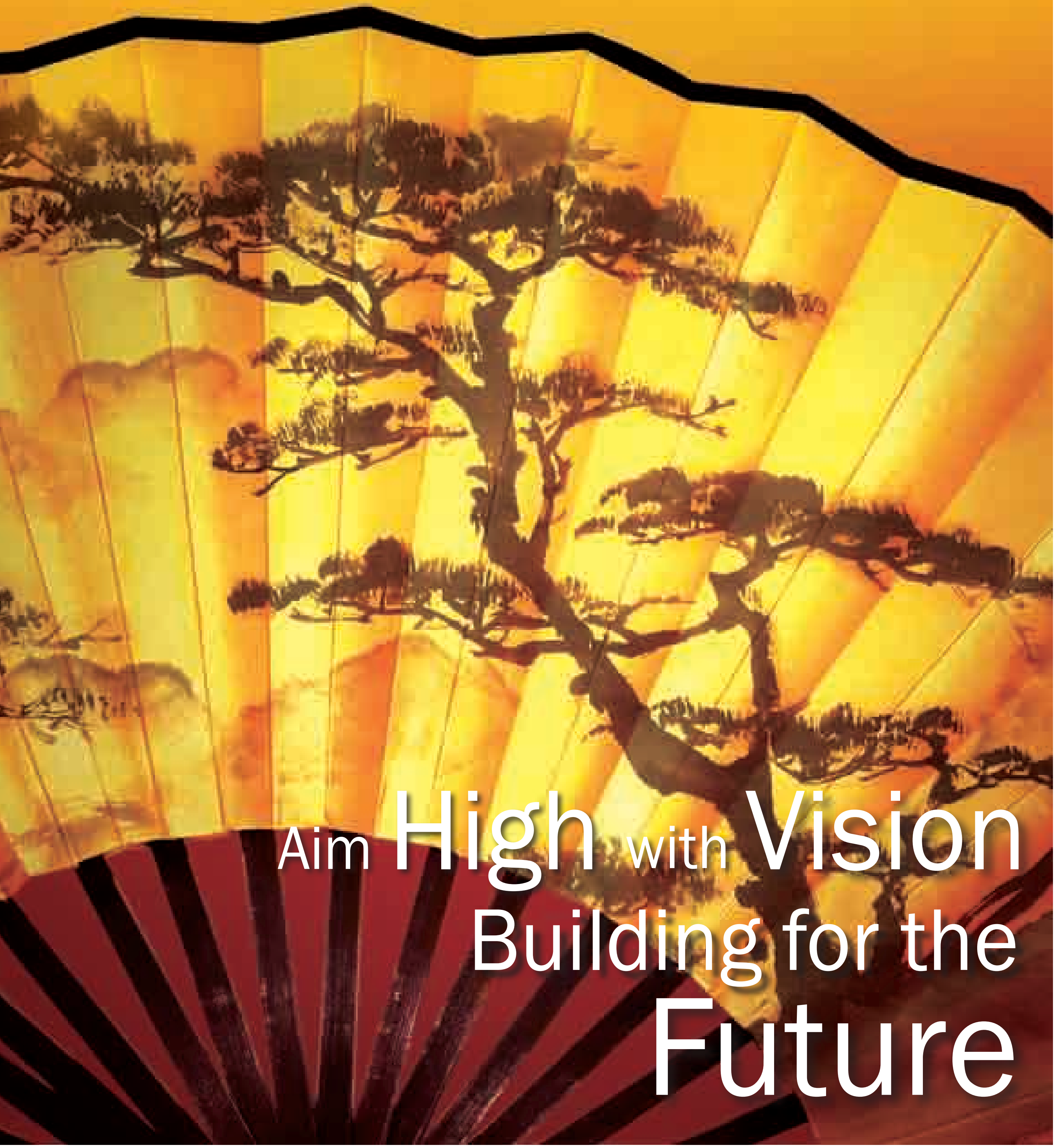
A Sinochem Member Company

方興地產(中國)有限公司
FRANSHION PROPERTIES (CHINA) LIMITED
(Incorporated in Hong Kong with limited liability)

Stock Code: 00817

2011 Annual Report



Aim High with Vision Building for the Future

Aim High

Global magnitude and
foresight into the future

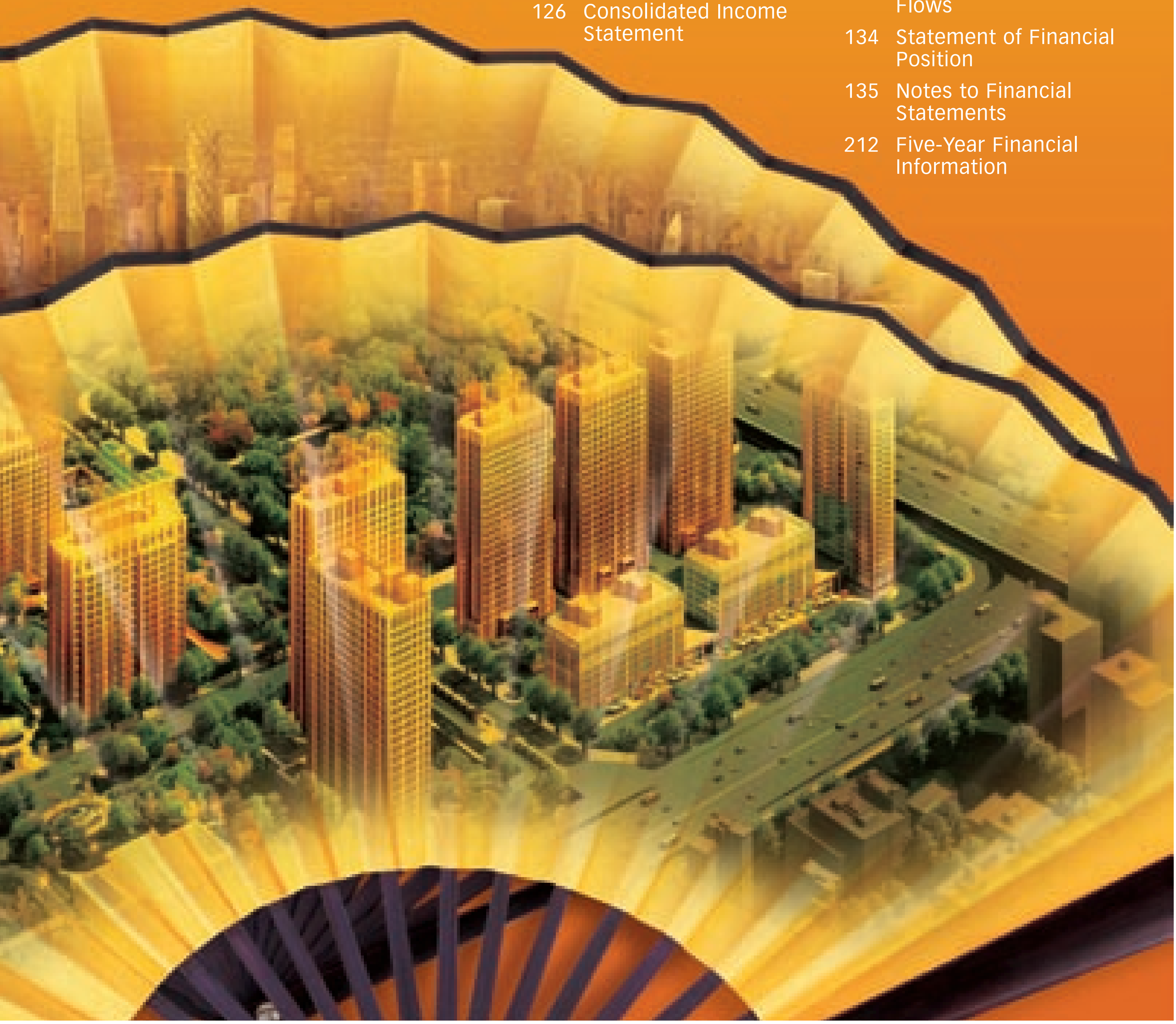
Vision

Devotion leads to
accomplishments

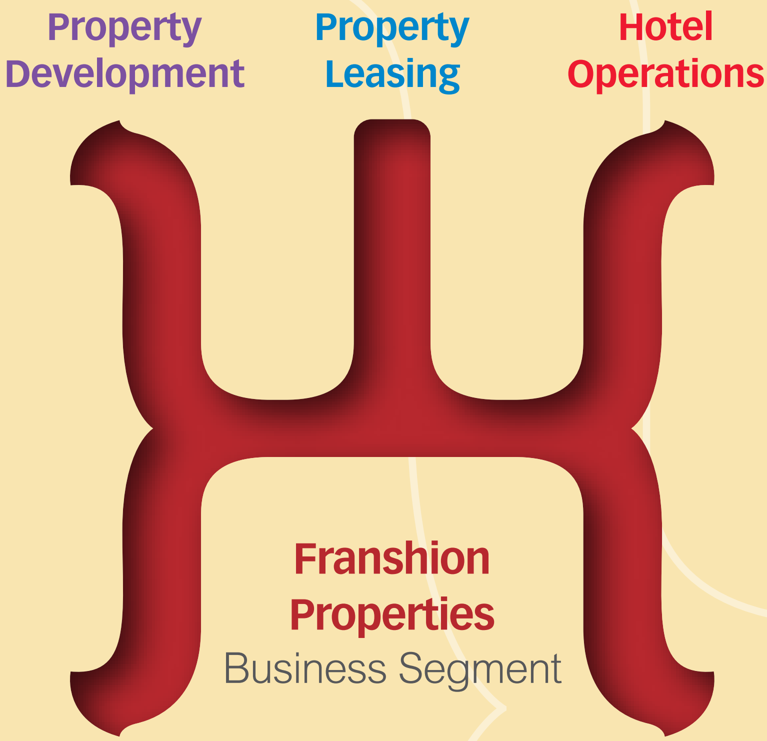
Building for the Future

External expression and
internal development

Contents



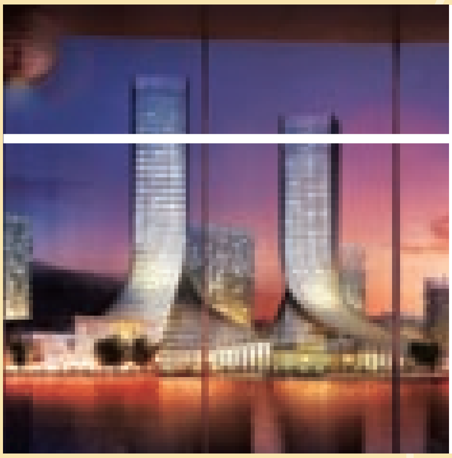
Company Overview



Franshion Properties (China) Limited (Stock code: 00817) is a developer and operator of large-scale and high-end commercial real estate projects in the PRC, and also a platform enterprise under the real estate and hotel segments of Sinochem Group, one of the top 500 world's enterprises (ranking the 168th among the top 500 world's enterprises in 2011 by "Fortune"). Sinochem Group is currently one of the 21 state-owned enterprises that are approved by the State-owned Assets Supervision and Administration Commission to engage principally in real estate businesses, and one of the six state-owned enterprises that are approved by the State-owned Assets Supervision and Administration Commission to engage in hotel operations. On 17 August 2007, the Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited. It is now one of the component stocks of the Hong Kong Hang Seng Composite Index.

The Company emphasises on the growth opportunities at the prime locations in the core cities in China and has established a synergistic development pattern for its three major business segments, namely high-end property project development, property leasing and hotel investment and operations. The Company has developed several top quality real estate projects in Beijing, Shanghai, Shenzhen and Sanya, and has a number of landmark projects in many cities such as Shanghai Jin Mao Tower and Beijing Chemsunny World Trade Centre. It has also invested in a number of five-star luxury hotels. Through successful development and operation of a series of prime quality projects, the Company has gained a significant foothold in the real estate industry in China. Leveraging on its unique growth pattern, experienced management team and the strong backing from its parent company, Sinochem Group, the Company can capitalise on tremendous opportunities arising from the fast-growing PRC real estate industry and win more opportunities in the acquisition and integration of resources.

The Company strives to position itself at the high-end of the market and specialises in the development of high quality projects with its focus on both properties holding and development, and endeavours to become a leading high-end real estate developer and operator in China through refining and optimising the structure in the course of development, as well as capitalising on its comparative advantages of integration, system innovation and sizable growth.

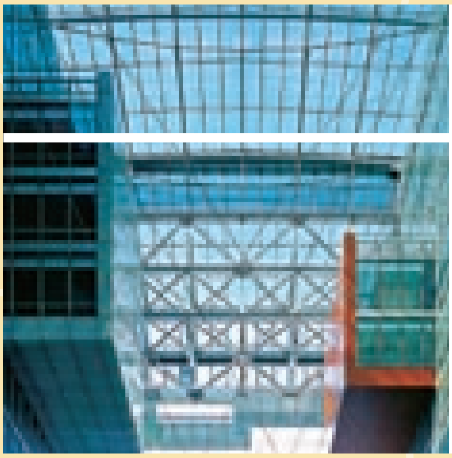


Property Development

Twelve property development projects with a total gross floor area of approximately 3.33 million square metres

Strong Performance

During the period, sales results of property development projects were good and land reserve was expanded with the successful acquisitions in Beijing, Chongqing, Qingdao and Changsha

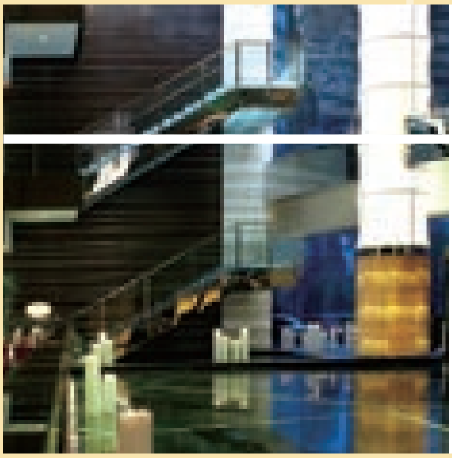


Property Leasing

Three high-end property investment projects with a total gross floor area of approximately 370,000 square metres

Stable Income

High rental level and high occupancy rate of investment properties, outperforming its peers



Hotel Operations

Six luxury hotels offering 2,872 guest rooms

Industry Leader

Remarkable performance of hotel operations, outperforming its peers

Major Events

January 2011

- Franshion Properties duly entered into the Changsha Meixi Lake International Services and Technology Innovation New City Development Agreement (長沙梅溪湖國際服務和科技創新城開發協議) with Changsha Municipal Government, pursuant to which Franshion Properties was granted the primary development rights to the area of Changhai Meixi Lake.

March 2011

- Franshion Properties participated in the 7th International Conference on Green and Energy-Efficient Buildings (第七屆國際綠色建築與建築節能大會). Franshion Properties purchased 16,800 tonnes of Panda Standard voluntary emission reduction via China Beijing Environment Exchange and became the first buyer of Panda Standard voluntary emission reduction in China.

April 2011

- Franshion Properties successfully issued 10-year US$500 million senior notes at a low interest rate of 6.75% per annum.

- Phase I of Beijing Guangqu Jin Mao Palace Project commenced sales.

May 2011

- Qingdao Lanhai Xingang City Project carried out the groundbreaking ceremony.

June 2011

- Shanghai Dongtan Jin Mao Noble Manor Project officially commenced sales.

October 2011

- First batch of land under Changsha Meixi Lake Project was transacted. Franshion Properties succeeded in obtaining the three quality land parcels in the Meixi Lake area. The other two land parcels were acquired by China State Construction.

November 2011

- Franshion Properties successfully organised the 2011 Large-Scale Public Architecture Greening, Energy Saving and Emission Reduction Summit Forum in China (2011年中國大型公共建築綠色節能減排高峰論壇) and officially announced and fully implemented the green strategy.

December 2011

- Franshion Properties attended the World Climate Conference held in South Africa and became the first PRC real estate developer to speak at the conference.
- Franshion Properties jointly acquired the development rights to Sites B1-B3 in Laiguangying, Beijing with Sunac China.
- Franshion Properties acquired the development rights to the land parcel of Chongqing Vocational Technology Institute.

Hotel Operations Projects

The Ritz-Carlton, Sanya

The Ritz-Carlton, Sanya is located in Yalong Bay scenic resort of Sanya, Hainan province. It was officially opened in 2008 with a total gross floor area of approximately 83,000 sq. m. It has 450 luxurious guest rooms equipped with a variety of facilities, including 21 luxury suites and 33 villas with distinctive amenities such as private swimming pools and housekeepers. It has an indoor conference space of 1,700 sq. m. specially designated for business conference, large seminar and other special occasions, and it has the only outdoor sea-view wedding auditorium in China, and the Ritz-Carlton spa with an area of 2,788 sq. m.

Grand Hyatt Shanghai

Grand Hyatt Shanghai is located on the 53rd to 87th floors of Jin Mao Tower. It was officially opened in 1999, with a total gross floor area of approximately 80,410 sq. m. comprising 555 luxury guest rooms. It comprises a grand ball room which can accommodate 1,200 guests, a ball room which can accommodate 800 guests and more than 10 function rooms. It was the venue for major international events such as "Fortune Global Forum", "APEC Conference" and other high-profile forums and conferences.

Hilton Sanya Resort & Spa

The Hilton Sanya Resort & Spa is located in Yalong Bay scenic resort of Sanya, Hainan province. Opened in 2006 and with a total gross floor area of approximately 76,666 sq. m., it has 501 guest rooms, suites, villas and a 400 metres long, white and fine beach. The hotel has 6 restaurants with distinctive characteristics and a conference centre of 3,000 sq. m.

JW Marriott Shenzhen

JW Marriott Shenzhen is located in Futian District, Shenzhen, and it was opened in 2009. It has a gross floor area of approximately 52,000 sq. m., with 411 guest rooms, a ball room which can accommodate 400 guests for dining and 5 conference rooms with the most advanced audio visual equipment. The hotel aims to become the top luxury five-star hotel in Shenzhen with its distinguished design and quality service.

Westin Beijing, Chaoyang

Westin Beijing, Chaoyang is located in the Yansha commercial area of Chaoyang district, Beijing, and is adjacent to the embassy district. It was officially opened in 2008, with a total gross floor area of approximately 75,446 sq. m. The hotel has 34 floors, comprising 550 guest rooms, a ball room of 720 sq. m. and 7 smaller conference rooms with the most advanced audio visual technology. It has received numerous international heads of states, sports and business elites, including the former US President George W. Bush and his family during the Beijing Olympic Games and was highly acclaimed.

Wangfujing Grand Hotel

Wangfujing Grand Hotel is located at the north of Wangfujing Avenue, and it was opened in 1995. It has a total gross floor area of approximately 41,349 sq. m. and has 405 rooms as well as a number of conference rooms, dining and other facilities. The hotel was designated as a receiving hotel during the Beijing Olympics Games period, and its quality of service is highly acclaimed in the industry.

Brief Overview of Each Project

Property and Land Development Projects

Site B of Shanghai Port International Cruise Terminal Project

Shanghai Port International Cruise Terminal is located on the west bank of the Huangpu river of Shanghai, and is adjacent to the Bund, and directly across the river from the Oriental Pearl TV Tower, it is designed to be a commercial complex development project comprising a cruise terminal and office buildings. This project is divided into Site A and Site B, Site A is developed into a cruise terminal and shipping service buildings and Site B is developed into 11 office buildings. The Group holds economic interest in the Site B development which has a total gross floor area of approximately 302,080 sq. m. upon completion. Construction works of the site commenced in May 2004 and has been completed by now. The majority of the buildings under the project have been sold.

Shanghai International Shipping Service Center Project

Shanghai International Shipping Service Center Project is located on the North Bund of Shanghai, directly across the river from the area of Lujiazui. The west side of the site is adjacent to Shanghai Port International Cruise Terminal, and the two projects will form a riverside area that doubles the length of the Bund. The zone will be used for offices, commercial complex, convention facilities, hotels and service apartments, with other facilities including a yacht marina. This project features the marina, creating a riverfront modern office and commercial zone which matches its marine theme. This project comprises the Eastern Site, the Central Site and the Western Site and is expected to have a total gross floor area of approximately 530,933 sq. m. Construction works of this project commenced in 2008 and is expected to be fully completed in 2015.

Changsha Meixi Lake Project

Changsha Meixi Lake Project, covering a land area of approximately 11,452 mu, is located at the central area of Dahexi Pilot Zone, Changsha in Hunan Province. The concepts of ecology, energy saving, innovation and technology will be highlighted in the project which will be transformed into a high-end international business and innovation centre that is most competitive in the central region and a new livable city of harmonic natural landscape. The Group will continue to complete the primary development and subsequent construction within the area of such project and endeavour to develop a "two-type community" model.

Our Hotel Brands

JW MARRIOTT SHENZHEN 金茂深圳JW万豪酒店

上海金茂君悦大酒店 GRAND HYATT SHANGHAI

Hilton Sanya Resort & Spa 金茂三亚希尔顿大酒店

THE WESTIN BEIJING CHAOYANG 金茂北京威斯汀大饭店

THE RITZ-CARLTON® SANYA

王府井大飯店 WANGFUJING GRAND HOTEL

Qingdao Lanhai Xingang City Project

Qingdao Lanhai Xingang City Project is located at the mouth of Jiaozhou Bay opposite to Qianwan Port in Huangdao. Having a favourable geographical location, the project is well-equipped with tourism resources and cultural innovations and is expected to be developed into a harmonious living complex on the Bund featuring green and high-end living environment. The project is divided into the southern site and northern site. The Group holds economic interests in the 200-mu land development in the southern site. The total gross floor area upon completion is estimated to be approximately 504,391 sq. m.

Shanghai Dongtan Jin Mao Noble Manor Project

Shanghai Dongtan Jin Mao Noble Manor Project is located in a riverside leisure sport and residential community in Chenjia Town, Chong Ming Island, Shanghai, with a site area of approximately 220,000 sq. m., and an estimated total gross floor area of approximately 172,628 sq. m. upon completion. The Group has also leased an adjacent site with a site area of approximately 955,478 sq. m. The Group plans to develop the leased site into a sports park and develop the granted land into a riverside high-end leisure, sports and resort complex comprising a clubhouse, low-density residence, hotels and and property right hotels.

Beijing Guangqu Jin Mao Palace Project

Beijing Guangqu Jin Mao Palace Project is located at the east of Fourth Ring Road in Chaoyang District, Beijing, adjacent to the CBD area. The area was named as the "last remaining prime site" in Beijing for its excellent location. It has a site area of approximately 155,918 sq. m. and an estimated total gross floor area of approximately 366,302 sq. m. upon completion. The Group plans to develop the project into a low-density and fine high quality project featuring mainly residential properties.

Lijiang Jin Mao Snow Mountain Whisper Project (formerly known as Jin Mao World Heritage Park Redevelopment Project)

Lijiang Jin Mao Snow Mountain Whisper Project is located in the former site of Lijiang World Heritage Park, Yunnan province, with a site area of approximately 466,670 sq. m. The project aims to combine the Naxi culture with international design concepts, building the most characteristic high-end resort hotels and low-density residential properties in China with an estimated total gross floor area of approximately 272,547 sq. m. upon completion.

Lijiang Snow Mountain Jin Mao Noble Manor Project (formerly known as Lijiang Jin Mao Mansion Project)

Lijiang Snow Mountain Jin Mao Noble Manor Project is located in Ganhaizi of Lijiang Yulong Snow Mountain, Yunnan province, with a site area of approximately 65,575 sq. m. The project will be developed into a super five-star luxury hotel and low-density residential properties with an estimated total gross floor area of approximately 43,060 sq. m. upon completion.

Chongqing Vocational Technology Institute Project

Chongqing Vocational Technology Institute Project is situated at the west of Yangjiaping Pedestrian Street, Jiulongpo District and is at the heart of the downtown of Chongqing and geographically located at the centre of the five major CBDs with a site area of approximately 101,096 sq. m. The project is expected to be developed into a mid-to-high-end residential project with the concept of "green, technological and ecological living" with an estimated total gross floor area of approximately 479,704 sq. m. upon completion.

Beijing Laiguangying Project

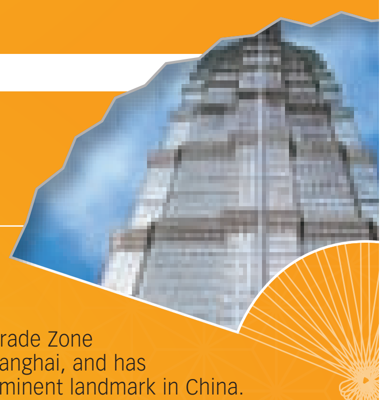
Beijing Laiguangying Project is located outside the East Fifth Ring Road, Chaoyang District, Beijing and adjacent to Wangjing. It has a favourable geographical location with a site area of approximately 225,385 sq. m. The Group will apply the concepts of greening, ecology and technology as well as technological skills into the development and develop it into a high-end residential project with an estimated total gross floor area of approximately 373,800 sq. m. upon completion.

Property Investment Projects

Beijing Chemsunny World Trade Centre

Beijing Chemsunny World Trade Centre is located on Fuxingmen Nei Avenue and is adjacent to West Chang An Street, with a gross floor area of approximately 194,530 sq. m. It consists of three parallel and interconnected 14-storey office buildings, the East, Central and West Towers. The project is a representative of high-end up market office with its prime location, unique design style, and it is successfully named as "Classical Representative of Award Winning First-Class Office Building in China" for the global city development golden project.

Jin Mao Tower



Jin Mao Tower is located at the Lujiazui Finance and Trade Zone of Pudong, Shanghai, and has become a prominent landmark in China. Jin Mao Tower has 88 floors, 420.5 metres in height and comprises a total gross floor area of approximately 292,475 sq. m. The third to 50th floors are Grade A offices, and the 53rd to 87th floors house a super deluxe 5-star hotel, and the 88th floor is an indoor observation deck. The project is a perfect mix of traditional Chinese architecture and modern architectural technology, and is named as the most influential urban landmark in China.

Sinochem Tower

Sinochem Tower is located on Fuxingmen Wai Avenue, Beijing, right at the business circle of the Financial Street. Sinochem Tower has 26 floors, comprising a gross floor area of approximately 49,066 sq. m., which includes offices and shops. It is an office building which offers intelligent offices and personalised services. This project has been awarded "National High Quality Prize" — "China Construction Project Luban Award".

Corporate Information

COMPANY NAME

Franshion Properties (China) Limited

PRINCIPAL OFFICE

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No. 1 Harbour Road
Wan Chai, Hong Kong

NON-EXECUTIVE DIRECTORS

Mr. LUO Dongjiang (Chairman)
Ms. LI Xuehua (Vice Chairman)
Mr. LI Xin

EXECUTIVE DIRECTORS

Mr. HE Cao (Vice Chairman and Chief Executive Officer)
Mr. LI Congrui (Vice President)
Mr. HE Binwu (Vice President)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LAU Hon Chuen, Ambrose
Mr. SU Xijia
Mr. LIU Hongyu

CHIEF FINANCIAL OFFICER

Mr. JIANG Nan

QUALIFIED ACCOUNTANT

Mr. LIAO Chi Chiun

COMPANY SECRETARY

Mr. LIAO Chi Chiun

AUTHORISED REPRESENTATIVES

Mr. HE Cao
Mr. LI Congrui

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STOCK CODE

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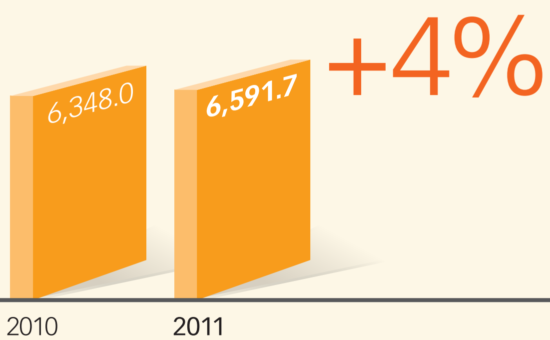
Financial Highlights

	2011 (HK$ million)	2010 (HK$ million)	Percentage change (%)
Revenue	**6,591.7**	6,348.0	4
Gross profit	**3,575.0**	3,302.9	8
Profit attributable to owners of the parent – less: fair value gains on investment properties (net of deferred tax)	**1,646.4**	1,067.3	54
Add: fair value gains on investment properties (net of deferred tax)	**698.0**	646.3	8
Profit attributable to owners of the parent	**2,344.4**	1,713.6	37
Total assets	**69,771.0**	51,355.2	36
Equity attributable to owners of the parent	**26,170.7**	23,124.5	13
Basic earnings per share (HK cents)	**25.59**	18.70	37
Basic earnings per share – less fair value gains on investment properties (net of deferred tax) (HK cents)	**17.97**	11.65	54
Dividend (HK cents) – final dividend per ordinary share	**4.00**	2.50	60
Net debt-to-adjusted capital ratio (%)	**41**	18	N/A

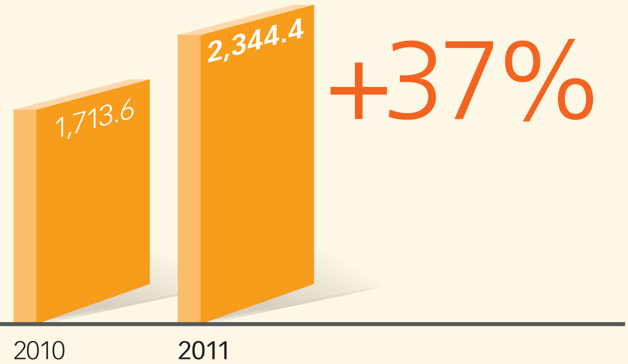
Note:

Net debt-to-adjusted capital ratio = (interest-bearing bank and other borrowings – cash and cash equivalents – restricted bank balances and pledged deposits)/(total equity + amount due to related parties).

Revenue (HK$ million)



Profit attributable to owners of the parent (HK$ million)



Chairman's Statement

"Adhering to the strategic position of "China's leading high-end commercial property developer and operator", the Group endeavours to focus on replicating the marketing approach of high-end residential and city complexes and actively expands into the first-tier cities and the core areas in the second-tier cities with "active economic activities, accessible transportation network and huge growth potentials". Through its two-wheel driven strategy of both "property sales and holdings", the Group strives to achieve "fast growth" and "sustainable development"."

Mr. LUO Dongjiang
Chairman

DEAR SHAREHOLDERS,

On behalf of the board of directors (the "Board") of Franshion Properties (China) Limited ("Franshion Properties" or the "Company"), I am pleased to present the annual results of the Company and its subsidiaries (the"Group", "we" or "us") for the twelve months ended 31 December 2011 (the"Period under Review" or the "Year").

During the Period under Review, profit attributable to owners of the parent amounted to HK$2,344.4 million, representing an increase of 37% over last year. Basic earnings per share was HK25.59 cents. If the fair value gains on investment properties, net of deferred tax, are excluded, the profit attributable to owners of the parent would be HK$1,646.4 million, representing an increase of 54% over last year. The Board has recommended the payment of a final dividend of HK4 cents per share, which will be subject to the approval of shareholders of the Company at the forthcoming annual general meeting.

In 2011, with the enactment of the New National Eight (新國八條) and the New National Five (新國五條), the PRC government continued to introduce a series of austerity measures to curb the irrational speculative demand whilst actively expanding the market supply. Through the combined forces in the areas of finance, land and market regulation, macro control over the real estate market became a common trend. In the second half of the Year, the austerity measures began to take effect and the market gradually entered its winter times. Opposed to the residential market, commercial

properties benefited from the steady economic growth and the crowding out effect of the macro control over residential properties. Quality offices, hotels and commercial and retail properties in the prime locations of the core cities present obvious investment value and have become new investment highlights. Under this backdrop, the Group's market value was further enhanced by adopting the "high-end with quality" and "two-wheel driven" strategic approach and the Group managed to maintain its overall performance amid such severe market environment. In 2011, the three major business segments of the Group achieved synergistic development. The profits increased significantly, alongside with noticeable growth in resources reserve. The "Green Strategy" also saw a number of breakthroughs.

As for property development, the Group adhered to the "high-end with quality" strategic position and the construction and sales of various projects proceeded in an orderly manner. The construction of Shanghai Port International Cruise Terminal Project, located on the North Bund of Shanghai, was fully completed and the project was almost sold out. Adjacent to it is Shanghai International Shipping Service Center Project. A portion of its land site completed roof sealing and was qualified for pre-sales and prospective customers were secured. Positioned as the "State's Green and Low Carbon Model City in China" and the "Two-Type Model New City in Central China", Changsha Meixi Lake Project has currently obtained the approval from the local government for the regulatory control proposal. The project successfully achieved the target of

Chairman's Statement

"reaping profits in the year of acquisition and launch". Situated at the "last remaining prime site" in Beijing, Beijing Guangqu Jin Mao Palace Project adopted a number of energy saving and environmentally friendly technologies and introduced a top-notch primary school as amenities. The project was widely accredited in the market and was No. 1 in terms of the sales of single development project in Beijing throughout the Year. In addition, another high-end and low density residential housing project, Shanghai Dongtan Jin Mao Noble Manor Project also ranked first in terms of the monthly sales of serviced apartment in Shanghai. The exhibition centre of the travel complex, Lijiang Jin Mao Snow Mountain Whisper Project, also had its opening and was well recognised by the public.

As for property leasing, during the Year, as the previously stagnant demand for offices premises in Beijing was once released after the financial crisis, coupled with the insufficient supply of office buildings, the level of rental of offices in Beijing experienced a quick turnaround and vacancy rate remained low. The office market in Shanghai also went through a full recovery after the WorldExpo with flourishing sales and lease throughout the Year. Pre-lease of newly launched property projects performed well. Given that all office buildings and shopping centre held by the Group are located at the first-tier cities, all operating targets set at the beginning of the Year were overachieved in view of the booming market demand and rising rental levels. In particular, Beijing Chemsunny World Trade Centre and Sinochem Tower, located along Chang'an Avenue in Beijing, enjoyed full occupancy, in the meanwhile, the occupancy rate and rental level of office buildings and shopping centre in Jin Mao Tower located in Pudong, Shanghai continued to outperform its peers. In addition, Beijing Chemsunny World Trade Centre obtained the LEED-EB Gold Certification, representing the fourth office building in China and the first in Beijing to have such an award, which further enhanced its influence. At the same time, the Group endeavoured to create a high quality brand "Jin Mao Properties" by adhering to five-star service standards and providing "one-stop" customer services management, which effectively improved service feedback and enhanced customers' satisfaction.

As for hotel operations, benefiting from the substantial increase in the number of business travellers and strong growth in tourism, the high-end hotel market in first-tier cities and major travel resort regions continued to flourish. The Group, leveraging its edge in hotel operations developed over the years, fully capitalised the seasonality of the hotel industry, strengthened the marketing to group customers and expanded the scope of sales for events and functions. As a result, the revenue from hotel operations increased substantially. The Ritz-Carlton, Sanya and Hilton Sanya Resort & Spa located in Yalong Bay, Sanya continued to rank first and second amongst its competitors, outperforming other prestigious hotels in the same region. Westin Beijing, Chaoyang and JW Marriott Shenzhen, located in Beijing and Shenzhen respectively, also recorded substantial growth in operating results.

In 2011, the Group continued to step up its efforts in the acquisition of key resources including land and capital funding. In addition to the further development of first-tier cities including Beijing and Shanghai, the Group actively expanded into the second-tier cities with "core competence and potential". In January, the Group successfully acquired the primary development rights to Changsha Meixi Lake Project. The project occupies an area of 11,452 mu and a total gross floor area of 9.45 million square metres. The Group adopted the model of integrated primary and secondary land development, enabling the Company to expand the overall operation capacity and size of development in a speedy manner. In addition, following the acquisition of quality land parcels namely Qingdao Lanhai Xingang City Project and Chongqing Vocational Technology Institute Project, the Group successfully entered the regional markets in Shandong, Central China and the southwestern region respectively. The Group also selectively expanded the quality land reserve in first-tier cities and acquired the land parcel of Beijing Laiguangying Project at the bottom price in December. As for capital funding, facing the unfavourable environment of tightening capital market and increasing costs of financing in 2011, the Group caught the window period of financing and successfully completed the issuance of US$500 million senior notes, locking the cost at low end and therefore improving the short- and long-term capital structure of the Company. Moreover, the Group successfully obtained the banking facilities amounting to RMB8 billion from China Development Bank, safeguarding the funding for subsequent development of the project.

The Group regards the green strategy as one of strategic directions for development by strengthening research and application of energy saving and low carbon technologies and striving to build the edge of green technology. In 2011, the Group participated in and completed the first "Panda Standard" voluntary emission reduction carbon exchange project in China and was granted six "Jing Rui Science and Technology Awards" at the national conference on green buildings and technologies for 2011. In addition, the Group also actively took efforts in application of green technologies in its projects. In particular, Changsha Meixi Lake International Low Carbon Ecological City Project was one of the state's eight energy saving and emission reduction model city projects. Beijing Jin Mao Palace Primary School became the first primary school project with the state's three-star green standards and LEED-SCHOOL platinum double certified in China. Beijing Chemsunny World Trade Centre and Shanghai International Shipping Service Center also obtained LEED gold certification. We strongly believe that building architectures that deliver unparalleled quality in harmony with nature is not only a corporate citizen's social responsibility, but also an important core competitive strength for a real estate company.

In 2012, the economy of China will continue to flourish in general and yet the macro control over the real estate industry will continue to linger. The industry is expected to undergo a relatively slow structural adjustment in the medium term. However, we are confident about the long-term development of the real estate market in China and consider that a stable market is favourable to the healthy development of the industry. Looking forward, residential products and commercial properties featuring great living experience and multiple functions will become the new investment highlights of the market. Adhering to the strategic position of "China's leading high-end commercial property developer and operator", the Group endeavours to focus on replicating the marketing approach of high-end residential and city complexes and actively expands into the first-tier cities and the core areas in the second-tier cities with "active economic activities, accessible transportation network and huge growth potentials". Through its two-wheel driven operating strategy of both "property sales and holdings", the Group strives to achieve "fast growth" and "sustainable development". We strongly believe that with sound corporate governance, quality asset portfolio, abundant resource reserve and multi-faceted investment channels, the Group will certainly be able to distinguish itself from its peers amid macro control over real estate industry and industry integration.

On behalf of the Board, I would like to express our sincere gratitude to our customers, business partners, shareholders and all employees of the Company. Franshion Properties will continue to use its best endeavors and creativity to make progress and achieve better results with a view to creating wealth for its shareholders.

LUO Dongjiang
Chairman

Hong Kong
21 March 2012

Honours and Awards

Major Integrated Awards

- In June 2011, Franshion Properties was named one of the "Top 10 PRC Real Estate Companies Listed in Hong Kong in terms of Profitability" by the Research Group of Top 10 Properties in China for four years in a row for its remarkable profitability.
- In June 2011, at the 1st "Top 100 Responsible China Real Estate Developers Conference", Franshion Properties was granted the title of "Top 50 Responsible Real Estate Developers in China".
- In June 2011, "Jin Mao" brand was recognised as one of "China's 500 Most Valuable Brands" in 2011 (the 8th session), published by World Brand Lab, with its brand value of RMB4,965 million for seven years in a row.
- In August 2011, Franshion Properties was awarded the "Most Influential Real Estate Brand in China", the "Best Commercial Real Estate Enterprise in China" and the "Best City Operator in China" at the 2011 Boao Forum for Real Estates.
- In September 2011, Franshion Properties was honoured the "Outstanding Chinese Property Developer" by Economic Digest, the famous financial magazine in Hong Kong, for three consecutive years.
- In December 2011, Franshion Properties was granted six Jing Rui Awards, including "Green and Low Carbon Architecture Award", "Green and Low Carbon Residential Area Award" and "Real Estate Development Innovation Award" at the 8th Jing Rui Award Presentation Ceremony organised by Real Estate Chamber of Commerce of National Federation of Industry and Commerce. In particular, Beijing Guangqu Jin Mao Palace Primary School was granted the "Gold Award for Green and Low Carbon Architecture".

Major Office Project Awards

- In June 2011, Jin Mao Tower was granted two major awards namely, the "Best Business Efficiency" and "Top 10 Fashion Landmark" at the 1st China Office Building Summit.
- In November 2011, "J-Life" was granted the "21st Century China's Urban Complexes – Trendy Commercial New Landmark Award for 2011".
- In December 2011, Franshion Properties was granted the "Excellent Achievement Award of the Year" at the 8th Annual Meeting of China's Office Buildings Industry. Its office buildings Beijing Chemsunny World Trade Centre and Sinochem Tower were granted the "Award of the Year for the Most Valuable Office Building in the Industry" and "Regional Classical Landmark Office Building Award of the Year" respectively.
- In December 2011, Beijing Chemsunny World Trade Centre of Franshion Properties obtained the LEED-EB Gold Certification granted by U.S. Green Building Council and became the largest office building in China in terms of size to have such a certification.

Major Hotel Awards

- In March 2011, China Jin Mao (Group) Co., Ltd. ("Jin Mao Group") was named the "Best Owner of China's Hotels for 2010" at the 6th China Hotel Starlights Awards.
- In September 2011, Jin Mao Group was granted the "Asia Hotels Asset Management Award" at the "Asia Hotel Forum Asia Awards.

Grand Hyatt Shanghai:

- In February 2011, Grand Hyatt Shanghai was named "Shanghai's Best Business Hotel for 2011" by Hong Kong's Most Valuable Companies 2011.
- In March 2011, Grand Hyatt Shanghai was granted the "Top 10 City Business Hotels in China for 2010" at the 6th China Hotel Starlights Awards.
- In March 2011, Grand Hyatt Shanghai was named "Shanghai's Best Hotel" by DestinAsian, one of the most authoritative magazines in the world for the fifth time.
- In July 2011, Grand Hyatt Shanghai was granted the "Finest Presidential Suite Award" by Hurun Report.

The Ritz-Carlton, Sanya:

- In March 2011, The Ritz-Carlton, Sanya was named "China's Top 10 Most Attractive Hotels for 2010" at the 6th China Hotel Starlights Awards.
- In May 2011, The Ritz-Carlton, Sanya was officially granted the title of "Five-Star Hotel" by China Tourist Hotel Star Rating Committee.
- In June 2011, The Ritz-Carlton, Sanya was named "China's Top 10 Most Popular Resort Hotels for 2011" at the 8th Golden Pillow Awards of China's Hotels for the third time.
- In June 2011, The Ritz-Carlton, Sanya was granted the "Best Waterfront Resort Hotel for 2011" by Trends Traveller for the third time.

Hilton Sanya Resort & Spa:

- In January 2011, Hilton Sanya Resort & Spa was granted the "Best Resort Hotel in Greater China for 2010" by Travel & Leisure.
- In March 2011, Hilton Sanya Resort & Spa was named "China's Top 10 Leisure Resorts for 2010" at the 6th China Hotel Starlights Awards.
- In October 2011, Hilton Sanya Resort & Spa was awarded the "Leading Spa Resort Hotel in China" at the 18th World Travel Awards.

Westin Beijing, Chaoyang:

- In March 2011, Westin Beijing, Chaoyang was named " China's Top 10 City-Nova Hotels for 2010" at the 6th China Hotel Starlights Awards.
- In June 2011, Westin Beijing, Chaoyang was granted the title of the "Best Business Lounge Bar for 2011" by TimeOut.

JW Marriott Shenzhen:

- In January 2011, JW Marriott Shenzhen's Café Chinois and Shizuku were granted the "Best Restaurant" and "Restaurant of Best Style" for 2010 in Shenzhen respectively by Modern Weekly.
- In March 2011, JW Marriott Shenzhen was named the "Best Green Hotel in China for 2010" at the 6th China Hotel Starlights Awards.

Management Discussion and Analysis

In 2011, the real estate industry in China entered its winter times in face of multi-pronged austerity policy measures, tightening financing environment, shrinking market transaction volume and sprawling price reductions. Under such unfavourable external environment, the Group was determined and handled it calmly. Adhering to the "high-end with quality" and "two-wheel driven" strategic approach, the Group united efforts to overcome the challenges. As a result, the Group successfully outperformed the market and set a historical record in its operating results.

Looking back to 2011, the Group's three major business segments all forged ahead with remarkable results performance. During the Year, performance of property development segment was impressive. Sales of two high-end residential projects, namely Beijing Guangqu Jin Mao Palace and Shanghai Dongtan Jin Mao Noble Manor, performed very well. In particular, Beijing Guangqu Jin Mao Palace Project ranked first amongst the sales of other projects in Beijing, whereas Shanghai Dongtan Jin Mao Noble Manor Project also topped the sales chart for similar products in Shanghai. Shanghai Port International Cruise Terminal Project was basically sold out, whereas the first batch of land introduced under Changsha Meixi Lake Project was contracted successfully and achieved the stated target of reaping profits in the year of acquisition. The offices in the Western Site of Shanghai International Shipping Service Center Project were contracted successfully, and letters of intent were being actively fixed for other buildings. As for property leasing, the Group firmly captured the market opportunities arising from the booming demand for high-end offices in Beijing and Shanghai. Occupancy rate and rental level continued to rise where two office buildings in Beijing had full occupancy for consecutive months and rental level rose substantially over that in the same period of last year. As at the end of the Year, occupancy rate of the offices in Jin Mao Tower reached its historical high of over 97% with its rental level remaining steady. For hotel operations, the Group aggressively seized the favourable timing of strong growth in tourism and significant increase in the number of business travellers, and actively adjusted the pricing strategies, expanded the sales channels and implemented strict cost control, the effects of which were eminent. As the two hotels in Sanya continued to consolidate and strengthen its leading edge, Westin Beijing, Chaoyang and JW Marriott Shenzhen both experienced fast growth in performance.

In striving for the best results for the period, the Group also attached much importance to the management of projects under construction and availability of strategic resources with a view to establishing a solid foundation for performance growth in the future. In 2011, all of the Group's projects under construction were well under way. All key project nodes were completed on schedule or in advance. At the same time, in December, the Group successfully acquired Site B in Laiguangying, Beijing and the land parcel of Chongqing Vocational Technology Institute, adding important strategic resources for the sustainable development of the Company.

Our Property Map

In 2011, Franshion Properties was granted a number of accolades and awards and was increasingly accredited in the industry. In June, Franshion Properties was named one of the "Top 10 PRC Real Estate Companies Listed in Hong Kong in terms of Profitability" for four years in a row. In the same month, it was granted the title of "Top 50 Responsible Real Estate Developers in China" organised by China Construction News, along with the exclusive academic support from Centre for Policy Research, Ministry of Housing and Urban-Rural Development. In July, "Jin Mao" brand was recognised as one of "China's 500 Most Valuable Brands" in 2011 (the 8th session), published by World Brand Lab, with its brand value of RMB4,965 million for seven years in a row. In September, Franshion Properties was honoured the "Outstanding Chinese Property Developer" by Economic Digest, famous financial magazine in Hong Kong. Franshion Properties was granted such title for three years in a row. In September, at the Conference of Research Findings on the Brand Value of Real Estate in China cum the 8th China Real Estate Brand Development Forum in 2011, Franshion Properties was named one of the "2011 Top 10 North China Real Estate Companies by Brand Value". These honours and awards, in addition to the remarkable performance of Franshion Properties, represent the recognition and affirmation of Franshion Properties by the industry peers, capital market and media in many areas.

Management Discussion and Analysis
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PROJECT INFORMATION

1. AREAS BY SEGMENTS

Franshion Properties Total gross floor area: 4,110,189 square metres				
Property Development Total gross floor area: 3,329,427 square metres			Property Leasing Total gross floor area: 371,891 square metres	Hotel Operations Total gross floor area: 408,871 square metres Number of guest rooms: 2,872
Completed Projects: *(unsold portion)*	Projects under development:	Reserved Projects:	Completed Projects: (investment properties)	Hotels in operation
Parking spaces of Beijing Chemsunny World Trade Centre: 42,117 square metres	Shanghai Port International Cruise Terminal Project: 530,933 square metres*	Chongqing Vocational Technology Institute Project: 479,704 square metres*	Beijing Chemsunny World Trade Centre: 110,760 square metres	Grand Hyatt Shanghai Hotel: 80,410 square metres, 555 rooms
Zhuhai Every Garden: 4,559 square metres	Beijing Guangqu Jin Mao Palace Project: 366,302 square metres*	Beijing Laiguangying Project: 373,800 square metres*	Jin Mao Tower (excluding hotel): 212,065 square metres	Hilton Sanya Resort & Spa: 76,666 square metres, 501 rooms
Site B of Shanghai Port International Cruise Terminal Project: 41,118 square metres	Shanghai Dongtan Jin Mao Noble Manor Project: 172,628 square metres*		Sinochem Tower: 49,066 square metres:	Wangfujing Grand Hotel: 41,349 square metres, 405 rooms
	Lijiang Jin Mao Snow Mountain Whisper Project: 272,547 square metres*			Ritz-Carlton, Sanya: 83,000 square metres, 450 rooms
	Lijiang Snow Mountain Jin Mao Noble Manor Project: 43,060 square metres*			Westin Beijing, Chaoyang: 75,446 square metres, 550 rooms
	Qingdao Lanhai Xingang City Project: 504,391 square metres*			JW Marriott Shenzhen: 52,000 square metres, 411 rooms
	Changsha Meixi Lake Project (secondary development): 498,268 square metres*			

2. PROPERTY INVESTMENT PROJECTS

Name of property projects	Total gross floor area (square metres)	Including: Office building area available for lease (square metres)	Including: Commercial area available for lease (square metres)	Carparking spaces (unit)
Beijing Chemsunny World Trade Centre	110,760	105,613	5,147	302
Jin Mao Tower (excluding hotel)	212,065	122,131	22,986	800
Sinochem Tower	49,066	29,495	8,707	260
Sub-total	371,891	257,239	36,840	1,362

3. COMPLETED PROJECTS – UNSOLD PORTION

Name of property projects	Unsold total gross floor area (square metres)	Including: Commercial and residential area available for sale (square metres)	Carparking spaces available for sale (unit)
Car parks of Beijing Chemsunny World Trade Centre	42,117		639
Zhuhai Every Garden Project	4,559		393
Site B of Shanghai Port International Cruise Terminal Project	41,118	26,401	348
Sub-total	87,794	26,401	1,380

Management Discussion and Analysis
Business Review

4. INFORMATION ON EXISTING PROJECTS

Name of project	Location	Site area (square metres)	Gross floor area (square metres)	Type of project	Type of operation	Equity attributable to the Group	Date of completion	Area sold (square metres)	Area unsold (square metres)
A. Projects under development									
Beijing Guangqu Jin Mao Palace Project	Northwest of Dajiaoting Bridge, Chaoyang District, Beijing	155,918	366,302*	Residential	Selling	100%	2013	N/A	N/A
Shanghai International Shipping Service Center Project	Jie Fang 81 Ti Lan Qiao Street, Hongkou District, Shanghai	95,594	530,933*	Commercial	Holding and selling	50%	2015	N/A	N/A
Shanghai Dongtan Jin Mao Noble Manor Project	Riverside Leisure Sport and Residential Community, Chenjia Town, Chongming Island, Shanghai	220,000	172,628*	Commercial/ residential	Holding and selling	100%	2013	N/A	N/A
Qingdao Lanhai Xingang City Project	West of Sichuan Road, Shinan District, Qingdao	131,506	504,391*	Residential	Selling	100%	2016	N/A	N/A
Lijiang Jin Mao Snow Mountain Whisper Project	Lijiang World Heritage Park, Lijiang City, Yunnan Province, the PRC	466,670	272,547*	Commercial/ residential	Holding and selling	100%	2015	N/A	N/A
Lijiang Snow Mountain Jin Mao Noble Manor Project	Ganhaizi, Yulong Snow Mountain, Lijiang City, Yunnan Province, the PRC	65,575	43,060*	Commercial/ residential	Holding and selling	100%	2015	N/A	N/A
Secondary development of Changsha Meixi Lake Project	Dahexi Pilot Zone, Changsha, the PRC	156,768	498,268*	Commercial/ residential	Selling	100%	2015	N/A	N/A
B. Reserved Projects									
Chonqing Vocational Technology Institute	West of Yangjiaping Pedestrian Street, Jiulongpo District, Chongqing	101,096	479,704*	Residential	Selling	100%	Beyond 2013	N/A	N/A
Beijing Laiguangying Project	Sites B1-B3, Laiguangying Village, Chaoyang District, Beijing	225,385	373,800*	Residential	Selling	51%	Beyond 2013	N/A	N/A

Name of project	Location	Site area (square metres)	Gross floor area (square metres)	Type of project	Type of operation	Equity attributable to the Company	Date of completion	Area sold (square metres)	Area unsold (square metres)	Area held (square metres)	Area of hotel (square metres)
C. Completed Projects											
Site B of Shanghai Port International Cruise Terminal	No.568 Dong Da Ming Road, Hongkou District, Shanghai, the PRC	85,089	302,080	Office building	Selling	50%	2011	260,962	41,118	–	–
Beijing Chemsunny World Trade Centre	Nos. 26, 28 and 30, Fuxingmen Nei Avenue, Xicheng District, Beijing, the PRC	21,659	194,530	Office building	Holding and selling	100%	2006	41,653	42,117	110,760	–
Zhuhai Every Garden	No. 11 North of Zhuhai Qinglv Avenue, Xiangzhou District, Zhuhai, Guangdong Province, the PRC	43,499	137,225	Residential	Selling	100%	2008	132,666	4,559	–	–
Sinochem Tower	No. A2 Fuxingmen Wai Avenue, Xicheng District, Beijing, the PRC	5,833	49,066	Office building	Holding	100%	1995	–	–	49,066	–
Jin Mao Tower (including hotel)	No. 88 Shiji Dadao, Pudong New District, Shanghai, the PRC	23,611	292,475	Office building	Holding	100%	1999	–	–	212,065	80,410

Name of project	Location	Site area (square metres)	Gross floor area (square metres)	Type of project	Type of operation	Equity attributable to the Group	Date of completion	Number of guest rooms
D. Hotel operations projects								
Wangfujing Grand Hotel	No. 57 Wangfujing Avenue, Dongcheng District, Beijing, the PRC	9,858	41,349	Hotel	Holding	100%	1995	405
Grand Hyatt Shanghai	No. 88 Shiji Dadao, Pudong New District, Shanghai, the PRC	**	80,410	Hotel	Holding	100%	1999	555
Hilton Sanya Resort & Spa	Yalong Bay Resort, Sanya, Hainan Province, the PRC	108,610	76,666	Hotel	Holding	100%	2006	501
The Ritz-Carlton, Sanya	Yalong Bay Resort, Sanya, Hainan Province, the PRC	153,375	83,000	Hotel	Holding	100%	2008	450
Westin Beijing, Chaoyang	Nos. 1-3 Xinyuan South Road, Chaoyang District, Beijing, the PRC	24,195	75,446	Hotel	Holding	100%	2008	550
JW Marriott Shenzhen	No. 6005 Shennan Boulevard, Futian District, Shenzhen, Guangdong Province, the PRC	4,471	52,000	Hotel	Holding	100%	2009	411

* Estimated gross floor area
** Grand Hyatt Shanghai situated in Jin Mao Tower

Aim High

Property Leasing Segment

We have not only created benchmark properties that lead the industry, but also formed a driving force into the future, which guides us to create high quality real estate with sustainable development and continuous value enhancement under the mission of operational excellence.

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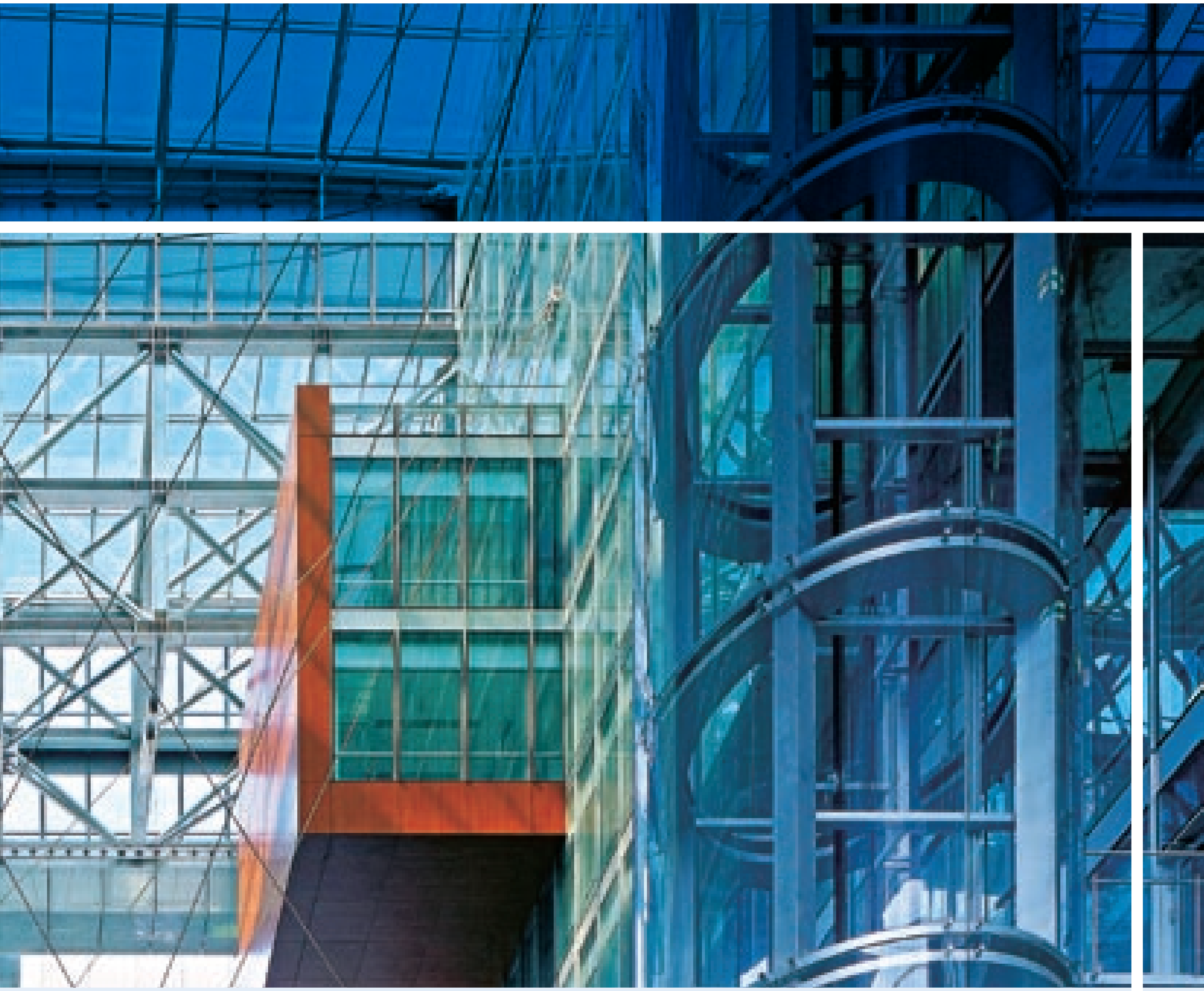
Property Leasing Segment

The Group endeavours to hold high-end commercial properties at the prime locations in cities and has holdings in high-end properties with a total gross floor area of approximately 400,000 sq. m. in Beijing and Shanghai. Beijing Chemsunny World Trade Centre and Jin Mao Tower held by the Group are landmarks at the prime CBDs in China. In particular, Jin Mao Tower was once the highest skyscraper in China. It is a perfect combination of the world's modern architectural design and the traditional Chinese architectural style (pagoda), and enjoys a high reputation nationwide and even worldwide. Beijing Chemsunny World Trade Centre distinguishes itself from other high-end office buildings in Beijing by its unique overall design style as well as its high-end ancillary facilities.

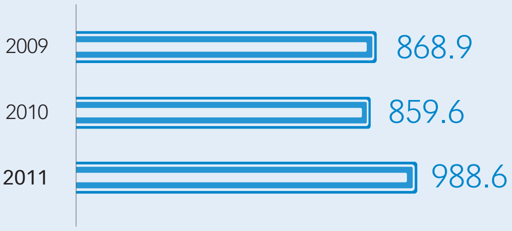
The Group's strategy is to retain the properties with the highest investment value in the commercial property development project for rental income so as to ensure that stable cash inflows will be generated to the Group in the future to resist risks. As our office buildings are situated at favourable geographical locations and are of superior quality, the Group can achieve satisfactory operating performance and receive value-added gains from the appreciation of investment properties. The Group will also actively adjust the proportion of properties for holding and properties for sales with a view to achieving balanced operations and sustainable growth in performance.

In 2011, the occupancy rate and rental level of the properties held by the Group remained relatively high. In 2011, the office market in China was flourishing. The Group firmly made use of the favourable macro conditions of rising rental level and decreasing vacancy rate of its three office buildings and further optimised its tenant structure on the basis of rising rental level and occupancy rate, resulting in the increase in overall quality of leased properties.

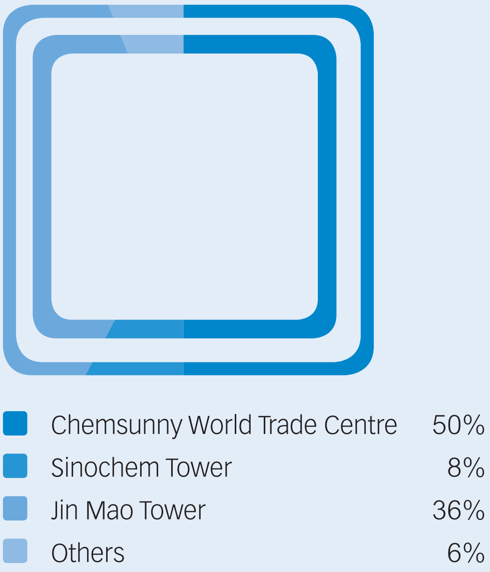
During the Year, the overall sales revenue from property leasing segment amounted to HK$988.6 million, which increased substantially over that of last year. The rental income for the Year was mainly derived from Beijing Chemsunny World Trade Centre and Jin Mao Tower.

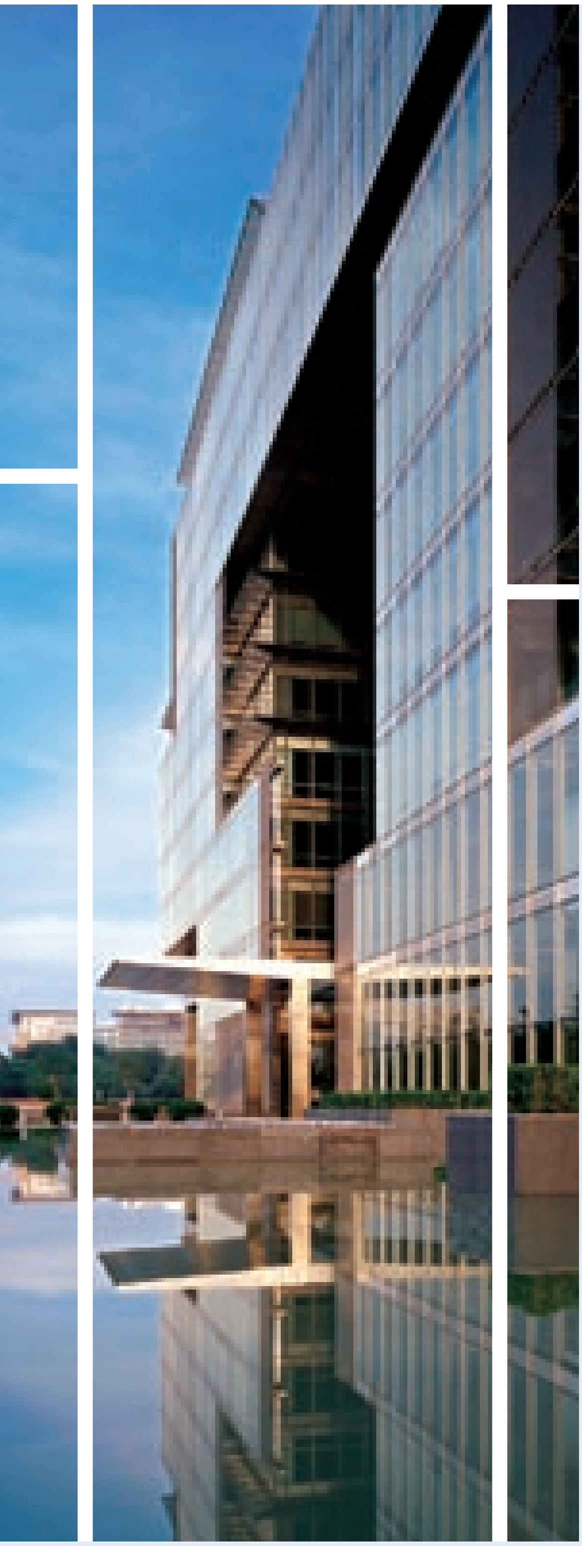


Sales revenue from property leasing segment for the past three years (HK$ million)



Percentage of sales revenue attributable to each investment property for 2011





Situated on Fuxingmen Nei Avenue within the financial district of Beijing, Beijing Chemsunny World Trade Centre is adjacent to West Chang An Avenue and opposite to Jinrong Street. The complex is less than ten minutes' walk from two subway lines and only one block to the west of the Second Ring Road.

Leasing business of Beijing Chemsunny World Trade Centre

(100% owned by the Group)

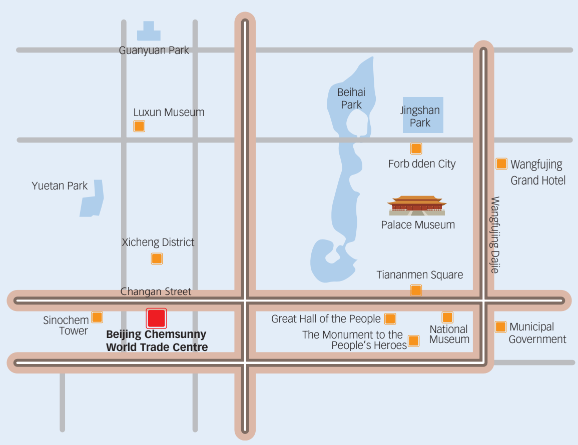
The project comprises three parallel and interconnected 14-storey office buildings, being the East, Central and West Towers respectively. The three office buildings comprise a total gross floor area of approximately 194,530 square metres. Construction of Beijing Chemsunny World Trade Centre commenced in April 2004 and the main body of the construction was completed in December 2006. The complex can provide separate offices for approximately 80 to 120 companies, and house as many as 5,000 employees. It distinguishes itself from other high-end office buildings in Beijing by the incorporation of a number of distinctive design elements and features. The Group holds 100% interests in the project.

The Central and West Towers and some floors in the East Tower of Beijing Chemsunny World Trade Centre are the Group's long-term investment and are held for leasing to external parties, with a total rentable area of approximately 110,760 square metres.

Due to its prime location, superior quality, advance product design and high-end ancillary facilities, the property is widely recognised by its clients throughout the market, and a large number of international and domestic renowned enterprises have moved into Beijing Chemsunny World Trade Centre. As at 31 December 2011, the occupancy rate of Beijing Chemsunny World Trade Centre was 100% (as at 31 December 2010: 99.3%). Occupancy was full for eight months throughout the Year. The primary tenants of this property are Sinochem Group and its related companies, and some of the top companies from other fields including finance and consultancy.

Tenant structure 2011

Related companies	36%
Financial	59%
Others	5%



Situated at the heart of Beijing on Fuxingmen Wai Avenue, the prime location of the business circle of the financial street which is less than 50 metres away from the subway station of the Beijing Subway Line One, Sinochem Tower is an office building supported by sophisticated office facilities and personalised services.

Leasing business of Sinochem Tower

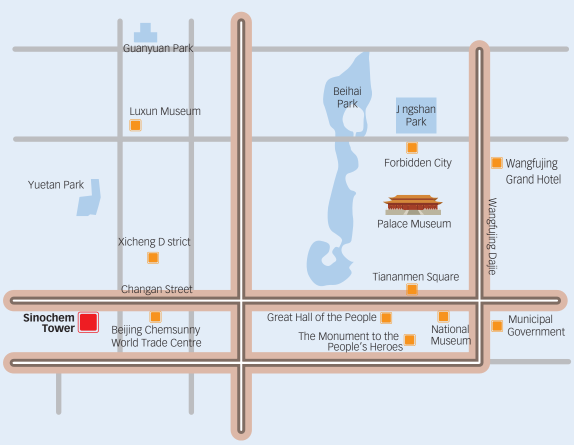
(100% owned by the Group)

The 26-storey Sinochem Tower has a total gross floor area of approximately 49,066 square metres. The Group holds 100% interest in the Sinochem Tower.

During the Year, the tenant structure of such property continued to improve and the quality of the building was enhanced with an increase of approximately 20% in average rental level over that in 2010. As at 31 December 2011, the occupancy rate was 100% (as at 31 December 2010: 100%). Occupancy was full for ten months throughout the Year. The principal tenants are eminent enterprises of the finance, software, and consultancy industries and the related companies of the Group.

Tenant structure 2011

Related companies	36%
Financial	31%
Commercial	14%
Others	19%



Property Leasing Segment

Situated at the Lujiazui Finance and Trade Zone of Pudong, Shanghai, Jin Mao Tower is one of China's landmark buildings attracting numerous businessmen, tourists and sightseers at home and abroad. The 420.5-metre-high 88-storey tower, with a total gross floor area of approximately 292,475 square metres, represents a perfect combination of China's traditional architectural techniques and the world's state-of-the-art technology.

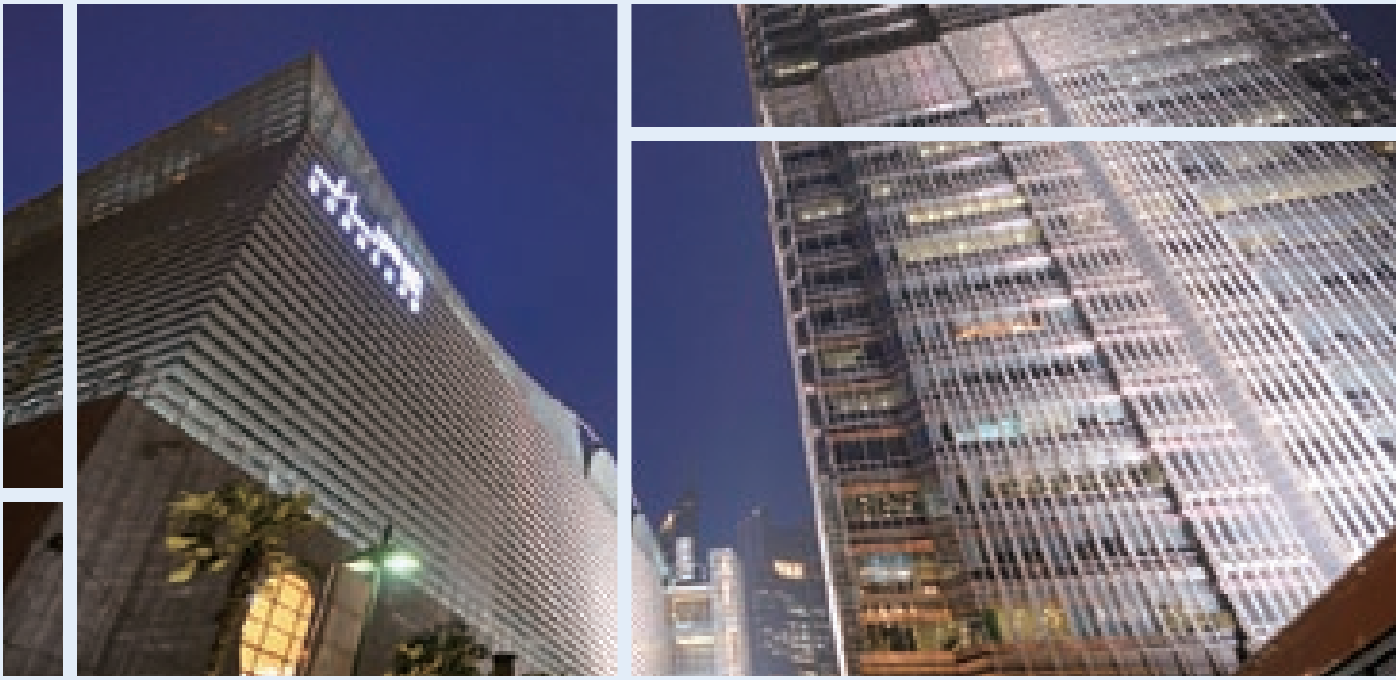
Leasing business of Jin Mao Tower

(100% owned by the Group)

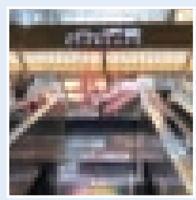
The spacious, bright and imposing entrance hall of Jin Mao Tower is located on the first two floors. On the 3rd-50th floors are commodious office areas without poles, with a height between floors of 4 metres and a ceiling height of 2.7 metres. The 51st-52nd floors are designed for mechanical and electric rooms, and the 53rd-87th floors house the Grand Hyatt Shanghai Hotel, a superior luxury five-star hotel. The indoor observation deck is on the 88th floor. "J-Life" was constructed on the podium building connected to Jin Mao Tower and has become the brand new fashionable landmark in Shanghai. The Group owns 100% interest in Jin Mao Tower.

The 3rd-50th floors of Jin Mao Tower are made up of grade A offices, and the leaseable office area has a total gross floor area of approximately 122,131 square metres. Its excellent location, along with its superior landmark effects, makes the tower one of the first choices as place of business in Shanghai for prestigious corporations at home and abroad. In spite of the intensifying competition between office buildings due to the completion of a number of new office buildings in the surrounding areas during the period, the occupancy rate reached its historical high whilst the rental level remained steady as proactive measures were adopted for such project. As at 31 December 2011, the occupancy rate of the offices in Jin Mao Tower was 97.2% (as at 31 December 2010: 92.4%).

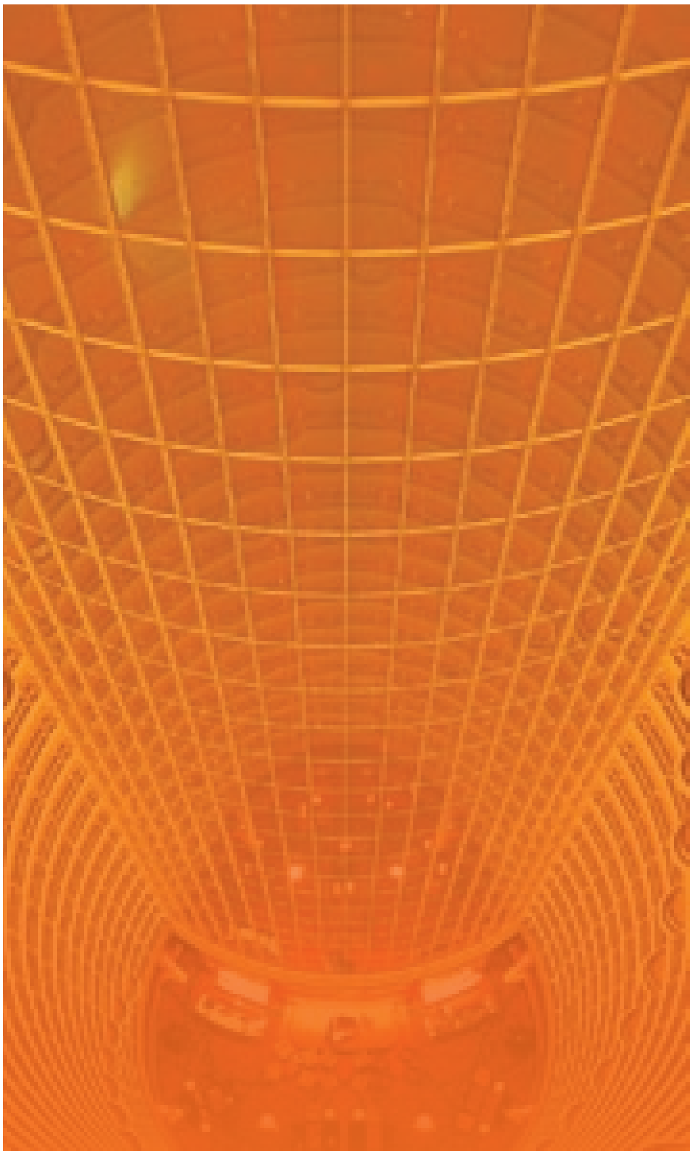
"J-Life", constructed on a gross floor area of approximately 22,986 square metres and located in the podium building of Jin Mao Tower, is anchored by many flagship stores of famous brands engaged in the provision of retailing services, private nursing services, personalised services and Chinese and western catering services, and has become one of the high-end lifestyle service centres in Pudong, Shanghai, which greatly improves the overall quality of Jin Mao Tower.



■	Related companies	19%
■	Financial	31%
■	Technology	9%
■	Consultancy	20%
■	Trading	8%
■	Others	13%



Vision



Hotel Operations Segment

We believe in the power of persistence and adhere to people-oriented hospitality, long-term service commitments and ultimate hardware standards. Our unfailing persistence transforms customer's expectation and recognition into a power which drives us to constant advancement.

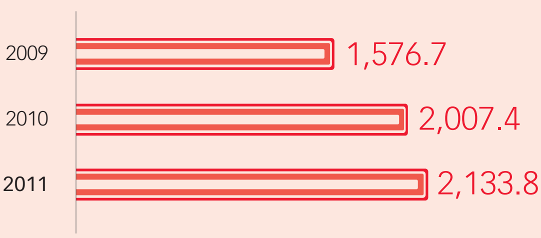
Hotel Operations Segment

As the leading luxury hotel investor nationwide, the Group steadily expands the size and capability of the hotel operations segment according to the market conditions and its own needs with a view to providing long-term stable revenue to the Group. Through a series of high-end hotel project development and successful operation, the Group has equipped itself with the comprehensive and matured ability to design, develop and invest high-end hotels, and has established sound working relationship with internationally renowned hotel conglomerates such as Marriott, Grand Hyatt, Hilton and Starwood. Under the Group's principle of developing exclusive and high-end hotels, its hotel operations are identified with high-quality services and are popular among, and well recognised by, high-income consumers. In addition to generating profit, this enhances the Group's brand and overall reputation, and promotes the image and popularity of the other business segments of the Group, thereby generating higher profitability.

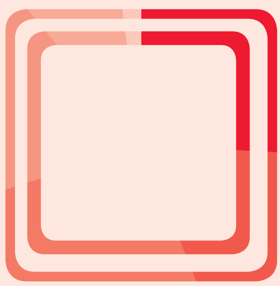
As at 31 December 2011, the Group owned six hotels in China, which are located in Beijing, Shanghai, Sanya and Shenzhen respectively. With a total gross floor area of approximately 410,000 square metres, these hotels offer approximately 3,000 guest rooms. These hotels are all located at the prime locations in first-tier cities or 5A resort regions, manifesting the superior capabilities of the Group in the area of hotel investment in China. In 2011, the hotel market in China was good in general, despite intensifying local competition. The Group's hotels swiftly captured the market opportunities and focused on raising room rate during peak seasons and promoting occupancy rate during low seasons. Through implementing measures such as strengthening its marketing to group customers and expanding sales of events and functions, the Group significantly enhanced the sales results and obtained fruitful profit returns. During the period, Hilton Sanya Resort & Spa and The Ritz-Carlton, Sanya set another historical record in performance, thus consolidating and enhancing its leading position in Yalong Bay. Operations of Westin Beijing, Chaoyang and JW Marriott Shenzhen were running smoothly with enhanced operating results as a whole.

During the Year, the overall sales revenue from hotel operations segment amounted to HK$2,133.8 million. The revenue from hotel operations for the Year was mainly derived from Grand Hyatt Shanghai, The Ritz-Carlton, Sanya and Westin Beijing, Chaoyang.

Sales revenue from hotel operations segment for the past three years (HK$ million)



Percentage of sales revenue attributable to each hotel for 2011



Grand Hyatt Shanghai	26%
Hilton Sanya Resort & Spa	18%
The Ritz-Carlton, Sanya	26%
Westin Beijing, Chaoyang	19%
JW Marriott Shenzhen	9%
Wangfujing Grand Hotel	2%

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Hotel Operations Segment – Shanghai

Situated on 53rd to 87th floors of Jin Mao Tower, Grand Hyatt Shanghai is operated and managed by Global Hyatt Corporation (one of the world famous international hotel management companies) entrusted by the Group.

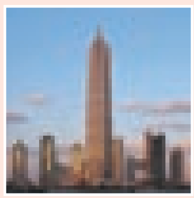
Grand Hyatt Shanghai

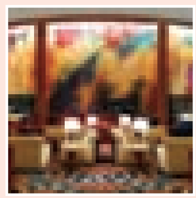
(100% owned by the Group)

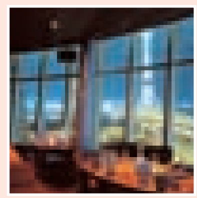
Grand Hyatt Shanghai was opened in 1999 with a total gross floor area of 80,410 square metres. The 35-storey hotel has 555 luxury guest rooms each decorated with panorama glass curtain walls, thus allowing guests to enjoy the breathtaking scenery of Shanghai city.

Since its inauguration, the hotel has been granted more than 100 hotel-related awards in China and abroad, and has successfully undertaken a series of significant activities such as the Fortune Global Forum, APEC Conference, Asian Bankers' Annual Conference and Forbes' Global CEO Conference. During the Year under Review, the "Post-WorldExpo Effect" resulted in a surplus in the hotel market in Shanghai where competition was fierce. Grand Hyatt Shanghai flexibly altered the pricing strategies and stepped up its marketing efforts. Accordingly, the overall performance of business traveller market was satisfactory and was the largest contributor to the sales of the hotel's guest rooms. In addition, sales of events and functions continued to outperform its peers in Shanghai. The hotel will endeavour to offer outstanding and refined quality services to the customers at home and abroad, upholding the title of Grand Hyatt Shanghai as the "First Luxury Hotel".

上海金茂君悦大酒店
GRAND HYATT SHANGHAI







- Revenue from guest rooms 43%
- Revenue from catering services 55%
- Other revenue 2%

Grand Hyatt Shanghai	2011	2010
Average occupancy rate	**59.0%**	72.3%
Average room rate (RMB)	**1,771**	1,994
Average revenue per available room (RMB)	**1,046**	1,442

- Mainland China 48%
- Hong Kong and Taiwan 6%
- Overseas 46%

Hotel Operations Segment – Sanya

Situated at the enchanting Yalong Bay, Hainan Province, Hilton Sanya Resort & Spa is operated and managed by Hilton International Corporation (one of the world famous international hotel management companies) entrusted by the Group.

Hilton Sanya Resort & Spa

(100% owned by the Group)

Hilton Sanya Resort & Spa was opened in 2006 with a total gross floor area of approximately 76,666 square metres, and has 501 guest rooms, suites and villas as well as 400 metres of powdery white beachfront. This hotel is designed and built with unique features and services to provide a "True Resort Experience", a basic concept embodying strong southern China's characteristics everywhere.

During the Period under Review, Hilton Sanya Resort & Spa purposedly adopted the pricing strategies in line with the market and the average room rate increased substantially. Through the introduction of featured catering services and the continuous adjustment to the prices of catering services, the revenue from catering services was further increased. The hotel achieved satisfactory operating results in 2011 and continued to rank top among its peers in the same region.

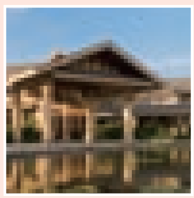
Hilton
Sanya Resort & Spa
金茂三亚希尔顿大酒店

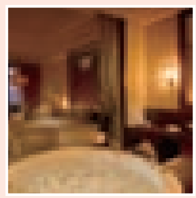
2011 Revenue structure

- Revenue from guest rooms 75%
- Revenue from catering services 22%
- Other revenue 3%

2011 Guest structure

- Mainland China 85%
- Hong Kong and Taiwan 2%
- Overseas 13%





Hilton Sanya Resort & Spa	2011	2010
Average occupancy rate	**67.5%**	66.6%
Average room rate (RMB)	**2,020**	1,752
Average revenue per available room (RMB)	**1,363**	1,167

Business Review

Hotel Operations Segment – Sanya

Situated at the charming Yalong Bay, Hainan Province, The Ritz-Carlton, Sanya is operated and managed by the Ritz-Carlton Hotel Company (one of the world famous international hotel management companies) entrusted by the Group.

The Ritz-Carlton, Sanya

(100% owned by the Group)

The Ritz-Carlton, Sanya was opened in April 2008. It has a total gross floor area of approximately 83,000 square metres and 450 luxury guest rooms. Each guest room has a floor area of more than 60 square metres. 21 of such guest rooms are luxury suites and 33 are villas with private housekeepers and independent swimming pools, all of which are situated between the fine and silvery white sand recesses and the conservation zone of the mangrove forest of Yalong Bay.

During the Period under Review, The Ritz-Carlton, Sanya fully capitalised on the opportunities arising from the development of tourism in Sanya. Through adopting active and flexible marketing strategies, the Group purposedly formulated its pricing mechanism and achieved extraordinary results. Accordingly, the Group performed remarkably and continued to take the lead in the high-end hotel market in Yalong Bay where its operating results significantly outperformed its peers in the same region.

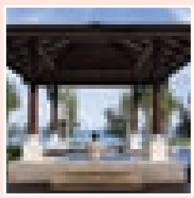
The Ritz-Carlton®
Sanya

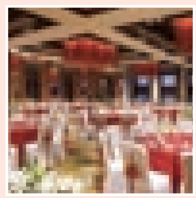
2011 Revenue structure

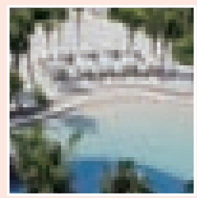
Revenue from guest rooms	72%
Revenue from catering services	24%
Other revenue	4%

2011 Guest structure

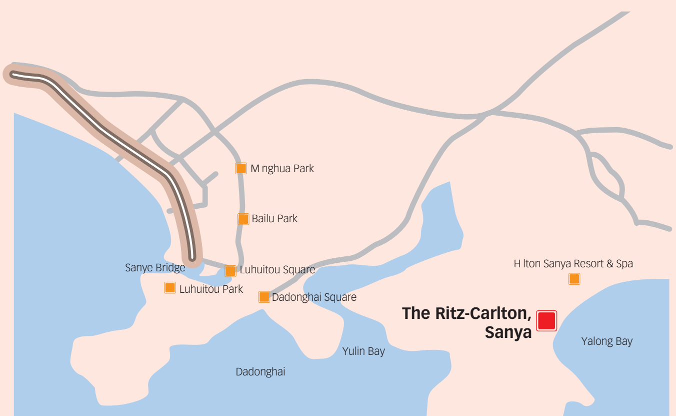
Mainland China	72%
Hong Kong and Taiwan	3%
Overseas	25%







The Ritz-Carlton, Sanya	2011	2010
Average occupancy rate	**77.4%**	76.2%
Average room rate (RMB)	**2,783**	2,425
Average revenue per available room (RMB)	**2,155**	1,848



Hotel Operations Segment – Beijing

Situated at Yansha Business Circle, Chaoyang District, Beijing and adjacent to Beijing's embassy area, Westin Beijing, Chaoyang is only 25 minutes' ride from Beijing Capital International Airport. The hotel is operated and managed by Starwood Hotels & Resorts Worldwide, one of the world famous international hotel management companies) entrusted by the Group.

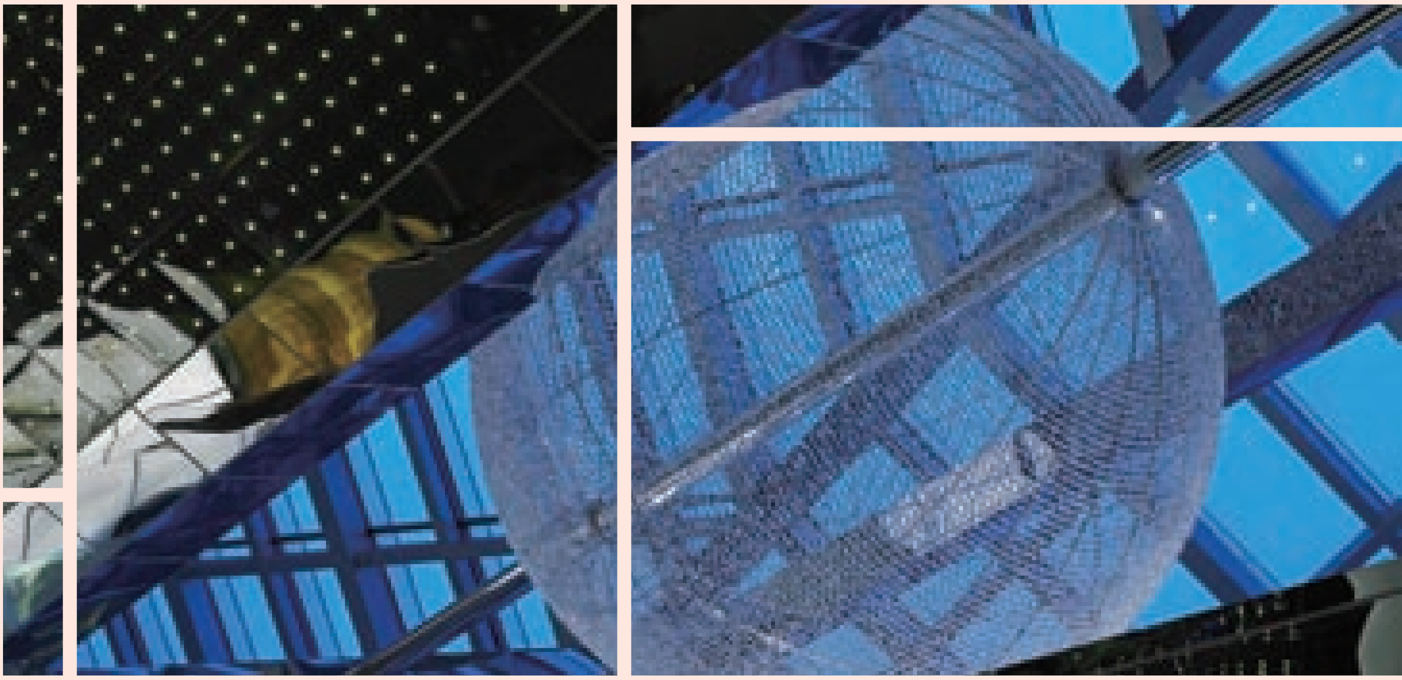
Westin Beijing, Chaoyang

(100% owned by the Group)

Westin Beijing, Chaoyang was opened in June 2008. The 34-storey hotel has a total gross floor area of approximately 75,446 square metres and 550 guest rooms, which, from luxury guest rooms of 40 square metres to presidential suites of 320 square metres, provide various comfortable and convenient facilities to cater to each guest's favourite way of recreation. Since its opening, the hotel served numerous foreign heads of state and business elites, thereby establishing a high-end brand image of the hotel.

During the Period under Review, the Group strengthened its management on marketing and cost control and fully capitalised the opportunities to generate revenue and maximise the economic benefits within such limited area in light of the market recovery. In addition, through the adoption of a number of measures on catering, services and cost control, performance of all restaurants in the hotel set new records. While consolidating its market position, the hotel saw an overall increase in its operating results.

THE WESTIN
BEIJING
CHAOYANG
金茂北京威斯汀大饭店

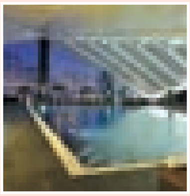


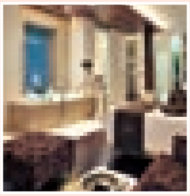
2011 Revenue structure

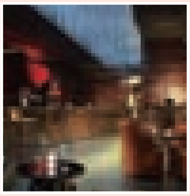
Revenue from guest rooms	60%
Revenue from catering services	34%
Other revenue	6%

2011 Guest structure

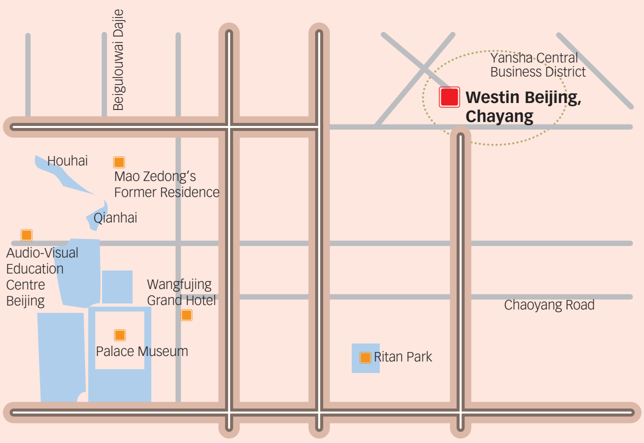
Mainland China	48%
Hong Kong and Taiwan	4%
Overseas	48%







Westin Beijing, Chaoyang	2011	2010
Average occupancy rate	**78.6%**	67.9%
Average room rate (RMB)	**1,357**	1,251
Average revenue per available room (RMB)	**1,066**	849



Business Review

Hotel Operations Segment – Beijing

Situated on the northern section of Wangfujing Avenue in Beijing's major business and shopping district, Wangfujing Grand Hotel is enjoying an unparalleled location, which allows for walks to a cluster of cultural and historical sites and facilities, short distance to The Forbidden City, Tian'anmen Square and Beihai Park, and a bird's-eye view of The Forbidden City. Wangfujing Grand Hotel is operated and managed by the Group.

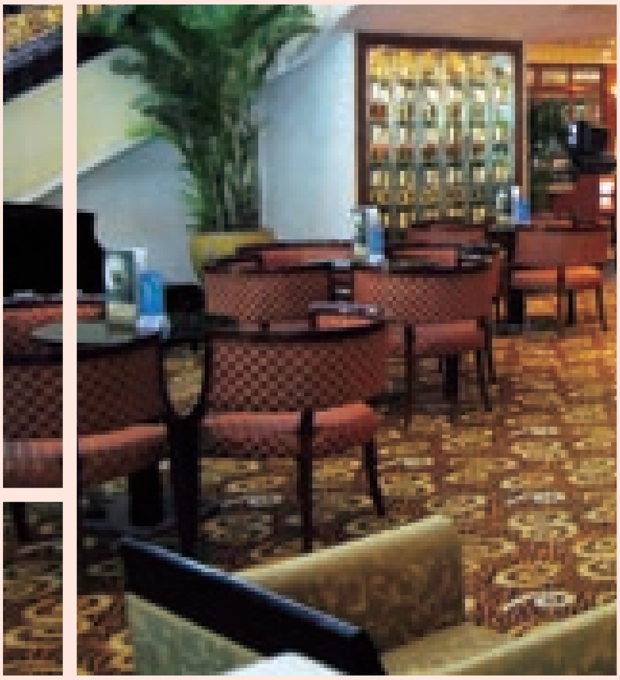
Wangfujing Grand Hotel

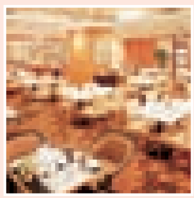
(100% owned by the Group)

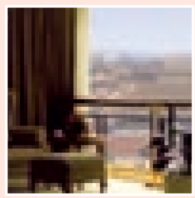
The Wangfujing Grand Hotel was opened in 1995 with a total gross floor area of approximately 41,349 square metres. This 14-storey building has 405 guest rooms as well as a number of conference rooms, catering and other facilities.

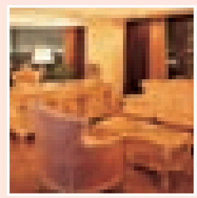
Over the years, the operating performance of the hotel has been satisfactory. It attracts a large number of tourists and gains the recognition in the industry. In order to provide a superior quality living environment and service experience to the customers at home and abroad, the Group plans to have a revamp of Wangfujing Hotel. The revamped hotel will also focus on high-end hotel operations with a view to generating stable long-term revenue and increasing brand value.

王府井大飯店
WANGFUJING GRAND HOTEL









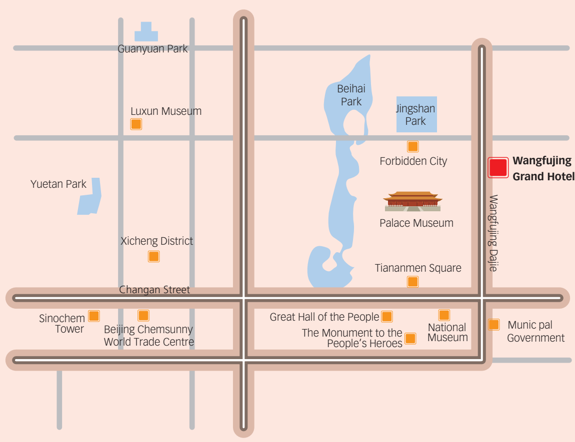
2011 Revenue structure

Revenue from guest rooms	63%
Revenue from catering services	18%
Other revenue	19%

2011 Guest structure

Mainland China	68%
Hong Kong and Taiwan	7%
Overseas	25%

Wangfujing Grand Hotel	2011	2010
Average occupancy rate	24.7%	52.2%
Average room rate (RMB)	710	620
Average revenue per available room (RMB)	175	323



Hotel Operations Segment – Shenzhen

JW Marriott Shenzhen is located in Futian District, Shenzhen, in close proximity to the Shenzhen Golf Club. The hotel is operated and managed by Marriott Hotel International (one of the world famous international hotel management companies) entrusted by the Group.

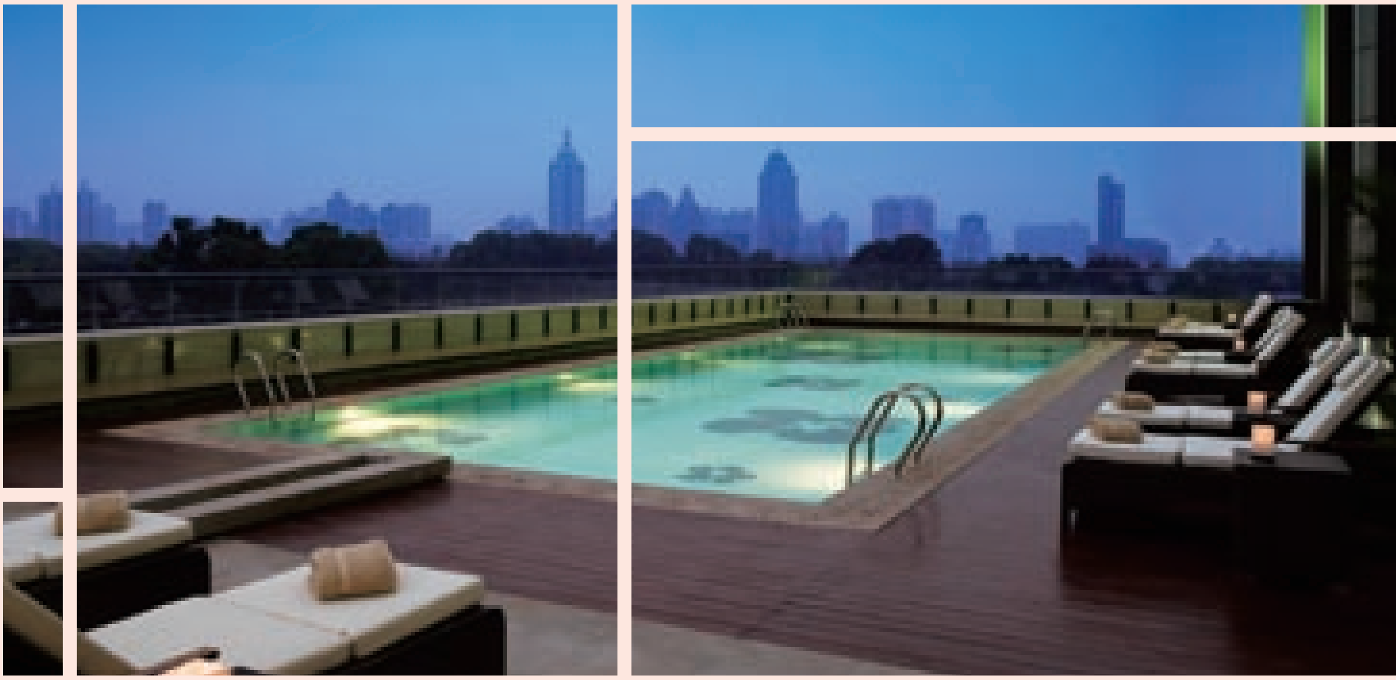
JW Marriott Shenzhen

(100% owned by the Group)

JW Marriott Shenzhen was officially opened in March 2009, occupying a total gross floor area of approximately 52,000 square metres. It has 411 guest rooms, a banquet hall that can accommodate 400 people, as well as 5 conference rooms equipped with the most advanced audio-visual technology. Its modern tropical design concept blends into the architectural style of the hotel and the seasonal characteristics of the South China city, making the hotel one of Shenzhen's top-grade superior deluxe five-star rating business hotels.

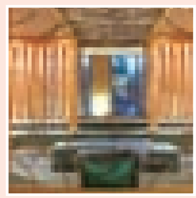
During the Period under Review, the top-grade hotel market was driven by the recovering market in Shenzhen, as well as the opening of Universiade Shenzhen and China High-Tech Fair. JW Marriott Shenzhen followed the market closely and focused on raising room rate whilst actively expanding the niche markets such as corporate customers, meeting groups and government reception guests, thereby achieving good performance. Its operating results grew substantially from 2010.

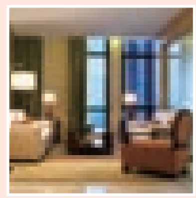
JW MARRIOTT.
SHENZHEN
金茂深圳JW万豪酒店



- Revenue from guest rooms 60%
- Revenue from catering services 37%
- Other revenue 3%

- Mainland China 48%
- Hong Kong and Taiwan 8%
- Overseas 44%





JW Marriott Shenzhen	2011	2010
Average occupancy rate	**74.3%**	71.4%
Average room rate (RMB)	**963**	801
Average revenue per available room (RMB)	**715**	572

Building for the Future

Property Development Segment

In our relentless pursuit of a habitat for arts and life philosophy, we focus on the future organic and endless growth of Chinese cities and quality buildings, continuously reflect upon the relationship between the beauty of the present moment and the unlimited future, and through project development, business life, regional vitality and city prosperity put them into practice comprehensively.

Property Development Segment

Franshion Properties specialises in developing urban landmarks featuring a unique artistic mood with the concept of unleashing future vitality of the city, pursuing harmonious development between man, architecture and nature. Since the completion of construction of Jin Mao Tower in 1998, we have been committed to developing architectural classics on the most precious land in the PRC in the past 13 years and redefining the idea of "high-end" and "quality" with a forward-looking vision. Our representative projects include Shanghai Fortune Plaza, Beijing Chemsunny World Trade Centre and Shanghai Port International Cruise Terminal Project. Projects under development currently, including Shanghai International Shipping Service Center, Beijing Guangqu Jin Mao Palace Project, Shanghai Dongtan Jin Mao Noble Manor Project, Qingdao Lanhai Xingang City Project and Lijiang Project etc. continue to reflect the Group's consistent strategy of developing high-end excellent properties. We will create an outstanding landscape and a brand new classical image for future city development.

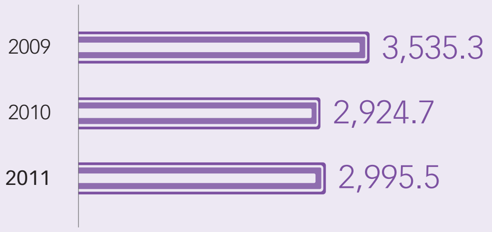
After years of project development, the Group has formed an experienced development team and established sound cooperation relationships with local governments, enabling us to obtain quality land resources easily. We have also developed a unique management model covering the selection, operation and management of property development projects and promoting the synergistic development with other economic entities of the same region. In particular, we have accumulated extensive experience in the development of waterfront properties.

As at 31 December 2011, the Group had 12 property development projects in different development stages located in Beijing, Shanghai, Changsha, Qingdao, Lijiang, Chongqing and Zhuhai. In 2011, the Group accelerated the development of high-end and exclusive property projects and commenced sales for two high-end residential projects during the first half of the Year. In April, Beijing Guangqu Jin Mao Palace Project commenced its grand sales. Leveraging on its rare prime location, high-end quality products and strong brand assurance, it hit the historical record in terms of sales amount on the date of sales launch among all residential housing products in Beijing and ranked first

in the sales of residential housing products in Beijing throughout the Year. In June, another high-end and low density residential housing project, Shanghai Dongtan Jin Mao Noble Manor Project also commenced sales and drew an overwhelming response from the market where the total number of sales subscriptions and average price upon sales launch far outperformed the similar products in the surrounding region. As for the featured riverfront project in the core area of the North Bund in Shanghai, Shanghai Port International Cruise Terminal Project, the project was basically sold out. Some buildings of Shanghai International Shipping Service Center Project adjacent to it were also successfully contracted and letters of intent were being actively fixed for other buildings of the project. Changsha Meixi Lake Project successfully achieved the stated target of reaping profits in the year of acquisition. The project was well received by the market due to the land quality and promising growth prospects. Currently, a number of renowned PRC developers were in active negotiation with the Group and the secondary development of the project was also kicked off successfully under the integrated primary and secondary development. Construction of Yunnan Lijiang Project and Qingdao Lanhai Xingang City Project were in active progress and it is expected to commence pre-sales in 2012. In addition, at the end of 2011, the Group also seized the market opportunities and successfully acquired Site B in Laiguangying, Beijing and the land parcel of Chongqing Vocational Technology Institute, laying a solid foundation for the Company's future development.

The property development segment recognised aggregate sales revenue of HK$2,995.5 million.

Sales revenue from property development segment for the past three years (HK$ million)



Business Review

Property Development Segment – Projects under Development and Completed Projects

Located at the east of Fourth Ring Road in Chaoyang District, Beijing, the project is adjacent to the CBD area and at the south of its Eastern Expansion Area, which is only 4 kilometres from the core area of the CBD. The project is near to a cluster of bus lines and two subway lines under construction, which offers convenient transportation facilities. In addition, auxiliary facilities, such as hospitals, education institutions, commercial facilities and restaurants are nearby, and a number of high-end properties are adjacent to the project. This area is recognised by the industry as the "only remaining prime site" in Beijing for its excellent location.

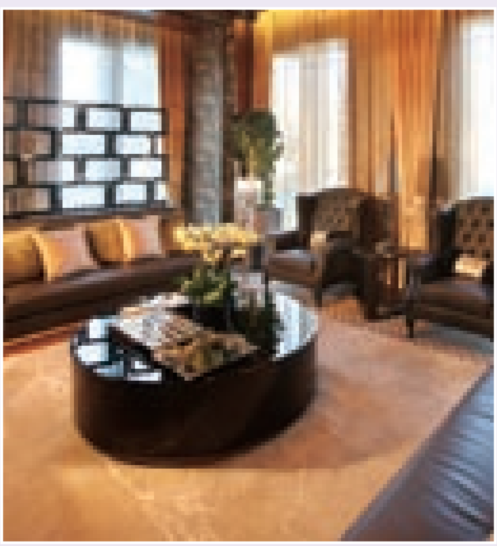
Beijing Guangqu Jin Mao Palace Project

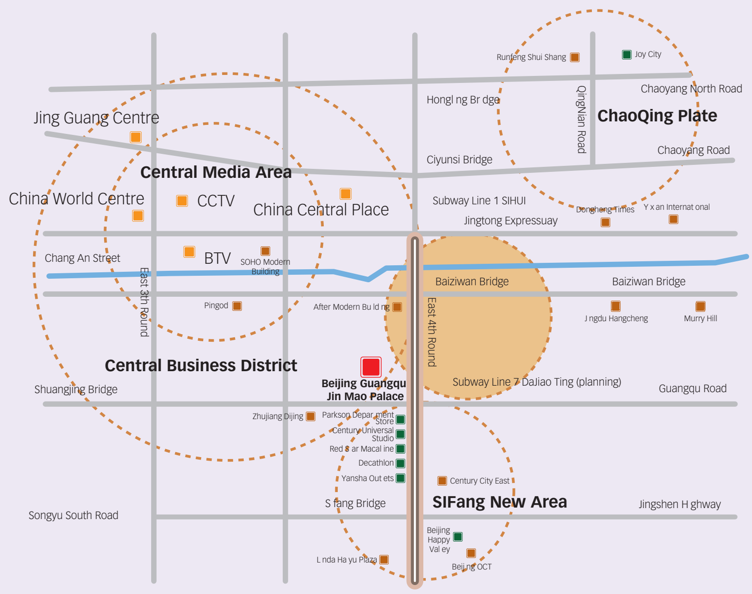
(100% owned by the Group)

In June 2009, the Group obtained the land use rights of the project. It has a site area of 155,918 square metres and an estimated total gross floor area of 366,302 square metres. The project will be developed into a high-end residential complex consisting of high-end residential properties, high-end commercial properties, sport parks and primary school. It will represent a metropolitan landmark integrating the functions of culture, leisure, education and fashion.

During the Period under Review, sales of Beijing Guangqu Jin Mao Palace Project was overwhelming amid poor market sentiments and topped a number of charts in Beijing. It came first for the sales of residential projects in Beijing throughout the

Year. At the same time, the project also successfully introduced a prestigious academic institution, Beijing No.2 Experimental Primary School, which significantly enhanced the quality and competitiveness of the project. The Group plans to develop such primary school into the first primary school in China with the national three-star green standards and LEED Platinum Certification, highlighting the Group's pursuit to building a green and low carbon environment. Currently, the construction of the project is well under way. The entire project is expected to be completed in 2013.





Property Development Segment – Projects under Development and Completed Projects

The development area of Changsha Meixi Lake Project, with an aggregate area of 11,452 mu, is located in the core region of Dahexi Pilot Zone, Changsha City, Hunan Province, the PRC, which is 6 kilometres from the city centre. The project, featuring the elements of mountains, lake, land and the city, will be developed into a high-end international commercial and innovation centre, as well as an ecological new residential town with scenic landscape in the central region.

Changsha Meixi Lake Project

(80% owned by the Group)

On 26 January 2011, the Group entered into an agreement with the Management Committee of Dahexi Pilot Zone in Changsha and other related parties, confirming that the Group has become the investor in the project for developing Meixi Lake International Service and Technology Innovation City, by which the Group would be in charge of land requisition, compensation and resettlement, all preliminary municipal infrastructure and urban public facilities, and other related subsequent developments within the area, and would endeavour to develop the project into a "two-type community" model district. The development area of the project has a favourable geographical location with a sound ecological environment, which is located in the core region of Dahexi Pilot Zone, Changsha City, Hunan Province, the PRC. With West Second Ring Road to its east, West Third Ring Road to its west, Longwang River to its north and national 4A level scenic spot in Taohualing, Yuelu Mountain Range to its south, the project, occupying a total site area of 11,452 mu, is surrounded by the 3,000-mu Meixi Lake. According to the plan "Future Hexi, the Central City" formulated by the local government, the project, to be designed as the most competitive high-end international commercial and innovation centre, as well as an ecological new residential town with scenic landscape in the central region, will feature

concepts of ecology, energy conservation, innovation and technology. According to the bidding notice, the filing procedure for the completion of primary land development of the project is expected to be fully completed in June 2016, whilst the bidding, auction or listing-for-sale procedures for the land in the project will be completed in June 2017.

During the Period under Review, through reasonable optimisation of planning, Changsha Meixi Lake Project restructured the functional system in the area with more diversified urban land planning and better fit land use along with a substantial increase in the land value in the area as a whole. In an attempt to actively introduce quality education resources, the Group secured the intent of many secondary and primary schools in the province to station there, which further enhanced the ancillary resources. The Group also completed the planning of the green ecological city project with advanced design indicators in line with international levels. While the construction of municipal roads, bridges, lakes, river regulation and roadside landscaping within the area steadily progressed, the overall structure of a new city has been initially formed with beautiful mountains and clear waters in a magnificent landscape and high accessibility. In addition, activities jointly organised with the government such as World's Renowned Architects' Dialogue on Meixi Lake helped effectively facilitate the building of a high-end international image of the area with the fame as a unique city. In October 2011, the project completed transfer of the first batch of land, achieving a remarkable performance in reaping profits in the year of acquisition. In face of the prevailing market conditions, the Group will continue to optimise the arrangements of primary and secondary development and apply the concepts of digital technology, ecological civilisation, resource conservation and sustainable development in the course of the entire development, building Meixi Lake International Service and Technology Innovation City into the state's green standard low carbon model new city full of charm and vitality and creating a paradigm city by capitalising on the opportunities arising from the key development of Changzhutan "two-type community" in Hunan province.

Property Development Segment – Projects under Development and Completed Projects

Shanghai International Shipping Service Center Project is located in the North Bund of Hongkou District, Shanghai, directly across the river from the area of Lujiazui, Pudong. The site is adjacent to the west side of Shanghai Port International Cruise Terminal, the two of which form a riverfront area that doubles the length of the Bund.

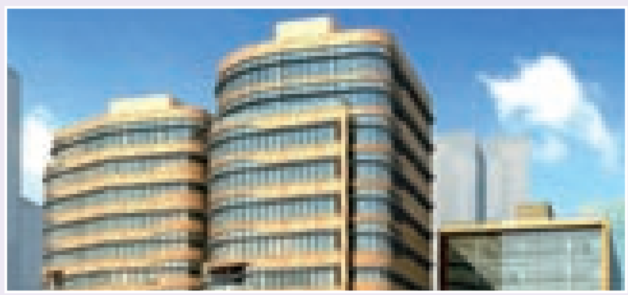
Shanghai International Shipping Service Center Project

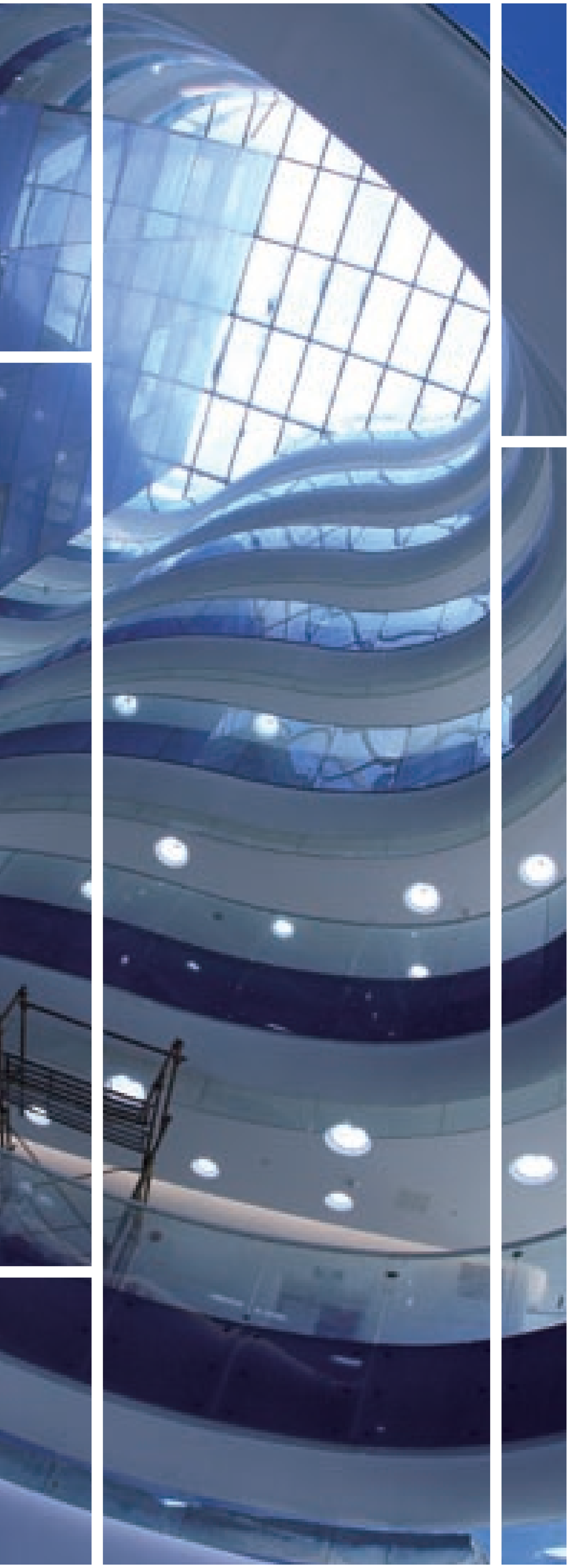
(50% owned by the Group)

Shanghai International Shipping Service Center is designed to realise the core functions and the economies of scale of the shipping service industry in Shanghai, and to achieve synergies of international shipping enterprises. In this connection, the project aims to address the needs of shipping transactions and commerce by strengthening the commercial and auxiliary functions of shipping services. It also attempts to highlight the characteristics of shipping service by constructing a yacht harbour. A classic compound based on the theme of shipping service will be constructed along the coast, creating a modern office and commercial zone featuring a shipping centre. The zone will be used for offices, commercial purposes, conventions, hotels and apartment hotels, with all the facilities including a yacht harbour. The entire project comprises the Eastern Site, the Western Site, and the Central Site.

The Group acquired the land use rights of the Eastern Site of the project in 2007, with an area of approximately 35,210 square metres. In March 2008, the Group acquired the land use rights of the Central Site of the project, with an area of approximately 19,039 square metres. In August 2010, the Group completed the acquisition of 50% equity interests in Shanghai Yin Hui. Through the acquisition, the Group has obtained the land use rights of the Western Site of the project with an area of approximately 41,345 square metres held by Shanghai Yin Hui, and therefore holds 50% economic interests in the Eastern Site, Central Site and Western Site of the project. The Group intends to consolidate the development of the Eastern Site, Western Site and Central Site. Upon completion, the project will comprise a total gross floor area of approximately 530,933 square metres. The project is listed as one of the key projects in Shanghai city and has become a key integral part of the urban growth strategies in Shanghai.

During the Period under Review, the Western Site of Shanghai International Shipping Service Center Project completed roof sealing and began pre-sales. Some of the buildings were contracted and other buildings were under active negotiation with prospective customers. Other land parcels of the project progressed well. The entire project is expected to complete construction by 2015.





Business Review

Property Development Segment – Projects under Development and Completed Projects

Located along the 880-metre stretch of the western bank of the Huangpu River, the Shanghai Port International Cruise Terminal is close to the Bund, in close proximity to two Shanghai Metro lines and directly across the river from the Oriental Pearl TV Tower. The Shanghai Port International Cruise Terminal is an integrated commercial area comprising a cruise terminal and business offices, including related structures and facilities, such as an international passenger transport terminal, a port administration building and office buildings. Covering an area of approximately 20,000 square metres, and reaching 9 – 13 metres in depth, the international passenger transport terminal can hold 3 luxury cruisers at the same time. The terminal is designed with a turnover of one million people each year and will grow into the shipping and transportation hub in Shanghai in the future.

Site B of Shanghai Port International Cruise Terminal Project

(50% owned by the Group)

The Group has entered into a partnership with Shanghai International Port (Group) Co., Ltd. ("Shanghai Port"), and will develop together with the latter the parcel of land on which the Shanghai Port International Cruise Terminal is located. The parcel of land is split into two parts for two different projects, one on Site A, and the other on Site B, connecting to each other closely and together making up the whole of Shanghai Port International Cruise Terminal. Site A is intended for the International Passenger Transport Terminal and the Port Administration Building, while Site B is reserved for office buildings, commercial centres and related structure groups. The Group holds a 50% economic interest in the Site B developments.

The Group has built eleven office buildings on Site B. The six office buildings on the front are individual buildings which integrate functions and sights with an area of 15,000 to 22,000 square metres, each

has an independent naming right, great to be used as headquarters or regional headquarters of international enterprise. The high-rise buildings and the multi-storey buildings at the back integrate functions and commerce to meet the needs of various companies. The semi-underground business centre will become a hub of world fashions and trends and will be developed into a stylish shopping street, whilst a number of leisure squares will be a spot defining high quality life and entertainment in Shanghai.

Site B of Shanghai Port International Cruise Terminal Project occupies a total area of approximately 85,089 square metres. Site B will comprise a total gross floor area of approximately 302,080 square metres. Construction works were completed in 2011.

During the Period under Review, the project seized the market opportunities and recorded satisfactory sales performance amid the austerity control on the industry where the overall revenue far outperformed the industry average. The project was basically sold out.

"We seize opportunities to build "Shanghai Port International Cruise Terminal" and "Shanghai International Shipping Service Center" into the new landmarks in Shanghai in the future."

Upon completion of Shanghai Port International Cruise Terminal and Shanghai International Shipping Service Center, these two projects will form an approximately 2-kilometre-long riverfront high-end commercial complex, connecting the Bund's traditional financial district to the west and overlooking the Lujiazui Financial and Trade Zone to the south across the Huangpu River. These districts will form a "golden delta" within Shanghai's central business district (CBD), which will serve as a major area for Shanghai's international shipping centre.

Business Review

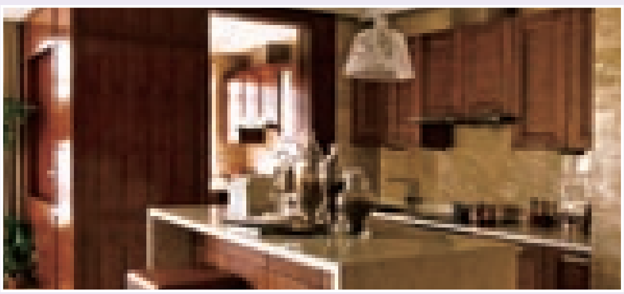
Property Development Segment – Projects under Development and Completed Projects

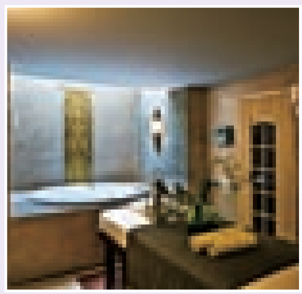
The investment value of Shanghai Chongming Island has been increasingly highlighted with its excellent ecological environment and unique geographical location. With the opening of Yangtze River Tunnel Bridge, the steady development of "International Eco-Island" plan, and the gradually improved infrastructure, Shanghai Chongming Island is being embraced with new opportunities for development.

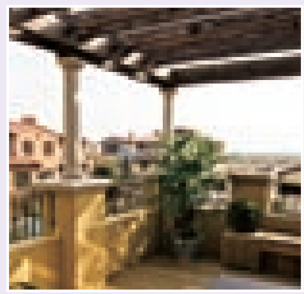
Shanghai Dongtan Jin Mao Noble Manor Project

(100% owned by the Group)

In November 2008, the Group acquired the land use rights of Site No. 4 located in Chenjia Town Binjiang Recreation and Sports Residential Community in Chongming Island, Shanghai. The land has an area of approximately 220,000 square metres and an estimated total gross floor area of 172,628 square metres. At the same time, the Group has entered into a lease agreement with Shanghai Chenjiazhen Asset Management Company to lease a site adjacent to Site No. 4 for an area of approximately 955,478 square metres. The Group preliminarily plans to develop the leased site into a sports park and construct the granted land into a quality riverfront integrated recreation, sports and holiday resort, comprising of a sports park, low-density residential properties, holiday resort and property right hotels. In particular, the world's renowned hotel management brand "Hyatt" will be engaged to manage and operate the hotel in this project.







During the Period under Review, Shanghai Dongtan Jin Mao Noble Manor Project commenced sales after 9-month construction and the construction of villa products was completed in 16 months. In order to cope with the housing purchase restriction policies, the Group timely adjust the sales launch strategies and construction progress, introduced serviced apartment products not subject to purchase restriction and loan restriction, and the project was welcomed by the market. Throughout the Year, sales of villa products and apartment products was well received, outperforming comparables in Shanghai. The project widely utilised low carbon technology and was granted several state's awards and government's special subsidies. The entire project is expected to be completed by 2013.

Property Development Segment – Projects under Development and Completed Projects

Qingdao Lanhai Xingang City Project is located at the mouth of Jiaozhou Bay opposite to Qianwan Port in Huangdao. It is an important part of Qingdao city's strategy of "Environmental Protection and Development of the Bay". The entire project occupies a land area of approximately 23 hectares and a gross floor area of approximately 800,000 square metres. In particular, the 200-mu Southern Site of the project is independently developed by the Group.

Qingdao Lanhai Xingang City Project

(100% of the 200-mu Southern Site of the project owned by the Group)

The Group and Qingdao Urban Construction Investment (Group) Co., Ltd. ("Qingdao Urban Investment Group") entered into a partnership to jointly develop Lanhai Xingang City Project in Qingdao. The project is located in Zhongdaozutuan (中島組團), west coast of the town area, Qingdao, west of Sichuan Road and is in the vicinity of Qingdao Railway Station, Zhongshan Road CBD, and Xiaogang Region. With the Old City as its backing, Qingdao Lanhai Xingang City Project faces Jiaozhou Bay and is opposite to Huangdao across the sea. Having a favourable geographical location, the project is well-equipped with tourism resources and cultural innovations and is highly accessible with comprehensive facilities. Pursuant to the relevant agreement, parties to the agreement agree to divide the 340-mu land parcel into two parts for separate

development. The Group enjoys the development rights to the 200-mu Southern Site.

The Southern Site is independently developed by the Group with a land area of 131,506 square metres and a gross floor area of 504,391 square metres into a harmonious living complex on the Bund. In adherence to the principle of high-end property development, coupled with the green strategy, the Group aims to create a new and glorious chapter for "Jin Mao" brand.

During the Period under Review, through optimising the ratio of commercial to residential properties and accelerating the cash inflows, the return on investment of the project was enhanced. The Group is accelerating the overall planning approval and design work of the project. The work of business recruitment has been kicked off as scheduled. The entire project is expected to be completed by 2016.

Property Development Segment – Projects under Development and Completed Projects

Lijiang (Yunnan Province) is known for its rich tourism resources, particularly its three world-class heritages: the Ancient Town of Lijiang, the Three Parallel Rivers and the Dongba culture. The Ancient Town of Lijiang was conferred as one of the sightseeing spots for the first batch of "National Tourism Postcards" (國家旅遊名片) in the "Boao International Tourism Forum" in December 2007.

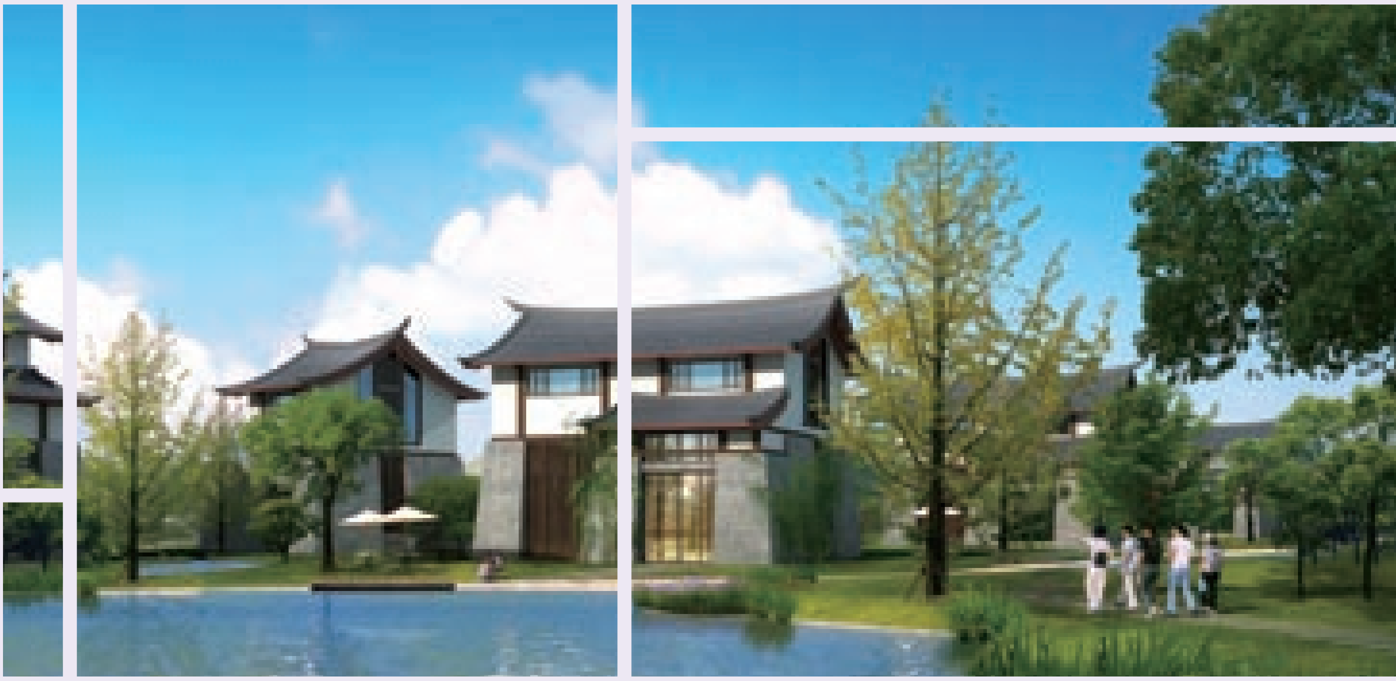
Yunnan Lijiang Projects

(100% owned by the Group)

In March 2008, the Group acquired two pieces of quality land, located respectively at the former site of World Heritage Park in the Ancient Town of Lijiang (at the northern outskirt of Lijiang City and the northern end of the Shangri-La Street) and at Ganhaizi in Yulong County (up on Yulong Snow Mountain, next to the Yulong Golf Course). According to the preliminary development plan, the two pieces of land will be developed into the following two projects.

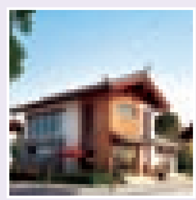
Lijiang Jin Mao Snow Mountain Whisper Project (formerly known as Jin Mao World Heritage Park Redevelopment Project)
This project is located at the former site of Lijiang World Heritage Park, with a land area of approximately 466,670 square metres. The project is set to be an integrated commercial project, which consists of at least one 5-star resort hotel, and aims to combine the Naxi culture with international design concepts, building the most characteristic high-end resort hotel and low-density residential properties in China. The estimated total gross floor area is approximately 272,547 square metres. Pre-sales is expected to commence in 2012.

In late January 2012, the Group acquired a 200-mu land parcel situated at the prime location in the Old Town of Lijiang at the bottom price. The land



parcel is located in the Beam River area where Lijiang's high-end hotels and resort properties are gathered. Adjacent to the Group's former Heritage Park and 500 mu to its north, it is the closest to Yulong Snow Mountain in Lijiang and is also the only way to Yulong Snow Mountain's 5A level scenic spot. The Group will combine the newly acquired land parcel and the existing land parcels together for development based on the overall planning and the strategy of implementation by stages, and strive to develop it into a landmark high-end tourism and resort complex in the southwestern region or even in China.

Lijiang Snow Mountain Jin Mao Noble Manor Project (formerly known as Lijiang Jin Mao Mansion Project)
Situated at Ganhaizi in Lijiang Yulong Snow Mountain, a national 5A level scenic spot and adjacent to the Yulong Snow Mountain Golf Course, this project occupies a total site area of 65,575 square metres. The Group plans to develop this project into a super five-star luxury hotel and low-density residential properties targeting at high-end tourists both locally and abroad, with an estimated total gross floor area of approximately 43,060 square metres.



Both projects will be managed and operated in linkage with international brands, with a view to achieving scale effect and creating synergy. During the Period under Review, the project was under the stage of preparatory design. The whole project will be developed in phases and launched in stages.

The project is situated at the west of Yangjiaping Pedestrian Street in Jiulongpo District. It is at the heart of the downtown of Chongqing and geographically located at the centre of the five major CBDs. It is within 20 minutes' ride to and from each business circle. Equipped with various mature municipal amenities, the project is under the command of Dayangshi Development Group in Chongqing.

Chongqing Vocational Technology Institute Project

(100% owned by the Group)

At the end of 2011, the Group successfully won the bid for the land parcel of Chongqing Vocational Technology Institute in Chongqing. The project has a site area of 101,096 square metres and a total gross floor area of 479,704 square metres. Opposite to Olympic Centre in Jiulongpo District, Chongqing City, the project enjoys distinctive geographical advantages as it is favourably located in the prime location of the city surrounded by hospitals, schools and bus stations, alongside with a comprehensive range of living amenities.

The project is the Group's pioneer project in Chongqing. The Group will make use of the opportunities brought by this project and form a development team. Through applying the concept of "green, technological and ecological living" and the skills accumulated over the years into the development of such project, the Group redefines

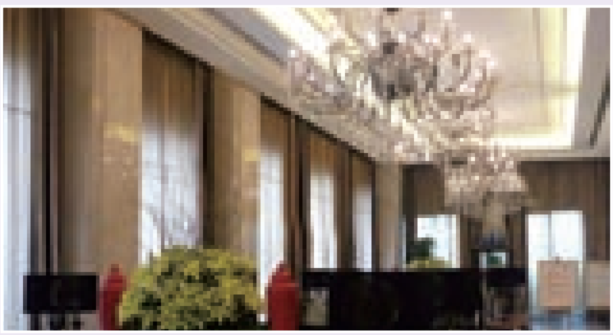
new standards for projects revamping the Old Town of Chongqing and generates significant growth in the same region. As a mid-to-high-end "quick sales" residential project, it paves way for the Group's subsequent projects in maintaining a balanced cashflow position and manpower reserves.

The project is located outside the East Fifth Ring Road, Chaoyang District, Beijing and adjacent to Wangjing. It has a favourable geographical location with great access to transportation facilities. The land parcel is regularly sized and shaped with a developed residential market in the region. It is another key project of the Group following Beijing Guangqu Jin Mao Palace Project which promotes the strategic development of Beijing, Tianjin and Hebei.

Beijing Laiguangying Project

(51% owned by the Group)

At the end of 2011, the Group and Sunac China Holdings Limited ("Sunac China") jointly won the bid for Site B in Laiguangying. The project is located in North Fifth Ring Road and adjacent to Wangjing. It is one of the best land parcels available for auction in Beijing this year. The project occupies a site area of approximately 225,385 square metres and a gross floor area of 373,800 square metres. The Group will jointly establish a project company with Sunac China to form a development team and create synergies. The Group will apply the concepts of greening, ecology and technology as well as technological skills into the project development, develop it into a high-end residential project and introduce quality education resources, thus making it another representative masterpiece of the Group following "Jin Mao Palace".




Jiawei Golf Club
Chaolai Forest Park
Beichen Green Central Park
Olympic Park
Metro Line No. 5
Hongjunying Road
Beiyuan East Road
Laiguangying Sites B1-B2
Jingcheng Expressway
Beiyuan Golf Club (South)
Beijing Conference Centre
Fifth Ring Road
Liaguangying Bridge
Metro Line No. 13
Laiguangying Site B3
Olympic Park
Gaorun Golf Club
Honghua International Golf Club
Wanghu Park

Property Related Business

The Company, through its superior property management companies, renders the highest standard of property management services to its customers including the provision of services for Sinochem Tower, Beijing Chemsunny World Trade Centre and Jin Mao Tower. During the Period under Review, the Group's property management business had a smooth and steady performance. The consolidated property service business of the Group further strengthened the operation of its integrated value chain of property development, and improved the brand advantage and the asset value of the Group. Looking ahead, the Group expects that the property management business will bring more direct and indirect benefits to the Group.

The Observation Deck on the 88th floor of Jin Mao Tower, being one of the first Four A scenic spots in China, is a very popular tourist attraction in Shanghai. Visitors may gain an unprecedented experience of high

speed travelling in one of the two super high-speed elevators there. Moving at 9.1 metres per second, it only takes the elevators 45 seconds to send passengers to the 88th floor from the basement. During the Period under Review, the Group broadened its market channels and stepped up its marketing efforts. Despite the challenges arising from its neighbouring competitors, the Observation Deck on the 88th floor successfully drew over 1.02 million visitors during the Year, and brought relatively stable revenue to the Group.

The Group is also engaged in other businesses such as building decoration, automobile services, international yacht services and advertising, mainly to provide supporting services to its existing operations. For example, the renovation costs of the Group's newly constructed hotels are greatly reduced under the strict control of its construction and decoration subsidiaries; the Group's advertising subsidiaries may offer better promotion and advertising services in respect of the Group's operation of properties and hotels. The Group will also regularly review the profitability of such businesses, and the synergy generated between major businesses, so as to produce more direct and indirect benefits for the Group.

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REVIEW ON OVERALL RESULTS OF THE COMPANY

For the year ended 31 December 2011, profit attributable to owners of the parent amounted to HK$2,344.4 million, representing an increase of 37% compared with HK$1,713.6 million in 2010. Excluding the effect of fair value gains on investment properties, net of deferred tax, the profit attributable to owners of the parent would be HK$1,646.4 million, representing an increase of 54% compared with HK$1,067.3 million in 2010.

REVENUE

For the year ended 31 December 2011, the revenue of the Group was HK$6,591.7 million, representing an increase of 4% compared with HK$6,348.0 million in 2010.

Revenue by business segments

	For the year ended 31 December				
	2011		2010		
	HK$ million	**Percentage of the total revenue (%)**	HK$ million	Percentage of the total revenue (%)	Year-on-year change (%)
Property development	**2,995.5**	**46**	2,924.7	46	2
Property leasing	**988.6**	**15**	859.6	14	15
Hotel operations	**2,133.8**	**32**	2,007.4	32	6
Others	**473.8**	**7**	556.3	8	-15
Total	**6,591.7**	**100**	6,348.0	100	4

In 2011, revenue from property development of the Group increased by 2% over that of 2010 to approximately HK$2,995.5 million and accounted for 46% of the total revenue, which was mainly attributable to Changsha Meixi Lake Project and Site B of Shanghai Port International Cruise Terminal Project. Revenue from property leasing grew by 15% compared with that of last year and accounted for 15% of the total revenue, which was primarily due to the performance growth of a number of the Group's office buildings. Revenue from hotel operations increased by 6% over that of 2010 and accounted for 32% of the total revenue, which was primarily attributable to the performance growth of a number of the Group's hotels. Others (primarily including the property-related revenues arising from the observation deck on the 88th floor of Jin Mao Tower, property management and building decoration) accounted for 7% of the total revenue, representing a decrease of 15% over that of last year, which was mainly because of the decrease in revenue from the decoration business.

COST OF SALES AND GROSS PROFIT MARGIN

Cost of sales of the Group for the year ended 31 December 2011 was approximately HK$3,016.7 million (2010: HK$3,045.1 million) and the overall gross profit margin of the Group in 2011 was 54%, which increased slightly compared with that of last year.

The gross profit margin of property development improved compared with that of 2010; the increase in gross profit margin of property leasing was mainly driven by higher rental levels of office premises and lower operating costs this year; and the gross profit margin of hotel operations was basically the same as that of 2010. Gross profit margin of other business sectors decreased slightly over that of last year, mainly because of the decrease in gross profit margin of the building's decoration business.

Gross profit margin by business segments

	For the year ended 31 December	
	2011 Gross profit margin (%)	2010 Gross profit margin (%)
Overall	**54**	52
Property development	**48**	45
Property leasing	**91**	90
Hotel operations	**54**	54
Others	**19**	23

OTHER INCOME AND GAINS

Other income and gains of the Group for the year ended 31 December 2011 increased by 110% from HK$1,274.4 million in the same period of 2010 to approximately HK$2,672.1 million. The increase was mainly due to the investment income arising from the disposal of some of the completed projects during the Year.

SELLING AND MARKETING EXPENSES

Selling and marketing expenses of the Group for the year ended 31 December 2011 increased by 15% to HK$307.1 million, from HK$266.7 million in the same period in 2010, mainly because of the increase in selling and marketing expenses of Beijing Guangqu Jin Mao Palace Project and Shanghai Dongtan Jin Mao Noble Manor Project that commenced sales during the Year. Selling and marketing expenses comprise primarily the advertising expenses, commissions paid to the relevant sales agencies and other expenses in relation to market promotion incurred in the Group's daily operations. Selling and marketing expenses accounted for 5% (2010: 4%) of the Group's total revenue.

ADMINISTRATIVE EXPENSES

Administrative expenses of the Group for the year ended 31 December 2011 amounted to HK$851.3 million, representing an increase of 33% from HK$640.7 million in the same period in 2010. The increase was mainly attributable to the increase in general office expenses and labour costs. Administrative expenses mainly comprise staff costs, consultancy fees, entertainment expenses, general office expenses and depreciation expenses. Administrative expenses accounted for 13% (2010: 10%) of the Group's total revenue.

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FINANCE COST

Finance cost of the Group for the year ended 31 December 2011 was HK$859.3 million, representing an increase of 42% from HK$606.2 million in 2010. The increase in finance cost was mainly attributable to the interest expenses from issue of US$500 million senior notes, increase in loans and increase in lending rates during the Year.

TAX

The Group had a tax charge of HK$1,186.6 million for the year ended 31 December 2011, representing an increase of 27% from HK$931.7 million in 2010. The increase in tax charge was primarily attributable to the increase in profit before tax during the Year. The Group's effective income tax rate for 2011 was 29% (2010: 30%).

PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

For the year ended 31 December 2011, profit attributable to owners of the parent amounted to HK$2,344.4 million, representing an increase of 37% compared with HK$1,713.6 million in 2010. Profit attributable to owners of the parent excluding fair value gains on investment properties, net of deferred tax, amounted to HK$1,646.4 million, an increase of 54% compared with HK$1,067.3 million in 2010.

Basic earnings per share for the Year were HK25.59 cents, an increase of 37% compared with HK18.70 cents in 2010. The increase in basic earnings per share was primarily attributable to the substantial increase in the profit attributable to shareholders for the Year. Basic earnings per share excluding fair value gains on investment properties, net of deferred tax, was HK17.97 cents (2010: HK11.65 cents).

In October 2010, the Group issued perpetual convertible securities in the amount of US$600 million, resulting in a dilution of earnings per share. Upon dilution, earnings per share of the Company amounted to HK21.69 cents (2010: HK18.00 cents).

Comparison of profit attributable to owners of the parent before and after fair value gains on investment properties, net of deferred tax

	For the year ended 31 December		Year-on-year change
	2011 (HK$ million)	2010 (HK$ million)	(%)
Profit attributable to owners of the parent	**2,344.4**	1,713.6	37
Less: fair value gains on investment properties, net of deferred tax	**(698.0)**	(646.3)	8
Profit attributable to owners of the parent excluding fair value gains on investment properties, net of deferred tax	**1,646.4**	1,067.3	54
Basic earnings per share (in HK cents)	**25.59**	18.70	37
Basic earnings per share excluding fair value gains on investment properties, net of deferred tax (HK cents)	**17.97**	11.65	54

INVESTMENT PROPERTIES

As at 31 December 2011, investment properties of the Group comprised the Central and West Towers and some floors of the East Tower of Beijing Chemsunny World Trade Centre, Jin Mao Tower (the leased portion) and Sinochem Tower. Investment properties increased from HK$12,773.6 million as at 31 December 2010 to HK$14,889.7 million as at 31 December 2011. The increase was mainly due to the appreciation of investment properties.

PROPERTIES UNDER DEVELOPMENT

As at 31 December 2011, the current portion of properties under development comprised property development costs incurred by properties under development expected to be available for sale within one year, mainly including Beijing Guangqu Jin Mao Palace Project, Shanghai International Shipping Service Center, Shanghai Dongtan Jin Mao Noble Manor Project and Changsha Meixi Lake Project, whereas the non-current portion of properties under development comprised property development costs incurred by properties under development expected to be available for sale after one year.

The increase in properties under development (current and non-current) from HK$13,641.6 million as at 31 December 2010 to HK$18,874.4 million as at 31 December 2011 was mainly attributable to the acquisition of Qingdao Lanhai Xingang City Project, Changsha Meixi Lake Project and the costs newly incurred for other properties under development, which were partially offset by the transfer as a result of the sale of the units in Site B of Shanghai Port International Cruise Terminal Project.

PROPERTIES HELD FOR SALE

As at 31 December 2011, properties held for sale included the unsold portion of Zhuhai Every Garden Project, the unsold portion of parking spaces of Beijing Chemsunny World Trade Centre and the unsold portion of Site B of Shanghai Port International Cruise Terminal Project.

The decrease in properties held for sale from HK$1,021.2 million as at 31 December 2010 to HK$839.8 million as at 31 December 2011 was mainly attributable to the sales of the units in Site B of Shanghai Port International Cruise Terminal Project and the transfer of the unsold portion of the East Tower of Beijing Chemsunny World Trade Centre to investment properties.

LAND UNDER DEVELOPMENT

As at 31 December 2011, land under development (current and non-current) included the land costs of Changsha Meixi Lake Project.

TRADE RECEIVABLES

As at 31 December 2011, trade receivables were HK$105.1 million, which remained basically the same as compared with HK$99.5 million as at 31 December 2010.

TRADE AND BILLS PAYABLES

As at 31 December 2011, trade and bills payables were HK$2,345.5 million, representing an increase of 198% from HK$787.7 million as at 31 December 2010. The increase in trade and bills payables was primarily due to the increase in construction cost payable for the development of Changsha Meixi Lake Project and Beijing Guangqu Jin Mao Palace Project.

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INTEREST-BEARING BANK AND OTHER BORROWINGS

As at 31 December 2011, interest-bearing bank and other borrowings (including current and non-current) were HK$25,199.4 million, representing an increase of 38% over HK$18,235.2 million as at 31 December 2010. The increase in interest-bearing bank and other borrowings was primarily due to the external loans used for new project development and external issuance of senior notes.

Analysis of interest-bearing bank and other borrowings

	As at 31 December		Year-on-year change
	2011 (HK$ million)	2010 (HK$ million)	(%)
Interest-bearing bank and other borrowings (including current and non-current)	**25,199.4**	18,235.2	38
Less: entrustment loans	**–**	(2,120.9)	-100
Loans pledged by bank deposits of the Group	**(236.6)**	(358.8)	-34
Interest-bearing bank and other borrowings, net of entrustment loans	**24,962.8**	15,755.5	58

GEARING RATIO

The Group monitors its capital on the basis of the net debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total interest-bearing bank and other borrowings less restricted bank balances, pledged deposits and cash and cash equivalents. Adjusted capital comprises all components of equity as well as the amounts due to related parties. The Group aims to maintain the net debt-to-adjusted capital ratio at a reasonable level. The net debt-to-adjusted capital ratio as at 31 December 2011 and 31 December 2010 were as follows:

	As at 31 December	
	2011 (HK$ million)	2010 (HK$ million)
Interest-bearing bank and other borrowings (including current and non-current)	**25,199.4**	18,235.2
Less: cash and cash equivalents	**(12,223.6)**	(11,229.5)
restricted deposits and pledged deposits	**(368.5)**	(2,092.2)
Net debt	**12,607.3**	4,913.5
Total equity	**30,547.3**	26,719.2
Add: amounts due to related parties	**79.3**	1,144.8
Adjusted capital	**30,626.6**	27,864.0
Net debt-to-adjusted capital ratio	**41%**	18%

LIQUIDITY AND CAPITAL RESOURCES

The Group's primary uses of cash are to pay for capital expenditure, construction costs, land costs (principally the payment of land grant fees and relocation costs), infrastructure costs, consulting fees paid to architects and designers and finance costs, as well as to service the Group's indebtedness, repay amounts due to and loans from related parties, and fund working capital and normal recurring expenses. The Group has financed its liquidity requirements primarily through internal resources, bank borrowings, issue of bonds and issue of new shares.

As at 31 December 2011, the Group had cash and cash equivalents of HK$12,223.6 million, mainly denominated in RMB, HK dollar and US dollar (as at 31 December 2010: HK$11,229.5 million).

As at 31 December 2011, the Group had total interest-bearing bank and other borrowings of HK$25,199.4 million compared to HK$18,235.2 million as at 31 December 2010. An analysis of the interest-bearing bank and other borrowings of the Group is set out as follows:

	As at 31 December	
	2011 (HK$ million)	2010 (HK$ million)
By term:		
Within 1 year	**6,028.0**	7,527.3
In the second year	**5,238.6**	2,398.6
In the third to fifth years, inclusive	**3,640.1**	5,554.0
Over five years	**10,292.7**	2,755.3
Total	**25,199.4**	18,235.2

Interest-bearing bank and other borrowings of approximately HK$6,028.0 million were repayable within one year shown under current liabilities. All of the Group's borrowings are denominated in RMB and USD and bear interest at floating rates. There is no material seasonal effect on the Group's borrowing requirements.

As at 31 December 2011, the Group had banking facilities of HK$33,488.7 million denominated in RMB and USD. The amount of banking facilities utilised was HK$21,003.8 million.

The Group's net cash inflow of HK$691.6 million for the year ended 31 December 2011 consisted of:

A net cash outflow of HK$7,716.3 million from operating activities, which was mainly attributable to the payment of land and construction costs, marketing expenses, administrative expenses, interests and tax charge, was partially offset by the proceeds derived from the sales of properties, property rental and revenue from hotel operations.

A net cash inflow of HK$3,083.1 million from investing activities, which was mainly attributable to the recovery of pledged deposits by the Group and the disposal of a portion of the completed projects during the Year, was partially offset by the payment of project investment and purchase of fixed assets.

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A net cash inflow of HK$5,324.7 million from financing activities, which was mainly attributable to the issuance of senior notes by the Group, contribution from non-controlling shareholders, and addition of bank loans and other borrowings, was partially offset by repayments of bank and other borrowings and payment of dividends for 2010.

PLEDGE OF ASSETS

As at 31 December 2011, the Group's interest-bearing bank and other borrowings were secured by the Group's hotel properties and buildings of HK$5,507.9 million, properties under development of HK$5,693.6 million, properties held for sale of HK$148.9 million, land use rights of HK$397.8 million, investment properties of HK$13,387.0 million and bank deposits of HK$236.6 million.

CONTINGENT LIABILITIES

As at 31 December 2011, the details of contingent liabilities of the Group are set out in note 39 to the financial statement.

CAPITAL COMMITMENTS

Details of the Group's capital commitments at the balance sheet date are set out in note 41 to the financial statement.

MARKET RISK

The Group's assets are predominantly in the form of land use rights, properties under development, properties held for sale and investment properties. In the event of a severe downturn in the property market in Mainland China, these assets may not be readily realised.

INTEREST RATE RISK

The Group is exposed to interest rate risk resulting from fluctuations in interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations. Increase in interest rates will increase the interest expenses relating to the Group's outstanding floating rate borrowings and increase the cost of new debt. Fluctuations in interest rates may also lead to significant fluctuations in the fair value of the Group's debt obligations. The Group does not currently use any derivative instruments to manage the interest rate risk.

FOREIGN EXPOSURE RISK

Substantially all of the Group's revenue and costs are denominated in Renminbi. The Group reports its financial results in Hong Kong dollars. As a result, the Group is exposed to the risk of fluctuations in foreign exchange rates. The Group has not currently engaged in hedging to manage its currency risk. To the extent the Group decides to do so in the future, the Group cannot assure that any future hedging activities will protect the Group from fluctuations in exchange rates.

Investor Relations Report

Investor relations activities for 2011
January
Participated in the investors meeting held by Credit Suisse in Hong Kong
Participated in the investors meeting held by Deutsche Bank in Beijing
Participated in the investors meeting held by DBS in Singapore
Participated in the investors meeting held by UBS in Shanghai
March
Announced annual results for 2010
– Held press conference
– Held analysts meeting
Participated in non-deal related roadshow in Hong Kong and Singapore
April
Participated in US dollar senior notes transaction roadshow in Hong Kong, Singapore, the UK and the US
Participated in the investors meeting held by DBS in Hong Kong
May
Organized large-scale reverse roadshow activities in Beijing and Shanghai
Participated in the investors meeting held by Deutsche Bank in Singapore
Participated in the investors meeting held by Morgan Stanley in Hong Kong
Participated in the investors meeting held by CLSA in Beijing
June
Participated in non-deal roadshow in the US
Participated in the investors meeting held by JP Morgan Chase in Beijing
Participated in the investors meeting held by RBS in London
Participated in the investors meeting held by Samsung Securities in Hong Kong
July
Participated in the investors meeting held by RBS in Hong Kong
Participated in the investors meeting held by Citibank in Hong Kong
August
Announced interim results for 2011
– Held press conference
– Held analysts meeting
Participated in non-deal related roadshow in Hong Kong
Participated in non-deal related roadshow in Singapore
September
Participated in the investors meeting held by UBS in Hong Kong
October
Participated in the investors meeting held by HSBC in Hong Kong
Participated in the investors meeting held by Citibank in Macau
November
Participated in the investors meeting held by Bank of America Merrill Lynch in Beijing
Participated in the investors meeting held by Morgan Stanley in Singapore
Participated in the investors meeting held by CICC in Beijing
Participated in the investors meeting held by Jefferies in Hong Kong
December
Participated in the investors meeting held by CLSA in Hong Kong
Participated in the investors meeting held by RBS in Hong Kong

COMMUNICATION WITH SHAREHOLDERS

The Company considers that effective communication is essential for establishing sound interaction with its shareholders. The Company is committed to providing its existing and potential investors with accurate and timely information, and keeping a close two-way communication by various means, thereby enhancing the transparency of information disclosure. The Company attaches great importance to the communications with shareholders and public investors to ensure them to have a good channel for voicing their opinions and advices on the Company's performance. At the same time, the Company may also explain the operating conditions of the projects and their growth strategies.

The Company has maintained an effective two-way communication with its shareholders, and provides information to shareholders mainly through the following channels:

- The Company's annual report, interim report and circular – they are distributed to shareholders and investors pursuant to the Rules Governing the Listing of Securities (the "Listing Rules") on the Hong Kong Stock Exchange (the "Stock Exchange") and also analysts who are interested in the Company's performance;

- Annual general meeting – the Chairman and other senior management of the Company are present at the meeting, answering shareholders' inquiries and exchanging opinions with them;

- The Company's interim and final results announcement conference – announce the Company's interim or final results and respond to investors' and the media's inquiries;

Investor Relations Report

- Disclosure of the Company's information on its own initiative – the Company will, through different means, including investors meetings, extraordinary shareholders' meetings, telephone conferences, press releases and media interviews etc., timely announce material information about the Company to the market, and timely respond to inquiries by investors and analysts;

- Periodic meetings with institutional investors and securities analysts on its own initiative – provide information in relation to the Company's latest business development to attract more attention from the market. The management of the Company regularly participates in global non-deal related roadshow activities held after the publication of annual reports and interim reports to respond to queries on the Company's growth strategies and market outlook. These measures provide overseas shareholders with an opportunity to discuss with the management of the Company;

- Arrange on-site visit and reverse roadshows for investors – to promote investors' understanding of the Company's development by following-up the development progress of each project and the on-site reception arrangements, arranging direct on-site visit of various projects of the Company as appropriate for investors and analysts, and enabling them to have communication with the management.

In 2011, the Company's management participated in various investors meetings, including institutional investors' conferences and non-deal related global roadshows (including those in Hong Kong, Singapore, the UK and the US), to promote its exposure to global and Hong Kong investors. During the Year, the Company received more than 200 investors, and hosted over 100 investors to visit its project sites in Shanghai, Beijing, and Sanya.

FEEDBACK FROM INVESTORS

The Company regards investors' feedback as highly important. During the Year, the Company conducted several summaries and analyses on investors' and analysts' opinions to have an understanding of the effectiveness of its investor relations function in a timely manner. The Company will further improve the communication quality based on the investors' feedback to facilitate closer communications with investors and analysts in future.

MARKET RECOGNITION AND HONOURS

In 2011, Franshion Properties' 2010 annual report performed impressively at the 25th International ARC Awards and was granted four international awards, namely gold prize under the category of "Interior Design: Hotel & Leisure"; bronze prize under the category of "Overall Annual Report: Residential Properties"; honorary prize under the category of "Overall Annual Report: Real Estate Development and Service: Retail/Business"; and honorary prize under the category of "Overall Annual: Property", respectively. At the 22nd International Galaxy Awards, Franshion Properties' 2010 annual report was granted three international awards, namely gold prize under the category of "Diversified Business"; bronze prize under the category of "REIT"; and honorary prize under the category of "Hotel and Real Estate", respectively.

On 12 July, the list of 2011 Asian Management Team was announced by the Institutional Investor, including the election for Best Investor Relations Professional. The investor relations management team of Franshion Properties received the title of Best Investor Relations by buy-side fund managers and sell-side analysts respectively. At the same time, Mr. Cheng Chau Ping, head of investor relations of Franshion Properties, was voted first in the 2011 Asian Best Investor Relations Professional by sell-side analysts for the category of property.

On 19 December, the 2011 Corporate Award was announced by The Asset. Following the "Titanium Awards for Investor Relations"received in 2010, Franshion Properties again was granted the "Gold Award for Investor Relations".

The efforts of the Company's investor relations team and the information disclosure of the Company are widely recognised in the industry.

PROSPECTS OF OUR INVESTOR RELATIONS WORK

The Company will continue to aggressively strengthen its investor relations efforts to facilitate closer communications with public investors and analysts. The Company is committed to full compliance with the disclosure obligations provided in the Listing Rules and other applicable laws and regulations. In terms of compliance, we will continue to deliver to the investors all over the world the Company's latest information and to enhance the Group's corporate governance standards and transparency, with a view to gaining more trust and support from investors.

CONTACT DETAILS FOR INVESTORS:

Tel: 852-28299521
Fax: 852-28240300
E-mail: franshion@sinochem.com

Corporate Social Responsibility Report

I. SOCIAL AND COMMUNITY CONTRIBUTIONS

The Group strives to pursue sound corporate citizenship, to participate in social and community activities, and to improve the Group's and its employees' awareness of social responsibility through different channels and means. In addition, the Group is also committed to practising the philosophy of "one who benefits from the society shall repay the society", so as to help establish a harmonious society.

The Group showed continuous enthusiasm in social and welfare activities, particularly children's public welfare and charitable events. In June 2011, the Group organised the donation campaign called "Caring Package and Love to Zhenhua" where the employees actively responded and participated in donating more than 3,000 items including table tennis tables, footballs, basketballs, school bags and stationery, passing their love and care to the children in Beijing Zhenhua Schools for Children of Casual Labourers. Such love and care donation campaign symbolised the lofty sentiment of Franshion Properties' employees and their love and care for the poor. It also enhanced the awareness of the employees on social responsibility. The Group's hotels also organised benevolent events regularly to help the orphan and disabled children from time to time. The trade union of Grand Hyatt Shanghai organised a monthly visit to Huixin Children's Healthcare Centre in Hongkou District, Shanghai to visit the orphan and disabled children. Westin Beijing, Chaoyang's employees travelled to Special Commune in Beijing to visit the mentally challenged children. Hilton Sanya Resort & Spa made cash donations and donated supplies including clothes, backpacks and cakes to the children of The Bright Connection, a training centre for the handicapped children in Sanya.

The Group is also active in environmental charities. It organised a trip to the mountain ranges in Miyuan, Beijing for its employees to engage in the tree planting activity to "build a low carbon city and a green home". In addition, the Group proactively promotes the concept of low carbon living to the tenants of its office buildings. A "green exchange programme" was organised to exchange boxes of scrap paper for green plants to raise the awareness of environmental protection of the white collar. The Ritz-Carlton, Sanya and Sea Turtles 911 jointly organised the Sea Turtle Release Ceremony at which 12 renowned media bodies from Beijing, Shanghai and Guangzhou, customers and family members of 7 local travel agencies participated, taking practical action to support the protection of the world's sea turtles and marine creatures. The Group's hotels and office buildings participated in the "Earth Hour" global campaign on 26 March 2011. By turning off the lights, the Group joined hands with others to cope with the biggest issue of climate change – global warming in the world and made an effort in building a sustainable tomorrow.

II. GREEN STRATEGIES

At present, in face of resources depletion and environmental constraints, the world's focus has been placed on increasing crisis awareness, driving energy saving and emission reduction, actively coping with climate change and achieving sustainable development of the economy and community. According to the statistics, in China, energy consumption of the building industry and its ancillary real estate sector accounts for one-thirds of the energy consumption of the entire community. Accordingly, the PRC government attaches high importance to the role of energy saving and green building in driving energy saving and emission reduction. Green building has been a key area and direction under the Twelfth Five-Year Plan.

At the end of 2010, the Group formally included the development of green and low carbon building in its corporate strategic development. The Group not only emphasises the quality of projects, it is even more concerned about the resources saving and sustainable development of the environment. In 2011, the Group fully implemented the green strategy and performed considerably well in the areas of corporate influence, project implementation and corporate management.

The Group endeavours to enhance the quality and technology sophistication of its projects. The Group completed Changsha Meixi Lake New City's green ecological planning, Jin Mao Palace Primary School's state three-star green standards and Beijing Chemsunny World Trade Centre's LEED Gold Certification and energy saving reform. The design of the green building proposal for the new projects developed by the Group was granted seven awards including the 8th Jing Rui Science and Technology Awards and Low Carbon Pioneer Enterprise for 2011 and was widely accredited by the local government and its peers.

Corporate Social Responsibility Report

The Group strives to set up a green strategy cooperative platform to communicate with the senior officials of the Ministry of Housing and Urban-Rural Development and the National Development and Reform Commission; start the strategic cooperation with the research institutes and industry associations namely China Green Energy Development Fund Management Committee, Chinese Academy of Social Sciences and China Academy of Building Research.

Moreover, the Group has been ranked first in many green areas, including the first PRC enterprise to conduct Panda Standard carbon transaction, the first PRC real estate developer to speak at the official forum of World Climate Conference, the first primary school project in China with the three-star green standards, and the first developer to complete the green school corporate standards in the industry – Franshion Properties Green Campus Development Guidelines. The Group's green strategy is widely recognised and well received by the government leaders, industry peers, academic experts and the market, which speedily enhances the Group's recognition and industry influence as well as establishes a good image in the community and sound external relations.

Looking ahead, the Group will continue to adhere to environmental protection and resources conservation in striving to become a superior enterprise in harmony with the nature and will relentlessly pursue green building with energy saving and emission reduction to fulfill its social responsibility of "green environment, energy saving and emission reduction".

III. EMPLOYEE DEVELOPMENT

As at 31 December 2011, the Group had 5,803 employees, mainly staff working in Mainland China. The Group always views human resources as its foundation for development. The Company strives to achieve its business objectives through attracting, training and retaining human resources of the highest calibre in the industry, as well as accelerating the development of organisation and manpower capabilities as they can drive the Company's growth and achieve operational excellence. For this purpose, we create a sound working environment and provide competitive salaries and other benefits, including retirement plan, medical insurance plan, accident insurance plan, unemployment insurance plan and housing grants. The Group adopted a share option scheme on 22 November 2007 with an aim of strengthening the commitment of its participants towards the Group and achieving the objectives of the Group. The Group will periodically review its salary level according to market standard.

The Group pays close attention to the development of corporate culture and persists to enrich the spiritual and cultural life of employees. The Group has engaged an external cultural consulting agency for the building of corporate culture and the refinement of the core values of corporate culture. In addition, the Group also organised a number of activities for expatriate

employees including Lantern Festival Celebration, March 8 Women's Day Tea Art Seminar, tree planting campaign, staff development training, snooker contest, football contest, swimming contest, hiking contest and public welfare activities to increase their understanding about the corporate culture of the Company and enhance the overall quality of the team, building the Group's culture of management, safety, learning and living, as well as facilitating the steady and fast development of a harmonious relationship with the enterprise.

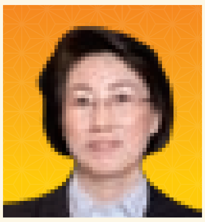
The Group encourages its staff to take further studies, subsidises them to participate in external courses and conferences that are related to their works, and provides internal trainings to improve their skills. The Group has provided a series of training courses, covering leadership skills, business strategies and technical skills. The Group has also designed systematic training plans for its newly recruited staff to enable them to understand the Company's corporate culture and perform their duties without delay. Management staff can also participate in seminars presided over by experts, which will improve their abilities in human resource management and leadership skills, thereby ensuring them to have a better skill in human resource management and enabling them to lead their teams and fulfil their goals efficiently.

The Group focuses on its staff's safety and health. Apart from purchasing medical and accident insurance plans for them, the Group also organises its staff to go through health screening periodically and provides them with sports premises and facilities, to strengthen their body. The Group also purchases a present for the children of its staff under the age 14 on June 1 Children's Day, gives a present to expatriate employees who are also fathers on Father's Day, and organises a birthday party every month and gives away birthday present to send the greetings and blessing of the Company, expressing the care for and understanding of its employees.

Profile of Directors and Senior Management


Mr. LUO Dongjiang


Mr. HE Cao

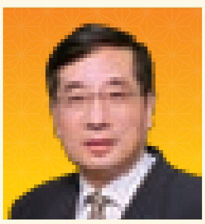

Ms. LI Xuehua


Mr. LI Xin


Mr. LI Congrui


Mr. HE Binwu


Mr. LAU Hon Chuen, Ambrose


Mr. SU Xijia


Mr. LIU Hongyu

DIRECTORS

Mr. LUO Dongjiang
Chairman and non-executive Director

Mr. LUO, who was born in August 1954, joined the Company in September 2009 to act as the Chairman and non-executive Director of the Company. Mr. LUO was appointed as the vice president of Sinochem Group in November 1998. He resigned from this position following his appointment as the general manager of Sinochem International Corporation, and was re-appointed as the vice president of Sinochem Group in July 2001. During his work with Sinochem Group for more than 20 years, Mr. LUO had served as the general manager of the Planning Department of Sinochem Group, the general manager of Sinochem International Rubber Company, the executive deputy general manager of China Foreign Economy and Trade Trust & Investment Co., Ltd., the general manager of Sinochem Asia Group, the chairman of Sinochem South Korea Corporation, the general manager of the Business Development Department of Sinochem Group, the general manager of Sinochem International Corporation, the chairman of Sino-Ocean Land Holdings Limited, the chairman of Beijing Chemsunny Property Company Limited, a director of China Jin Mao (Group) Co., Ltd., the vice chairman and non-executive director of Sino-Ocean Land Holdings Ltd. and the chairman of Sinochem International Corporation, etc. from which he has accumulated extensive experience in business management. During his term as the general manager of Sinochem International Corporation, he promoted the successful listing of that company's A shares on the Shanghai Stock Exchange. Currently, Mr. LUO is a member of the Party Committee, head of Discipline Inspection Group, secretary of the directly affiliated Party Committee and general counsel of Sinochem Group and chairman of the Supervisory Committee of Sinochem Corporation. Mr. LUO obtained a bachelor's degree in economics from Xiamen University in 1982.

Mr. HE Cao

Vice Chairman and Chief Executive Officer

Mr. HE, who was born in September 1955, joined the Company in February 2009, and served as the Chairman and non-executive Director of the Company until 17 September 2009. He was re-designated as the executive Director of the Company, Vice Chairman and Chief Executive Officer of the Company on 18 September 2009. Mr. HE joined Sinochem Group in 1979 and had held a number of senior positions in finance management, corporate governance and investment enterprises of Sinochem Group before he was appointed as the assistant president in 2002. Since 2002, Mr. HE has been the president, vice chairman and chairman of the board of directors of China Jin Mao (Group) Company Limited, successfully operating Shanghai Jin Mao Tower and grasping the development opportunities in the industry. Mr. HE has led the investment, acquisition and development of luxurious five-star hotels and properties in a host of first-tier cities and premium resorts. Through the establishment of strategic partnership with internationally-renowned hotel management agencies, Mr. HE has developed Jin Mao Group into a prestigious high-end commercial real estate developer and operator in China. Mr. HE has over 20 years of experience in corporate governance, hotel and property investment, development and operation. Mr. HE graduated from Jilin Finance and Trade College in 1979 and the Economics Department of Renmin University of China in 1986. From 1993 to 1995, he was a postgraduate student majoring in politics and economy at Jilin University. Mr. HE obtained a master's degree in business administration from China Europe International Business School (CEIBS) in 2004. Mr. HE was awarded with the title of senior economist for international business in 2010. Mr. HE was appointed as the co-chairman of Alliance of China Hotels Owners under China Tourist Hotel Association in March 2009 and was appointed as the vice president of Real Estate Chamber of Commerce of National Federation of Industry and Commerce in April 2010. Mr. HE has been a delegate of the 12th and 13th session of the People's Congress of Shanghai Municipality since 2003 and was awarded as the Model Worker of Shanghai in 2007.

Ms. LI Xuehua

Vice Chairman and non-executive Director

Ms. LI, who was born in January 1958, joined the Company in December 2005 and served as an executive Director and Chief Executive Officer of the Company and the director of certain of its subsidiaries until 17 September 2009. Since 18 September 2009, Ms. LI has been the Vice Chairman and non-executive Director of the Company and has ceased to act as a director of the subsidiaries of the Company. Currently, Ms. LI is the general manager of Sinochem Hong Kong (Group) Co., Ltd. She joined Sinochem Group in October 2004 as the deputy general manager of Sinochem Kingsway Capital Inc., and was the executive director of Sinochem Kingsway Asset Management Limited. She was also a director of Sino-Ocean Land Holdings Limited from July 2006 to March 2007. Prior to joining Sinochem Group, Ms. LI had held various senior financial management positions in China National Machinery Import and Export Corporation. Ms. LI has over 20 years of experience in corporate finance management. Ms. LI earned a diploma certificate from Jingqiao University of China in 1987 and a master's degree from University of International Business and Economics in 1997.

Mr. LI Xin

Non-executive Director

Mr. LI, who was born in November 1970, has been the non-executive Director of the Company since June 2011. Mr. LI joined the Sinochem Group in August 1995 and has been serving as the general manager of the Human Resources Department of the Sinochem Group since 2004. Between 1997 and 2000, he held several administrative positions in the Sinochem Group, such as the manager, the deputy manager of Chief Executive Office. He is currently also a director of Sinochem International Corporation since 2004. Mr. LI has over 10 years of experience in human resources management and corporate operations management. Mr. LI earned a bachelor's degree at Xi'an Jiao Tong University in 1992, a master's degree in international economics & trade at University of International Business and Economics in 1995 and a master's degree in business administration at the China Europe International Business School (CEIBS) in 2007.

Profile of Directors and Senior Management

Mr. LI Congrui
Executive Director and Vice President

Mr. LI, who was born in March 1971, has been the Vice President of the Company since April 2009 and the executive Director of the Company since June 2011. Mr. LI joined Sinochem Group in 1997, and has held various senior management positions in Shanghai Orient Terminal Co., Ltd. and Sinochem International Industrial Corp. Since 2003 and prior to joining the Company, Mr. LI was the director and general manager of Zhoushan State Oil Reserve Base Company Limited (舟山國家石油儲備基地有限責任公司). Currently, Mr. LI is the managing director of Sinochem Franshion Properties (Beijing) Co., Ltd. and the chairman and general manager of Beijing Franshion Sunac Real Estate Development Co., Ltd. (北京方興融創房地產開發有限公司). Mr. LI has accumulated rich experience in appraisal and analysis on project investment, investment decisions, corporate governance, project management and large project construction. He is also familiar with corporate governance in strategies management, organisation management, procedures management and human resources. Mr. LI obtained a bachelor's degree from the Petroleum Department of China University of Geosciences (Wuhan) in 1994. He received a master's degree in petroleum development from the Research Institute of Petroleum Exploration & Development in 1997 and a master's degree in business administration from China Europe International Business School (CEIBS) in 2007.

Mr. HE Binwu
Executive Director and Vice President

Mr. HE, who was born in November 1948, has been the executive Director and the Vice President of the Company since June 2004 (date of incorporation of the Company). He has served as the director and deputy general manager of Franshion Company Limited since 1987. He joined Shanghai Pudong Jinxin Real Estate Development Co., Ltd. in January 1995 and has been the director and general manager since then. He is currently also the managing director of Shanghai Port International Cruise Terminal Development Co., Ltd. and Shanghai International Shipping Service Center Development Co., Ltd. He served as the director of Sinochem Franshion Real Estate (Zhuhai) Co., Ltd. from July 2003 to September 2006. Mr. He has over 20 years of experience in the real estate development industry. He was honoured with the Shanghai Municipal Key Construction Projects Special Contributor's Award for 2006, 2007, 2009 and 2010. Mr. HE earned a diploma certificate from Shanghai Jiao Tong University in 1976. Mr. HE has been consecutively appointed as "Sinochem Senior Expert" by Sinochem Group since 2008.

Mr. LAU Hon Chuen, Ambrose
Independent non-executive Director, G.B.S., J.P.

Mr. LAU, who was born in July 1947, has been an independent non-executive Director of the Company since March 2007. He is a senior partner of Messrs. Chu & Lau, Solicitors & Notaries. Mr. LAU is currently a standing committee member of the National Committee of the Chinese People's Political Consultative Conference. He is also a Justice of the Peace. In 2001, Mr. LAU was awarded the "Gold Bauhinia Star" by the Hong Kong Government. Mr. LAU is currently an independent non-executive director of the following listed companies: Brightoil Petroleum (Holdings) Limited, Glorious Sun Enterprises Ltd., Yuexiu Property Co., Ltd., Yuexiu Transport Infrastructure Limited (越秀交通基建有限公司), Qin Jia Yuan Media Services Co., Ltd., The Hong Kong Parkview Group Ltd. and Wing Hang Bank, Ltd. He served as an independent non-executive director of Beijing Enterprises Holdings Limited between 1997 and 2008. He is the director of Bank of China Group Insurance Co., Ltd., BOC Group Life Assurance Co. Ltd., Nanyang Commercial Bank, Ltd., Chu & Lau Nominees Ltd., Sun Hon Investment & Finance Ltd., Wydoff Ltd., and Wytex Ltd. Mr. LAU also served as the chairman of the Central and Western District Board between 1988 and 1994, the president of the Law Society of Hong Kong from 1992 to 1993, the member of the Bilingual Laws Advisory Committee between 1988 and 1997 and the member of the Legislative Council of Hong Kong from 1995 to 2004 (between 1997 and 1998 he was a member of the Provisional Legislative Council). Mr. LAU obtained a bachelor of Laws degree from the University of London in 1969 and is a solicitor of the High Court of Hong Kong, a China-appointed attesting officer and a notary public.

Mr. SU Xijia
Independent non-executive Director
Mr. SU, who was born in September 1954, has been an independent non-executive Director of the Company since March 2007. He has been an assistant professor since 1996 and later an associate professor in the Department of Accountancy of City University of Hong Kong. He joined China Europe International Business School (CEIBS) in July 2010. Currently he is a professor of accounting in CEIBS. His research focuses on corporate governance and auditing practices of the listed companies in China. He has also been appointed as the special investigator by the CICPA since 2005. He has given lectures at CSRC, Shanghai Stock Exchange, Shenzhen Stock Exchange, major commercial banks and various universities in China. He was independent director of Shenzhen SEG Co., Ltd and Shenzhen Topray Solar Co., Ltd. for the period of 2002-2008, and 2007-2010, respectively. He currently serves as an independent director of WorldUnion Property Consultancy (China) Limited, Songdu Industrial Holdings Co., Ltd. (宋都置業股份有限公司) and Huazhong Holdings Co., Ltd. Mr. SU has over 20 years of experience in corporate governance and accounting practice. He worked as an audit assistant for Da Hua Certified Public Accountants Co., Ltd (now Ernst & Young Dahua Certified Public Accountants Co., Ltd.) in 1984 and worked in the Xiamen University Certified Public Accountants Co., Ltd. from 1987 to 1988. Mr. SU earned a bachelor's degree and a master's degree in accounting from Xiamen University in 1982 and 1987, respectively. He obtained his PhD degree from Concordia University of Canada in 1996.

Mr. LIU Hongyu
Independent non-executive Director
Mr. LIU, who was born in October 1962, has been an independent non-executive Director of the Company since March 2007. He was a professor in the Department of Civil Engineering of Tsinghua University from June 1996 to April 2000 and since April 2000 he has been a professor in the Department of Construction Management of Tsinghua University. Since 1996, he has also been the director of the Institute of Real Estate Studies of Tsinghua University. Since 2010, he has been the supervisor of Hang Lung Centre for Real Estate, Tsinghua University. His research focuses on real estate economics, real estate investment and finance, housing policies and land management. From April 2006 to March 2012, Mr. LIU served as an independent director of COFCO Property (Group) Co.,Ltd. From 2002 to 2009, he was an independent director of Beijing Shoukai Holdings Co., Ltd. From 2002 to 2008, he was an independent director of China Merchants Property Development Co., Ltd. Since December 2011, Mr. LIU has been re-appointed as an independent director of China Merchants Property Development Co., Ltd. He is a vice chairman of the China Institute of Real Estate Appraisers and Agents and a director of Asian Real Estate Society. He is also an honorary professor of the University of Hong Kong and a senior fellow of the Royal Institution of Chartered Surveyors of the United Kingdom. He has over 20 years of experience in real estate industry and construction engineering. Mr. LIU earned a bachelor's degree in structural engineering and a master's degree in management engineering from Tsinghua University in 1985 and 1988, respectively. He is also a qualified real estate appraiser in the PRC.

Profile of Directors and Senior Management


Mr. ZHANG Hui


Ms. LAN Haiqing


Mr. JIANG Nan


Mr. GAI Jiangao


Mr. ZHANG Zhichao


Mr. CUI Wei


Mr. LIAO Chi Chiun

OTHER SENIOR MANAGEMENT

Mr. ZHANG Hui

Mr. ZHANG, who was born in October 1970, has been the Vice President of the Company since January 2010. Mr. ZHANG joined Sinochem Group in 2002 and had held a number of senior positions in Shanghai Orient Terminal Co., Ltd. Since 2005, he has been the director and general manager of Shanghai Orient Terminal Co., Ltd. Prior to joining Sinochem Group, Mr. ZHANG worked in Shanghai Offshore Petroleum Bureau of China Petrochemical Corporation from 1995 to 2002. Mr. ZHANG has over 15 years of experience in large project development, planning, analysis and assessment of investment projects, management of construction projects and corporate governance. Mr. ZHANG graduated from China University of Geosciences with a bachelor's degree in reservoir engineering in 1995 and obtained a master's degree in business administration from China Europe International Business School (CEIBS) in 2008. He was honoured the title of senior economist in 2011.

Ms. LAN Haiqing

Ms. LAN, who was born in July 1966, has been the Vice President of the Company since December 2007. Ms. LAN has served as the chairman and general manager of Wangfujing Hotel Management Co., Ltd. since February 2005 and January 2002, respectively. From May 1997 to December 2001, she was the general manager of Golden Beach Hotel, Qingdao. She has over 20 years of hotel management experience. Ms. LAN has accumulated rich experience in the research analysis, investment decision-making, corporate governance and project management of real estate integrated projects. Ms. LAN graduated from Ocean University of China in 1988 and obtained a postgraduate diploma from Les Roches School of Hospitality Management in Switzerland in June 2000.

Mr. JIANG Nan

Mr. JIANG, who was born in April 1973, joined the Company in January 2006 as the Chief Financial Officer and has been involved in the day-to-day management of the Company since then. He served as an executive Director of the Company from 2007 to 2011. He is responsible for directing, managing and strategic planning of finance, capital market and investor relations of the Company. He joined Sinochem Group in August 1995 and worked in the Finance Department of Sinochem Group from 1995 to 2002. He was the Treasurer of Sinochem Hong Kong from August 2002 to January 2006 responsible for handling the financial management and investment affairs and operation of the overseas funds of Sinochem Group. Mr. JIANG has over 17 years of experience in corporate finance and accounting management. Mr. JIANG earned a bachelor's degree in finance from China Institute of Finance in 1995 and a master's degree in finance from Central University of Finance and Economics in 2003. He obtained the Accounting Qualification Certificate in 1999 and is now a member of the Association of International Accountants (AIA).

Mr. GAI Jiangao

Mr. GAI, who was born in November 1974, has been the Vice President of the Company since January 2007 and the General Counsel of the Company since October 2011. Mr. GAI joined Sinochem Group in July 2000, in charge of litigation matters and legal matters in real estate industry, and served as the deputy general manager of the Legal Department from 2005 to January 2007. Prior to joining Sinochem Group, he worked in Rong Bao Zhai, responsible for risk control and auction of artistic products from July 1997 to June 2000. He has over 10 years of experience in corporate legal affairs. Mr. GAI earned an LLB degree from the Capital University of Economics and Business in 1997. He obtained a master's degree in business administration from Guanghua School of Management, Peking University in 2010. He qualified as a PRC lawyer in March 2000, as in-house legal counsel in January 2003, and has been an associated member of Hong Kong Institute of Chartered Secretaries since July 2008.

Mr. ZHANG Zhichao

Mr. ZHANG, who was born in October 1962, joined the Company in October 2009 as Assistant President and has been the Vice President of the Company since November 2011. Mr. ZHANG joined Jin Mao Group in September 2000 and held various positions including deputy general manager and acting deputy general manager of the Corporate Planning Department, general manager of the Investment Management Department and general manager of the Construction Technology Department (concurrent) and later he was re-designated as general manager of the Investment Development Department of the Company. Prior to joining Jin Mao Group, Mr. ZHANG served as engineer of Shanghai Railway Research Institute and general manager of China Nonferrous Metals East China (Hainan) Company (中國有色金屬華東(海南)公司). Mr. ZHANG has extensive management and practical experience in real estate investment analysis, management and construction technology. He graduated from Beijing Institute of Iron and Steel Engineering with a bachelor's degree in metal physics in 1984 and obtained a postgraduate degree in technology economics and management from Tongji Unversity in 1999. In July 2005, he was granted a master's degree in business administration by China Europe International Business School (CEIBS).

Mr. CUI Wei

Mr. CUI, who was born in November 1972, has been the Assistant President of the Company since September 2009 and the Vice President of the Company since November 2011. From 1993 to 2006, Mr. CUI served as technician of the Infrastructure Department of Beijing Babcock & Wilcox, engineer of Rectification Unit, Development Office of Beijing, deputy commissioner of Housing Construction Unit, Construction Committee of Beijing, commissioner of Sale and Lease Unit, Housing Security Office of Beijing and supervisor of Mafang New Town Real Estate Development Office. He has accumulated advanced practice experience in real estate development, project operation, policy analysis and investment decision-making. Mr. CUI graduated from Harbin University of Science and Technology with a bachelor's degree in thermal energy engineering in 1993 and obtained a master's degree in real estate operation and management from Tsinghua University in 2003. In 2009, he earned a doctor's degree in real estate operation and management from Renmin University Of China. Mr. CUI was enlisted in the "Quality Talent Training Programme" organised by the municipal government of Beijing from 2006 to 2007 and had been a visiting scholar focusing on real estate economics at University of Denver in the US.

Mr. LIAO Chi Chiun

Mr. LIAO, who was born in January 1968, has been the Chief Accountant of the Company, Qualified Accountant and Company Secretary since March 2007. Before joining the Company, he served as an accountant of S E A Holdings Ltd between 1997 and 2006. He has over 10 years of experience in Hong Kong and PRC accounting practice relating to property leasing and developments. Mr. LIAO earned a BA (Hons) Accounting degree from De Montfort University, England in 1995. He is a fellow member of the Association of Chartered Certified Accountants and also an associate member of the HKICPA.

Corporate Governance Report

CODE ON CORPORATE GOVERNANCE

Since its establishment, the Company has committed to enhancing its corporate governance levels. The Company has adopted its own code on corporate governance practice which sets out all code provisions, except for described below, and most of the recommended best practices set out in the Code on Corporate Governance Practices ("Corporate Governance Code") in Appendix 14 of the Listing Rules. The Company will continue to improve its corporate governance practices focusing on maintenance and enhancement of a quality board, sound internal control and high transparency to shareholders, so as to increase the confidence of shareholders in the Company. The Company believes that good corporate governance is crucial to maintain its long-term healthy and sustainable development and is vital for the interests of its shareholders.

Code provision A.4.2 of the Corporate Governance Code stipulates that a Director appointed to fill a casual vacancy shall be subject to re-election by shareholders at the first general meeting after the appointment, while the Articles of Association of the Company provides that such a Director may be elected by the shareholders at the first annual general meeting after the appointment. There is minor difference between the practices of the Company and that of the Corporate Governance Code, and the Company believes that the election by the shareholders at the first annual general meeting after the appointment of the Directors who fill casual vacancy will not affect adversely the normal operations of the Company.

In 2011, the Company complied with all provisions of its own code on corporate governance.

BOARD OF DIRECTORS

The Board is accountable to the shareholders and is responsible for the Group's overall strategy, internal control and risk management. In order to discharge its responsibilities, the Board has established and adhered to clear operating policies and procedures, reporting hierarchy and delegated authority. The management is authorised to handle the daily operation of the Group.

The Board is responsible for managing the overall business of the Company and overseeing the functions performed by the subordinate committees. In particular, the internal control practices are mainly reflected in the following areas:

- management and control of the Group's assets, liabilities, revenues and expenditures as well as proposing changes in areas critical to the Group's performance;
- strategic capital investments and new projects, which are subject to stringent project approval process, purchasing and tendering procedures and diligent assessment of its implementation upon completion;
- financial and operational performance, which is subject to overall strategic planning as well as the implementation and maintenance of the monitoring system for financial and operational performance;
- management of relationship among parties who have interests in the Company, which is conducted through ongoing communication with partners, governments, customers and other parties who have legal interests in the business of the Company; and

- risk management, which is conducted through ongoing verification on the review reports from the Audit and Risk Management Department to identify, evaluate and appropriately manage the risks faced by the Company.

As of the date of this report, the Board consisted of the following 9 Directors:

Non-executive Directors
Mr. LUO Dongjiang (Chairman)
Ms. LI Xuehua (Vice Chairman)
Mr. LI Xin

Executive Directors
Mr. HE Cao (Vice Chairman & Chief Executive Officer)
Mr. Li Congrui (Vice President)
Mr. HE Binwu (Vice President)

Independent Non-executive Directors
Mr. LAU Hon Chuen, Ambrose
Mr. SU Xijia
Mr. LIU Hongyu

Ms. Li Xuehua, Mr. HE Binwu, Mr. LAU Hon Chuen, Ambrose, Mr. SU Xijia and **Mr. LIU Hongyu**, being eligible for re-election at the annual general meeting of the Company held on 17 June 2011, were re-elected as the Directors of the Company.

Mr. LI Congrui was appointed as an executive Director of the Company on 17 June 2011 and **Mr. LI Xin** was appointed as a non-executive Director of the Company on 17 June 2011.

The term of **Mr. WANG Hongjun, Mr. JIANG Nan, Mr. GAO Shibin** and **Mr. NGAI Wai Fung** as the Directors of the Company expired at the annual general meeting held on 17 June 2011 and they decided to retire from the Board and did not seek for re-election at the annual general meeting. They confirmed that they have no disagreements with the Board, and there are no other matters in relation to their retirement that needs to be brought to the attention to the shareholders.

As a result of the above change of directors, the composition of the special committees under the Board of the Company is:

Audit Committee: Mr. SU Xijia (Chairman), Ms LI Xuehua, Mr. LIU Hongyu;

Remuneration and Nomination Committee: Mr. LAU Hon Chuen, Ambrose (Chairman), Mr. LI Xin, Mr. SU Xijia;

Strategy and Investment Committee: Mr. HE Cao (Chairman), Mr. LUO Dongjiang, Mr. LI Congrui, Mr. HE Binwu and Mr. LIU Hongyu;

Independent Board Committee: Mr. LAU Hon Chuen, Ambrose (Chairman), Mr. SU Xijia and Mr. LIU Hongyu.

Corporate Governance Report

Save as disclosed above, there were no other changes of Directors and senior management of the Company during the Period under Review.

Biographical details of the Directors are set out on pages 82 to 85 of this annual report. The Board members have no financial, business, family or other material/relevant relationships with each other. The Company has arranged appropriate insurance coverage in respect of legal actions against its Directors and reviews the coverage of the insurance every year.

The Board has a balanced composition. Each Director possesses the knowledge, experience and expertise required for the business operation and development of the Group. All Directors are aware that they are severally and collectively accountable to the shareholders. They also fulfil their duties and responsibilities diligently to make contribution to the outstanding results of the Group.

The current non-executive Directors are independent from the Company's daily management but they provide the Company with a wide range of expertise and experience. Their participation in Board and committee meetings brings independent judgment on issues relating to the Group's strategies, performance, conflicts of interest and management procedures, to ensure adequate checks and balances are provided and the interests of all shareholders are taken into account. The Board believes that the balance between executive and non-executive Directors is reasonable and adequate to safeguard the interests of shareholders, other related parties and the Group.

The Company has three independent non-executive Directors, at least one of whom has appropriate financial management expertise, in compliance with the Listing Rules. Each independent non-executive Director has confirmed his independence to the Company, and the Company is of the view that these Directors are independent of the Company under the guidelines set out in Rule 3.13 of the Listing Rules.

The Directors have access to appropriate business documents and information about the Company on a timely basis. The Directors have free access to the management for enquires and to obtain further information when required. All Directors and Board committees also have recourse to external legal counsels and other professionals for independent advice at the Company's expense as and when the need arises.

BOARD MEETINGS

The Board meets regularly and Board meetings are held at least four times a year to review the financial performance of the Company, significant issues and other matters that require decisions of the Board.

The Company always makes proper arrangements to give all Directors the opportunity to present matters for discussion in the agenda of each Board meeting. All Directors are given an agenda and relevant documents prior to each Board meeting.

The Board office of the Company assists in preparing agenda for Board meetings and ensures that all applicable rules and regulations regarding the meetings are followed.

Apart from the consent obtained through circulation of 2 written resolutions to all Board members, during the Period under Review, the Board held 7 meetings, at which the Directors considered and approved significant matters, including the Company's issuance of no more than US$500 million 10-year guaranteed senior notes, the sale of property of Shanghai Port International Cruise Terminal Project through transfer of equity interests of Shanghai Chentuo Property Co., Ltd., the discloseable and connected transaction relating to the renewal of framework financial service agreement with Sinochem Finance and the connected transaction relating to the amendment of the framework lease agreement with Sinochem Group, the offshore loans and repurchase mandate for the issued notes, the 2010 annual results report and the 2011 interim results report of the Company. Individual attendance of each Director at such Board meetings during 2011 is set out below:

Position	Name	Meetings Attended	Attendance Rate
Non-executive Director	Mr. LUO Dongjiang	7/7	100%
Non-executive Director	Ms. LI Xuehua	6/7	86%
Non-executive Director	Mr. WANG Hongjun	3/3 (Note 1)	100%
Non-executive Director	Mr. LI Xin	4/4 (Note 2)	100%
Executive Director	Mr. HE Cao	7/7	100%
Executive Director	Mr. LI Congrui	4/4 (Note 2)	100%
Executive Director	Mr. HE Binwu	7/7	100%
Executive Director	Mr. JIANG Nan	3/3 (Note 1)	100%
Independent non-executive Director	Mr. LAU Hon Chuen, Ambrose	7/7	100%
Independent non-executive Director	Mr. SU Xijia	7/7	100%
Independent non-executive Director	Mr. LIU Hongyu	7/7	100%
Independent non-executive Director	Mr. GAO Shibin	3/3 (Note 1)	100%
Independent non-executive Director	Mr. NGAI Wai Fung	3/3 (Note 1)	100%

Note 1: The term of Mr. WONG Hongjun, Mr. JIANG Nan, Mr. GAO Shibin and Mr. NGAI Wai Fung as the Directors of the Company expired at the annual general meeting held on 17 June 2011 and they retired as Directors of the Company. Accordingly, they only attended the meetings held before their retirement.

Note 2: Mr. LI Congrui was appointed as an executive Director of the Company on 17 June 2011 and Mr. LI Xin was appointed as a non-executive Director of the Company on 17 June 2011. Accordingly, they attended the meetings held after their appointment.

The Directors are given clear information both at meetings and at regular intervals so that they can maintain effective control over strategic, financial, operational, compliance and corporate governance issues. They also have unrestricted access to independent professional advice and the advice and services from the company secretary to ensure compliance with all procedures of the Board meetings. The company secretary keeps detailed minutes of each meeting of the Board and the Board committees, which are available to all Directors for review anytime.

The Company continuously updates all Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements to ensure compliance with the requirements by the Directors, and to maintain good corporate governance practices.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The positions of Chairman and Chief Executive Officer are held by different persons.

Mr. LUO Dongjiang was appointed as a non-executive Director and the Chairman of the Company by the Board with effect on 18 September 2009 and was re-elected by the shareholders at the first annual general meeting after the appointment, which was held on 25 June 2010. Mr. HE Cao was appointed as a non-executive Director and the Chairman of the Company by the Board on 13 February 2009 and was re-elected by the shareholders at the annual general meeting held on 18 June 2009. He resigned on 17 September 2009 and was re-designated as the Chief Executive Officer and the Vice Chairman of the Company on 18 September 2009.

There is a clear division of these two positions of Chairman and Chief Executive Officer of the Company to ensure a balance of power and authority. The Chairman of the Company is responsible for managing and providing leadership to the Board in terms of formulating overall strategies, business directions and policies of the Company. The Chairman of the Company also makes effective plans for Board meetings and ensures the Board act in the best interests of the Company and its shareholders. The Chief Executive Officer of the Company is responsible for the daily operation of the Company, formulation and execution of policies of the Company, and is accountable to the Board for the overall operation of the Company. The Chief Executive Officer also advises the Board on any significant developments and issues.

RULES FOR NOMINATION, APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

The Company has a set of formal, prudent and transparent procedures for the appointment and succession of Directors. According to the Articles of Association of the Company, a Director shall be appointed or removed by an ordinary resolution at the general meeting; the Board has the right to appoint any Director to fill a casual vacancy or appoint a new member to the Board, subject to re-election by the shareholders at the first annual general meeting immediately after the appointment. All Directors (including executive and non-executive Directors) of the Company, are appointed for a term of three years. A Director may be re-elected at the general meeting after expiration of its term.

According to the Articles of Association of the Company, a Director shall be recommended by the Board or be nominated by any shareholder (other than the person to be nominated) of the Company who is entitled to exercise voting rights at a general meeting during the period from the date of despatch of the notice of the meeting to 7 days before the date of the general meeting. The Remuneration and Nomination Committee of the Company may also provide advice to the Board in respect of the nomination. Qualifications and competence of the nominees should be taken into consideration during nomination.

RESPONSIBILITIES OF DIRECTORS

Each Director is required to keep abreast of his responsibilities as a Director and of the operation and business activities of the Company. Non-executive Directors have the same duties of care and skills as executive Directors.

The non-executive Directors of the Company have sufficient experience and talent and fully participate in the Board to fulfil the functions specified in the provisions A.5.2(a) to (d) of the Corporate Governance Code.

RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Board is responsible for the preparation of financial statements of each financial year, which give a true and fair view of the operating results and financial status of the Company. In preparing the financial statements, the Directors of the Company have selected and applied appropriate accounting policies, and have made prudent and reasonable judgments.

The statement of the auditors of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditors' Report" on page 125.

THE BOARD COMMITTEES

In order to review the special matters, the Company has established four Board Committees, namely the Remuneration and Nomination Committee, the Audit Committee, the Independent Board Committee and the Strategy and Investment Committee.

REMUNERATION AND NOMINATION COMMITTEE

As of the date of this report, the members of the Remuneration and Nomination Committee of the Company are Mr. LAU Hon Chuen, Ambrose, Mr. SU Xijia and Mr. LI Xin, all being non-executive Directors. The chairman of the Remuneration and Nomination Committee is Mr. LAU Hon Chuen, Ambrose.

The functions of the Remuneration and Nomination Committee include:

– to regularly review the size and composition of the Board based on the operation, scale of assets and shareholding structure of the Company, and make recommendations to the Board;

– to examine the standards and procedures for election of candidates for Directors and senior management and make recommendations; review the qualifications and abilities of candidates for directorship and management and make recommendations;

– to make recommendations to the Board on the remuneration policies and share option scheme and structure of Directors and senior management and on the establishment of formal and transparent procedures for developing such policies;

– to assess the independence of the independent non-executive Directors; and

– to determine the specific remuneration packages of all executive Directors and senior management, and make recommendations in respect of the remuneration of the non-executive Directors to the Board.

The Remuneration and Nomination Committee may seek professional advice if necessary and will be provided with sufficient resources to perform its duties.

In 2011, the Remuneration and Nomination Committee's nomination, appointment, determination of remuneration packages and approval of incentive proposals included the following:

– assessed the performance of executive Directors and senior management, and determined the performance-based bonus for 2010 based on the outcome of results assessment;

– in accordance with the basic principles of clear definition of duties and responsibilities and efficient operation of the Board, approved the retirement of 9 Directors upon expiry of their term, the re-election of 5 Directors, and the nomination of 2 candidates for directorship, which were then put forward to the Board and the annual general meeting for review and approval;

– for the purposes of strengthening and consolidating the human resources and improving the governance structure of the Company, approved the appointment of 2 vice presidents with reference to the experience and expertise of the candidates, and submitted such recommendation to the Board for review and approval;

– approved the lapse and cancellation of 30% of the share options granted in May 2008 by the Company since 5 May 2011 according to the share option scheme passed at the extraordinary general meeting in 2007, the performance review results of the grantees of share options and the Explanation on the Fulfillment of Conditions of Share Options with reference to the Results of Franshion Properties for 2010 provided by the Financial Management Department of the Company, as the performance review results did not meet the target performance results; and

– determined the remuneration packages of Directors and senior management based on the results performance of the Company and with reference to the industry practices.

The Remuneration and Nomination Committee held three meetings and entered into two written resolutions separately in 2011. The attendance of individual members at the meetings is set out below:

Position	Name	Meetings Attended	Attendance Rate
Independent non-executive Director	Mr. LAU Hon Chuen, Ambrose	3/3	100%
Independent non-executive Director	Mr. SU Xijia	3/3	100%
Non-executive Director	Mr. LUO Dongjiang	2/2*	100%
Non-executive Director	Mr. LI Xin	1/1*	100%

* Mr. LI Xin was appointed as a non-executive Director of the Company and became a member of the Remuneration and Nomination Committee on 17 June 2011. Mr. LUO Dongjiang was no longer a member of the Remuneration and Nomination Committee since 17 June 2011.

THE AUDIT COMMITTEE

The Audit Committee is responsible for communicating with management and internal and external auditors, as well as reviewing and overseeing the Company's financial reporting and audit procedures jointly with them. As of the date of this report, the members of the Audit Committee are Mr. SU Xijia, Ms. LI Xuehua and Mr. LIU Hongyu. The chairman of the Audit Committee is Mr. SU Xijia. All members of the Audit Committee have financial and/or legal backgrounds which enable them to precisely assess the financial conditions, compliance and risk exposure of the Company, as well as to impartially perform their duties and responsibilities.

The functions of the Audit Committee include:

– to make recommendation to the Board on the appointment, re-appointment and removal of the external auditor, to approve the remuneration and terms of engagement of the external auditor, and to deal with any issues in respect of resignation or dismissal of the auditor;

– to discuss the nature and scope of audit and the relevant reporting responsibilities with external auditor before auditing, and to review and examine whether the external auditor is independent and objective and whether the audit procedures are effective according to applicable standards;

– to develop and implement policies on the engagement of external auditor for non-audit services;

– to monitor integrity of financial statements, reports and accounts of the Company, interim reports and quarterly reports (if any), and to review significant opinions regarding financial reporting contained therein, to consider any material matters or unusual matters that are reflected or are required to be reflected in such reports and accounts, and to consider any matters proposed by the qualified accountant, compliance officer or auditor of the Company as appropriate;

– to review the internal control and risk management systems of the Company, to ensure that the management has performed its duties in establishing an effective internal control system, and to examine the material investigation findings and management's responses in respect of internal control matters;

– to review the Company's financial and accounting policies and practices, to review the external auditor's management letter, to respond to any queries raised by the management and the Board, and to report to the Board as necessary; and

– to establish an employee direct reporting system across the Company, and to conduct investigations on unusual conditions if it considers necessary and appropriate and report to the Board as necessary.

During 2011, financial reporting and internal control reviews undertaken by the Audit Committee include the following:

– reviewed the integrity and accuracy of the 2010 Annual Report, the 2011 Interim Report and formal announcements relating to the Group's financial performance;

– reviewed the work report for internal audit and control of the Company for 2010;

– reviewed the means of communication between external auditor and the internal audit department; and

– reviewed annually the pre-audit results, audit strategies and significant issues for 2011.

The Audit Committee held three meetings in 2011. The attendance of individual members at Audit Committee meetings is set out below:

Position	Name	Meetings Attended	Attendance Rate
Independent non-executive Director	Mr. SU Xijia	3/3*	100%
Independent non-executive Director	Mr. LIU Hongyu	3/3	100%
Non-executive Director	Ms. LI Xuehua	2/2*	100%
Non-executive Director	Mr. WANG Hongjun	1/1*	100%
Independent non-executive Director	Mr. NGAI Wai Fung	1/1*	100%

* The term of Mr. WANG Hongjun and Mr. NGAI Wai Fung as the Directors of the Company expired at the annual general meeting held on 17 June 2011 and they retired as Directors of the Company. Mr. SU Xijia and Mr. LIU Hongyu, being eligible for re-election at the annual general meeting of the Company held on 17 June 2011, were re-elected as the Directors of the Company and continued to serve as members of the Audit Committee. Ms. LI Xuehua, being eligible for re-election at the annual general meeting of the Company held on 17 June 2011, was re-elected as the Director of the Company and became a member of the Audit Committee.

The Chief Financial Officer, the qualified accountant and the auditor attended all these meetings including the two meetings which reviewed the integrity and accuracy of the Company's 2010 Annual Report, 2011 Interim Report and formal announcements relating to the Group's financial performance.

INDEPENDENT BOARD COMMITTEE

As of the date of this report, the members of the Independent Board Committee of the Company are Mr. LAU Hon Chuen, Ambrose, Mr. SU Xijia and Mr. LIU Hongyu. The chairman of the Independent Board Committee is Mr. LAU Hon Chuen, Ambrose. All members are independent non-executive Directors.

The functions of the Independent Board Committee include:

– to discuss whether the Company should exercise the separate options granted by Sinochem Group to the Company pursuant to the Non-Competition Undertaking dated 26 July 2007, and to discuss any business in connection with the Non-Competition Undertaking or any reconstruction business in relation to the properties held by Sinochem Group, and the new business opportunities or property reconstruction opportunities of which the Company is notified by Sinochem Group in writing;

– to formulate and implement policies in relation to the appointment of an independent financial adviser or other professional advisers regarding the exercise of options and pursuit of new opportunities;

– for connected transactions and transactions subject to independent shareholders' approval under the Listing Rules, or spinoff listing arrangements subject to approval under the Listing Rules, to examine whether the terms thereunder are fair and reasonable, and in the interest of the issuer and its shareholders as a whole, and to make recommendations to the Board; and

– to review continuing connected transactions every year and make confirmation in the annual reports and accounts of the Company.

The Independent Board Committee held two meetings and entered into two written resolutions separately in 2011 to consider an outstanding Shimao Investment independent option granted by Sinochem Group to the Company, resolved not to exercise the option of Shimao Investment and to make relevant disclosure in the interim and annual reports, and confirmed various continuing connected transactions of the Company for 2010 and the list. The attendance of individual members at the meetings is set out below:

Position	Name	Meetings Attended	Attendance Rate
Independent non-executive Director	Mr. LAU Hon Chuen, Ambrose	2/2	100%
Independent non-executive Director	Mr. SU Xijia	2/2	100%
Independent non-executive Director	Mr. LIU Hongyu	2/2	100%
Independent non-executive Director	Mr. GAO Shibin	1/1*	100%
Independent non-executive Director	Mr. NGAI Wai Fung	1/1*	100%

* The term of Mr. GAO Shibin and Mr. NGAI Wai Fung as the Directors of the Company expired at the annual general meeting held on 17 June 2011 and they retired as Directors of the Company.

STRATEGY AND INVESTMENT COMMITTEE

As of the date of this report, the members of the Strategy and Investment Committee of the Company are Mr. HE Cao, Mr. LUO Dongjiang, Mr. LI Congrui, Mr. HE Binwu and Mr. LIU Hongyu. The chairman of the Strategy and Investment Committee is Mr. HE Cao.

The functions of the Strategy and Investment Committee include:

– to formulate and adjust the long term investment plans, budget and growth strategies of the Company, supervise the implementation of strategies and report to the Board;

– to review the investment of new projects within the annual investment budget approved by the Board and file with the Board; and

– to review the investment in new projects that exceeds the annual investment budget approved by the Board and submit to the Board for approval.

The Strategy and Investment Committee held six meetings and entered into one written resolution separately in 2011, to consider Shanghai Chongming Island Site No.5 Project, the acquisition of equity interests of Hilton Sanya Resort & Spa, the tendering proposal regarding Changsha Meixi Lake Project, the tendering proposal regarding Chongqing Jiulongpo Project and the tendering proposal regarding Laiguangying Project. The attendance of each individual member at the meetings is set out below:

Position	Name	Meetings Attended	Attendance Rate
Executive Director	Mr. HE Cao	6/6	100%
Non-executive Director	Mr. LUO Dongjiang	6/6	100%
Executive Director	Mr. LI Congrui	4/4*	100%
Executive Director	Mr. HE Binwu	6/6	100%
Executive Director	Mr. JIANG Nan	2/2*	100%
Independent non-executive Director	Mr. LIU Hongyu	4/4*	100%
Independent non-executive Director	Mr. GAO Shibin	2/2*	100%

* The term of Mr. JIANG Nan and Mr. GAO Shibin as the Directors of the Company expired at the annual general meeting held on 17 June 2011 and they retired as Directors of the Company. Mr. LI Congrui was appointed as a non-executive Director of the Company and became a member of the Strategy and Investment Committee on 17 June 2011. Mr. LIU Hongyu was re-elected as the Director of the Company at the annual general meeting held on 17 June 2011 and became a member of the Strategy and Investment Committee.

EXTERNAL AUDITORS

During the Year, the remuneration paid/payable to the Company's auditors, Ernst & Young amounted to a total of HK$5,686,000, of which HK$3,850,000 was for audit service fees of the Group's financial statements, HK$1,836,000 was for non-audit service fees.

In addition, the remuneration paid/payable to some subsidiaries' auditors amounted to HK$1,435,000, all of which was for audit services fees.

INTERNAL CONTROL

The Board takes full responsibilities for maintaining sound and effective internal controls to safeguard the Company's assets and shareholders' interests. The Directors confirm that the Company, through its Internal Control Department, conducts regular checks on office procedures, practices and systems to prevent assets from inappropriate use, maintain proper accounts and ensure compliance with regulations. The regular reviews also cover all major controls, including financial, operational and compliance supervision and risk management functions of the Company.

The Directors of the Company all consider that the Group's existing internal control systems are effective.

PRICE-SENSITIVE INFORMATION

The Company has taken prudent measures in handling price-sensitive information, for which the Company has formulated effective systems and measures for confidential information. Personnel who have access to price-sensitive information must ensure that such information is kept confidential, and should not divulge such sensitive information of the Company in any manner. Consultants and intermediaries engaged by the Company have all entered into confidentiality agreements with the Company.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Stock Exchange's Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules to regulate directors' securities transactions. Having made specific enquiries of all Directors, all Directors have confirmed that they have complied with the requirements set out in the Model Code for the year ended 31 December 2011.

All the employees of the Group shall comply with "Administrative Rules for Securities Transactions by the Employees of Franshion Properties" formulated by the Company with reference to the requirements set out in the Model Code in their dealings in the securities of the Company.

RIGHTS OF SHAREHOLDERS

Shareholders have right to raise questions and make suggestions on the business of the Company. All shareholders shall have equal rights according to their respective shareholding and assume corresponding obligations. Shareholders are entitled to get access to and participate in the material matters of the Company as prescribed by laws, administrative regulations and the Articles of Association of the Company.

GENERAL MEETING

The Company maintains and facilitates exchange and communication between shareholders and the Board through a number of communication methods, including general meetings, announcements and circulars to shareholders. The Company held an annual general meeting on 17 June 2011 to review and approve the audited financial statements, directors' report and the auditor's report for the year ended 31 December 2010, and to review and approve the re-election of Ms. LI Xuehua as a non-executive Director of the Company, Mr. HE Binwu as an executive Director of the Company, Mr. LAU Hon Chuen, Ambrose, Mr. SU Xijia and Mr. LIU Hongyu as the independent non-executive Directors of the Company, and to review and approve the appointment of Mr. LI Xin as a non-executive Director of the Company, Mr. LI Congrui as an executive Director of the Company; the Company held an extraordinary general meeting on 22 December 2011 to review and approve the new framework lease agreement and the annual caps for the continuing connected transactions thereunder and to review the approve the renewed framework financial service agreement and the annual caps for the continuing connected transactions thereunder.

Report of the Directors

The Board presents its report and the audited financial statements of the Company and the Group for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The Company is an investment holding company, and the principal activities of its subsidiaries are development of, investment in and operation of real estate projects, focusing on commercial property development, hotel operations and property leasing. Details of the subsidiaries of the Company are set out in note 21 to the financial statements.

RESULTS AND DIVIDENDS

Details of the Group's results for the year ended 31 December 2011 are set out in the consolidated income statement on page 126 of this annual report.

The Board recommended the payment of a final dividend of HK4 cents per ordinary share for the year ended 31 December 2011. The proposed final dividend shall be subject to approval of shareholders at the forthcoming annual general meeting. No interim dividend was paid for the period ended 30 June 2011. The recommended final dividend has been accounted for in the financial statements as an allocation of retained profits within the equity section of the statement of financial position.

SHARE CAPITAL AND SHARE OPTIONS

As at 31 December 2011, the authorised share capital of the Company was 20,000,000,000 ordinary shares and the total issued share capital was 9,161,489,489 ordinary shares.

As stated in the 2010 annual report of the Company, on 12 October 2010, the convertible securities due in 2015 convertible into fully-paid ordinary shares of the Company with an aggregate principal amount of US$600 million were offered to no fewer than six investors. Based on an initial conversion price of HK$2.83, such convertible securities can be converted into 1,644,763,250 shares. Assuming full conversion of such convertible securities, the issued share capital of the Company will be increased to 10,806,252,739 ordinary shares. The net proceeds from the issue of these convertible securities by the Company amounting to approximately US$591 million (after deducting expenses) were mainly used to finance the new and existing projects (including construction costs and land costs) and as general working capital. During the Period under Review, no convertible securities was converted into ordinary shares of the Company.

Details of movement in the Company's share capital and share options during the Year are set out in notes 34 and 35 to the financial statements.

RESERVES

Movements in reserves of the Company and of the Group during the Year are set out in note 36 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2011, the Company's reserves available for distribution, calculated in accordance with the provisions of Section 79B of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), amounted to HK$702,551,000, of which HK$366,460,000 has been proposed as a final dividend for the Year. In addition, the Company's share premium account in the amount of HK$6,109,789,000 may be distributed in the form of fully paid bonus shares.

MAJOR SUPPLIERS AND CUSTOMERS

Sales to major customers and purchases from major suppliers of the Group in the Year are set out below:

	For the year ended 31 December 2011 Percentage of total turnover (%)
Five largest customers	51
The largest customer	25

	Percentage of total purchase (%)
Five largest suppliers	55
The largest supplier	17

The above five largest customers and suppliers of the Group are independent third parties. To the best knowledge of the Directors, none of the Directors of the Company or any of their associates or any shareholders who own more than 5% of the Company's issued share capital had any interest in the Group's five largest customers or five largest suppliers.

BANK AND OTHER BORROWINGS

Particulars of the bank and other borrowings of the Company and of the Group as at 31 December 2011 are set out in note 30 to the financial statements.

CHARITABLE CONTRIBUTIONS

During the Year, no charitable donations were made by the Group.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment and investment properties of the Group during the Year are set out in notes 14 and 18 to the financial statements, respectively.

FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and non-controlling shareholders' interests of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 212 of this annual report. This summary does not form part of the audited financial statements.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the current Directors and senior management of the Company are set out on pages 82 to 87 of this annual report.

DIRECTORS' SERVICE CONTRACTS

As at 31 December 2011, none of the Directors had a service contract with the Company or any of its subsidiaries which is not terminable within one year without payment of compensation other than statutory compensation.

DIRECTORS' REMUNERATION

The Directors' remuneration is determined by reference to Directors' duties and responsibilities, individual performance and the results of the Group.

During the year ended 31 December 2011, details of the remuneration of the Directors of the Company and five highest paid individuals of the Group are set out in notes 8 and 9 to the financial statements. There was no arrangement under which a Director waived or agreed to waive any remuneration during the Year.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance to which the Company or its controlling shareholder or any of their respective subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted as at 31 December 2011 or at any time during the Year. The Company did not provide any loans to the Directors or the management personnel of the Company during the Year.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Sinochem Group is the ultimate controlling shareholder of the Company. The contracts of significance entered into between Sinochem Group and its subsidiaries, Sinochem Hong Kong (Group) Company Limited ("Sinochem Hong Kong") and the Company or its subsidiaries are mainly agreements of continuing connected transactions conducted between them, and the Non-Competition Undertaking between Sinochem Group and the Company dated 26 July 2007, as detailed in sections headed "Continuing connected transactions" and "Compliance with non-competition agreement" below.

COMPLIANCE WITH NON-COMPETITION AGREEMENT

Sinochem Group has provided its written confirmation in respect of Sinochem Group and its subsidiaries' (other than those which form part of the Group) compliance with its obligations under the Non-competition Undertaking during 2011.

EMPLOYEES AND REMUNERATION POLICIES

For details regarding the employees and remuneration policies of the Group during the Year, please refer to the section headed "Directors' Remuneration" on this page and the section headed "Corporate Social Responsibility Report – Employee Development" on page 80 of this Annual Report, respectively.

RETIREMENT SCHEME

The Group contributes on a monthly basis to various defined contribution retirement benefit schemes (the "Retirement Schemes") administrated and organised by the relevant municipal and provincial governments in the PRC. The municipal and provincial governments undertake to assume the retirement benefit obligations payable to all retired employees under these schemes and the Group has no further obligation for post-retirement benefits to the employees beyond the contributions made.

The Group also participates in a mandatory provident fund scheme (the "MPF Scheme") required by the government of Hong Kong, which is a defined contribution retirement benefit scheme. Contributions to these schemes are expenses as incurred.

Neither the Retirement Schemes nor the MPF Scheme has any requirement concerning forfeited contributions.

Contributions to the retirement benefit schemes for the year ended 31 December 2011 were HK$55,755,000.

MANAGEMENT CONTRACT

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the Year.

SHARE OPTION SCHEME

On 22 November 2007, the Company adopted a share option scheme (the "Scheme"), the purpose of which is to enhance the commitment of the participants to the Company and encourage them to pursue the objectives of the Company.

According to the terms of the Scheme of the Company, the Board shall at its absolute discretion grant to any participant a certain number of options at a subscription price at any time within 10 years after the adoption date of the Scheme. Participants, i.e. recipients of the options granted, include any existing executive or non-executive Directors of any member of the Group and any senior management, key technical and professional personnel, managers and employees of any member of the Group, but do not include any independent non-executive Directors of the Company.

The number of shares to be issued at any time upon exercise of all options granted under the Scheme and other share option schemes of the Company shall not in aggregate exceed 10% of the then issued share capital of the Company.

Unless approval of shareholders is obtained in a general meeting, if the total number of shares issued and shares which may fall to be issued upon exercise of the options granted under the Scheme and any other share option schemes of the Company (including exercised, cancelled and outstanding options) to a participant in any 12-month period in aggregate exceeds 1% of the issued share capital of the Company at any time, no further grant of options shall be given to such participant. Upon acceptance of the grant, the grantee undertakes that he/she will, at the request of the Company, pay an amount which is equivalent to the nominal value of HK$1 (to be determined on the date when the offer of the grant is accepted) to the Company as a consideration for acceptance of the offer of the grant of the option.

More details of the Scheme are set out in note 35 to the financial statements.

GRANT AND EXERCISE OF OPTIONS DURING THE PERIOD

On 5 May 2008, 5,550,000 share options were granted to eligible participants by the Company at the exercise price of HK$3.37 for each share of the Company to be issued, being the average closing price of the shares on the Stock Exchange for the five consecutive trading days immediately preceding the grant date of such options. Such options shall vest the earliest after two years from the date on which the grantees are granted with the options.

On 30 April 2010, the Remuneration and Nomination Committee of the Board of the Company approved the vesting of 40% of the share options granted in May 2008 to the grantees by the Company according to the Scheme passed at the extraordinary general meeting held on 22 November 2007, the performance review results of the grantees of share options and the Explanation on the Fulfillment of Conditions of Share Options of Franshion Properties for 2009 provided by the independent professional advisor.

On 13 June 2011, the Remuneration and Nomination Committee of the Board of the Company approved and confirmed the lapse and cancellation of 30% of the share options granted in May 2008 by the Company since 5 May 2011 according to the Scheme passed at the extraordinary general meeting held on 22 November 2007 and the Explanation on the Fulfillment of Conditions of Share Options with reference to the Results of Franshion Properties for 2010 provided by the Financial Management Department of the Company, as the performance review results for 2010 did not meet the target performance results.

Report of the Directors

During the Period under Review, no share options were exercised under the Scheme. The following share options were outstanding under the Scheme during the year ended 31 December 2011:

	Number of share options									
Name or category of grantees	As at 1 January 2011	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	As at 31 December 2011	Date of grant of share options	Exercise period of share options (both days inclusive)	Exercise price of share options HK$	Closing price of the shares of the Company immediately preceding the grant date HK$
Directors										
Mr. PAN Zhengyi (note 1)	292,471	–	–	–	(146,235)	146,236	5 May 2008	5 May 2012 to 4 May 2015	3.37	3.36
Mr. WANG Hongjun (note 2)	415,532	–	–	–	(290,873)	124,659	5 May 2008	5 May 2012 to 4 May 2015	3.37	3.36
Ms. LI Xuehua	487,451	–	–	–	(146,235)	194,980	5 May 2008	5 May 2010 to 4 May 2015	3.37	3.36
						146,236	5 May 2008	5 May 2012 to 4 May 2015	3.37	3.36
Mr. HE Binwu	487,451	–	–	–	(146,235)	194,980	5 May 2008	5 May 2010 to 4 May 2015	3.37	3.36
						146,236	5 May 2008	5 May 2012 to 4 May 2015	3.37	3.36
Mr. JIANG Nan (note 3)	421,525	–	–	–	(126,457)	168,610	5 May 2008	5 May 2010 to 4 May 2015	3.37	3.36
						126,458	5 May 2008	5 May 2012 to 4 May 2015	3.37	3.36
	2,104,430	–	–	–	(856,035)	1,248,395				
Employees in aggregate	2,372,926	–	–	–	(856,633)	733,573	5 May 2008	5 May 2010 to 4 May 2015	3.37	3.36
						782,720	5 May 2008	5 May 2012 to 4 May 2015	3.37	3.36
Total	4,477,356	–	–	–	(1,712,668)	2,764,688				

Note 1: Mr. PAN Zhengyi resigned as a non-executive Director and the Chairman of the Company and a member of the Remuneration and Nomination Committee and the Investment Committee of the Company on 13 February 2009. The 40% of the options granted to him vested on 5 May 2010 and lapsed on 4 November 2010. The 30% of the options granted to him lapsed and were cancelled on 5 May 2011. The remaining 30% of such options granted are still valid as at the date of this annual report.

Note 2: The term of Mr. WANG Hongjun as a Director of the Company and a member of the Audit Committee expired at the annual general meeting held on 17 June 2011 and he retired as the Director of the Company. The 40% of the options granted to him vested on 5 May 2010 and lapsed on 16 December 2011. The 30% of the options granted to him lapsed and were cancelled on 5 May 2011. The remaining 30% of such options granted are still valid as at the date of this annual report.

Note 3: The term of Mr. JIANG Nan as a Director of the Company and a member of the Strategy and Investment Committee expired at the annual general meeting held on 17 June 2011 and he retired as the Director of the Company but remained as the Chief Financial Officer of the Company. The 40% of the options granted to him vested on 5 May 2010 and are still valid as at the date of this annual report. The 30% of the options granted to him lapsed and were cancelled on 5 May 2011. The remaining 30% of such options granted are still valid as at the date of this annual report.

Note 4: The number of share options was adjusted with effect on 18 March 2009 when the Rights Issue became unconditional. Further details of the Rights Issue are set out in note 34 to the financial statements.

The remaining 30% of such share options will vest at the fourth anniversary after the date of grant. Accordingly, grantees have to remain in service of the Group for at least a period of four years from the date of grant in order to exercise the share options granted to them in full. In addition, the share options will only vest if the pre-set performance targets of the Group, the division of the grantee and the grantee are achieved. Otherwise, the share options shall lapse.

DIRECTORS AND CHIEF EXECUTIVES' INTERESTS IN SHARES OR UNDERLYING SHARES OF THE COMPANY

Save as disclosed below, as at 31 December 2011, none of the Directors and chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or which were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or which were required, pursuant to the Model Code as set out in the Listing Rules, to be notified to the Company and the Stock Exchange.

Name	Capacity	Number of shares held	Number of underlying shares held (note 1)	As at 31 December 2011
WANG Hongjun (note 2)	Beneficial owner	–	124,659 (L)	0.0014%
LI Xuehua	Beneficial owner	–	341,216 (L)	0.0037%
HE Binwu	Beneficial owner	400,000(L)	341,216 (L)	0.0081%
JIANG Nan (note 2)	Beneficial owner	–	295,068 (L)	0.0032%

(L) Denotes long positions

Note 1: Represents the underlying shares subject to share options which are unlisted physically settled equity derivatives.

Note 2: The term of Mr. JIANG Nan and Mr. WANG Hongjun as the Directors of the Company expired at the annual general meeting held on 17 June 2011 and they retired as Directors of the Company.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

So far as is known to the Directors of the Company, as at 31 December 2011, the following persons (other than the Directors or chief executives of the Company) had interests or short positions in the shares, or underlying shares of the Company which were required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to section 336 of the SFO, to be recorded in the register referred to therein, or which had already been notified to the Company and the Stock Exchange:

Name of the substantial shareholder	Long/short positions	Capacity/nature of Interests	Number of ordinary shares	Percentage of the issued share capital
Sinochem Hong Kong	Long position	Beneficial owner	5,759,881,259	62.87%
Sinochem Corporation	Long position	Interest of controlled corporation (note 1)	5,759,881,259	62.87%
Sinochem Group	Long position	Interest of controlled corporation (note 1)	5,759,881,259	62.87%
Earn Max Enterprises Limited	Long position	Beneficial owner	548,254,417	5.98%
Warburg Pincus Private Equity X, L.P.	Long position	Interest of controlled corporation (note 2)	554,754,417	6.06%
Warburg Pincus X, L.P.	Long position	Interest of controlled corporation (note 2)	554,754,417	6.06%
Warburg Pincus X, LLC	Long position	Interest of controlled corporation (note 2)	554,754,417	6.06%
Warburg Pincus Partners LLC	Long position	Interest of controlled corporation (note 2)	554,754,417	6.06%
Warburg Pincus & Co.	Long position	Interest of controlled corporation (note 2)	554,754,417	6.06%
JP Morgan Chase & Co.	Long position	Beneficial owner	407,567,829	4.45%
		Approved lending agent	289,313,829	3.16%

Note 1: Sinochem Group holds 98% equity interests in Sinochem Corporation, which in turn holds the entire equity interests in Sinochem Hong Kong. For the purpose of the SFO, Sinochem Group and Sinochem Corporation are both deemed to be interested in the shares beneficially owned by Sinochem Hong Kong.

Note 2: Profit Max Enterprises Limited beneficially owns 6,500,000 shares of the Company (representing 0.07% of the issued share capital of the Company). Earn Max Enterprises Limited and Profit Max Enterprises Limited are both 96.90% controlled by Warburg Pincus Private Equity X, L.P., which is ultimately wholly controlled by Warburg Pincus & Co. through Warburg Pincus Partners LLC, Warburg Pincus X, LLC and Warburg Pincus X, L.P., all being directly or indirectly wholly controlled by Warburg Pincus & Co.. For the purpose of the SFO, each of Warburg Pincus & Co., Warburg Pincus Partners LLC, Warburg Pincus X, LLC, Warburg Pincus X, L.P. and Warburg Pincus Private Equity X, L.P. is deemed to be interested in the shares beneficially owned by Earn Max Enterprises Limited and Profit Max Enterprises Limited.

Save as disclosed above, as at 31 December 2011, the Directors of the Company were not aware of any person (other than the Directors or chief executives of the Company) had interest or short position in the shares or underlying shares of the Company which were required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to section 336 of the SFO, to be recorded in the register referred to therein, or which had already been notified to the Company and the Stock Exchange.

CONTINUING CONNECTED TRANSACTIONS

During the Period under Review, the Company entered into non-exempt continuing connected transactions, including:

I. Non-exempt (exempt from independent shareholders' approval requirements) continuing connected transactions:

(1) Lease of relevant units in Jin Mao Tower from the Group by six subsidiaries of Sinochem Group (transactions under items 1A to 1F below);

II. Non-exempt (approved by independent shareholders) continuing connected transactions:

(2) Lease of relevant units in Beijing Chemsunny World Trade Centre from the Group by Sinochem Group and its ten subsidiaries (transactions under items 2A to 2K below);

(3) Lease of relevant units in Sinochem Tower from the Group by eleven subsidiaries of Sinochem Group (transactions under items 3A to 3K below);

(4) New framework lease agreement between the Company and Sinochem Group;

(5) Framework financial service agreement between the Company and Sinochem Group Finance Co., Ltd. ("Sinochem Finance") and its renewal.

Report of the Directors

For these continuing connected transactions, the Company confirmed that it has complied with the disclosure requirements under Chapter 14A of the Listing Rules. Set out below is a summary of all these transactions:

The approved annual transaction limits and actual transacted amounts of the continuing connected transactions of the Company for the year 2011 are set out below:

I. Non-exempt (exempt from independent shareholders' approval requirements) continuing connected transactions

	Connected person	Nature of transaction	Effective period	Currency	Transaction amount in 2011	Approved cap for 2011
1.	Six subsidiaries of Sinochem Group	Lease of relevant units in Jin Mao Tower from the Group		RMB	Sum for items 1A-1F: 61,558,958	Aggregate annual cap for items 1A-1F: 82,600,000
1A	International Far Eastern Leasing Co., Ltd.	Lease of relevant units in Jin Mao Tower from the Group	2006 to 2014	RMB	25,515,608	
1B	Sinochem International (Holdings) Co., Ltd	Lease of relevant units in Jin Mao Tower from the Group	2007 to 2012	RMB	26,233,758	
1C	Manulife-Sinochem Life Insurance Co., Ltd.	Lease of relevant units in Jin Mao Tower from the Group	2007 to 2014	RMB	7,150,849	
1D	Shanghai Donghong Industrial Limited	Lease of relevant units in Jin Mao Tower from the Group	2006 to 2011	RMB	1,209,451	
1E	Shanghai Sinochem-Stolt Shipping Co., Ltd.	Lease of relevant units in Jin Mao Tower from the Group	2009 to 2012	RMB	428,566	
1F	Sinochem Crop Care Co., Ltd. (中化作物保護品有限公司)	Lease of relevant units in Jin Mao Tower from the Group	2011 to 2012	RMB	1,020,725	

II. Non-exempt (approved by independent shareholders) continuing connected transactions:

Connected person		Nature of transaction	Effective period	Currency	Transaction amount in 2011	Approved cap for 2011
2.	Sinochem Group and its ten subsidiaries	Lease of relevant units in Beijing Chemsunny World Trade Centre from the Group		RMB	Sum for items 2A-2K and 3A-3K: 191,998,287	Aggregate annual cap for items 2A-2K and 3A-3K: 275,000,000
2A	Sinochem Group	Lease of relevant units in Beijing Chemsunny World Trade Centre from the Group	2007 to 2012	RMB	7,561,928	
2B	Sinochem Corporation	Lease of relevant units in Beijing Chemsunny World Trade Centre from the Group	2007 to 2014	RMB	70,058,049	
2C	Sinochem Fertilizer Company Limited	Lease of relevant units in Beijing Chemsunny World Trade Centre from the Group	2007 to 2014	RMB	20,181,349	
2D	Sinochem International Oil Company	Lease of relevant units in Beijing Chemsunny World Trade Centre from the Group	2007 to 2014	RMB	19,463,935	
2E	Sinochem International Industrial Company	Lease of relevant units in Beijing Chemsunny World Trade Centre from the Group	2007 to 2014	RMB	860,433	
2F	Sinochem Petroleum Exploration and Production Co., Ltd.	Lease of relevant units in Beijing Chemsunny World Trade Centre from the Group	2007 to 2014	RMB	15,967,711	
2G	China Foreign Economy and Trade & Investment Co., Ltd.	Lease of relevant units in Beijing Chemsunny World Trade Centre from the Group	2007 to 2014	RMB	13,779,827	
2H	International Far Eastern Leasing Co., Ltd.	Lease of relevant units in Beijing Chemsunny World Trade Centre from the Group	2007 to 2014	RMB	1,435,369	
2I	Sinochem Finance	Lease of relevant units in Beijing Chemsunny World Trade Centre from the Group	2008 to 2014	RMB	9,466,371	
2J	New XCL (China) Co., Ltd.	Lease of relevant units in Beijing Chemsunny World Trade Centre from the Group	2011 to 2014	RMB	1,446,450	
2K	Dalian Total Consulting Co., Ltd.	Lease of relevant units in Beijing Chemsunny World Trade Centre from the Group	2011 to 2014	RMB	134,160	
3.	Eleven subsidiaries of Sinochem Group	Lease of relevant units in Sinochem Tower from the Group				
3A	Sinochem Corporation	Lease of relevant units in Sinochem Tower from the Group	2007 to 2013	RMB	2,547,323	
3B	Sinochem International Tendering Co., Ltd	Lease of relevant units in Sinochem Tower from the Group	2007 to 2013	RMB	7,644,663	
3C	Sinochem Plastics Company	Lease of relevant units in Sinochem Tower from the Group	2007 to 2013	RMB	5,711,789	
3D	China National Seed Group Corp.	Lease of relevant units in Sinochem Tower from the Group	2007 to 2013	RMB	5,191,940	

Report of the Directors

Connected person		Nature of transaction	Effective period	Currency	Transaction amount in 2011	Approved cap for 2011
3E	Manulife-Sinochem Life Insurance Co., Ltd. Beijing Branch	Lease of relevant units in Sinochem Tower from the Group	2009 to 2011	RMB	4,180,110	
3F	Sinochem International Information Corporation	Lease of relevant units in Sinochem Tower from the Group	2007 to 2013	RMB	1,535,411	
3G	Sinochem International (Holdings) Co., Ltd., Beijing Branch	Lease of relevant units in Sinochem Tower from the Group	2007 to 2013	RMB	3,483,389	
3H	Sinochem Quanzhou Petroleum Co., Ltd.	Lease of relevant units in Sinochem Tower from the Group	2008 to 2012	RMB	797,941	
3I	Sinochem Guangdong Company	Lease of relevant units in Sinochem Tower from the Group	2008 to 2013	RMB	425,920	
3J	Sinochem International Oil Company	Lease of relevant units in Sinochem Tower from the Group	2008 to 2012	RMB	21,410	
3K	China Foreign Economy and Trade & Investment Co., Ltd.	Lease of relevant units in Sinochem Tower from the Group	2010 to 2012	RMB	102,809	

I. Non-exempt (exempt from independent shareholders' approval requirements) continuing connected transactions

1. Lease of relevant units in Jin Mao Tower from the Group by six subsidiaries of Sinochem Group

The six subsidiaries of Sinochem Group entered into lease agreements with Jin Mao Group, a wholly-owned subsidiary of the Company. Pursuant to the said lease agreements, the six subsidiaries of Sinochem Group leased the relevant units in Jin Mao Tower (located in 88 Shiji Dadao, Shanghai) from the Jin Mao Group for office use, and paid Jin Mao Group the monthly rental, property management fees (if any), and other sundry charges actually incurred, including but not limited to parking space rentals, parking fees, electricity, telephone charges, overtime air conditioning fees, maintenance and catering.

Sinochem Group is the ultimate controlling shareholder of the Company and therefore a connected person of the Company. Pursuant to the Listing Rules, the ongoing transactions between Jin Mao Group and Sinochem Group and its subsidiaries under the lease agreements constitute continuing connected transactions of the Group. The continuing connected transactions have been aggregated in accordance with Rule 14A.25 of the Listing Rules as they have all been entered into by Jin Mao Group and members of Sinochem Group.

Save for the above standard terms of the lease agreements, set out below are the major terms of the lease agreements and the continuing connected transactions contemplated thereunder as at 31 December 2011:

Lessee		Lease of unit(s)	Use	Rental (RMB/month)	Property management fee (RMB/month)	Date of lease agreement	Term of lease agreement
1A International Far Eastern Leasing Co., Ltd.	(1)	Units 01, 02, 03, 04, 32/F, Units 01, 02, 03, 04, 05, 06, 07, 08, 09, 33/F, Units 01, 02, 03, 04, 04A, 05, 07, 08, 09, 10, 35/F, Units 01, 02, 03, 04, 05, 06, 09, 10, 36/F, Unit 10, 37/F, Unit 10, 40/F, units on parking spaces Nos. 240 and 242, B3, Jin Mao Tower	Office	Monthly rental from 1 August 2009 to 30 June 2011: 1,084,375.09; monthly rental from 1 July 2011 to 31 July 2011: 156,815.05; monthly rental from 1 August 2011 to 31 December 2011: 2,098,804.5; monthly rental from 1 August 2011 to 31 December 2011: 2,458,913.10	–	Date of lease agreement: 29 November 2006; renewed upon expiry	From 24 December 2006 to 31 July 2009; renewed term from 1 August 2009 to 31 December 2011; renewed term from 1 December 2012 to 30 November 2014
	(2)	Units 07-08, 36/F, Jin Mao Tower	Office	Monthly rental from 1 January 2012 to 31 December 2014: 160,146.28	–	30 December 2011	From 1 January 2012 to 31 December 2014
	(3)	Units 01, 06, 07, 11, 40/F, Jin Mao Tower	Office	Monthly rental from 1 January 2012 to 31 December 2014: 301,113.59	–	31 December 2011	From 1 January 2012 to 31 December 2014
1B Sinochem International (Holdings) Co., Ltd.	(1)	Units 01-09 of 18/F, Units 01-08 of 19/F, Unit 09 of 21/F, Unit 09 of 22/F, Unit 09 of 24/F, Units 05, 06, 07 and 09 of 25/F, and Units 01, 02B, 03-10 of 26/F, Jin Mao Tower	Office	1,533,649.60 under original lease agreement; 2,184,719.51 after renewal	–	30 November 2007; renewed upon expiry	From 1 December 2007 to 30 November 2010; renewed term from 1 December 2010 to 30 November 2012
	(2)	Unit 09 of 20/F, Unit 10 of 25/F, Unit 02A of 26/F, Block 3, Jin Mao Tower		539,642 under original lease agreement; 79,987.60 after renewal	–	30 November 2007; renewed upon expiry	From 1 April 2008 to 30 November 2010; renewed term: From 1 December 2010 to 30 November 2012
1C Manulife-Sinochem Life Insurance Co., Ltd.	(1)	Units 01-03, 08, and 10, 21/F, Block 3, Jin Mao Tower	Office	4,110,176.60 under original lease agreement; Unit 10 of 21/F, Block 3: 6,897.80 after renewal; Units 01-03 and 08: 345,844.80 after renewal	–	30 November 2007; renewed upon expiry	From 1 December 2007 to 30 November 2010; renewed term for Unit 10 of 21/F, Block 3: from 1 December 2010 to 31 March 2014; renewed term for Units 01-03 and 08: from 1 December 2010 to 31 March 2011
	(2)	Unit 04A, 21/F, Block 3, Jin Mao Tower		57,283.20 under original lease agreement; 50,122.80 after renewal	–	8 April 2008; renewed upon expiry	From 1 May 2008 to 30 November 2010; renewed term from 1 December 2010 to 31 March 2011
	(3)	Units 01-09, 6/F, Zone 1, Jin Mao Tower		618,642.10	–	29 November 2010	From 1 April 2011 to 31 March 2014

Report of the Directors

Lessee	Lease of unit(s)	Use	Rental (RMB/month)	Property management fee (RMB/month)	Date of lease agreement	Term of lease agreement
1D Shanghai Donghong Industrial Limited (2012 renewal lessee: 1A International Far Eastern Leasing Co., Ltd.)	Units 07-08, 36/F, Block 4, Jin Mao Tower	Office	140,255.50	–	Date of lease agreement for Room 3607: 1 June 2006; date of lease agreement for Room 3608: 21 May 2007; renewed upon expiry	Term of lease agreement for Unit 3607: from 2 June 2006 to 31 July 2009; term of lease agreement for Unit 3608: from 1 April 2007 to 31 July 2009; renewed term for Units 3607 and 3608: from 1 August 2009 to 31 December 2011
1E Shanghai Sinochem-Stolt Shipping Co., Ltd.	Unit 05A, 26/F, Zone 3, Jin Mao Tower	Office	38,216.20 under original lease agreement; 34,088.85 after renewal	–	30 April 2009; renewed upon expiry	From 1 May 2009 to 30 November 2010; renewed term from 1 December 2010 to 30 November 2012
1F Sinochem Crop Care Co., Ltd. (中化作物保護品有限公司)	Units 06-07, 25/F, Jin Mao Tower	Office	149,068	–	1 June 2011	From 1 June 2011 to 30 November 2012

For details of the 2011 annual caps for and actual transacted amount of those continuing connected transactions under each lease agreement above, please refer to the table on page 110.

To regulate the leasing relationship between the Company and Sinochem Group, the Company entered into a framework agreement for lease of properties (Jin Mao) with Sinochem Group in respect of the lease of relevant units in Jin Mao Tower on 31 July 2009 and such framework agreement was approved by the Board of the Company. The continuing transactions contemplated under such framework agreement and the individual lease agreements constitute the continuing connected transactions of the Company. Under the Listing Rules, the entering into of such agreement and the annual caps for the continuing connected transactions thereunder are subject to the reporting and announcement requirements but are exempt from the independent shareholders' approval requirements. Pursuant to this framework agreement:

(1) The individual lease agreements that have been entered into by the Company and/or its subsidiaries and Sinochem Group and/or its relevant associates in respect of the relevant units in Jin Mao Tower in Shanghai, China shall be included in and regulated by the framework agreement;

(2) Based on their demands for office premises, Sinochem Group and/or its associates may increase the lease area in units or increase the number of units leased by no more than 10% (if available) of the total gross floor area being leased under such framework agreement each year;

(3) All continuing connected transactions under the individual lease agreements will be aggregated and subject to the aggregate annual caps. The annual cap in respect of the continuing connected transactions for the year ended 31 December 2011 is RMB82,600,000.

In order to streamline and optimise the regulation of the leasing relationship in respect of the relevant units in the above properties between the Company (and its subsidiaries) and Sinochem Group (and its associates), the Company entered into a new framework lease agreement with Sinochem Group in place of the original framework lease agreement on 11 November 2011. Accordingly, the original framework agreement was terminated on 31 December 2011. Since 1 January 2012, all individual lease agreements between the Company (and its subsidiaries) and Sinochem Group (and its associates) in respect of the lease of relevant units in Jin Mao Tower will be included in and regulated by the new framework lease agreement. Under the Listing Rules, the entering into of the new framework lease agreement and the annual caps in respect of the continuing connected transactions contemplated thereunder are subject to the reporting, announcement and independent shareholders' approval requirements. For details of the new framework lease agreement, please refer to the disclosure in "4. New framework lease agreement between the Company and Sinochem Group" below.

II. NON-EXEMPT (APPROVED BY INDEPENDENT SHAREHOLDERS) CONTINUING CONNECTED TRANSACTIONS:

2. Lease of relevant units in Beijing Chemsunny World Trade Centre from the Group by Sinochem Group and its ten subsidiaries

Sinochem Group and its ten subsidiaries entered into lease agreements with Beijing Chemsunny Property Company Ltd. ("Chemsunny Property"), a wholly-owned subsidiary of the Company. Pursuant to the said lease agreements, Sinochem Group and its ten subsidiaries leased the relevant units in Beijing Chemsunny World Trade Centre (located in No. 28, Fuxingmen Nei Avenue, Beijing) for office use, and paid Chemsunny Property and Sinochem Jin Mao Property Management (Beijing) Co., Ltd ("Jin Mao Property Management", formerly known as Chemsunny Property Management), the designated property management company, the monthly rentals, property management fees and other sundry charges, including but not limited to parking space rentals, parking fees, electricity, telephone charges, overtime air conditioning fees, maintenance and catering.

Pursuant to the Listing Rules, the ongoing transactions between Chemsunny Property and Sinochem Group and its subsidiaries under the lease agreements constitute continuing connected transactions of the Group. The continuing connected transactions have been aggregated in accordance with Rule 14A.25 of the Listing Rules as they have all been entered into by Chemsunny Property and members of Sinochem Group.

Save for the above standard terms of the lease agreements, set out below are the major terms of the lease agreements and the continuing connected transactions contemplated thereunder as at 31 December 2011:

Report of the Directors

Lessee	Lease of unit(s)	Use	Rental (RMB/month)	Property management fee (RMB/month)	Date of lease agreement	Term of lease agreement
2A Sinochem Group (renewal lessee: 2B Sinochem Corporation)	F7 Level, F11 Level, F12 Level, Rooms C503/505-506, F5 Level, Room C105AB, F1 Level and Room 101, Basement 1, Beijing Chemsunny World Trade Centre	Office	4,726,737 under original lease agreement; 5,246,935 after renewal	496,375 under original lease agreement; 504,806 after renewal	25 May 2007; renewed upon expiry	From 1 June 2007 to 31 December 2009; renewed term from 1 January 2010 to 31 December 2011; renewed term from 1 January 2012 to 31 December 2014
	Rooms C003-004, G Level, Beijing Chemsunny World Trade Centre	Exhibition	572,010	28,600	30 June 2009	From 1 August 2009 to 31 July 2012
2C Sinochem Fertilizer Company Limited	F10 Level and Room C502, F5 Level, Beijing Chemsunny World Trade Centre	Office	1,424,397 under original lease agreement; 1,551,469 after renewal	155,598 under original lease agreement; 155,598 after renewal	8 June 2007; renewed upon expiry	From 1 June 2007 to 31 December 2009; renewed term from 1 January 2010 to 31 December 2011; renewed term from 1 January 2012 to 31 December 2014
2D Sinochem International Oil Company	F9 Level and Rooms C401-402A, F4 Level, Beijing Chemsunny World Trade Centre	Office	1,173,705 under original lease agreement; 1,611,245 after renewal	135,428 under original lease agreement; 165,443 after renewal	25 May 2007; renewed upon expiry	From 1 June 2007 to 31 December 2009; renewed term from 1 January 2010 to 31 December 2011; renewed term from 1 January 2012 to 31 December 2014
2E Sinochem International Industrial Company	F9 Level, Beijing Chemsunny World Trade Centre	Office	68,600	7,195	25 May 2007; renewed upon expiry	From 1 June 2007 to 31 December 2009; renewed term from 1 January 2010 to 31 December 2011; renewed term from 1 January 2012 to 31 December 2014
2F Sinochem Petroleum Exploration and Production Co., Ltd.	F8 Level and Room C105C, F1 Level, Beijing Chemsunny World Trade Centre	Office	1,252,545 under original lease agreement; 1,240,712 after renewal	149,125 under original lease agreement; 134,660 after renewal	25 May 2007; renewed upon expiry	From 1 June 2007 to 31 December 2009; renewed term from 1 January 2010 to 31 December 2011; renewed term from 1 January 2012 to 31 December 2014
2G China Foreign Economy and Trade & Investment Co., Ltd.	Rooms C601-606, F6 Level and Rooms C102-103, F1 Level, Beijing Chemsunny World Trade Centre	Office	972,509 under original lease agreement; 1,046,958 after renewal	121,538 under original lease agreement; 121,538 after renewal	25 May 2007; renewed upon expiry	From 1 June 2007 to 31 December 2009; renewed term from 1 January 2010 to 31 December 2011; renewed term from 1 January 2012 to 31 December 2014

Lessee	Lease of unit(s)	Use	Rental (RMB/month)	Property management fee (RMB/month)	Date of lease agreement	Term of lease agreement
2H International Far Eastern Leasing Co., Ltd.	Rooms C608, F6 Level, Beijing Chemsunny World Trade Centre	Office	101,343 under original lease agreement; 111,476 after renewal	13,219 under original lease agreement; 13,219 after renewal	25 May 2007; renewed upon expiry	From 1 June 2007 to 31 December 2009; renewed term from 1 January 2010 to 31 December 2011; renewed term from 1 January 2012 to 31 December 2014
2I Sinochem Finance	Rooms C306-308, F3 Level, Beijing Chemsunny World Trade Centre and Room E508, F5 Level, Eastern Tower of Beijing Chemsunny World Trade Centre	Office	734,441 under original lease agreement; 691,516 after renewal	68,853 under original lease agreement; 68,853 after renewal	16 May 2008; renewed upon expiry	From 1 June 2008 to 31 May 2011; renewed term from 1 June 2011 to 31 December 2011; renewed term from 1 January 2012 to 31 December 2014
2J New XCL (China) Co., Ltd.	F8 Level, Beijing Chemsunny World Trade Centre	Office	120,537 under original lease agreement; 132,591 after renewal	14,464 under original lease agreement; 14,464 after renewal	1 January 2011; renewed upon expiry	From 1 January 2011 to 31 December 2011; renewed term from 1 January 2012 to 31 December 2014
2K Dalian Total Consulting Co., Ltd.	F9 Level, Beijing Chemsunny World Trade Centre	Office	11,180 under original lease agreement; 12,298 after renewal	1,290 under original lease agreement; 1,290 after renewal	1 January 2011; renewed upon expiry	From 1 January 2011 to 31 December 2011; renewed term from 1 January 2012 to 31 December 2014

For details of the 2011 annual caps for and actual transacted amount of those continuing connected transactions under each lease agreement above, please refer to the table on page 111.

To regulate the leasing relationship between the Company and Sinochem Group, the Company and Sinochem Group entered into a framework agreement for lease of properties on 31 December 2008. Pursuant to the framework agreement, the individual lease agreements in relation to the lease of Beijing Chemsunny World Trade Centre by Sinochem Group and its seventeen subsidiaries were included in and regulated by this framework agreement. For details of this framework agreement, please refer to the disclosure in "3. Lease of relevant units in Sinochem Tower from the Group by eleven subsidiaries of Sinochem Group" below.

In order to streamline and optimise the regulation of the leasing relationship in respect of the relevant units in the above properties between the Company (and its subsidiaries) and Sinochem Group (and its associates), the Company entered into a new framework lease agreement with Sinochem Group in place of the original framework lease agreement on 11 November 2011. Accordingly, the original framework agreement was terminated on 31 December 2011. Since 1 January 2012, all individual lease agreements entered into between the Company (and its subsidiaries) and Sinochem Group (and its associates) in respect of the lease of relevant units in Beijing Chemsunny World Trade Centre will be included in and regulated by the new framework lease agreement. For details of the new framework lease agreement, please refer to the disclosure in "4. New framework lease agreement between the Company and Sinochem Group" below.

3. ***Lease of relevant units in Beijing Sinochem Tower from the Group by eleven subsidiaries of Sinochem Group***

The eleven subsidiaries of Sinochem Group entered into lease agreements with Sinochem International Property & Hotels Management Co., Ltd. ("Sinochem Property Management"), a wholly-owned subsidiary of the Company. Pursuant to the said lease agreements, eleven subsidiaries of Sinochem Group leased the relevant units in Sinochem Tower (located in No. A2 Fuxingmen Wai Avenue, Beijing) for office use, and paid Sinochem Property Management and Jin Mao Property Management, the designated property management company, the relevant monthly rentals, property management fees and other sundry charges, including but not limited to parking space rentals, parking fees, electricity, telephone charges, overtime air conditioning fees, maintenance and catering.

Pursuant to the Listing Rules, the ongoing transactions between Sinochem Property Management and Sinochem Group and its subsidiaries under the lease agreements constitute continuing connected transactions of the Group. The continuing connected transactions have been aggregated in accordance with Rule 14A.25 of the Listing Rules as they have all been entered into by Sinochem Property Management and members of Sinochem Group.

Save for the above standard terms of the lease agreements, set out below are the major terms of the lease agreements and the continuing connected transactions contemplated thereunder as at 31 December 2011:

Lessee	Lease of unit(s)	Use	Rental (RMB/month)	Property management fee (RMB/month)	Date of lease agreement	Term of lease agreement
3A Sinochem Corporation (Sinochem Group as the lessee before renewal)	Southeast Office, 4/F, Rooms 308-309 of 3/F, North Wing, Sinochem Tower	Office	155,608 under original lease agreement; 171,068 after renewal	29,240 under original lease agreement; 29,240 after renewal	22 October 2009; renewed upon expiry	From 13 October 2009 to 12 October 2011; renewed term from 13 October 2011 to 12 October 2013
3B Sinochem International Tendering Co., Ltd	19/F, 20/F & 21/F, Sinochem Tower	Office	512,613 under original lease agreement; 598,404 after renewal	100,671 under original lease agreement; 102,081 after renewal	8 November 2007; renewed upon expiry	From 1 November 2007 to 31 October 2010; renewed term from 1 November 2010 to 31 October 2013
3C Sinochem Plastics Company	7/F & Room 629 of 6/F, Sinochem Tower	Office	7/F: 147,728 under original lease agreement; Room 326 of 3/F: 4,978 under original lease agreement; Room 620 of 6/F: 26,746; 339,961 after renewal	7/F: 33,557 under original lease agreement; Room 326 of 3/F: 1,193 under original lease agreement; Room 620 of 6/F: 4,309; 61,041 after renewal	22 October 2007; renewed upon expiry	7/F: From 1 October 2007 to 30 September 2010; Room 326 of 3/F: from 1 December 2007 to 30 September 2010; Room 620 of 6/F: from 16 September 2011 to 30 September 2013; renewed term: from 1 October 2010 to 30 September 2013
3D China National Seed Group Corp.	Room 1400 of 14/F & Room 1501 of 15/F, Sinochem Tower	Office	232,335 under original lease agreement; 263,880 after renewal	46,682 under original lease agreement; 47,335 after renewal	6 November 2007; renewed upon expiry	From 16 October 2007 to 15 October 2010; renewed term from 16 October 2010 to 15 October 2013
	Room 1401 of 14/F, Sinochem Tower	Office	53,956	9,679	10 November 2010	From 16 December 2010 to 15 October 2013

Lessee	Lease of unit(s)	Use	Rental (RMB/month)	Property management fee (RMB/month)	Date of lease agreement	Term of lease agreement
3E Manulife-Sinochem Life Insurance Co., Ltd., Beijing Branch	4/F, Sinochem Tower	Office	176,197 under original lease agreement; 244,474 after renewal	44,863 under original lease agreement; 44,967 after renewal	16 February 2006; renewed upon expiry	From 20 February 2006 to 19 February 2009; renewed term from 20 February 2009 to 19 February 2011
3F Sinochem International Information Corporation	Room 1701 of 17/F, Sinochem Tower	Office	47,321 under original lease agreement; 100,321 after renewal	9,508 under original lease agreement; 17,013 after renewal	14 November 2007; renewed upon expiry	From 16 October 2007 to 15 October 2010; renewed term from 18 November 2010 to 17 November 2013
3G Sinochem International (Holdings) Co., Ltd., Beijing Branch	18/F Sinochem Tower	Office	167,014 under original lease agreement; 194,774 after renewal	33,557 under original lease agreement; 34,027 after renewal	29 November 2007; renewed upon expiry	From 1 October 2007 to 30 September 2010; renewed term from 1 October 2010 to 30 September 2013
3H Sinochem Quanzhou Petroleum Co., Ltd.	Southeast of South Wing, 17/F, Sinochem Tower	Office	49,468 under original lease agreement; 55,147 after renewal	8,389 under original lease agreement; 8,507 after renewal	31 December 2008; renewed upon expiry	From 1 January 2009 to 31 December 2010; renewed term from 1 January 2011 to 31 December 2012
3I Sinochem Guangdong Company	Room 608 of 6/F, Sinochem Tower	Office	28,497 under original lease agreement; 31,389 after renewal	6,152 under original lease agreement; 5,898 after renewal	29 November 2007; renewed upon expiry	From 1 January 2008 to 31 December 2010; renewed term from 1 January 2011 to 31 December 2013
3J Sinochem International Oil Company	Room B304 of B3, Sinochem Tower	Office	1,784	–	22 December 2009	From 1 January 2010 to 31 December 2012
3K China Foreign Economy and Trade & Investment Co., Ltd.	Rooms 810/812 of 8/F, Sinochem Tower	Office	5,644	1,134	9 October 2010	From 17 October 2010 to 16 October 2012

For details of the 2011 annual caps for and actual transacted amount of those continuing connected transactions under each lease agreement above, please refer to the table on page 111.

To regulate the leasing relationship between the Company and Sinochem Group, a framework agreement for lease of properties was entered into by the Company and Sinochem Group on 31 December 2008 and was approved by the independent shareholders of the Company at the extraordinary general meeting held on 12 February 2009. Pursuant to this framework agreement:

(1) The individual lease agreements that have been entered into by the Company and/or its subsidiaries and Sinochem Group and/or its relevant associates in respect of the relevant units in Beijing Chemsunny World Trade Centre and Sinochem Tower in Beijing, China (i.e., all lease agreements mentioned in nos. 2 and 3) shall be included in and regulated by the framework agreement;

(2) Based on their demand for office premises, Sinochem Group and/or its associates may increase the lease area in existing units or increase the number of units leased by no more than 5% (if available) of the total gross floor area being leased under such framework agreement each year;

(3) All continuing connected transactions under the individual lease agreements will be aggregated and subject to the aggregate annual caps. The annual cap in respect of the connected transactions for the year ended 31 December 2011 is RMB275 million.

In order to streamline and optimise the regulation of the leasing relationship in respect of the relevant units in the above properties between the Company (and its subsidiaries) and Sinochem Group (and its associates), the Company entered into a new framework lease agreement with Sinochem Group in place of the original framework lease agreement on 11 November 2011. Accordingly, the original framework agreement was terminated on 31 December 2011. Since 1 January 2012, all individual lease agreements entered into between the Company (and its subsidiaries) and Sinochem Group (and its associates) in respect of the lease of relevant units in Sinochem Tower will be included in and regulated by the new framework lease agreement. For details of the new framework lease agreement, please refer to the disclosure in "4. New framework lease agreement between the Company and Sinochem Group" below.

4. New framework lease agreement between the Company and Sinochem Group

In order to streamline and optimise the regulation of the leasing relationship in respect of the relevant units in the above properties between the Company (and its subsidiaries) and Sinochem Group (and its associates), the Company entered into a new framework lease agreement on 11 November 2011 with Sinochem Group in place of the two original lease framework agreements, being the framework agreements entered into between the Company and Sinochem Group on 31 December 2008 and 31 July 2009, respectively, for the lease of properties in respect of Beijing Chemsunny World Trade Centre and Sinochem Tower and Shanghai Jin Mao Tower. For details of the original two framework agreements, please refer to the disclosure in "1. Lease of relevant units in Jin Mao Tower from the Group by six subsidiaries of Sinochem Group" and "3. Lease of relevant units in Sinochem Tower from the Group by eleven subsidiaries of Sinochem Group" above, respectively. The new framework lease agreement was approved at the extraordinary general meeting held on 22 December 2011 by the independent shareholders of the Company. The new framework lease agreement shall have a term of 10 years commencing from 1 January 2012. Pursuant to the new framework lease agreement:

(1) The two original framework lease agreements were terminated on 31 December 2011 and the new framework lease agreement shall take effect on 1 January 2012. All the rights and obligations of the parties under the two original framework lease agreements shall be discharged upon the termination of the original framework lease agreements.

(2) Pursuant to the two original framework lease agreements, all the existing individual lease agreements in respect of the relevant units in Beijing Chemsunny World Trade Centre and Sinochem Tower in Beijing, China and the relevant units in Jin Mao Tower in Shanghai, China entered into between the Company (and its subsidiaries) and Sinochem Group (and its associates) respectively will be included in and regulated by the new framework lease agreement upon the termination of the original framework lease agreements.

(3) Based on its demand for office premises, Sinochem Group and its associates may increase the lease area in units by no more than 10% (if available) of the total gross floor area then being leased under the new lease framework agreement in each of the three years from 2012 to 2014, and from 2015 onwards for each year during the remainder of the term of the new framework lease agreement, increase the lease area at a rate mutually agreed by both Sinochem Group and the Company. All individual agreements to be entered into after the signing of the new framework lease agreement will be included in and regulated by the new framework lease agreement.

(4) All continuing connected transactions under the individual lease agreements entered into and to be entered into pursuant to the new framework lease agreement will be aggregated and subject to the aggregate annual caps. The aggregate annual caps for the three years ending 31 December 2014 are RMB353 million, RMB395 million and RMB441 million, respectively.

5. Framework financial service agreement between the Company and Sinochem Finance and its renewal

The Company and Sinochem Finance entered into a framework financial service agreement on 4 December 2008. The framework agreement shall be effective for three years from the date of its signing. Pursuant to such framework agreement, the Company may, based on its actual needs, use such financial services as deposit services, loan services, entrustment loans, settlement services, guarantee services and internet banking services to be provided by Sinochem Finance, and shall pay the relevant interests and service fees to or receive deposit interests from Sinochem Finance in accordance with the framework financial service agreement. The relevant fees and interests shall be determined pursuant to the standards as set by the People's Bank of China from time to time or market price. Such agreement expired on 3 December 2011. During the term of the framework financial service agreement, the annual cap on the maximum daily balance of deposits placed by the Group with Sinochem Finance (including the interests accrued thereon, but excluding the deposits for the purpose of extending entrustment loans) was set at RMB1.13 billion.

On 11 November 2011, the Company and Sinochem Finance entered into the renewed framework financial service agreement for a term of three years ending 3 December 2014, pursuant to which, the Company and its subsidiaries will from time to time use deposit services, loan services, entrustment loans, settlement services, guarantee services, internet banking services and any other financial services as approved by China Banking Regulatory Commission to be provided by Sinochem Finance as they consider necessary, and pay the relevant interests and service fees to or receive deposit interests from Sinochem Finance in accordance with the renewed framework financial service agreement. The relevant fees and loan interests shall be determined at a rate no higher than the standards as set by the People's Bank of China from time to time or market price, and the deposit interests shall be determined at a rate no lower than the standards as set by the People's Bank of China from time to time or market price. The settlement and guarantee services are provided free of charge. The annual cap on the maximum daily balance for deposit services under the renewed framework financial service agreement (including the interests accrued thereon, but excluding the deposits for the purpose of extending entrustment loans) shall be RMB1.77 billion for each of the three years ending 31 December 2014.

Sinochem Finance is a wholly owned subsidiary of Sinochem Group, the ultimate controlling shareholder of the Company, and is therefore a connected person of the Company. Under the Listing Rules, the provision of deposit services to the Company by Sinochem Finance as contemplated under the framework financial service agreement and the renewed framework financial service agreement constitutes a continuing connected transaction of the Company. The continuing connected transaction did not exceed the annual cap for the year ended 31 December 2011.

CONNECTED TRANSACTIONS

During the Period under Review, the Company did not have any one-off non-exempt connected transactions with its connected persons.

CONFIRMATION OF INDEPENDENT NON-EXECUTIVE DIRECTORS

In the opinion of the independent non-executive Directors of the Company, the continuing connected transactions for the year ended 31 December 2011 were entered into by the Group:

- in the ordinary and usual course of its business;
- on normal commercial terms; and
- in accordance with the relevant agreements governing such transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Board of Directors has received a letter from the auditors, which stated that these continuing connected transactions:

- have been approved by the Board of Directors;
- have been entered into in accordance with the terms of the relevant agreements governing such continuing connected transactions;
- have been entered into in accordance with the pricing policies of the Company; and
- have not exceeded the relevant caps for the financial year ended 31 December 2011.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its Directors, as at the date of this report, there is sufficient public float of not less than 25% of the Company’s total issued share capital as required under the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Period under Review, none of the Company or any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

ISSUANCE OF GUARANTEED SENIOR NOTES

As stated in the announcement of the Company dated 1 April 2011 regarding the proposed issuance of senior notes and the announcement dated 11 April 2011 regarding the issuance of US$500 million 6.75% guaranteed senior notes due 2021, the Company and the issuer (a wholly owned subsidiary of the Company) entered into a purchase agreement on 8 April 2011 with HSBC, RBS, Deutsche Bank and Nomura in connection with the issue of US$500 million 6.75% guaranteed senior notes due 2021. The net proceeds of the issuance of these guaranteed senior notes by the Company, after deduction of underwriting commissions and other estimated expenses, amounted to approximately US$496,400,000. The Company intended to use the net proceeds for the Company's working capital, refinancing of outstanding indebtedness, capital expenditures and other general corporate purposes. The Company may adjust its acquisition and development plans in response to changing market conditions and circumstances and, thus, may reallocate the use of proceeds from the notes issue. During the Period under Review, the Company did not redeem or cancel any such guaranteed senior notes.

REVIEW OF THE OPTION OVER SHIMAO INVESTMENT BY THE INDEPENDENT BOARD COMMITTEE

A meeting was held by the Independent Board Committee comprising all independent non-executive Directors of the Company on 21 March 2012 to review its decision made on 22 August 2011 not to exercise, for the time being, the option to acquire Sinochem Group's 15% interest in China Shimao Investment Company Limited ("Shimao Investment").

After careful review of the relevant information of Shimao Investment and taking into account the facts that Sinochem Group is a financial investor of Shimao Investment and owns a minority and passive interest in it only, and that the Company has recently made significant progress in land reserve, in particular, Changsha Meixi Lake Project acquired in 2011, which is a large-scale development project with long development cycle and huge demand for funds, the Company considers the acquisition of Shimao Investment at the moment would pose greater challenges to the Company in various aspects, including manpower and financial capacity. The independent non-executive Directors unanimously agreed that the exercise of the option over Shimao Investment at this moment is not in line with the Company's prudent investment policy, and is not in the best interests of the Company and the shareholders as a whole.

The Independent Board Committee unanimously resolved not to exercise the option to acquire Sinochem Group's 15% interest in Shimao Investment at this moment. As disclosed in the prospectus and the announcement dated 9 April 2010 of the Company, the Independent Board Committee would continue to review the option over Shimao Investment at the time when the interim and annual reports of the Company are to be released.

REVIEW BY AUDIT COMMITTEE

The Audit Committee has reviewed with the management and the auditors of the Company the accounting principles and practices adopted by the Company, and discussed with them the audit, internal control and financial reporting matters of the Company, including review of the financial statements for the Year.

MATERIAL ACQUISITIONS AND DISPOSALS

The Company did not engage in any material acquisitions or disposals during the Period under Review.

MATERIAL LITIGATION

For the year ended 31 December 2011, the Company was not subject to any material litigation that could have an adverse impact on the Company.

AUDITORS

The financial statements of the Group have been audited by Ernst & Young, who has offered itself for re-appointment. A resolution will be proposed at the forthcoming annual general meeting to re-appoint the firm as the auditors of the Company.

On Behalf of the Board
Chairman
LUO Dongjiang

Ernst & Young
安永

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Independent Auditors' Report

To the shareholders of Franshion Properties (China) Limited
(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Franshion Properties (China) Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 126 to 211, 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 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, in accordance with Section 141 of the Hong Kong Companies Ordinance, 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 Hong Kong Companies Ordinance.

Emphasis of matter

We draw attention to note 2.2 to the consolidated financial statements which describes the early adoption of the accounting method for consolidation and joint arrangements by the Group during the year ended 31 December 2011. Our opinion is not qualified in respect of this matter.

Ernst & Young
Certified Public Accountants
Hong Kong

21 March 2012

Consolidated Income Statement

Year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
REVENUE	5	**6,591,692**	6,348,001
Cost of sales		**(3,016,723)**	(3,045,079)
Gross profit		**3,574,969**	3,302,922
Other income and gains	5	**2,672,051**	1,274,375
Selling and marketing expenses		**(307,128)**	(266,686)
Administrative expenses		**(851,250)**	(640,683)
Other expenses and losses		**(135,667)**	(3,107)
Finance costs	7	**(859,274)**	(606,196)
Share of profits of joint ventures	22	**3,619**	2,900
PROFIT BEFORE TAX	6	**4,097,320**	3,063,525
Income tax expense	10	**(1,186,566)**	(931,714)
PROFIT FOR THE YEAR		**2,910,754**	2,131,811
Attributable to:			
Owners of the parent	11	**2,344,352**	1,713,616
Non-controlling interests		**566,402**	418,195
		2,910,754	2,131,811
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13	**HK cents**	HK cents
Basic		**25.59**	18.70
Diluted		**21.69**	18.00

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

Consolidated
Statement of Comprehensive Income

Year ended 31 December 2011

	Note	**2011 HK$'000**	2010 HK$'000
PROFIT FOR THE YEAR		**2,910,754**	2,131,811
OTHER COMPREHENSIVE INCOME			
Exchange differences on translation of foreign operations		**1,396,881**	770,182
Reclassification adjustments for gains included in the consolidated income statement in relation to:			
de-registration of subsidiaries		**(3,972)**	(38,088)
disposal of a subsidiary		**4,634**	–
Gains on property revaluation		**112,044**	–
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**1,509,587**	732,094
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**4,420,341**	2,863,905
Attributable to:			
Owners of the parent	11	**3,636,828**	2,344,704
Non-controlling interests		**783,513**	519,201
		4,420,341	2,863,905

Consolidated
Statement of Financial Position

31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**6,891,490**	6,805,168
Properties under development	15	**11,844,096**	12,590,620
Land under development	16	**9,222,684**	–
Investment properties	18	**14,889,712**	12,773,590
Prepaid land lease payments	19	**1,714,549**	1,681,584
Intangible assets	20	**26,796**	25,124
Investments in joint ventures	22	**36,052**	33,816
Prepayment for investment	22	**–**	1,551,287
Deferred tax assets	32	**178,052**	178,588
Total non-current assets		**44,803,431**	35,639,777
CURRENT ASSETS			
Properties under development	15	**7,030,281**	1,050,968
Properties held for sale	17	**839,806**	1,021,153
Land under development	16	**2,623,209**	–
Inventories	23	**32,117**	35,196
Trade receivables	24	**105,113**	99,497
Prepayments, deposits and other receivables	25	**1,605,992**	173,935
Due from related parties	26	**21,461**	12,936
Prepaid tax		**117,503**	–
Restricted bank balances	27	**131,878**	5,390
Pledged deposits	27	**236,602**	2,086,791
Cash and cash equivalents	27	**12,223,645**	11,229,509
Total current assets		**24,967,607**	15,715,375
CURRENT LIABILITIES			
Trade payables	28	**2,345,492**	787,747
Other payables and accruals	29	**8,231,852**	1,441,866
Interest-bearing bank and other borrowings	30	**6,028,004**	7,527,366
Due to related parties	26	**79,295**	86,227
Tax payable		**442,048**	220,605
Provision for land appreciation tax	31	**483,717**	822,594
Total current liabilities		**17,610,408**	10,886,405
NET CURRENT ASSETS		**7,357,199**	4,828,970
TOTAL ASSETS LESS CURRENT LIABILITIES		**52,160,630**	40,468,747
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	30	**19,171,380**	10,707,871
Due to related parties	26	**–**	1,058,523
Deferred tax liabilities	32	**2,441,995**	1,983,152
Total non-current liabilities		**21,613,375**	13,749,546
Net assets		**30,547,255**	26,719,201

	Notes	2011 HK$'000	2010 HK$'000
EQUITY			
Equity attributable to owners of the parent			
Issued capital	34	**9,161,489**	9,161,489
Perpetual convertible securities	33	**4,588,000**	4,588,000
Reserves	36(a)	**12,054,800**	9,145,970
Proposed final dividend	12	**366,460**	229,037
		26,170,749	23,124,496
Non-controlling interests		**4,376,506**	3,594,705
Total equity		**30,547,255**	26,719,201

He Cao
Director

Li Congrui
Director

Consolidated
Statement of Changes in Equity
Year ended 31 December 2011

		Attributable to owners of the parent												
	Notes	Issued capital HK$'000 (note 34)	Share premium account HK$'000 (note 34)	Perpetual convertible securities HK$'000 (note 33)	Capital reserve HK$'000 (note 36)	PRC statutory surplus reserve HK$'000 (note 36)	Exchange fluctuation reserve HK$'000	Assets revaluation reserve HK$'000 (note 36)	Share option reserve HK$'000 (note 36)	Retained profits HK$'000	Proposed final dividend HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2010		9,161,489	6,109,789	–	(2,134,455)	266,569	1,283,901	–	2,498	1,500,817	229,037	16,419,645	1,527,221	17,946,866
Profit for the year		–	–	–	–	–	–	–	–	1,713,616	–	1,713,616	418,195	2,131,811
Other comprehensive income for the year:														
Exchange differences on translation of foreign operations		–	–	–	–	–	669,176	–	–	–	–	669,176	101,006	770,182
Gain on de-registration of subsidiaries		–	–	–	321	(310)	(38,099)	–	–	–	–	(38,088)	–	(38,088)
Total comprehensive income for the year		–	–	–	321	(310)	631,077	–	–	1,713,616	–	2,344,704	519,201	2,863,905
Issue of perpetual convertible securities	33	–	–	4,655,166	–	–	–	–	–	–	–	4,655,166	–	4,655,166
Perpetual convertible securities issue expenses	33	–	–	(67,166)	–	–	–	–	–	–	–	(67,166)	–	(67,166)
Final 2009 dividend declared		–	–	–	–	–	–	–	–	–	(229,037)	(229,037)	–	(229,037)
Acquisition of a subsidiary	37	–	–	–	–	–	–	–	–	–	–	–	1,064,968	1,064,968
Equity-settled share option arrangements	35	–	–	–	–	–	–	–	1,184	–	–	1,184	–	1,184
Capital contribution from non-controlling shareholders		–	–	–	–	–	–	–	–	–	–	–	777,115	777,115
Dividends declared to non-controlling shareholders		–	–	–	–	–	–	–	–	–	–	–	(293,800)	(293,800)
Proposed final 2010 dividend	12	–	–	–	–	–	–	–	–	(229,037)	229,037	–	–	–
Transfer from retained profits		–	–	–	–	23,914	–	–	–	(23,914)	–	–	–	–
At 31 December 2010		**9,161,489**	**6,109,789***	**4,588,000**	**(2,134,134)***	**290,173***	**1,914,978***	**–***	**3,682***	**2,961,482***	**229,037**	**23,124,496**	**3,594,705**	**26,719,201**

Consolidated Statement of Changes in Equity

Year ended 31 December 2011

		Attributable to owners of the parent												
	Notes	Issued capital HK$'000 (note 34)	Share premium account HK$'000 (note 34)	Perpetual convertible securities HK$'000 (note 33)	Capital reserve HK$'000 (note 36)	PRC statutory surplus reserve HK$'000 (note 36)	Exchange fluctuation reserve HK$'000	Assets revaluation reserve HK$'000 (note 36)	Share option reserve HK$'000 (note 36)	Retained profits HK$'000	Proposed final dividend HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2011		9,161,489	6,109,789*	4,588,000	(2,134,134)*	290,173*	1,914,978*	–*	3,682*	2,961,482*	229,037	23,124,496	3,594,705	26,719,201
Profit for the year		–	–	–	–	–	–	–	–	2,344,352	–	2,344,352	566,402	2,910,754
Other comprehensive income for the year:														
Exchange differences on translation of foreign operations		–	–	–	–	–	1,179,770	–	–	–	–	1,179,770	217,111	1,396,881
Gain on de-registration of a subsidiary		–	–	–	(711)	(2,838)	(3,261)	–	–	2,838	–	(3,972)	–	(3,972)
Gain on disposal of a subsidiary		–	–	–	–	–	4,634	–	–	–	–	4,634	–	4,634
Gains on properties revaluation		–	–	–	–	–	–	112,044	–	–	–	112,044	–	112,044
Total comprehensive income for the year		–	–	–	(711)	(2,838)	1,181,143	112,044	–	2,347,190	–	3,636,828	783,513	4,420,341
Perpetual convertible securities' distributions	33	–	–	–	–	–	–	–	–	(317,354)	–	(317,354)	–	(317,354)
Final 2010 dividend declared		–	–	–	–	–	–	–	–	–	(229,037)	(229,037)	–	(229,037)
Acquisition of non-controlling interests		–	–	–	(45,615)	–	–	–	–	–	–	(45,615)	(180,033)	(225,648)
Equity-settled share option arrangements	35	–	–	–	–	–	–	–	1,431	–	–	1,431	–	1,431
Transfer of share option reserve upon the forfeiture or expiry of share options		–	–	–	–	–	–	–	(1,703)	1,703	–	–	–	–
Capital contribution from non-controlling shareholders		–	–	–	–	–	–	–	–	–	–	–	893,993	893,993
Dividends declared to non-controlling shareholders		–	–	–	–	–	–	–	–	–	–	–	(715,672)	(715,672)
Proposed final 2011 dividend	12	–	–	–	–	–	–	–	–	(366,460)	366,460	–	–	–
Transfer from retained profits		–	–	–	–	294,656	–	–	–	(294,656)	–	–	–	–
At 31 December 2011		9,161,489	6,109,789*	4,588,000	(2,180,460)*	581,991*	3,096,121*	112,044*	3,410*	4,331,905*	366,460	26,170,749	4,376,506	30,547,255

* These reserve accounts comprise the consolidated reserves of HK$12,054,800,000 (2010: HK$9,145,970,000) in the consolidated statement of financial position.

Consolidated
Statement of Cash Flows
Year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**4,097,320**	3,063,525
Adjustments for:			
Finance costs	7	**859,274**	606,196
Share of profits of joint ventures	22	**(3,619)**	(2,900)
Interest income	5	**(194,827)**	(239,638)
Other investment income	5	**(1,938)**	(9,426)
Gain on disposal of a joint venture	5	**–**	(776)
Gain on disposal of subsidiaries	5,38	**(1,137,510)**	–
Gain on de-registration of subsidiaries	5	**(3,972)**	(65,418)
Loss on disposal of items of property, plant and equipment	6	**6,513**	948
Impairment of trade receivables	6	**1,045**	2,159
Impairment of items of property, plant and equipment	6	**123,549**	–
Impairment of inventories	6	**287**	–
Fair value gains on investment properties	5,18	**(930,697)**	(861,756)
Fair value gains on transfers from properties held for sale to investment properties	5	**(267,963)**	–
Depreciation	6,14	**217,514**	210,619
Recognition of prepaid land lease payments	6,19	**52,544**	46,583
Amortisation of intangible assets	6,20	**6,790**	9,702
Equity-settled share option expense	35	**1,431**	1,184
		2,825,741	2,761,002
(Increase)/decrease in properties under development		**(3,680,341)**	335,925
Decrease/(increase) in properties held for sale		**478,895**	(550,702)
Increase in land under development		**(11,845,893)**	–
Decrease in inventories		**2,792**	156
(Increase)/decrease in trade receivables		**(6,661)**	125,727
(Increase)/decrease in prepayments, deposits and other receivables		**(1,058,165)**	8,603
Increase in amounts due from related parties		**(8,525)**	(5,687)
Increase in trade payables		**1,557,745**	79,045
Increase/(decrease) in other payables and accruals		**4,724,210**	(1,355,770)
(Decrease)/increase in amounts due to related parties		**(6,932)**	15,203
Effect of exchange rate changes, net		**1,006,958**	272,142
Cash (used in)/generated from operations		**(6,010,176)**	1,685,644
Interest received		**190,974**	242,523
Interest paid		**(787,258)**	(614,266)
PRC corporate income tax paid		**(450,302)**	(363,549)
Land appreciation tax paid		**(659,526)**	(22,509)
Net cash flows (used in)/from operating activities		**(7,716,288)**	927,843

	Notes	2011 HK$'000	2010 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Other investment income received from unlisted investments		**1,938**	9,426
Purchase of items of property, plant and equipment		**(207,280)**	(117,672)
Proceeds from disposal of items of property, plant and equipment		**824**	1,362
Additions to investment properties	18	**(6,893)**	(11,055)
Additions to prepaid land lease payments	19	**(3,259)**	(4,616)
Additions to intangible assets	20	**(7,258)**	(6,018)
Acquisition of a subsidiary	37	**–**	30,579
Proceed from disposal of a subsidiary	38	**1,831,251**	–
Prepayment for investment		**–**	(1,551,287)
Acquisition of non-controlling interests		**(225,648)**	–
Proceed from disposal of a joint venture		**–**	79,167
Dividends received from joint ventures		**3,145**	–
Repayment of amounts due from joint ventures		**–**	8,410
Formation of a joint operation	22	**27,062**	–
Increase in time deposits with original maturity of over three months when acquired		**(54,441)**	(31,765)
Decrease in pledged deposits		**1,850,189**	2,189,496
Increase in restricted bank deposits		**(126,488)**	(2,498)
Net cash flows from investing activities		**3,083,142**	593,529
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital contribution from non-controlling shareholders		**893,993**	777,115
New bank and other borrowings		**30,469,686**	15,726,078
Repayment of bank and other borrowings		**(24,338,481)**	(14,769,291)
Repayment of an amount due to the immediate holding company		**(1,058,523)**	–
Dividends paid		**(229,037)**	(229,037)
Dividends paid to non-controlling shareholders		**(616,992)**	–
Advances from non-controlling shareholders		**900,455**	–
Advances to non-controlling shareholders		**(379,017)**	–
Perpetual convertible securities' distributions paid		**(317,354)**	–
Proceeds from issue of perpetual convertible securities	33	**–**	4,655,166
Perpetual convertible securities issue expenses	33	**–**	(67,166)
Net cash flows from financing activities		**5,324,730**	6,092,865
NET INCREASE IN CASH AND CASH EQUIVALENTS		**691,584**	7,614,237
Cash and cash equivalents at beginning of year		**11,197,744**	3,523,274
Effect of foreign exchange rate changes, net		**248,111**	60,233
CASH AND CASH EQUIVALENTS AT END OF YEAR		**12,137,439**	11,197,744
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	27	**7,775,542**	5,393,402
Non-pledged time deposits with original maturity of less than three months when acquired		**4,361,897**	5,804,342
		12,137,439	11,197,744
Non-pledged time deposits with original maturity of over three months when acquired		**86,206**	31,765
Cash and cash equivalents as stated in the statement of financial position	27	**12,223,645**	11,229,509

Statement of Financial Position

31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**506**	1,074
Intangible assets	20	**2,238**	–
Investments in subsidiaries	21	**20,097,944**	18,696,000
Total non-current assets		**20,100,688**	18,697,074
CURRENT ASSETS			
Due from subsidiaries	21	**3,012,687**	857,560
Prepayments, deposits and other receivables	25	**22,765**	21,802
Cash and cash equivalents	27	**3,743,608**	3,987,810
Total current assets		**6,779,060**	4,867,172
CURRENT LIABILITIES			
Other payables and accruals	29	**15,232**	12,847
Due to related parties	26	**–**	6,685
Interest-bearing bank and other borrowings	30	**777,600**	389,159
Total current liabilities		**792,832**	408,691
NET CURRENT ASSETS		**5,986,228**	4,458,481
TOTAL ASSETS LESS CURRENT LIABILITIES		**26,086,916**	23,155,555
NON-CURRENT LIABILITIES			
Due to subsidiaries	21	**8,010,157**	4,606,538
Due to related parties	26	**–**	1,058,523
Interest-bearing bank and other borrowings	30	**2,099,520**	1,789,866
Total non-current liabilities		**10,109,677**	7,454,927
Net assets		**15,977,239**	15,700,628
EQUITY			
Issued capital	34	**9,161,489**	9,161,489
Reserves	36(b)	**6,449,290**	6,310,102
Proposed final dividend	12	**366,460**	229,037
Total equity		**15,977,239**	15,700,628

He Cao
Director

Li Congrui
Director

Notes
to Financial Statements

31 December 2011

1. CORPORATE INFORMATION

Franshion Properties (China) Limited (the "Company") is a limited liability company incorporated in Hong Kong on 2 June 2004 under the Hong Kong Companies Ordinance. The registered office of the Company is located at Rooms 4702-03, 47/F, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong. Its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 17 August 2007.

During the year, the Company and its subsidiaries (collectively referred to as the "Group") were involved in the following principal activities:

- property and land development
- property leasing
- hotel operations
- provision of property management, design and decoration services

In the opinion of the directors, the immediate holding company of the Company is Sinochem Hong Kong (Group) Company Limited ("Sinochem Hong Kong"), a company incorporated in Hong Kong, and the ultimate holding company of the Company is Sinochem Group, a company established in the People's Republic of China (the "PRC") and is a state-owned enterprise under the supervision of the State-owned Assets Supervision and Administration Commission in the PRC.

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 (the "HKICPA"), accounting principles generally accepted in Hong Kong and 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 Hong Kong dollars 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 Company and its subsidiaries 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.

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

Other than as further explained below regarding the impact of HKFRS 24 (Revised), and amendments to HKFRS 3, HKAS 1 and HKAS 27 included in *Improvements to HKFRSs 2010 (Include other standards as appropriate)*, 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 42 to the consolidated financial statements.

(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 Combination*: 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.

Notes to Financial Statements

31 December 2011

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (Continued)

(b) (Continued)

- 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 *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.

Early adopted HKFRSs before the mandatory effective dates

HKFRS 10 Consolidated Financial Statements: HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It establishes a single control model that applies to all entities. It requires management to exercise significant judgement to determine which entities are controlled, and therefore are required to be consolidated by a parent.

The standard introduces a new definition on control under which control of investee requires an investor to possess all the following three elements: (i) the power over the investee; (ii) the exposure or rights to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the investor's returns. The adoption of HKFRS 10 does not have significant impact on the Group's consolidated financial statements.

HKFRS 11 Joint Arrangements: HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK(SIC) – Int13 *Jointly-controlled Entities – Non-monetary Contributions by Venturers*. HKFRS 11 addresses only two forms of joint arrangements (joint operations and joint ventures) where there is joint control. In determining the type of arrangements, HKFRS 11 requires parties to the arrangement to assess: (i) the legal form of the separate vehicle; (ii) the terms of the contractual arrangement; and (iii) other facts and circumstances that give them right to the assets and obligations for the liabilities or right to the net assets of the vehicle. A joint arrangement that meets the definition of a joint venture must be accounted for using the equity method. For a joint operation, an entity recognises its assets, liabilities, revenues and expenses relating to its relative shares thereof. Upon the adoption of HKFRS 11, the Group changed the accounting policy for and the designation of joint arrangements, including joint ventures and joint operations, and changed the disclosure of joint arrangements.

HKFRS 12 Disclosure of Interests in Other Entities: HKFRS 12 establishes the disclosure objectives for an entity to disclose information concerning its interest in a subsidiary, a joint arrangement, and associate or an unconsolidated structured entity. It also requires an entity to disclose the significant judgements and assumptions it has made in determining the nature of its interest in another entity or arrangement, also in determining the type of joint arrangement in which it has an interest. Additional disclosures are made in the Group's consolidated financial statements.

Notes to Financial Statements

31 December 2011

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (Continued)

Early adopted HKFRSs before the mandatory effective dates (Continued)

HKAS 27 (2011) Separate Financial Statements: Revisions are made resulting from the issuance of HKFRS 10 and consolidated financial statements are now addressed by HKFRS 10. Therefore, HKAS 27 are revised to only address separate financial statements, including how to prepare separate financial statements of an investor and what disclosures should be made in the separate financial statements. The adoption of HKAS 27 does not have significant impact on the Group's consolidated financial statements.

HKAS 28 (2011) Investments in Associates and Joint Ventures: Revisions are made resulting from the issuance of HKFRS 11. An entity applies HKFRS 11 to determine the type of a joint arrangement in which it is involved. Once it has determined that it has an interest in a joint venture, the entity recognises an investment and accounts for it using the equity method.

All five new or revised standards are mandatorily effective for annual periods beginning on or after 1 January 2013 and should be applied in accordance with respective transition requirements. Early application is permitted so long as all of the five new or revised standards are applied early. The Group has adopted these five new or revised standards on 1 January 2011.

The adoption of HKFRS 10, HKAS 27 and HKAS 28 has no material impact on the accounting policies of the Group and has no material financial impacts on the Group's consolidated financial statements.

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 First-*time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*[1]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*[1]
	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*[4]
HKFRS 9	*Financial Instruments*[6]
HKFRS 13	*Fair Value Measurement*[4]
HKAS 1 Amendments	*Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*[3]
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*[2]
HKAS 19 (2011)	*Employee Benefits*[4]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[4]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*[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

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2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

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.

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. Upon the adoption, the Group's deferred tax liability with respect to investment properties located in Mainland China is expected to be increased.

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.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

Subsidiaries are all those entities over which the Group has power such that the Group is able to direct the relevant activities, has exposure or rights to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect the amount of the investor's returns.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments 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

Joint arrangements

Certain of the Group's activities are conducted through joint arrangements. Joint arrangements are classified as either a joint operation or joint venture, based on the rights and obligations arising from the contractual obligations between the parties to the arrangement.

Joint operations

The Group entered into a contractual arrangement in Mainland China. As one of the joint operation parties, the Group is responsible for unilaterally managing and controlling the development of a plot of land with a total land area of 200 mu (the "Southern Site") and another joint operation party is responsible for unilaterally managing and controlling the development of another plot of land with a total land area of 140 mu (the "Northern Site"). The Southern Site and the Northern Site are both situated in Qingdao, the PRC.

This contractual arrangement has been assessed by the Group as a joint operation because both parties that have joint control of the arrangement have rights to the respective assets and obligations for the respective liabilities, as well as rights to the respective revenue and obligations for the respective expenses, pursuant to the contractual arrangement.

Joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

The Group's investments in joint ventures 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. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post acquisition results and reserves of joint ventures is included in the consolidated income statement and consolidated reserves, respectively. Where the profit sharing ratios is different to the Group's equity interest, the share of post-acquisition results of the joint ventures is determined based on the agreed profit sharing ratio. Unrealised gains and losses resulting from transactions between the Group and its joint ventures are eliminated to the extent of the Groups investments in the joint ventures, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of joint ventures is included as part of the Group's investments in joint ventures.

The results of joint ventures are included in the Company's income statement to the extent of dividend received and receivable. The Company's investments in joint ventures are treated as non-current assets and are stated at cost less any impairment losses.

When an investment in a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Notes to Financial Statements

31 December 2011

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill

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 HKAS39, it is measured in accordance with the appropriate HKFRS.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Notes to Financial Statements

31 December 2011

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, properties under development, 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.

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 only 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).

Notes to Financial Statements

31 December 2011

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". 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.

Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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.

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of property, plant and equipment are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the income statement. Any subsequent revaluation surplus is credited to the income statement to the extent of the deficit previously charged. An annual transfer from the asset revaluation reserve to retained profits is made for the difference between the depreciation based on the revalued carrying amount of an asset and the depreciation based on the asset's original cost. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

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:

Hotel properties	1.7% – 2.8%
Leasehold improvements	18%
Buildings	2% – 5%
Furniture, fixtures and office equipment	3.8% – 33.3%
Motor vehicles	8.3% – 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.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Notes to Financial Statements

31 December 2011

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 the 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 investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment and depreciation" above. For a transfer from inventories 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.

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Computer software

Purchased computer software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful lives of 5 to 10 years.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (other than goodwill) (Continued)

Club membership

Purchased club membership with finite life is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful lives of 20 to 40 years.

Purchased club membership with indefinite life is not amortised, but is tested for impairment annually either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

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.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Land under development

Land under development is stated at the lower of cost and net realisable value and comprises the compensation for land requisition, other preliminary infrastructure costs, borrowing costs, professional fees and other costs directly attributable to such land under development during the development period.

Land under development which has been pre-sold or intended for sale and is expected to be completed within one year from the end of the reporting period is classified under current assets. Net realisable value takes into account the Group's proceeds derived from the sale of land under development by government authorities, less costs to completion and the costs to be incurred in realising the revenue derived from the sale of land under development based on prevailing market conditions.

Properties under development

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

Properties under development which have been pre-sold or intended for sale and are expected to be completed within one year from the end of the reporting period are classified under current assets. On completion, the properties are transferred to properties held for sale.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value.

Cost of properties held for sale is determined by an apportionment of total land and building costs attributable to the unsold properties.

Net realisable value is determined by reference to the sales proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management's estimates based on the prevailing market conditions, on an individual property basis.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 cash equivalents, restricted bank balances, pledged deposits, trade and other receivables, amounts due from non-controlling shareholders and amounts due from related parties.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification 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 finance income 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.

Notes to Financial Statements

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

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 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 other expenses in 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 and other payables, amounts due to the related parties, amounts due to non-controlling shareholders and interest-bearing bank and other borrowings.

Notes to Financial Statements

31 December 2011

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities (Continued)

Subsequent measurement

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

Loans and borrowings

After initial recognition, interest-bearing bank and other 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 guarantee. 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 the 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 or cancelled, or expires.

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.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cost of inventories includes the transfer from equity of gains and losses on qualifying cash flow hedges in respect of the purchases of raw materials.

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 as to use.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with the general guidance for provisions above; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the guidance for revenue recognition.

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 investments in subsidiaries and interests in joint arrangements, 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.

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 and interests in joint arrangements, 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

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.

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 completed properties, when the risks and rewards of ownership of the properties are transferred to the purchasers, that is when the construction of the relevant properties has been completed and the properties have been delivered to the purchasers pursuant to the sales agreement, and the collectability of related receivables is reasonably assured;

(b) from the land development, when the risks and rewards in connection with the land development are transferred, that is when the related construction works have been completed as well as land is sold, and the collectability of the proceeds from land sales is reasonably assured;

(c) hotel and other service income, in the period in which such services are rendered;

(d) rental income, on a time proportion basis over lease terms, except for contingent rental income which is recognised when it arises, where premiums received to terminate leases are recognised in the income statement when they arise;

(e) from the rendering of property management services, in the period in which such the services are rendered;

(f) from the rendering of services, on the percentage of completion basis, as further explained in the accounting policy for “Contracts for services” below;

(g) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

(h) dividend income, when the shareholders’ right to receive payment has been established.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contracts for services

Contract revenue on the rendering of services comprises the agreed contract amount. Costs of rendering services comprise labour and other costs of personnel directly engaged in providing the services and attributable overheads.

Revenue from the rendering of services is recognised based on the percentage of completion of the transaction, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably. The percentage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction. Where the outcome of a contract cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

Provision is made for foreseeable losses as soon as they are anticipated by management.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

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, further details of which are given in note 35 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.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its 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 Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute certain percentages 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 consist 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 ranging between 1.35% and 7.87% 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

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. 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 recorded by the entities in the Group are initially recorded using their respective 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 or 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).

Notes to Financial Statements

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

The functional currency of all subsidiaries, joint ventures and joint operations operating in Mainland China is Renminbi ("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 Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income 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 all subsidiaries, joint ventures and joint operations operating in Mainland China are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of all subsidiaries, joint ventures and joint operations operating in Mainland China which arise throughout the year are translated into Hong Kong dollars 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

The Group develops properties held for sale and properties held to earn rentals and/or for capital appreciation or both. Judgement is made by management in determining whether a property is designated as an investment property or a property held for sale. The Group considers its intention for holding the properties at the early development stage of the related properties. During the course of construction, the related properties under construction are accounted for as properties under development if the properties are intended for sale after completion. Upon completion of construction, properties under development are transferred to completed properties held for sale and are stated at cost. Properties under construction are accounted for as investment properties if the properties are intended to be held to earn rentals and/or for capital appreciation after completion.

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 discussed below.

Allowance for trade and other receivables

The provision policy for impairment of trade and other receivables of the Group is based on the ongoing evaluation of the collectability, aged analysis of the outstanding receivables and management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including creditworthiness and the past collection history of each customer. If the financial conditions of the customers of the Group were deteriorated, resulting in an impairment of their ability to make payments, additional allowances may be required. The carrying amounts of trade receivables and other receivables at 31 December 2011 are HK$105,113,000 (2010: HK$99,497,000) and HK$29,787,000 (2010: HK$18,728,000), respectively. Further details are given in notes 24 and 25 to the financial statements.

Estimation of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The principal assumptions for the Group's estimation of the fair value include those related to current market rents for similar properties in the same location and condition, appropriate discount rates, expected future market rents and future maintenance costs. The carrying amount of investment properties at 31 December 2011 was HK$14,889,712,000 (2010: HK$12,773,590,000). Further details are given in note 18 to the financial statements.

Notes to Financial Statements

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Carrying amount of land under development

The Group's land under development is stated at the lower of cost and net realisable value. Based on the Group's recent experience and the nature of the subject land development, the Group makes estimates of cost allocated to each parcel of land under development, and its net realisable value, i.e., the revenue to be derived from the land under development for sale by government authorities, less costs to completion and the costs to be incurred in realising the revenue from the sale of land under development based on prevailing market conditions.

If the cost is higher than the estimated net realisable value, provision for the excess of cost of land under development over its net realisable value should be made. Such provision would require the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and provision for land under development in the periods in which such estimate is changed will be adjusted accordingly. The carrying amount of land under development at 31 December 2011 was HK$11,845,893,000 (2010: Nil). Further details are given in note 16 to the financial statements.

Measurement of cost from land development

Development costs of land are recorded as land under development during construction stage and an apportionment of these costs will be recognised in the income statement upon the recognition of the revenue of the land under development. Before the final settlement of the development costs and other costs relating to the land under development, these costs are accrued by the Group based on management's best estimate.

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.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. 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. Further details, including a sensitivity analysis of key assumptions, are given in note 45 to the financial statements.

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 value of deferred tax assets relating to recognised tax losses at 31 December 2011 was HK$4,676,000 (2010: HK$16,664,000). Further details are given in note 32 to the financial statements.

Notes to Financial Statements

31 December 2011

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Recognition and allocation of construction cost on properties under development

Development costs of properties are recorded as properties under development during construction stage and will be transferred to completed properties held for sale upon completion. An 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 particular phase are recorded as the cost of such phase. Common costs are allocated to individual phases based on the estimated saleable area of the entire development 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. The carrying amount of properties under development at 31 December 2011 was HK$18,874,377,000 (2010: HK$13,641,588,000).

PRC corporate income tax

The Group is subject to income taxes in the PRC. As a result of the fact that certain matters relating to the 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 income taxes to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the income tax and tax provisions in the period in which the differences realise. The carrying amount of income tax payable at 31 December 2011 was HK$442,048,000 (2010: HK$220,605,000).

PRC land appreciation tax ("LAT")

The Group is subject to LAT in the PRC. The provision of LAT is based on management's best estimates according to the understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the local tax authorities upon the completion of the Group's property development projects. The Group has not finalised its LAT tax returns and payments with the local tax authorities for its property development projects. When the final outcome is determined it may be different from the amounts that were initially recorded, and any differences will affect the current income tax expense and LAT provision in the period in which LAT is ascertained. The carrying amount of provision for LAT at 31 December 2011 was HK$483,717,000 (2010: HK$822,594,000).

Estimation of net realisable value for properties held for sale and inventories

Properties held for sale and inventories are stated at the lower of cost and net realisable value. The net realisable value is assessed with reference to market conditions and prices existing at the end of the reporting period and is determined by the Group having taken suitable external advice and in the light of recent market transactions. The carrying amount of properties held for sale and inventories at 31 December 2011 were HK$839,806,000 (2010: HK$1,021,153,000) and HK$32,117,000 (2010: HK$35,196,000), respectively.

Notes to Financial Statements

31 December 2011

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on the products and services they provide and has four reportable operating segments are as follows:

(a) the property and land development segment develops and sells properties and develops land;

(b) the property leasing segment leases office and commercial premises;

(c) the hotel operations segment provides hotel accommodation services; and

(d) the "others" segment mainly comprises the provision of property management, design and decoration services, the operation of an observation deck, the trading of goods, and the provision of export agency services.

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, other investment income and finance costs as well as head office and corporate expenses are excluded from such measurement.

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

Segment liabilities exclude interest-bearing bank and other borrowings and related interest payables, tax payable, provision for land appreciation tax, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

The Group's operations are mainly conducted in Mainland China. The management considered there is one reportable geographic segment as all revenues from external customers are generated in Mainland China and the Group's significant non-current assets are located in Mainland China.

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4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2011	Property and land development HK$'000	Property leasing HK$'000	Hotel operations HK$'000	Others HK$'000	Total HK$'000
Segment revenue:					
Sales to external customers	2,995,528	988,530	2,133,826	473,808	6,591,692
Intersegment sales	2,368	10,697	–	84,915	97,980
	2,997,896	999,227	2,133,826	558,723	6,689,672
Reconciliation:					
Elimination of intersegment sales					(97,980)
Total revenue					6,591,692
Segment results	2,317,908	2,063,598	417,145	78,164	4,876,815
Reconciliation:					
Elimination of intersegment results					8,940
Interest income					194,827
Other investment income					1,938
Corporate and other unallocated expenses					(125,926)
Finance costs					(859,274)
Profit before tax					4,097,320
Segment assets	36,236,067	16,898,131	9,892,777	659,444	63,686,419
Reconciliation:					
Elimination of intersegment assets					(13,050,989)
Corporate and other unallocated assets					19,135,608
Total assets					69,771,038
Segment liabilities	13,741,898	306,489	1,871,118	405,283	16,324,788
Reconciliation:					
Elimination of intersegment liabilities					(12,998,125)
Corporate and other unallocated liabilities					35,897,120
Total liabilities					39,223,783
Other segment information:					
Share of profits of joint ventures	–	–	–	3,619	3,619
Depreciation and amortisation	3,164	7,748	207,889	5,503	224,304
Recognition of prepaid land lease payments	–	–	52,544	–	52,544
Loss on disposal of items of property, plant and equipment	6	5,019	1,454	34	6,513
Impairment losses recognised in the income statement	–	–	124,825	56	124,881
Fair value gains on investment properties	–	930,697	–	–	930,697
Fair value gains on transfers from properties held for sale to investment properties	–	267,963	–	–	267,963
Investments in joint ventures	–	–	–	36,052	36,052
Capital expenditure*	33,164	36,532	35,513	3,476	108,685

* Capital expenditure consists of additions to property, plant and equipment, intangible assets, prepaid land lease payments and investment properties.

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4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2010	Property and land development HK$'000	Property leasing HK$'000	Hotel operations HK$'000	Others HK$'000	Total HK$'000
Segment revenue:					
Sales to external customers	2,924,687	859,634	2,007,364	556,316	6,348,001
Intersegment sales	10,691	1,762	26	72,004	84,483
	2,935,378	861,396	2,007,390	628,320	6,432,484
Reconciliation:					
Elimination of intersegment sales					(84,483)
Total revenue					6,348,001
Segment results	1,359,573	1,643,419	513,820	75,708	3,592,520
Reconciliation:					
Elimination of intersegment results					(1,581)
Interest income					239,638
Other investment income					9,426
Corporate and other unallocated expenses					(170,282)
Finance costs					(606,196)
Profit before tax					3,063,525
Segment assets	17,348,506	12,961,498	8,491,288	640,112	39,441,404
Reconciliation:					
Elimination of intersegment assets					(5,977,264)
Corporate and other unallocated assets					17,891,012
Total assets					51,355,152
Segment liabilities	3,864,397	231,927	2,260,258	262,969	6,619,551
Reconciliation:					
Elimination of intersegment liabilities					(5,919,912)
Corporate and other unallocated liabilities					23,936,312
Total liabilities					24,635,951
Other segment information:					
Share of profits of joint ventures	–	–	–	2,900	2,900
Depreciation and amortisation	1,637	10,890	203,814	3,980	220,321
Recognition of prepaid land lease payments	–	–	46,583	–	46,583
Loss on disposal of items of property, plant and equipment	–	298	618	32	948
Impairment losses recognised in the income statement	–	–	1,934	225	2,159
Fair value gains on investment properties, net	–	861,756	–	–	861,756
Investments in joint ventures	–	–	–	33,816	33,816
Capital expenditure*	16,661	14,628	36,338	708	68,335

* Capital expenditure consists of additions to property, plant and equipment, intangible assets, prepaid land lease payments and investment properties.

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31 December 2011

4. OPERATING SEGMENT INFORMATION (Continued)

Information about major customers

During the year, there were two customers individually accounted for 10% or more of the Group's revenue and their respective revenues amounted to HK$1,673,128,000 and HK$1,304,843,000. In 2010, there was one customer (including a group of entities which are known to be under common control with one of those customers) accounted for 10% or more of the Group's revenue and its revenue amounted to HK$1,686,793,000.

The sales to the above customers were included in the property and land development segment.

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the gross proceeds from the sale of properties and the land development, net of business tax; gross rental income from investment properties, net of business tax; income from hotel operations, property management and related services rendered, net of business tax; an appropriate proportion of contract revenue of service contracts; and the net invoiced value of goods sold, after allowances for returns and trade discounts, during the year.

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

	Notes	2011 HK$'000	2010 HK$'000
Revenue			
Sale of properties		**1,322,400**	2,924,687
Land development		**1,673,128**	–
Gross rental income		**988,530**	859,634
Hotel operations		**2,133,826**	2,007,364
Others		**473,808**	556,316
		6,591,692	6,348,001
Other income			
Bank interest income		**194,827**	239,638
Other investment income		**1,938**	9,426
		196,765	249,064
Gains			
Fair value gains on investment properties	18	**930,697**	861,756
Fair value gains on transfers from properties held for sale to investment properties		**267,963**	–
Foreign exchange differences, net		**118,467**	30,052
Gain on de-registration of subsidiaries		**3,972**	65,418
Gain on disposal of a subsidiary	38	**1,137,510**	–
Gain on disposal of a joint venture		**–**	776
Others		**16,677**	67,309
		2,475,286	1,025,311
		2,672,051	1,274,375

Notes to Financial Statements

31 December 2011

6. PROFIT BEFORE TAX

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

	Notes	2011 HK$'000	2010 HK$'000
Cost of properties sold		**534,976**	1,601,918
Cost of land development		**1,029,517**	–
Cost of services provided		**1,452,230**	1,443,161
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties		**86,087**	84,923
Depreciation	14	**217,514**	210,619
Amortisation of intangible assets	20	**6,790**	9,702
Minimum lease payments under operating leases in respect of land and buildings		**9,341**	6,881
Recognition of prepaid land lease payments	19	**52,544**	46,583
Auditors' remuneration		**3,850**	3,700
Employee benefit expense (including directors' remuneration (note 8)):			
Wages and salaries		**670,975**	573,382
Equity-settled share option expense	35	**1,431**	1,184
Pension scheme contributions (defined contribution scheme)		**55,755**	56,155
Less: Amount capitalised		**(2,825)**	(1,366)
Net pension scheme contributions*		**52,930**	54,789
		725,336	629,355
Loss on disposal of items of property, plant and equipment**		**6,513**	948
Impairment of items of property, plant and equipment**	14	**123,549**	–
Impairment of inventories**		**287**	–
Impairment of trade receivables**	24	**1,045**	2,159

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

** These items are included in "Other expenses and losses" on the face of the consolidated income statement.

Notes to Financial Statements

31 December 2011

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Interest on bank loans and other loans wholly repayable within five years	**1,029,870**	667,619
Interest on bank loans wholly repayable over five years	**319,296**	207,873
Interest on an amount due to a fellow subsidiary	**14,909**	48,456
Interest on an amount due to the immediate holding company	**7,863**	8,267
Total interest expense	**1,371,938**	932,215
Less: Interest capitalised	**(512,664)**	(326,019)
	859,274	606,196

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
	HK$'000	HK$'000
Fees	**960**	1,200
Other emoluments:		
Salaries, allowances and benefits in kind	**4,065**	3,969
Performance related bonuses*	**4,033**	3,555
Equity-settled share option expense	**455**	479
Pension scheme contributions	**487**	144
	9,040	8,147
	10,000	9,347

* Certain executive directors of the Company are entitled to bonus payments which are determined with reference to the performance of the Group's operations.

In prior 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 35 to the financial statements. The fair value of such 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.

Notes to Financial Statements

31 December 2011

8. DIRECTORS' REMUNERATION (Continued)

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2011 HK$'000	2010 HK$'000
Mr. Lau Hon Chuen, Ambrose	**240**	240
Mr. Su Xijia	**240**	240
Mr. Liu Hongyu	**240**	240
Mr. Ngai Wai Fung[@]	**120**	240
Mr. Gao Shibin[@]	**120**	240
	960	1,200

[@] Mr. Gao Shibin and Mr. Ngai Wai Fung ceased to be directors of the Company upon the expiry of their terms of directors at the Company's annual general meeting held on 17 June 2011.

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

(b) Executive directors and non-executive directors

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Performance related bonuses HK$'000	Equity-settled share option expense HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2011						
Executive directors:						
Mr. He Cao	–	1,386	1,663	–	270	3,319
Mr. Li Congrui	–	643	684	–	122	1,449
Mr. He Binwu	–	1,422	1,251	177	–	2,850
Mr. Jiang Nan[#]	–	614	435	71	95	1,215
	–	4,065	4,033	248	487	8,833
Non-executive directors:						
Mr. Luo Dongjiang	–	–	–	–	–	–
Ms. Li Xuehua	–	–	–	177	–	177
Mr. Li Xin	–	–	–	–	–	–
Mr. Wang Hongjun[#]	–	–	–	30	–	30
	–	–	–	207	–	207
	–	4,065	4,033	455	487	9,040

[#] Mr. Wang Hongjun and Mr. Jiang Nan ceased to be directors of the Company upon the expiry of their terms of directors at the Company's annual general meeting held on 17 June 2011.

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31 December 2011

8. DIRECTORS' REMUNERATION (Continued)

(b) Executive directors and non-executive directors (Continued)

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Performance related bonuses HK$'000	Equity-settled share option expense HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2010						
Executive directors:						
Mr. He Cao	–	1,386	1,159	–	72	2,617
Mr. He Binwu	–	1,358	1,592	129	–	3,079
Mr. Jiang Nan	–	1,225	804	111	72	2,212
	–	3,969	3,555	240	144	7,908
Non-executive directors:						
Mr. Luo Dongjiang	–	–	–	–	–	–
Ms. Li Xuehua	–	–	–	129	–	129
Mr. Wang Hongjun	–	–	–	110	–	110
	–	–	–	239	–	239
	–	3,969	3,555	479	144	8,147

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 during the year included three (2010: three) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining two (2010: two) non-director, highest paid employee for the year are as follows:

	Group 2011 HK$'000	2010 HK$'000
Salaries, allowances and benefits in kind	**2,288**	2,162
Performance related bonuses	**2,098**	2,175
Equity-settled share option expense	**82**	–
Pension scheme contributions	**563**	–
	5,031	4,337

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31 December 2011

9. FIVE HIGHEST PAID EMPLOYEES (Continued)

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

	Number of employees	
	2011	2010
HK$1,500,001 to HK$2,000,000	**–**	1
HK$2,000,001 to HK$2,500,000	**1**	1
HK$2,500,001 to HK$3,000,000	**1**	–
	2	2

In prior year, share options were granted to a non-director, highest paid employee in respect of his services to the Group, further details of which are included in the disclosures in note 35 to the financial statements. The fair value of such 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 non-director, highest paid employees' remuneration disclosures.

10. INCOME TAX

	2011	2010
	HK$'000	HK$'000
Current		
PRC corporate income tax		
Charge for the year	**610,621**	527,574
Overprovision in prior years	**–**	(19,378)
	610,621	508,196
PRC land appreciation tax (note 31)	**216,139**	263,793
	826,760	771,989
Deferred (note 32)	**359,806**	159,725
Total tax charge for the year	**1,186,566**	931,714

Hong Kong profits tax

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2010: Nil).

PRC corporate income tax

PRC corporate income tax has been provided at the rate of 25% (2010: 25%) on the taxable profits of the Group's PRC subsidiaries.

Pursuant to the relevant PRC income tax rules and regulations, preferential corporate income tax rates have been granted to certain of the Group's PRC subsidiaries which were established and located in Shanghai Pudong New Area, Shenzhen Special Economic Zone, Hainan Special Economic Zone, Zhuhai Special Economic Zone and Changsha Pilot Zone. These companies are subject to a preferential rate of 24% during the year (2010: 22%), followed by tax rates increased to 25% in 2012, or tax rates in accordance with the tax practices as approved by the tax authority in charge.

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10. INCOME TAX (Continued)

PRC land appreciation tax ("LAT")

According to the requirements of the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值稅暫行條例) effective from 1 January 1994 and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值稅暫行條例實施細則) effective from 27 January 1995, all gains arising from a transfer of real estate property in Mainland China effective from 1 January 1994 are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sale of properties less deductible expenditures including borrowing costs and all property development expenditures.

A reconciliation of the tax expense applicable to profit/(loss) before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

Group – 2011

	Hong Kong		Mainland China		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Profit/(loss) before tax	(94,509)		4,191,829		4,097,320	
Tax at the statutory income tax rate	(15,594)	16.5	1,047,957	25.0	1,032,363	25.2
Lower tax rates for specific provinces or enacted by local authority	–	–	(161,100)	(3.8)	(161,100)	(3.9)
Effect of withholding tax at 5% on the profit of a subsidiary established in the PRC distributed to the parent	–	–	40,346	1.0	40,346	1.0
Profits and losses attributable to joint ventures	–	–	(869)	–	(869)	–
Income not subject to tax	(23,010)	24.3	(277)	–	(23,287)	(0.6)
Expenses not deductible for tax	38,604	(40.8)	51,190	1.2	89,794	2.1
Tax losses utilised from previous periods	–	–	(18,029)	(0.4)	(18,029)	(0.4)
Tax losses not recognised	–	–	65,259	1.6	65,259	1.6
LAT (note 31)	–	–	216,139	5.2	216,139	5.3
Tax effect of LAT	–	–	(54,050)	(1.5)	(54,050)	(1.3)
Tax charge at the Group's effective rate	–	–	1,186,566	28.3	1,186,566	29.0

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10. INCOME TAX (Continued)

Group – 2010

	Hong Kong		Mainland China		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Profit before tax	(34,915)		3,098,440		3,063,525	
Tax at the statutory income tax rate	(5,761)	16.5	774,610	25.0	768,849	25.1
Lower tax rates for specific provinces or enacted by local authority	–	–	(63,232)	(2.0)	(63,232)	(2.1)
Effect of withholding tax at 5% on the profit of a subsidiary established in the PRC distributed to the parent	–	–	14,344	0.5	14,344	0.5
Adjustments in respect of current tax of previous periods	–	–	(19,378)	(0.6)	(19,378)	(0.6)
Profits and losses attributable to joint ventures	–	–	(638)	0.0	(638)	0.0
Income not subject to tax	(2,529)	7.2	(11,923)	(0.4)	(14,452)	(0.5)
Expenses not deductible for tax	8,290	(23.7)	6,582	0.1	14,872	0.4
Tax losses utilised from previous periods	–	–	(140)	0.0	(140)	0.0
Tax losses not recognised	–	–	33,526	1.1	33,526	1.1
LAT (note 31)	–	–	263,793	8.5	263,793	8.6
Tax effect of LAT	–	–	(65,830)	(2.1)	(65,830)	(2.1)
Tax charge at the Group's effective rate	–	–	931,714	30.1	931,714	30.4

The share of tax attributable to joint ventures amounting to HK$1,205,000 (2010: HK$1,021,000) is included in "Share of profits of joint ventures" in the consolidated income statement.

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 HK$97,162,000 (2010: a loss of HK$48,704,000) which has been dealt with in the financial statements of the Company (note 36(b)).

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12. DIVIDEND

	2011 HK$'000	2010 HK$'000
Proposed final – HK4.0 cents (2010: HK2.5 cents) per ordinary share	**366,460**	229,037

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 ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 9,161,489,489 (2010: 9,161,489,489) in issue during the year.

The calculation of diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued on the deemed conversion of the Group's perpetual convertible securities into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	2011 HK$'000	2010 HK$'000
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	**2,344,352**	1,713,616

	Number of shares	
	2011	2010
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**9,161,489,489**	9,161,489,489
Effect of dilution – weighted average number of ordinary shares:		
Perpetual convertible securities	**1,644,763,250**	360,496,055
	10,806,252,739	9,521,985,544

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14. PROPERTY, PLANT AND EQUIPMENT

Group

	Hotel properties HK$'000	Leasehold improvements HK$'000	Buildings HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2011							
At 31 December 2010 and at 1 January 2011:							
Cost	6,303,374	64,108	335,374	1,588,927	49,361	7,729	8,348,873
Accumulated depreciation and impairment	(760,676)	(56,047)	(36,319)	(665,523)	(25,140)	–	(1,543,705)
Net carrying amount	5,542,698	8,061	299,055	923,404	24,221	7,729	6,805,168
At 1 January 2011, net of accumulated depreciation and impairment	5,542,698	8,061	299,055	923,404	24,221	7,729	6,805,168
Additions	3,616	130	–	17,441	7,417	58,398	87,002
Disposals	(1,287)	–	(2,619)	(2,780)	(97)	(554)	(7,337)
Depreciation provided during the year	(111,504)	(1,280)	(7,642)	(90,908)	(6,180)	–	(217,514)
Impairment	(113,850)	(3,737)	–	(5,962)	–	–	(123,549)
Gains on properties revaluation in relation to the transfers to investment properties	111,668	–	376	–	–	–	112,044
Transfer to investment properties (note 18)	(147,575)	–	(2,998)	–	–	–	(150,573)
Transfer from investment properties (note 18)	–	–	54,422	–	–	–	54,422
Transfers	5,616	–	5,923	7,384	–	(18,923)	–
Exchange realignment	268,994	286	16,008	44,053	1,194	1,292	331,827
At 31 December 2011, net of accumulated depreciation and impairment	5,558,376	3,460	362,525	892,632	26,555	47,942	6,891,490
At 31 December 2011:							
Cost	6,572,179	67,422	406,129	1,662,470	57,227	53,190	8,818,617
Accumulated depreciation and impairment	(1,013,803)	(63,962)	(43,604)	(769,838)	(30,672)	(5,248)	(1,927,127)
Net carrying amount	5,558,376	3,460	362,525	892,632	26,555	47,942	6,891,490

Notes to Financial Statements

31 December 2011

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

Group

	Hotel properties HK$'000	Leasehold improvements HK$'000	Buildings HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2010							
At 1 January 2010:							
Cost	6,318,096	60,428	84,230	1,457,650	47,079	6,431	7,973,914
Accumulated depreciation and impairment	(667,025)	(53,123)	(2,744)	(544,670)	(22,937)	–	(1,290,499)
Net carrying amount	5,651,071	7,305	81,486	912,980	24,142	6,431	6,683,415
At 1 January 2010, net of accumulated depreciation and impairment	5,651,071	7,305	81,486	912,980	24,142	6,431	6,683,415
Additions	18,824	1,547	–	14,341	5,221	6,713	46,646
Disposals	(3)	–	–	(1,004)	(1,303)	–	(2,310)
Depreciation provided during the year	(98,428)	(1,056)	(4,667)	(101,846)	(4,622)	–	(210,619)
Transfer from investment properties (note 18)	–	–	60,252	–	–	–	60,252
Transfers	(217,623)	–	155,516	67,772	–	(5,665)	–
Exchange realignment	188,857	265	6,468	31,161	783	250	227,784
At 31 December 2010, net of accumulated depreciation and impairment	5,542,698	8,061	299,055	923,404	24,221	7,729	6,805,168
At 31 December 2010:							
Cost	6,303,374	64,108	335,374	1,588,927	49,361	7,729	8,348,873
Accumulated depreciation and impairment	(760,676)	(56,047)	(36,319)	(665,523)	(25,140)	–	(1,543,705)
Net carrying amount	5,542,698	8,061	299,055	923,404	24,221	7,729	6,805,168

Notes to Financial Statements

31 December 2011

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company

	Motor vehicles HK$'000	Furniture, fixtures and office equipment HK$'000	Total HK$'000
31 December 2011			
At 1 January 2011:			
Cost	**2,357**	**583**	**2,940**
Accumulated depreciation	**(1,431)**	**(435)**	**(1,866)**
Net carrying amount	**926**	**148**	**1,074**
At 1 January 2011, net of accumulated depreciation	**926**	**148**	**1,074**
Additions	**–**	**7**	**7**
Depreciation provided during the year	**(471)**	**(104)**	**(575)**
At 31 December 2011, net of accumulated depreciation	**455**	**51**	**506**
At 31 December 2011:			
Cost	**2,357**	**590**	**2,947**
Accumulated depreciation	**(1,902)**	**(539)**	**(2,441)**
Net carrying amount	**455**	**51**	**506**

	Motor vehicles HK$'000	Furniture, fixtures and office equipment HK$'000	Total HK$'000
31 December 2010			
At 1 January 2010:			
Cost	2,357	576	2,933
Accumulated depreciation	(960)	(319)	(1,279)
Net carrying amount	1,397	257	1,654
At 1 January 2010, net of accumulated depreciation	1,397	257	1,654
Additions	–	7	7
Depreciation provided during the year	(471)	(116)	(587)
At 31 December 2010, net of accumulated depreciation	926	148	1,074
At 31 December 2010:			
Cost	2,357	583	2,940
Accumulated depreciation	(1,431)	(435)	(1,866)
Net carrying amount	926	148	1,074

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14. PROPERTY, PLANT AND EQUIPMENT (Continued)

All of the Group's hotel properties and buildings are situated in Mainland China and are held under the following lease terms:

	2011 HK$'000	2010 HK$'000
Long term leases	**1,123,526**	1,091,718
Medium term leases	**4,797,375**	4,750,035
	5,920,901	5,841,753

At 31 December 2011, certain of the Group's hotel properties and buildings included in property, plant and equipment with net carrying amounts of approximately HK$5,361,573,000 (2010: HK$2,051,670,000) and HK$146,306,000 (2010: HK$101,379,000), respectively, were pledged to secure bank loans granted to the Group (note 30).

15. PROPERTIES UNDER DEVELOPMENT

		Group	
	Notes	2011 HK$'000	2010 HK$'000
Carrying amount at 1 January		**13,641,588**	11,301,279
Acquisition of a subsidiary	37	**–**	2,315,120
Formation of a joint operation	22	**2,685,763**	–
Additions		**2,907,167**	1,747,484
Transfer to properties held for sale		**(1,133,315)**	(2,083,409)
Transfer to prepaid land lease payments	19	**–**	(43,527)
Exchange realignment		**773,174**	404,641
Carrying amount at 31 December		**18,874,377**	13,641,588
Current portion		**(7,030,281)**	(1,050,968)
Non-current portion		**11,844,096**	12,590,620

The Group's properties under development are situated in Mainland China and are held under the following lease terms:

	2011 HK$'000	2010 HK$'000
Long term leases	**7,984,679**	3,764,864
Medium term leases	**10,889,698**	9,876,724
	18,874,377	13,641,588

At 31 December 2011, certain of the Group's properties included in properties under development with net carrying amounts of approximately HK$5,693,596,000 (2010: HK$5,216,355,000) were pledged to secure bank loans granted to the Group (note 30).

Notes to Financial Statements

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16. LAND UNDER DEVELOPMENT

Land under development represents the land requisition cost, compensation cost and other preliminary infrastructure costs in relation to Changsha Meixi Lake International Service and Technology Innovation City project (the "Project") which is suited in Mainland China. Though the Group does not have ownership title or land use right to such land, the Group is given the right to carry out construction and preparation works in respect of land infrastructure and ancillary public facilities in the Project. When the land plots are sold by the local government, the Group is entitled to receive from the local authorities the land development fee.

	Group	
	2011	2010
	HK$'000	HK$'000
Carrying amount at 1 January	**–**	–
Additions	**13,324,348**	–
Recognised during the year	**(1,749,764)**	–
Exchange realignment	**271,309**	–
Carrying amount at 31 December	**11,845,893**	–
Current portion	**(2,623,209)**	–
Non-current portion	**9,222,684**	–

17. PROPERTIES HELD FOR SALE

All the properties held for sale are stated at cost. The Group's properties held for sale are situated in Mainland China and is held under the following lease terms:

	Group	
	2011	2010
	HK$'000	HK$'000
Long term leases	**36,785**	37,658
Medium term leases	**803,021**	983,495
	839,806	1,021,153

At 31 December 2011, certain of the Group's properties included in properties held for sale with net carrying amounts of approximately HK$148,916,000 (2010: HK$141,878,000) were pledged to secure bank loans granted to the Group (note 30).

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18. INVESTMENT PROPERTIES

		Group	
		2011	2010
	Notes	**HK$'000**	HK$'000
Carrying amount at 1 January		**12,773,590**	11,539,660
Additions		**6,893**	11,055
Net gain from a fair value adjustment	5	**930,697**	861,756
Transfer from properties held for sale		**414,623**	–
Transfer from owner-occupied properties	14	**150,573**	–
Transfer to owner-occupied properties	14	**(54,422)**	(60,252)
Exchange realignment		**667,758**	421,371
Carrying amount at 31 December		**14,889,712**	12,773,590

The Group's investment properties are situated in Mainland China and are held under medium term leases.

The Group's investment properties were revalued individually on 31 December 2011 by Knight Frank Petty Limited and CB Richard Ellis Limited, independent professionally qualified valuers, at HK$14,889,712,000 (2010: HK$12,773,590,000) on an open market, existing use basis. These investment properties are leased to third parties under operating leases, further summary details of which are included in note 40(a) to the financial statements.

At 31 December 2011, certain of the Group's investment properties with carrying values of HK$13,387,042,000 (2010: HK$7,229,972,000) were pledged to secure bank loans granted to the Group and the debenture issued by the Group (note 30).

19. PREPAID LAND LEASE PAYMENTS

		Group	
		2011	2010
	Notes	**HK$'000**	HK$'000
Carrying amount at 1 January		**1,730,085**	1,670,539
Additions		**3,259**	4,616
Transfer from properties under development	15	**–**	43,527
Recognised during the year		**(52,544)**	(46,583)
Exchange realignment		**84,674**	57,986
Carrying amount at 31 December		**1,765,474**	1,730,085
Current portion included in prepayments, deposits and other receivables	25	**(50,925)**	(48,501)
Non-current portion		**1,714,549**	1,681,584

The Group's leasehold land is situated in Mainland China and is held under the following lease terms:

	2011	2010
	HK$'000	HK$'000
Long term leases	**401,372**	390,240
Medium term leases	**1,364,102**	1,339,845
	1,765,474	1,730,085

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19. PREPAID LAND LEASE PAYMENTS (Continued)

At 31 December 2011, certain of the Group's prepaid land lease payments with net carrying amounts of HK$397,785,000 (2010: HK$341,631,000) were pledged to secure certain bank loans granted to the Group (note 30).

20. INTANGIBLE ASSETS

Group

	Computer software HK$'000	Club membership HK$'000	Total HK$'000
31 December 2011			
At 1 January 2011:			
Cost	**39,585**	**6,584**	**46,169**
Accumulated amortisation and impairment	**(19,988)**	**(1,057)**	**(21,045)**
Net carrying amount	**19,597**	**5,527**	**25,124**
Cost at 1 January 2011, net of accumulated amortisation and impairment	**19,597**	**5,527**	**25,124**
Additions	**5,020**	**2,238**	**7,258**
Amortisation provided during the year	**(6,547)**	**(243)**	**(6,790)**
Exchange realignment	**936**	**268**	**1,204**
At 31 December 2011	**19,006**	**7,790**	**26,796**
At 31 December 2011:			
Cost	**46,805**	**9,388**	**56,193**
Accumulated amortisation and impairment	**(27,799)**	**(1,598)**	**(29,397)**
Net carrying amount	**19,006**	**7,790**	**26,796**
31 December 2010			
At 1 January 2010:			
Cost	32,412	6,583	38,995
Accumulated amortisation and impairment	(10,054)	(1,013)	(11,067)
Net carrying amount	22,358	5,570	27,928
Cost at 1 January 2010, net of accumulated amortisation and impairment	22,358	5,570	27,928
Additions	6,018	–	6,018
Amortisation provided during the year	(9,470)	(232)	(9,702)
Exchange realignment	691	189	880
At 31 December 2010	19,597	5,527	25,124
At 31 December 2010:			
Cost	39,585	6,584	46,169
Accumulated amortisation and impairment	(19,988)	(1,057)	(21,045)
Net carrying amount	19,597	5,527	25,124

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20. INTANGIBLE ASSETS (Continued)

Company

	Club membership HK$'000	Total HK$'000
31 December 2011		
As 1 January 2011:		
Cost	–	–
Accumulated amortisation and impairment	–	–
Net carrying amount	–	–
Cost at 1 January 2011, net of accumulated amortisation and impairment	–	–
Additions	2,238	2,238
Amortisation provided during the year	–	–
At 31 December 2011	2,238	2,238
At 31 December 2011:		
Cost	2,238	2,238
Accumulated amortisation and impairment	–	–
Net carrying amount	2,238	2,238

21. INVESTMENTS IN SUBSIDIARIES

Company

	2011 HK$'000	2010 HK$'000
Unlisted shares, at cost	**20,097,944**	18,696,000

The amounts due from subsidiaries included in the Company's current assets of HK$3,012,687,000 (2010: HK$857,560,000) are unsecured, interest-free and are repayable on demand or within one year. The amounts due to subsidiaries included in the Company's non-current liabilities of HK$8,010,157,000 (2010: HK$4,606,538,000) are unsecured, interest-free and are not repayable within one year.

Particulars of the principal subsidiaries are as follows:

Company name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Shanghai Pudong Jinxin Real Estate Development Co., Ltd. ("Pudong Jinxin")*	The PRC/ Mainland China	US$5,600,000	50%#&	–	Investment holding
Shanghai Port International Cruise Terminal Development Co., Ltd.("SPICT")	The PRC/ Mainland China	RMB61,490,000	–	50%@	Property development
Shanghai International Shipping Service Center Co. Ltd. ("SISSC")*	The PRC/ Mainland China	RMB2,450,000,000	50%#Δ	–	Property development

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21. INVESTMENTS IN SUBSIDIARIES (Continued)

Company name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Sinochem Franshion Real Estate (Zhuhai) Co., Ltd.***	The PRC/ Mainland China	RMB490,000,000	100%	–	Property development
Sinochem Franshion Property (Beijing) Co., Ltd.***	The PRC/ Mainland China	US$595,000,000	100%	–	Property development
Shanghai Yin Hui Real Estate Development Co., Ltd. ("Shanghai Yin Hui")*	The PRC/ Mainland China	RMB1,008,000,000	50%#β	–	Property development
Qingdao Franshion Development Co., Ltd.**	The PRC/ Mainland China	RMB100,000,000	–	100%	Investment holding
Beijing Chemsunny Property Company Limited***	The PRC/ Mainland China	US$102,400,000	50%	50%	Property investment
Sinochem Jin Mao Property Management (Beijing) Co. Ltd.*	The PRC/ Mainland China	RMB5,000,000	85%	15%	Property management
Sinochem International Property and Hotels Management Co. Ltd.***	The PRC/ Mainland China	RMB387,600,000	25%	75%	Property management
Wangfujing Hotel Management Company Limited***	The PRC/ Mainland China	US$73,345,000	25%	75%	Hotel management
Sinochem Franshion (Shang Hai) Properties Management Company Limited***	The PRC/ Mainland China	US$8,000,000	–	100%	Property management
China Jin Mao Group Co., Ltd.***	The PRC/ Mainland China	RMB2,635,000,000	–	100%	Hotel operation and property investment
Shanghai Jin Mao Construction & Decoration Company Limited**	The PRC/ Mainland China	RMB10,000,000	–	100%	Provision of building decoration services
Beijing Jin Mao Real Estate Company Limited**	The PRC/ Mainland China	RMB1,600,000,000	–	100%	Hotel operation
Jin Mao Sanya Resort Hotel Company Limited**	The PRC/ Mainland China	RMB300,000,000	–	100%	Hotel operation
Jin Mao Sanya Tourism Company Limited**	The PRC/ Mainland China	RMB500,000,000	–	100%	Hotel operation

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21. INVESTMENTS IN SUBSIDIARIES (Continued)

Company name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Jin Mao Shenzhen Hotel Investment Company Limited**	The PRC/ Mainland China	RMB700,000,000	–	100%	Hotel operation
Jin Mao (Li Jiang) Zhi Ye Co., Ltd.**	The PRC/ Mainland China	RMB100,000,000	–	100%	Property development
Jin Mao (Li Jiang) Hotel Investment Co., Ltd.**	The PRC/ Mainland China	RMB100,000,000	–	100%	Property development
Jin Mao Investment (Chang Sha) Co., Ltd.**	The PRC/ Mainland China	RMB3,750,000,000	–	80%	Land development
Franshion Capital Limited	British Virgin Islands/ Hong Kong	US$1	100%	–	Investment holding
Franshion Development Limited	British Virgin Islands/ Hong Kong	US$1	100%	–	Investment holding
Changsha Franshion Shengrong Properties Limited	The PRC/ Mainland China	RMB10,000,000	–	100%	Property development
Shanghai Yingtan Investment Limited	The PRC/ Mainland China	RMB21,000,000	–	100%	Property development

The English names of certain of above companies represent the best efforts by management of the Company in directly translating the Chinese names of these companies as no English names have been registered or available.

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.

* Registered as Sino-foreign joint ventures under the PRC law

** Registered as limited liability companies under the PRC law

*** Registered as wholly-foreign-owned entities under the PRC law

\# The Group controls the boards of directors of those entities by virtue of its power to cast the majority of votes at meetings of the boards, and therefore has the power to exercise control over the entities operating and financial activities.

@ The entity is being a subsidiary of a non-wholly-owned subsidiary of the Company and, accordingly, is accounted for as a subsidiary by virtue of the Company's control over it.

& The profit attributable to non-controlling interests of the subsidiary during the year was HK$210,261,000 (2010: HKD414,839,000), and the accumulated non-controlling interests of the subsidiary at 31 December 2011 was HK$499,881,000 (2010: HK$658,980,000). The dividend declared to non-controlling interests during the year was HK$407,055,000 (2010: HK$293,800,000).

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21. INVESTMENTS IN SUBSIDIARIES (Continued)

Δ The loss attributable to non-controlling interests of the subsidiary during the year was HK$4,651,000 (2010: HK$1,634,000), and the accumulated non-controlling interests of the subsidiary at 31 December 2011 was HK$1,497,626,000 (2010: HK$1,431,378,000).

β The loss attributable to non-controlling interests of the subsidiary during the year was HK$4,651,000 (2010: profit of HK$117,000), and the accumulated non-controlling interests of the subsidiary at 31 December 2011 was HK$606,513,000 (2010: HK$582,382,000).

Summarised financial information of the subsidiaries is as follows:

	Pudong Jinxin HK$'000	SISSC HK$'000	Shanghai Yin Hui HK$'000
2011			
Current assets	**3,560,730**	**51,692**	**914,862**
Non-current assets	**48,214**	**3,883,488**	**1,014,707**
Total assets	**3,608,944**	**3,935,180**	**1,929,569**
Current liabilities	**2,609,183**	**939,928**	**123,846**
Non-current liabilities	**–**	**–**	**592,697**
Total liabilities	**2,609,183**	**939,928**	**716,543**
Revenue	**1,369,141**	**–**	**–**
Profit/(loss) for the year	**420,522**	**(9,303)**	**(9,303)**
Total comprehensive income for the year	**495,912**	**132,496**	**48,262**

	Pudong Jinxin HK$'000	SISSC HK$'000	Shanghai Yin Hui HK$'000
2010			
Current assets	4,073,853	75,590	1,603,512
Non-current assets	130,757	3,611,526	6,612
Total assets	4,204,610	3,687,116	1,610,124
Current liabilities	2,886,650	824,361	122,767
Non-current liabilities	–	–	322,593
Total liabilities	2,886,650	824,361	445,360
Revenue	3,207,395	–	–
Profit/(loss) for the year	829,679	(3,268)	(234)
Total comprehensive income for the year	885,105	65,045	25,794

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21. INVESTMENTS IN SUBSIDIARIES (Continued)

Summarised cash flow of the subsidiaries is as follows:

	Pudong Jinxin HK$'000	SISSC HK$'000	Shanghai Yin Hui HK$'000
2011			
Net cash flows used in operating activities	**(173,941)**	**(144,292)**	**(373,814)**
Net cash flows used in investment activities	**(351)**	**(547)**	**–**
Net cash flows (used in)/from financing activities	**(301,325)**	**114,820**	**270,105**
Net decrease in cash and cash equivalents	**(475,617)**	**(30,019)**	**(103,709)**
Cash and cash equivalent at beginning of the year	**1,710,606**	**75,451**	**175,709**
Cash and cash equivalent at end of the year	**1,234,989**	**45,432**	**72,000**

	Pudong Jinxin HK$'000	SISSC HK$'000	Shanghai Yin Hui HK$'000
2010			
Net cash flows from/(used in) operating activities	1,221,648	(176,890)	(345,870)
Net cash flows used in investment activities	(10)	(406)	–
Net cash flows (used in)/from financing activities	(580,040)	200,660	484,556
Net increase in cash and cash equivalents	641,598	23,364	138,686
Cash and cash equivalent at beginning of the year	1,069,008	52,087	37,023
Cash and cash equivalent at end of the year	1,710,606	75,451	175,709

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22. INVESTMENTS IN JOINT VENTURES/PREPAYMENT FOR INVESTMENT

Joint ventures

	Group 2011 HK$'000	2010 HK$'000
Share of net assets	**36,052**	33,816

The amounts due from and to joint ventures are disclosed in note 26 to the financial statements.

Particulars of the principal joint ventures are as follows:

Name	Registered and paid-in capital	Place of registration	Percentage of Ownership interest	Voting power	Profit sharing	Principal activities
Shanghai Jin Mao Jin Jiang Automobile Service Company Limited	RMB22,000,000	The PRC	50%	60%	50%	Lease of commercial vehicles
Shanghai Jin Mao Auto Hire Company Limited	RMB2,000,000	The PRC	45%	54%	45%	Lease of commercial vehicles

The above table lists the joint ventures 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 joint ventures 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 joint ventures:

	2011 HK$'000	2010 HK$'000
Share of the joint ventures' assets and liabilities		
Current assets	**7,344**	7,802
Non-current assets	**36,219**	35,097
Current liabilities	**(7,511)**	(9,083)
Net assets	**36,052**	33,816
Share of the joint ventures' results		
Revenue	**25,880**	34,199
Other revenue	**472**	313
	26,352	34,512
Total expenses	**(21,528)**	(30,591)
Tax	**(1,205)**	(1,021)
Profit after tax	**3,619**	2,900

22. INVESTMENTS IN JOINT VENTURE/PREPAYMENT FOR INVESTMENT (Continued)

Joint operations/prepayment for investment

On 11 May 2010, the Company entered into a framework cooperation agreement with Qingdao Urban Construction Investment (Group) Co., Ltd. ("Qingdao Urban Investment Group") pursuant to which the Company and Qingdao Urban Investment Group intended to jointly develop Lanhai Xingang City project located in Qingdao, the PRC.

On 5 November 2010, Qingdao Franshion Properties Co., Ltd. ("Qingdao Franshion"), an indirect wholly-owned subsidiary of the Company established for the purpose of operating Lanhai Xingang City project, and Qingdao Urban Investment Group entered into a capital increase agreement pursuant to which Qingdao Franshion agreed to inject RMB1 billion into Qingdao Lanhai Xingang City Properties Co., Ltd. ("Lanhai Xingang City Properties"), a wholly-owned subsidiary of Qingdao Urban Investment Group, by way of capital injection to subscribe for its new registered capital.

The Group's advances made to Lanhai Xingang City Properties in respect of the aforementioned subscription and shareholder's loan aggregated to HK$1,551,287,000 (equivalent to RMB1,320,019,000) at 31 December 2010, which were included in the prepayment for investment.

On 28 July 2011, Qingdao Franshion completed the acquisition of 50% equity interest in Lanhai Xingang City through contributing RMB1 billion to its newly registered capital. On the same day, Qingdao Franshion and Qingdao Urban Investment Group entered into a supplementary agreement pursuant to which Lanhai Xingang City agreed to establish two branches, in which branch 1 would be unilaterally managed and controlled by Qingdao Franshion in respect of the development of a plot of land with a total land area of 200 mu (the "Southern Site") and branch 2 would be unilaterally managed and controlled by Qingdao Urban Investment Group in respect of the development of another plot of land with a total land area of 140 mu (the "Northern Site"). The land use right certificate in connection with the Southern Site is registered under the name of Lanhai Xingang City Properties.

The Group assessed this supplementary arrangement as a joint operation and consolidated the assets, liabilities and revenue and expenses of branch 1 as the Group is given the rights to the assets and has obligations for the liabilities of branch 1 pursuant to the terms of the supplement agreement.

As at the date of formation, branch 1 had assets comprising properties under development of HK$2,685,763,000 and cash and cash equivalents of HK$27,062,000; and had liabilities comprising other payables of HK$1,118,501,000.

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23. INVENTORIES

	Group	
	2011	2010
	HK$'000	HK$'000
Raw materials	**8,006**	9,233
Consumables and tools	**1,359**	3,364
Hotel merchandise	**20,502**	20,689
Trading stock	**2,250**	1,910
	32,117	35,196

24. TRADE RECEIVABLES

	Group	
	2011	2010
	HK$'000	HK$'000
Trade receivables	**107,307**	100,624
Impairment	**(2,194)**	(1,127)
	105,113	99,497

Consideration in respect of properties sold is payable in accordance with the terms of the related sale and purchase agreements, whilst the Group's trading terms with its customers in relation to the provision of hotel, decoration and other services are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one month, extending up to three months for major customers. Each customer has a maximum credit limit.

The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Within 1 month	**94,448**	63,033
1 to 3 months	**6,082**	17,407
4 to 6 months	**760**	8,610
Over 6 months	**3,823**	10,447
	105,113	99,497

Notes to Financial Statements

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24. TRADE RECEIVABLES (Continued)

The movements in provision for impairment of trade receivables are as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
At 1 January	**1,127**	371
Impairment losses recognised (note 6)	**1,045**	2,159
Amount written off as uncollectible	**(59)**	(1,433)
Exchange realignment	**81**	30
	2,194	1,127

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$2,194,000 (2010: HK$1,127,000) with a carrying amount before provision of HK$2,194,000 (2010: HK$1,127,000).

The individually impaired trade receivables related to customers that were in financial difficulties or were in default and only a portion of the receivables is expected to be recovered.

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Neither past due nor impaired	**105,113**	81,620
Less than 1 month past due	**–**	6,169
1 to 3 months past due	**–**	7,860
Over 3 months past due	**–**	3,848
	105,113	99,497

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. 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 has not been a significant change in credit quality and the balances are still considered fully recoverable.

At 31 December 2011, the Group's trade receivables included gross amounts due from contract customers of HK$63,137,000 (2010: HK$35,442,000), being the difference between the contract costs incurred for the rendering of services, plus recognised profits less recognised losses to date, of HK$502,731,000 (2010: HK$356,692,000), and the progress billing amount of HK$439,594,000 (2010: HK$321,250,000).

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25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Prepayments	**379,956**	38,338	**13,801**	16,838
Deposits	**709,875**	11,936	**849**	705
Other receivables	**29,787**	18,728	**8,115**	4,259
Due from non-controlling shareholders	**435,449**	56,432	**–**	–
Prepaid land lease payments (note 19)	**50,925**	48,501	**–**	–
	1,605,992	173,935	**22,765**	21,802

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.

The amounts due from non-controlling shareholders are unsecured, interest-free and are repayable within one year.

26. BALANCES WITH RELATED PARTIES

An analysis of the balances with related parties is as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Due from related parties:		
Ultimate holding company	**–**	28
Intermediate holding company	**6,116**	4,262
Fellow subsidiaries	**12,052**	2,345
Joint ventures	**3,293**	6,301
	21,461	12,936
Due to related parties:		
Ultimate holding company	**2,974**	3,396
Intermediate holding company	**20,396**	18,799
Immediate holding company	**–**	1,065,208
Fellow subsidiaries	**54,875**	50,614
Joint ventures	**1,050**	6,733
	79,295	1,144,750
– Current potion	**(79,295)**	(86,227)
– Non-current potion	**–**	1,058,523

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26. BALANCES WITH RELATED PARTIES (Continued)

	Company	
	2011	2010
	HK$'000	HK$'000
Due to related parties:		
Immediate holding company	**–**	1,065,208
Current potion	**–**	(6,685)
Non-current potion	**–**	1,058,523

All the balances are unsecured, interest-free and are repayable on demand. An amount due to the immediate holding company of HK$1,058,523,000 as at 31 December 2010 was interest-bearing at three month LIBOR plus 2% and it has been fully repaid during the year.

27. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

		Group		Company	
		2011	2010	**2011**	2010
	Note	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Cash and bank balances		**7,775,542**	5,393,402	**24,094**	24,154
Time deposits		**4,816,583**	7,928,288	**3,719,514**	3,963,656
		12,592,125	13,321,690	**3,743,608**	3,987,810
Less:					
Pledged time deposits for short term bank loans	43	**(236,602)**	(2,086,791)	**–**	–
Restricted bank balances	43	**(131,878)**	(5,390)	**–**	–
		(368,480)	(2,092,181)	**–**	–
Cash and cash equivalents		**12,223,645**	11,229,509	**3,743,608**	3,987,810

At 31 December 2011, the cash and bank balances of the Group denominated in RMB amounted to HK$5,650,626,000 (2010: HK$5,295,567,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, 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 varying periods of between seven day and six months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

Included in the Group's cash and cash equivalents are deposits of HK$261,524,000 (2010: HK$188,061,000) placed with Sinochem Group Finance Co., Ltd. ("Sinochem Finance"), a financial institution approved by the People's Bank of China. The interest rates on these deposits ranged from 0.50% to 1.49% per annum. Further details of the interest income attributable to the deposits placed with Sinochem Finance are set out in note 42 to the financial statements.

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28. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the invoiced date, is as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Within 1 year or on demand	**2,332,536**	729,877
1 to 2 years	**136**	35,474
2 to 3 years	**112**	20,333
Over 3 years	**12,708**	2,063
	2,345,492	787,747

The trade payables are non-interest-bearing and are normally settled on 60-day terms.

29. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Other payables	**1,638,472**	750,330	**6,117**	2,668
Receipts in advance	**5,228,831**	350,526	**–**	–
Accruals	**57,039**	47,210	**9,115**	10,179
Due to non-controlling shareholders	**900,455**	–	**–**	–
Dividend payable to non-controlling shareholders	**407,055**	293,800	**–**	–
	8,231,852	1,441,866	**15,232**	12,847

Other payables are non-interest-bearing with an average term of not more than one year.

The amounts due to non-controlling shareholders are unsecured, interest-bearing at rates ranging from 7.32% to 7.87% per annum and are repayable within one year.

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30. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group	2011 Effective interest rate (%)	2011 Maturity	2011 HK$'000	2010 Effective interest rate(%)	2010 Maturity	2010 HK$'000
Current						
Bank loans, secured	**4.50**	**2012**	**205,232**	1.34-6.37	2011	2,068,394
Bank loans, unsecured	**2.02-6.12**	**2012**	**3,138,676**	1.75-6.37	2011	4,320,203
Other loans, unsecured*	**5.99**	**2012**	**246,700**	4.59	2011	235,040
Current portion of long term bank loans, secured	**5.99-7.76**	**2012**	**1,203,896**	4.86-5.94	2011	903,729
Debenture, secured	**4.22**	**2012**	**1,233,500**	–	–	–
			6,028,004			7,527,366
Non-current						
Bank loans, secured	**5.99-7.76**	**2013-2019**	**13,209,342**	4.86-5.94	2012-2019	7,507,765
Bank loans, unsecured	**1.74-1.94**	**2013**	**2,099,520**	1.67-2.09	2013	1,789,866
Other loans, unsecured*	**–**	**–**	**–**	4.86	2012	235,040
Debenture, secured	**–**	**–**	**–**	4.22	2012	1,175,200
Notes, unsecured	**6.85**	**2021**	**3,862,518**	–	–	–
			19,171,380			10,707,871
			25,199,384			18,235,237

* The balance represents an amount due to a fellow subsidiary of the Company.

Company	2011 Effective interest rate (%)	2011 Maturity	2011 HK$'000	2010 Effective interest rate (%)	2010 Maturity	2010 HK$'000
Current						
Bank loans, unsecured	**2.02**	**2011**	**777,600**	1.75	2011	389,159
Non-current						
Bank loans, unsecured	**1.74-1.94**	**2013**	**2,099,520**	1.67-2.09	2013	1,789,866
			2,877,120			2,179,025

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30. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Analysed into:				
Bank loans repayable:				
Within one year	**4,547,804**	7,292,326	**777,600**	389,159
In the second year	**5,238,568**	988,344	**2,099,520**	–
In the third to fifth years, inclusive	**3,640,059**	5,554,031	**–**	1,789,866
Beyond five years	**6,430,235**	2,755,256	**–**	–
	19,856,666	16,589,957	**2,877,120**	2,179,025
Other borrowings repayable:				
Within one year	**1,480,200**	235,040	**–**	–
In the second year	**–**	1,410,240	**–**	–
In the third to fifth years, inclusive	**–**	–	**–**	–
Beyond five years	**3,862,518**	–	**–**	–
	5,342,718	1,645,280	**–**	–
	25,199,384	18,235,237	**2,877,120**	2,179,025

Notes:

(a) The Group's loan facilities amounting to HK$33,488,691,000 (2010: HK$27,350,334,000), of which HK$21,003,821,000 (2010: HK$17,060,037,000) had been utilised as at the end of the reporting period, are secured by the Group's hotel properties, buildings, properties under development, properties held for sale, investment properties, prepaid land lease payments and time deposits.

(b) Certain of the Group's bank loans and the debenture are secured by:

(i) mortgages over certain of the Group's hotel properties and buildings which had an aggregate net carrying value at the end of the reporting period of approximately HK$5,507,879,000 (2010: HK$2,153,049,000) (note 14);

(ii) mortgages over certain of the Group's properties under development, which had an aggregate carrying amount at the end of the reporting period of HK$5,693,596,000 (2010: HK$5,216,355,000) (note 15);

(iii) mortgages over certain of the Group's properties held for sale, which had an aggregate carrying amount at the end of the reporting period of HK$148,916,000 (2010: HK$141,878,000) (note 17);

(iv) mortgages over certain of the Group's investment properties, which had an aggregate carrying value at the end of the reporting period of approximately HK$13,387,042,000 (2010: HK$7,229,972,000) (note 18);

(v) mortgages over certain of the Group's prepaid land lease payments, which had an aggregate carrying amount at the end of the reporting period of HK$397,785,000 (2010: HK$341,631,000) (note 19); and

(vi) the pledge of certain of the Group's time deposits amounting to approximately HK$236,602,000 (2010: HK$2,086,791,000) (note 27).

(c) Except for the secured bank loans amounting to approximately HK$7,097,981,000 (2010: HK$2,537,867,000) which are denominated in United States dollars, all borrowings are denominated in RMB.

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31. PROVISION FOR LAND APPRECIATION TAX

Group

	HK$'000
At 1 January 2010	571,175
Charge to the income statement during the year (note 10)	263,793
Payment during the year	(22,509)
Transfer from prepaid tax	(14,983)
Exchange realignment	25,118
At 31 December 2010 and 1 January 2011	**822,594**
Charge to the income statement during the year (note 10)	**216,139**
Payment during the year	**(587,705)**
Exchange realignment	**32,689**
At 31 December 2011	**483,717**

PRC land appreciation tax

According to the requirements of the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值稅暫行條例) effective from 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值稅暫行條例實施細則) effective from 27 January 1995, all income arising from the sale or transfer of state-owned land use rights, buildings and their attached facilities in Mainland China is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption for the sale of ordinary residential properties (普通標準住宅) if their appreciation values do not exceed 20% of the sum of the total deductible items.

Effective from 4 December 1995 in Shanghai and Beijing and from 8 May 1995 in Zhuhai, the local tax bureau requires the prepayment of LAT on the pre-sale and sale proceeds of property development. According to the relevant tax notices issued by local tax authorities, the Group is required to pay LAT in advance at 1% to 2% on the sales and pre-sale proceeds of the Group's properties.

The Group has estimated, made and included in taxation a provision for LAT according to the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects. The tax authorities might disagree with the basis on which the provision for LAT is calculated.

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32. DEFERRED TAX

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

Deferred tax liabilities

Group

	Revaluation of investment properties HK$'000	Depreciation allowance in excess of related depreciation HK$'000	Withholding taxes HK$'000	Total HK$'000
Gross deferred tax liabilities at 1 January 2010	1,477,619	264,889	–	1,742,508
Deferred tax charged to the income statement during the year (note 10)	216,760	35,143	–	251,903
Exchange realignment	56,490	10,037	–	66,527
Gross deferred tax liabilities at 31 December 2010 and 1 January 2011	**1,750,869**	**310,069**	**–**	**2,060,938**
Deferred tax charged to the income statement during the year (note 10)	**299,665**	**34,072**	**20,458**	**354,195**
Exchange realignment	**93,870**	**16,178**	**479**	**110,527**
Gross deferred tax liabilities at 31 December 2011	**2,144,404**	**360,319**	**20,937**	**2,525,660**

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32. DEFERRED TAX (Continued)

Deferred tax assets

Group

	Provision for LAT HK$'000	Losses available for off setting against future taxable profits HK$'000	Depreciation allowance in excess of related depreciation HK$'000	Unrealised profit arising from intra-group transactions HK$'000	Others HK$'000	Total HK$'000
Gross deferred tax assets at 1 January 2010	124,396	9,420	1,125	–	15,131	150,072
Acquisition of a subsidiary (note 37)	–	6,512	–	–	–	6,512
Deferred tax credited/(charged) to the income statement during the year (note 10)	64,309	272	(1,137)	31,683	(2,949)	92,178
Exchange realignment	5,922	460	12	765	453	7,612
Gross deferred tax assets at 31 December 2010 and 1 January 2011	**194,627**	**16,664**	**–**	**32,448**	**12,635**	**256,374**
Deferred tax credited/(charged) to the income statement during the year (note 10)	**(83,545)**	**(12,520)**	**–**	**81,043**	**9,411**	**(5,611)**
Exchange realignment	**7,702**	**532**	**–**	**1,902**	**818**	**10,954**
Gross deferred tax assets at 31 December 2011	**118,784**	**4,676**	**–**	**115,393**	**22,864**	**261,717**

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position.

The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2011 HK$'000	2010 HK$'000
Net deferred tax assets recognised in the consolidated statement of financial position	**178,052**	178,588
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(2,441,995)**	(1,983,152)
	(2,263,943)	(1,804,564)

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32. DEFERRED TAX (Continued)

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%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries and established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2011, certain subsidiaries of the Group recognised deferred tax liabilities of approximately HK$20,937,000 for withholding taxes that would be payable on the unremitted earnings in Mainland China. In the opinion of the directors, it is not probable that the remaining subsidiaries, joint ventures and jointly operations will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries, joint ventures and joint operations in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$2,965,517,000 at 31 December 2011 (2010: HK$2,259,368,000).

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

33. PERPETUAL CONVERTIBLE SECURITIES

On 12 October 2010, Franshion Capital Limited, a direct wholly-owned subsidiary of the Company, issued perpetual convertible securities with a nominal value of US$600 million (equivalent to HK$4,655,166,000). There was no movement in the number of perpetual convertible securities during the year. The direct transaction costs attributable to the perpetual convertible securities amounted to HK$67,166,000.

The perpetual convertible securities are convertible at the option of the holders of perpetual convertible securities into ordinary shares of the Company at any time on or after 11 October 2011 at the initial conversion price of HK$2.83 per ordinary share of the Company. While the perpetual convertible securities confer a right to receive distributions at 6.8% per annum, Franshion Capital Limited may, at its sole discretion, elect to defer a distribution pursuant to the terms of the perpetual convertible securities.

The perpetual convertible securities have no maturity date and are redeemable at the option of Franshion Capital Limited at any time after 11 October 2015 at 110% of the outstanding principal amount, together with all outstanding arrears of distribution (if any) and the distribution accrued to the date fixed for redemption. The perpetual convertible securities are also redeemable at the option of the holders of perpetual convertible securities upon any delisting or prolonged suspension (for a period of 90 consecutive days) arising from or as a result of an application to the Stock Exchange having been initiated or made by the Company or such delisting or prolonged suspension having been effected or imposed through any other means controlled by the Company or otherwise resulting from any action of the Company.

In the opinion of the directors, the Group is able to control the delivery of cash or other financial assets to the holders of perpetual convertible securities due to redemption other than an unforeseen liquidation of the Company or Franshion Capital Limited. Accordingly, the perpetual convertible securities are classified as equity instruments.

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34. SHARE CAPITAL

Shares

	2011 HK$'000	2010 HK$'000
Authorised:		
20,000,000,000 ordinary shares of HK$1 each	**20,000,000**	20,000,000
Issued and fully paid:		
9,161,489,489 ordinary shares of HK$1 each	**9,161,489**	9,161,489

There was no movement in share capital during the year.

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 35 to the financial statements.

35. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") 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 Company's executive and non-executive and the Group's senior management, key technical and professional personnel, managers and employees, but do not include the Company's independent non-executive directors. The Scheme became effective on 22 November 2007 and, unless otherwise cancelled or amended, 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 is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any 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 director, chief executive or substantial shareholder 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 or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise and exercisability of the share options is related to the performance of individuals and of the Company. The board of directors will determine performance targets concerned and set out in the grant notice. The share options granted will become exercisable after two years from the grant date or a later date as set out in the relevant grant notice, and in any event shall end not later than seven years from the grant date but subject to the provisions for early termination of employment.

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

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

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35. SHARE OPTION SCHEME (Continued)

The following share options were outstanding under the Scheme during the year:

	2011		2010	
	Weighted average exercise price HK$ per share	Number of options	Weighted average exercise price HK$ per share	Number of options
At 1 January	**3.37**	**4,477,356**	3.37	5,469,838
Forfeited during the year	**3.37**	**(1,516,888)**	3.37	(992,482)
Expired during the year	**3.37**	**(195,780)**		
At 31 December	**3.37**	**2,764,688**	3.37	4,477,356

The exercise price and exercise period of the share options outstanding as at that end of the reporting period are as follows:

2011

Number of options	Exercise price* HK$ per share	Exercise period
1,472,544	**3.37**	**5 May 2012 to 4 May 2015**
1,292,144	**3.37**	**5 May 2010 to 4 May 2015**
2,764,688		

2010

Number of options	Exercise price* HK$ per share	Exercise period
1,487,924	3.37	5 May 2010 to 4 May 2015
1,494,716	3.37	5 May 2011 to 4 May 2015
1,494,716	3.37	5 May 2012 to 4 May 2015
4,477,356		

* The exercise price of the share options is subject to adjustment in case of rights or bonus issues, or other similar changes in the Company's share capital.

There was no new share option granted during the year and the fair value of the share options granted during the year ended 31 December 2008 was HK$7,604,000, of which the Group recognised a share option expense of HK$1,431,000 (2010: HK$1,184,000).

The fair value of equity-settled share options granted was estimated as at the date of grant, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

Dividend yield (%)	**0.59**
Expected volatility (%)	**49.6**
Historical volatility (%)	**49.6**
Risk-free interest rate (%)	**2.46**
Expected life of options (year)	**4.95**
Weighted average share price (HK$ per share)	**3.25**

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35. SHARE OPTION SCHEME (Continued)

The expected life of the options is calculated based on the average of weighted vesting period and contractual period. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

At the end of the reporting period, the Company had 2,764,688 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 2,764,688 additional ordinary shares of approximately the Company and an additional share capital of HK$2,764,000 and share premium of approximately HK$6,552,000 (before issue expenses).

36. 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 on page 130 to 131 of the financial statements.

Capital reserve

The capital reserve represents additional contribution made by the shareholders of the Company's subsidiaries and, in the case of an acquisition of an additional equity interest in a non-wholly owned subsidiary, the difference between the cost of acquisition and the non-controlling interests acquired.

PRC statutory surplus reserve

Transfers from retained profits to the statutory surplus reserve were made in accordance with the relevant PRC rules and regulations and the articles of association of the Group's subsidiaries established in Mainland China and were approved by the board of directors of the respective subsidiaries.

The statutory surplus reserve can be used to cover previous years' losses, if any, and may be converted into capital in proportion to equity holders' existing equity holding, provided that the balance after such conversion is not less than 25% of their registered capital.

Assets revaluation reserve

The assets revaluation reserve arose from a change in use from an own-occupied property to an investment property carried at fair value.

Share option reserve

The 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.

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36. RESERVES (Continued)

(b) Company

	Notes	Share premium account HK$'000	Share option reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2010		6,109,789	2,498	180,572	6,292,859
Total comprehensive income for the year	11	–	–	245,096	245,096
Equity-settled share option arrangements	35	–	1,184	–	1,184
Proposed final 2010 dividend		–	–	(229,037)	(229,037)
At 31 December 2010 and at 1 January 2011		**6,109,789**	**3,682**	**196,631**	**6,310,102**
Total comprehensive income for the year	11	**–**	**–**	**504,217**	**504,217**
Equity-settled share option arrangements	35	**–**	**1,431**	**–**	**1,431**
Transfer of share option reserve upon the forfeiture or expiry of share option		**–**	**(1,703)**	**1,703**	**–**
Proposed final 2011 dividend	12	**–**	**–**	**(366,460)**	**(366,460)**
At 31 December 2011		**6,109,789**	**3,410**	**336,091**	**6,449,290**

37. ACQUISITION OF A SUBSIDIARY

On 3 September 2010, the Company completed the acquisition of a 50% equity interest in Shanghai Yin Hui from Sinochem Hong Kong for a cash consideration of RMB928,800,000 (equivalent to HK$1,058,523,000). Shanghai Yin Hui is principally engaged in the development of commercial and office properties on a piece of land situated in Shanghai, the PRC. The Group incurred and paid transaction costs of HK$6,445,000 for this acquisition.

As at the date of acquisition, Shanghai Yin Hui had assets comprising properties under development of HK$2,315,120,000, deferred tax assets of HK$6,512,000 and cash and cash equivalents of HK$37,024,000, and had liabilities comprising of interest-bearing bank and other borrowings of HK$228,720,000. Shanghai Yin Hui had not begun its planned principal activities on the date of acquisition because the project was in the pre-development stage.

The purchase consideration for the acquisition was settled by the Group during the year.

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38. DISPOSAL OF A SUBSIDIARY

	2011 HK$'000	2010 HK$'000
Net assets disposed of:		
Properties under development	**689,107**	–
Cash and cash equivalents	**2,303**	–
	691,410	–
Gain on disposal of a subsidiary	**1,137,510**	–
Release of exchange differences on translation of foreign operations	**4,634**	–
	1,833,554	–
Satisfied by: Cash	**1,833,554**	–

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2011 HK$'000	2010 HK$'000
Cash consideration	**1,833,554**	
Cash and cash equivalents disposed of	**(2,303)**	–
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	**1,831,251**	–

39. CONTINGENT LIABILITIES

At the end of the reporting period, the Group has provided guarantees in respect of mortgage facilities for certain purchasers of the Group's properties amounting to approximately HK$639,788,000 (2010: HK$45,531,000).

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40. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 18) under operating lease arrangements, with leases negotiated for terms ranging from one to ten 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 the end of the reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Within one year	**836,629**	635,018
In the second to fifth years, inclusive	**781,145**	443,564
After five years	**1,035**	34
	1,618,809	1,078,616

(b) As lessee

The Group and the Company leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to five years.

At the end of the reporting period, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**13,977**	5,449	**3,116**	2,873
In the second to fifth years, inclusive	**2,250**	3,691	**145**	–
	16,227	9,140	**3,261**	2,873

41. COMMITMENTS

In addition to the operating lease commitments detailed in note 40(b) above, the Group had the following capital commitments at the end of the reporting period:

	Group	
	2011	2010
	HK$'000	HK$'000
Contracted, but not provided for:		
Properties under development	**4,573,608**	1,759,773
Prepayment for investment	**–**	1,075,285
	4,573,608	2,835,058
Authorised, but not contracted:		
Properties under development	**2,621,492**	–
	2,621,492	–

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42. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	Notes	Group 2011 HK$'000	Group 2010 HK$'000
Fellow subsidiaries:			
Rental income	(i)	**189,564**	155,585
Property management fee income	(i)	**19,428**	17,865
Income from hotel operations	(i)	**214**	399
Interest expense	(ii)	**14,909**	48,456
Interest income	(iii)	**2,795**	2,296
The immediate holding company:			
Interest expense	(ii)	**7,863**	8,267
Rental expense	(i)	**2,627**	2,611
The intermediate holding company:			
Rental income	(i)	**73,360**	69,050
Property management fee income	(i)	**14,151**	13,594
The ultimate holding company:			
Rental income	(i)	**8,288**	8,482
Property management fee income	(i)	**826**	397
Income from hotel operations	(i)	**13**	198

Notes:

(i) These transactions were carried out in accordance with the terms and conditions mutually agreed by both parties.

(ii) The interest expenses were charged at rates ranging from 2.30% to 5.99% (2010: 2.53% to 4.86%) per annum.

(iii) The interest income was determined at rates ranging from 0.50% to 1.49% (2010: 0.36% to 1.35%) per annum.

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42. RELATED PARTY TRANSACTIONS (Continued)

(b) Compensation of key management personnel of the Group

	2011 HK$'000	2010 HK$'000
Short term employee benefits	**19,943**	15,185
Post-employment benefits	**1,905**	215
Equity-settled share option expense	**639**	466
Total compensation paid to key management personnel	**22,487**	15,866

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

The related party transactions in respect of all items in note 42(a) also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

(c) Transactions and balances with other state-owned entities

The Group enters into certain transactions with state-owned entities, other than holding companies and fellow subsidiaries of the Company, in the normal course of business at terms comparable to those with other non-state-owned entities. These transactions mainly include (i) sales of properties and provisions of land development services to state-owned entities; (ii) advances from/to state-owned entities; and (iii) deposits placed with and borrowings from state-owned banks.

The Group had the following individually significant transactions with these state-owned entity customers during the year ended 31 December 2011:

	Group	
	2011 HK$'000	2010 HK$'000
Sale of properties	**1,304,843**	2,786,824
Land development income	**1,673,128**	–

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42. RELATED PARTY TRANSACTIONS (Continued)

(c) Transactions and balances with other state-owned entities (Continued)

In addition, the Group has certain of its cash and time deposits and outstanding interest-bearing bank and other loans with certain state-owned banks in the PRC and balances with non-controlling shareholders and a joint operation party at the end of the reporting period, which were individually or collectively significant, as summarised below:

	Group	
	2011	2010
	HK$'000	HK$'000
Cash and bank balances	**1,381,702**	1,181,092
Time deposits	**1,934,770**	791,049
Due from non-controlling shareholders	**435,449**	56,432
Due to non-controlling shareholders	**900,455**	–
Due to a joint operation party	**524,328**	–
Short-term interest-bearing bank and other loans	**2,896,911**	1,183,965
Long-term interest-bearing bank and other loans	**6,417,162**	6,109,830

43. 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:

	Group	
	2011	2010
Financial assets		
	Loans and receivables	Loans and receivables
	HK$'000	HK$'000
Trade receivables	**105,113**	99,497
Financial assets included in prepayments, deposits and other receivables	**1,175,111**	87,096
Due from related parties	**21,461**	12,936
Restricted bank balances	**131,878**	5,390
Pledged deposits	**236,602**	2,086,791
Cash and cash equivalents	**12,223,645**	11,229,509
	13,893,810	13,521,219
Financial liabilities		
	Financial liabilities at amortised cost	Financial liabilities at amortised cost
	HK$'000	HK$'000
Trade payables	**2,345,492**	787,747
Financial liabilities included in other payables and accruals	**2,754,413**	1,044,130
Due to related parties	**79,295**	1,144,750
Interest-bearing bank and other borrowings	**25,199,384**	18,235,237
	30,378,584	21,211,864

Notes to Financial Statements

31 December 2011

43. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

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

	Company	
	2011	2010
Financial assets		
	Loans and receivables HK$'000	Loans and receivables HK$'000
Due from subsidiaries	**3,012,687**	857,560
Financial assets included in prepayments, deposits and other receivables	**8,964**	4,964
Cash and cash equivalents	**3,743,608**	3,987,810
	6,765,259	4,850,334
Financial liabilities		
	Financial liabilities at amortised cost HK$'000	Financial liabilities at amortised cost HK$'000
Due to subsidiaries	**8,010,157**	4,606,538
Financial liabilities included in other payables and accruals	**6,117**	2,668
Due to related parties	**–**	1,065,208
Interest-bearing bank and other borrowings	**2,877,120**	2,179,025
	10,893,394	7,853,439

Notes to Financial Statements

31 December 2011

44. FAIR VALUE AND FAIR VALUE HIERARCHY

The carrying amounts and fair values of the Group's and the Company's financial instruments are as follows:

Group

	Carrying amounts		Fair values	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Trade receivables	**105,113**	99,497	**105,113**	99,497
Financial assets included in prepayments, deposits and other receivables	**1,175,111**	87,096	**1,175,111**	87,096
Due from related parties	**21,461**	12,936	**21,461**	12,936
Restricted bank balances	**131,878**	5,390	**131,878**	5,390
Pledged deposits	**236,602**	2,086,791	**236,602**	2,086,791
Cash and cash equivalents	**12,223,645**	11,229,509	**12,223,645**	11,229,509
	13,893,810	13,521,219	**13,893,810**	13,521,219
Financial liabilities				
Trade payables	**2,345,492**	787,747	**2,345,492**	787,747
Financial liabilities included in other payables and accruals	**2,754,413**	1,044,130	**2,754,413**	860,870
Due to related parties	**79,295**	1,144,750	**79,295**	1,144,750
Interest-bearing bank and other borrowings	**25,199,384**	18,235,237	**24,342,438**	18,235,237
	30,378,584	21,211,864	**29,521,638**	21,028,604

Notes to Financial Statements

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44. FAIR VALUE AND FAIR VALUE HIERARCHY (Continued)

Company

	Carrying amounts		Fair values	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Due from subsidiaries	**3,012,687**	857,560	**3,012,687**	857,560
Financial assets included in prepayments, deposits and other receivables	**8,964**	4,964	**8,964**	4,964
Cash and cash equivalents	**3,743,608**	3,987,810	**3,743,608**	3,987,810
	6,765,259	4,850,334	**6,765,259**	4,850,334

	Carrying amounts		Fair values	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial liabilities				
Due to subsidiaries	**8,010,157**	4,606,538	**8,010,157**	4,606,538
Financial liabilities included in other payables and accruals	**6,117**	2,668	**6,117**	2,668
Due to related parties	**–**	1,065,208	**–**	1,065,208
Interest-bearing bank and other borrowings	**2,877,120**	2,179,025	**2,877,120**	2,179,025
	10,893,394	7,853,439	**10,893,394**	7,853,439

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

The fair value of cash and cash equivalents, the current portion of pledged deposits, restricted bank balances, trade receivables, trade payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, the current portion of amounts due from/to subsidiaries, and the current portion of amounts due from/to related parties approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the non-current portion of pledged deposits, the non-current portion of amounts due to related parties, the non-current portion of amounts due to subsidiaries and interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments on similar terms, credit risk and remaining maturities.

At the end of the reporting period, neither the Group nor the Company had financial assets or liabilities measured at fair value.

Notes to Financial Statements

31 December 2011

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, comprise bank loans and other borrowings, amounts due from related parties, and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's cash and cash equivalents and long term debt obligations with floating interest rates.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. The Group's policy is to maintain less than 25% of its interest-bearing borrowings at fixed interest rates.

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

	Group		Company	
	Increase/ (decrease) In basis points	Increase/ (decrease) in profit before tax HK$'000	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax HK$'000
31 December 2011				
RMB	**27**	**(43,253)**	**27**	**–**
USD	**27**	**(7,393)**	**27**	**(7,271)**
RMB	**(27)**	**43,253**	**(27)**	**–**
USD	**(27)**	**7,393**	**(27)**	**7,271**
31 December 2010				
RMB	27	(31,969)	27	–
USD	27	(5,761)	27	(5,507)
RMB	(27)	31,969	(27)	–
USD	(27)	5,761	(27)	5,507

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the year and had applied the exposure to interest rate risk to those bank and other borrowings in existence at that date. The estimated percentage increase or decrease represents management's assessment of a reasonably possible change in interest rates over the year until the next annual end of the reporting period.

Notes to Financial Statements

31 December 2011

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreign currency risk

All of the Group's turnover and substantially all of the Group's operating expenses are denominated in RMB, which is currently not a freely convertible currency. The PRC Government imposes controls on the convertibility of RMB into foreign currencies and, in certain cases, the remittance of currency out of Mainland China. Shortages in the availability of foreign currencies may restrict the ability of the Group's PRC subsidiaries to remit sufficient foreign currencies to pay dividends or other amounts to the Group.

Under existing PRC foreign exchange regulations, payments of current account items, including dividends, trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from the State Administration for Foreign Exchange by complying with certain procedural requirements. However, approval from appropriate PRC Governmental authorities is required where RMB is to be converted into foreign currencies and remitted out of Mainland China to pay capital account items, such as the repayment of bank loans denominated in foreign currencies.

Currently, the Group's PRC subsidiaries may purchase foreign currencies for settlement of current account transactions, including the payment of dividends to the Company, without the prior approval of the State Administration for Foreign Exchange. The Group's PRC subsidiaries may also retain foreign currencies in their current accounts to satisfy foreign currency liabilities or to pay dividends. Since foreign currency transactions on the capital account are still subject to limitations and require approval from the State Administration for Foreign Exchange, this could affect the ability of the Group's subsidiaries' to obtain the required foreign currencies through debt or equity financing, including by means of loans or capital contributions.

The Group's financial assets and liabilities are not subject to foreign currency risk, except for certain short term deposits denominated in United States dollars. The fluctuations in the exchange rates of RMB against foreign currencies could affect the Group's results of operations.

There are limited hedging instruments available in Mainland China to reduce the Group's exposure to exchange rate fluctuations between the RMB and other currencies. To date, the Group has not entered into any hedging transactions in an effort to reduce the Group's exposure to foreign currency exchange risk. While the Group may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedges may be limited, and the Group may not be able to hedge the Group's exposure successfully, or at all.

Notes to Financial Statements

31 December 2011

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreign currency risk (continued)

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the exchange rate between HK$ and United States dollars ("US$") on the Group's profits for the year ended 31 December 2011 and 2010.

	Group	
Increase/(decrease) in US$ Rate	**Increase/ (decrease) in profits for the year 2011 HK$'000**	Increase/ (decrease) in profits for the year 2010 HK$'000
+1%	**(53,964)**	5,877
-1%	**53,964**	(5,877)

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the exchange rate between RMB and US$ on the Group's profits for the years ended 31 December 2011 and 2010.

	Group	
Increase/(decrease) in US$ Rate	**Increase/ (decrease) in profits for the year 2011 HK$'000**	Increase/ (decrease) in profits for the year 2010 HK$'000
+5%	**81,396**	(16,432)
-5%	**(81,396)**	16,432

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its land development revenue, sale of properties, leasing activities, provision of hotel and property management services and its financing activities, including deposits with banks and financial institutions and derivatives. Credit risk is managed by requiring tenants to pay rentals in advance. Outstanding tenants' receivables are regularly monitored. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial asset.

Notes to Financial Statements

31 December 2011

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk

Due to the capital intensive nature of the Group's business, the Group ensures that it maintains sufficient cash and credit facilities to meet its liquidity requirements. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and other interest-bearing loans. In the opinion of the directors, most of the borrowings that mature within one year are able to be renewed and the Group is expected to have adequate source of funding to finance and manage its liquidity position.

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				
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Interest-bearing bank and other borrowings	7,085,105	6,372,170	6,037,128	11,693,421	31,187,824
Trade payables	2,345,492	–	–	–	2,345,492
Other payables	1,847,982	–	–	–	1,847,982
Due to related parties	79,295	–	–	–	79,295
	11,357,874	6,372,170	6,037,128	11,693,421	35,460,593

	2010				
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Interest-bearing bank and other borrowings	8,198,389	2,854,575	6,309,288	3,177,123	20,539,375
Trade payables	787,747	–	–	–	787,747
Other payables	750,330	–	–	–	750,330
Due to related parties	86,227	1,082,770	–	–	1,168,997
	9,822,693	3,937,345	6,309,288	3,177,123	23,246,449

Notes to Financial Statements

31 December 2011

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

Company

	2011				
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total HK$'000
Interest-bearing bank and other borrowings	**829,680**	**2,114,756**	**–**	**–**	**2,944,436**
Other payables	**6,117**	**–**	**–**	**–**	**6,117**
Due to subsidiaries	**–**	**–**	**8,010,157**	**–**	**8,010,157**
Due to related parties	**–**	**–**	**–**	**–**	**–**
	835,797	**2,114,756**	**8,010,157**	**–**	**10,960,710**

	2010				
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total HK$'000
Interest-bearing bank and other borrowings	431,853	42,694	1,812,010	–	2,286,557
Other payables	2,668	–	–	–	2,668
Due to subsidiaries	–	–	4,606,538	–	4,606,538
Due to related parties	6,685	1,058,523	–	–	1,065,208
	441,206	1,101,217	6,418,548	–	7,960,971

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, issue new shares or sell assets to reduce debt. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2011 and 31 December 2010.

Notes to Financial Statements

31 December 2011

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital management (Continued)

The Group monitors capital on the basis of the debt-to-adjusted-capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total interest-bearing bank and other borrowings (as shown in the statement of financial position) less cash and cash equivalents and restricted bank balances and pledged deposits. Adjusted capital comprises all components of equity (including non-controlling interests) and amounts due to related parties. The Group aims to maintain the debt-to-adjusted-capital ratio at a reasonable level. The debt-to-adjusted-capital ratios as at the end of the reporting period were as follows:

		Group	
		2011	2010
	Notes	**HK$'000**	HK$'000
Interest-bearing bank and other borrowings	30	**25,199,384**	18,235,237
Less: Cash and cash equivalents	27	**(12,223,645)**	(11,229,509)
Restricted bank balances and pledged deposits	27	**(368,480)**	(2,092,181)
Net debt		**12,607,259**	4,913,547
Total equity		**30,547,255**	26,719,201
Add: Amounts due to related parties	26	**79,295**	1,144,750
Adjusted capital		**30,626,550**	27,863,951
Debt-to-adjusted-capital ratio		**41.2%**	17.6%

46. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 21 March 2012.

Five-Year

Financial Information

31 December 2011

I. MAJOR INFORMATION OF INCOME STATEMENTS

	2007 HK$'000	2008 HK$'000	2009 HK$'000	2010 HK$'000	**2011** **HK$'000**
RESULTS					
REVENUE	2,812,981	3,913,468	6,320,902	6,348,001	**6,591,692**
Cost of sales	(1,135,369)	(1,715,516)	(3,021,689)	(3,045,079)	**(3,016,723)**
Gross profit	1,677,612	2,197,952	3,299,213	3,302,922	**3,574,969**
Other income and gains	3,277,618	381,250	485,560	1,274,375	**2,672,051**
Selling and distribution costs	(173,218)	(168,912)	(254,734)	(266,686)	**(307,128)**
Administrative expenses	(385,978)	(494,582)	(552,500)	(640,683)	**(851,250)**
Other expenses	(2,043)	(2,923)	(3,068)	(3,107)	**(135,667)**
Finance costs	(304,234)	(405,641)	(499,963)	(606,196)	**(859,274)**
Share of profits and losses of:					
Jointly-controlled entities	5,227	(6,208)	(927)	2,900	**3,619**
Associates	(410)	–	–	–	
PROFIT BEFORE TAX	4,094,574	1,500,936	2,473,581	3,063,525	**4,097,320**
Tax	(1,241,909)	(401,788)	(742,484)	(931,714)	**(1,186,566)**
PROFIT FOR THE YEAR	2,852,665	1,099,148	1,731,097	2,131,811	**2,910,754**
Attributable to:					
Owners of the parent	2,520,302	900,934	1,174,408	1,713,616	**2,344,352**
Non-controlling interests	332,363	198,214	556,689	418,195	**566,402**
	2,852,665	1,099,148	1,731,097	2,131,811	**2,910,754**

II. MAJOR INFORMATION OF FINANCIAL POSITION

	2007 HK$'000	2008 HK$'000	2009 HK$'000	2010 HK$'000	**2011** **HK$'000**
Total non-current assets	21,290,494	23,961,343	29,025,701	35,639,777	**44,803,431**
Total current assets	10,411,391	10,585,593	11,116,810	15,715,375	**24,967,607**
Total assets	31,701,885	34,546,936	40,142,511	51,355,152	**69,771,038**
Total current liabilities	12,128,550	14,870,504	14,652,412	10,886,405	**17,610,408**
Total non-current liabilities	4,192,806	5,752,290	7,543,233	13,749,546	**21,613,375**
Total liabilities	16,321,356	20,622,794	22,195,645	24,635,951	**39,223,783**
Equity attributable to:					
Owners of the parent	12,035,146	11,040,045	16,419,645	23,124,496	**26,170,749**
Non-controlling interests	3,345,383	2,884,097	1,527,221	3,594,705	**4,376,506**
Total equity	15,380,529	13,924,142	17,946,866	26,719,201	**30,547,255**

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For the reason of good corporate citizenship, we print our 2011 Annual Report with FSC paper to fulfill our corporate responsibility and create a bright future for our next generation.

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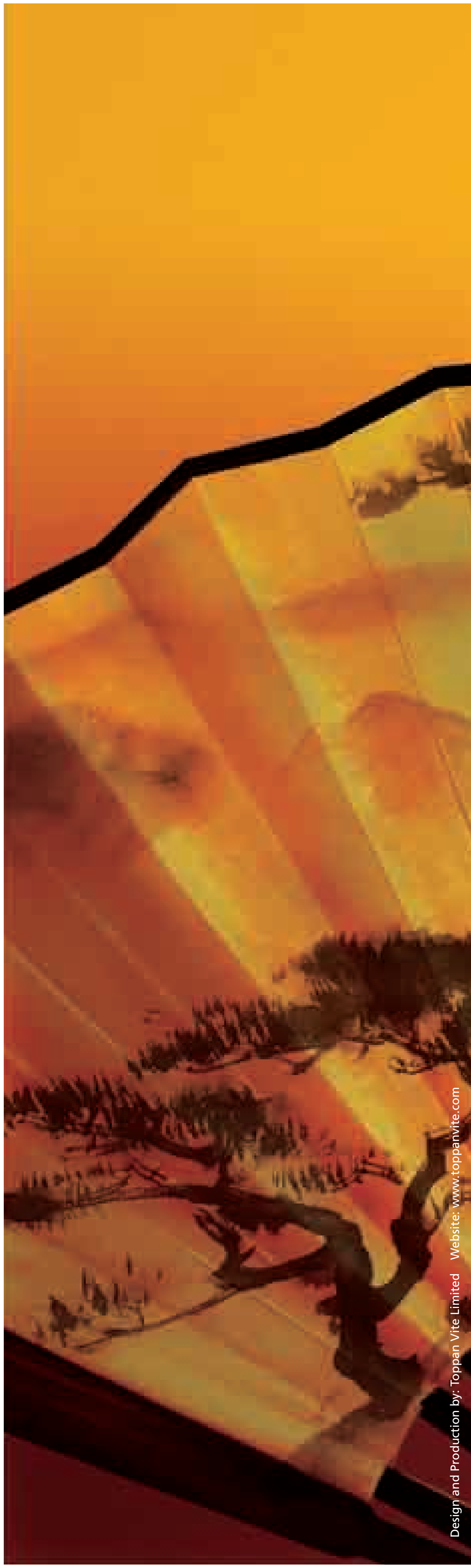

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