

Build Home with *Heart*
Create Future with *Aspiration*

■ Annual Report 2011



KWG Property Holding Limited

Incorporated in the Cayman Islands with limited liability

Stock Code: 1813

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Directors

Executive Directors

Mr. Kong Jian Min (*Chairman*)
Mr. Kong Jian Tao
(*Chief Executive Officer*)
Mr. Kong Jian Nan
Mr. Li Jian Ming
Mr. Tsui Kam Tim
Mr. He Wei Zhi
Mr. Yu Yao Sheng

Independent Non-executive Directors

Mr. Lee Ka Sze, Carmelo
Mr. Dai Feng
Mr. Tam Chun Fai

Company Secretary

Mr. Tsui Kam Tim

Authorised Representatives

Mr. Kong Jian Min
Mr. Tsui Kam Tim

Audit Committee

Mr. Tam Chun Fai (*Chairman*)
Mr. Lee Ka Sze, Carmelo
Mr. Dai Feng

Remuneration Committee

Mr. Kong Jian Min (*Chairman*)*
Mr. Dai Feng*
Mr. Tam Chun Fai

Nomination Committee

Mr. Kong Jian Min (*Chairman*)
Mr. Tam Chun Fai
Mr. Dai Feng

Registered Office

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

Principal Place of Business in Hong Kong

Suite 7506, Level 75
International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong

Principal Share Registrar

Butterfield Fulcrum Group
(Cayman) Limited
Butterfield House, 68 Fort Street
P.O. Box 705, George Town
Grand Cayman KY1-1107
Cayman Islands

Hong Kong Branch Share Registrar

Computershare Hong Kong Investor
Services Limited
17M Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

Principal Bankers

Agricultural Bank of China Limited
Bank of China Limited
China Construction Bank Corporation
China Minsheng Banking Corp. Ltd
China Guangfa Bank Co., Ltd
Guangzhou Rural Commercial Bank
Industrial and Commercial Bank of
China (Asia) Limited
Industrial and Commercial Bank of
China Limited
Standard Chartered Bank
(Hong Kong) Limited
The Hongkong and Shanghai Banking
Corporation Limited
The Bank of East Asia, Limited

Auditors

Ernst & Young

Legal Advisors

as to Hong Kong law:
Sidley Austin

as to Cayman Islands law:
Conyers Dill & Pearman

Website

www.kwgproperty.com

Stock Code

1813 (Main Board of The Stock
Exchange of Hong Kong Limited)

* To comply with the Listing Rules effective from 1 April 2012, Remuneration Committee, together with the subsequent adoption of the Board on 28 February 2012, appointed Mr. Dai Feng, one of the Independent Non-executive Directors of the Company, to replace Mr. Kong Jian Min as the chairman of Remuneration Committee.




Founded in 1995, KWG Property Holding Limited (“KWG Property” or the “Company”, together with its subsidiaries, collectively the “Group”) is now one of the leading large-scale property developers in Guangzhou. Its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (stock code: 1813) in July 2007. Since its establishment, KWG Property has been focusing on the development, sales, and management of quality properties targeting mid- to high-income groups.

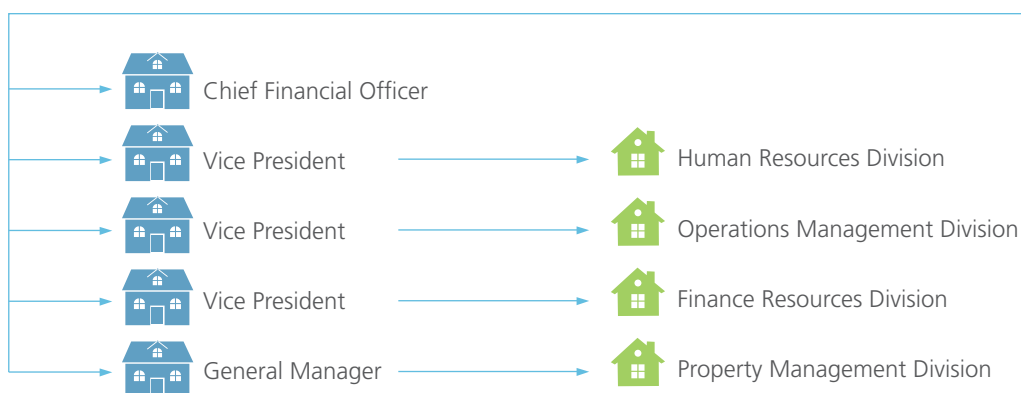
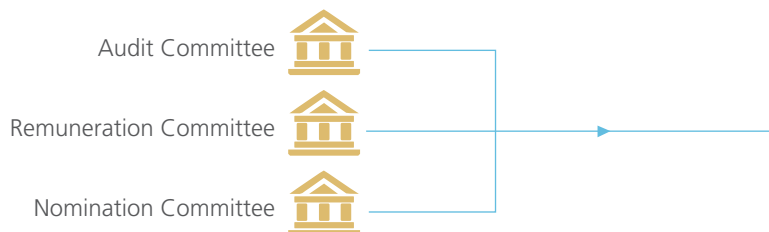
Over the past 17 years, the Group has built up a comprehensive property development system well supported by a balanced portfolio offering different types of products, including mid- to high-end residential properties, serviced apartments, villas, office buildings, hotels and shopping malls. The Group has also extended its business scope from traditional property development and sales to the areas of asset management and property management. A strategic development framework has been formed, with Guangzhou and Hainan as its hub for South China, Suzhou and Shanghai for East China, Chengdu for South-west China as well as Beijing and Tianjin for the Bohai Rim region. At present, the Group has a number of mid- to high-end projects in the above regions. All of them were well-received by consumers and posted satisfactory sales since their successful market launch.

The Group has always adhered to a prudent land bank replenishment strategy. Its current land bank is sufficient for the Group’s development in the coming 5 to 6 years.

The Group will seek deploying more resources for the establishment of a diversified development portfolio with a focus on residential properties to ensure stable development in the future. By implementing a prudent growth strategy, the Group will focus on residential properties and serviced apartments while increasing the proportion of commercial properties, such as offices, hotels and high-end shopping malls, to be held in long-term.

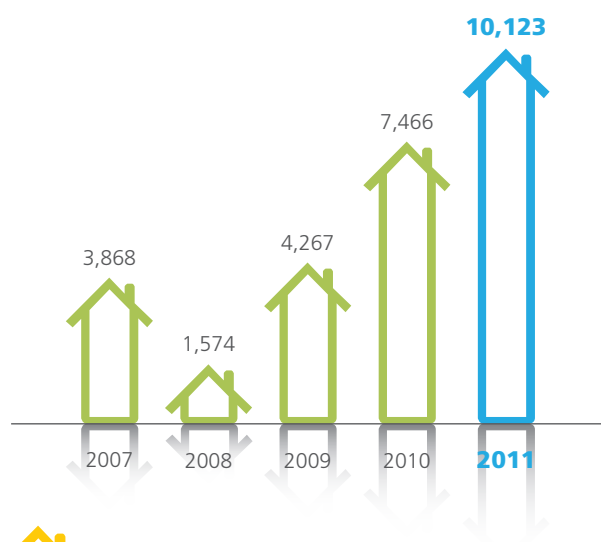
Management structure of the group

-  emphasis on a cohesive team and collaboration
-  clearly-defined division of staff and duties
-  nurturing talents and providing internal promotion

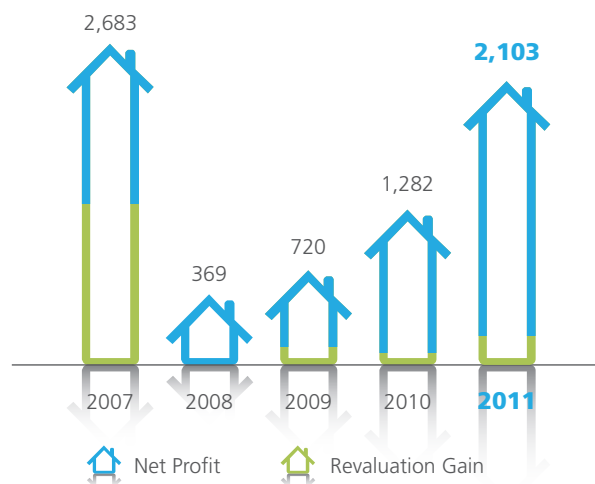


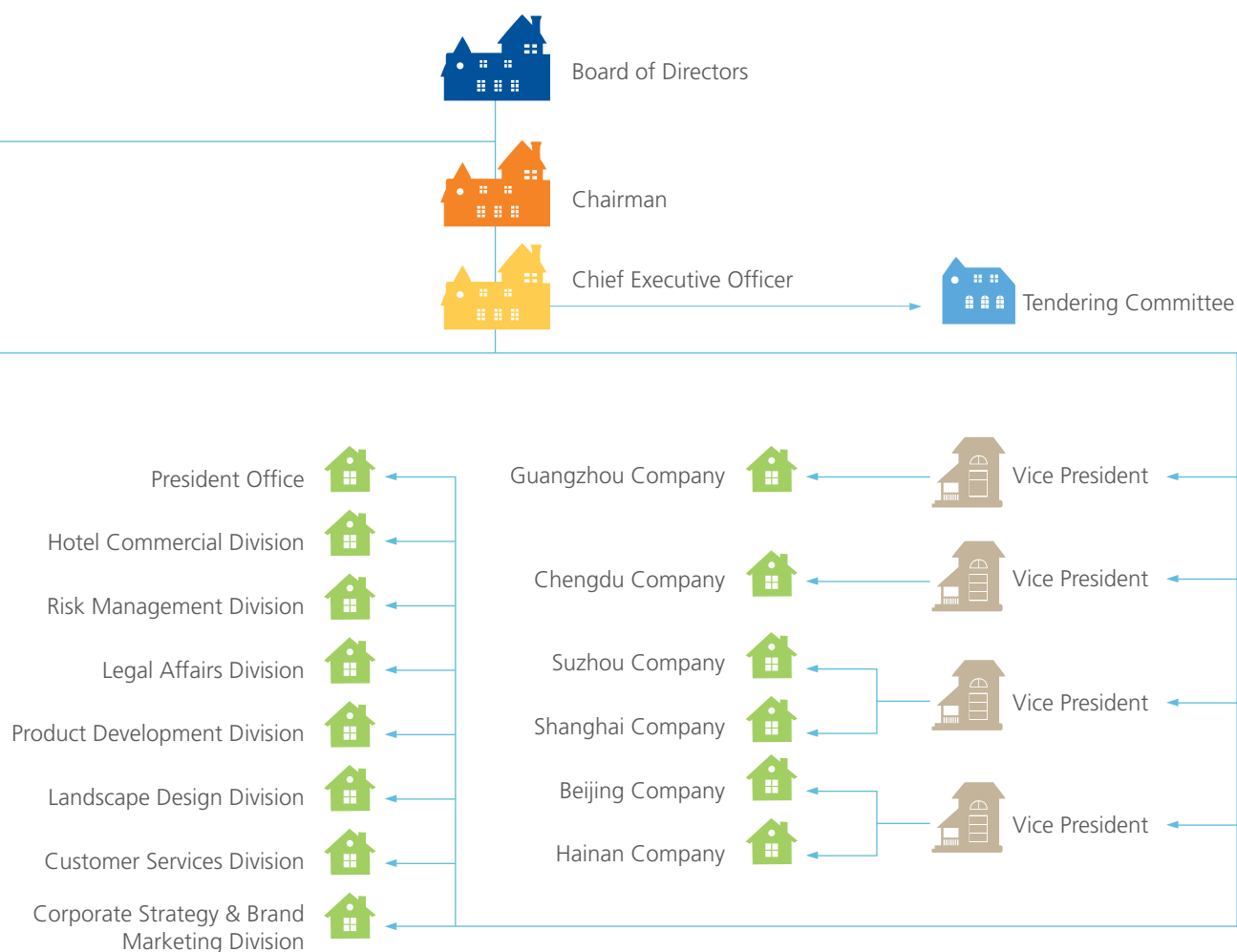
Financial highlights

Revenue
(in RMB Million)



Profit Attributable to Owners of the Parent
(in RMB Million)





	Year Ended 31 December				
	2011 RMB'000	2010 RMB'000	2009 RMB'000	2008 RMB'000	2007 RMB'000
CONSOLIDATED RESULTS					
Revenue	10,122,595	7,465,911	4,266,572	1,574,214	3,868,136
Profit attributable to owners of the parent	2,103,368	1,281,772	720,078	368,532	2,683,055
Earnings per share attributable to owners of the parent (RMB cents) – Basic and diluted	73	44	26	14	120
CONSOLIDATED ASSETS AND LIABILITIES					
Total assets	44,586,303	40,034,332	28,565,186	21,766,788	18,974,533
Total liabilities	30,893,285	28,440,060	18,156,863	12,575,577	9,702,187

Major events for 2011

January

- ✧ A sum of RMB3 million was donated to Guangzhou Huadu Educational Fund (廣州市花都區教育基金) in response to “concern on education and care for Huadu” (“關心教育 情繫花都”), a fund raising campaign for educational purpose.

May

- ✧ An end-to-end aided construction project commenced in Lutian town, Conghua, where an initial fund contributed amounted to around RMB50 million.

July

- ✧ A high profile ceremony of commencement of construction was held on 3 July 2011 for the Amazing Bay (嘉譽灣), located in the core area of New Jiangwan Town, Shanghai, for which Shanghai R&F Real Estate Development Co., Ltd. and Shanghai KWG Real Estate Development Co., Ltd. worked together in its development.

September

- ✧ On 23, September 2011, an official foundation laying was undertaken for KWG Wenchang Resort Project which was located in the north of Moon Bay, Wenchang City. It was the second key project of the Group in line with its strategy of expansion into Hainan, following the kick-off of Lingshui KWG • Pearl Coast Waterfront Recreational Resort (陵水合景 • 汀瀾海岸濱海休閒度假社區).
- ✧ On 23 September 2011, a joint ceremony of commencement of construction was held for three major projects of KWG Property, namely, Shanghai Apex, Shanghai Sapphire and Shanghai Emerald in Juyuan, all situated in Jiading.



October

- 🏠 Hyatt International Corporation, a multi-national hotel enterprise, entered into a hotel management agreement with KWG Property and Guangzhou R&F Properties Co., Ltd ("R&F Properties"), pursuant to which three Hyatt branded high-end hotels were to build in Shanghai, comprising 2 Hyatt Place and 1 Hyatt House hotels, which marked the brand name's entry into Asia.

November

- 🏠 On 29 November 2011, Sheraton Guangzhou Huadu Resort, the first international high-end branded resort in Guangzhou, officially opened for business. It was developed by KWG Property and operated and managed by Starwood Hotels & Resorts Worldwide, Inc. ("Starwood").

Honours and awards



KWG Property

Group

-  **China Real Estate Association, Enterprises Development Research Centre of the State Council, the Property Market Research Center of Tsinghua University and the Chinese Index Academy:**

Top 100 Real Estate Companies of China 2011 – 24th Ranking (KWG Property)

-  **China Real Estate Association, Enterprises Development Research Centre of the State Council, the Property Market Research Center of Tsinghua University and the Chinese Index Academy:**


Top 10 Mainland Real Estate Companies Listed in Hong Kong by Investment Value 2011 (KWG Property)

-  **Guangzhou Charity Association:**
Yangcheng Progressive Groups in Charity – Outstanding Contribution Award (KWG Property)

-  **Fortune Magazine:**
Fortune China 500 – 2011 (KWG Property)

-  **Adjudication Committee for Best HR Exemplary Enterprise in China:**
Best HR Exemplary Enterprise in China 2011 (KWG Property)

-  **Huadu District People's Government:**
Huadu Progressive Groups in Charity – Outstanding Contribution Award (KWG Property)

-  **Ministry of Housing and Urban-Rural Development and Provincial Administration of Housing and Urban-Rural Development:**
Class I Property Enterprise Certificate (Ningjun Property Management)

-  **China Industrial Information Issuing Center:**

Top 100 Companies in the PRC Real Estate Sector 2010–2011 (KWG Property)

-  **www.soufun.com:**

Most Popular Branded Property Companies – Internet Popularity in Suzhou 2011 (KWG Property)

Guangzhou

-  **nddaily:**

October 1st Gold Medal House Layout – Nomination of Gold Medal House Layout in Guangzhou – 2011 (Sky Ville)



Chengdu

Bloomberg:

Bloomberg International Property Award 2011 – Best Highrise Residence in Asia Pacific (Chengdu Cosmos)

Hainan

Chinese National Geography

Hainan Tourism and Property – Most Beautiful Property Development Award (Pearl Coast)

Shanghai

www.soufun.com

“Shanghai Quality Luxury Home 2011” (Amazing Bay)

“Ranking of Commercial Properties with Investment Value in Shanghai 2011” (The Core of Center)

“Ranking of Property Development Most Anticipated on the Internet 2012” (Shanghai Emerald)

Suzhou

Sina Leju:

Most Influential Property Development 2011 (Suzhou Apex/The Sapphire)

Beijing

The Beijing News:

District Pole Property Development of Beijing Real Estate Sector 2011 (Fragrant Seasons)

Beijing Youth News:

Enterprise Award: Gold Award 2011 (Fragrant Seasons)

Project Award: Gold Residential Project Award 2011 (Fragrant Seasons)

www.sina.com:


Sina Leju Annual Hot Sales Property Award 2011 (Fragrant Seasons)

house.focus.cn:

Brand Award: Proven Branded Property Award (Fragrant Seasons)

Project Award: Regional Hot Sales Project Award 2011 (Fragrant Seasons)

Personal Awards of the Chairman:

 Mr. Kong Jian Min: “Outstanding Person in Support of Chinese Language Education” (PRC Chinese Language Education Foundation)





Dear Shareholders:

I am pleased to present the annual results of the Group for the year ended 31 December 2011. During the period under review, the Group recorded total revenue of approximately RMB10,122.6 million, representing a year-on-year increase of 35.6%. Profit attributable to shareholders was approximately RMB2,103.4 million, representing an increase of 64.1% from the previous year. Earnings per share amounted to RMB73 cents.

A Diversified Portfolio with Outstanding Contributions from Commercial Properties

2011 was a year of correction for the property industry. Government launched austerity measures during the year, such as the Home Purchase Restriction, regional price caps, bank loan restrictions and property tax, to steer the property industry towards rational and stable development and to prevent an industry bubble. The Group responded proactively by diversifying its product portfolio. In addition to residential products, we placed special emphasis on launching commercial projects or products such as office, serviced apartments, retail shops and car parks, which are not subject to the Home Purchase Restriction or loan restrictions. As a result, there was a significant

growth in sales contributions from commercial properties for the year under review, as compared to the previous year. For example, we continued to report outstanding sales during the year for International Creative Valley, a commercial project in Guangzhou, while The Riviera, another commercial project located in Pearl River New Town of Guangzhou, also achieved remarkable sales as over 100 units were sold on its debut in mid-November. The Group's for-sale commercial products in other regions are also expected to be launched in 2012. Meanwhile, the Group reshuffled its construction schedule to launch the commercial components of its existing projects in advance. The launch of commercial properties helped to mitigate the impact of government policies as it has enabled the cash inflow against limitations imposed by the Home Purchase Restriction.

Broadened Funding Channels to Enhance Financial Strength

The Group has always adhered to rigorous financial discipline. We secured credit facilities in an increasingly austere credit environment by maintaining good working relationships with our current onshore banking partners. Meanwhile, we also gained access to broader sources of offshore financing underpinned by our solid sales, sound credit records and a healthy balance sheet. In March, we completed a successful fund raising exercise with the issue of a USD350 million 5-year senior note. In addition, we also secured two offshore bank loans, which included: a HKD2,600 million-equivalent 3-year loan for the Amazing Bay (嘉譽灣) in Shanghai extended to the Group and R&F Properties in June; and a HKD1,075 million 5-year loan for the Chengdu Jinjiang Project extended to the Group and Hongkong Land China Holdings Limited in November. These additional financing sources saves us from undue reliance on domestic banks as a single source for financing and will facilitate further risk diversification and sustain the Group's stable development.

Prudent Cash Flow Management Underpinned by Disciplined Land Acquisition

The Group continued to exercise strict discipline in land acquisitions, with a view to enhance cash flow management and achieve strategic balance between risk management and expansion amidst market uncertainties. On one hand, the Group continued to closely monitor the down cycle land market, with an eye for opportunities to acquire premium sites at attractive prices. On the other hand, we targeted specifically at smaller sites with controllable lump sum in regions where we had already established our presence. This approach facilitated resource sharing and integration, while allowing us to penetrate our markets and expand our presence in a prudent manner without affecting cash flow. The Group selectively acquired several small sites with lower capital outlay requirements during the year, following a stringent selection process. As a result, we have been in a relatively advantageous position even at a time of market volatility.

Timely Adjustments in Strategies to Address Market Changes

Changes emerged in the market following the government's regulatory policies implemented during the year. We have been closely monitoring such changes and making corresponding adjustments to our strategies. In respect of existing projects, we sought to increase sales to target buyers by offering promotional packages. For new projects, our pricing strategy was in tandem with market trends, with a view to achieving balance between volume and prices. In addition, we were also committed to broadening our product types and optimising the layout designs of our products, aiming to increase mid-end products, typically medium-sized apartments with compact layouts, to attract a larger base of potential buyers.

Outlook

In 2012, we will continue to keep a prudent manner on our business development, whilst always being prepared for market changes. With the increase in the number of sales-contributing cities and available for sale projects, ample sellable resources comprising meaningful components of commercial properties, as well as growing reputation and brand recognition, the Group looks to solidify business development in regions where it has already established its presence. We will address market changes with a yet more sensible mindset and enhance our risk aversion ability with ongoing efforts to exercise stringent financial discipline, strengthen cash flow control and bolster internal management.

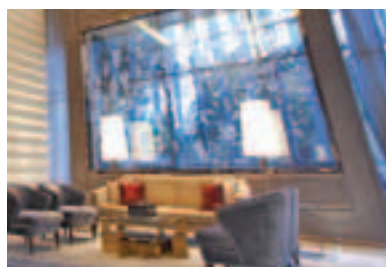
Appreciation

Last but not least, may I express on behalf of the Company sincere appreciation for our shareholders, partners and staff for their longstanding trust and unfailing support. Let us work together in unity and with concerted efforts, as we go forward and progress from strength to strength.





Management discussion and analysis



Financial Review

Revenue

Revenue of the Group comprises primarily the (i) gross proceeds, net of business tax, from the sale of properties, (ii) gross recurring revenue received and receivable from investment properties, (iii) gross revenue from hotel room rentals, food and beverage sales and other ancillary services when the services are rendered and (iv) property management fee income. The revenue is primarily generated from its four business segments: property development,

property investment, hotel operation and provision of property management services.

The revenue amounted to approximately RMB10,122.6 million in 2011, representing a significant increase of 35.6% from approximately RMB7,465.9 million in 2010, primarily due to the substantial increase of total gross floor area ("GFA") delivered in sales of properties in 2011.

In 2011, the revenue generated from property development, property investment, hotel operation and

property management services were approximately RMB9,815.4 million, RMB138.6 million, RMB70.2 million and RMB98.4 million, respectively.

Property development

Revenue generated from property development increased by 35.9% to approximately RMB9,815.4 million in 2011 from approximately RMB7,221.1 million in 2010, primarily due to a 17.0% increase in the total GFA delivered to 917,777 sq.m. in 2011 from 784,116 sq.m. in 2010. The increase in the total GFA delivered in 2011 was



principally due to the Group's effort of delivering increased number of projects in other high growth cities.

The increase in revenue was also attributable to the increase in the recognised average selling price ("ASP") of the Group's properties sold. The recognised ASP of property increased to RMB10,695 per sq.m. in 2011 from RMB9,209 per sq.m. in 2010 reflecting a better product mix as well as an upgrade on city mix.

Property investment

Revenue generated from the property investment increased by 11.6% to approximately RMB138.6 million in 2011 from approximately RMB124.2 million in 2010, primarily attributable to

2011 being the first full year to us of generating rental income from certain tenants.

Hotel operation

Revenue generated from hotel operation increased by 23.4% to approximately RMB70.2 million in 2011 from approximately RMB56.9 million in 2010, primarily attributable to an increase in occupancy rate of our Four Points by Sheraton Guangzhou, Dongpu.

Provision of property management services

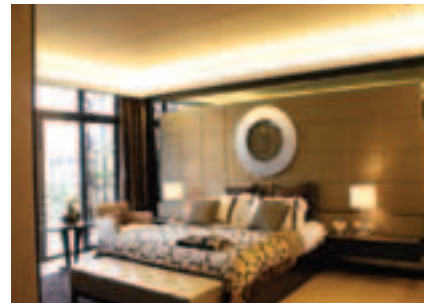
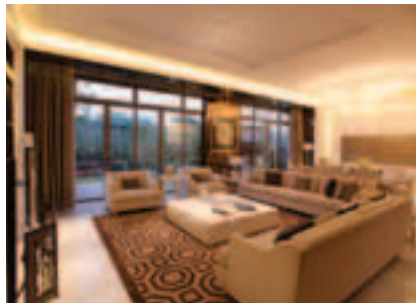
Revenue generated from the provision of property management services increased by 54.5% to approximately RMB98.4 million in 2011 from

approximately RMB63.7 million in 2010, primarily attributable to an increase in the number of properties under management.

Cost of sales

Cost of sales of the Group primarily represents the costs we incur directly for the Group's property development activities. The principal component of cost of sales is cost of properties sold, which includes the direct cost of construction, cost of obtaining land use rights and capitalised borrowing cost on related borrowed funds during the period of construction.

Cost of sales increased by 29.4% to approximately RMB5,650.5 million in 2011 from approximately RMB4,368.3



million in 2010, primarily due to an overall increase in cost of properties sold following the increase in GFA delivered.

Land cost per sq.m. increased from RMB1,759 in 2010 to RMB1,867 in 2011, reflecting the upgrade on city mix with relatively higher land costs.

Construction cost per sq.m. increased from RMB3,507 in 2010 to RMB3,870 in 2011, principally due to increase in delivery of high-end products with relatively higher construction costs.

Gross profit

Gross profit of the Group increased by 44.4% to approximately RMB4,472.1 million in 2011 from approximately RMB3,097.6 million in 2010. The increase in gross profit was primarily attributable to the increase in the total revenue and recognised ASP in 2011. The Group reported a gross profit margin of 44.2% for 2011 as compared with 41.5% for 2010.

Other income and gains

Other income and gains increased by 19.1% to approximately RMB94.0 million in 2011 from approximately RMB78.9

million in 2010, mainly comprising interest income of approximately RMB45.7 million and net exchange gains of approximately RMB34.0 million.

Selling and marketing costs

Selling and marketing costs of the Group slightly decreased by 4.5% to approximately RMB231.8 million in 2011 from approximately RMB242.8 million in 2010, primarily due to less marketing expenses incurred in 2011.



Administrative expenses

Administrative expenses of the Group increased by 28.7% to approximately RMB532.6 million in 2011 from approximately RMB413.8 million in 2010, primarily attributable to an increased headcount to catch up with the rapid development of the Group in various regional offices in order to achieve its long term goal. The Group believes that people are key elements for future growth and grasping the opportunities ahead. The Group also provided extensive training, built incentive schemes as

well as a teamwork-oriented corporate culture with high sense of belonging to retain experienced employees. The rapid development of the Group in various regional offices at the same time lead to increased general office expenses. The increase of other tax and surcharges on sales of properties also contributed to the increment in administrative expenses in 2011.

Other operating expenses, net

Other operating expenses of the Group was approximately RMB5.5 million in 2011 (2010: approximately RMB5.4

million), mainly comprising the losses on the disposal of certain investment properties during the year.

Fair value gains on investment properties, net

The Group reported net fair value gains on investment properties of approximately RMB325.7 million for 2011 (2010: approximately RMB3.9 million), mainly related to various leaseable commercial properties in various regions. The fair value gains attributable to those leaseable commercial properties including

International Finance Place ("IFP"), The Summit, The Vision of the World, Chengdu Cosmos, The Sapphire and Suzhou Apex were approximately RMB278.5 million for 2011.

Finance costs

Finance costs of the Group being approximately RMB125.0 million in 2011 (2010: approximately RMB20.0 million), related to the borrowing costs on certain general corporate loans and partial senior notes. Since such borrowings were not earmarked for project development, thus such borrowing costs have not been capitalised.

Income tax expenses

Income tax expenses increased by 53.0% to approximately RMB1,876.0 million in 2011 from approximately RMB1,225.9 million in 2010, primarily due to an increase in profit before tax and provision for LAT as a result of the increase in total GFA delivered in sales of properties in 2011.

Profit attributable to owners of the parent

Profit attributable to owners of the parent of the Group in 2011 increased by 64.1% to approximately RMB2,103.4 million from approximately RMB1,281.8 million in 2010. Net profit margin increased to 20.8% in 2011 from 17.2% in 2010, as a result of the cumulative effect of the foregoing factors.

Liquidity, Financial and Capital Resources

Cash position

As at 31 December 2011, the carrying amount of the Group's cash and bank deposits was approximately RMB5,373.2 million (31 December 2010: approximately RMB6,803.6 million),

representing a decrease of 21.0% as compared to that as at 31 December 2010.

Pursuant to relevant regulations in the PRC, certain property development companies of the Group are required to place a certain amount of pre-sales proceeds received at designated bank accounts as guarantee deposits for construction of the relevant properties. As at 31 December 2011, the carrying amount of the restricted cash was approximately RMB1,348.6 million (31 December 2010: approximately RMB1,528.0 million).

Borrowings and charges on the Group's assets

As at 31 December 2011, the Group's bank and other loans and senior notes were approximately RMB10,124.6 million and RMB3,709.8 million (equivalent) respectively. Amongst the loans, approximately RMB3,409.6 million were repayable within 1 year, approximately RMB6,152.0 million were repayable between 2 and 5 years and approximately RMB563.0 million will be repayable over 5 years. Amongst the senior notes, approximately RMB2,165.1 million was repayable between 2 and 5 years and approximately RMB1,544.7 million will be repayable over 5 years.

As at 31 December 2011, the Group's bank and other loans of approximately RMB9,000.8 million were secured by property, plant and equipment, land use rights, investment properties, properties under development, completed properties held for sale and time deposits of the Group with total carrying values of approximately RMB9,414.7 million and equity interests of certain subsidiaries and an associate of the Group. The senior notes were jointly and severally guaranteed by

certain subsidiaries of the Group and were secured by the pledges of their shares.

The carrying amounts of all the Group's bank and other loans were denominated in RMB except for certain loan balances with an aggregate amount of approximately HK\$1,354.8 million as at 31 December 2011 which were denominated in Hong Kong dollar. All of the Group's bank and other loans were charged at floating interest rates except for loan balances with an aggregate amount of RMB284.8 million were charged at fixed interest rates as at 31 December 2011. The Group's senior notes were denominated in U.S. dollar.

Gearing ratio

The gearing ratio is measured by the net borrowings (total borrowings net of cash and cash equivalents and restricted cash) over the total equity. As at 31 December 2011, the gearing ratio was 61.8% (31 December 2010: 47.7%). The increase in gearing ratio in 2011 mainly reflecting increased cash utilisation in the ongoing property development projects.

Risk of exchange rate fluctuation

The Group mainly operates in the PRC, so most of its revenues and expenses are measured in RMB. The value of RMB against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in China's political and economic conditions. The conversion of RMB into foreign currencies, including the U.S. dollar and the Hong Kong dollar, has been based on rates set by the People's Bank of China.



During 2011, the exchange rates of RMB against the U.S. dollar and the Hong Kong dollar maintained a relatively stable level and the Board expects that any fluctuation of RMB's exchange rate will not have material adverse effect on the operation of the Group.

Contingent Liabilities

- (i) As at 31 December 2011, the Group had the following contingent liabilities relating to guarantees in respect of mortgage for certain purchasers amounting to approximately RMB6,642.6 million (31 December 2010: approximately RMB6,160.6 million). This represented the guarantees in respect of mortgage granted by banks relating to the mortgage loans arranged for purchasers of the Group's properties. Pursuant to the terms of the guarantees,

upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulting purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon issuance of real estate ownership certificates which will generally be available within one to two years after the purchasers take possession of the relevant properties.

The fair value of the guarantees is not significant and the Board considers that in case of default in payments, the net realisable value of the related properties

will be sufficient to cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the financial statements as at 31 December 2011 and 2010 for the guarantees.

- (ii) As at 31 December 2011, the Group had provided guarantees in respect of certain bank loans for jointly-controlled entities.
- (iii) As at 31 December 2011, the Group had provided a guarantee in respect of a bank loan of RMB700.0 million (31 December 2010: RMB700.0 million) for the ex-owner of The Summit in Guangzhou, PRC.



Employees and Emolument Policies

As at 31 December 2011, the Group employed a total of approximately 3,500 employees. The total staff costs incurred was approximately RMB281.9 million during the financial year ended 31 December 2011. The remuneration of employees was determined based on their performance, skill, experience and prevailing industry practices. The Group reviews the remuneration policies and packages on a regular basis and will make necessary adjustment to commensurate with the pay level in the industry. In addition to basic salary, the provident fund scheme (according to the provisions of the Mandatory Provident Fund Schemes

Ordinance for Hong Kong employees) or state-managed retirement pension scheme (for PRC employees), employees may be offered with discretionary bonus and cash awards based on individual performance.

During the year ended 31 December 2011, 7,351,000 share options had been granted by the Company to the grantees, including certain employees and directors of the Group on 26 August 2011. Total of 10,689,000 share options were cancelled and no share options were exercised or lapsed as at the date of approval of these financial statements. Detail of share option movement during the year ended 31 December 2011 is stated in pages 42 and 43 of this report.

Market Review

The PRC Central Government continued to step up with regulation over the domestic property market in 2011, as it introduced detailed provisions and implementation measures in its regulatory policies during the year. The "Eight Articles of the State Council" and the trial implementation of property tax at Shanghai and Chongqing announced early in the year were followed by policies like the Home Purchase Restrictions, pricing caps and loan restrictions. The geographic scope of application of restricting property purchases was significantly extended to cover nearly 50 cities, as compared to less than 20 cities in 2010. Efforts to develop social affordable housing were

enhanced. Meanwhile, the bank reserve requirement ratio and benchmark interest rates for deposit/loans were raised for several times to tighten the liquidity environment. These measures were designed to curb inflationary property prices and steer the property market towards healthier and more sustainable development.

Business Review

During the year under review, the Group's Jinnan New Town in Tianjin and The Core of Center (Formerly called "Putuo Project") in Shanghai were officially launched for sale, bringing the number of contributing cities from 4 to 6. The fact that the aforementioned projects took only about 12 months from land acquisition to official sale further testifies the Group's execution capabilities in new cities other than Guangzhou.

The Group has adopted a proactive approach in adjusting its strategies to address ever-changing market conditions, with special emphasis on cash flow management.

We sought to enhance the cash inflow by reshuffling our launch schedules to advance the sale of commercial projects which were not subject to the Home Purchase Restriction or mortgage restriction. On the other hand, we slowed down the construction of other investment properties to maintain a better cash position that would prepare us well for any market changes. During the year, the Group launched three purely commercial projects, The Riviera, L7 and International Creative Valley in Guangzhou, as well as commercial components, such as serviced apartments and retail shops of existing projects in Suzhou, Chengdu

and Beijing, resulting in positive contributions to our operating cash flow. The Group reported pre-sales of RMB11,500 million, representing a 5% growth as compared to the full year of 2010.

In the mean time, we further enhanced our balance sheet by resorting to diversified funding channels. These included the issue of a US Dollar senior note, project loans from overseas banks at more reasonable costs and ongoing working relationships with domestic banks, which combined to form a secure financing network to underpin our financial strengths.

In addition, the Group exercised control over cash outflow by adopting a strategy of prudent land acquisition. Land acquisition costs were maintained at a controllable level as we only acquired several small sites during the year. Meanwhile, we continued to dispense vigorous efforts in internal control and corporate governance underpinned by stringent cost controls.

Investment Properties and Hotels

During 2011, KWG Property continued to develop hotels and investment properties in specific projects. In the long run, we will continue to explore opportunities in diversified property investments with the objective of maintaining a balanced product portfolio. The Group's portfolio of hotels, serviced apartments, shopping malls and offices held on a long-term basis are expected to gradually account for an increasing share of the Group's asset base.

During the year under review, turnover of the Group from its investment in office premises and leasing of retail

properties amounted to approximately RMB138.6 million (2010: approximately RMB124.2 million).

(1) Hotels

Following the opening of the Four Points by Sheraton Guangzhou, Dongpu located in Tianhe District, Guangzhou in September 2009, Sheraton Guangzhou Huadu Resort in Guangzhou also commenced soft operation in November 2011. In addition, there are also several high-end star-rated hotels and large-scale shopping malls under planning by the Group, located in Guangzhou, Suzhou, Chengdu, Hainan and Shanghai.

To ensure the high quality of the Group's hotel services, the Group entered into a management agreement with Starwood, an internationally renowned hotel management group. Pursuant to the agreement, Starwood will provide hotel operation and management services with respect to the Group's Guangzhou W Hotel and serviced apartments, Sheraton Guangzhou Huadu Resort and Four Points by Sheraton Guangzhou, Dongpu. A letter of intent has also been entered into in respect of Starwood's provision of hotel operation and management services at Westin Hotel in Suzhou and W Hotel in Chengdu.

During the year, the Group entered into further hotel operation agreements with other well-known international hotel management groups: a hotel operation agreement with Hyatt International Corporation for the



operation and management of Hyatt Place Hotel and Hyatt House Serviced Apartments at Shanghai Sapphire and Hyatt Place Hotel at Amazing Bay in Shanghai; and a hotel operation agreement with Hilton Worldwide for the operation and management of The Conrad Hotel in Guangzhou, a joint venture of the Group, R&F Property and Sun Hung Kai Properties Limited. These hotels are expected to commence business a few years down the road.

(2) *Investment properties completed and available for lease*

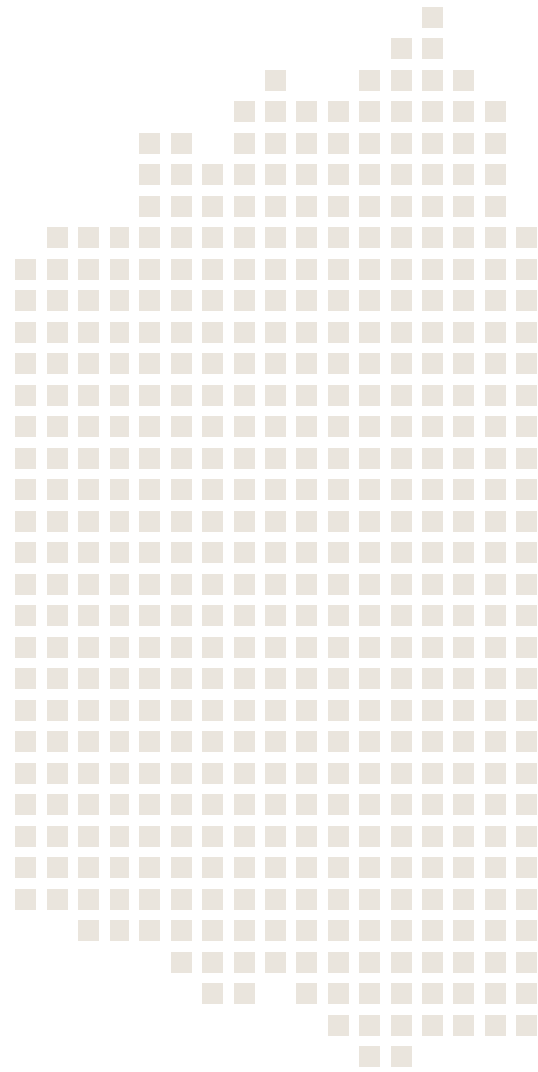
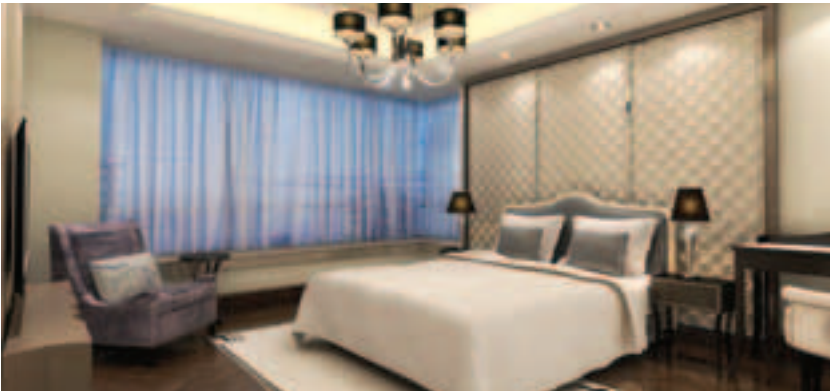
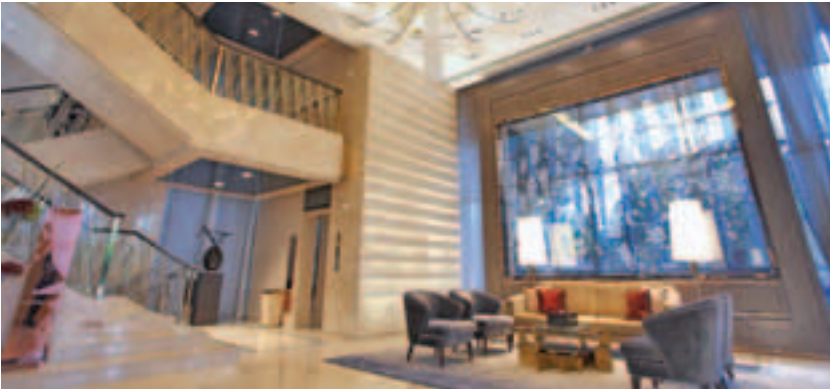
The Group continues to lease spaces on a highly selective basis in order to maintain the high-end and premium nature of IFP tenants since its commencement in 2007. As at 31 December 2011, the occupancy rate of IFP stood at above 99%. The tenants mainly included about 13 domestic and foreign banks, the Guangzhou offices of various multi-national corporations and diplomatic institutions such as the Italian Consulate.

Business Outlook

While short-term market correction is a process that the property sector is bound to undergo, the fundamental demand for residential housing will remain given the rising per capita income, accelerating urbanisation and increasing demand for better living environment. As such, ongoing improvements in corporate governance, product competitiveness and general corporate strengths will be sought within the Group while, on the external front, proactive measures will be taken to address market changes and business opportunities will be taken on in a prudent and cautious manner going forward.

As at 31 December 2011, the Group's major projects located in Guangzhou, Suzhou, Chengdu, Beijing, Hainan, Shanghai and Tianjin

Project	District	Type of property	GFA attributable to the Group's Interest ('000 sq.m)	Interests attributable to the Group (%)
Sky Ville	Guangzhou	Villas/residential/retail	74	100
International Creative Valley	Guangzhou	Office/serviced apartments/retail	76	100
The Summit	Guangzhou	Residential/villas/serviced apartments/office/retail	2,460	100
L7 (Formerly called D3-4 project)	Guangzhou	Serviced apartments	34	100
J2-2 Project	Guangzhou	Office/retail	72	50
The Riviera	Guangzhou	Serviced apartments/office/hotel/retail	155	33.3
Foshan Project	Guangzhou	Residential/commercial	560	20
Biological Island Project	Guangzhou	Serviced apartments/retail	115	100
IFP	Guangzhou	Office	61	100
Four Points by Sheraton Guangzhou, Dongpu	Guangzhou	Hotel	35	100
Sheraton Guangzhou Huadu Resort	Guangzhou	Hotel	25	100
W Hotel/W serviced apartments	Guangzhou	Hotel/serviced apartments	80	100
The Sapphire	Suzhou	Residential/hotel/office/serviced apartments/retail	482	100
Suzhou Apex	Suzhou	Residential/hotel/retail/serviced apartments	402	90
Yinshan Lake Project	Suzhou	Residential/retail	160	100
The Vision of the World	Chengdu	Residential/serviced apartments/retail	285	100
Chengdu Cosmos	Chengdu	Residential/hotel/serviced apartments/office/retail	749	100
Chengdu Jinjiang	Chengdu	Residential/commercial	450	50
Fragrant Seasons	Beijing	Residential/villas/serviced apartments/retail	346	100
Chong Wen Men Project	Beijing	Retail	16	100
Pearl Coast (Formerly called Lingshui project)	Hainan	Residential/villas/hotel	293	100
Moon Bay Project	Hainan	Residential/commercial	479	100
Pudong Project	Shanghai	Office	78	100
The Core of Center (Formerly called Putuo project)	Shanghai	Residential/serviced apartments/retail	79	50
Shanghai Apex (Formerly called Jiading E-06 project)	Shanghai	Residential/serviced apartments/retail	111	100
Amazing Bay (Formerly called New Jiang Wan project)	Shanghai	Residential/office/retail/hotel	135	50
Shanghai Sapphire (Formerly called Jiading D-07 project)	Shanghai	Serviced apartments/hotel	158	100
Shanghai Emerald (Formerly called Jiading Chengbei project)	Shanghai	Residential/retail	154	100
Jinnan New Town	Tianjin	Residential/villas/commercial	750	25





Directors *and senior management's profile*

Directors

Executive Directors

Kong Jian Min, aged 44, is the founder of the Group, an executive director, the Chairman of the Company, member of remuneration committee (chairman of remuneration committee up to 28 February 2012) and chairman of nomination committee of the Company. Mr. Kong is primarily responsible for the formulation of our development strategies, as well as supervising our project planning, business operation and sales and marketing. Mr. Kong graduated from Jinan University majoring in Computer Science in 1989. Mr. Kong has over 17 years of experience in property development and investment. Prior to the founding of the Group, Mr. Kong served as a credit officer of the Baiyun Road Sub-Branch of the Guangzhou Branch of Industrial and Commercial Bank of China. Mr. Kong is a brother of Kong Jian Tao and Kong Jian Nan. Saved as disclosed above, Mr. Kong is also a director of all subsidiaries incorporated in the British Virgin Islands, various subsidiaries incorporated in the PRC and two subsidiaries incorporated in Hong Kong.

Kong Jian Tao, aged 41, is an executive director and the Chief Executive Officer of the Company. Mr. Kong is responsible for the overall operation of the Group's projects. He has over 17 years of experience in property development and has been a director of the Group since 1995. Mr. Kong is a brother of Kong Jian Min and Kong Jian Nan. Saved as disclosed above, Mr. Kong is also a director of all subsidiaries incorporated in the British Virgin Islands, various subsidiaries incorporated in the PRC and two subsidiaries incorporated in Hong Kong.

Kong Jian Nan, aged 46, is an executive director and executive vice president of the Company. Mr. Kong is responsible for coordinating and managing human resource, administrative management, IT management and legal affairs of the Group. He is a graduate of China Central Radio and TV University and joined the Group in 1999. Mr. Kong is a brother of Kong Jian Min and Kong Jian Tao. Saved as disclosed above, Mr. Kong is also a director of all subsidiaries incorporated in the British Virgin Islands, various subsidiaries incorporated in the PRC and three subsidiaries incorporated in Hong Kong.

Li Jian Ming, aged 45, is an executive director of the Company, a vice president of the operations management division and a general manager of the Southern China Region of the Group. Mr. Li graduated from South China University of Technology, majoring in industrial and civil construction. Mr. Li joined the Group in 1995 and had held the position of vice president in the engineering management division. He was appointed as an executive director of the Company in June 2007. Currently, Mr. Li is responsible for the internal operations and management of the Group and the overall operations and management of the Southern China Region. Saved as disclosed above, Mr. Li is also a director of one of the subsidiaries incorporated in the PRC.

Tsui Kam Tim, aged 43, is an executive director, the Chief Financial Officer and the Company Secretary of the Company. Mr. Tsui is primarily responsible for the financial management and supervision of financial reporting, corporate finance, treasury, tax, risk management including internal control and other related finance matters. Mr. Tsui graduated from Australia National University with a bachelor's degree in Commerce and he is a professional member of the Hong Kong Institute of Certified Public Accountants. Prior to joining the Group, he was a senior manager of an international firm of certified public accountants. Mr. Tsui joined the Group in January 2007 as the Chief Financial Officer and was appointed as an executive director of the Company in November 2007. Saved as disclosed above, Mr. Tsui is also a director of various subsidiaries incorporated in Hong Kong.

He Wei Zhi, aged 44, is an executive director of the Company, a vice president and a general manager of the South-western China Region of the Group. Mr. He graduated from Guangzhou University majoring in Hotel Management. He joined the Group in 1995 and had held the positions of manager and deputy general manager of the sales department. Since his joining of the Group, he has been responsible for project planning, design and sales planning work of the Group, gaining extensive experience in property market. Mr. He was appointed as an executive director of the Company in February 2009 and is mainly responsible for the overall operation and management of the South-western China Region. Saved as disclosed above, Mr. He is also a director of various subsidiaries incorporated in the PRC.

Yu Yao Sheng, aged 50, is an executive director of the Company, a vice president and a general manager of the Eastern China Region of the Group. Mr. Yu joined the Group in January 2009 and is responsible for the overall operations and management of the Eastern China Region. Mr. Yu was appointed as an executive director of the Company in March 2010 and he is also one of the directors of a jointly-controlled entity. Mr. Yu is a senior engineer and a grade-one national registered structural engineer. He has extensive experience in architectural design, engineering management, project management, regional development, administration and human resources management. Mr. Yu graduated from Hefei University of Technology with a bachelor's degree in Architecture, and also holds a master's degree from China University of Mining and Technology. Prior to joining the Group, Mr. Yu was the head of architectural design institute, deputy director of urban construction commission and executive deputy commander-in-chief of the construction command office of National Development Zones, PRC.

Independent Non-Executive Directors

Lee Ka Sze, Carmelo, aged 51, is an independent non-executive director and a member of audit committee of the Company. Mr. Lee joined the Company in June 2007. He received a bachelor's degree in Laws and the Postgraduate Certificate in Laws from The University of Hong Kong. He is qualified as a solicitor in Hong Kong, England and Wales, Singapore and Australian Capital Territory and has been a partner of Messrs. Woo, Kwan, Lee & Lo since 1989. Mr. Lee is an independent non-executive director of Ping An Insurance (Group) Company of China, Ltd. and a non-executive director of Y.T. Realty Group Limited, The Cross-Harbour (Holdings) Limited, China Pharmaceutical Group Limited, Hopewell Holdings Limited, Safety Godown Company Limited, Termbray Industries International (Holdings) Limited and Yugang International Limited, all of which are listed on the Stock Exchange. Mr. Lee is a deputy chairman of the Listing Committee of The Stock Exchange of Hong Kong Limited. He is also a member of SFC Dual Filing Advisory Group of Securities and Future Commission, a member of the Disciplinary Panel of the Hong Kong Institute of Certified Public Accountants and a chairman of the Transport Tribunal of the Hong Kong Government.

Dai Feng, aged 70, is an independent non-executive director, a member of audit committee, a member of nomination committee and the chairman of remuneration committee (since 28 February 2012) of the Company. Mr. Dai joined the Company in June 2007. He is a member of the Expert Committee on Urban Planning of the Ministry of Construction (國家建設部城市規劃專家委員會), a member of the Expert Committee on Living Environment of the China Research Association on Property and Residence (中國房地產及住宅研究會人居环境委員會), and member of various other professional organizations on urban planning and research in the PRC. He is a part-time professor of Huazhong University of Science and Technology and Wuhan University of Technology and is also a fellow of the International Eurasian Academy of Sciences. Mr. Dai has over 42 years of experience in property development, specializing in urban planning, design and related information technology. Since 1985, he has won various prizes in urban planning and application of advanced technology. His achievements were highly recognized by the Ministry of Construction of China. Mr. Dai is an independent non-executive director of R&F Properties which is listed on the Main Board of the Stock Exchange, and is also an independent director of Guangzhou Donghua Enterprises Co. Ltd., which is listed on the Shanghai Stock Exchange.

Tam Chun Fai, aged 49, is an independent non-executive director, chairman of audit committee, a member of remuneration committee and a member of nomination committee of the Company. Mr. Tam joined the Company in June 2007. He graduated from The Hong Kong Polytechnic University with a bachelor's degree in Accountancy. He is a member of the Hong Kong Institute of Certified Public Accountants and is also a member of Chartered Financial Analyst. Mr. Tam has over 22 years of experience in auditing and corporate advisory services as well as financial management and compliance work. He is an executive director, the chief financial officer and company secretary of Beijing Enterprises Holdings Limited, a company listed on the Main Board of the Stock Exchange and is an independent non-executive director of Hi Sun Technology (China) Limited, a company listed on the Main Board of the Stock Exchange.

Senior Management

Law Siu Wo, aged 49, is a vice president of finance of the Group. Mr. Law joined the Group in October 2008 and is responsible for the overall domestic and foreign financial budgets and analysis of the Group. He graduated from University of Wisconsin in the United States and holds a master's degree in Business Administration from University of California, Los Angeles. Mr. Law had worked for an international firm of certified public accountants for more than six years and another private equity fund for three years. He also had worked as financial controllers of several listed companies in Hong Kong and United States for more than 12 years. Mr. Law is a member of the American Institute of Certified Public Accountants and a member of Hong Kong Institute of Certified Public Accountants.

Liu Peng Peng, aged 39, a vice president and a general manager of the Northern China Region of the Group. Mr. Liu graduated from Tongji University in Shanghai with a bachelor's degree in Professional Urban Planning. He joined the Group in May 2011 and is responsible for the general operation and management of the Northern China Region and Hainan operation. Prior to joining the Group, Mr. Liu held various positions in a number of renowned domestic real estate enterprises, acquiring 17 years of extensive experience in property management.

Rao Jun, aged 45, is a vice president of human resources division of the Group. Mr. Rao graduated from Zhongshan University majoring in Philosophy. Mr. Rao joined the Group in June 2009 and is responsible for human resources and administration. Prior to joining to the Group, Mr. Rao worked in an internationally recognised U.S. enterprise. He has 22 years of extensive working experiences in human resources management.

Chen Jie Ping, aged 39, is a director of the hotel and commerce division of the Group. Mr. Chen joined the Group in 2003 and had been responsible for the marketing and planning of the Group's projects. Currently, Mr. Chen is responsible for the planning and operations of hotel and commercial properties of the Group. Prior to joining the Group, Mr. Chen was a deputy general manager of a property agent and is experienced in the sale of properties in the PRC.

Luo Xiao Yun, aged 44, is a director of the legal affairs division of the Group and assistant to the Chairman. Ms. Luo joined the Group in November 2009 and is responsible for the overall operations and management of legal affairs. Ms. Luo graduated from Zhongshan University with a bachelor's degree in Laws and subsequently was admitted to practise in the PRC as a qualified solicitor. Ms. Luo is a practising solicitor with extensive working experiences in financial investment, Corporate Law as well as Civil and Commerce Law, facilitating her clients which are both newly established companies and listed companies to their growth and success. Prior to joining the Group, Ms. Luo began her legal career in Foreign Economic and Trade Cooperation Committee and was a solicitor in other law firms.

Lin Kai Ping, aged 38, is a general manager of Guangzhou Ningjun Property Management Limited under the Group. Ms. Lin joined the Group in April 2004 and is responsible for the overall property management of the Southern China Region. Ms. Lin graduated from the University of International Business and Economics majoring in Administration Management. Prior to joining to the Group, Ms. Lin worked in a world's leading British property management company. She has 20 years of extensive working experiences in property management.

Luo Qing, aged 47, is the general manager of Chengdu office of the Group. Mr. Luo graduated from South China University of Technology with a bachelor degree in Architectural Engineering and is a registered supervision engineer, possessing extensive experience in project management. Mr. Luo joined the Group in 2001 and is mainly responsible for the management and operation of Chengdu office of the Group. Before joining the Group, Mr. Luo was a general manager of a construction supervision company.

Chen Wen De, aged 34, is the general manager of Suzhou office of the Group. Mr. Chen joined the Group in March 1997 as project manager and supervisor. Mr. Chen has been responsible for the management and operation of Suzhou office of the Group since his office as the general manager of Suzhou office.

Li Ning, aged 47, is the director of product research and development of the Group. Mr. Li joined the Group in November 2010 and is mainly responsible for the development and design of products of the Group. Mr. Li is a grade-one national registered engineer and senior architecture design engineer. Mr. Li graduated from Murdoch University with a Master of Business Administration. Mr. Li has 24 years experience in design of large-scaled integrated architecture and operational and management.

Chen Guang Chuan, aged 43, is the general manager of Hainan office of the Group. Mr. Chen graduated from Guangzhou Open University, majoring in Business Administration. Mr. Chen joined the Group in October 2009 and is mainly responsible for the management and operation of Hainan office. Before joining the Group, Mr. Chen was a general manager of a real estate company.

Compliance with the Code on Corporate Governance Practices

The Group believes that sound and good corporate governance practices are not only key elements in enhancing investor confidence and the Company's accountability and transparency but also important to the Company's long-term success.

The Group, therefore, strives to attain and maintain effective corporate governance practices and procedures. The Company has complied with the code provisions in the Code on Corporate Governance Practices (the "Code Provision") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the year ended 31 December 2011.

Board of Directors

The Board is in charge of the task of maximizing the financial performance of the Company and making decisions in the best interest of the Company. The Board is responsible for formulating business policies and strategies, directing and supervising management of the Group, adopting and monitoring internal business and management control, approving and monitoring annual budgets and business plans, reviewing operational and financial performance, considering dividend policy, reviewing and monitoring the Company's systems of financial control and risk management. The Board has delegated the day-to-day management, administration and operation of the Group and implementation and execution of Board policies and strategies to the executive directors and management of the Company.

As at 31 December 2011, the Board consists of ten members, including seven executive directors, Mr. Kong Jian Min (Chairman), Mr. Kong Jian Tao (Chief Executive Officer), Mr. Kong Jian Nan, Mr. Li Jian Ming, Mr. Tsui Kam Tim, Mr. He Wei Zhi and Mr. Yu Yao Sheng, and three independent non-executive directors, Mr. Lee Ka Sze, Carmelo, Mr. Dai Feng and Mr. Tam Chun Fai. Biographical details of the Directors are set out on pages 26 to 27. Messrs. Kong Jian Min, Kong Jian Tao and Kong Jian Nan are brothers. Save as disclosed above, there is no family or other material relationship among members of the Board.

All executive directors have entered into service contracts with the Company for a specific term of three years. Under the articles of association of the Company (the "Articles of Association"), the Board is empowered to appoint any person as a director to fill the casual vacancy on or as an additional director of the Board. The Board considers a candidate's experience, skill and knowledge and competency and ability to fulfill duty of care and diligence and fiduciary duty and/or recommendation by the Nomination Committee (if any).

In compliance with Rule 3.10 of the Listing Rules, the Company has appointed three independent non-executive directors, one of whom has appropriate professional qualifications in accounting and financial management. All independent non-executive directors have confirmed their independence of the Company and the Company considers them to be independent in accordance with the guidelines for assessing independence set out in Rule 3.13 of the Listing Rules. All independent non-executive directors have entered into letters of appointment with the Company for a specific term of one year. 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 the Articles of Association.

All directors, including independent non-executive directors, have given sufficient time and effort to the affairs of the Group. Independent non-executive directors have provided the Board with their diversified expertise, experience and professional advice. The Board believes that the ratio between executive directors and independent non-executive directors is reasonable and adequate to provide sufficient checks and balances that safeguard the interests of shareholders and the Group. The Board also believes that the views and participation of the independent non-executive directors in the Board and committee meetings provides independent judgment on the issues relating to strategy, performance, conflict of interest and management process to ensure that the interests of all shareholders are considered and safeguarded.

All directors have full and timely access to all relevant information in relation to the Group's businesses and affairs as well as unrestricted access to the advice and services of the company secretary, who is responsible for providing directors with Board papers and related materials. The directors may seek independent professional advice at the Company's expenses in carrying out their duties and responsibilities.

The Company has subscribed appropriate and sufficient insurance coverage on directors' liabilities in respect of legal actions taken against directors arising out of corporate activities.

During the year of 2011, the Board held four meetings. At these board meetings, directors discussed and exchanged their views on significant issues and general operations of the Group, formulated business policies and strategies, reviewed the financial performance and reviewed and approved the grant of share options, the interim result and annual result.

The Board, through the Audit Committee, has conducted a review of the effectiveness of the Group's internal control systems for the year ended 31 December 2011 covering all material financial, operational and compliance controls and risk management functions, and is satisfied that such systems are effective and adequate.

Attendance of the individual directors at the Board meetings is set out as follows:

Directors	Meetings Attended/ Total
<i>Executive Directors</i>	
Kong Jian Min (Chairman)	4/4
Kong Jian Tao (Chief Executive Officer)	4/4
Kong Jian Nan	4/4
Li Jian Ming	4/4
Tsui Kam Tim	4/4
He Wei Zhi	4/4
Yu Yao Sheng	4/4
<i>Independent Non-Executive Directors</i>	
Lee Ka Sze, Carmelo	4/4
Dai Feng	4/4
Tam Chun Fai	4/4

At least 14 days notice prior to the date of meeting is given to all directors and an agenda together with board papers are sent to all directors no less than three days before the date of meeting. All directors are given opportunity to include in the agenda any other matter that they would like to discuss in the meeting. With respect to the board committee meeting, reasonable prior notice is given to all committee members. All directors and committee members of the Board committee are urged to attend the board meeting and board committee meeting in person. For the directors and committee members, who are unable to attend the meeting, participation through electronic means will be arranged and available.

Should a director have a potential conflict of interest in a matter being considered in the board meeting, he will be abstained from voting. Independent non-executive directors with no conflict of interest will be present at meetings dealing with such conflict of interest issues.

The company secretary assists the Chairman of the Board in preparation of the agenda for the board meeting and board committee meeting and ensures that all applicable rules and regulations regarding the board meeting are followed. He also prepares and keeps detailed minutes of each board meeting and board committee meeting. Within a reasonable time after each meeting, the draft minutes are circulated to all directors or committee members for comment and the final and approved version of minutes is sent to all directors or committee members for their records. Board committees, including the audit committee, nomination committee and remuneration committee, all follow the applicable principles, practices and procedures used in board meetings.

Chairman and Chief Executive Officer

Mr. Kong Jian Min is the Chairman of the Board and Mr. Kong Jian Tao is the Chief Executive Officer of the Company. As disclosed, Messrs. Kong Jian Min and Kong Jian Tao are brothers. Despite their relationship, the divisions of responsibilities between the Chairman of the Board and the Chief Executive Officer are clearly divided to ensure a balance of power and authority and to reinforce their independence and accountability.

Mr. Kong Jian Min, being the Chairman, is responsible for providing leadership to the Board and ensuring that the Board functions effectively; that directors receive in timely manner adequate information which is complete and reliable and that all directors are properly briefed on issues arising at board meetings. The Chairman also encourages directors to participate actively in and to make a full contribution to the Board so that the Board acts in the best interest of the Company.

Mr. Kong Jian Tao, being the Chief Executive Officer, is responsible for the daily operations of the Company, execution of business policies, strategies, objectives and plans as formulated and adopted by the Board and leading the management of Company.

Compliance with Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions. Specific enquiries have been made with all directors of the Company regarding any non-compliance with the Model Code and all directors of the Company confirmed that they have complied with the provisions of the Model Code during the financial year ended 31 December 2011.

Directors' Responsibility for the Financial Statements

The Directors acknowledge their responsibility for preparation of the financial statements for the financial year ended 31 December 2011 which give a true and fair view of the state of affairs of the Company and of the Group at that date and of the Group's results and cash flows for the year then ended and are properly prepared on the going concern basis in accordance with the applicable statutory requirements and accounting standards.

The statement of the external auditors of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditors' Report" contained in this annual report.

Board Committees

The Board has established three board committees, namely audit committee, remuneration committee and nomination committee, to oversee the particular aspect of the Company's affairs. The Board committees are provided with sufficient resources to discharge their duties.

On 28 February 2012, the Board adopted the new set of written terms of reference of each committee which were recommended by respective committee. The new sets of written terms of reference are in line with the coming effective Listing Rules and will be posted on the HKEx website and the website of the Company by 31 March 2012.

Audit Committee and Accountability

In compliance with Rule 3.21 of the Listing Rules, an audit committee was established on 11 June 2006 with written terms of reference in accordance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The audit committee comprises three members who are independent non-executive directors, namely Mr. Tam Chun Fai (the chairman), Mr. Lee Ka Sze Carmelo and Mr. Dai Feng. The audit committee reports to the Board and is delegated by the Board to assess matters related to the financial statements. Under its terms of reference, the audit committee is required to perform, amongst the others, the following duties:

- making recommendation to the Board on appointment, re-appointment and removal of external auditor of the Group and considering the remuneration and terms of engagement of that external auditor;
- reviewing and monitoring the external auditor's independence and effectiveness of the audit process in accordance with applicable standard;
- reviewing the Group's financial controls, internal control and risk management system;
- reviewing the Group's financial and accounting policies and practices;
- ensuring that management has fulfilled its duty to establish and maintain an effective internal control and risk management systems;
- ensuring compliance with applicable statutory accounting and reporting requirements, legal and regulatory requirements, internal rules and procedures approved by the Board;
- reviewing and monitoring the integrity of the Groups' financial statements and annual reports and accounts and half-year report.

The audit committee held two meetings during the year and all minutes were kept by the company secretary. The audit committee has reviewed the accounting policies and practices adopted by the Group and the annual and interim results of the Group as well as assessed the effectiveness of the Group's internal control and risk management system. The audit committee reported that there was no material uncertainty that cast doubt on the Company's going concern ability.

Attendance of individual members of the audit committee at meetings for the year ended 31 December 2011 is set out as follows:

Committee Members	Meetings Attended/ Total
Tam Chun Fai	2/2
Lee Ka Sze, Carmelo	2/2
Dai Feng	2/2

For the year ended 31 December 2011, the external auditors' remuneration in respect of audit services provided to the Group amounted to RMB4,000,000 and fees for non-audit services amounted to an aggregate amount of approximately RMB1,350,000 (equivalent), being the service charge for the review of financial information.

Remuneration Committee

The remuneration committee was established with written terms of reference in accordance with the Code Provision as set out in Appendix 14 to the Listing Rules. The principal responsibilities of the remuneration committee include but not limited to formulate and make recommendations on remuneration policy and remuneration package of the directors and members of senior management to the Board. The remuneration committee comprises an executive director, namely Mr. Kong Jian Min, and two independent non-executive directors, namely Mr. Tam Chun Fai and Mr. Dai Feng. Mr. Kong Jian Min is the chairman of the remuneration committee.

To comply with the Listing Rules effective from 1 April 2012, Remuneration Committee, together with the subsequent adoption of the Board on 28 February 2012, appointed Mr. Dai Feng, one of the Independent Non-executive Directors of the Company, to replace Mr. Kong Jian Min as the chairman of Remuneration Committee.

The Board expects the remuneration committee to exercise independent judgment and ensures that executive directors do not participate in the determination of their own remuneration.

One remuneration committee was held during 2011, the grant of share option was reviewed and recommended to the Board. Apart from the above, members of the remuneration committee have reviewed the remuneration package of the directors and the remuneration policies of the Company, which are determined with reference to the prevailing market practices.

Nomination Committee

The nomination committee was established on 11 June 2007. The nomination committee is responsible for, including but not limited to, reviewing the structure, size and composition of the Board and making recommendation to the Board on selection of candidates for directorships. The nomination committee comprises an executive director, namely Mr. Kong Jian Min, and two independent non-executive directors, namely Mr. Tam Chun Fai and Mr. Dai Feng. Mr. Kong Jian Min is the chairman of the nomination committee.

During the year ended 31 December 2011, despite of no meeting was held by the nomination committee, members of the nomination committee have reviewed the composition of the Board which is determined by directors' skills and experience appropriate to the Company's business and the nomination policy of directors .

Internal Control

The Board is responsible for maintaining sound and effective internal control system in order to safeguard the Group's assets and shareholders' interests and reviewing and monitoring the effectiveness of the Company's internal control and risk management systems on a regular basis so as to ensure that internal control and risk management systems in place are adequate.

The Group's internal control system includes a well-established organizational structure with clear division lines of responsibility and authority. The day-to-day departmental operations is entrusted to the individual department which is accountable for its own conduct and performance and is required to operate its own department's business within the parameter of the delegated authority and to implement and strictly adhere to the strategies and policies set by the Board from time to time. Each department is also required to keep the Board informed of material developments of the department's business and implementation of the policies and strategies set by the Board on a regular basis.

The Board conducted a review and assessment of the effectiveness of the Company's internal control systems including financial, operational and compliance controls and risk management for the year ended 31 December 2011. The assessment was made by discussions with the management of the Company, its external and internal auditors and the review performed by the audit committee. The Board believes that the existing internal control system is adequate and effective.

Shareholder Relations

The Company understands the importance of maintaining effective mutual communication with its shareholders and values every opportunity to communicate with them. The Company has adopted a policy of disclosing clear and relevant information to shareholders through various channels in a timely manner. Annual and interim reports are printed and sent to all shareholders by post as requested. The Company has also complied with provisions of the Listing Rules by posting announcements, notices, annual reports, interim reports and shareholders' circulars on the website of the Stock Exchange and the Company (<http://www.kwgproperty.com/En/IR.asp?ItemCode=007001>) for the designated period. Apart from these documents, press releases and newsletters are posted on the Company's website to enhance its transparency. Being constantly updated in a timely manner, the website also contains a wide range of additional information on the Company's business activities.

In addition to publication of information, the annual general meeting of the Company provides a forum for communication between shareholders and directors. The Chairman of the Board personally chairs the annual general meeting to ensure shareholders' views are communicated to the Board. Moreover, the briefing on the Company's business and the questions and answer session at the meeting allow shareholders to stay informed of the Group's strategies and goals.

In addition to the Chairman of the Board, the chairman of the Board committees, or in their absence, other members of the respective committees and the auditors of the Company, are available to answer any queries that shareholders may have. The Chairman of the Board will propose separate resolutions for each issue to be considered at the annual general meeting.

The annual general meeting proceedings are reviewed from time to time to ensure that the Company follows best corporate governance practices and shareholders' rights are preserved. Notice of annual general meeting is delivered to all shareholders at least 20 clear business days prior to the date of the meeting, setting out details of each proposed resolution, voting procedures (including procedures for demanding and conducting a poll) and other relevant information. At the beginning of the meeting, the procedures for demanding and conducting a poll will be explained by the Chairman of the Board. Vote results are released by way of publication of an announcement.

Report of the directors

The directors are pleased to present their report and the audited financial statements for the year ended 31 December 2011.

Principal Activities

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 17 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

Results and Dividends

The Group's profit for the year ended 31 December 2011 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 46 to 130.

The Board of the Company has proposed the payment of a final dividend of RMB22 cents per ordinary share for the year ended 31 December 2011. The proposed final dividend, if approved by the shareholders at the forthcoming annual general meeting, will be paid on or before 6 July 2012 to the shareholders on the Register of Members on 18 June 2012.

Summary Financial Information

A financial summary of the Group is set out on page 132. This summary does not form part of the audited financial statements.

Property, Plant and Equipment and Investment Properties

Details of movements in the property, plant and equipment, and investment properties of the Company and the Group during the year are set out in notes 14 and 15 to the financial statements, respectively. Further details of the Group's major investment properties are set out on page 131.

Properties under Development

Details of the properties under development of the Group during the year are set out in note 20 to the financial statements. Further details of the Group's major properties under development are set out on page 131.

Completed Properties held for Sale

Details of the completed properties held for sale of the Group during the year are set out in note 21 to the financial statements. Further details of the Group's major completed properties held for sale are set out on page 131.

Share Capital and Share Options

Details of movements in the Company's share capital and share options during the year are set out in notes 32 and 33 to the financial statements.

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 pro rata basis to existing shareholders.

Purchase, Redemption or Sale of Listed Securities of the Company

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

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 34 to the financial statements and in the consolidated statement of changes in equity respectively.

Distributable Reserves

At 31 December 2011, the Company's reserves available for distribution, calculated in accordance with articles 146 of the articles of association of the Company, amounted to approximately RMB6,692,604,000, of which approximately RMB636,493,000 has been proposed as a final dividend for the year.

Charitable Donations

The charitable donations made by the Group during the year amounted to approximately RMB22,586,000.

Major Customers and Suppliers

For the year ended 31 December 2011, sales to the Group's five largest customers accounted for less than 30% of the Group's revenue in the year.

In the year under review, payment attributable to the Group's largest contractor and five largest contractors amounted to approximately 12.3% and 33.1% respectively, of the total payment under construction contracts for the year. Purchases from the Group's largest supplier and five largest suppliers accounted for approximately 9.0% and 26.7% respectively, of the total purchases for the year.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest contractors and suppliers.

Directors

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

Executive Directors:

Mr. Kong Jian Min (*Chairman*)
Mr. Kong Jian Tao (*Chief Executive Officer*)
Mr. Kong Jian Nan
Mr. Li Jian Ming
Mr. Tsui Kam Tim
Mr. He Wei Zhi
Mr. Yu Yao Sheng

Independent Non-executive Directors:

Mr. Lee Ka Sze, Carmelo
Mr. Dai Feng
Mr. Tam Chum Fai

In accordance with articles 86(3), 87(1) and 87(2) of the Company's articles of association, Messrs. Kong Jian Min, He Wei Zhi, Yu Yao Sheng and Lee Ka Sze, Carmelo will retire from office as executive directors or independent non-executive director of the Company by rotation and being eligible, offer themselves for re-election at the forthcoming annual general meeting. The independent non-executive directors are appointed for a period of one year.

The Company has received annual confirmations of independence from Messrs. Lee Ka Sze, Carmelo, Dai Feng and Tam Chun Fai, and as at the date of this report still considers them to be independent.

Directors' and Senior Management's Biographical Details

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 26 to 29 of the annual report.

Changes in Biographical Details of Certain Directors

None of the Directors had a change in any of the information required to be disclosed pursuant to the paragraph (a) to (e) and (g) of Rules 13.51 (2) of the Listing Rules.

Directors' Service Contracts

Each of Messrs. Kong Jian Min, Kong Jian Tao, Kong Jian Nan, Li Jian Ming, Tsui Kam Tim, He Wei Zhi and Yu Yao Sheng has a service contract with the Company for a term of three years and each of these service contracts is subject to termination by either party giving not less than three months' written notice.

Each of the independent non-executive director has entered into a letter of appointment with the Company for a term of one year and is subject to termination by either party giving not less than three months' written notice.

Apart from the foregoing, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' Remuneration

The directors' emoluments are subject to the recommendations of the remuneration committee and the Board's approval. The emoluments are determined by the Board with reference to directors' duties, responsibilities and performance and the results of the Group.

Interests and Short Positions of the Directors and Chief Executive in Shares and Underlying Shares

At 31 December 2011, the interests and short positions of the directors and chief executive in the share capital and underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept 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, were as follows or as disclosed under the section headed "Share Option Scheme" on page 42:

Long positions in ordinary shares of the Company:

Name of Director	Long position/ short position	Nature of interests	Approximate number of shares held (Note 1)	Approximate percentage of shareholding
Kong Jian Min (Notes 2, 3 and 4)	Long Position	Interest of controlled corporations	1,714,441,500	59.26%
	Long Position	Beneficial owner	35,639,500	1.23%
Kong Jian Tao (Notes 2 and 3)	Long Position	Interest of controlled corporations	1,687,500,000	58.33%
	Long Position	Beneficial owner	1,000,000	0.035%
Kong Jian Nan (Notes 2 and 3)	Long Position	Interest of controlled corporations	1,687,500,000	58.33%
He Wei Zhi	Long Position	Interest of spouse	10,000 (Note 5)	0.00035%
Yu Yao Sheng	Long Position	Beneficial owner	275,000	0.0095%

Notes:

1. Share(s) of HK\$0.10 each in the capital of the Company.
2. Plus Earn Consultants Limited ("**Plus Earn**") is legally and beneficially owned as to 76.5% by Kong Jian Min, as to 15% by Kong Jian Tao and as to 8.5% by Kong Jian Nan. Therefore, Kong Jian Min, Kong Jian Tao and Kong Jian Nan are deemed to be interested in 1,612,500,000 Shares through their interests in Plus Earn. Each of Kong Jian Min, Kong Jian Tao and Kong Jian Nan is a director of Plus Earn.
3. Right Rich Consultants Limited ("**Right Rich**") is legally and beneficially owned as to 76.5% by Kong Jian Min, as to 15% by Kong Jian Tao and as to 8.5% by Kong Jian Nan. Therefore, Kong Jian Min, Kong Jian Tao and Kong Jian Nan are deemed to be interested in 75,000,000 Shares through their interests in Right Rich. Each of Kong Jian Min, Kong Jian Tao and Kong Jian Nan is a director of Right Rich.
4. Hero Fine Group Limited ("**Hero Fine**") is legally and beneficially owned as to 100% by Kong Jian Min and Kong Jian Min is therefore deemed to be interested in 26,941,500 Shares through his interest in Hero Fine. Kong Jian Min is the sole director of Hero Fine.
5. These Shares are held and beneficially owned by Wang Yanlei, the spouse of He Wei Zhi.

Long positions in shares and underlying shares of associated corporations:

Name of Director	Associated Corporations	Number of shares held in associated corporations	Approximate percentage of shareholding in associated corporations
Kong Jian Min	Plus Earn	765	76.50%
	Right Rich	765	76.50%
Kong Jian Tao	Plus Earn	150	15.00%
	Right Rich	150	15.00%
Kong Jian Nan	Plus Earn	85	8.50%
	Right Rich	85	8.50%

Save as disclosed above or under the section headed "Share Option Scheme" on page 42, as at 31 December 2011, none of the Directors nor the chief executive of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would 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 the Directors and chief executive were deemed or taken to have under provisions of the SFO), or which were required to be and are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Interests and Short Positions of Shareholders Disclosable under the SFO

So far as is known to any Directors or chief executive of the Company, as at 31 December 2011, other than the interests and short positions of the Directors or chief executive of the Company as disclosed in the Section "Interests and Short Positions of the Directors and Chief Executive in Shares and Underlying Shares" above and the Section "Share Option Scheme" below, the following persons had interests or short positions in the 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, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange:

(I) Interests and Short Positions of Substantial Shareholder(s) in the Shares and Underlying Shares of the Company

Long positions in the shares of the Company:

Name	Capacity	Number of shares held (Note 1)	Percentage of issued share capital
Plus Earn (Note 2)	Beneficial owner	1,612,500,000	55.74%

Notes:

- Share(s) of HK\$0.10 each in the capital of the Company.
- Plus Earn is legally and beneficially owned as to 76.5% by Kong Jian Min, as to 15% by Kong Jian Tao and as to 8.5% by Kong Jian Nan.

(II) Interests and Short Positions of Other Persons in the Shares and Underlying Shares of the Company

Long positions in the shares of the Company:

Name	Capacity	Number of shares in Long Position (L)/ Short Position (S)/ Lending Pool (P) (Note 1)	Percentage of issued share capital
JPMorgan Chase & Co.	Interest of controlled corporations	(L) 179,677,006	6.21%
		(S) 11,347,094	0.39%
		(P) 86,345,506	2.98%

Note:

- Share(s) of HK\$0.10 each in the capital of the Company.

Save as disclosed above, as at 31 December 2011, there was no other person (other than the Directors or chief executive of the Company) who had an interest or short position in the 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, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

Share Option Scheme

The Company's share option scheme (the "Scheme") was adopted pursuant to the shareholders' resolution passed on 11 June 2007. Details of the Scheme are set out in note 33 to the financial statements.

During the year ended 31 December 2011, the Company granted 7,351,000 share options to certain directors and employees of the Group on 26 August 2011.

Details of the share options granted pursuant to the Scheme were as follows:

Name of grantee	Number of share options granted as at 1 January 2011	Number of share options granted/ (cancelled) during the year (Note 1)	Number of share options outstanding as at 31 December 2011	Date of grant (Notes 3, 4, 5)	Period during which share options are exercisable (Note 1)	Exercise price per share (HK\$)
Li Jian Ming	619,000	–	619,000	18 December 2009	18 December 2010– 17 December 2014	6.24
	–	619,000	619,000	26 August 2011	26 August 2012– 25 August 2016	4.49
He Wei Zhi	619,000	–	619,000	18 December 2009	18 December 2010– 17 December 2014	6.24
	–	619,000	619,000	26 August 2011	26 August 2012– 25 August 2016	4.49
Yu Yao Sheng	619,000	–	619,000	18 December 2009	18 December 2010– 17 December 2014	6.24
	–	619,000	619,000	26 August 2011	26 August 2012– 25 August 2016	4.49
Tsui Kam Tim	619,000	–	619,000	18 December 2009	18 December 2010– 17 December 2014	6.24
	–	1,238,000	1,238,000	26 August 2011	26 August 2012– 25 August 2016	4.49
Tam Chung Fai	30,000	–	30,000	18 December 2009	18 December 2009– 17 December 2014	6.24
	–	30,000	30,000	26 August 2011	26 August 2011– 25 August 2016	4.49
Lee Ka Sze, Carmelo	30,000	–	30,000	18 December 2009	18 December 2009– 17 December 2014	6.24
	–	30,000	30,000	26 August 2011	26 August 2011– 25 August 2016	4.49
Dai Feng	30,000	–	30,000	18 December 2009	18 December 2009– 17 December 2014	6.24
	–	30,000	30,000	26 August 2011	26 August 2011– 25 August 2016	4.49
Other employees of the Group	5,891,000	(2,586,000)	3,305,000	18 December 2009	18 December 2010– 17 December 2014	6.24
Other employees of the Group	8,000,000	(8,000,000)	–	30 March 2010	30 March 2010– 29 March 2015	5.67
Other employees of the Group	–	4,166,000 (103,000)	4,063,000	26 August 2011	26 August 2012– 25 August 2016	4.49

Notes:

1. The vesting period of the share options is from the date of grant until the commencement of the exercise periods.
2. Details of the exercise period of the share option are set out in note 33 to the financial statements.
3. The closing price of the Company's shares immediately before the date on which options granted on 18 December 2009 was HK\$6.23.
4. The closing price of the Company's shares immediately before the date on which options granted on 30 March 2010 was HK\$5.60.
5. The closing price of the Company's shares immediately before the date on which options granted on 26 August 2011 was HK\$4.45.

During the year ended 31 December 2011, no share options were exercised or lapsed.

Valuation of Share Options

The Company has been using the Black-Scholes Model and Binomial Model (the "Models") to value the share options granted. The fair value of the share options granted during the year ended 31 December 2011 determined at the date of grant using the Models was approximately RMB6,696,000. Details of the key parameters used in the Models and the corresponding fair values of the options granted under the Scheme are set out in note 33 to the financial statements.

Contract of Significance

No contracts of significance in relation to the Company's business to which the Company, or its subsidiaries was a party and in which a director has a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Corporate Governance

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

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the directors, the Board confirms that the Company has maintained a sufficient public float as required by the Listing Rules during the year under review.

Directors' Interests in a Competing Business

During the year and up to the date of this report, none of the directors are considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, as defined in the Listing Rules.

Auditors

Ernst & Young retire and a resolution for the re-appointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

Disclosures Pursuant to Rule 13.21 of the Listing Rules

A jointly-controlled entity in which the Group owns 50% equity interest, Hines Shanghai New Jiangwan Development Co. Ltd., entered into an agreement for a bank loan of HK\$1.4 billion (the "Loan Agreement I") on 29 June 2011. The Loan Agreement I includes a condition imposing specific performance obligations on Mr. Kong Jian Min ("Mr. Kong"), the controlling shareholder of the Company. Mr. Kong is interested in approximately 60.49% of the issued share capital of the Company as at 31 December 2011. It will be an event of default in the event that Mr. Kong ceases to (i) hold directly or indirectly an aggregate beneficial ownership of not less than 30% in the issued share capital of the Company; (ii) be directly or indirectly the single largest shareholder of the Company; or (iii) exercise or to be entitled to exercise management control over the Company, and in such event (amongst other things), the Loan Agreement I may be terminated by the lenders and the loan may become immediately due and repayable. Further details of the transaction are disclosed in the announcement of the Company dated 29 June 2011.

A jointly controlled entity in which the Group owns 28.57% equity interest, Total Champ Limited, entered into an agreement for a term loan of HK\$1,075,000,000 (the "Loan Agreement II") on 4 November 2011. The Loan Agreement II includes the similar condition as in Loan Agreement I imposing specific performance obligations on Mr. Kong. It will be an event of default in the event that Mr. Kong ceases to (i) be the single largest shareholder of the Company; (ii) hold directly or indirectly not less than 30% of the beneficial interest in the issued share capital of the Company; or (iii) have the right to determine the composition of the majority of the Board or equivalent body of the Company, and in such event (amongst other things), the Loan Agreement II may be terminated by the lenders and the facility may become immediately due and repayable. Further details of the transaction are disclosed in the announcement of the Company dated 4 November 2011.

ON BEHALF OF THE BOARD

Kong Jian Min

Chairman

Hong Kong
28 February 2012



Independent auditors' report



To the shareholders of KWG Property Holding Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of KWG Property Holding Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 46 to 130, which comprise the consolidated and company statements of financial position as at 31 December 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the 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 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, 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 auditors' judgement, 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 auditors consider internal control relevant to the entity's preparation of 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 Company and of the Group as at 31 December 2011, 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.

Ernst & Young
Certified Public Accountants
22nd Floor
CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong
28 February 2012

Consolidated income statement

Year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
REVENUE	5	10,122,595	7,465,911
Cost of sales		(5,650,499)	(4,368,278)
Gross profit		4,472,096	3,097,633
Other income and gains	5	94,014	78,893
Selling and marketing costs		(231,813)	(242,805)
Administrative expenses		(532,574)	(413,836)
Other operating expenses, net		(5,545)	(5,356)
Fair value gains on investment properties, net	15	325,656	3,869
Finance costs	7	(124,979)	(19,974)
Share of profits and losses of:			
Associates		(4,608)	(2,246)
Jointly-controlled entities		(12,312)	11,485
PROFIT BEFORE TAX	6	3,979,935	2,507,663
Income tax expenses	10	(1,876,028)	(1,225,889)
PROFIT FOR THE YEAR		2,103,907	1,281,774
Attributable to:			
Owners of the parent	11	2,103,368	1,281,772
Non-controlling interests		539	2
		2,103,907	1,281,774
Earnings per share attributable to owners of the parent			
– Basic and diluted	13	RMB73 cents	RMB44 cents

Details of the dividends proposed for the year are disclosed in note 12 to the financial statements.

Consolidated statement of comprehensive income

Year ended 31 December 2011

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	2011 RMB'000	2010 RMB'000
PROFIT FOR THE YEAR	2,103,907	1,281,774
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	102,698	20,713
Share of exchange differences on translation of associates	34,538	10,885
Share of exchange differences on translation of jointly-controlled entities	16,247	17,772
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	153,483	49,370
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	2,257,390	1,331,144
Attributable to:		
Owners of the parent	2,256,851	1,331,142
Non-controlling interests	539	2
	2,257,390	1,331,144

Consolidated statement of financial position

31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	1,778,937	1,343,901
Investment properties	15	4,234,290	3,461,980
Land use rights	16	1,060,030	866,274
Interests in associates	18	1,998,766	3,403,588
Interests in jointly-controlled entities	19	6,508,942	5,434,914
Deferred tax assets	29	881,880	603,560
Total non-current assets		16,462,845	15,114,217
CURRENT ASSETS			
Properties under development	20	17,933,719	13,730,027
Completed properties held for sale	21	3,022,634	2,553,758
Trade receivables	22	60,772	47,687
Prepayments, deposits and other receivables	23	1,574,683	1,679,437
Due from a jointly-controlled entity	19	43,713	46,155
Taxes recoverable	24(a)	114,748	59,450
Restricted cash	25	1,348,580	1,527,992
Cash and cash equivalents	25	4,024,609	5,275,609
Total current assets		28,123,458	24,920,115
CURRENT LIABILITIES			
Trade payables	26	2,934,780	1,670,898
Other payables and accruals	27	7,684,208	8,745,262
Due to associates	18	1,081,720	442,382
Due to jointly-controlled entities	19	589,631	73,454
Interest-bearing bank and other borrowings	28	3,409,572	2,281,674
Taxes payable	24(b)	3,290,594	2,217,971
Total current liabilities		18,990,505	15,431,641
NET CURRENT ASSETS		9,132,953	9,488,474
TOTAL ASSETS LESS CURRENT LIABILITIES		25,595,798	24,602,691
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	28	10,424,816	10,049,956
Deferred tax liabilities	29	766,964	669,168
Deferred revenue	30	711,000	700,000
Other non-current liabilities	31	-	1,589,295
Total non-current liabilities		11,902,780	13,008,419
NET ASSETS		13,693,018	11,594,272

Consolidated statement of financial position

	Notes	2011 RMB'000	2010 RMB'000
EQUITY			
Equity attributable to owners of the parent			
Issued capital	32	280,485	280,485
Reserves	34(a)	12,573,827	10,985,534
Proposed final dividends	12	636,493	318,247
		13,490,805	11,584,266
Non-controlling interests			
		202,213	10,006
TOTAL EQUITY			
		13,693,018	11,594,272

Kong Jian Min
Director

Kong Jian Tao
Director

Consolidated statement of changes in equity

Year ended 31 December 2011

	Notes	Attributable to owners of the parent										Non-controlling interests	Total equity
		Issued capital	Share premium account	Treasury shares reserve	Reserve funds	Exchange fluctuation reserve	Equity-settled share option reserve	Capital reserve	Retained profits	Proposed final dividends	Total		
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2010		280,538	6,618,712	(3,041)	263,904	(113,862)	1,194	2,216	3,210,350	144,658	10,404,669	3,654	10,408,323
Profit for the year		-	-	-	-	-	-	-	1,281,772	-	1,281,772	2	1,281,774
Other comprehensive income for the year:													
Exchange differences on translation of foreign operations		-	-	-	-	20,713	-	-	-	-	20,713	-	20,713
Share of exchange differences on translation of associates		-	-	-	-	10,885	-	-	-	-	10,885	-	10,885
Share of exchange differences on translation of jointly-controlled entities		-	-	-	-	17,772	-	-	-	-	17,772	-	17,772
Total comprehensive income for the year		-	-	-	-	49,370	-	-	1,281,772	-	1,331,142	2	1,331,144
Cancellation of shares	32	(53)	(2,988)	3,041	-	-	-	-	-	-	-	-	-
Acquisition of non-controlling interests	36(b)	-	-	-	-	-	-	(26,350)	-	-	(26,350)	(3,650)	(30,000)
Contributions from non-controlling interests		-	-	-	-	-	-	-	-	-	-	10,000	10,000
Share option expenses	33	-	-	-	-	-	19,463	-	-	-	19,463	-	19,463
Final 2009 dividend declared		-	-	-	-	-	-	-	(144,658)	(144,658)	-	-	(144,658)
Transfer to reserves	34(a)	-	-	-	132,848	-	-	-	(132,848)	-	-	-	-
Proposed final 2010 dividend	12	-	-	-	-	-	-	-	(318,247)	318,247	-	-	-
At 31 December 2010		280,485	6,615,724*	-	396,752*	(64,492)*	20,657*	(24,134)*	4,041,027*	318,247	11,584,266	10,006	11,594,272

Consolidated statement of changes in equity

	Notes	Attributable to owners of the parent								Total	Non-controlling interests	Total equity
		Issued capital	Share premium account	Reserve funds	Exchange fluctuation reserve	Equity-settled share option reserve	Capital reserve	Retained profits	Proposed final dividends			
At 1 January 2011		280,485	6,615,724	396,752	(64,492)	20,657	(24,134)	4,041,027	318,247	11,584,266	10,006	11,594,272
Profit for the year		-	-	-	-	-	-	2,103,368	-	2,103,368	539	2,103,907
Other comprehensive income for the year:												
Exchange differences on translation of foreign operations		-	-	-	102,698	-	-	-	-	102,698	-	102,698
Share of exchange differences on translation of associates		-	-	-	34,538	-	-	-	-	34,538	-	34,538
Share of exchange differences on translation of jointly-controlled entities		-	-	-	16,247	-	-	-	-	16,247	-	16,247
Total comprehensive income for the year		-	-	-	153,483	-	-	2,103,368	-	2,256,851	539	2,257,390
Acquisition of non-controlling interests	36(b)	-	-	-	-	-	(33,412)	-	-	(33,412)	(9,988)	(43,400)
Contributions from non-controlling interests		-	-	-	-	-	-	-	-	-	201,656	201,656
Share option expenses	33	-	-	-	-	1,347	-	-	-	1,347	-	1,347
Final 2010 dividend declared		-	-	-	-	-	-	(318,247)	(318,247)	(318,247)	-	(318,247)
Transfer to reserves	34(a)	-	-	184,370	-	-	-	(184,370)	-	-	-	-
Proposed final 2011 dividend	12	-	-	-	-	-	-	(636,493)	636,493	-	-	-
At 31 December 2011		280,485	6,615,724*	581,122'	88,991'	22,004'	(57,546)'	5,323,532'	636,493	13,490,805	202,213	13,693,018

* These reserve accounts comprise the consolidated reserves of approximately RMB12,573,827,000 (2010: RMB10,985,534,000) in the consolidated statement of financial position.

Consolidated statement of cash flows

Year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		3,979,935	2,507,663
Adjustments for:			
Finance costs	7	124,979	19,974
Share of profits and losses of associates		4,608	2,246
Share of profits and losses of jointly-controlled entities		12,312	(11,485)
Interest income	5	(45,726)	(33,483)
Loss on disposal of investment properties, net	6	4,950	4,573
(Gain)/loss on disposal of items of property, plant and equipment	6	98	(147)
Depreciation	6	35,983	32,712
Amortisation of land use rights	6	1,415	1,415
Changes in fair values of investment properties, net	15	(325,656)	(3,869)
Equity-settled share options expenses	33	1,347	19,463
		3,794,245	2,539,062
(Increase)/decrease in properties under development		(1,408,384)	891,723
Increase in completed properties held for sale		(468,876)	(253,343)
(Increase)/decrease in trade receivables		(13,085)	99,726
(Increase)/decrease in prepayments, deposits and other receivables		643,446	(1,227,506)
Decrease in an amount due from a jointly-controlled entity		2,442	844
(Increase)/decrease in restricted cash		179,412	(458,116)
Increase in trade payables		1,251,584	255,428
Increase/(decrease) in other payables and accruals		(2,338,998)	3,410,223
Increase in amounts due to associates		639,338	312,426
Increase in amounts due to jointly-controlled entities		516,177	–
Cash generated from operations		2,797,301	5,570,467
Interest received		45,726	33,483
Interest paid		(1,356,003)	(663,258)
Corporate income tax paid		(745,062)	(433,192)
Land appreciation tax paid		(275,716)	(189,347)
Net cash flows from operating activities		466,246	4,318,153

Consolidated statement of cash flows

	Notes	2011 RMB'000	2010 RMB'000
Net cash flows from operating activities		466,246	4,318,153
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(451,804)	(383,305)
Acquisition of land use rights		(79,036)	(304,885)
Proceeds from disposal of investment properties		26,821	49,500
Acquisition of subsidiaries	36(a)	(62,650)	(255)
Acquisition of jointly-controlled entities		(538,642)	(1,177,331)
Proceeds from disposals of property, plant and equipment		818	1,048
Investments in associates		-	(705,000)
Investments in jointly-controlled entities		(386,923)	(1,449,693)
(Advance to)/repayment from associates		10,975	(580,632)
Advances to jointly-controlled entities		(176,996)	(544,675)
Net cash flows used in investing activities		(1,657,437)	(5,095,228)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of senior notes		2,163,019	1,617,304
New bank loans		2,414,047	6,179,194
Repayment of bank loans		(3,192,797)	(4,117,575)
Repayment of trust financing arrangements		(1,107,260)	-
Dividend paid		(318,247)	(144,658)
Acquisition of non-controlling interests	36(b)	(43,400)	(30,000)
Contributions from non-controlling interests		53,000	10,000
Net cash flows from/(used in) financing activities		(31,638)	3,514,265
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of year		5,275,609	2,737,190
Effect of foreign exchange rate changes, net		(28,171)	(2,279)
CASH AND CASH EQUIVALENTS AT END OF YEAR			
		4,024,609	5,275,609
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		1,514,026	2,066,704
Non-pledged time deposits with original maturity of less than three months when acquired	25	2,510,583	3,208,905
Cash and cash equivalents		4,024,609	5,275,609

Statement of financial position



31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	1,110	248
Interests in subsidiaries	17	7,976,327	6,722,592
Advances to associates	18	271,130	1,888
Interests in jointly-controlled entities	19	1,795,251	1,663,596
Total non-current assets		10,043,818	8,388,324
CURRENT ASSETS			
Prepayments, deposits and other receivables	23	102,967	76,338
Amount due from a subsidiary	17	800,000	–
Cash and cash equivalents	25	279,046	444,394
Total current assets		1,182,013	520,732
CURRENT LIABILITIES			
Other payables and accruals	27	144,324	78,960
Due to jointly-controlled entities	19	–	73,454
Interest-bearing bank and other borrowings	28	280,206	–
Total current liabilities		424,530	152,414
NET CURRENT ASSETS			
		757,483	368,318
TOTAL ASSETS LESS CURRENT LIABILITIES			
		10,801,301	8,756,642
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	28	3,828,212	1,871,341
Total non-current liabilities		3,828,212	1,871,341
Net assets			
		6,973,089	6,885,301
EQUITY			
Issued capital	32	280,485	280,485
Reserves	34(b)	6,056,111	6,286,569
Proposed final dividends	12	636,493	318,247
Total equity		6,973,089	6,885,301

Kong Jian Min
Director

Kong Jian Tao
Director



1. Corporate Information

KWG Property Holding Limited ("KWG Property" or the "Company") is a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

During the year, the Company and its subsidiaries (collectively referred to as the "Group") were involved in the following principal activities in the People's Republic of China (the "PRC"):

- property development
- property investment
- hotel operation
- provision of property management services

In the opinion of the directors, the immediate and ultimate holding company of the Company is Plus Earn Consultants Limited, which is incorporated in the British Virgin Islands.

2.1 Basis of Preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2011. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2.1 Basis of Preparation *(continued)*

Basis of consolidation *(continued)*

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

2.2 Changes in Accounting Policy and Disclosures

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 Amendment	Amendment to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters</i>
HKAS 24 (Revised)	<i>Related Party Disclosures</i>
HKAS 32 Amendment	Amendment to HKAS 32 <i>Financial Instruments: Presentation – Classification of Rights Issues</i>
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 <i>Prepayments of a Minimum Funding Requirement</i>
HK(IFRIC)-Int 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i>
<i>Improvements to HKFRSs 2010</i>	Amendments to a number of HKFRSs issued in May 2010

Other than as further explained below regarding the impact of HKAS 24 (Revised), and amendments to HKFRS 3, HKAS 1 and HKAS 27 included in *Improvements to HKFRSs 2010*, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKAS 24 (Revised) *Related Party Disclosures*

HKAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group. Details of the related party transactions, including the related comparative information, are included in note 41 to the consolidated financial statements.

2.2 Changes in Accounting Policy and Disclosures *(continued)*

(b) *Improvements to HKFRSs 2010* issued in May 2010 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments has had a significant financial impact on the financial position or performance of the Group. Details of the key amendments most applicable to the Group are as follows:

- *HKFRS 3 Business Combinations*: The amendment clarifies that the amendments to HKFRS 7, HKAS 32 and HKAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of HKFRS 3 (as revised in 2008).

In addition, the amendment limits the scope of measurement choices for non-controlling interests. Only the components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another HKFRS.

The amendment also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

- *HKAS 1 Presentation of Financial Statements*: The amendment clarifies that an analysis of each component of other comprehensive income can be presented either in the statement of changes in equity or in the notes to the financial statements. The Group elects to present the analysis of each component of other comprehensive income in the statement of changes in equity.
- *HKAS 27 Consolidated and Separate Financial Statements*: The amendment clarifies that the consequential amendments from HKAS 27 (as revised in 2008) made to HKAS 21, HKAS 28 and HKAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if HKAS 27 is applied earlier.

2.3 Issued but Not Yet Effective Hong Kong Financial Reporting Standards

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i> ¹
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Transfers of Financial Assets</i> ¹
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities</i> ⁴
HKFRS 9	<i>Financial Instruments</i> ⁶
HKFRS 10	<i>Consolidated Financial Statements</i> ⁴
HKFRS 11	<i>Joint Arrangements</i> ⁴
HKFRS 12	<i>Disclosure of Interests in Other Entities</i> ⁴
HKFRS 13	<i>Fair Value Measurement</i> ⁴
HKAS 1 Amendments	<i>Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income</i> ³
HKAS 12 Amendments	Amendments to HKAS 12 <i>Income Taxes – Deferred Tax: Recovery of Underlying Assets</i> ²
HKAS 19 (2011)	<i>Employee Benefits</i> ⁴
HKAS 27 (2011)	<i>Separate Financial Statements</i> ⁴
HKAS 28 (2011)	<i>Investments in Associates and Joint Ventures</i> ⁴
HKAS 32 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities</i> ⁵
HK(IFRIC)-Int 20	<i>Stripping Costs in the Production Phase of a Surface Mine</i> ⁴

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

² Effective for annual periods beginning on or after 1 January 2012

³ Effective for annual periods beginning on or after 1 July 2012

⁴ Effective for annual periods beginning on or after 1 January 2013

⁵ Effective for annual periods beginning on or after 1 January 2014

⁶ Effective for annual periods beginning on or after 1 January 2015

Further information about those changes that are expected to significantly affect the Group is as follows:

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1 January 2015.

2.3 Issued but Not Yet Effective Hong Kong Financial Reporting Standards

(continued)

HKFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled, compared with the requirements in HKAS 27 and HK(SIC)-Int 12 *Consolidation – Special Purpose Entities*. HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in HK(SIC)-Int 12.

HKFRS 11 replaces HKAS 31 *Interest in Joint Ventures* and HK(SIC)-Int 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangement, i.e., joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation.

HKFRS 12 includes the disclosures requirements for subsidiaries, joint arrangements, associates and structured entities that are previously included in HKAS 27 *Consolidated and Separate Financial Statements*, HKAS 31 *Interests in Joint Ventures* and HKAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities.

Consequential amendments were made to HKAS 27 and HKAS 28 as a result of the issuance of HKFRS 10, HKFRS 11 and HKFRS 12. The Group expects to adopt HKFRS 10, HKFRS 11, HKFRS 12, and the consequential amendments to HKAS 27 and HKAS 28 from 1 January 2013.

HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. The Group expects to adopt HKFRS 13 prospectively from 1 January 2013.

Amendments to HKAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items which will never be reclassified. The Group expects to adopt the amendments from 1 January 2013.

HKAS 12 Amendments clarify the determination of deferred tax for investment property measured at fair value. The amendments introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, the amendments incorporate the requirement previously in HK(SIC)-Int 21 *Income Taxes – Recovery of Revalued Non-Depreciable Assets* that deferred tax on non-depreciable assets, measured using the revaluation model in HKAS 16, should always be measured on a sale basis. The Group expects to adopt HKAS 12 Amendments from 1 January 2012.

HKAS 19 (2011) includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The revised standard introduces significant changes in the accounting for defined benefit pension plans including removing the choice to defer the recognition of actuarial gains and losses. Other changes include modifications to the timing of recognition for termination benefits, the classification of short-term employee benefits and disclosures of defined benefit plans. The Group expects to adopt HKAS 19 (2011) from 1 January 2013.

2.4 Summary of Significant Accounting Policies

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits or losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

- (a) a subsidiary, if the Group/Company has unilateral control, directly or indirectly, over the joint venture;
- (b) a jointly-controlled entity, if the Group/Company does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;
- (c) an associate, if the Group/Company does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or
- (d) an equity investment accounted for in accordance with HKAS 39, if the Group/Company holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

2.4 Summary of Significant Accounting Policies *(continued)*

Jointly-controlled entities

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's interests in jointly-controlled entities are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated income statement and consolidated reserves, respectively. Where the profit sharing ratio is different to the Group's equity interest, the share of post-acquisition results of the jointly-controlled entities is determined based on the agreed profit sharing ratio. Unrealised gains and losses resulting from transactions between the Group and its jointly-controlled entities are eliminated to the extent of the Group's interests in the jointly-controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred.

The results of jointly-controlled entities are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in jointly-controlled entities are treated as non-current assets and are stated at cost less any impairment losses.

Jointly-controlled operations

Joint venture arrangements which involve the use of the assets and other reserves of the Group and other parties, without the establishment of a separate entity, are referred to as jointly-controlled operations. Under this arrangement, assets remain under the ownership and control of each party. Revenue and expenses incurred in common are shared by the parties according to the contractual arrangement.

Assets that the Group controls and liabilities that it incurs in relation to jointly-controlled operations are recognised in the Group's consolidated statement of financial position on an accrual basis and are classified according to the nature of the items. The Group's share of the income that it earns from jointly-controlled operations, together with the expenses that it incurs, is included in the Group's consolidated income statement when it is probable that the economic benefits associated with the transactions will flow to the Group.

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's interests in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of associate is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred.

2.4 Summary of Significant Accounting Policies *(continued)*

Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed 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. For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than properties under development, completed properties held for sale, deferred tax assets, financial assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.4 Summary of Significant Accounting Policies *(continued)*

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a); and
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2.4 Summary of Significant Accounting Policies *(continued)*

Property, plant and equipment and depreciation

Property, plant and equipment, other than assets under construction, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	3% to 5%
Leasehold improvements	Over the shorter of the lease term and 20%
Plant and machinery	10% to 20%
Furniture, fixtures and office equipment	10% to 20%
Motor vehicles	10% to 20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Assets under construction represent properties under construction, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction, amortised land use rights and capitalised borrowing costs on related borrowed funds during the period of construction. Assets under construction are reclassified to appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of each reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

For a transfer from properties under development to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the income statement.

2.4 Summary of Significant Accounting Policies *(continued)*

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the income statement on the straight-line basis over the lease terms.

Land use rights under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Properties under development

Properties under development are intended to be held for sale after completion.

Properties under development are stated at the lower of cost and net realisable value and comprise land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond the normal operating cycle. On completion, the properties are transferred to completed properties held for sale.

Completed properties held for sale

Completed properties held for sale are stated at the lower of cost and net realisable value. Cost is determined by an apportionment of the total land and buildings costs attributable to unsold properties. Net realisable value is estimated by the directors based on the prevailing market prices, on an individual property basis.

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include cash and bank balances, trade receivables, deposits and other receivables, advances to associates and advances to/amounts due from jointly-controlled entities.

2.4 Summary of Significant Accounting Policies *(continued)*

Investments and other financial assets *(continued)*

Subsequent measurement

The subsequent measurement of loans and receivables is as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the income statement. The loss arising from impairment is recognised in the income statement in finance costs for loans and in other expenses for receivables.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group’s continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred “loss event”) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2.4 Summary of Significant Accounting Policies *(continued)*

Impairment of financial assets *(continued)*

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the 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 yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the income statement.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs.

The Group's financial liabilities include trade payables, other payables and accruals, amounts due to associates, amounts due to jointly-controlled entities and interest-bearing bank and other borrowings.

2.4 Summary of Significant Accounting Policies *(continued)*

Financial liabilities *(continued)*

Subsequent measurement

The subsequent measurement of financial liabilities depending on their classification is as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the financial guarantee contract, except when such a contract is recognised at fair value through profit or loss. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of each reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair values of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. These techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

2.4 Summary of Significant Accounting Policies *(continued)*

Treasury shares

Own equity instruments which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration is recognised in equity.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted in use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with interests in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 Summary of Significant Accounting Policies *(continued)*

Income tax *(continued)*

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. It is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset or over the benefits received by the Group related to such assets.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) from the sale of properties, when the significant risks and rewards of ownership have been transferred to the buyer, which is when the construction work has been completed and the properties have been delivered to the buyer. Deposits and instalments received in respect of properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position under current liabilities;
- (b) rental income, on a time proportion basis over the lease terms;

2.4 Summary of Significant Accounting Policies *(continued)*

Revenue recognition *(continued)*

- (c) hotel revenue from room rentals, food and beverage sales and other ancillary services, when the services are rendered;
- (d) property management fee income, when the related management services have been provided; and
- (e) interest income, on an accrual basis using the effective interest rate method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Share-based payment transactions

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using the Black-Scholes Model and Binomial Model (the "Models"), further details of which are given in note 33 to the financial statements.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2.4 Summary of Significant Accounting Policies *(continued)*

Other employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees’ basic salaries and are charged to the 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.

The employees of the Group’s subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consists of interest and other costs that an entity incurs in connection with the borrowing of funds.

Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate has been applied to the expenditure on the individual assets.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Foreign currencies

The Company’s functional currency is Hong Kong dollar while the presentation currency of these financial statements is RMB. In the opinion of the directors, as the Group’s operations are mainly in the PRC, the use of RMB as the presentation currency is more appropriate for the presentation of the Group’s results and financial position. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences arising on settlement translation of monetary items are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on retranslation of a non-monetary item is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation differences on item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

2.4 Summary of Significant Accounting Policies *(continued)*

Foreign currencies *(continued)*

The functional currencies of certain overseas subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their income statements are translated into RMB at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. Significant Accounting Judgements and Estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

3. Significant Accounting Judgements and Estimates *(continued)*

Judgements *(continued)*

Classification between investment properties and properties held for sale and properties under development

The Group develops properties held for sale and properties held to earn rentals and/or for capital appreciation. Judgement is made by management on determining whether a property is designated as an investment property or a property held for sale or a property under development. In general, the Group considers its intention for holding the properties at the early development stage of the related properties. However, in response to the market demand to investment properties, the Group would from time to time amend the corporate strategies on the Group's properties portfolio. During the course of construction, the related properties under construction are accounted for as properties under development included in current assets if the properties are intended for sale after their completion, whereas, the properties are accounted for as investment properties under construction included in non-current assets if the properties are intended to be held to earn rentals and/or for capital appreciation. Upon completion of the properties, the properties held for sale are transferred to completed properties held for sale while the properties held to earn rentals and/or for capital appreciation are transferred to completed investment properties.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement 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 together with future tax planning strategies. The carrying amount of deferred tax assets relating to recognised tax losses at 31 December 2011 was approximately RMB22,607,000 (2010: approximately RMB4,556,000). Further details are contained in note 29 to the financial statements.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the 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, are described below.

Corporate income taxes

The Group is subject to corporate income taxes ("CIT") in the PRC. As a result of the fact that certain matters relating to the corporate income taxes have not been confirmed by the local tax bureau, objective estimate and judgement based on currently enacted tax laws, regulations and other related policies are required in determining the provision of corporate income taxes. Where the final tax outcomes of these matters are different from the amounts originally recorded, the differences will impact on the CIT and tax provision in the period in which the differences realise.

PRC land appreciation taxes

The Group is subject to land appreciation taxes ("LAT") in the PRC. The provision of land appreciation taxes is based on management's best estimates according to its understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual land appreciation tax liabilities are subject to the determination by the tax authorities upon the completion of the property development projects. The Group has not finalised its LAT calculations and payments with the tax authorities for certain property development projects. The final outcome could be different from the amounts that were initially recorded, and any differences will impact the land appreciation tax expenses and the related provision in the period in which the differences realise.

3. Significant Accounting Judgements and Estimates *(continued)*

Estimation uncertainty *(continued)*

Withholding tax arising from the distribution of dividends

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

The Group's determination as to whether to accrue for withholding taxes arising from the distributions of dividends from certain subsidiaries according to the jurisdictions of the immediate holding company of the PRC subsidiaries is subject to judgement on the timing of the payment of the dividends. The Group considered that the applicable withholding tax rate is 5%.

Estimation of fair value of investment properties

Investment properties including completed investment properties and investment properties under construction are revalued at the end of each reporting period based on the appraised market value provided by independent professionally qualified valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimation, information from current prices in an active market for similar properties is considered and assumptions that are mainly based on market conditions existing at the end of each reporting period are used.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of the reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Recognition and allocation of construction cost 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 held for sale upon completion. Apportionment of these costs will be recognised in the income statement upon the recognition of the sale 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.

When developing properties, the Group may divide the development projects into phases. Specific costs directly related to the development of a phase are recorded as the cost of such phase. Costs that are common to phases are allocated to individual phases based on the estimated saleable area of the entire project.

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. Segment Information

For management purposes, the Group is organised into four reportable operating segments as follows:

- (a) Property development: Sale of properties
- (b) Property investment: Leasing of properties
- (c) Hotel operation: Operation of hotels
- (d) Property management: Provision of property management services

The property development projects undertaken by the Group during the year are all located in the PRC.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, finance costs, as well as head office and corporate income and expenses are excluded from such measurement.

The Group's revenue from external customers is derived solely from its operations in the PRC, and no non-current assets of the Group are located outside the PRC.

Segment assets exclude deferred tax assets, tax recoverable, restricted cash, cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Other than the segment information disclosed below, the directors considered that the other segment information is not reporting segment information used by the chief operating decision makers of the Group.

During the year, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

4. Segment Information *(continued)*

Year ended 31 December 2011

	Property development RMB'000	Property investment RMB'000	Hotel operation RMB'000	Property management RMB'000	Total RMB'000
Segment revenue:					
Sales to external customers	9,815,408	138,616	70,236	98,335	10,122,595
Segment results	3,975,954	458,449	14,797	8,353	4,457,553
<i>Reconciliation:</i>					
Interest income and unallocated income					94,014
Unallocated expenses					(446,653)
Finance costs					(124,979)
Profit before tax					3,979,935
Income tax expenses					(1,876,028)
Profit for the year					2,103,907
Assets and liabilities:					
Segment assets	33,313,085	4,271,475	337,951	24,344	37,946,855
<i>Reconciliation:</i>					
Unallocated assets					6,639,448
Total assets					44,586,303
Segment liabilities	24,857,786	389,986	42,587	5,398	25,295,757
<i>Reconciliation:</i>					
Unallocated liabilities					5,597,528
Total liabilities					30,893,285
Other segment information:					
Depreciation and amortisation	16,332	2,553	18,181	332	37,398
Fair value gains on investment properties, net	-	325,656	-	-	325,656
Share of losses of:					
Associates	(4,608)	-	-	-	(4,608)
Jointly-controlled entities	(12,312)	-	-	-	(12,312)

4. Segment Information *(continued)*

Year ended 31 December 2010

	Property development RMB'000	Property investment RMB'000	Hotel operation RMB'000	Property management RMB'000	Total RMB'000
Segment revenue:					
Sales to external customers	7,221,143	124,178	56,914	63,676	7,465,911
Segment results					
	2,670,347	122,184	7,842	255	2,800,628
<i>Reconciliation:</i>					
Interest income and unallocated income					78,893
Unallocated expenses					(351,884)
Finance costs					(19,974)
Profit before tax					2,507,663
Income tax expenses					(1,225,889)
Profit for the year					1,281,774
Assets and liabilities:					
Segment assets	26,396,019	5,251,652	355,696	11,811	32,015,178
<i>Reconciliation:</i>					
Unallocated assets					8,019,154
Total assets					40,034,332
Segment liabilities	24,590,220	216,995	59,450	4,951	24,871,616
<i>Reconciliation:</i>					
Unallocated liabilities					3,568,444
Total liabilities					28,440,060
Other segment information:					
Depreciation and amortisation	13,186	2,573	18,181	187	34,127
Fair value gains on investment properties, net	–	3,869	–	–	3,869
Share of profits and losses of:					
Associates	(2,246)	–	–	–	(2,246)
Jointly-controlled entities	11,485	–	–	–	11,485

5. Revenue, Other Income and Gains

Revenue, which is also the Group's turnover, represents the gross proceeds, net of business tax, from the sale of properties, gross rental income received and receivable from investment properties, gross revenue from hotel operation and property management fee income during the year.

An analysis of revenue, other income and gains is as follows:

	2011 RMB'000	2010 RMB'000
Revenue		
Sale of properties	9,815,408	7,221,143
Gross rental income	138,616	124,178
Hotel operation income	70,236	56,914
Property management fees	98,335	63,676
	10,122,595	7,465,911
Other income and gains		
Bank interest income	45,726	33,483
Foreign exchange differences, net	33,998	12,510
Others	14,290	32,900
	94,014	78,893

6. Profit Before Tax

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	2011 RMB'000	2010 RMB'000
Cost of properties sold		5,680,748	4,368,412
Less: Government grant released*	27(b)	(88,316)	(50,675)
		5,592,432	4,317,737
Depreciation	14	35,983	32,712
Amortisation of land use rights	16	21,508	14,116
Less: Amount capitalised in assets under construction		(20,093)	(12,701)
		1,415	1,415
Minimum lease payments under operating leases of land and buildings		14,003	6,072
Auditors' remuneration		4,000	4,000
Employee benefit expense			
(excluding directors' remuneration (note 8)):			
Wages and salaries		266,115	198,037
Pension scheme contributions**		16,691	11,117
Equity-settled share option expense/(reversal)		(868)	16,821
Less: Amount capitalised in assets under construction, properties under development and investment properties under development		(91,790)	(59,962)
		190,148	166,013
Loss on disposal of investment properties, net***		4,950	4,573
(Gain)/loss on disposal of items of property, plant and equipment		98	(147)
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties		27,721	21,948

* There are no unfulfilled conditions or contingencies relating to this government grant.

** At 31 December 2011, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2010: Nil).

*** The loss on disposal of investment properties, net is included in "Other operating expenses, net" in the consolidated income statement.

7. Finance Costs

	Group	
	2011	2010
	RMB'000	RMB'000
Interest on bank and other borrowings	1,165,699	704,116
Less: Interest capitalised	(1,040,720)	(684,142)
	124,979	19,974

8. Directors' Remuneration

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2011	2010
	RMB'000	RMB'000
Fees	2,490	2,522
Other emoluments:		
Salaries, allowances and benefits in kind	16,899	13,430
Equity-settled share option expense	2,215	2,642
Pension scheme contributions	527	440
	19,641	16,512
	22,131	19,034

During the year, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 33 to the financial statements. The fair value of options, which has been recognised in the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' remuneration disclosures.

For the year ended 31 December 2010, no directors were granted share options.

8. Directors' Remuneration *(continued)*

(a) Independent non-executive directors

	Fees RMB'000	Equity-settled share option expense RMB'000	Total remuneration RMB'000
2011			
Independent non-executive directors:			
Mr. Lee Ka Sze, Carmelo	249	8	257
Mr. Dai Feng	249	8	257
Mr. Tam Chun Fai	249	8	257
	747	24	771
2010			
Independent non-executive directors:			
Mr. Lee Ka Sze, Carmelo	258	–	258
Mr. Dai Feng	258	–	258
Mr. Tam Chun Fai	258	–	258
	774	–	774

There were no other emoluments payable to the independent non-executive directors during the year (2010: Nil).

(b) Executive directors

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Equity-settled share option expense RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2011					
Executive directors:					
Mr. Kong Jian Min	249	2,968	–	86	3,303
Mr. Kong Jian Tao	249	2,968	–	86	3,303
Mr. Kong Jian Nan	249	2,368	–	86	2,703
Mr. Li Jian Ming	249	1,517	487	86	2,339
Mr. Tsui Kam Tim	249	3,757	730	20	4,756
Mr. He Wei Zhi	249	2,049	487	77	2,862
Mr. Yu Yao Sheng	249	1,272	487	86	2,094
	1,743	16,899	2,191	527	21,360
2010					
Executive directors:					
Mr. Kong Jian Min	258	2,202	–	70	2,530
Mr. Kong Jian Tao	258	2,193	–	71	2,522
Mr. Kong Jian Nan	258	1,952	–	71	2,281
Mr. Li Jian Ming	258	1,510	697	71	2,536
Mr. Tsui Kam Tim	258	2,010	697	21	2,986
Mr. He Wei Zhi	258	2,109	697	65	3,129
Mr. Yu Yao Sheng	200	1,454	551	71	2,276
	1,748	13,430	2,642	440	18,260

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2010: Nil).

9. Five Highest Paid Employees

The five highest paid employees for the year ended 31 December 2011 included five (2010: four) directors, details of whose remuneration are set out in note 8 above.

Details of the remuneration of the remaining one non-director, highest paid employee for the year ended 31 December 2010 were as follows:

	Group	
	2011	2010
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	–	3,509
Equity-settled share option expense	–	2,302
Pension scheme contributions	–	21
	–	5,832

The number of non-director, highest paid employees whose emolument fell within the following bands is as follows:

	Number of employees	
	2011	2010
HK\$6,500,001 to HK\$7,000,000	–	1
	–	1

No emoluments were paid by the Group to the directors or any of the non-director, highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office (2010: Nil).

10. Income Tax Expenses

		Group	
	Note	2011	2010
		RMB'000	RMB'000
Current – PRC			
CIT		1,057,807	692,592
LAT		994,266	694,152
Deferred	29	2,052,073	1,386,744
		(176,045)	(160,855)
Total tax charge for the year		1,876,028	1,225,889

10. Income Tax Expenses *(continued)*

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdiction in which the majority of the Company's subsidiaries are domiciled to the tax charge at the effective tax rate and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate, is as follows:

	2011	Group
	RMB'000	2010 RMB'000
Profit before tax	3,979,935	2,507,663
At statutory income tax rate of 25% (2010: 25%)	994,984	626,916
Income not subject to tax	(6,233)	(466)
Expenses not deductible for tax	12,150	11,923
Effect of withholding tax on the distributable profits of the Company's PRC subsidiaries	82,967	56,753
Profits and losses attributable to associates	1,152	561
Profits and losses attributable to jointly-controlled entities	3,078	(2,871)
Land appreciation tax	994,266	694,152
Effect of land appreciation tax	(248,567)	(173,538)
Others	42,231	12,459
Tax charge at the Group's effective rate of 47.1% (2010: 48.9%)	1,876,028	1,225,889

For the year ended 31 December 2011, the share of CIT credit and LAT attributable to the jointly-controlled entities amounting to approximately RMB3,796,000 (2010: CIT expense of approximately RMB3,636,000) and approximately RMB748,000 (2010: approximately RMB4,329,000), respectively, is included in "Share of profits and losses of jointly-controlled entities" on the face of the consolidated income statement.

For the year ended 31 December 2011, the share of CIT credit attributable to the associates amounting to approximately RMB1,532,000 (2010: approximately RMB801,000), is included in "Share of profits and losses of associates" on the face of the consolidated income statement.

Hong Kong profits tax

No Hong Kong profits tax has been provided because the Group did not generate any assessable profits arising in Hong Kong during the years ended 31 December 2011 and 2010.

PRC corporate income tax

PRC CIT in respect of operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the years ended 31 December 2011 and 2010, based on existing legislation, interpretations and practices in respect thereof.

PRC land appreciation tax

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

11. Profit Attributable to Owners of the Parent

The consolidated profit attributable to owners of the parent for the year ended 31 December 2011 includes a profit of approximately RMB631,696,000 (2010: approximately RMB260,269,000) which has been dealt with in the financial statements of the Company (note 34(b)).

12. Dividends

	2011 RMB'000	2010 RMB'000
Proposed final – RMB22 cents (2010: RMB11 cents) per ordinary share	636,493	318,247

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

13. Earnings Per Share Attributable to Owners of the Parent

The calculation of the basic earnings per share for the year is based on the profit for the year attributable to owners of the parent, and the weighted average number of ordinary shares of 2,893,150,000 (2010: 2,893,150,000) in issue during the year.

No adjustment has been made to the basic earnings per share presented for the years ended 31 December 2011 and 2010 in respect of a dilution as the share options outstanding had an anti-dilutive effect on the basic earnings per share presented.

The calculation of basic and diluted earnings per share is based on:

	2011 RMB'000	2010 RMB'000
Earnings		
Profit attributable to owners of the parent	2,103,368	1,281,772
	Number of shares	
	2011	2010
Shares		
Weighted average number of ordinary shares in issue during the year	2,893,150,000	2,893,150,000

14. Property, Plant and Equipment

Group

	Buildings RMB'000	Leasehold improve- ments RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Assets under construction RMB'000	Total RMB'000
31 December 2011							
At 31 December 2010 and 1 January 2011:							
Cost	436,358	2,998	3,188	37,035	52,207	885,530	1,417,316
Accumulated depreciation	(34,038)	(2,083)	(3,019)	(16,655)	(17,620)	–	(73,415)
Net carrying amount	402,320	915	169	20,380	34,587	885,530	1,343,901
At 1 January 2011, net of accumulated depreciation	402,320	915	169	20,380	34,587	885,530	1,343,901
Additions	–	3,410	–	17,100	9,188	442,237	471,935
Disposals	–	(688)	–	(124)	(104)	–	(916)
Depreciation provided during the year	(20,849)	(1,024)	(76)	(7,566)	(6,468)	–	(35,983)
At 31 December 2011, net of accumulated depreciation	381,471	2,613	93	29,790	37,203	1,327,767	1,778,937
At 31 December 2011:							
Cost	436,358	4,456	3,188	52,664	59,926	1,327,767	1,884,359
Accumulated depreciation	(54,887)	(1,843)	(3,095)	(22,874)	(22,723)	–	(105,422)
Net carrying amount	381,471	2,613	93	29,790	37,203	1,327,767	1,778,937
	Buildings RMB'000	Leasehold improve- ments RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Assets under construction RMB'000	Total RMB'000
31 December 2010							
At 1 January 2010:							
Cost	424,132	1,727	3,188	31,953	36,358	525,686	1,023,044
Accumulated depreciation	(13,861)	(1,548)	(2,773)	(10,051)	(13,303)	–	(41,536)
Net carrying amount	410,271	179	415	21,902	23,055	525,686	981,508
At 1 January 2010, net of accumulated depreciation	410,271	179	415	21,902	23,055	525,686	981,508
Additions	13,794	1,271	–	5,087	16,010	359,844	396,006
Disposals	(790)	–	–	(2)	(109)	–	(901)
Depreciation provided during the year	(20,955)	(535)	(246)	(6,607)	(4,369)	–	(32,712)
At 31 December 2010, net of accumulated depreciation	402,320	915	169	20,380	34,587	885,530	1,343,901
At 31 December 2010:							
Cost	436,358	2,998	3,188	37,035	52,207	885,530	1,417,316
Accumulated depreciation	(34,038)	(2,083)	(3,019)	(16,655)	(17,620)	–	(73,415)
Net carrying amount	402,320	915	169	20,380	34,587	885,530	1,343,901

14. Property, Plant and Equipment *(continued)*

Company

	Leasehold improvements RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
31 December 2011				
At 31 December 2010 and 1 January 2011:				
Cost	–	101	482	583
Accumulated depreciation	–	(50)	(285)	(335)
Net carrying amount	–	51	197	248
At 1 January 2011, net of accumulated depreciation	–	51	197	248
Additions	809	254	–	1,063
Depreciation provided during the year	(99)	(20)	(82)	(201)
At 31 December 2011, net of accumulated depreciation	710	285	115	1,110
At 31 December 2011:				
Cost	809	355	482	1,646
Accumulated depreciation	(99)	(70)	(367)	(536)
Net carrying amount	710	285	115	1,110
31 December 2010				
At 1 January 2010:				
Cost	–	48	482	530
Accumulated depreciation	–	(36)	(200)	(236)
Net carrying amount	–	12	282	294
At 1 January 2010, net of accumulated depreciation	–	12	282	294
Additions	–	53	–	53
Depreciation provided during the year	–	(14)	(85)	(99)
At 31 December 2010, net of accumulated depreciation	–	51	197	248
At 31 December 2010:				
Cost	–	101	482	583
Accumulated depreciation	–	(50)	(285)	(335)
Net carrying amount	–	51	197	248

At 31 December 2011, certain items of the Group's property, plant and equipment with an aggregate net carrying amount of approximately RMB232,140,000 (2010: approximately RMB786,312,000) were pledged to secure general banking facilities granted to the Group (note 38(a)).

15. Investment Properties

Group

	Completed investment properties RMB'000	2011 Investment properties under construction RMB'000	Total RMB'000	Completed investment properties RMB'000	2010 Investment properties under construction RMB'000	Total RMB'000
Carrying amount at 1 January	3,461,980	-	3,461,980	3,431,260	70,200	3,501,460
Additions	-	-	-	-	10,724	10,724
Transfers from properties under development (note 20)	-	478,444	478,444	-	-	-
Transfers	(19)	-	(19)	80,924	(80,924)	-
Disposals	(31,771)	-	(31,771)	(54,073)	-	(54,073)
Gain from a fair value adjustment	92,600	233,056	325,656	3,869	-	3,869
Carrying amount at 31 December	3,522,790	711,500	4,234,290	3,461,980	-	3,461,980

The Group's investment properties are situated in the PRC and the related land is held under the lease terms of 10 to 50 years.

The Group's investment properties were revalued on 31 December 2011 by CB Richard Ellis Limited, independent professionally qualified valuers, at approximately RMB4,234,290,000 (2010: approximately RMB3,461,980,000) on an open market, existing use basis. Certain of the Group's investment properties are leased to third parties under operating leases, further summary details of which are included in note 39(a). The gross rental income received and receivable by the Group and the direct expenses in respect of these investment properties are summarised as follows:

	2011 RMB'000	2010 RMB'000
Gross rental income	138,616	124,178
Direct expenses	(27,721)	(21,948)
Net rental income	110,895	102,230

At 31 December 2011, the Group's investment properties with an aggregate carrying amount of approximately RMB3,178,418,000 (2010: approximately RMB2,871,337,000) were pledged to secure general banking facilities granted to the Group (note 38(a)).

At 31 December 2011, the Group was in the process of obtaining the real estate ownership certificates of the Group's investment properties with a net carrying amount of RMB783,090,000 (2010: RMB69,530,000) from the relevant government authorities.

Further particulars of the Group's major investment properties are included on page 131 of the annual report.

16. Land Use Rights

	Group	
	2011 RMB'000	2010 RMB'000
At 1 January	880,390	586,851
Additions	222,656	307,655
Amortisation recognised during the year	(21,508)	(14,116)
At 31 December	1,081,538	880,390
Current portion included in prepayments, deposits and other receivables	(21,508)	(14,116)
Non-current portion	1,060,030	866,274

The Group's land use rights are located in the PRC and held under the lease terms of 10 to 70 years. An analysis of the lease term is as follows:

	Group	
	2011 RMB'000	2010 RMB'000
Analysed by type:		
Held under long term lease	98,369	23,422
Held under medium term lease	983,169	856,968
	1,081,538	880,390

Certain of the Group's land use rights with an aggregate net carrying amount of approximately RMB282,449,000 (2010: approximately RMB182,406,000) were pledged to banks to secure general banking facilities granted to the Group (note 38(a)).

At 31 December 2011, the Group is in the process of obtaining the land use right certificates of certain lands with an aggregate net carrying amount of approximately RMB10,718,000 (2010: approximately RMB310,829,000) from the relevant government authorities. The Group has not fully settled the purchase considerations in accordance with the terms of the relevant land use rights grant contracts. The directors of the Company consider that the relevant land use right certificates will be obtained upon the full payments of the purchase considerations.

17. Interests in Subsidiaries

	Company	
	2011 RMB'000	2010 RMB'000
Unlisted shares, at cost	300,306	300,306
Due from subsidiaries	7,668,616	6,415,161
Capital contribution in respect of employee share-based compensation	7,405	7,125
	7,976,327	6,722,592

The amounts due from subsidiaries included in the interests in subsidiaries above are unsecured, interest-free and not repayable within 12 months.

The amount due from a subsidiary included in the Company's current assets of RMB800,000,000 (2010: Nil) is unsecured, interest-free and has no fixed terms of repayment.

17. Interests in Subsidiaries *(continued)*

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Happy Clear Consultants Limited ^β	British Virgin Islands/ Hong Kong	US\$1,000	100	–	Investment holding
Reach Luck Consultants Limited ^β	British Virgin Islands/ Hong Kong	US\$1	–	100	Investment holding
Boom Faith International Limited ^β	British Virgin Islands/ Hong Kong	US\$1	–	100	Investment holding
Rising Wave Enterprises Limited ^β	British Virgin Islands/ Hong Kong	US\$1	–	100	Investment holding
Good Excel Enterprises Limited ^β	British Virgin Islands/ Hong Kong	US\$1	–	100	Investment holding
Prime Way Enterprises Limited ^β	British Virgin Islands/ Hong Kong	US\$1	–	100	Investment holding
Hugeluck Investments Limited ^β	British Virgin Islands/ Hong Kong	US\$1	–	100	Investment holding
Guangzhou Hejing Real Estate Development Limited ("Guangzhou Hejing")* ^{#β}	PRC	US\$99,000,000	–	100	Property development
Guangzhou Hejing Meifu Real Estate Development Limited ^{#β}	PRC	US\$12,930,000	–	100	Property development
Guangzhou Hejing Yingfu Real Estate Development Limited ^{#β}	PRC	RMB35,000,000	–	100	Property development
Guangzhou Xinhengchang Enterprise Development Limited* ^{#β}	PRC	RMB792,000,000	–	100	Property development
Guangzhou Zhongtianying Real Estate Development Limited* ^{#β}	PRC	US\$198,000,000	–	100	Property development
Guangzhou Tianjian Real Estate Co., Ltd* ^{#β}	PRC	RMB1,617,000,000	–	100	Property development
Guangzhou Fuxin Property Management Limited* ^{#β}	PRC	RMB7,000,000	–	100	Property management
Guangzhou Ningjun Property Management Limited* ^{#β}	PRC	RMB7,000,000	–	100	Property management
Guangzhou Junzhao Property Operation Limited* ^{#β}	PRC	RMB7,000,000	–	100	Property management
Chengdu Zhongtianying Real Estate Development Limited ^{#β}	PRC	RMB550,000,000	–	100	Property development
Guangzhou Liangyu Investment Limited ("Guangzhou Liangyu") ^{#β}	PRC	RMB30,000,000	–	100	Property development
Hainan New World Property Development (HK) Limited* ^{#β}	PRC	HK\$772,000,000	–	100	Property development
Suzhou Hejing Real Estate Development Limited ("Suzhou Hejing") ^{#β}	PRC	RMB990,000,000	–	100	Property development
Guangzhou Conghua Hejing Real Estate Development Limited* ^{#β}	PRC	US\$99,000,000	–	100	Property development

17. Interests in Subsidiaries *(continued)*

Particulars of the principal subsidiaries are as follows: *(continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Beijing Hejing Real Estate Development Limited ("Beijing Hejing")#β	PRC	RMB70,000,000	–	100	Property development
Chengdu Zhaojing Real Estate Development Limited*#β	PRC	HK\$767,000,000	–	100	Property development
Kunshan Baicheng Real Estate Development Limited*#β	PRC	US\$29,900,000	–	100	Property development
Guangzhou Hejing Chuangzhan Hotel Limited#β	PRC	RMB30,000,000	–	100	Hotel operation
Guangzhou Wanhui Real Estate Development Limited ("Guangzhou Wanhui")#β(i)	PRC	RMB330,000,000	–	100	Property development
Guangzhou Lihe Property Development Limited#β ("Guangzhou Lihe")	PRC	RMB640,000,000	–	100	Property development
Chengdu Kaiyu Property Development Limited#β	PRC	RMB100,000,000	–	100	Property development
Tianjin Hejing Property Development Limited#β	PRC	RMB50,000,000	–	100	Property development
Hainan Hejing Property Development Limited#β	PRC	RMB100,000,000	–	100	Property development
Shanghai Hejing Real Estate Development Company Limited ("Shanghai Hejing")#β(ii)	PRC	RMB100,000,000	–	100	Property development
Shanghai Deyu Real Estate Development Limited#β ("Shanghai Deyu") (Formerly known as Shanghai Zhongdao Real Estate Development Limited)#β	PRC	RMB100,000,000	–	100	Property development
Suzhou City Kaiyu Real Estate Development Company Limited ("Suzhou Kaiyu")#β(iii)	PRC	RMB1,500,000,000	–	90	Property development
Shanghai Jinyi Real Estate Limited ("Shanghai Jinyi")#β	PRC	RMB30,000,000	–	100	Property development
Shanghai Hongyu Real Estate Development Limited#β^	PRC	RMB100,000,000	–	100	Property development
Beijing Hong'en Real Estate Development Limited Liability Company#β^	PRC	RMB50,000,000	–	100	Property development
Shanghai Zhaojing Real Estate Development Limited#β	PRC	RMB100,000,000	–	100	Property development

* These entities are registered as wholly-foreign-owned enterprises under PRC law.

β The statutory financial statements of these subsidiaries are not audited by Ernst & Young Hong Kong or another member firm of the Ernst & Young global network.

The English names of these companies referred to in these financial statements represent management's best effort to translate the Chinese names of those companies, as no English names have been registered.

^ These companies were newly established during the year.

17. Interests in Subsidiaries *(continued)*

Note:

- (i) Guangzhou Wanhui was a wholly-owned subsidiary of Guangzhou Hejing (a subsidiary of the Group) established on 26 October 2009 in the PRC with registered capital of RMB30,000,000. Guangzhou Wanhui is a company engaged in a property development project in Guangzhou, namely L7 (formerly known as the D3-4 project). In January 2010, CITIC Trust Co., Ltd. ("CITIC") and Guangzhou Hejing entered into an equity transfer agreement (the "Equity Transfer Agreement") whereby Guangzhou Hejing used its 100% equity interest in Guangzhou Wanhui as consideration to acquire the S1 type unit trust ("S1 Unit") under a trust administrated by CITIC (the "CITIC Trust"). Guangzhou Hejing also used its RMB135,000,000 debt receivable from Guangzhou Wanhui as a consideration to acquire the S2 type unit ("S2 Unit") of the CITIC Trust. The term of the Trust is 18 months, while CITIC can early terminate the CITIC Trust after one year. The CITIC Trust consists of three types of trust units, including 30,000,000 units of the S1 Unit, 135,000,000 units of the S2 Unit and 300,000,000 units of priority units. The subscription price for each unit of the CITIC Trust is RMB1. The priority units are sold to public investors in the PRC. Priority units are entitled to a return calculated based on the amount invested, the number of days invested and a pre-determined return rate. Upon dissolution of the CITIC Trust, beneficiaries of the S1 Unit and the S2 Unit are subordinate to those of priority units in receiving CITIC Trust income and asset distribution of the CITIC Trust. After the distribution of the principal amount and pre-determined return of the priority units, and miscellaneous legal and administrative expenses, the S1 Unit and the S2 Unit can enjoy the residual benefit of the CITIC Trust. CITIC can decide the form of assets to be distributed to the S1 Unit and the S2 Unit (either in cash or other assets), particularly, CITIC may distribute the RMB135,000,000 receivable balance from Guangzhou Wanhui to the S2 Unit holders. The S1 Unit and the S2 Unit are not transferrable, except within the Group.

CITIC, as trustee, applied the fund from the CITIC Trust to inject RMB300,000,000 into Guangzhou Wanhui as registered capital. The registered capital of Guangzhou Wanhui was then increased to RMB330,000,000 and CITIC held 100% equity interest in Guangzhou Wanhui (the "Equity Interest") after this capital injection (the "Capital Injection").

Pursuant to the Equity Transfer Agreement, Guangzhou Hejing has the pre-emptive right (the "Pre-emptive Right") to acquire the Equity Interest from CITIC, and Guangzhou Hejing agrees to pay CITIC the fee ("Pre-emptive Right Fee") to maintain its Pre-emptive Right.

Upon 18 months after the effective date of the Equity Transfer Agreement, pursuant to the Equity Transfer Agreement, Guangzhou Hejing can acquire the Equity Interest from CITIC should all the following conditions be met:

- (a) Guangzhou Hejing has promptly paid the Pre-emptive Right Fee and the consideration for acquisition of the Equity Interest (the "Consideration") in full;
- (b) The relevant guarantee agreements as mentioned in the Equity Transfer Agreement are effective and remain effective (these guarantee agreements mainly include the corporate guarantee provided by the Company and the pledge of Guangzhou Hejing's 94.5% equity interest in one of its subsidiaries, Guangzhou Liangyu, for Guangzhou Hejing's fulfillment of its obligations as mentioned in the Equity Transfer Agreement);
- (c) Relevant agreements entered into between CITIC and Guangzhou Hejing and the guarantors pursuant to the Equity Transfer Agreement are effective and remain effective, and there is no material breach of the contracts; and
- (d) Application for transfer of relevant land use rights under L7 to Guangzhou Wanhui has been submitted to the relevant government bureau within 60 business days after the effective date of the Equity Transfer Agreement (the transfer of the relevant land use rights has been completed in March 2010).

Furthermore, Guangzhou Hejing can early exercise its Pre-emptive Right upon 12 months after the effective date of the Equity Transfer Agreement, provided that all the above four conditions have been met.

Within the above timeframe, if (a) the above conditions have not been met; or (b) Guangzhou Hejing has not notified CITIC in written form to exercise its Pre-emptive Right; or (c) Guangzhou Hejing defaults on the payment of the Consideration and the Pre-emptive Right Fee, then CITIC can issue a written notice to Guangzhou Hejing to request that Guangzhou Hejing to acquire the Equity Interest and settle the Consideration and the Pre-emptive Right Fee within three days.

If (a) Guangzhou Hejing notifies CITIC, in written form, that it would not acquire the Equity Interest; or (b) Guangzhou Hejing defaults to settle the Consideration and the Pre-emptive Right Fee within three days, then the Pre-emptive Right is forfeited and CITIC can sell the Equity Interest to others.

17. Interests in Subsidiaries *(continued)*

Note: *(continued)*

(i) *(continued)*

CITIC can request Guangzhou Hejing to unconditionally acquire the Equity Interest if any of the following conditions exists:

- (a) Guangzhou Hejing delays on the payment of the Pre-emptive Right Fee and still cannot fully settle the Pre-emptive Right Fee within three days after issuance of a demand notice from CITIC;
- (b) Guangzhou Hejing has not requested CITIC to sell the Equity Interest to Guangzhou Hejing within 18 months after the effective date of the Equity Transfer Agreement;
- (c) The guarantee agreements as stipulated in the Equity Transfer Agreement are not effective;
- (d) Application for transfer of certain land use rights to Guangzhou Wanhui has not been submitted to the relevant government bureau within 60 business days after the effective date of the Equity Transfer Agreement;
- (e) The title of the relevant land use right certificates under L7 cannot be transferred to Guangzhou Wanhui within 11 months after the effective date of the Equity Transfer Agreement;
- (f) Within 18 months after the effective date of the Equity Transfer Agreement, Guangzhou Wanhui has no retained earnings for distribution or the amount of retained earnings available for distribution is less than RMB330,000,000; or
- (g) 18 months lapses after the effective date of the Equity Transfer Agreement.

Further to the Equity Transfer Agreement, CITIC, Guangzhou Hejing and Industrial and Commercial Bank of China - Guangzhou Branch ("ICBC (Guangzhou)") entered into an entrustment agreement in January 2010, whereby CITIC entrusted (a) Guangzhou Hejing to operate and manage the Equity Interest; and (b) ICBC (Guangzhou) to safeguard the land use rights and other relevant certificates of L7.

Upon the completion of the Capital Injection, Guangzhou Wanhui continues to be a subsidiary of the Company as the Company has unilateral control over Guangzhou Wanhui.

During the year, the above trust financing arrangement expired and the Group repaid RMB300,000,000 to CITIC and the related 100% equity interest in Guangzhou Wanhui was returned to the Group.

(ii) This company is also known as Shanghai KWG Real Estate Development Co., Ltd. in the Company's announcement dated 20 January 2011.

17. Interests in Subsidiaries *(continued)*

- (iii) On 24 December 2009, China Construction Bank Corporation – Suzhou Branch (“CCB (Suzhou)”) (as settler and beneficiary) and Jiangxi International Trust Co., Ltd. (“Jiangxi International”) (as the trustee) entered into a trust agreement (the “Trust Agreement”) where a trust (the “CCB Trust”) was set up with a maximum trust capital (the “Trust Capital”) of RMB901,000,000, which comprises 901,000,000 trust units of RMB1 each. Pursuant to the terms of the Trust Agreement, the Trust Capital shall be used to increase the registered capital of Suzhou Kaiyu, a non-wholly-owned subsidiary established by the Group in December 2009 to engage in a property development project in Xiaoxinqu, Suzhou. The Trust Capital was raised through the sale of an investment product (the “RMB Financing Product”) by CCB (Suzhou). The RMB Financing Product comprises 900,000,000 senior trust units (“CCB Senior Units”) and 1,000,000 junior trust units (“CCB Junior Units”), both at a subscription price of RMB1 each unit. All CCB Senior Units are open for subscription by the public and all CCB Junior Units were subscribed by Suzhou Hejing. The term of the RMB Financing Product is 1.5 years starting from the date when the CCB Trust was established (the “Trust Establishment Date”), which is 24 December 2009, subject to early termination upon the occurrence of certain events. Early redemption of the CCB Senior Units or CCB Junior Units is not allowed.

In connection with the CCB Trust, the following agreements were entered into on 24 December 2009:

- (a) The Trustee, Suzhou Hejing and Suzhou Jinzhu Property Development Co., Ltd. (“Suzhou Jinzhu”) entered into a capital increase agreement, pursuant to which the registered capital of Suzhou Kaiyu was increased from RMB400,000,000 to RMB1,500,000,000 by the capital injection (the “Capital Injection”) of (i) RMB901,000,000 by the Trustee; (ii) RMB89,000,000 by Suzhou Hejing; and (iii) RMB110,000,000 by Suzhou Jinzhu. Immediately before the completion of the Capital Injection, Suzhou Kaiyu is owned as to 90% and 10% by Suzhou Hejing and Suzhou Jinzhu, respectively. Upon completion of the Capital Injection, Suzhou Kaiyu is owned as to 60.06%, 29.94% and 10.00% by the CCB Trust, Suzhou Hejing and Suzhou Jinzhu, respectively.
- (b) Suzhou Hejing and CCB (Suzhou) entered into a product units option agreement (the “Product Units Option Agreement”), pursuant to which CCB (Suzhou) is entitled to exercise an option requiring Suzhou Hejing to acquire all the CCB Senior Units at a consideration equivalent to an amount determined as “Number of CCB Senior Units of RMB1 each X (1 + 11.5% X number of investment days in the CCB Senior Units/360)” (the “Transfer Fee”), to CCB (Suzhou) upon the occurrence of certain material adverse events (the “Material Adverse Events”). If no Material Adverse Event occurs, Suzhou Hejing is entitled to acquire all the CCB Senior Units upon expiry of one year after the Trust Establishment Date. Suzhou Hejing should complete the acquisition of all the CCB Senior Units and pay the remaining consideration no later than one day before the expiry of 1.5 years after the Trust Establishment Date.
- (c) Suzhou Hejing and CCB (Suzhou) entered into a pledge agreement, pursuant to which Suzhou Hejing pledged all its equity interest in Suzhou Kaiyu to CCB (Suzhou) to secure the performance and obligations of Suzhou Hejing under the Product Units Option Agreement as mentioned in (b) above.
- (d) The Company and Guangzhou Hejing, a wholly-owned subsidiary of the Group entered into guarantee agreements with CCB (Suzhou), pursuant to which the Company and Guangzhou Hejing provided guarantees to CCB (Suzhou) to secure the performance and obligations of Suzhou Hejing under the Product Units Option Agreement as mentioned in (b) above.
- (e) The trustee, CCB (Suzhou), Suzhou Hejing, Suzhou Jinzhu and Suzhou Kaiyu entered into a supervision agreement (the “Supervision Agreement”), pursuant to which the Trust Capital should be deposited to the custodian bank account maintained with and managed by CCB (Suzhou) in accordance with the Supervision Agreement.

Upon the completion of the Capital Injection, Suzhou Kaiyu became an associate of the Group as the Group has no unilateral control over Suzhou Kaiyu, but is able to exercise significant influence over Suzhou Kaiyu.

During the year, the above trust financing arrangement expired and the Group repaid RMB900,000,000 to CCB (Suzhou) and the related 60.06% equity interest in Suzhou Kaiyu was returned to the Group. As a result, the Group regained the controls over Suzhou Kaiyu and Suzhou Kaiyu was then accounted for as a subsidiary of the Group.

In the current year, the Group acquired Shanghai Jinyi. Further details of these acquisitions are included in note 36(a) to the financial statements.

In 2010, the Group acquired Guangzhou Hengjian Construction Limited (“Guangzhou Hengjian”). Further details of this acquisition are included in note 36(a) to the financial statements.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

18. Interests in Associates/Balances with Associates

	Group	
	2011 RMB'000	2010 RMB'000
Share of net assets	1,429,109	2,822,956
Advances to associates	569,657	580,632
	1,998,766	3,403,588

	Company	
	2011 RMB'000	2010 RMB'000
Advances to associates	271,130	1,888

The advances to associates as shown above are unsecured, interest-free and not repayable within 12 months.

The amounts due to associates included in the Group's current liabilities of approximately RMB1,081,720,000 (2010: approximately RMB442,382,000) are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the principal associates are as follows:

Name	Particulars of issued shares held	Place of registration/ incorporation	Percentage of ownership interest attributable to the Group	Principal activity
Lyntondale Holdings Limited ^β (i)	Ordinary shares of US\$1 each	British Virgin Islands	20.00%	Investment holding
Foshan City Xinsheng Real Estate Development Company Limited ("Foshan Xinsheng") ^{#β} (i)	Registered capital of RMB1 each	PRC	20.00%	Property development
Foshan City Xinfeng Real Estate Development Company Limited ("Foshan Xinfeng") ^{#β} (i)	Registered capital of RMB1 each	PRC	20.00%	Property development

18. Interests in Associates/Balances with Associates *(continued)*

Particulars of the principal associates are as follows: *(continued)*

Name	Particulars of issued shares held	Place of registration/ incorporation	Percentage of ownership interest attributable to the Group	Principal activity
Foshan City Xinjin Real Estate Development Company Limited ("Foshan Xinjin")#β (i)	Registered capital of RMB1 each	PRC	20.00%	Property development
Bonserry Investments Limitedβ (i)	Ordinary shares of US\$1 each	British Virgin Islands	20.00%	Investment holding
Foshan City Xinjun Real Estate Development Company Limited ("Foshan Xinjun")#β (i)	Registered capital of RMB1 each	PRC	20.00%	Property development
Foshan City Xinhao Real Estate Development Company Limited ("Foshan Xinhao")#β (i)	Registered capital of RMB1 each	PRC	20.00%	Property development
Foshan City Xinhui Real Estate Development Company Limited ("Foshan Xinhui")#β (i)	Registered capital of RMB1 each	PRC	20.00%	Property development
Foshan City Xinjing Real Estate Development Company Limited ("Foshan Xinjing")#β (i)	Registered capital of RMB1 each	PRC	20.00%	Property development
Shanghai Jingdong Property Development Limited ("Shanghai Jingdong")#β (ii)	Registered capital of RMB1 each	PRC	52.21%	Property development

The English names of these companies referred to in these financial statements represent management's best effort to translate the Chinese names of these companies, as no English names have been registered.

β Not audited by Ernst & Young Hong Kong or another member firm of the Ernst & Young global network.

The above investments in associates are indirectly held by the Company through wholly-owned subsidiaries.

18. Interests in Associates/Balances with Associates *(continued)*

Note:

- (i) On 17 March 2010, the Group entered into two cooperation agreements with Sun Hung Kai Development (China) Limited ("SHK") for the acquisition of a 20% equity interest in Lyntondale Holdings Limited which holds a 100% equity interest in Foshan Xinsheng, Foshan Xinfeng and Foshan Xinjin, and a 20% equity interest in Bonserry Investments Limited which holds a 100% equity interest in Foshan Xinjun, Foshan Xinhao, Foshan Xinhui and Foshan Xinjing. Further details of the acquisitions are included in the announcement of the Company dated 17 March 2010.
- (ii) Guangzhou Hejing holds a project company, Shanghai Jingdong with injected capital of RMB50,000,000 through its wholly-owned subsidiary, Guangzhou City Wanjing Property Development Limited ("Guangzhou Wanjing"), and Shanghai Hejing with 50% equity interest each. The purpose of setting up Shanghai Jingdong is for the development of a property project in Shanghai.

On 29 September 2010, Guangzhou Hejing, Shanghai Hejing and Guangzhou Wanjing entered into an co-operation agreement (the "New China Co-operation Agreement") with New China Trust Company Limited ("New China Trust"), pursuant to which, New China Trust has agreed to inject RMB650,000,000 to Guangzhou Wanjing as share capital. Upon the completion of the capital injection, Guangzhou Hejing's equity interest in Guangzhou Wanjing was diluted to 4.41% and New China Trust became a 95.59% shareholder of Guangzhou Wanjing. This equity interest held by New China Trust was transferred to a trust scheme (the "New China Trust Scheme"), which is set up and managed by New China Trust. The funds raised by New China Trust of RMB650,000,000 from the senior unit investors in the New China Trust Scheme were then injected into Shanghai Jingdong as share capital through Guangzhou Wanjing. At the same time, Shanghai Hejing injected cash of RMB650,000,000 to Shanghai Jingdong as share capital. Accordingly, the increase in share capital in Shanghai Jingdong of RMB1,300,000,000 included RMB650,000,000 from New China Trust and RMB650,000,000 from Shanghai Hejing. Upon the completion of the New China Co-operation Agreement, the Group effectively held a 52.21% equity interest in Shanghai Jingdong. The remaining 47.79% effective equity interest in Shanghai Jingdong was held by the New China Trust Scheme through its equity interest in Guangzhou Wanjing.

Although the Group holds a 4.41% equity interest in Guangzhou Wanjing and a 52.21% equity interest in Shanghai Jingdong, the Group is not able to control the board of directors in both Guangzhou Wanjing and Shanghai Jingdong even though the Group can appoint a majority of the board members in Guangzhou Wanjing and Shanghai Jingdong, as New China Trust has the veto power to disapprove the major decisions at board meetings of Guangzhou Wanjing and Shanghai Jingdong. Since the Group had lost control but retained a significant influence on the decisions of Guangzhou Wanjing and Shanghai Jingdong, Guangzhou Wanjing and Shanghai Jingdong became associates of the Group.

The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

The following table illustrates the summarised financial information of the Group's associates:

	2011 RMB'000	2010 RMB'000
Assets	5,261,312	6,894,131
Liabilities	(3,690,921)	(3,993,553)
Revenue	1,042	868
Expense	(17,356)	(9,682)

19. Interests in Jointly-controlled Entities/Balances with Jointly-controlled Entities

	Group	
	2011	2010
	RMB'000	RMB'000
Share of net assets	4,833,724	3,750,785
Advances to jointly-controlled entities	1,675,218	1,684,129
	6,508,942	5,434,914
	Company	
	2011	2010
	RMB'000	RMB'000
Interests in jointly-controlled entities	1,436,693	1,250,786
Advances to jointly-controlled entities	358,558	412,810
	1,795,251	1,663,596

The advances to jointly-controlled entities are unsecured, interest-free and not repayable within 12 months.

The amount due from a jointly-controlled entity included in the Group's current assets of approximately RMB43,713,000 (2010: approximately RMB46,155,000) is unsecured, interest-free and has no fixed term of repayment.

The amounts due to jointly-controlled entities included in the Group's current liabilities of approximately RMB589,631,000 (2010: approximately RMB73,454,000) are unsecured, interest-free and have no fixed terms of repayment.

As at 31 December 2010, the amounts due to jointly-controlled entities included in the Company's current liabilities of approximately RMB73,454,000 were unsecured, interest-free and had no fixed terms of repayment.

19. Interests in Jointly-controlled Entities/Balances with Jointly-controlled Entities *(continued)*

Particulars of the principal jointly-controlled entities are as follows:

Name	Particulars of issued shares held	Place of registration/ incorporation	Percentage of			Principal activities
			Ownership interest	Voting power	Profit sharing	
Guangzhou Weibai Real Estate Development Limited#β	Registered capital of RMB1 each	PRC	50	50	50	Property development
Precious Wave Investments Limitedβ	Ordinary shares of US\$1 each	British Virgin Islands	50	50	50	Investment holding
Quality Express Limitedβ	Ordinary shares of HK\$1 each	Hong Kong	50	50	50	Investment holding
Guangzhou Fujing Real Estate Development Limited#β	Registered capital of HK\$1 each	PRC	33.3	33.3	33.3	Property development
Shanghai Zhendong Real Estate Company Limited#β	Registered capital of RMB1 each	PRC	50	50	50	Property development
Tianjin Jinnan New Town Property Development Company Limited ("Tianjin Jinnan")#β (i)	Registered capital of RMB1 each	PRC	(i)	(i)	(i)	Property development
Tianjin He'an Investments Limited ("Tianjin He'an")#β(i)	Registered capital of RMB1 each	PRC	25	25	25	Property development
Shanghai Chengtou Yuecheng Real Estate Company Limited ("Shanghai Chengtou Yuecheng")#β(ii)	Registered capital of RMB1 each	PRC	50	50	50	Property development
Chengdu City Hongyu Real Estate Development Limited#β(iii)	Registered capital of RMB1 each	PRC	50	50	50	Property development
Great Command Investments Limitedβ	Ordinary shares of HK\$1 each	Hong Kong	28.6	28.6	28.6	Investment holding
Total Champ Limitedβ	Ordinary shares of HK\$1 each	Hong Kong	28.6	28.6	28.6	Investment holding

The English names of these companies referred to in these financial statements represent management's best effort to translate the Chinese names of these companies, as no English names have been registered.

β Not audited by Ernst & Young Hong Kong or another member of the Ernst & Young global network.

19. Interests in Jointly-controlled Entities/Balances with Jointly-controlled Entities *(continued)*

Note:

- (i) On 25 August 2010, Beijing Hejing, entered into a shareholders' agreement with three independent third parties (collectively the "4 Parties"), for the development of a property project in Tianjin by setting up a project company, Tianjin Jinnan. Each of the 4 Parties held a 25.00% equity interest in Tianjin Jinnan upon the execution of the shareholders' agreement and Tianjin Jinnan is considered as a jointly-controlled entity held by Beijing Hejing. Further details of the acquisition are included in the Company's announcement dated 25 August 2010.

On 17 September 2010, the 4 Parties entered into an equity transfer agreement with 平安信託有限公司 ("Ping An Trust") to transfer their 98.16% (i.e. 24.54% each) equity interests in Tianjin Jinnan to Ping An Trust for a total cash consideration of RMB3,600,000,000 (i.e. RMB900,000,000 each) and the 98.16% equity interests were then transferred to a trust scheme (the "Ping An Trust Scheme"), set up and managed by Ping An Trust. The sales proceeds paid by the Ping An Trust Scheme was financed by the issuance of 3,600,000,000 units of senior units ("Ping An Senior Units") by Ping An Trust Scheme to certain investors for the total proceeds of RMB3,600,000,000. The sale proceeds of RMB3,600,000,000 received by the 4 Parties were then advanced to Tianjin Jinnan through Tianjin He'an (unilaterally controlled by the 4 Parties with 25.00% each), and the loan receivables from Tianjin Jinnan of RMB3,600,000,000 were then used by Tianjin He'an to subscribe for 3,600,000,000 junior units ("Ping An Junior Units") in the Ping An Trust Scheme pursuant to the requirements set out in a framework agreement entered into by the 4 Parties, Tianjin Jinnan and Ping An Trust in August 2010.

The effective period of the Ping An Trust Scheme is 18 months with a guaranteed return of 13% per annum to the Ping An Trust. At the end of the trust period, the Ping An Trust will be repaid with the subscription money of RMB3,600,000,000 plus a total guaranteed return of RMB702,000,000, and the holders of the Ping An Junior Units will be entitled to the 98.16% equity interest in Tianjin Jinnan. In addition, the 4 Parties granted Ping An Trust with an option to acquire a maximum of 16.00% equity interest in Tianjin Jinnan for a predetermined consideration upon the end of the trust period. This option was revalued on 17 September 2010, 31 December 2010 and 31 December 2011 by CB Richard Ellis Limited, independent qualified valuers. In the opinion of the directors, the fair value of this option is considered not significant.

During the Ping An Trust Scheme period, Tianjin Jinnan continues to be accounted for as a jointly-controlled entity of the Group as Tianjin Jinnan is jointly-controlled by the 4 Parties and Ping An Trust.

Further details of the above transactions are included in the Company's announcement dated 17 September 2010.

- (ii) On 5 November 2010, the Group entered into a share purchase agreement with Guangzhou R&F Properties Co, Ltd. ("Guangzhou R&F") for the acquisition of the entire issued and paid-up share capital of Hines Shanghai New Jiangwan Development Co. Ltd., a company incorporated in the Cayman Islands, and Hines Shanghai New Jiangwan Development Co. Ltd. holds a 70.00% interest in the registered capital of Shanghai Chengtuo Yuecheng, which holds the four parcels of land located in Shanghai and the properties developed and being developed thereon for a consideration of US\$353,500,000. Further details of the acquisition are included in the announcement of the Company dated 5 November 2010.

On 20 January 2011, Shanghai R&F Real Estate Development Co., Ltd. ("Shanghai R&F"), a limited liability company incorporated in the PRC and a wholly-owned subsidiary of Guangzhou R&F, and Shanghai Hejing, as the purchasers, have entered into an equity transfer agreement with Shanghai Chengtuo Cityland (Group) Co., Ltd. ("SCC"), a company incorporated in the PRC, as the seller, pursuant to which Shanghai R&F and Shanghai Hejing have agreed to acquire 30% of the registered capital of Shanghai Chengtuo Yuecheng from SCC. Further details of the acquisition are included in the announcement of the the Company dated 20 January 2011.

- (iii) Details of the joint venture arrangement are included in the Company's announcement dated 10 November 2010.

This company is also known as Chengdu Premium Property Development Company Limited in the Company's announcement dated 4 November 2011.

The above investments in jointly-controlled entities are indirectly held by the Company through wholly-owned subsidiaries, except for Shanghai Chengtuo Yuecheng, which is a subsidiary of a directly held jointly-controlled entity.

The above table lists the jointly-controlled entities of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other jointly-controlled entities would, in the opinion of the directors, result in particulars of excessive length.

19. Interests in Jointly-controlled Entities/Balances with Jointly-controlled Entities *(continued)*

The following table illustrates the summarised financial information of the Group's jointly-controlled entities:

	2011 RMB'000	2010 RMB'000
Share of the jointly-controlled entities' assets and liabilities:		
Non-current assets	939,464	957,347
Current assets	9,373,343	6,121,298
Current liabilities	(2,849,566)	(2,092,508)
Non-current liabilities	(2,629,517)	(1,235,352)
Net assets	4,833,724	3,750,785
Share of the jointly-controlled entities' results:		
Revenue	4,604	51,703
Other income	1,680	4,759
Total expenses	6,284	56,462
Tax	(21,644)	(37,012)
Profit/(loss) after tax	3,048	(7,965)
	(12,312)	11,485

20. Properties Under Development

	2011 RMB'000	Group 2010 RMB'000
Properties under development expected to be recovered:		
Within one year	15,379,943	11,940,440
After more than one year	2,553,776	1,789,587
	17,933,719	13,730,027

The Group's properties under development were located in the PRC.

During the year ended 31 December 2011, certain of the Group's properties under development with carrying value of approximately RMB478,444,000 (2010: Nil) (note 15) were transferred to investment properties.

Certain of the Group's properties under development with an aggregate carrying amount of approximately RMB5,568,201,000 (2010: approximately RMB6,123,124,000) were pledged to secure general banking facilities granted to the Group (note 38(a)).

Included in the Group's properties under development as at 31 December 2011 were land costs with an aggregate net carrying amount of approximately RMB1,631,965,000 (2010: approximately RMB778,662,000) in which the Group is in the process of obtaining land use right certificates from the relevant government authorities. The Group has not fully settled the purchase consideration in accordance with the terms of the relevant land use rights grant contracts. The directors of the Company consider that the relevant land use right certificates will be obtained upon the full payment of the purchase consideration.

Further particulars of the Group's major properties under development are set out on page 131 of the annual report.

21. Completed Properties Held for Sale

The Group's completed properties held for sale are located in the PRC. All completed properties held for sale are stated at cost.

At 31 December 2011, certain of the Group's completed properties held for sale with an aggregate carrying amount of approximately RMB152,961,000 (2010: approximately RMB335,763,000) were pledged to secure general banking facilities granted to the Group (note 38(a)).

Further particulars of the Group's major completed properties held for sale are set out on page 131 of the annual report.

22. Trade Receivables

Trade receivables mainly consist of receivables from the sale of properties, rentals under operating leases and provision of property management services. The payment terms of the sale of properties are stipulated in the relevant sale and purchase agreements. An ageing analysis of the trade receivables as at the end of the reporting period is as follows:

	Group	
	2011 RMB'000	2010 RMB'000
Within 3 months	47,949	31,035
4 to 6 months	2,490	3,135
7 to 12 months	2,540	4,952
Over 1 year	7,793	8,565
	60,772	47,687

An ageing analysis of the trade receivables that are not considered to be impaired is as follows:

	Group	
	2011 RMB'000	2010 RMB'000
Neither past due nor impaired	50,439	34,170
1 to 6 months past due	10,333	13,517
	60,772	47,687

The Group's trade receivables relate to a large number of diversified customers. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there was no recent history of default and the balances are still considered fully recoverable.

23. Prepayments, Deposits and Other Receivables

	Group		Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Prepayments	319,405	497,469	27,232	10,128
Deposits and other receivables	1,255,278	1,181,968	75,735	66,210
	1,574,683	1,679,437	102,967	76,338

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

24. Taxes Recoverable/Taxes Payable

(a) Taxes recoverable

	Group	
	2011 RMB'000	2010 RMB'000
Prepaid CIT	42,350	17,265
Prepaid LAT	72,398	42,185
	114,748	59,450

(b) Taxes payable

	Group	
	2011 RMB'000	2010 RMB'000
CIT payable	947,599	609,848
LAT payable	2,342,995	1,608,123
	3,290,594	2,217,971

25. Cash and Cash Equivalents and Restricted Cash

	Notes	Group		Company	
		2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Cash and bank balances		2,862,606	3,594,696	279,046	435,801
Time deposits		2,510,583	3,208,905	–	8,593
		5,373,189	6,803,601	279,046	444,394
Less: Restricted cash	(a)	(1,348,580)	(1,527,992)	–	–
Cash and cash equivalents		4,024,609	5,275,609	279,046	444,394
Denominated in RMB	(b)	4,712,981	6,207,741	238,931	–
Denominated in other currencies		660,208	595,860	40,115	444,394
		5,373,189	6,803,601	279,046	444,394

Notes:

- (a) Pursuant to relevant regulations in the PRC, certain property development companies of the Group are required to place a certain amount of pre-sale proceeds received at designated bank accounts as guarantee deposits for the construction of the relevant properties. As at 31 December 2011, such guarantee deposits amounted to approximately RMB1,348,020,000 (2010: approximately RMB1,460,392,000).

At 31 December 2011, certain of the Group's time deposits of RMB560,000 (2010: RMB67,600,000) were pledged to secure general banking facilities granted to the Group (note 38(a)).

- (b) The RMB is not freely convertible into other currencies, however, subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for one day and earn interest at the respective short term time deposit rates.

26. Trade Payables

An ageing analysis of the trade payables as at the end of the reporting period is as follows:

	Group	
	2011 RMB'000	2010 RMB'000
Due within one year or on demand	2,934,780	1,670,898

The trade payables are non-interest-bearing and are normally settled on terms of three to six months.

27. Other Payables and Accruals

	Notes	Group		Company	
		2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Deposits received and receipts in advance		5,369,300	6,686,400	–	–
Other payables and accruals	(a)	2,250,199	1,905,837	144,324	78,960
Deferred income	(b)	64,709	153,025	–	–
		7,684,208	8,745,262	144,324	78,960

- (a) As at 31 December 2011, other payables included the financial obligations of RMB650,000,000 and RMB900,000,000 and the related interest payables arising from the trust financing arrangements related to New China Trust and Ping An Trust, of the Group, respectively. Details of the trust financing arrangements are set out in notes 18(ii) and 19(i) to the financial statements.

As at 31 December 2010, other payables included the financial obligations of RMB330,000,000 and RMB953,500,000 and the related interest payables arising from the trust financing arrangements related to CITIC Trust and CCB Trust, of the Group, respectively. Details of the trust financing arrangements are set out in notes 17(i) and 17(iii) to the financial statements.

- (b) The deferred income is related to a government grant of RMB203,700,000 received in 2009 for a project in an economic and technological development zone in Guangzhou, Guangdong Province, the PRC. During the year, approximately RMB88,316,000 (2010: approximately RMB50,675,000) had been credited to the cost of sales.

Other payables are non-interest-bearing and are normally settled on terms of three to six months.

28. Interest-bearing Bank and Other Borrowings

	Group					
	2011			2010		
	Contractual interest rate (%)	Maturity	RMB'000	Contractual interest rate (%)	Maturity	RMB'000
Current						
Bank loans						
– secured	5.60–8.31	2012	1,988,035	5.40–5.85	2011	382,194
– denominated in US\$, secured	–	–	–	LIBOR+3.20	2011	595,646
– unsecured	5.60–6.65	2012	70,000	–	–	–
– denominated in HK\$, unsecured	HIBOR+3.00	2012	242,670	–	–	–
Current portion of long- term bank loans						
– secured	4.86–13.50	2012	412,480	5.13–6.24	2011	606,133
– denominated in HK\$, secured	HIBOR+1.25–	2012	499,465	HIBOR+1.25–		
– unsecured	5.60–5.85	2012	159,386	HIBOR+4.50	2011	264,577
– denominated in HK\$, unsecured	HIBOR+4.60	2012	37,536	5.13–5.60	2011	433,124
			<u>3,409,572</u>	–	–	<u>–</u>
						<u>2,281,674</u>
Non-current						
Bank loans						
– secured	4.86–13.50	2013–2019	5,900,569	4.40–7.15	2012–2019	7,206,116
– denominated in HK\$, secured	HIBOR+1.25	2013–2014	200,285	HIBOR+1.25–		
– unsecured	5.60–7.32	2013–2014	495,750	HIBOR+4.00	2012–2014	734,499
– denominated in HK\$, unsecured	HIBOR+4.60	2014	118,384	5.40–5.60	2012–2013	238,000
Senior notes						
– denominated in US\$, secured (i)	12.50–12.75	2016–2017	<u>3,709,828</u>	12.50	2017	<u>1,618,331</u>
			<u>10,424,816</u>			<u>10,049,956</u>
			13,834,388			12,331,630

28. Interest-bearing Bank and Other Borrowings *(continued)*

	2011			2010		
	Contractual interest rate (%)	Maturity	RMB'000	Contractual interest rate (%)	Maturity	RMB'000
Current						
Bank loans						
– denominated in HK\$, unsecured	HIBOR+3.00	2012	242,670	–	–	–
Current portion of long-term bank loans – denominated in HK\$, unsecured	HIBOR+4.60	2012	37,536	–	–	–
			280,206			–
Non-current						
Bank loans						
– denominated in HK\$, unsecured	HIBOR+4.60	2014	118,384	HIBOR+3.00	2012	253,010
Senior notes – denominated in US\$, secured (i)	12.5–12.75	2016–2017	3,709,828	12.50	2017	1,618,331
			3,828,212			1,871,341
			4,108,418			1,871,341

28. Interest-bearing Bank and Other Borrowings *(continued)*

	Group		Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Analysed into:				
Bank loans repayable:				
Within one year or on demand	3,409,572	2,281,674	280,206	–
In the second year	3,654,750	2,948,962	78,923	253,010
In the third to fifth years, inclusive	2,497,238	4,775,663	39,461	–
Beyond five years	563,000	707,000	–	–
	10,124,560	10,713,299	398,590	253,010
Senior notes repayable:				
In the third to fifth years, inclusive	2,165,091	–	2,165,091	–
Beyond five years	1,544,737	1,618,331	1,544,737	1,618,331
	3,709,828	1,618,331	3,709,828	1,618,331
	13,834,388	12,331,630	4,108,418	1,871,341

Certain of the Group's borrowings are secured by the Group's assets, details of which are disclosed in note 38.

Except for the above mentioned borrowings denominated in HK\$ and US\$, all borrowings were denominated in RMB as at the end of the reporting period.

In the opinion of the directors of the Company, the carrying amounts of the Group's borrowings approximate to their fair values.

Note:

- (i) On 11 August 2010, the Company issued 12.5% senior notes with a nominal value of US\$250,000,000 (equivalent to approximately RMB1,693,123,000). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 18 August 2017. The senior notes carry interest at a rate of 12.5% per annum, which is payable semi-annually in arrears on 18 February and 18 August of each year commencing on 18 February 2011. For further details on the senior notes, please refer to the related announcements of the Company dated 12 August 2010 and 19 August 2010.

On 23 March 2011, the Company issued 12.75% senior notes with a nominal value of US\$350,000,000 (equivalent to approximately RMB2,296,035,000). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 30 March 2016. The senior notes carry interest at a rate of 12.75% per annum, which is payable semi-annually in arrears on 30 March and 30 September of each year commencing on 30 September 2011. For further details on the senior notes, please refer to the related announcements of the Company dated 23 March 2011, 24 March 2011 and 30 March 2011.

29. Deferred Tax

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

Group

	2011				
	Depreciation allowance in excess of related depreciation RMB'000	Fair value adjustments arising from acquisition of a subsidiary RMB'000	Revaluation of investment properties RMB'000	Withholding taxes RMB'000	Total RMB'000
At 1 January 2011	24,447	38,214	615,912	56,753	735,326
Deferred tax charged to the income statement during the year (note 10)	5,883	–	77,973	82,967	166,823
Gross deferred tax liabilities at 31 December 2011	30,330	38,214	693,885	139,720	902,149

Deferred tax assets

Group

	2011					
	Depreciation in excess of related depreciation allowance RMB'000	Provision of LAT RMB'000	Losses available for offsetting against future taxable profits RMB'000	Accruals RMB'000	Government grant RMB'000	Total RMB'000
At 1 January 2011	1,014	472,630	4,556	153,262	38,256	669,718
Deferred tax credited/(charged) to the income statement during the year (note 10)	645	248,567	13,572	102,163	(22,079)	342,868
Transfer	–	–	4,479	–	–	4,479
Gross deferred tax assets at 31 December 2011	1,659	721,197	22,607	255,425	16,177	1,017,065
Net deferred tax recognised at 31 December 2011						114,916

29. Deferred Tax *(continued)*

Deferred tax liabilities

Group

	2010					Total RMB'000
	Depreciation allowance in excess of related depreciation RMB'000	Fair value adjustments arising from acquisition of a subsidiary RMB'000	Revaluation of investment properties RMB'000	Withholding taxes RMB'000		
At 1 January 2010	17,491	38,214	625,764	–		681,469
Deferred tax charged/(credited) to the income statement during the year (note 10)	6,956	–	(9,852)	56,753		53,857
Gross deferred tax liabilities at 31 December 2010	24,447	38,214	615,912	56,753		735,326

Deferred tax assets

Group

	2010					Total RMB'000
	Depreciation in excess of related depreciation allowance RMB'000	Provision of LAT RMB'000	Losses available for offsetting against future taxable profits RMB'000	Accruals RMB'000	Government grant RMB'000	
At 1 January 2010	567	299,092	23,956	80,466	50,925	455,006
Deferred tax credited/(charged) to the income statement during the year (note 10)	447	173,538	(19,400)	72,796	(12,669)	214,712
Gross deferred tax assets at 31 December 2010	1,014	472,630	4,556	153,262	38,256	669,718
Net deferred tax recognised at 31 December 2010						(65,608)

29. Deferred Tax *(continued)*

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

	Group	
	2011 RMB'000	2010 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	881,880	603,560
Net deferred tax liabilities recognised in the consolidated statement of financial position	(766,964)	(669,168)
	114,916	(65,608)

The Group has unutilised tax losses of approximately RMB144,064,000 (2010: approximately RMB35,351,000) that can be carried forward for five years for offsetting against future taxable profits of the entities in which the losses arose. Deferred tax assets have not been recognised in respect of the tax losses amounting to approximately RMB53,636,000 (2010: approximately RMB17,127,000) as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that future taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. As at 31 December 2011, unremitted earnings that are subjected to withholding taxes of the Group's subsidiaries established in PRC of approximately RMB933,334,000 (2010: approximately RMB933,334,000) have not been recognised for withholding taxes.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

30. Deferred Revenue

The Group entered into an agreement with the vendor (the "Vendor A") on 17 September 2009, pursuant to which the Group should pay a cash consideration of RMB100,000,000, and transfer certain apartments and the Group's entire equity interest in a new company to be established by the Group under the laws of the PRC, which will hold certain properties to be built by the Group on a portion of the land of Guangzhou Lihe (collectively, the "Transfer Properties A") of RMB700,000,000 to the Vendor A, in exchange for the entire equity interest in Guangzhou Lihe. The exchange of the Transfer Properties A is accounted for as a transaction which generates revenue. As at 31 December 2011, the Transfer Properties A were still under construction and had not been transferred to the Vendor A. Accordingly, the above revenue is deferred and will be recognised upon the delivery of the Transfer Properties A.

The Group entered into another agreement with another vendor (the "Vendor B") on 7 July 2011, pursuant to which the Group should pay a cash consideration of RMB43,400,000, and transfer certain apartments and car parking spaces (collectively, the "Transfer Properties B") of RMB11,000,000 to Vendor B, in exchange for the 10% equity interest in Shanghai Deyu. The exchange of the Transfer Properties B is accounted for as a transaction which generates revenue. As at 31 December 2011, the Transfer Properties B were still under construction and had not been transferred to Vendor B. Accordingly, the above revenue is deferred and will be recognised upon the delivery of the Transfer Properties B.

31. Other Non-current Liabilities

As at 31 December 2010, financial obligations arising from the trust financing arrangements related to New China Trust Scheme and Ping An Trust Scheme of RMB650,000,000 and RMB900,000,000 and the related interest payables, respectively, were recorded in other non-current liabilities of the Group. Details of the trust financing arrangements are set out in notes 18(ii) and 19(i) to the financial statements.

32. Share Capital

Shares

	2011 RMB'000	2010 RMB'000
Authorised: 8,000,000,000 (2010: 8,000,000,000) ordinary shares of HK\$0.10 each	786,113	786,113
Issued and fully paid: 2,893,150,000 (2010: 2,893,150,000) ordinary shares of HK\$0.10 each	280,485	280,485

During the year ended 31 December 2009, the Company repurchased an aggregate of 600,000 ordinary shares at approximately HK\$3,454,000 (equivalent to approximately RMB3,041,000) on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the aggregate consideration paid (including transaction costs) was approximately HK\$3,458,000 (equivalent to approximately RMB3,045,000). The repurchased shares were cancelled on 8 January 2010.

A summary of the transactions in the Company's issued share capital is as follows:

	Number of ordinary shares	Nominal value of ordinary shares HK\$'000	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
At 1 January 2010	2,893,750,000	289,375	280,538	6,618,712	6,899,250
Cancellation of shares	(600,000)	(60)	(53)	(2,988)	(3,041)
At 31 December 2010, 1 January 2011 and 31 December 2011	2,893,150,000	289,315	280,485	6,615,724	6,896,209

33. Share Option Scheme

Pursuant to a written resolution of the shareholders of the Company on 11 June 2007, the Scheme was conditionally approved. On 3 July 2007, the aforesaid approval of the Scheme became unconditional and effective as the Company's shares were listed on the Stock Exchange. The Scheme is for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Group's directors, including independent non-executive directors, any full-time or part-time employees of the Group, suppliers, customers, advisers, consultants and agents to the Group. Upon becoming effective, the Scheme will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme must not in aggregate exceed 10% of the shares of the Company in issue immediately following completion of the global offering and the capitalisation issue of the Company's shares in 2007. Notwithstanding the foregoing, the shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme at any time shall not exceed 30% of the shares in issue from time to time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK\$5 million or such other sum as may be from time to time provided under the Listing Rules, within any 12-month period, are subject to the issue of a circular by the Company and the shareholders' approval in advance in a general meeting.

An option may be exercised in accordance with the terms of the Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the board of directors of the Company in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted.

The exercise price of share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; and (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of a share of the Company.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

On 18 December 2009, 30 March 2010 and 26 August 2011, the Company granted 8,457,000, 8,000,000 and 7,351,000 share options, respectively, to the grantees, including the board of directors of the Company and certain employees of the Group. Total of 10,689,000 share options were forfeited during the year and subsequently cancelled and none of the share options were exercised by the grantees as at the date of approval of these financial statements. All the share options granted on 30 March 2010 were forfeited during the year and had been subsequently cancelled as at 31 December 2011.

The exercise prices of the outstanding share options granted on 18 December 2009 and 26 August 2011 were HK\$6.24 and HK\$4.49 per share, respectively.

The closing prices of the Company's shares on 18 December 2009 and 26 August 2011, the dates of grant, were HK\$6.23 and HK\$4.45 per share, respectively.

33. Share Option Scheme *(continued)*

The share options granted to the executive directors of the Company and employees of the Company and its subsidiaries are exercisable during the following periods:

Share options granted on 18 December 2009

- (i) up to 25% of the share options granted to each grantee at any time after the expiration of 12 months from 18 December 2009;
- (ii) up to 25% of the share options granted to each grantee at any time after the expiration of 24 months from 18 December 2009;
- (iii) up to 25% of the share options granted to each grantee at any time after the expiration of 36 months from 18 December 2009;
- (iv) all the remaining share options granted to each grantee at any time after the expiration of 48 months from 18 December 2009;

and in each case, not later than 17 December 2014.

The share options granted to the independent non-executive directors of the Company are exercisable at any time prior to 17 December 2014.

Share options granted on 26 August 2011

- (i) up to 25% of the share options granted to each grantee at any time after the expiration of 12 months from 26 August 2011;
- (ii) up to 25% of the share options granted to each grantee at any time after the expiration of 24 months from 26 August 2011;
- (iii) up to 25% of the share options granted to each grantee at any time after the expiration of 36 months from 26 August 2011;
- (iv) all the remaining share options granted to each grantee at any time after the expiration of 48 months from 26 August 2011;

and in each case, not later than 25 August 2016.

The share options granted to the independent non-executive directors of the Company are exercisable at any time prior to 25 August 2016.

HK\$1.00 is payable for acceptance of grant of share options by each grantee.

The fair value of the share options granted during the year ended 31 December 2011 determined at the date of grant using the Models was approximately RMB6,696,000 (2010: approximately RMB20,094,000). The Group recognised a share option expense of approximately RMB1,347,000 (2010: approximately RMB19,463,000) during the year ended 31 December 2011.

33. Share Option Scheme *(continued)*

Share options granted on 26 August 2011 *(continued)*

The following inputs were used to calculate the fair values of the share options granted:

	Options granted on 26 August 2011	Options granted on 18 December 2009
Grant date share price	HK\$4.32	HK\$6.23
Exercise price	HK\$4.49	HK\$6.24
Expected life	5 years	5 years
Expected volatility	66%	63%–69%
Expected dividend yield (%)	3.11%	1.48%
Risk-free interest rate (%)	0.79%	0.72%–1.21%

The Models have been used to estimate the fair value of the share options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the share options.

At each reporting date, the Group revises its estimates of the number of share options that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in the income statement, with a corresponding adjustment to the equity-settled share option reserve.

The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 13,119,000 additional ordinary shares of the Company and additional share capital of approximately HK\$1,312,000 (equivalent to approximately RMB1,064,000) and share premium of approximately HK\$67,867,000 (equivalent to approximately RMB55,020,000) (before issue expenses).

At the date of approval of these financial statements, the Company had 13,119,000 share options outstanding under the Scheme, which represented approximately 0.45% of the Company's shares in issue at that date.

34. Reserves

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

Pursuant to the relevant laws and regulations in the PRC, the Company's subsidiaries which are registered in the PRC shall appropriate a certain percentage of profit for the year (after offsetting any prior years' losses) calculated under the accounting principles generally applicable to the PRC enterprises to reserve funds which are restricted as to use. During the year ended 31 December 2011, the Group appropriated approximately RMB184,370,000 (2010: approximately RMB132,848,000) to these reserve funds in accordance with the relevant laws and regulations in the PRC.

(b) Company

	Note	Share premium account RMB'000	Contributed surplus RMB'000	Exchange fluctuation reserve RMB'000	Equity- settled share option reserve RMB'000	Retained profits RMB'000	Total RMB'000
Balance at 1 January 2010		6,618,712	308,006	(561,332)	1,194	168,489	6,535,069
Cancellation of shares		(2,988)	-	-	-	-	(2,988)
Share option expense		-	-	-	19,463	-	19,463
Profit for the year		-	-	-	-	260,269	260,269
Exchange realignment		-	-	(206,997)	-	-	(206,997)
Proposed final 2010 dividend	12	-	-	-	-	(318,247)	(318,247)
At 31 December 2010 and 1 January 2011		6,615,724	308,006	(768,329)	20,657	110,511	6,286,569
Share option expense		-	-	-	1,347	-	1,347
Profit for the year		-	-	-	-	631,696	631,696
Exchange realignment		-	-	(227,008)	-	-	(227,008)
Proposed final 2011 dividend	12	-	-	-	-	(636,493)	(636,493)
At 31 December 2011		6,615,724	308,006	(995,337)	22,004	105,714	6,056,111

The Company's contributed surplus represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the reorganisation of the Group in preparation for the listing of the Company, over the nominal value of the Company's shares in exchange therefor.

The equity-settled share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payment transactions in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

35. Investments in Jointly-Controlled Operations

The Group has entered into three (2010: three) joint venture arrangements in the form of jointly-controlled operations with certain parties, to jointly undertake three (2010: three) property development projects located in Guangzhou Guangdong Province, the PRC. As at 31 December 2011, the aggregate amounts of assets and liabilities recognised in respect of these jointly-controlled operations were as follows:

	Group	
	2011	2010
	RMB'000	RMB'000
Assets	1,256,700	1,090,038
Liabilities	(102,855)	(115,092)

36. Notes to the Consolidated Statement of Cash Flows

(a) Acquisition of subsidiaries

During the year ended 31 December 2011, the Group acquired a 100% equity interest in Shanghai Jinyi through a 90% owned subsidiary. Shanghai Jinyi is principally engaged in property development. The purchase consideration for the acquisition was approximately RMB66,148,000, which was fully paid on the acquisition date.

The fair values of the identifiable assets and liabilities of Shanghai Jinyi as at the date of acquisition were as follows:

	2011
	RMB'000
Cash and bank balances	3,498
Properties under development	257,650
Other payables and accruals	(195,000)
	66,148
Satisfied by:	
Cash	66,148

During the year ended 31 December 2010, the Group acquired a 100% equity interest in Guangzhou Hengjian, a company registered in the PRC. Guangzhou Hengjian is engaged in the construction of properties. The purchase consideration for the acquisition was RMB45,556,000, which was fully paid on the acquisition date. The transaction was accounted for as a business combination.

36. Notes to the Consolidated Statement of Cash Flows *(continued)*

(a) Acquisition of subsidiaries *(continued)*

The fair values of identifiable assets and liabilities of Guangzhou Hengjian as at the date of acquisition were as follows:

	2010 RMB'000
Net assets acquired:	
Prepayments, deposits and other receivables	9,433
Cash and bank balances	45,301
Other payables	(9,178)
	45,556
Satisfied by:	
Cash	45,556

The analysis of the net cash outflow of cash and cash equivalents in respect of the acquisition of subsidiaries is as follows:

	2011 RMB'000	2010 RMB'000
Cash consideration	66,148	45,556
Cash and bank balances acquired	(3,498)	(45,301)
Net cash outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	62,650	255

(b) Acquisition of additional interests in Shanghai Deyu and Guangzhou Liangyu

During the year ended 31 December 2011, the Group acquired an additional 10% equity interest in Shanghai Deyu, increasing its ownership to 100%. A cash consideration of RMB43.4 million was paid to the then shareholder. The carrying amount of the non-controlling interest acquired was approximately RMB10.0 million. The difference of approximately RMB33.4 million between the consideration paid and the carrying amount of the non-controlling interest acquired was recognised in the capital reserve within equity.

During the year ended 31 December 2010, the Group acquired an additional 5.5% equity interest of Guangzhou Liangyu, increasing its ownership to 100%. A cash consideration of RMB30.0 million was paid to the then shareholder. The carrying amount of the non-controlling interest acquired was approximately RMB3.6 million. The difference of approximately RMB26.4 million between the consideration paid and the carrying amount of the interest acquired was recognised in the capital reserve within equity.

37. Contingent Liabilities

At the end of the reporting period, contingent liabilities of the Group not provided for in the financial statements were as follows:

	Notes	Group	
		2011 RMB'000	2010 RMB'000
Guarantees given to banks in connection with mortgage granted to certain purchasers of the Group's properties	(a)	6,642,562	6,160,559
Guarantee given to a bank in connection with a bank loan granted to an associate		–	160,000
Guarantee given to a bank in connection with bank loans granted to jointly-controlled entities		2,610,915	299,970
Guarantee given to a third party in connection with a payable of a jointly-controlled entity		–	900,000
Guarantee given to a bank in connection with a bank loan granted to the Vendor A	(b)	700,000	700,000
		9,953,477	8,220,529

Notes:

- (a) As at 31 December 2011 and 2010, the Group provided guarantees to certain banks in respect of mortgage granted by banks relating to the mortgage loans arranged for purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principal together with the accrued interest and penalty owed by the defaulting purchasers to the banks and the Group is entitled but not limited to take over the legal titles and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon issuance of real estate ownership certificates which will generally be available within one to two years after the purchasers take possession of the relevant properties.

The fair value of the guarantees is not significant and the board of directors of the Company considers that in case of default in payments, the net realisable value of the related properties will be sufficient to cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the financial statements for the years ended 31 December 2011 and 2010 for the guarantees.

- (b) Prior to entering into the agreement in respect of the transfer of the equity interest of Guangzhou Lihe, the Vendor A had obtained a bank loan in the amount of RMB700,000,000. The land use right of Guangzhou Lihe had been pledged to the bank for this bank facility. The Group has agreed to provide a guarantee in favour of the bank to secure this bank loan so as to procure the discharge of the pledge of the land use right held by Guangzhou Lihe.

Pursuant to the aforementioned agreement, (i) the Group is not obligated to transfer the properties to the Vendor A in the event that the Vendor A fails to deliver the land use right certificates of Guangzhou Lihe upon the discharge of the pledge of Guangzhou Lihe's land; and (ii) the Group is entitled to deduct from the balance of the consideration of RMB700,000,000 on a dollar-to-dollar basis any loss or damage suffered by it as a result of the Vendor A's failure or inability to repay the bank loan for more than three months. In such an event, the shareholding of the new company to be transferred or the gross floor area of the apartments to be built on Guangzhou Lihe's land will be adjusted downward accordingly. Based on these agreed terms, the board of directors of the Company considers that the chance of the Group suffering loss is minimal and therefore no provision has been made in the financial statements for the years ended 31 December 2011 and 2010 for the guarantee.

As at 31 December 2011, the Company had contingent liabilities not provided for in the financial statements in respect of guarantees given to certain banks for loans granted to subsidiaries amounting to approximately RMB4,281,640,000 (2010: approximately RMB4,438,295,000).

As at 31 December 2010, the Company also had contingent liabilities not provided for in the financial statements in respect of guarantees given to certain banks for loans granted to an associate amounted to approximately RMB160,000,000.

38. Pledge of Assets

- (a) At the end of the reporting period, the following assets of the Group were pledged to certain banks to secure general banking facilities granted to the Group:

	Notes	Group	
		2011 RMB'000	2010 RMB'000
Buildings	14	42,641	370,673
Assets under construction	14	189,499	415,639
Investment properties	15	3,178,418	2,871,337
Land use rights	16	282,449	182,406
Properties under development	20	5,568,201	6,123,124
Completed properties held for sale	21	152,961	335,763
Time deposits	25	560	67,600
		9,414,729	10,366,542

- (b) As at 31 December 2011 and 2010, the equity interests of certain subsidiaries and an associate of the Group were pledged to certain banks for the loans granted to the Group.
- (c) As at 31 December 2011 and 2010, the senior notes were jointly and severally guaranteed by certain subsidiaries of the Group and were secured by the pledges of their equity interests.

39. Operating Lease Arrangements

(a) **As lessor**

The Group leases its investment properties (note 15) under operating lease arrangements, with leases negotiated for terms ranging from 1 to 10 years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 December 2011, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2011 RMB'000	2010 RMB'000
Within one year	127,229	124,054
In the second to fifth years, inclusive	166,514	223,644
After five years	42,817	63,883
	336,560	411,581

39. Operating Lease Arrangements *(continued)*

(b) As lessee

The Group and the Company lease certain of their office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from 1 to 5 years.

At 31 December 2011, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Within one year	13,843	5,277	2,447	2,568
In the second to fifth years, inclusive	16,714	5,791	1,992	4,659
	30,557	11,068	4,439	7,227

40. Commitments

In addition to the operating lease commitments detailed in note 39(b) above, the Group had the following capital commitments at the end of the reporting period:

	Group	
	2011 RMB'000	2010 RMB'000
Contracted, but not provided for:		
Property, plant and equipment – Assets under construction	869,658	507,343
Properties being developed by the Group for sale	2,988,798	1,722,853
	3,858,456	2,230,196
Authorised but not contracted for:		
Capital contributions payable to jointly-controlled entities	33,516	487,659

The Company did not have any significant capital commitment at the end of the reporting period.

41. Related Party Transactions

(a) Outstanding balances with related parties:

Details of the Group's balances with its associates and jointly-controlled entities are included in notes 18 and 19 to the financial statements, respectively.

(b) Other transactions with related parties

Details of guarantees given by the Group and the Company to banks in connection with bank loans granted to an associate and jointly-controlled entities and a payable of a jointly-controlled entity are included in note 37 to the financial statements.

(c) Compensation of key management personnel of the Group:

	2011 RMB'000	2010 RMB'000
Short term employee benefits	29,447	26,201
Equity-settled share option expense	2,215	6,569
Post-employment benefits	1,179	850
Total compensation paid to key management personnel	32,841	33,620

Further details of directors' emoluments are included in note 8 to the financial statements.

42. Financial Instruments by Category

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets – Loans and receivables

	Group	
	2011 RMB'000	2010 RMB'000
Trade receivables (note 22)	60,772	47,687
Financial assets included in prepayments, deposits and other receivables (note 23)	1,255,278	1,181,968
Advances to associates (note 18)	569,657	580,632
Advances to jointly-controlled entities (note 19)	1,675,218	1,684,129
Due from a jointly-controlled entity (note 19)	43,713	46,155
Restricted cash (note 25)	1,348,580	1,527,992
Cash and cash equivalents (note 25)	4,024,609	5,275,609
	8,977,827	10,344,172

42. Financial Instruments by Category *(continued)*

Financial liabilities – Financial liabilities at amortised cost

	Group	
	2011 RMB'000	2010 RMB'000
Trade payables (note 26)	2,934,780	1,670,898
Financial liabilities included in other payables and accruals (note 27)	2,250,199	1,905,837
Due to associates (note 18)	1,081,720	442,382
Due to jointly-controlled entities (note 19)	589,631	73,454
Interest-bearing bank and other borrowings (note 28)	13,834,388	12,331,630
Other non-current liabilities (note 31)	–	1,589,295
	20,690,718	18,013,496

Financial assets – Loans and receivables

	Company	
	2011 RMB'000	2010 RMB'000
Due from subsidiaries (note 17)	7,668,616	6,415,161
Advances to associates (note 18)	271,130	1,888
Advances to jointly-controlled entities (note 19)	358,558	412,810
Financial assets included in prepayments, deposits and other receivables (note 23)	75,735	66,210
Due from a subsidiary (note 17)	800,000	–
Cash and cash equivalents (note 25)	279,046	444,394
	9,453,085	7,340,463

Financial liabilities – Financial liabilities at amortised cost

	Company	
	2011 RMB'000	2010 RMB'000
Financial liabilities included in other payables and accruals (note 27)	144,324	78,960
Due to jointly-controlled entities (note 19)	–	73,454
Interest-bearing bank and other borrowings (note 28)	4,108,418	1,871,341
	4,252,742	2,023,755

43. Financial Risk Management Objectives and Policies

The financial assets of the Group mainly include cash and cash equivalents, restricted cash, trade receivables, deposits and other receivables, and advances to/amounts due from associates and jointly-controlled entities. The financial liabilities of the Group mainly include trade payables, other payables and accruals, bank and other borrowings and amounts due to associates and jointly-controlled entities.

The carrying amounts of the Group's financial instruments approximated to their fair values as at the end of each reporting period. Fair value estimates are made at a specific point in time and based on relevant market information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgement, and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The main risks arising from the Group's financial instruments are business risk, interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group does not have any written risk management policies and guidelines. Generally, the Group introduces conservative strategies on its risk management. As the Group's exposure to these risks is kept to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The board of directors of the Company reviews and agrees policies for managing each of these risks and they are summarised below:

Business risk

The Group conducts its operations in the PRC, and accordingly, it is subject to special considerations and significant risks. These include risks associated with, among others, the political, economic and legal environment, the influence of national authorities over pricing and the financing regulations in the property development industry.

Interest rate risk

The Group has no significant interest-bearing assets. The Group's exposure to changes in market interest rates relates primarily to the Group's bank loans with floating interest rates. The Group has not used any interest rate swaps to hedge its cash flow interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) and the Group's equity.

	Increase/ (decrease) in basis points	Group Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity* RMB'000
2011			
RMB	200	(162,059)	-
Hong Kong dollar	200	(10,838)	-
RMB	(200)	162,059	-
Hong Kong dollar	(200)	10,838	-

43. Financial Risk Management Objectives and Policies *(continued)*

Interest rate risk *(continued)*

	Increase/ (decrease) in basis points	Group Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity* RMB'000
2010			
RMB	200	(159,108)	–
Hong Kong dollar	200	(22,756)	–
United States dollar	200	(8,009)	–
RMB	(200)	159,108	–
Hong Kong dollar	(200)	22,756	–
United States dollar	(200)	8,009	–

* Excluding retained profits

Foreign currency risk

The Group's businesses are located in the PRC and the transactions are mainly conducted in RMB. Most of the Group's assets and liabilities are denominated in RMB except for certain bank loans and bank balances denominated in Hong Kong dollars and senior notes denominated in United States dollars. The Group has not hedged its foreign exchange rate risk.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the United States dollar and Hong Kong dollar exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in HK\$ rate %	Group Increase/ (decrease) in US\$ rate %	Increase/ (decrease) in profit before tax RMB'000
2011			
If RMB weakens against Hong Kong dollar	(5)	N/A	(24,155)
If RMB strengthens against Hong Kong dollar	5	N/A	24,155
If RMB weakens against United States dollar	N/A	(5)	(183,243)
If RMB strengthens against United States dollar	N/A	5	183,243

43. Financial Risk Management Objectives and Policies *(continued)*

Foreign currency risk *(continued)*

	Increase/ (decrease) in HK\$ rate %	Group Increase/ (decrease) in US\$ rate %	Increase/(decrease) in profit before tax RMB'000
2010			
If RMB weakens against Hong Kong dollar	(5)	N/A	(33,257)
If RMB strengthens against Hong Kong dollar	5	N/A	33,257
If RMB weakens against United States dollar	N/A	(5)	(110,253)
If RMB strengthens against United States dollar	N/A	5	110,253

Credit risk

The Group has no concentration of credit risk. The Group's cash and cash equivalents are mainly deposits with state-owned banks in the PRC and high-credit rating banks in Hong Kong.

The carrying amounts of trade and other receivables and cash and cash equivalents included in the consolidated statement of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets. The Group has no other financial assets which carry significant exposure to credit risk.

The Group has arranged bank financing for certain purchasers of property units and provided guarantees to secure the obligations of these purchasers for repayments. Detailed disclosure of these guarantees is made in note 37.

Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalents through the sales proceeds generating from the sale of the properties and having available funding through an adequate amount of credit facilities to meet the Group's construction commitments. The board of directors of the Company expects that the Group's net cash flows from operating activities and additional bank loans will be available to finance the Group's existing and future property development projects. The Group has a number of alternative plans to mitigate the potential impacts on the Group's working capital should there be any significant adverse changes in the economic environment. The directors consider that the Group will be able to maintain sufficient financial resources to meet its operation needs.

43. Financial Risk Management Objectives and Policies *(continued)*

Liquidity risk *(continued)*

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

Group

	2011					Total RMB'000
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	
Interest-bearing bank and other borrowings	364,791	889,889	3,220,200	10,603,162	2,282,407	17,360,449
Trade payables	2,934,780	-	-	-	-	2,934,780
Other payables and accruals	668,671	900,000	681,528	-	-	2,250,199
Due to associates	1,081,720	-	-	-	-	1,081,720
Due to jointly-controlled entities	589,631	-	-	-	-	589,631
Guarantees given to banks in connection with mortgage granted to certain purchasers of the Group's properties	6,642,562	-	-	-	-	6,642,562
Guarantee given to a bank in connection with bank loans granted to jointly-controlled entities	2,610,915	-	-	-	-	2,610,915
Guarantee given to a bank in connection with a bank loan granted to the Vendor A	700,000	-	-	-	-	700,000
	15,593,070	1,789,889	3,901,728	10,603,162	2,282,407	34,170,256

43. Financial Risk Management Objectives and Policies *(continued)*

Liquidity risk *(continued)*

Group *(continued)*

	On demand RMB'000	Less than 3 months RMB'000	2010 3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	–	982,454	2,035,902	9,308,369	2,753,334	15,080,059
Trade payables	1,670,898	–	–	–	–	1,670,898
Other payables and accruals	652,337	–	1,253,500	–	–	1,905,837
Due to associates	442,382	–	–	–	–	442,382
Due to a jointly-controlled entity	73,454	–	–	–	–	73,454
Other non-current liabilities	–	–	–	1,589,295	–	1,589,295
Guarantees given to banks in connection with mortgage granted to certain purchasers of the Group's properties	6,160,559	–	–	–	–	6,160,559
Guarantee given to a bank in connection with a bank loan granted to an associate	160,000	–	–	–	–	160,000
Guarantee given to a bank in connection with a bank loan granted to a jointly-controlled entity	299,970	–	–	–	–	299,970
Guarantee given to a third party in connection with a payable of a jointly-controlled entity	900,000	–	–	–	–	900,000
Guarantee given to a bank in connection with a bank loan granted to the Vendor A	700,000	–	–	–	–	700,000
	11,059,600	982,454	3,289,402	10,897,664	2,753,334	28,982,454

43. Financial Risk Management Objectives and Policies *(continued)*

Liquidity risk *(continued)*

Company

	2011					Total RMB'000
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	
Interest-bearing bank and other borrowings	–	125,815	650,269	4,029,485	1,672,089	6,477,658
Other payables and accruals	144,324	–	–	–	–	144,324
Guarantees given to banks in connection with bank loans granted to subsidiaries	4,281,640	–	–	–	–	4,281,640
	4,425,964	125,815	650,269	4,029,485	1,672,089	10,903,622

	2010					Total RMB'000
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	
Interest-bearing bank and other borrowings	–	54,564	163,842	1,101,185	1,965,333	3,284,924
Other payables and accruals	78,960	–	–	–	–	78,960
Due to a jointly-controlled entity	73,454	–	–	–	–	73,454
Guarantees given to banks in connection with bank loans granted to subsidiaries	4,438,295	–	–	–	–	4,438,295
Guarantees given to a bank in connection with a bank loan and a payable granted to an associate	1,060,000	–	–	–	–	1,060,000
	5,650,709	54,564	163,842	1,101,185	1,965,333	8,935,633

43. Financial Risk Management Objectives and Policies *(continued)*

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2011 and 2010.

The Group monitors capital using a gearing ratio, which is the net borrowings (total bank and other borrowings net of cash and cash equivalents and restricted cash) divided by total equity. The Group's policy is to maintain a stable gearing ratio. Capital includes share capital and reserves attributable to the owners of the parent. The gearing ratios as at the end of the reporting periods were as follows:

	Group	
	2011	2010
	RMB'000	RMB'000
Net borrowings	8,461,199	5,528,029
Total equity	13,693,018	11,594,272
Gearing ratio	61.8%	47.7%

44. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 28 February 2012.

Project at a glance

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Property	The Group's interest (%)	Location	Site area attributable to the Group's interest ('000 sq.m.)	Total GFA attributable to the Group's interest ('000 sq.m.)	Usage	Expected date of completion
Major completed properties held for sale						
The Summit	100	Zengcheng, Guangzhou	123	158	Residential and villas	N/A
International Creative Valley	100	Luogang Development Zone, Guangzhou	150	334	Office, serviced apartments and retail	N/A
Chengdu Cosmos	100	South New District, Chengdu	30	155	Residential	N/A
The Sapphire	100	Xiangcheng District, Suzhou	151	343	Residential	N/A
The Vision of the World	100	Western High-Tech Zone, Chengdu	63	270	Residential	N/A
Fragrant Seasons	100	Shunyi District, Beijing	174	187	Residential and villas	N/A
Major properties under development						
The Sapphire	100	Xiangcheng District, Suzhou	197	445	Residential, hotel, office, serviced apartments and retail	2012–2015
Chengdu Cosmos	100	South New District, Chengdu	157	796	Residential, hotel, serviced apartments, office and retail	2012–2016
The Vision of the World	100	Western High-Tech Zone, Chengdu	55	239	Residential, serviced apartments and retail	2012–2014
Fragrant Seasons	100	Shunyi District, Beijing	281	303	Residential, villas, serviced apartments and retail	2012–2014
The Summit	100	Zengcheng, Guangzhou	1,848	2,382	Residential, villas, serviced apartments, office and retail	2012–2019
Shanghai Emerald	100	Jiading District, Shanghai	77	154	Residential and retail	2013–2014
Suzhou Apex	90	Wuzhong District, Suzhou	153	402	Residential, hotel, retail and serviced apartments	2012–2015

Property	The Group's interest (%)	Use	Tenure
Major investment properties			
International Finance Place, Plot J-6, Pearl River New Town, Tianhe District, Guangzhou City, Guangdong Province, the PRC	100	Office and retail shops	Medium term lease

Five year financial summary

A summary of the results and of the assets, liabilities and equity of the Group for the last five financial years, as extracted from the published audited financial statements, is set out below. This summary does not form part of the audited financial statements.

Consolidated Results

	Year ended 31 December				2011 RMB'000
	2007 RMB'000	2008 RMB'000	2009 RMB'000	2010 RMB'000	
Revenue	3,868,136	1,574,214	4,266,572	7,465,911	10,122,595
Profit before tax	4,320,598	703,278	1,269,482	2,507,663	3,979,935
Income tax expenses	(1,637,788)	(337,108)	(548,025)	(1,225,889)	(1,876,028)
Profit for the year	2,682,810	366,170	721,457	1,281,774	2,103,907
Attributable to:					
Owners of the parent	2,683,055	368,532	720,078	1,281,772	2,103,368
Non-controlling interests	(245)	(2,362)	1,379	2	539
	2,682,810	366,170	721,457	1,281,774	2,103,907
BASIC EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT	RMB120 cents	RMB14 cents	RMB26 cents	RMB44 cents	RMB73 cents

Consolidated Assets, Liabilities and Equity

	As at 31 December				2011 RMB'000
	2007 RMB'000	2008 RMB'000	2009 RMB'000	2010 RMB'000	
ASSETS					
Non-current assets	5,802,493	5,827,043	8,031,152	15,114,217	16,462,845
Current assets	13,172,040	15,939,745	20,534,034	24,920,115	28,123,458
Total assets	18,974,533	21,766,788	28,565,186	40,034,332	44,586,303
LIABILITIES					
Current liabilities	6,618,127	7,013,620	10,753,223	15,431,641	18,990,505
Non-current liabilities	3,084,060	5,561,957	7,403,640	13,008,419	11,902,780
Total liabilities	9,702,187	12,575,577	18,156,863	28,440,060	30,893,285
EQUITY					
Equity attributable to owners of the parent	8,533,683	8,468,703	10,404,669	11,584,266	13,490,805
Non-controlling interests	738,663	722,508	3,654	10,006	202,213
Total equity	9,272,346	9,191,211	10,408,323	11,594,272	13,693,018



KWG Property Holding Limited

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