 20,398.49 m^2	100%
17	153 car parking spaces of Human Art Wisdom No. 33 Ximianqiao Street Wuhou District Chengdu City Sichuan Province The PRC	Carpark	Long	6,411.48 m^2	100%
18	15 car parking spaces and Club of Fantasia Special Town No. 333 Huanglong Avenue 2nd Section Gongxing Town Shuangliu County Sichuan Province The PRC	Club/Carpark	Long	Carpark: 275.8 m^2 Club: 2,489.26 m^2	100%
19	Various commercial units and mechanical car parking space of Love Forever No. 99 Shuangqing Road Chenghua District Chengdu City Sichuan Province The PRC	Commercial/ Carpark	Medium/–	Commercial: 8,248.39 m^2 Carpark: 11,871.99 m^2	100%
20	The hotel's podium and mechanical car parking space of Hailrun Plaza project No. 216 Xiadong Street Jinjiangdong District Chengdu City Sichuan Province The PRC	Office/Carpark	Medium/–	Office: 2,520.00 m^2 Carpark: 10,652.85 m^2	100%
21	Shops of Phase 2 of Fantasia Town located at No.399 Section 3 Wenquan Road in Wenjiang District Chengdu City Sichuan Province The PRC	Commercial	Long	6,471.13 m^2	100%

No.	Property	Type	Lease term	Gross floor	Interest attributable to the Group
22	Mechanical car parking space of Future Plaza located at No. 88 Ji Tai Wu Lu Chengdu City Sichuan Province The PRC	Carpark	–	–	100%
23	Car parking space of Hao Ge project No. 1 Xiang Shan Road Wu Zhong District Taihu National Tourist Vacation Areas Suzhou, Jiansu Province The PRC	Carpark	–	–	100%
24	Car parking space of Future Plaza located at the south side between Dongjiang Road and Neijiang Road in Hexi District Tianjin The PRC	Carpark	–		100%
25	Offices and car parking space of Hailrun Plaza between Jie Fang Nan Road and Wu Shui Dao, Tianjin City The PRC	Office/Carpark	Medium/–	Office: 1,850.14 m^2	60%
26	1F–9F and car parking space of Fantasia Zhongding Building Can Luan Road Guilin Guangxi Province The PRC	Office/Carpark	Medium/–	Office: 8,846.52 m^2	100%

2. Investment properties under construction

No.	Property	Type	Lease term	Stage of Completion	Interest held by the Group (%)	Anticipated completion date
1	Commercial units of Phase 1 of Fantasia Town located at the intersection of Wan Fu Road and Xicheng Boulevard Guilin, Guangxi Province The PRC	Commercial	Long	In progress	100%	December 2013

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