花样年
FANTASIA

Fantasia Holdings Group Co., Limited
花樣年控股集團有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 01777)

ANNOUNCEMENT OF 2012 ANNUAL RESULTS

FINANCIAL HIGHLIGHTS

– The Group's total contract sales for the year of 2012 recorded over RMB8 billion and reached approximately 111% of the Group's annual sales target of RMB7.2 billion

– The Group successfully 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

– The Group's total revenue increased by 11.4% to RMB6,230 million in 2012 from RMB5,592 million in 2011

– Gross profit margin reached 40.5% in 2012 which maintained at a high level of above 40% since its listing

– The Group's profit for the year attributable to the owners of the Company increased by 7.8% to RMB1,139 million in 2012 from RMB1,057 million in 2011

– Basic earnings per share increased by 4.8% to RMB0.22 in 2012 from RMB0.21 in 2011

– As at 31 December 2012, the Group's total 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

– The gearing ratio decreased to 66.4% as at 31 December 2012 from 74.2% as at 31 December 2011

– The Board proposed the payment of a final dividend of HK5.5 cents per share

The board (the "Board") of Directors (the "Directors") of Fantasia Holdings Group Co., Limited (the "Company") is pleased to announce the audited financial results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2012 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2012

	Notes	**2012** *RMB'000*	2011 *RMB'000* (restated)
Revenue	*3*	**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	*4*	**31,800**	46,922
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
Selling and distribution expenses		**(314,100)**	(262,433)
Administrative expenses		**(291,966)**	(309,972)
Finance costs	*5*	**(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
Gain on disposal of a subsidiary		**–**	17,589
Profit before taxation	*6*	**2,386,858**	2,151,840
Income tax expense	*7*	**(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)	*9*	**0.22**	0.21
Earnings per share – Diluted (RMB)	*9*	**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		**585,687**	529,215	374,434
Investment properties		**3,422,233**	2,443,694	1,697,677
Interests in associates		**1,171**	1,077	17,795
Interest in a jointly controlled entity		**19,720**	–	–
Advance to an associate		**–**	–	72,041
Goodwill		**16,488**	–	–
Prepaid lease payments		**822,252**	163,307	346,045
Premium on prepaid lease payments		**591,144**	440,275	359,203
Prepayments		**–**	11,890	43,370
Land development expenditure		**1,217,463**	1,335,848	393,849
Deposits paid for acquisition of subsidiaries		**6,890**	8,084	–
Deposit paid for acquisition of a property project		**126,004**	104,900	37,000
Deposit paid for acquisition of land use rights		**158,123**	–	763,095
Deferred tax assets		**329,372**	220,826	157,504
		7,296,547	5,259,116	4,262,013
CURRENT ASSETS				
Properties for sale		**11,372,628**	10,222,320	7,644,582
Prepaid lease payments		**28,121**	6,413	6,881
Premium on prepaid lease payments		**19,219**	11,157	6,101
Trade and other receivables	*10*	**2,142,501**	1,216,377	977,179
Amounts due from related parties		**–**	3,262	7,500
Amounts due from customers for contract works		**52,482**	16,359	15,939
Tax recoverable		**77,179**	51,143	5,580
Financial assets at fair value through profit or loss		**42,200**	–	–
Restricted bank deposits		**707,614**	315,134	85,161
Bank balances and cash		**2,788,106**	1,021,355	2,371,452
		17,230,050	12,863,520	11,120,375

	Notes	31 December 2012 RMB'000	31 December 2011 RMB'000 (restated)	1 January 2011 RMB'000 (restated)
CURRENT LIABILITIES				
Trade and other payables	11	**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		**2,291**	–	–
Amounts due to related parties		**1,573**	2,547	100,549
Tax payable		**2,238,038**	1,527,259	1,104,147
Borrowings – due within one year		**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
NON-CURRENT LIABILITIES				
Deferred tax liabilities		**692,558**	429,372	247,099
Borrowings – due after one year		**3,100,113**	2,640,933	2,642,605
Senior notes		**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		**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

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.

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.

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 recognise the deferred taxes on changes in fair value of the investment properties taking into account the land appreciation tax ("LAT") and PRC enterprise income tax ("EIT") 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 interest. 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.

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.*

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.

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. REVENUE AND SEGMENT INFORMATION

	2012	2011
	RMB'000	*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. 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.

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.

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.

Reconciliation:

	2012	2011
	RMB'000	*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 of 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	2011
	RMB'000	*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

	2012	2011
	RMB'000	*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.

4. OTHER INCOME, GAINS AND LOSSES

	2012	2011
	RMB'000	*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.

5. FINANCE COSTS

	2012	2011
	RMB'000	*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	**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.

6. PROFIT BEFORE TAXATION

	2012	2011
	RMB'000	*RMB'000*
Profit before taxation has been arrived at after charging (crediting):		
Directors' emoluments	**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)

7. INCOME TAX EXPENSE

	2012	2011
	RMB'000	*RMB'000*
		(restated)
Current tax:		
PRC taxes		
EIT	**541,120**	520,569
LAT	**580,082**	403,675
	1,121,202	924,244
Deferred tax		
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.

8. DIVIDENDS

	2012	2011
	RMB'000	*RMB'000*
Final dividend for the financial year ended 31 December 2011 of HK4.00 cents per share (2010: final dividend 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 HK$5.50 cents, equivalent to RMB4.46 cents (2011: final dividend for the financial year ended 31 December 2011 of HK4.00 cents, equivalent to RMB3.24 cents) per share amounting to HK286,397,186, 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.

9. 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	2011
	RMB'000	*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.

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.

10. TRADE AND OTHER RECEIVABLES

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

Considerations in respect of properties sold are received in accordance with the terms of the related sales and purchase agreements, certain portion are received on or before of the date of delivery of the properties to customers which is recorded as deposits received for sale of properties. The remaining balances (net of deposits received in advance) are settled upon the release of funds from banks under mortgage.

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	2011
	RMB'000	*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

11. 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	**257,630**	128,267
Accruals	**15,722**	4,839
	2,603,457	2,268,829

* *Included in other payables consists of approximately RMB57,023,000 (2011: RMB45,644,000) was 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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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 successfully 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. It 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’s total contract sales for the year of 2012 recorded over RMB8 billion and reached approximately 111% of the Group’s annual sales target of RMB7.2 billion.

During the reporting period, the Group recorded contract sales of RMB8,014 million and contract sales area of 959,905 square meters, of which, RMB3,911 million and 307,861 square meters were derived from urban complex 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 complexes, which we believe will yield a more substantial profit return in the next three years.

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 Fortune 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.

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 RMB683.39 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 RMB956.34 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 total sales revenue of RMB716.49 million, accounting for 7.8% of the 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 gross floor area ("GFA") of approximately 1,031,151 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 gross floor area expected to be approximately 99,540 square meters.

Chengdu-Chongqing Economic Zone

The Group entered Chengdu market in early 2001. With brand reputation we gained more than 10 years, the Group has been one of the well-established 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 2 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 the Group 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 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 units 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 one framework agreement 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.

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.

Completed Projects

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

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 approximately 2,672,213 square meters and a planned gross saleable area of approximately 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 6 and 4 of Suzhou Lago Paradise and Phase 2 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.

The Group also had 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. In addition, the Group has also had 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.

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%.

* *formerly known as Chengdu Meinian International Centre*

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 enjoy strong market potential and are capable of delivering prosperous return. We have entered into a 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.

Community Service and Property Management

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%. In 2012, Colour Life Services Group (彩生活服務集團) 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 intelligent mobile device 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 companies. 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 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 to set up a total of approximately 16 hotels in regions such as Shenzhen, Tianjin, Chengdu, Suzhou and Guilin, with a total GFA of about 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 Huangshengtang (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.

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.

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 GFA sold to our customers.

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 decrease 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 with higher 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 financing the projects constructions. Decrease in finance cost was due primarily to the increase in the numbers of project under construction, resulted to the increase in capitalisation rate.

Income Tax Expense

Our income tax expense 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 the increase in properties sold and recognised 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 bank deposits) 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.

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.

DIVIDEND

The Board proposed the payment of a final dividend of HK5.5 cents per share for the year ended 31 December 2012 to shareholders whose names appear on the register of members of the Company on 21 May 2013, which will be paid after the receipt of approval by shareholders of the Company at annual general meeting of the Company.

CLOSURE OF REGISTER OF MEMBERS

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.

ANNUAL GENERAL MEETING

The AGM will be held on 10 May 2012 and the Notice of Annual General Meeting will be published and dispatched in the manner as required by the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange") in due course.

CODE ON CORPORATE GOVERNANCE PRACTICES

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

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

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

Audit Committee

The Company has established an audit committee in compliance with the Listing Rules to fulfill the functions of reviewing and monitoring the financial reporting and internal control of the Company. The audit committee of the Company currently comprises four independent non-executive Directors, including Mr. Ho Man, Mr. Liao Martin Cheung Kong, JP, Mr. Huang Ming and Mr. Xu Quan, while Mr. Ho Man is the chairman of the audit committee. The audit committee is to review important accounting policies, supervise the Company's financial reporting processes, monitor the performance of the external auditor and the internal audit department, review and evaluate the effectiveness of the Company's financial reporting procedures and internal control and ensure the compliance with applicable statutory accounting and reporting requirements, legal and regulatory requirements, internal rules and procedures approved by the Board.

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

Remuneration Committee

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

Nomination Committee

The Company has established a 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, while Mr. Pan Jun is the chairman of the committee.

The nomination committee is primarily responsible for considering and nominating suitable candidates to become members of the Board. Criteria adopted by the 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct regarding directors' securities transactions. The Company has made specific enquiry with all Directors whether the Directors have complied with the required standard set out in the Model Code regarding directors' securities transactions during the year ended 31 December 2012 and all Directors confirmed that they have complied with the Model Code.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company is empowered by the applicable Companies Law of the Cayman Islands and the Articles of the Association to repurchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange. There was no purchase, sale or redemption by the Company or any of its subsidiaries, of the Company's listed shares during the year ended 31 December 2012.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within knowledge of its directors, the Company has maintained a sufficient public float throughout the year ended 31 December 2012.

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

This results announcement is published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.cnfantasia.com). The annual report of the Company for the year ended 31 December 2012 containing all the information required by the Listing Rules will be dispatched to the Company's shareholders and published on the above websites in due course.

SCOPE OF WORK OF DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2012 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

ACKNOWLEDGEMENT

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.

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

Hong Kong, 19 March 2013

As at the date of this announcement, the executive Directors are Mr. Pan Jun, Ms. Zeng Jie, Baby, and Mr. Lam Kam Tong; the independent non-executive Directors are Mr. Ho Man, Mr. Liao Martin Cheung Kong, JP, Mr. Huang Ming and Mr. Xu Quan.