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CHINA SCE PROPERTY HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code:1966.HK

Quanzhou • Fortune Plaza • Royal Terrace

Contents

Corporate Profile

China SCE Property Holdings Limited ("China SCE" or the "Company") and its subsidiaries (collectively, the "Group") were established in 1996 and listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") in February 2010 (Stock Code: 1966). The Group's major businesses include investment holding, real estate development, property investment and property management. The Company upholds "constructing a classic homestead" as its corporate mission and strives for excellence in product quality. After many years of development, the Company has established a good brand image in the industry and was granted the awards and honours of "Top 100 Real Estate Enterprises in China" and "Stars of the Top 100 Real Estate Enterprises in China" for four consecutive years.

China SCE is headquartered in Xiamen as its development base for carrying out its national development strategy of "firming its foothold on West Taiwan Strait Economic Zone, expanding into the Bohai Rim Economic Zone and paying attention to the Pearl River Delta Economic Zone". As of 31 December 2011, the Group together with its jointly-controlled entities and associates, owned a land bank with aggregate planned gross floor area of approximately 8 million sq.m., distributed over Quanzhou, Xiamen, Zhangzhou, Shenzhen, Beijing, Tangshan, Anshan and Linfen, etc.

China SCE will fully utilise the international capital platform that was established through its listing in Hong Kong to implement prudent financial development strategies. In future development, the Company will actively implement its development strategies on the basis of emphasising and improving product quality as it always did, and strives to become a regional leader in the industry to maximise the value created for the shareholders and make greater contributions to both the real estate industry and the society at large.

Xiamen • SCE Building

Corporate Information

DIRECTORS

Executive Directors

Mr. Wong Chiu Yeung *(Chairman)*
Mr. Chen Yuanlai *(Vice Chairman)*
Mr. Cheng Hiu Lok *(Vice Chairman)*
Mr. Li Wei
Mr. Liu Zhijie (appointed on 1 May 2011)
Mr. Huang Youquan (appointed on 1 May 2011)

Non-executive Director

Mr. Fung Ka Pun

Independent Non-executive Directors

Mr. Ting Leung Huel Stephen
Mr. Lu Hong Te
Mr. Dai Yiyi

COMPANY SECRETARY

Mr. Li Siu Po

AUTHORISED REPRESENTATIVES

Mr. Wong Chiu Yeung
Mr. Li Siu Po

AUDIT COMMITTEE

Mr. Ting Leung Huel Stephen *(Chairman)*
Mr. Lu Hong Te
Mr. Dai Yiyi

REMUNERATION COMMITTEE

Mr. Wong Chiu Yeung *(Chairman)*
Mr. Ting Leung Huel Stephen
Mr. Dai Yiyi

NOMINATION COMMITTEE

Mr. Cheng Hiu Lok *(Chairman)*
Mr. Li Wei
Mr. Lu Hong Te

AUDITORS

Ernst & Young
Certified Public Accountants

LEGAL ADVISORS

As to Hong Kong Law:
Chiu & Partners

COMPLIANCE ADVISOR

Cinda International Capital Limited

REGISTERED OFFICE IN CAYMAN ISLANDS

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

Corporate Information

PRINCIPAL PLACE OF BUSINESS AND HEAD OFFICE IN THE PRC

SCE Building
No. 208, Nanwu Road
Gaoqi, Xiamen
Fujian Province
China

PLACE OF BUSINESS IN HONG KONG

Room 1606, Nanyang Plaza
No. 57 Hung To Road
Kwun Tong, Kowloon
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Dirve
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17/F, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS

Industrial and Commercial Bank of China
Agricultural Bank of China
Bank of China
China Construction Bank
Hongkong and Shanghai Banking Corporation
Hang Seng Bank

INVESTOR RELATIONS

Email: ir@sce-re.com
Fax: (86) 592 5721 855

STOCK CODE

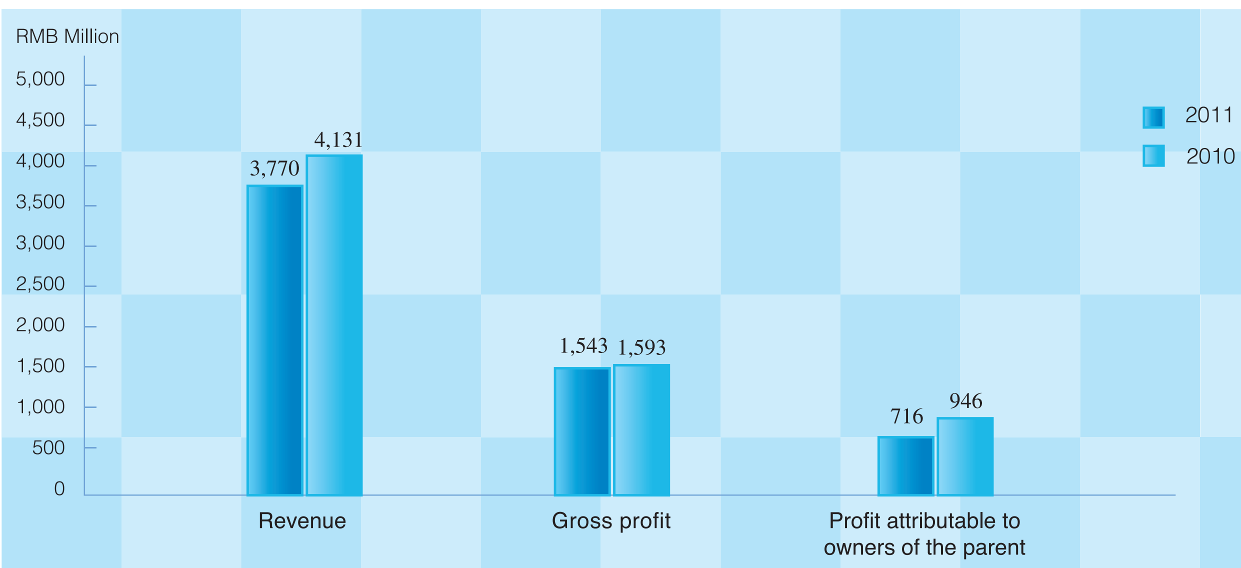
The Stock Exchange of Hong Kong Limited: 1966.HK

COMPANY WEBSITE

www.sce-re.com

SUMMARY OF RESULTS

	For the year ended 31 December		
	2011	2010	Change
	RMB'000	RMB'000	(%)
Revenue	**3,770,348**	4,131,295	(8.7)
Gross profit	**1,542,709**	1,593,495	(3.2)
Profit before tax	**1,467,877**	1,527,418	(3.9)
Income tax expense	**(590,874)**	(591,107)	—
Profit for the year	**877,003**	936,311	(6.3)
Profit/(loss) attributable to:			
Owners of the parent	**715,757**	946,125	(24.3)
Non-controlling interests	**161,246**	(9,814)	N/A
	877,003	936,311	(6.3)
Earnings per share			
Basic	**RMB25.1 cents**	RMB33.8 cents	(25.7)



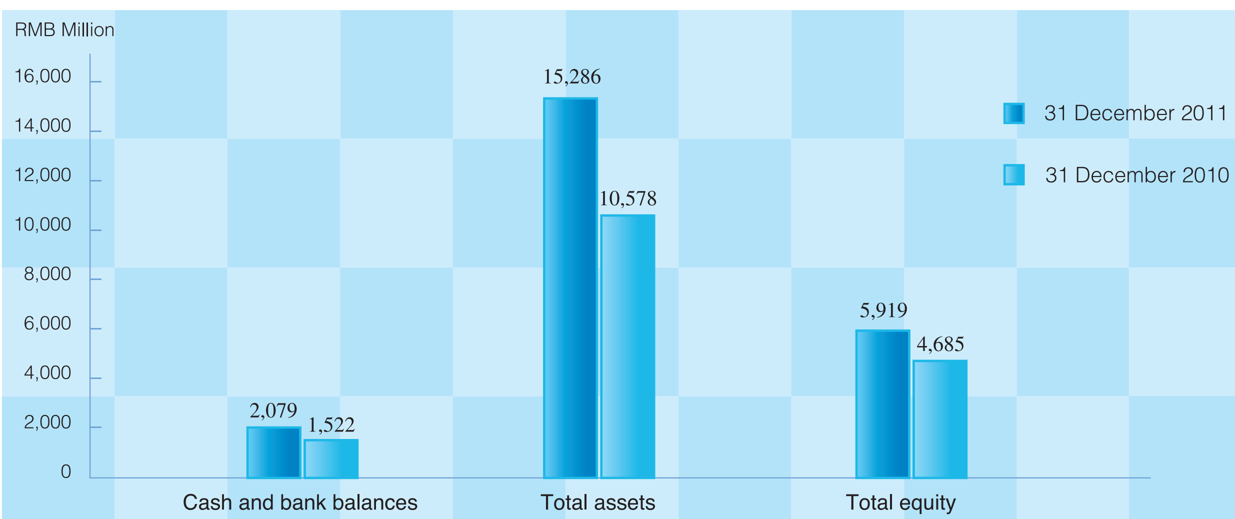
Financial Highlights

REVENUE ANALYSIS

	2011 **RMB'000**	2010 RMB'000	Change (%)
Sales of properties	**3,680,800**	4,071,625	(9.6)
Gross rental income	**58,721**	42,809	37.2
Property management fees	**30,827**	16,861	82.8
Total	**3,770,348**	4,131,295	(8.7)

FINANCIAL POSITION

	31 December 2011 **RMB'000**	31 December 2010 RMB'000	Change (%)
Cash and bank balances	**2,079,362**	1,522,129	36.6
Total assets	**15,285,874**	10,577,689	44.5
Total liabilities	**(9,366,967)**	(5,892,739)	59.0
Total equity	**5,918,907**	4,684,950	26.3



JAN

RMB2 Billion Senior Notes Issued

On 7 January 2011, the Company successfully issued five-year RMB2 billion senior notes, which are denominated in RMB and settled in USD, with coupon rate fixed at 10.5%. The Company became the first real estate developer to successfully issue the synthetic notes in 2011.

Grand Opening of Phase 1 of Sapphire Boomtown

The eagerly awaited Phase 1 of Sapphire Boomtown was launched to the market on 8 January 2011. On the debut day, 93 townhouses and low-rise residential units were made available, and most of them were subscribed on that day.

Sapphire Boomtown is located at the south of Shuixian Avenue in Zhangzhou City. The project occupies a site area of approximately 230,000 sq.m., with a total planned gross floor area ("GFA") exceeding 500,000 sq.m., which will be developed into a large-scale residential community in Zhangzhou. This project was acknowledged as the "Most Anticipated Project in 2011" during the Third China Real Estate New Trends Forum.

Zhangzhou • Sapphire Boomtown

MAR

Grand Opening of Provence Town

Provence Town was officially launched to the market on 5 March 2011, with 251 units (2-bedroom and 3-bedroom) offered in the batch. Provence Town is located at west of Fangshan North Road and north of Xiang'an North Road in Maxiang Town, Xiang'an District, Xiamen City, with a site area of approximately 60,000 sq.m. and a total planned GFA of approximately 140,000 sq.m.

Grand Opening of Sunshine Mansion

Sunshine Mansion was launched to the market on 19 March 2011. On the debut day, 500 units (2-bedroom and 3-bedroom) were made available. Sunshine Mansion is located at the junction of Liunan Road and Nanda Road of Nan'an City with easy accessibility and comprehensive facilities. It covers a site area of approximately 60,000 sq.m., with a total planned GFA of approximately 300,000 sq.m., and is to be developed into a large-scale residential community in Nan'an.

Xiamen • Provence Town

Awarded the Honor of "Top 100 Real Estate Enterprises in China" and "Stars of Top 100" for the Fourth Consecutive Years

A research report on the Top 100 Real Estate Enterprises in China, which was collaboratively compiled by the China Real Estate Association, the Enterprise Research Institute of the Development Center of the State Council and the Real Estate Research Institute of Tsinghua University, was released on 25 March 2011. The Company has been honored as one of the "Top 100 Real Estate Enterprises in China" and "Stars of Top 100" for the fourth consecutive years since 2008.

APR

Grand Opening of Royal Terrace

On 2 April 2011, Fortune Plaza • Royal Terrace in eastern Quanzhou was launched to the market, which attracted substantial interest from the public. Totally 126 low-density units were made available on the debut day. This project covers a site area of approximately 100,000 sq.m., with a total planned GFA of approximately 250,000 sq.m.

Quahzhou • Fortune Plaza • Royal Terrace

MAY

Signs a Strategic Cooperative Agreement with Shanghai Pudong Development Bank

On 10 May 2011, a subsidiary of the Company, Xiamen Zhongjun Industrial Co.,Ltd., and Shanghai Pudong Development Bank (Xiamen Branch) signed a strategic cooperative agreement in the opening ceremony of Shanghai Pudong Development Bank (Xiamen Branch). Pursuant to the agreement, Shanghai Pudong Development Bank (Xiamen Branch) granted RMB 3 billion of credit facility to Xiamen Zhongjun Industrial Co., Ltd.

Awarded the Honor of "Leading Fujian Real Estate Enterprises in China" Again

The Second Conference for Fujian Real Estate Enterprises was held in Xiamen International Conference & Exhibition Center on 15 May 2011. The Company was once again granted the honor of "Leading Fujian Real Estate Enterprises in China" by China Real Estate Business Weekly and the organising committee of the Second Conference for Fujian Real Estate Enterprises in China. This is the second time that the Company received the award.

JUN

Acquires 20% Equity Interest in Zhangzhou Long Wen Hua Gang Real Estate Development Co., Ltd. ("Long Wen Hua Gang")

A subsidiary of the Company successfully acquired 20% equity interest in Long Wen Hua Gang in June 2011. After the acquisition, Long Wen Hua Gang becomes the wholly-owned subsidiary of the Group and holds the Sapphire Boomtown in Zhangzhou.

Jul

Sapphire Peninsula Commences Sales

The Sapphire Peninsula in Quanzhou commenced pre-sale on 23 July 2011. A total of 184 units (2-bedroom and 3-bedroom) were launched on that day. Located in the southern end of Quanzhou Bridge within Binjiang Commercial District in Quanzhou, Sapphire Peninsula overlooks a panoramic river view. It occupies a site area of approximately 80,000 sq.m., with a total planned GFA of approximately 270,000 sq.m.

Completes the Strategic Move in Jimei New Town, Xiamen

Xiamen Zhongjun Industrial Co. Ltd., a subsidiary of the Company, has secured a parcel of land in Jimei, Xiamen on 20 July 2011 at a consideration of RMB318 million. The land occupies a site area of approximately 40,000 sq.m., with a total planned GFA of approximately 140,000 sq.m. It is to be developed into commercial and residential properties. With close proximity to major train station in Xiamen, the region is planned as an important transportation hub accessible by high-speed train and light rail transport, presenting huge potential for development.

Quanzhou • Sapphire Peninsula

Acquires 34% Interest of Quanzhou Puxi No.3 Project

The Company acquired 34% interest of Quanzhou Puxi No.3 Project through its subsidiary in July 2011.

Situated on the southern part of Baozhou Road East Section in Quanzhou, the project occupies a site area of approximately 60,000 sq.m., with a total planned GFA of approximately 410,000 sq.m. This project, which was named International Finance Center, is designated for residential and commercial use.

Aug

Launch of Phase 1 of Sapphire Villa

Phase 1 of Sapphire Villa in Tangshan was officially launched to the market on 19 August 2011, with 72 low-density luxury residential units offered in the first batch. The debut has attracted more than a thousand of celebrities and potential customers from various sectors. Located in northwest of South Lake in Tangshan, this project covers a land area of approximately 110,000 sq.m., with a total planned GFA of approximately 65,000 sq.m.

Develops the First Urban Complex Project in Nan'an

On 24 August 2011, the Company acquired a parcel of land in Nan'an, Quanzhou via its subsidiary by submitting a successful bid at a consideration of RMB349 million of which 20% of its equity interest was owned by an independent third party.

This project enjoys a prime location with huge development potential close to bus terminal, railway station and a highway entrance. The site covers a land area of more than 160,000 sq.m., with a total planned GFA of approximately 660,000 sq.m. The site will be developed into a large-scale urban complex comprising offices, a shopping center, entertainment facilities and residential units.

Tangshan • Sapphire Villa Phase 1

Review of Significant Events

SEP

Wins 2011 "China Real Estate Gold Key Awards"

The Company has been honored as one of the highly-coveted 2011 "China Real Estate Gold Key Awards-Sustained Competitiveness Enterprise" on 18 September 2011. This official national award in the real estate sector is jointly presented by the China International Fair for International & Trade and World Forum for Chinese Entrepreneurs and is one of the most prestigious awards within China's real estate sector.

Nov

West Lake No. 1 and Seashore Suite No. 1 Named "Property Management Model of Residential Communities in Fujian Province"

On 17 November 2011, both West Lake No. 1 and Seashore Suite No. 1 have passed the assessment of the expert judging panel of the Housing Department and Urban-Rural Development Department of Fujian Province and were designated as the "Property Management Model of Residential Communities in Fujian Province".

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of China SCE Property Holdings Limited ("China SCE" or the "Company") and its subsidiaries (collectively, the "Group"), I am pleased to present the annual results of the Group for the year ended 31 December 2011.

The macro environment was not easy for the PRC's property developers during 2011. In order to strengthen and improve the effect of macroeconomic control measures and promote the stable and healthy development of the real estate market, the central government introduced macroeconomic control policies entitled "The Eight New Rules" on 26 January 2011. This demonstrated the strong intention of the central government to strengthen control over the property market and curb rising property prices. The introduction of "The Eight New Rules" further constrained room for investment and speculation in the residential property sector and resulted in a drastic decrease in trading volume of commodity housing in cities where "purchase restriction" was implemented.

Wong Chiu Yeung
Chairman

Entering the fourth quarter, wait-and-see sentiment in the market became more grave, leading to a substantial decrease in the overall real estate market. The operating environment became increasingly difficult due to policy pressures, which in turn brought about more severe challenges to developers. The Group continued to proactively cope with the normalised macroeconomic control measures and managed to deliver satisfactory results through prudent and forward-looking operating strategies.

RESULTS AND DIVIDENDS

For the year ended 31 December 2011, the Group recorded a revenue of approximately RMB3,770 million and a gross profit of approximately RMB1,543 million, representing a decrease of 8.7% and 3.2% respectively over 2010. Profit attributable to owners of the parent amounted to approximately RMB716 million, representing a decrease of 24.3% from the previous year.

Despite the decrease in profit, in return for the tremendous support of our shareholders, the Board of the Company recommends the distribution of a final dividend of HK4 cents per share to shareholders for the year ended 2011.

BUSINESS REVIEW

During the year under review, the Group was clearly aware of the serious circumstance in the market and had made meticulous planning of, and adjustments to financing, project roll-out and land purchasing strategies, achieving good results. During the year, realised contract sales area of the Group was approximately 0.51 million sq.m. and contract sales amount was approximately RMB4,573 million, representing a year-on-year growth of 5.3% and 26.8% respectively; the average property price was RMB8,897 per sq.m., representing an increase of 20.3% from the previous year. During the year, the Group took the following active counter-measures:

Chairman's Statement

Firstly, in January 2011, the Group successfully issued RMB2 billion of US$-settled RMB denominated five-year synthetic bonds with a coupon rate of 10.5%, and became the first real estate company which successfully issued synthetic RMB bonds in 2011. This is another significant financing achievement subsequent to its listing in Hong Kong in 2010, providing sufficient cash flow for the Group and strengthening our ability against risks. The successful issue of bonds also indicates the Group's correct anticipation of the capital market trend.

Secondly, the Group speeded up the roll-out of new projects to accelerate the recovery of funds. The Group rolled out six new projects during the year, namely Fortune Plaza • Royal Terrace, Sapphire Peninsula and Sunshine Mansion in Quanzhou, Provence Town in Xiamen, Sapphire Boomtown Phase 1 in Zhangzhou and Sapphire Villa Phase 1 in Tangshan. There were four new projects rolled out in the first half of the year, and the pre-sale amount realised in the first half of the year represented 62% of that for the whole year, which evidenced the Group's accurate anticipation of the real estate market trend of the year.

In respect of the land purchasing strategy, the Group still insisted on its prudent principles and carefully managed land purchasing timing and manner. Due to a sign of downturn in the real estate market, the Group also made a proper adjustment to its land purchasing plan and only purchased three parcels of land in 2011, with a total planned gross floor area ("GFA") of approximately 1.21 million sq.m. For the year ended 31 December 2011, the Group together with its jointly-controlled entities and associates owned a total planned GFA of approximately 8.00 million sq.m. (the attributable portion of the Group was approximately 5.53 million sq.m.). In terms of the layout, the West Taiwan Strait Economic Zone is still the focus of our development, and 64% of the Group's land bank was located in the West Taiwan Strait Economic Zone. As anticipated under the current development, we believe that the existing land bank will satisfy our development needs in the next four to five years.

FUTURE OUTLOOK

The year of 2012 for the property industry is still a year full of changes. At the end of January, Premier of the State Council, Wen Jiabao, chaired the sixth Plenary Meeting of the State Council, reiterating that the State will continue to strictly implement and gradually perfect policy measures for curbing investment and speculation needs so as to facilitate property prices to return to a reasonable level. Therefore, we have reason to believe that the downturn in the real estate market since the second half of 2011 will persist in the first half of 2012.

Although there are uncertainties existing in the real estate market in the short term, we strongly believe that the rigid demand of the property market driven by the accelerating urbanisation process and the demand for improved housing arising from increasing social wealth exist objectively. The outlook for the PRC's real estate market is still promising in the long term. The Group is clearly aware that in a particular period in which the market is undergoing significant changes, the continued pursuit of perfection is the best strategy to distinguish itself from its competitors. Accordingly, the Group's future work will be focused on maintaining safe cash flow, speeding up the pre-sale process, laying emphasis on product quality consistently and perfecting cost control as well as enhancing the building up of the management team.

APPRECIATION

Lastly, on behalf of the Board, I would like to express our sincere appreciation to all staff for your diligence and contributions in the past year. Also, I would like to take this opportunity to express our sincere gratitude to our investors, clients and partners for their care and support as always!

Wong Chiu Yeung
Chairman

Hong Kong, China
28 March 2012

Quanzhou • Sapphire Uptown

BUSINESS REVIEW

The year of 2011 is the first year of the "twelfth five-year plan" in China, and the PRC's macroeconomy was good as a whole. According to the preliminary statistics from the National Bureau of Statistics, the PRC's GDP for the year of 2011 reached RMB 47,156.4 billion, representing a year-on-year increase of 9.2%. Our target province, Fujian, realised a provincial GDP of RMB1,741 billion, representing a year-on-year increase of 12.2%. In terms of the real estate market, the PRC central government continued to impose austerity measures on the property market which had been implemented since 2010 and also tightened its monetary policy. Various regional governments also initiated "purchase restriction". Together with the indirect impact of the European debt crisis and the slow recovery of the global economy, the PRC real estate sector had entered a cold winter period.

The effect of severe austerity measures has become more obvious in the second half of 2011 especially in the fourth quarter, and the trading volume and price of the property market fell as a whole at the same time. In particular, property prices in many large and medium-sized cities nationwide experienced a month-on-month decrease starting from October. The overall performance of the PRC property sales market had been driven down by the decreasing trend since the second half of the year. According to the "Development and Sales of Properties in the year of 2011" issued by the National Bureau of Statistics, commodity housing achieved sales of 1,099 million sq.m. in area, representing an increase of only 4.9% from the previous year, and area of residential housing sold only increased by 3.9%, indicating a considerable slowdown in growth. We consider that the policy effect on the property sales market will go on in the first half of 2012.

It is our customary practices to pay close attention to the economic development trend and the industry development direction, keenly capture changes in the market and make quick responses accordingly. In January 2011, the Group successfully issued RMB2 billion of US$-settled RMB denominated five-year synthetic bonds with a coupon rate of 10.5%, and became the first real estate company which successfully issued synthetic RMB bonds in 2011. This provided sufficient cash flow for the Group and enhanced our confidence in preventing risks.

Management Discussion and Analysis

During the year, realised contract sales amount of the Group was approximately RMB4,573 million, representing a year-on-year increase of 26.8%, and realised contract sales area was approximately 0.51 million sq.m., representing a year-on-year increase of 5.3%. The average property price increased by 20.3% to RMB8,897 per sq.m.

Contract Sales

In 2011, under the rigorous market environment, the Group had adjusted its marketing strategies in a timely manner and obtained relatively sound sales results. The Group rolled out six new projects during the year, namely Fortune Plaza • Royal Terrace, Sapphire Peninsula and Sunshine Mansion in Quanzhou, Provence Town in Xiamen, Sapphire Boomtown Phase 1 in Zhangzhou and Sapphire Villa Phase 1 in Tangshan. The sales pace of such new property units slowed due to the overall market downturn, however, we maintained relatively steady trends with sales falling in a controllable and expected range as compared to our competitors. Property sales distribution by city during the year is set out as follows:

City	Contract Sales Area (sq.m.)	Contract Sales Amount (RMB million)
Quanzhou	297,335	2,322
Xiamen	89,106	1,047
Zhangzhou	97,971	873
Other	29,511	331
Total	513,923	4,573

Project Development

Projects completed in 2011

In 2011, the completed projects involved a total gross floor area ("GFA") of approximately 0.77 million sq.m., mainly residential properties. Completed properties distribution by city is set out as follows:

City	Type of Property	Total GFA (sq.m.)
Quanzhou	Residential and commercial	500,339
Xiamen	Residential and commercial	55,441
Zhangzhou	Residential and commercial	127,683
Other	Residential and commercial	82,809
Total		766,272

Quanzhou • Fortune Plaza • Royal Terrace

Projects commenced in 2011

In 2011, the Group adjusted its project development plan from the prospect of maintaining steady cash flow. During the year, the Group commenced three projects, namely portion A of Gold Coast Phase 1 located in Quanzhou, Sapphire Villa Phase 1 located in Tangshan and Royal Spring City • Spring Villa located in Anshan, with a total planned GFA of approximately 0.40 million sq.m.

Projects under development as at 31 December 2011

As at 31 December 2011, the Group together with its jointly-controlled entities and associates owned ten projects under development, with a total planned GFA of approximately 1.46 million sq.m. Currently, each project is planned in an orderly way.

City	Name of Project	Type of Property	Interest Attributable to the Group (%)	Total Planned GFA (sq.m.)
Quanzhou	Fortune Plaza • Royal Terrace	Residential	58	202,129
Quanzhou	Sapphire Peninsula	Residential and commercial	100	267,676
Quanzhou	Purple Lake International Golf Villa Phase 1	Low-density residence	49	62,217
Quanzhou	Sunshine Mansion	Residential and commercial	80	300,641
Quanzhou	Portion A of Gold Coast Phase 1	Residential, commercial and tourism related integrated development	45	160,792
Xiamen	The Regent	Residential	60	66,084
Xiamen	Provence Town	Residential and commercial	100	142,930
Zhangzhou	Sapphire Boomtown Phase 1	Residential and commercial	100	20,895
Tangshan	Sapphire Villa Phase 1	Low-density residence	100	64,911
Anshan	Royal Spring City • Spring Villa	Low-density residence	70	168,729
Total				1,457,004

Projects held for future development as at 31 December 2011

As at 31 December 2011, the Group together with its jointly-controlled entities and associates owned a total planned GFA of approximately 5.94 million sq.m. held for future development.

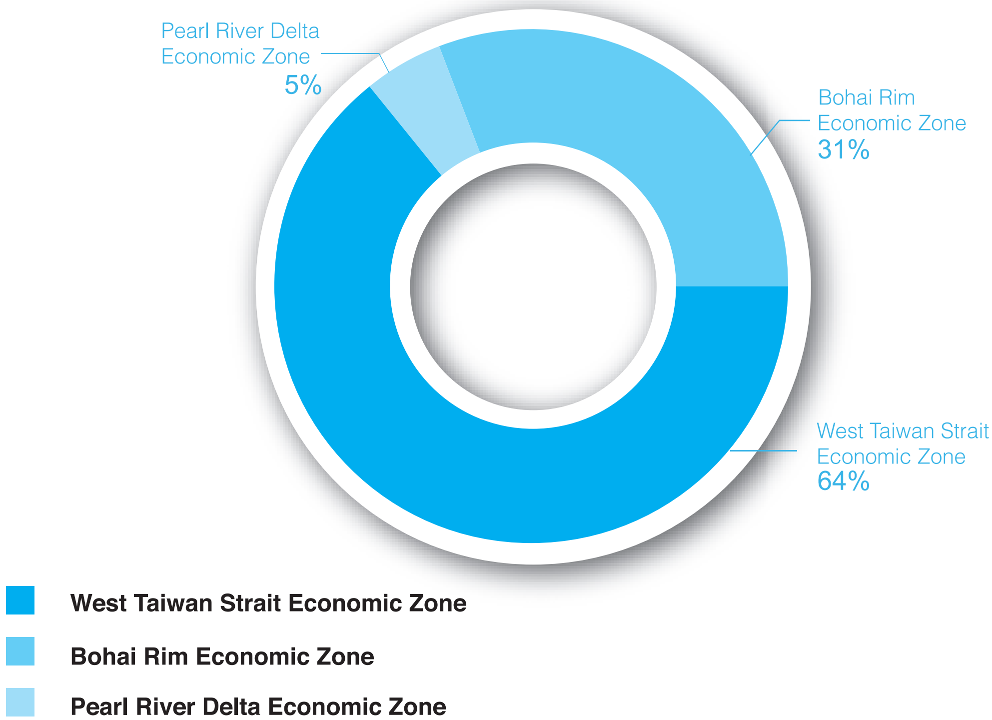
City	Name of Project	Type of Property	Interest Attributable to the Group (%)	Total Planned GFA (sq.m.)
Quanzhou	Fortune Plaza Phases 3, 4 & 5	Residential, commercial, office and hotel	58	817,821
Quanzhou	Sunshine Town Phase 2	Residential and commercial	100	220,229
Quanzhou	Purple Lake International Golf Villa Phase 2	Low-density residence	49	60,982
Quanzhou	Portion B of Gold Coast Phase 1, Phases 2 & 3	Residential, commercial and tourism related integrated development	45	1,095,608
Quanzhou	International Finance Center	Residential and commercial	34	405,000
Quanzhou	World City	Residential and commercial	80	660,000
Xiamen	Sunshine City	Residential and commercial	90	143,000
Zhangzhou	Sapphire Boomtown Phases 2, 3 & 4	Residential and commercial	100	371,721
Beijing	Beijing Project	Residential and commercial	100	38,195
Anshan	Royal Spring City (excluding Phase 1)	Residential and commercial	70	1,645,139
Linfen	SCE International Community Phases 2 & 3	Residential and commercial	90	485,878
Total				5,943,573

Zhangzhou • Sapphire Boomtown Phase 1

Land Bank

During the year, there was a sign of a slowdown in the growth of the PRC economy, and the real estate market was also faced with uncertainties, and therefore, the Group properly adjusted its land purchasing plan. In 2011, the Group purchased three parcels of land in Quanzhou and Xiamen, with an increased total planned GFA of approximately 1.21 million sq.m. (the planned GFA attributable to the Group was approximately 0.79 million sq.m.).

As at 31 December 2011, the Group together with its jointly-controlled entities and associates owned a total planned GFA of approximately 8.00 million sq.m. (the attributable portion of the Group was approximately 5.53 million sq.m.), including a total planned GFA of approximately 0.42 million sq.m. for which a framework agreement had been entered into but public tender procedures had not been completed. It is believed that the existing land bank will satisfy our development needs in the next four to five years. Approximately 64% of the Group's land bank was located in the West Taiwan Strait Economic Zone, approximately 31% in the Bohai Rim Economic Zone, and the remaining 5% in Shenzhen of Pearl River Delta Economic Zone.



Management Discussion and Analysis

Outlook

The principles of economics tell us that the fundamental factor influencing markets, including the real estate market, lies in the relationship between supply and demand. Various objective factors, such as stable and rapid growth of the macroeconomy, increasing social wealth and enhanced urbanisation rate, determine that the rigid demand of the property market will remain tremendous. According to the data released by the National Bureau of Statistics, the urban population of Mainland China as at the end of 2011 as a percentage of total population reached 51.3%, exceeding the rural population for the first time in the history. We consider, the rigid demand will support the development of the property market in the medium and long term and therefore, we expect the medium and long term development of the real estate market will remain booming.

However, the PRC central government will continue to regulate the real estate industry in the short term. The original and fundamental purposes for controlling the property market of the central government are to build a low-income housing system, curb speculation needs and facilitate property prices to return to a reasonable level. Accordingly, the unit price and trading volume of the property market will continue to be subject to adjustment in the short run, until the industry entered the orbit of steady development.

The deep adjustment with which the PRC's property market is being faced has become an irrevocable trend in the development of the industry, and the result of market integration will inevitably lead to the survival of the fittest in the industry. The current industry adjustment is both a challenge and an opportunity for the Group. As a developer focusing on quality and implementing a prudent financial system, the Group has confidence and also the ability to respond proactively to existing challenges. In an adverse situation, we will put more emphasis on our own development, cultivate more outstanding quality-control ability, strengthen management capability and develop brand strength so as to lay a solid foundation for the Group's future development.

In 2012, details of the Group's projects planned for commencement, projects planned for completion and projects planned for pre-sale are as follows:

Projects planned for commencement in 2012

We will adjust the progress of projects reasonably, according to the current situation of the real estate market. In 2012, the area that the Group plans for newly commencement is approximately 0.92 million sq.m., details of which are as follows:

City	Name of Project	Type of Property	Interest Attributable to the Group (%)	Total Planned GFA (sq.m.)
Quanzhou	Fortune Plaza • World City	Commercial	58	319,660
Quanzhou	Fortune Plaza • Marina Bay	Residential and commercial	58	267,008
Quanzhou	Portion B of Gold Coast Phase 1	Residential, commercial and tourism related intergrated development	45	193,008
Xiamen	Sunshine City	Residential and commercial	90	143,000
Total				922,676

Projects planned for pre-sale in 2012

In 2012, the Group expects to launch five projects to the market, namely Gold Coast Phase 1, Fortune Plaza Phase 3 and Purple Lake International Golf Villa Phase 1 in Quanzhou, Sunshine City in Xiamen, and Royal Spring City • Spring Villa in Anshan, respectively. Together with the unsold part of the pre-sale project in 2011, the Group's available for sale area in 2012 is approximately 1.30 million sq.m.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

The revenue of the Group mainly includes property sales, rental income and property management income.

The annual revenue decreased by 8.7% from approximately RMB4,131,295,000 in 2010 to approximately RMB3,770,348,000 in 2011, which was attributable to the decrease in property sales income.

Quanzhou • Sapphire Peninsula

- **Sale of properties**

  Income from property sales decreased by 9.6% from approximately RMB4,071,625,000 in 2010 to approximately RMB3,680,800,000 in 2011, which was due to more mid-end projects were delivered in 2011, and therefore the average unit selling price decreased from RMB9,163 per sq.m. to RMB6,644 per sq.m. in 2011, while the delivered area increased by 24.7% from 444,414 sq.m. in 2010 to 553,990 sq.m. in 2011.

- **Rental income**

  Rental income increased by 37.2% from approximately RMB42,809,000 in 2010 to approximately RMB58,721,000 in 2011, which was mainly attributable to the increase in leased area of shopping mall in the Beijing World City.

- **Property management income**

  Property management income increased by 82.8% from approximately RMB16,861,000 in 2010 to approximately RMB30,827,000 in 2011, which was mainly attributable to the increase in number and floor area of properties under management.

Cost of Sales

Cost of sales decreased by 12.2% from approximately RMB2,537,800,000 in 2010 to approximately RMB2,227,639,000 in 2011. The decrease in cost of sales was mainly attributable to more mid-end projects with relatively lower land costs were delivered in 2011.

Gross Profit

Gross profit decreased by 3.2% from approximately RMB1,593,495,000 in 2010 to approximately RMB1,542,709,000 in 2011. Gross profit margin increased from 38.6% in 2010 to 40.9% in 2011. The increase in gross profit margin was attributable to higher selling prices of properties of the same product line than that for the last year.

Other Income and Gains

Other income and gains increased by 3.8 times from approximately RMB22,219,000 in 2010 to approximately RMB107,617,000 in 2011. The increase in other income and gains was mainly attributable to the substantial increase in interest income.

Changes in Fair Value of Investment Properties

The changes in the fair value of investment properties increased by 4.4 times from approximately RMB64,228,000 in 2010 to approximately RMB348,361,000 in 2011. The substantial increase in the fair value of investment properties was mainly attributable to the increase in the area of investment properties during the year. Investment properties mainly include shopping mall of World City in Beijing, retail shops of Sapphire Peninsula in Quanzhou and offices of SCE Building in Xiamen.

Selling and Marketing Expenses

Selling and marketing expenses increased by 29.4% from approximately RMB101,066,000 in 2010 to approximately RMB130,807,000 in 2011. The increase in selling and marketing expenses was mainly attributable to the substantial increase in the number of projects for pre-sale. New projects launched for pre-sale in 2011 included Fortune Plaza • Royal Terrace, Sapphire Peninsula and Sunshine Mansion in Quanzhou, Provence Town in Xiamen, Sapphire Boomtown Phase 1 in Zhangzhou and Sapphire Villa Phase 1 in Tangshan.

Administrative Expenses

Administrative expenses increased by 19.0% from approximately RMB171,583,000 in 2010 to approximately RMB204,129,000 in 2011. The increase in administrative expenses was mainly attributable to the increase in administrative staff costs and operating expenses to meet the need of business expansion.

Finance Costs

Finance costs significantly increased by 18.0 times from approximately RMB6,891,000 in 2010 to approximately RMB130,872,000 in 2011. The increase in finance costs was attributable to failure in capitalising most of the interest expense from the issuance of senior notes in January 2011.

Share of Profits and Losses of Jointly-controlled Entities and Associates

Share of profits and losses of jointly-controlled entities and associates changed from profits of approximately RMB127,848,000 in 2010 to losses of approximately RMB14,871,000 in 2011. The losses in 2011 was mainly due to the fact that no new project was completed and delivered by jointly-controlled entities and associates in 2011.

Income Tax Expense

Income tax expense for the year amounted to approximately RMB590,874,000, which approximated to that of last year (2010: approximately RMB591,107,000).

Profit Attributable to Owners of the Parent

Profit attributable to owners of the parent decreased by 24.3% from approximately RMB946,125,000 in 2010 to approximately RMB715,757,000 in 2011, which was mainly attributable to the significant increase in the profits attributable to non-controlling interests and finance costs not qualified for capitalisation. Earnings per share decreased by 25.7% from RMB33.8 cents in 2010 to RMB25.1 cents in 2011.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Cash Position

As at 31 December 2011, the Group's cash and bank balances were approximately RMB2,079,362,000 (31 December 2010: approximately RMB1,522,129,000), of which approximately RMB2,002,463,000 (31 December 2010: approximately RMB1,488,581,000) was denominated in RMB, approximately RMB10,703,000 (31 December 2010: approximately RMB33,410,000) was denominated in Hong Kong dollars and approximately RMB66,196,000 (31 December 2010: approximately RMB138,000) was denominated in US dollars.

According to the relevant laws and regulations of the PRC, certain property development companies of the Group were required to place certain amounts of cash and bank deposits into designated bank accounts to provide bank guarantees. As at 31 December 2011, the amount of restricted cash was approximately RMB191,884,000 (31 December 2010: approximately RMB253,238,000).

Borrowings and Pledged Assets

As at 31 December 2011, the balances of the Group's interest-bearing bank and other borrowings and senior notes amounted to approximately RMB3,126,933,000 (31 December 2010: approximately RMB2,714,245,000) and RMB1,953,506,000 (31 December 2010: Nil), respectively. Of the interest-bearing bank and other borrowings, approximately RMB1,406,736,000 (31 December 2010: approximately RMB631,891,000) was repayable within one year, approximately RMB1,382,690,000 (31 December 2010: approximately RMB1,066,184,000) was repayable in the second year, approximately RMB321,590,000 (31 December 2010: approximately RMB1,013,552,000) was repayable within three to five years and approximately RMB15,917,000 (31 December 2010: approximately RMB2,618,000) was repayable after five years. The senior notes were for a term of five years and, unless early redeemed, will mature on 14 January 2016.

As at 31 December 2011, approximately RMB3,126,933,000 (31 December 2010: approximately RMB2,714,245,000) of bank and other borrowings was secured by the Group's property and equipment, investment properties, prepaid land lease payments, properties under development , completed properties held for sale with a total carrying value of RMB7,295,629,000 (31 December 2010: approximately RMB5,155,158,000), equity interests of certain subsidiaries and prepaid land lease payments of an associate of the Group. The senior notes were secured by pledges over the equity interests of certain subsidiaries of the Company.

Except for certain secured bank borrowings of approximately RMB31,432,000 as at 31 December 2011 (31 December 2010: approximately RMB50,282,000) which were denominated in Hong Kong dollars, all the Group's bank and other borrowings and senior notes were denominated in Renminbi.

As at 31 December 2011, the Group's interest-bearing bank borrowings bore interest at floating interest rates, while other borrowings of RMB150,000,000 and senior notes bore interest at fixed interest rates.

Gearing Ratio

The net gearing ratio was calculated by dividing the net amount of borrowings (interest-bearing bank and other borrowings including senior notes after deduction of cash and cash equivalents and restricted cash) by total equity. As at 31 December 2011, the net gearing ratio was 50.7% (31 December 2010: 25.4%).

Exchange Rate Fluctuation Exposures

The majority of the Group's income, expenses and bank and other borrowings are denominated in Renminbi. Therefore, any exchange rate changes of Renminbi against other currencies will not have a material adverse effect on the operation of the Group.

CONTINGENT LIABILITIES

As at 31 December 2011, the Group provided financial guarantees to the banks in respect of the following items:

	2011	2010
	RMB'000	RMB'000
Guarantees in respect of mortgage facilities provided for certain purchasers of the Group's properties	**2,338,262**	1,305,421

In addition, the Group's share of the jointly-controlled entities' and associates' own financial guarantees, which are not included in the above, is as follows:

	2011	2010
	RMB'000	RMB'000
Guarantees in respect of mortgage facilities provided for certain purchasers of the jointly-controlled entities' properties	**17,802**	334,531
Guarantees in respect of mortgage facilities provided for certain purchasers of the associates' properties	**–**	24,635

CAPITAL COMMITMENTS

As at 31 December 2011, the capital commitments of the Group were as follows:

	2011	2010
	RMB'000	RMB'000
Contracted, but not provided for:		
Capital expenditure for properties under development, prepaid land lease payments and construction of investment and ower-occupied properties in Mainland China	**1,960,821**	1,812,174

In addition, the Group's share of the jointly-controlled entities' own capital commitments, which are not included in the above, is as follows:

	31 December 2011	31 December 2010
	RMB'000	RMB'000
Contracted, but not provided for:		
Capital expenditure for jointly-controlled entities' properties under development and prepaid land lease payments	**219,931**	75,508

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2011, the Group had a total of 1,436 employees (2010: 1,024 employees). The total cost of employees was approximately RMB99,430,000 (2010: approximately RMB77,062,000). We provide employees with competitive remuneration and benefits, and the remuneration policy will be reviewed on a regular basis based on the performance and contribution of the employees and the industry remuneration level. In addition, the Group also provides various training courses to enhance the employees' skills and capabilities in all aspects.

Property Profile

Fortune Plaza • Royal Terrace

Located in the core area of Quanzhou new town, next to the Quanzhou Haixia Sports Center

Type of property:	Residential
Project highlight:	Easy accessibility with comprehensive facilities in the vicinity
Site area:	109,850 sq.m.
Total planned gross floor area:	249,436 sq.m.
Expected date of completion:	2011 to 2013
Shareholding of the Group:	58%

Sapphire Peninsula

Located in the southern zone of Quanzhou Bridge, Quanzhou

Type of property:	Residential and commercial
Project highlight:	Panoramic river view, convenient traffic
Site area:	80,905 sq.m.
Total planned gross floor area:	267,676 sq.m.
Expected date of completion:	2013
Shareholding of the Group:	100%

Purple Lake International Golf Villa

Situated within the Quanzhou Golf Course

Type of property:	Low-density residence
Project highlight:	Located at the scenic area in Zimao Mountain, with the Quanzhou Golf Club on the south
Site area:	180,000 sq.m.
Total planned gross floor area:	123,199 sq.m.
Expected date of completion:	2012 or after
Shareholding of the Group:	49%

Sunshine Mansion

Located at the junction between Liunan Road and Nanda Road, Nan'an City, Quanzhou

Type of property:	Residential and commercial
Project highlight:	Easy accessibility, comprehensive ancillary facilities
Site area:	64,632 sq.m.
Total planned gross floor area:	300,641 sq.m.
Expected date of completion:	2012 to 2013
Shareholding of the Group:	80%

Property Profile

Gold Coast Yongning Town, Shishi City, Quanzhou

Type of property:	Commercial, residential, and tourism related integrated development
Project highlight:	Panoramic seaview, ancillary tourism facilities
Site area:	1,196,614 sq.m.
Total planned gross floor area:	1,256,400 sq.m.
Expected date of completion:	2012 or after
Shareholding of the Group:	45%

Fortune Plaza Phases 3, 4 & 5 Located in the core area of Quanzhou new town, next to the Quanzhou Haixia Sports Center

Type of property:	Residential, commercial, offices and hotel
Project highlight:	Easy accessibility with comprehensive facilities in the vicinity
Site area:	256,613 sq.m.
Total planned gross floor area:	817,821 sq.m.
Expected date of completion:	2013 or after
Shareholding of the Group:	58%

Sunshine Town Phase 2 Located at Nanhuan Road, Quanzhou

Type of property:	Residential and commercial
Project highlight:	Easy accessibility
Site area:	43,041 sq.m.
Total planned gross floor area:	220,229 sq.m.
Expected date of completion:	2015 or after
Shareholding of the Group:	100%

International Finance Center Situated on the southern part of Baozhou Road East Section, Quanzhou

Type of property:	Residential and commercial
Project highlight:	Prime location
Site area:	58,217 sq.m.
Total planned gross floor area:	405,000 sq.m.
Expected date of completion:	2014 or after
Shareholding of the Group:	34%

Property Profile

World City Located at east of Meilin Road and north of Jiangbei Avenue, Nan'an City, Quanzhou

Type of property:	Residential and commercial
Project highlight:	Easy accessibility
Site area:	160,327 sq.m.
Total planned gross floor area:	660,000 sq.m.
Expected date of completion:	2014 or after
Shareholding of the Group:	80%

The Regent Situated at the junction of Haicang Avenue and Jiaosong Road, Xiamen

Type of property:	Residential
Project highlight:	Sea and lake view
Site area:	25,092 sq.m.
Total planned gross floor area:	85,192 sq.m.
Expected date of completion:	2011 to 2012
Shareholding of the Group:	60%

Provence Town

Located at the junction of Fangshan North Road and Xiang'an North Road, Xiang'an District, Xiamen

Type of property:	Residential and commercial
Project highlight:	Easy accessibility
Site area:	56,948 sq.m.
Total planned gross floor area:	142,930 sq.m.
Expected date of completion:	2012
Shareholding of the Group:	100%

Sunshine City

Located close to major train station, Xiamen

Type of property:	Residential and commercial
Project highlight:	With proximity to transport hub
Site area:	43,418 sq.m.
Total planned gross floor area:	143,000 sq.m.
Expected date of completion:	2013
Shareholding of the Group:	90%

Property Profile

Sapphire Boomtown
Located on the southern side of Shuixian Avenue, Zhangzhou

Type of property:	Residential and commercial
Project highlight:	Good location, excellent scenery
Site area:	239,786 sq.m.
Total planned gross floor area:	520,299 sq.m.
Expected date of completion:	2011 or after
Shareholding of the Group:	100%

Sapphire Villa Phase 1
Located at Northwest of South Lake, Tangshan

Type of property:	Low-density residence
Project highlight:	Easy accessibility, comprehensive ancillary facilities
Site area:	113,292 sq.m.
Total planned gross floor area:	64,911 sq.m.
Expected date of completion:	2012 or after
Shareholding of the Group:	100%

Royal Spring City Located at Anhai Road West, Anshan

Type of property:	Residential and commercial
Project highlight:	Easy accessibility, comprehensive ancillary facilities
Site area:	603,562 sq.m.
Total planned gross floor area:	1,813,868 sq.m.
Expected date of completion:	2013 or after
Shareholding of the Group:	70%

SCE International Community Phases 2 & 3 Situated at Banxia Road, Yaodu District, Linfen

Type of property:	Residential and commercial
Project highlight:	Excellent geographical location
Site area:	140,448 sq.m.
Total planned gross floor area:	485,878 sq.m.
Expected date of completion:	2014 or after
Shareholding of the Group:	90%

Beijing Project

Located at 18 Dewai Avenue, Xicheng District, Beijing

Type of property:	Residential and commercial
Project highlight:	Easy accessibility, comprehensive ancillary facilities
Site area:	5,549 sq.m.
Total planned gross floor area:	38,195 sq.m.
Expected date of completion:	2015 or after
Shareholding of the Group:	100%

EXECUTIVE DIRECTORS

Wong Chiu Yeung (黃朝陽), aged 46, is one of the founders of the Group and the Chairman of the Board and President of the Company, as well as the Chairman of the Remuneration Committee of the Company. He was appointed as the Executive Director on November 30, 2007. He is responsible for formulating business development strategies for the Group, supervising the construction management, design management and commercial property management. Since his involvement in the development of the Group's first property project in 1996 (namely Junda Center), Mr. Wong has been involved in all of the projects developed by the Group thereafter, and has 16 years of experience in real estate development. Mr. Wong is a member of the National Committee of Chinese People's Political Consultative Conference (中國政治協商會議全國委員會), vice chairman of Hong Kong Association for the Promotion of Peaceful Reunification of China (中國和平統一促進會香港總會), guest professor of Nanchang University (南昌大學), vice chairman of the board of directors of Quanzhou Normal University (泉州師範學院), chairman of the board of directors of Nan'an Overseas Chinese Middle School (南安華僑中學), permanent honorable chairman of each of Hong Kong Federation of Fujian Association (香港福建社團聯會). Mr. Wong is currently attending an Executive Master of Business Administration course in Xiamen University.

Chen Yuanlai (陳元來), aged 45, is one of the founders of the Group and the Vice Chairman of the Board. He was appointed as the Executive Director on August 12, 2009. Since his involvement in the development of the Group's first project in 1996 (namely Junda Center), he has been involved in all of the projects developed by the Group thereafter, and has 16 years of experience in real estate development. Mr. Chen also has extensive experience in investment management and project management through his involvement in all projects developed by the Group. He is the director of Fujian Provincial Young Entrepreneurs Association (福建省青年企業家協會) and a member of Fujian Provincial Youth Federation (福建省青年聯合委員會). Mr. Chen was a representative of the Second Session of the People's Congress of Fengze District in Quanzhou (泉州市豐澤區第二屆人民代表大會). Mr. Chen completed the Executive Management course in Business Administration of Commercial Real Estate Development and Funding, a one year programme offered by School of Professional and Continuing Education of Hong Kong University and Fudan University, Shanghai, in May 2008.

Cheng Hiu Lok (鄭曉樂), aged 47, is one of the founders of the Group and the Vice Chairman of our Board and the Chairman of the Nomination Committee of the Company. He was appointed as the Executive Director on August 12, 2009. Since his involvement in the development of the Group's first project in 1996 (namely Junda Center), he has been involved in all of the projects developed by the Group thereafter. Mr. Cheng has 16 years of experience in real estate development. Mr. Cheng also has extensive experience in investment management, project management and construction management through his involvement in the projects developed by the Group. Mr. Cheng completed his college education at Fujian Normal University (福建省師範大學) in 1987.

Biography of Directors and Senior Management

Li Wei (李維), aged 41, is an Executive Director and the Executive Vice President of the Company, as well as a member of the Nomination Committee. He was appointed as the Executive Director on August 12, 2009. Mr. Li is responsible for the daily operational management and operation plan of the Group, including management of Office of President, Administrative and Human Resources Department. Before joining the Group in June 2006, Mr. Li was the general manager of the Corporate Operations Department and the Credit Department of the Xiamen Branch of China Construction Bank. Mr. Li graduated from the Department of Banking and Finance of Xiamen University with a bachelor's degree in economics in 1992.

Liu Zhijie (劉志傑), aged 55, is an Executive Director and the Vice President of the Company. He is responsible for the construction management of the Group. He was appointed as the Executive Director of the Company on May 1, 2011. He joined the Group in 1998. Mr. Liu completed his college education in civil engineering at Fujian College of Architecture and Civil Engineering (福建省建築高等專科學校) in 1981. Mr. Liu possesses extensive experience in construction and cost management.

Huang Youquan (黃攸權), aged 43, is an Executive Director and the Vice President of our Company, as well as the General Manager of the Finance Management Department. He is responsible for the financial management of the Group. He was appointed as the Executive Director on May 1, 2011. Before joining the Group in 2003, Mr. Huang was the audit manager and assistant to the head of the Xiamen office of Fujian Hongshen Accounting Firm (福建弘審會計師事務所有限公司廈門分公司). Mr. Huang graduated from the Department of Mathematics of Xiamen University with a bachelor's degree in science in 1991. Mr. Huang is a PRC Certified Public Accountant and a member of the Fujian Institute of Certified Public Accountants. Mr. Huang is currently attending an Executive Master of Business Administration programme in Xiamen Universtiy.

NON-EXECUTIVE DIRECTOR

Fung Ka Pun (馮家彬), aged 66, was appointed as a Non-executive Director of the Company on January 6, 2010. Mr. Fung is a fellow member of the Association of International Accountants and a member of the Institute of Chartered Secretaries & Administrators. Mr. Fung is an independent non-executive director of three listed companies in Hong Kong, namely Samling Global Limited (3938), Yuexiu Transport Infrastructure Limited (1052) and Lee Hing Development Co., Ltd. (0068). From June 1995 to March 2010, Mr. Fung was an executive director of CIAM Group Limited (0378). From April 2010 to September 2011, Mr. Fung was an executive director and vice chairman of the board of directors of Hao Tian Resources Group Limited (0474). From September 2004 to August 2010, Mr. Fung was an independent non-executive director of Denway Motors Limited, a company previously listed in the Hong Kong Stock Exchange and was privatised by way of a scheme of arrangement in August 2010. Mr. Fung is the founder and chairman of Goodwill International (Holdings) Limited. Mr. Fung has over 30 years of experience in finance, securities and corporate finance business. Mr. Fung is also a director of Mateland Holdings Limited, a joint venture partner of the Regent of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ting Leung Huel Stephen (丁良輝), aged 58, MH, FCCA, FCPA (Practising), CTA (HK), ACA, FHKIoD, was appointed as an Independent Non-executive Director of the Company on January 6, 2010. He is also the Chairman of the Audit Committee and a member of the Remuneration Committee. Mr. Ting is an accountant in public practice and has more than 30 years of experience in this field. Currently, he is the managing partner of Ting Ho Kwan & Chan, Certified Public Accountants (Practising). Mr. Ting is a member of the 9th and 10th Chinese People's Political Consultative Conference, Fujian. Mr. Ting is a non-executive director of Chow Sang Sang Holdings International Limited (0116) and an independent non-executive director of six other listed companies in Hong Kong, namely Tong Ren Tang Technologies Co., Ltd. (1666), Tongda Group Holdings Limited (0698), JLF Investment Company Limited (0472), Computer and Technologies Holdings Limited (0046), Texhong Textile Group Limited (2678) and Dongyue Group Limited (0189). From June 2002 to November 2011, Mr. Ting was an independent non-executive director of Minmetals Resources Limited (1208), a company listed in Hong Kong.

Lu Hong Te (呂鴻德), aged 51, was appointed as an Independent Non-executive Director of the Company on January 6, 2010, and is also a member of the Audit Committee and Nomination Committee. Mr. Lu obtained a bachelor's degree in industrial management science from National Cheng Kung University in 1983, and a master's degree and a doctoral degree in marketing from the Graduate Institute of Business Administration of the College of Management of National Taiwan University in 1985 and 1992, respectively. Mr. Lu is a professor at the department of business administration of Chung Yuan Christian University in Taiwan, specializing in marketing management and corporate competitive strategies. He also serves as a visiting professor at institutions including the National University of Singapore, Nanyang Technological University's EMBA Center and Xiamen University's EMBA Center. Mr. Lu is an independent non-executive director of Capxon International Electronic Company Limited (0469), ANTA Sports Products Limited (2020) and China Lilang Limited (1234), the shares of which are listed on the Hong Kong Stock Exchange. He is also an independent director of four companies in Taiwan, namely Everlight Chemical Industrial Corporation (1711) and Aiptek International Inc. (6225) which are listed on the Taiwan Stock Exchange Corporation and Firich Enterprises Co., Ltd. (8076) and Lanner Electronics Inc. (6245), the shares of which are traded in the Gre Tai Securities Market in Taiwan.

Biography of Directors and Senior Management

Dai Yiyi (戴亦一), aged 44, was appointed as an Independent Non-executive Director of the Company on January 6, 2010, and is also a member of the Audit Committee and Remuneration Committee. Mr. Dai is the vice dean and a full-time professor of the Executive Master of Business Administration programme of the School of Management of Xiamen University and also serves as an adjunct professor for real estate CEO programmes held by Tsinghua University and Peking University. From 1997 to 2001, Mr. Dai served as the research secretary, assistant to the dean and vice dean of the Planning and Statistics Department at the School of Economics of Xiamen University. From 2003 to 2007, Mr. Dai served as the deputy head and then the head of the Executive Master of Business Administration programme for senior management personnel held by the School of Management of Xiamen University. Mr. Dai was a senior visiting scholar at the School of Management of McGill University (Canada) in 2002 and a senior visiting scholar at Northwestern University (USA) from 2007 to 2008. Mr. Dai has been a consultant with the Fujian Real Estate Association since 2005. Mr. Dai is an independent non-executive director of Mingfa Group (International) Company Limited (0846), a company listed in Hong Kong, and is an independent director of Xiamen C&D Inc. and Xiamen International Trade Group Corp., Ltd., which are listed on the Shanghai Stock Exchange, and Fujian Septwolves Industry Co., Ltd. and Guangdong Shirongzhaoye Co., Ltd., which are listed on the Shenzhen Stock Exchange. Mr. Dai graduated from Xiamen University with a bachelor's degree in economics in 1989, and received a doctoral degree in economics from Xiamen University in 1999. He also completed training at the 6th Ford Program of the Sino-American Economics Training Centre of Renmin University of China. Mr. Dai was awarded a certificate as a PRC certified property valuer in 1997.

SENIOR MANAGEMENT

Huang Jing Song (黃勁松), aged 42, is the Vice President of the Company. He is responsible for the sales and marketing management and property management of the Group. Before joining the Group in 2010, Mr. Huang was the deputy general manager of the Trading Business Department of Xiamen International Trade Group Corp., Ltd. (廈門國貿集團股份有限公司) and the general manager of Xiamen International Motors Co., Ltd. (廈門國貿汽車股份有限公司). Mr. Huang graduated from the Department of International Trade of Xiamen University with a bachelor's degree in economics in 1991 and obtained his master's degree of business administration from the National University of Singapore in 2002. Mr. Huang has more than 20 years of experience in enterprises management.

Bian Yinghua (卞應華), aged 38, is the Assistant President of the Company and the General Manager of Xiamen Region. Before joining the Group in September 2007, Mr. Bian was the deputy head of the Strategic Development Department of China Ocean Shipping (Group) Company. Mr. Bian graduated from the Department of Civil Engineering of Dalian University of Technology (大連理工大學) with a bachelor's degree in engineering in 1996.

Li Siu Po (李少波), aged 43, is the Financial Controller and Company Secretary of the Company. He is responsible for the financial reporting, investor relations and secretarial work of the Group. Before joining the Group in January 2008, Mr. Li was a manager of one of the international CPA firms. Mr. Li graduated from the Department of Accounting in Hong Kong Polytechnic University with a bachelor's degree in accounting in 1994. Mr. Li is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr. Li has extensive experience in financial management and auditing.

Tang Xiaojuan (湯筱娟), aged 39, is the General Manager of the Commercial Property Department. She is responsible for commercial property management of the Group. Prior to joining the Group in August 2002, Ms. Tang served as the office manager of Xiamen Yong Hong Ji Real Estate Development Company Limited (廈門永宏基房地產開發有限公司). Ms. Tang graduated from the Department of International Trade and Economics in Jiangxi University of Finance and Economics (江西財經學院) with a bachelor's degree in economics in1994.

Zheng Quanlou (鄭全樓), aged 40, is the General Manager of the Design Department management. He is responsible for design management of the Group. Before joining the Group in November 1998, Mr. Zheng was the on-site manager of Quanzhou Dong Hai Development Company Limited (泉州市東海開發有限公司). Mr. Zheng completed his college education in construction engineering at College of Architecture and Civil Engineering of Fujian (福建省建築高等專科學校) in 1992 and obtained his bachelor's degree from the Department of Civil Engineering of Fujian Agriculture and Forestry University in 2009. Mr. Zheng is a PRC Registered Cost Engineer, and serves as an expert of bid evaluation of construction project in Quanzhou since 2006. Mr. Zheng is currently attending an Executive Master of Business Administration programme in Xiamen University.

Zhang Haitao (張海濤), aged 43, is the General Manager of the Administrative and Human Resources Department. She is responsible for the administrative and human resources management, as well as information technology management of the Group. Before joining the Group in January 2007, Ms. Zhang was the senior manager of Xiamen Tianjian Huatian Accounting Firm (廈門天健華天會計師事務所). Ms. Zhang graduated from the Department of Accounting of Xiamen University with a bachelor's degree in economics in 1990. Ms. Zhang is a PRC Certified Public Accountant and a senior accountant with extensive auditing experience. Ms. Zhang is currently attending an Executive Master of Business Administration programme in Xiamen University.

COMPANY SECRETARY

Li Siu Po (李少波), a member of our senior management, is the Financial Controller and Company Secretary of our Company. The biography of Mr. Li is set forth above.

Corporate Governance Report

The board of directors (the "Board") of the Company is pleased to present this Corporate Governance Report for the year ended 31 December 2011.

The Company firmly believes that insisting a high standard of corporate governance facilitates the maintenance of the high efficiency of the senior management as well as protects interests of the Company and the shareholders. Therefore the Company strives to develop and implement effective corporate governance practices and continuously making amendment to them so as to enhance the operational efficiency of the Company. During the year ended 31 December 2011, the Company and the Board had been in compliance with the code provisions of the Code on Corporate Governance Practices (the "Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules"), save as disclosed in the paragraph headed "Chairman and Chief Executive Officer" below.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions of Directors of Listing Companies (the "Model Code") set out in Appendix 10 to the Listing Rules as its code for securities transactions by Directors.

The Company has made specific enquiries of all the Directors and all the Directors confirmed that they have strictly complied with the required standards set out in the Model Code during the year under review.

THE BOARD OF DIRECTORS

Board Composition

As at 31 December 2011, the Board currently comprises ten directors, including six Executive Directors, namely Mr. Wong Chiu Yeung, Mr. Chen Yuanlai, Mr. Cheng Hiu Lok, Mr. Li Wei, Mr. Liu Zhijie and Mr. Huang Youquan, one Non-executive Director namely Mr. Fung Ka Pun, and three Independent Non-executive Directors, namely Mr. Ting Leung Huel Stephen, Mr. Lu Hong Te and Mr. Dai Yiyi. Biographical details of the directors of the Company and the senior management of the Group are set out in the section headed "Biography of Directors and Senior Management" of the annual report. There is no relationship, including financial, business, family or other material/relevant relationships between Board members.

Appointments of Mr. Liu Zhijie and Mr. Huang Youquan (as Executive Directors of the Company) were duly passed by the shareholders by way of poll at the annual general meeting of the Company held on 28 April 2011, with effect from 1 May 2011. Furthermore, Mr. Ting Leung Huel Stephen, one of the Independent Non-executive Directors, has considerable experience in accounting and financial management, which is in line with the requirement of Rule 3.10 (2) of the Listing Rules which states that "at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise".

Directors' Responsibilities

The Board takes full responsibility of supervising and overseeing all major matters of the Company, including the formulation and approval of overall management and operation strategies, reviewing the internal control and risk management systems, reviewing financial performance, considering dividend policies and monitoring the performance of the senior management, while the management is responsible for the daily management and operations of the Group.

Board Meetings

Pursuant to Rule A.1.1 in Appendix 14 to the Listing Rules, the Board should meet regularly and board meetings should be held at least four times a year. During the year under review, the Company has held four board meetings. It is considered that the Directors were well acknowledged to the operation of the Group for the year under review. The attendance of each Director is contained in the following table:

	Number of attendance/ Total number of meeting
Executive Directors:	
Mr. Wong Chiu Yeung	4/4
Mr. Cheng Hiu Lok	4/4
Mr. Chen Yuanlai	4/4
Mr. Li Wei	4/4
Mr. Liu Zhijie	2/2[1]
Mr. Huang Youquan	2/2[1]
Non-executive Director:	
Mr. Fung Ka Pun	4/4
Independent Non-executive Directors:	
Mr. Ting Leung Huel Stephen	4/4
Mr. Lu Hong Te	4/4
Mr. Dai Yiyi	3/4

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under Rule A.2.1 in Appendix 14 to the Listing Rules, the roles of the Chairman and the Chief Executive Officer should be separate and should not be performed by the same individual. During the year under review, Mr. Wong Chiu Yeung performed his duties as both the Chairman and the Chief Executive Officer of the Company. However, the Board believes that serving by the same individual as Chairman and Chief Executive Officer during the rapid development of the business is beneficial to the consistency of business plans and decision-making of the Company.

1. Mr. Liu Zhijie and Mr. Huang Youquan were appointed as Executive Directors of the Company with effect from 1 May 2011 and attended the two board meetings held after that day.

COMPLIANCE OF NON-COMPETITION DEED

The Company entered into a non-competition deed ("Non-competition Deed") with Mr. Wong Chiu Yeung on 6 January 2010 pursuant to which Mr. Wong has undertaken to the Company not to compete with any business of the Group and shall use his best endeavors to procure his affiliates not to engage in, assist or support a third party in the operation of, or participate or be interested in any property development business in the PRC. Furthermore, Mr. Wong has undertaken to the Company (for itself and for the benefit of the Group) that during the term of the Non-competition Deed to procure any investment or commercial opportunity relating to property development business in the PRC that he or any of his affiliates identifies or proposes or that is offered or presented to them by a third party to first refer such opportunity to the Company in accordance with terms of the Non-competition Deed.

The Company has received a declaration from Mr. Wong of his compliance with the terms of the Non-competition Deed during the year ended 31 December 2011 and up to the date of this report.

INDEPENDENT NON-EXECUTIVE DIRECTORS AND NON-EXECUTIVE DIRECTOR

The Board has received the written confirmation from each of the Independent Non-executive Directors, confirming that he has met the independence requirement set out in Rule 3.13 of the Listing Rules. The Board considers that all the Independent Non-executive Directors are independent under these independence requirements.

The Independent Non-executive Directors and Non-executive Director play an important role in applying their independent analyses to provide a professional and fair view to the decisions of the Board. This is not only beneficial to the warranty of the scientific element of the decision, but also enhancing the protection of interests of the Company and the shareholders.

REMUNERATION COMMITTEE

The Company established the Remuneration Committee on 6 January 2010 in compliance with Appendix 14 to the Listing Rules. The Remuneration Committee is chaired by Mr. Wong Chiu Yeung. Other members are Mr. Ting Leung Huel Stephen and Mr. Dai Yiyi.

The prime duties of the Remuneration Committee are:

- To assess, review and make recommendations from time to time to the Board in respect of the remuneration packages and overall benefits for the Directors and senior management;
- To make recommendations to the Board on the remuneration policy and structure for all remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;
- To determine the specific remuneration packages of all Executive Directors and senior management, and to make recommendations to the Board regarding the remuneration of Non-executive Directors and Independent Non-executive Directors. The Committee shall consider factors such as salaries paid by comparable companies, time commitment and responsibilities and contribution of the Directors and senior management.

During the year under review, the Remuneration Committee has held two meetings, discussing 2010 year-end bonus of the Directors and the service contracts of the newly appointed Executive Directors, namely Mr. Liu Zhijie and Mr. Huang Youquan. The attendance of each member of the Remuneration Committee is contained in the following table:

	Number of attendance/ Total number of meeting
Executive Director:	
Mr. Wong Chiu Yeung	2/2
Independent Non-executive Directors:	
Mr. Ting Leung Huel Stephen	2/2
Mr. Dai Yiyi	2/2

NOMINATION COMMITTEE

The Company established a Nomination Committee on 6 January 2010 in compliance with Appendix 14 to the Listing Rules. The Company's Nomination Committee is chaired by Mr. Cheng Hiu Lok. Other members are Mr. Li Wei and Mr. Lu Hong Te.

The prime duties of the Nomination Committee are:

- To review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and make recommendations to the Board regarding any proposed changes;
- To identify individuals suitably qualified to become members of the Board and select or make recommendations to the Board on the selection of, individuals nominated for directorships;
- To assess the independence of Independent Non-executive Directors;
- To make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors in particular the Chairman and the Chief Executive Officer.

During the year under review, the Nomination Committee has held one meeting, discussing the proposal in respect of the appointments of Mr. Liu Zhijie and Mr. Huang Youquan as the Executive Directors based on the criteria and procedures stated above. The attendance of each member of the Nomination Committee is contained in the following table:

	Number of attendance/ Total number of meeting
Executive Directors	
Mr. Cheng Hiu Lok	1/1
Mr. Li Wei	1/1
Independent Non-executive Director	
Mr. Lu Hong Te	1/1

AUDIT COMMITTEE

The Company established an Audit Committee on 6 January 2010 in compliance with Rule 3.21 of the Listing Rules. As required, the Audit Committee of the Company comprises three Independent Non-executive Directors, with Mr. Ting Leung Huel Stephen as the chairman. Other two members are Mr. Lu Hong Te and Mr. Dai Yiyi.

The prime duties of the Audit Committee are:

- To be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of external auditors, and to approve remuneration and terms of engagement of external auditors, and any questions of resignation or dismissal of external auditors;
- To review and monitor the external auditors' independence and objectivity and effectiveness of the audit process in accordance with applicable standards;
- To develop and implement policy on the engagement of the external auditors to supply non-audit services;
- To monitor integrity of the financial statements of the Company and the Company's annual reports and accounts, half-yearly reports and to review significant financial reporting judgments contained in them;
- To review the Company's financial controls, internal control and risk management systems.

During the year under review, the Audit Committee has held two meetings, reviewing Annual Report 2010 and the Interim Report 2011 of the Company. The attendance of each member of the Audit Committee is contained in the following table:

	Number of attendance/Total number of meeting
Independent Non-executive Directors:	
Mr. Ting Leung Huel Stephen	2/2
Mr. Lu Hong Te	2/2
Mr. Dai Yiyi	2/2

AUDITORS REMUNERATION

For the year under review, the fees paid to the auditor of the Company in respect of the audit services and non-audit services provided to the Company amounted to RMB2,430,000 and RMB290,625 (equivalent to HK$350,000), respectively.

The Audit Committee is responsible to recommend to the Board on matters related to the appointment, re-appointment and removal of the auditors. The Audit Committee recommended the re-appointment of Ernst & Young as the external auditors of the Group for 2012, subject to the approval of the shareholders at the annual general meeting of the Company.

DIRECTORS' RESPONSIBILITY ON THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2011, and confirm that the financial statements give a true view of the results of the Company and the Group for the year of the date ended, and are prepared in accordance with the applicable statutory requirements and accounting standards. The statement of the external auditors of the Company, Ernst & Young, about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditors' Report on page 55.

INTERNAL CONTROLS

The Board is fully responsible for maintaining proper and effective internal controls and for regularly reviewing the operational efficiency of the financial, operational, compliance, risk controls and other aspects of the system in order to safeguard the independence of the respective duties and powers of the Company which in turn protecting the investment of shareholders and the assets of the Company. During the year under review, the Board has conducted a review on the internal control system of the Group and its effectiveness.

The Audit and Legal Department of the Company is responsible for regular review and audit of the finance and operation of the Company and its subsidiaries for the purpose of ensuring the normal operation of internal controls and the playing of its due role. For shortcomings of the Company's internal controls and accounting procedures which the external auditors have identified and reported to the Company, the Audit and Legal Department would pay full attention to the recommendations made by the external auditors and make appropriate improvements.

Besides, the Company has also appointed Ernst & Young (China) Advisory Limited to examine and evaluate the internal control system of the Company for the year.

The Board will conduct examination and evaluation of the practicability and effectiveness of the internal control system of the Company at least annually and strive to enhance its operational efficiency.

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Company believes that establishing a good relationship with investors plays a vital role in enhancing the operational efficiency of the Company and in protecting interests of the shareholders. Therefore, the Company maintains various channels of communication with the shareholders and the public to ensure that they are kept awareness of the Company's latest operation development. This annual report will be published on our website at http://www.sce-re.com. Interim and annual reports, circulars and notices of the Group will be despatched to shareholders in due course. The website of the Company provides information such as e-mail address, correspondence address, telephone numbers etc. for making inquiries to the Board, and will provide information on business operation activities of the Company.

During the year, the Company has received numerous visits from investors and arranged investors and analysts to visit our property sites at various locations. The Company has also presented to them the development strategies and business operation status of the Company. We believe actively seeking face-to-face communication with investors and analysts is the best way to enhance their confidence in the Company.

The Company's annual general meeting of shareholders is a good opportunity for communication between the Board and shareholders of the Company. Notice of annual general meetings and related documents will be sent to the shareholders pursuant to the requirements of the Listing Rules, and will be published on the website of the Hong Kong Stock Exchange and of the Company.

The Directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is principally engaged in property development, property investment and property management in the People's Republic of China (the "PRC") during the year. Details of the principal activities of the subsidiaries are set out in note 21 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2011 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 57 to 146. The directors recommend the payment of a final dividend of HK4 cents per ordinary share in respect of the year to shareholders on the register of members on 17 May 2012.

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The Company's shares have been listed on the Hong Kong Stock Exchange since 5 February 2010. Proceeds from the issuance of new shares pursuant to the Company's initial public offering amounted to approximately HK$1,500 million (RMB1,318 million) (net of related issuing expenses). Such net proceeds have been used in the following manner:

	Amount raised *(RMB million)*	**Amount used as at 31 December 2011** *(RMB million)*
Land premium	660	660
Development of existing property projects	528	364
General working capital	130	130
	1,318	1,154

Report of the Directors

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the Company's prospectus and audited financial statements, is set out on page 147. This summary does not form part of the audited financial statements.

PROPERTY AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property and equipment and investment properties of the Group during the year are set out in notes 15 and 16 to the financial statements, respectively. Further details of the Group's major investment properties are set out on page 148.

PROPERTIES UNDER DEVELOPMENT

Details of the properties under development of the Group during the year are set out in note 19 to the financial statements. Further details of the Group's major properties under development are set out on page 148.

COMPLETED PROPERTIES HELD FOR SALE

Details of the completed properties held for sale of the Group during the year are set out in note 24 to the financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 36 to the financial statements.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 37(e) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2011, the Company's reserves available for distribution calculated in accordance with the provisions of the Companies Law of the Cayman Islands amounted to RMB1,749,699,000, of which RMB92,494,000 has been proposed as a final dividend for the year.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling RMB3,330,000.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2011, sales to the Group's five largest customers accounted for less than 30% of the Group's total revenue for the year. Purchases from the Group's five largest suppliers amounted for less than 30% of the total purchases for the year.

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

DIRECTORS

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

Executive Directors:

Mr. Wong Chiu Yeung	
Mr. Chen Yuanlai	
Mr. Cheng Hiu Lok	
Mr. Li Wei	
Mr. Liu Zhijie	(appointed on 1 May 2011)
Mr. Huang Youquan	(appointed on 1 May 2011)

Non-executive Director:
Mr. Fung Ka Pun

Independent Non-executive Directors:
Mr. Ting Leung Huel Stephen
Mr. Lu Hong Te
Mr. Dai Yiyi

In accordance with article 84 of the Company's articles of association, at each annual general meeting, one third of the directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every director shall be subject to retirement at an annual general meeting at least once every three years. The directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of directors upon reaching any age limit.

Report of the Directors

Mr. Chen Yuanlai, Mr. Cheng Hiu Lok, Mr. Liu Zhijie and Mr. Dai Yiyi will retire as Directors at the forthcoming annual general meeting. Mr. Chen Yuanlai, Mr. Cheng Hiu Lok and Mr. Dai Yiyi, being eligible, will offer themselves for re-election at the meeting. Mr. Liu Zhijie will not offer himself for re-election.

The Company has received annual confirmations of independence from all the three Independent Non-executive Directors and as at the date of this report still considers them to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 35 to 39 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Wong Chiu Yeung, Mr. Chen Yuanlai, Mr. Cheng Hiu Lok and Mr. Li Wei, has entered into a service contract with the Company for a term of three years commencing from 5 February 2010. Each of Mr. Liu Zhijie and Mr. Huang Youquan has entered into a service contract with the Company for a term from 1 May 2011 to 4 February 2013. Each of the service contracts is subject to termination upon expiration of the fixed term by either party giving not less than three months' written notice. By virtue of mutual agreement between the Company and Mr. Liu Zhijie, the service contract entered into between the Company and Mr. Liu will terminate with effect from 10 May 2012 following his retirement at the forthcoming annual general meeting.

The Company has issued a letter of appointment to each of Mr. Fung Ka Pun, being the Non-executive Director, Mr. Ting Leung Huel Stephen, Mr. Lu Hong Te and Mr. Dai Yiyi, being the Independent Non-executive Directors of the Company for an initial term of three years commencing from 6 January 2010.

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

DIRECTORS' REMUNERATION

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's board of directors with reference to directors' duties, responsibilities and performance and the results of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

Save as the transactions set out in note 43 to the financial statements, no director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during the year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES, AND DEBENTURES

At 31 December 2011, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long positions in ordinary shares of the Company:

	Interest in shares			
Name of director	**Personal interest**	**Interest of controlled corporation**	**Number of shares held**	**Percentage of the Company's issue share capital**
Mr. Wong Chiu Yeung ("Mr. Wong")	1,000,000	1,640,000,000 (Note 1)	1,641,000,000	57.5
Mr. Chen Yuanlai ("Mr. Chen")	–	120,000,000 (Note 2)	120,000,000	4.2
Mr. Cheng Hiu Lok ("Mr. Cheng")	–	120,000,000 (Note 3)	120,000,000	4.2
Mr. Fung Ka Pun ("Mr. Fung")	–	12,380,000 (Note 4)	12,380,000	0.4

Note 1: These 1,640,000,000 shares are registered in the name of Newup Holdings Limited ("Newup"). Mr. Wong holds 100% of the entire issued share capital of Newup and is deemed to be interested in the 1,640,000,000 shares held by Newup pursuant to the SFO.

Note 2: These 120,000,000 shares are registered in the name of Rising Trade Holdings Limited. Mr. Chen holds 100% of the entire issued share capital of Rising Trade Holdings Limited and is deemed to be interested in the 120,000,000 shares held by Rising Trade Holdings Limited pursuant to the SFO.

Note 3: These 120,000,000 shares are registered in the name of Wealthy Gate Holdings Limited. Mr. Cheng holds 100% of the entire issued share capital of Wealthy Gate Holdings Limited and is deemed to be interested in the 120,000,000 shares held by Wealthy Gate Holdings Limited pursuant to the SFO.

Note 4: These 12,380,000 shares are registered in the name of Goodwill International (Holdings) Limited of which 2,600,000 shares are held in trust of the K P Fung Family Trust, a discretionary trust set up by Mr. Fung. 19% and 25.44% of the entire issued share capital of Goodwill International (Holdings) Limited is directly and indirectly owned by Mr. Fung, respectively. As such, he is deemed to be interested in all these shares held by Goodwill International (Holdings) Limited, as to 9,780,000 shares as interest of controlled corporation and as to 2,600,000 shares as founder of a discretionary trust.

Save as disclosed above, as at 31 December 2011, none of the directors and chief executives had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any of the directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

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. The participants of the Scheme include any directors (including executive directors, non-executive directors and independent non-executive directors) and employees of any member of the Group and any advisors, consultants, distributors, contractors, customers, suppliers, agents, business partners, joint venture business partners, service providers of any member of the Group.

The Scheme became effective on 6 January 2010 and unless otherwise cancelled or amended, will remain in force for a period of 10 years to 5 January 2020.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 30% 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 of the Company. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company's shares at the date of the 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 5 business days from the date of delivery of the offer letter, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, which period may commence from the date of the offer of the share options, and ends on a date which is not later than 10 years from the date of the grant of the share options.

At the time of grant of the share options, the Company may specify any minimum period(s) for which an option must be held before it can be exercised.

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

Further details of the Scheme are disclosed in note 36 to the financial statements. No share options had been granted under the Scheme since the Scheme has become effective.

CONTRACT OF SIGNIFICANCE

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

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 December 2011, the interests or short positions of the persons (other than a director or chief executive of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or which would fall to be disclosed to the Company and the Hong Kong Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO were as follows:

Long positions:

Name	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital	Number of share options held
Newup (Note)	Directly beneficially owned	1,640,000,000	57.5	—

Note: Newup is wholly-owned and controlled by Mr. Wong; accordingly, Mr. Wong is deemed to be interested in the shares held by Newup. Mr. Wong is the sole director of Newup.

Save as disclosed above, at 31 December 2011, no person, other than a director or chief executive of the Company, whose interests are set out in the section "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures" above, had registered an interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or which would fall to be disclosed to the Company and the Hong Kong Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO.

Report of the Directors

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, the Company has maintained the prescribed public float under the Listing Rules as at 28 March 2012, being the latest practical date prior to the date of this report.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

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

AUDITORS

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

ON BEHALF OF THE BOARD

Wong Chiu Yeung
Chairman

Hong Kong
28 March 2012

ERNST & YOUNG
安 永

To the shareholders of China SCE Property Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China SCE Property Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 57 to 146, which comprise the consolidated and company statements of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Independent Auditors' Report

To the shareholders of China SCE Property Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

28 March 2012

Consolidated Statement of Comprehensive Income

Year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
REVENUE	6	**3,770,348**	4,131,295
Cost of sales		**(2,227,639)**	(2,537,800)
Gross profit		**1,542,709**	1,593,495
Other income and gains	6	**107,617**	22,219
Changes in fair value of investment properties	16	**348,361**	64,228
Selling and marketing expenses		**(130,807)**	(101,066)
Administrative expenses		**(204,129)**	(171,583)
Other expenses		**(1,720)**	(832)
Finance costs	7	**(130,872)**	(6,891)
Exchange differences arising from retranslation of senior notes	8	**(48,411)**	—
Share of profits and losses of:			
Jointly-controlled entities		**(4,964)**	92,283
Associates		**(9,907)**	35,565
PROFIT BEFORE TAX	8	**1,467,877**	1,527,418
Income tax expense	11	**(590,874)**	(591,107)
PROFIT FOR THE YEAR		**877,003**	936,311
OTHER COMPREHENSIVE INCOME/(LOSS):			
Share of other comprehensive income/(loss) of jointly-controlled entities		**2,370**	(1,697)
Share of other comprehensive income of associates		**7,227**	4,589
Exchange differences arising from net investment hedge in foreign operations	8	**(45,853)**	—
Exchange differences on translation of foreign operations		**49,646**	(1,013)
OTHER COMPREHENSIVE INCOME FOR THE YEAR		**13,390**	1,879
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**890,393**	938,190

Consolidated Statement of Comprehensive Income

Year ended 31 December 2011

	Notes	**2011**	2010
		RMB'000	RMB'000
Profit/(loss) attributable to:			
Owners of the parent	12	**715,757**	946,125
Non-controlling interests		**161,246**	(9,814)
		877,003	936,311
Total comprehensive income/(loss) attributable to:			
Owners of the parent		**717,636**	944,981
Non-controlling interests		**172,757**	(6,791)
		890,393	938,190
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	14		
Basic and diluted		**RMB25.1 cents**	RMB33.8 cents

Details of dividends for the year are disclosed in note 13 to the financial statements.

Consolidated Statement of Financial Position

31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
NON-CURRENT ASSETS			
Property and equipment	15	**159,973**	115,610
Investment properties	16	**1,855,000**	1,396,000
Prepaid land lease payments	17	**2,910,310**	1,613,786
Intangible asset	18	**4,486**	4,662
Properties under development	19	**899,644**	409,828
Contract in progress	20	**279,864**	26,457
Investments in jointly-controlled entities	22	**284,683**	141,456
Investments in associates	23	**24,900**	46,282
Prepayments and deposits	26	**567,209**	357,197
Deferred tax assets	34	**241,192**	70,004
Total non-current assets		**7,227,261**	4,181,282
CURRENT ASSETS			
Properties under development	19	**4,450,136**	4,250,492
Completed properties held for sale	24	**606,079**	147,462
Trade receivables	25	**172,368**	27,107
Prepayments, deposits and other receivables	26	**305,943**	205,974
Due from related parties	27	**410,893**	218,411
Tax recoverable		**33,832**	24,832
Restricted cash	28	**191,884**	253,238
Cash and cash equivalents	28	**1,887,478**	1,268,891
Total current assets		**8,058,613**	6,396,407
CURRENT LIABILITIES			
Trade payables	29	**788,588**	443,456
Receipts in advance	30	**1,473,005**	1,531,958
Other payables and accruals	31	**759,802**	476,658
Interest-bearing bank and other borrowings	32	**1,406,736**	631,891
Due to related parties	27	**81,124**	76,798
Tax payable		**913,569**	454,581
Total current liabilities		**5,422,824**	3,615,342
NET CURRENT ASSETS		**2,635,789**	2,781,065
TOTAL ASSETS LESS CURRENT LIABILITIES		**9,863,050**	6,962,347

Consolidated Statement of Financial Position

31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**9,863,050**	6,962,347
NON-CURRENT LIABILITIES			
Other payables	31	**15,000**	16,410
Interest-bearing bank and other borrowings	32	**1,720,197**	2,082,354
Senior notes	33	**1,953,506**	—
Deferred tax liabilities	34	**243,606**	170,985
Provision for major overhauls	35	**11,834**	7,648
Total non-current liabilities		**3,944,143**	2,277,397
Net assets		**5,918,907**	4,684,950
EQUITY			
Equity attributable to owners of the parent			
Issued capital	36	**250,683**	250,683
Reserves	37	**4,071,811**	3,416,376
		4,322,494	3,667,059
Non-controlling interests		**1,596,413**	1,017,891
Total equity		**5,918,907**	4,684,950

Wong Chiu Yeung
Director

Li Wei
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2011

	Attributable to owners of the parent											
	Issued capital RMB'000 (note 36)	Share premium account RMB'000 (note 36)	Capital reserve RMB'000 (note 37(b))	Statutory surplus reserve RMB'000 (note 37(c))	Merger reserve RMB'000 (note 37(d))	Other reserves RMB'000	Hedging reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2010	11	681,988	5,693	72,759	30	3,511	–	70,093	675,290	1,509,375	802,851	2,312,226
Profit for the year	–	–	–	–	–	–	–	–	946,125	946,125	(9,814)	936,311
Other comprehensive income/(loss) for the year:												
Share of other comprehensive loss of jointly-controlled entities	–	–	–	–	–	(1,697)	–	–	–	(1,697)	–	(1,697)
Share of other comprehensive income of associates	–	–	–	–	–	4,589	–	–	–	4,589	–	4,589
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	(4,036)	–	(4,036)	3,023	(1,013)
Total comprehensive income/(loss) for the year	–	–	–	–	–	2,892	–	(4,036)	946,125	944,981	(6,791)	938,190
Capitalisation issue	197,956	(197,956)	–	–	–	–	–	–	–	–	–	–
Issue of shares	52,716	1,317,900	–	–	–	–	–	–	–	1,370,616	–	1,370,616
Share issue expenses	–	(52,233)	–	–	–	–	–	–	–	(52,233)	–	(52,233)
Capital contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	282,349	282,349
Acquisition of non-controlling interests	–	–	(5,866)	–	–	–	–	–	–	(5,866)	(60,518)	(66,384)
Interim 2010 dividend	–	–	–	–	–	–	–	–	(99,814)	(99,814)	–	(99,814)
Transfer to statutory surplus reserve	–	–	–	42,509	–	–	–	–	(42,509)	–	–	–
At 31 December 2010	250,683	1,749,699 *	(173)*	115,268 *	30 *	6,403 *	– *	66,057 *	1,479,092 *	3,667,059	1,017,891	4,684,950

Consolidated Statement of Changes in Equity

Year ended 31 December 2011

	Attributable to owners of the parent											
	Issued capital RMB'000 (note 36)	Share premium account RMB'000 (note 36)	Capital reserve RMB'000 (note 37(b))	Statutory surplus reserve RMB'000 (note 37(c))	Merger reserve RMB'000 (note 37(d))	Other reserves RMB'000	Hedging reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2011	250,683	1,749,699 *	(173)*	115,268 *	30 *	6,403 *	– *	66,057 *	1,479,092*	3,667,059	1,017,891	4,684,950
Profit for the year	–	–	–	–	–	–	–	–	715,757	715,757	161,246	877,003
Other comprehensive income /(loss) for the year:												
Share of other comprehensive income of jointly-controlled entities	–	–	–	–	–	2,370	–	–	–	2,370	–	2,370
Share of other comprehensive income of associates	–	–	–	–	–	7,227	–	–	–	7,227	–	7,227
Exchange differences arising from net investment hedge in foreign operations	–	–	–	–	–	–	(45,853)	–	–	(45,853)	–	(45,853)
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	38,135	–	38,135	11,511	49,646
Total comprehensive income/(loss) for the year	–	–	–	–	–	9,597	(45,853)	38,135	715,757	717,636	172,757	890,393
Capital contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	489,096	489,096
Acquisition of a non-controlling interest	–	–	62,089	–	–	–	–	–	–	62,089	(83,331)	(21,242)
Final 2010 dividend	–	–	–	–	–	–	–	–	(124,290)	(124,290)	–	(124,290)
Transfer to statutory surplus reserve	–	–	–	71,773	–	–	–	–	(71,773)	–	–	–
At 31 December 2011	250,683	1,749,699 *	61,916 *	187,041 *	30 *	16,000 *	(45,853)*	104,192 *	1,998,786 *	4,322,494	1,596,413	5,918,907

* These reserve accounts comprise the consolidated reserves of RMB4,071,811,000 (2010: RMB3,416,376,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**1,467,877**	1,527,418
Adjustments for:			
Finance costs		**130,872**	6,891
Share of profits and losses of:			
Jointly-controlled entities	22	**4,964**	(92,283)
Associates		**9,907**	(35,565)
Interest income	6	**(57,086)**	(4,725)
Write-off of items of property and equipment	8	**1,720**	797
Loss/(gain) on disposal of items of property and equipment, net	6, 8	**(3,218)**	35
Depreciation	15	**13,954**	11,095
Amortisation of prepaid land lease payments	17	**48,259**	49,507
Changes in fair value of investment properties	16	**(348,361)**	(64,228)
Amortisation of an intangible asset	18	**176**	157
		1,269,064	1,399,099
Additions to prepaid land lease payments	17	**(1,370,553)**	(48,416)
Increase in properties under development		**(3,099,205)**	(1,457,607)
Increase in contract in progress	20	**(253,407)**	(26,457)
Decrease in completed properties held for sale		**2,202,710**	984,202
Increase in trade receivables		**(145,261)**	(4,963)
Increase in prepayments, deposits and other receivables		**(284,214)**	(78,589)
Decrease in amounts due from related parties		**1,901**	6,874
Increase in trade payables		**345,132**	135,922
Decrease in receipts in advance		**(58,953)**	(1,462,735)
Increase in other payables and accruals		**49,296**	35,455
Increase in provision for major overhauls	35	**3,842**	3,677
Deferred gains from an associate	23	**18,702**	—
Cash used in operations		**(1,320,946)**	(513,538)
Interest received		**57,086**	4,725
Interest paid		**(324,660)**	(123,538)
PRC corporate income tax paid		**(139,042)**	(101,497)
PRC land appreciation tax paid		**(100,132)**	(43,208)
Net cash flows used in operating activities		**(1,827,694)**	(777,056)

Consolidated Statement of Cash Flows

Year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
Net cash flows used in operating activities		**(1,827,694)**	(777,056)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property and equipment	15	**(62,140)**	(43,636)
Additions to investment properties	16	**(67,811)**	(30,129)
Proceeds from disposal of items of property and equipment		**6,529**	691
Dividend received from jointly-controlled entities		**10,465**	106,290
Investments in jointly-controlled entities		**(6,000)**	—
Acquisition of a subsidiary that is not a business	38	**—**	(126,636)
Increase in advances of loans to jointly-controlled entities and associates		**(336,224)**	(47,299)
Decrease/(increase) in restricted cash		**61,354**	(137,913)
Increase in time deposits with original maturity over three months		**(66,000)**	—
Net cash flows used in investing activities		**(459,827)**	(278,632)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of new shares	36	**—**	1,370,616
Proceeds from issuance of senior notes		**2,000,000**	—
Share issue expenses	36	**—**	(52,233)
Issuance costs of senior notes		**(50,575)**	—
New bank and other borrowings		**1,760,000**	1,356,498
Repayment of bank and other borrowings		**(1,344,972)**	(748,028)
Increase/(decrease) in advances from non-controlling shareholders of certain subsidiaries		**143,857**	(52,654)
Acquisition of non-controlling interests		**(34,042)**	(66,500)
Increase/(decrease) in an amount due to a non-controlling shareholder of certain subsidiaries		**(1,410)**	24,879
Capital contribution from non-controlling shareholders		**489,096**	268,349
Increase/(decrease) in amounts due to related parties, net		**4,005**	(164,489)
Dividends paid	37	**(124,290)**	(99,814)
Net cash flows from financing activities		**2,841,669**	1,836,624
NET INCREASE IN CASH AND CASH EQUIVALENTS		**554,148**	780,936
Cash and cash equivalents at beginning of year		**1,268,891**	489,480
Effect of foreign exchange rate changes, net		**(1,561)**	(1,525)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,821,478**	1,268,891
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**1,368,716**	1,268,891
Non-pledged time deposits with original maturity of less than three months when acquired		**452,762**	—
Non-pledged time deposits with original maturity of over three months when acquired		**66,000**	—
Cash and cash equivalents as stated in the statement of financial position	28	**1,887,478**	1,268,891
Less: Non-pledged time deposits with original maturity of over three months when acquired		**(66,000)**	—
Cash and cash equivalents as stated in the statement of cash flows		**1,821,478**	1,268,891

Statement of Financial Position

31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
NON-CURRENT ASSETS			
Investment in a subsidiary	21	**–**	–
Due from subsidiaries	21	**1,447,142**	–
Total non-current assets		**1,447,142**	–
CURRENT ASSETS			
Prepayments	26	**646**	787
Due from subsidiaries	21	**2,150,681**	2,061,408
Cash and cash equivalents	28	**13,655**	2,215
Total current assets		**2,164,982**	2,064,410
CURRENT LIABILITIES			
Other payables and accruals	31	**97,405**	2,169
Due to a subsidiary	21	**815**	–
Total current liabilities		**98,220**	2,169
NET CURRENT ASSETS		**2,066,762**	2,062,241
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,513,904**	2,062,241
NON-CURRENT LIABILITIES			
Senior notes	33	**1,953,506**	–
Total non-current liabilities		**1,953,506**	–
Net assets		**1,560,398**	2,062,241
EQUITY			
Issued capital	36	**250,683**	250,683
Reserves	37(e)	**1,309,715**	1,811,558
Total equity		**1,560,398**	2,062,241

Wong Chiu Yeung
Director

Li Wei
Director

1. CORPORATE INFORMATION

China SCE Property Holdings Limited (the "Company") is incorporated in the Cayman Islands as an exempted company with limited liability. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company and its subsidiaries (collectively referred to as the "Group") were principally engaged in property development, property investment and property management in the People's Republic of China (the "PRC") during the year.

In the opinion of the directors, the ultimate holding company of the Company is Newup Holdings Limited, which is incorporated in the British Virgin Islands (the "BVI").

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 disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand ("RMB'000") 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. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

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 Amendment	Amendment 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*
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*
Improvements to HKFRSs 2010	Amendments to a number of HKFRSs issued in May 2010

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

The principal effects of adopting these 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.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES *(Continued)*

(b) *Improvements to HKFRSs 2010*

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

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

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

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

- HKAS 1 *Presentation of Financial Statements:* The amendment clarifies that an analysis of each component of other comprehensive income can be presented either in the statement of changes in equity or in the notes to the financial statements. The Group elects to present the analysis of each component of other comprehensive income in the statement of changes in equity.

- HKAS 27 *Consolidated and Separate Financial Statements:* The amendment clarifies that the consequential amendments from HKAS 27 (as revised in 2008) made to HKAS 21, HKAS 28 and HKAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if HKAS 27 is applied earlier.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs

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]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments*: *Disclosures – Offsetting Financial Assets and Financial Liabilities*[4]
HKFRS 9	*Financial Instruments*[6]
HKFRS 10	*Consolidated Financial Statements*[4]
HKFRS 11	*Joint Arrangements*[4]
HKFRS 12	*Disclosure of Interests in Other Entities*[4]
HKFRS 13	*Fair Value Measurement*[4]
HKAS 1 Amendments	Amendments to HKAS 1 *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 27 (2011)	*Separate Financial Statements*[4]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*[4]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[5]
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

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

HKFRS 7 Amendments on the transfers of financial assets introduce more extensive quantitative and qualitative disclosure requirements regarding transfer transactions of financial assets (e.g., securitisations), including information for understanding the possible effects of any risks that may remain with the entity that transferred the assets. The Group expects to adopt the amendments from 1 January 2012 and comparative disclosures are not required for any period beginning before that date.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs *(Continued)*

HKFRS 7 Amendments on offsetting financial assets and financial liabilities introduce new disclosure requirements in relation to the offsetting models of financial assets and financial liabilities. The amendments also improve the transparency in the reporting of how companies mitigate credit risk, including disclosure of related collateral pledged or received. The Group expects to adopt the amendments from 1 January 2013.

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

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

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

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs *(Continued)*

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

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

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

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

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

HKAS 32 Amendments clarify the requirements for offsetting financial instruments. The amendments address inconsistencies in current practice when applying the offsetting criteria in HKAS 32. The amendments clarify the meaning of “currently has a legally enforceable right of set-off” and that some gross settlement systems may be considered equivalents to net settlements. The Group expects to adopt the amendments from 1 January 2014.

3. SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

The results of a subsidiary are included in the Company's statement of comprehensive income to the extent of dividends received and receivable. The Company's investment in a subsidiary is stated at cost less any impairment losses.

Joint ventures

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

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

A joint venture is treated as:

(a) a subsidiary, if the Group/Company has unilateral control, directly or indirectly, over the joint venture;

(b) a jointly-controlled entity, if the Group/Company does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Group/Company does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with HKAS 39, if the Group/Company holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

Jointly-controlled entities

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

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

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Associates

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

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

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill *(Continued)*

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 contingent consideration does not fall within the scope of HKAS 39, 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.

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

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss of the statement of comprehensive income in the period in which it arises in those expense categories consistent with the function of the impaired 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 profit or loss of the statement of comprehensive income in the period in which it arises.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties

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

(a) the party is a person or a close member of that person's family and that person;

(i) has control or joint control over the Group;

(ii) has significant influence over the Group, or

(iii) is a member of the key management personnel of the Group or of a parent of the Group.

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property and equipment and depreciation

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

Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss of the statement of comprehensive income 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 and equipment are acquired to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

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

Leasehold land under finance leases	Over the lease terms
Buildings	Over the lease terms
Leasehold improvements	Over the shorter of the lease terms and 20%
Furniture, fixtures and office equipment	19% to 25%
Transportation equipment	10% to 25%

Where parts of an item of property 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 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 profit or loss of the statement of comprehensive income 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 and equipment when completed and ready for use.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Properties under development

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

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

Revenue is only recognised upon completion of the development. Sales deposits/instalments received and receivable from purchasers in respect of pre-sale of properties under development prior to completion of the development are included in current liabilities.

Completed properties held for sale

Completed properties held for sale are stated at the lower of cost and net realisable value. Cost is determined by an apportionment of total land and construction 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 estimates based on prevailing market conditions.

Service concession arrangement

The Group has entered into a service concession arrangement with a government body in Quanzhou, the PRC, for the operation and management of certain sports and recreation facilities. The transactions related to such service concession arrangement are accounted for by the Group as follows:

Consideration paid by the Group

An intangible asset (operating concession) is recognised to the extent that the Group receives a right to charge users of the public services. The intangible asset (operating concession) is accounted for in accordance with the policy set out for “Intangible asset (other than goodwill)” below.

Operating services

Revenue relating to operating services is accounted for in accordance with the policy for “Revenue recognition” below.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Service concession arrangement *(Continued)*

Contractual obligations to restore the sports and recreation facilities to a specified level of serviceability

The Group has contractual obligations which it must fulfil as a condition of its licence. The obligations are (a) to maintain the sports and recreation facilities it operates to a specified level of serviceability and (b) to restore the sports and recreation facilities to a specified condition before they are handed over to the grantor at the end of the service concession arrangement. These contractual obligations to maintain or restore the sports and recreation facilities, except for the upgrade element, are recognised and measured in accordance with the policy set out for "Provisions" below.

Intangible asset (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 life of an intangible asset is assessed to be either finite or indefinite. Intangible asset with finite life 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 asset with indefinite useful life is tested for impairment annually either individually or at the cash-generating unit level. Such intangible asset is not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether 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.

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss of the statement of comprehensive income in the period the intangible asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant intangible asset.

Operating concession

Operating concession represents the right to operate certain sports and recreation facilities and is stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is provided on the straight-line basis over the period of the operating concession granted to the Group of 30 years.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties

Investment properties include both completed investment properties and investment properties under construction.

Completed investment properties are interests in land and buildings 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.

Investment properties under construction or development for future use as investment properties are classified as investment properties under construction. Such properties under construction are measured initially at cost, including transaction costs, and stated at fair value, subsequent to initial recognition, at the end of the reporting period when the fair value can be determined reliably.

Gains or losses arising from changes in the fair values of completed investment properties and investment properties under construction are included in profit or loss of the statement of comprehensive income in the year in which they arise.

Any gains or losses on the retirement or disposal of a completed investment property or an investment property under construction are recognised in profit or loss of the statement of comprehensive income in the year of the retirement or disposal.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to profit or loss of the statement of comprehensive income so as to provide a constant periodic rate of charge over the lease terms.

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 profit or loss of the statement of comprehensive income on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases net of any incentives received from the lessor are charged to profit or loss of the statement of comprehensive income 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets

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

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

The Group's financial assets include cash and bank balances, amounts due from related parties, deposits and trade and other receivables which are classified and accounted for as 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 profit or loss of the statement of comprehensive income. The loss arising from impairment is recognised in profit or loss of the statement of comprehensive income in finance costs for loans and in other expenses for receivables.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial assets

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

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

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

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

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

Financial assets carried at amortised cost

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

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss of the statement of comprehensive income. 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 profit or loss of the statement of comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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, accruals, amounts due to related parties, interest-bearing bank and other borrowings and senior notes.

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 profit or loss of the statement of comprehensive income 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 profit or loss of the statement of comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities *(Continued)*

Senior notes

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

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

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

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 profit or loss of the statement of comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

Hedge accounting

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

For hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, the gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised in other comprehensive income while any gains or losses relating to the ineffective portion are recognised in profit or loss of the statement of comprehensive income. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to profit or loss of the statement of comprehensive income.

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, which are not restricted as to use.

3. 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 profit or loss of the statement of comprehensive income.

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 goodwill or 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, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 significant 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 rendering of services, when the services have been rendered;

(c) rental income, on a time proportion basis over the lease terms;

(d) 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 to the net carrying amount of the financial asset; and

(e) facilities rental income, on a time proportion basis over the lease terms.

Land development contract

The Group has entered into a land development contract (the "Land Development Contract") with the local government of Nan'an City (the "Nan'an Government"), the PRC, to carry out the construction and preparation works in respect of land infrastructure and ancillary public facilities on certain land parcels in Nan'an City.

Pursuant to the Land Development Contract, upon completion of the necessary construction and development works of each land parcel, the Group will be entitled to the entire sale proceeds arising from the sale of the relevant land parcel by the Nan'an Government through public auction.

Revenue from the Land Development Contract is recognised upon the transfer of risks and rewards in connection with the land parcel developed and when the amount of revenue can be measured reliably, which occurs upon the completion of related construction and development works as well as the sale of the relevant land parcel. The timing of sale of each land parcel by the Nan'an Government is uncertain and out of the control of the Group.

Costs incurred by the Group in connection with the Land Development Contract comprises the aggregate costs of construction, materials and supplies, capitalised borrowing costs on related borrowing funds during the period of development and other costs directly attributable to such land development contract and are classified as "Contract in progress" before the relevant land parcels are sold.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Land development contract *(Continued)*

Contract in progress is stated at the lower of cost and net realisable value. Net realisable value takes into account the Group's share of the proceeds derived from the sale of the relevant land parcels by the Nan'an Government, less costs to completion and the costs to be incurred in realising the revenue derived from the sale of the land parcels based on prevailing market conditions.

Other employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss of the statement of comprehensive income 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 operates in Mainland China are required to participate in a central pension scheme (the "Pension Scheme") operated by the local municipal government. The subsidiaries are required to contribute certain percentages of their payroll costs to the Pension Scheme. The only obligation of the Group with respect to the Pension Scheme is to pay the ongoing contributions under the Pension Scheme. The contributions are charged to profit or loss of the statement of comprehensive income as they become payable in accordance with the rules of the 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. 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.

Dividends

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Final dividends are recognised as a liability when they have been approved by the shareholders.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

These financial statements are presented in RMB, which is the Group's presentation currency. The functional currency of the Company is Hong Kong dollars while RMB is used as the presentation currency of the financial statements of the Company for the purpose of aligning with the presentation currency of the Group. 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 profit or loss of the statement of comprehensive income.

All differences arising on settlement or translation of monetary items are taken to the profit or loss of the statement of comprehensive income with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to profit or loss of the statement of comprehensive income. Tax charges and credits attributable to exchange differences on these monetary items are also recorded in equity.

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 difference on the 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).

The functional currencies of certain subsidiaries, jointly-controlled entities and associates operating outside the PRC are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period, and their statements of comprehensive income are translated into RMB 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 profit or loss of the statement of comprehensive income.

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the 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 these 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.

4. 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. Judgement is made by management on 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 included in current assets if the properties are intended for sale after its completion, whereas, the properties are accounted for as investment properties under construction included in investment properties if the properties are intended to be held to earn rentals and/or for capital appreciation. Upon completion of the properties, the properties held for sale are transferred to completed properties held for sale and are stated at cost, while the properties held to earn rentals and/or for capital appreciation are transferred to completed investment properties. Investment properties, both under construction and completed, are subject to revaluation at the end of each reporting period.

Valuation of properties under development and completed properties held for sale

Properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. The cost of each unit in each phase of development is determined using the weighted average method. The estimated net realisable value is the estimated selling price less selling expenses and the estimated cost of completion (if any), which are estimated based on the best available information.

If there is an increase in costs to completion or a decrease in net sales value, the net realisable value will decrease and this may result in a provision for properties under development and completed properties held for sale. Such provision requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the periods in which such estimate is changed will be adjusted accordingly.

Allocation of construction cost on properties under development

When developing properties, the Group typically divides the development projects into phases. Costs directly related to the development of a phase are recorded as the cost of such phase. Costs that are common to each phase are allocated to each phase based on the saleable floor area of each phase as a percentage of the total saleable floor area of the entire project. The cost of the unit sold is determined by the floor area in square metre sold during the year multiplies by the average cost per square metre of that particular phase of the project.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty

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

Estimation of fair value of investment properties

Investment properties, including completed investment properties and investment properties under construction, were revalued at each reporting date during the year based on the appraised market value provided by independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimation, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at each reporting date.

PRC corporate income tax ("CIT")

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 for 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.

PRC land appreciation tax ("LAT")

The Group is subject to LAT in the PRC. The provision for 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 tax authorities upon the completion of the property development projects. The Group has not finalised its LAT calculation and payments with the tax authorities for certain of its property development projects. The final outcome could be different from the amounts that were initially recorded.

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.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

Allowance on trade and other receivables

The provision policy for doubtful debts of the Group is based on the ongoing evaluation of the collectability and aged analysis of the outstanding receivables and on management's estimation. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the creditworthiness and the past collection history of each customer. If the financial conditions of the customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Provision for major overhauls

The Group has contractual obligations which it must fulfil as a condition of the operating concession granted by the grantor, which are (a) to maintain the sports and recreation facilities it operates to a specified level of serviceability and (b) to restore the sports and recreation facilities to a specified condition before they are handed over to the grantor at the end of the service concession arrangement. These contractual obligations to maintain or restore the sports and recreation facilities, except for the upgrade element, are recognised and measured in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets,* i.e., at the best estimate of the expenditure that would be required to settle the present obligation at the end of the reporting period. The estimation of the expenditure requires the Group to estimate the expected future cash outlays on major overhauls of the facilities over the service concession period and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

5. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the businesses of property development, property investment and property management. For management purposes, the property development and property investment businesses are monitored as one operating segment on a project basis to allocate resources and assess performance. For financial reporting purposes, the property management segment combines with the property development and investment segment as its reported revenue, reported results and assets are less than 10% of the consolidated revenue, consolidated profit and consolidated assets of the Group.

The Group's revenue from external customers from each product or service is set out in note 6 to the financial statements.

The Group's revenue from external customers is derived solely from its operations in the PRC, and the non-current assets of the Group are substantially located in the PRC.

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

6. REVENUE, OTHER INCOME AND GAINS

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

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

	2011	2010
	RMB'000	RMB'000
Revenue		
Sale of properties	**3,680,800**	4,071,625
Gross rental income	**58,721**	42,809
Property management fees	**30,827**	16,861
	3,770,348	4,131,295
Other income and gains		
Bank interest income	**57,086**	4,725
Provision of construction services	**20,160**	—
Foreign exchange gains, net (note 8)	**16,799**	4,378
Gain on disposal of items of property and equipment	**3,218**	—
Others	**10,354**	13,116
	107,617	22,219

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2011	2010
	RMB'000	RMB'000
Interest on bank loans and other borrowings and senior notes wholly repayable within five years	**425,361**	122,565
Interest on bank loans repayable beyond five years	**785**	973
Increase in a discounted amount of provision for major overhauls arising from the passage of time (note 35)	**344**	171
Total interest expense on financial liabilities not at fair value through profit or loss	**426,490**	123,709
Less: Interest capitalised	**(295,618)**	(116,818)
	130,872	6,891

8. PROFIT BEFORE TAX

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

	Notes	2011 RMB'000	2010 RMB'000
Cost of properties sold		**2,202,710**	2,517,386
Cost of services provided		**24,753**	20,257
Depreciation	15	**13,954**	11,095
Amortisation of land lease payments	17	**48,259**	49,507
Amortisation of an intangible asset*	18	**176**	157
Provision for major overhauls	35	**3,842**	3,677
Minimum lease payments under operating leases for land and buildings		**4,212**	3,852
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties		**217**	87
Auditors' remuneration		**2,430**	1,924
Employee benefit expense (including directors' remuneration (note 9)):			
Salaries and other staff costs		**89,941**	72,928
Pension scheme contributions		**9,489**	4,134
Less: Amount capitalised		**(20,955)**	(13,666)
		78,475	63,396
Write-off of items of property and equipment**	15	**1,720**	797
Loss/(gain) on disposal of items of property and equipment		**(3,218)**	35
Exchange differences arising from retranslation of senior notes		**94,264**	—
Less: Amount recognised in other comprehensive income as a result of net investment hedge		**(45,853)**	—
		48,411	—
Other foreign exchange differences, net		**(16,799)**	(4,378)
Exchange differences, net		**31,612**	(4,378)

* The amortisation of an intangible asset for the year is included in "Cost of sales" in the consolidated statement of comprehensive income.

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

9. DIRECTORS' REMUNERATION

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

	2011 RMB'000	2010 RMB'000
Fees	**796**	836
Other emoluments:		
Salaries, allowances and benefits in kind	**5,400**	4,374
Discretionary performance related bonuses	**4,533**	5,367
Pension scheme contributions	**50**	48
	9,983	9,789
	10,779	10,625

(a) Independent non-executive directors

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total RMB'000
2011					
Independent non-executive directors:					
Mr. Ting Leung Huel Stephen	**199**	**–**	**–**	**–**	**199**
Mr. Lu Hong Te	**199**	**–**	**–**	**–**	**199**
Mr. Dai Yiyi	**199**	**–**	**–**	**–**	**199**
	597	**–**	**–**	**–**	**597**

9. DIRECTORS' REMUNERATION *(Continued)*

(a) Independent non-executive directors *(Continued)*

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total RMB'000
2010					
Independent non-executive directors:					
Mr. Ting Leung Huel Stephen	209	–	–	–	209
Mr. Lu Hong Te	209	–	–	–	209
Mr. Dai Yiyi	209	–	–	–	209
	627	–	–	–	627

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

(b) Executive directors and a non-executive director

	Fees RMB'000	**Salaries, allowances and benefits in kind RMB'000**	**Discretionary performance related bonuses RMB'000**	**Pension scheme contributions RMB'000**	**Total RMB'000**
2011					
Executive directors:					
Mr. Wong Chiu Yeung ("Mr. Wong")	**–**	**1,196**	**1,196**	**10**	**2,402**
Mr. Chen Yuanlai	**–**	**996**	**775**	**10**	**1,781**
Mr. Cheng Hiu Lok	**–**	**996**	**775**	**10**	**1,781**
Mr. Li Wei	**–**	**996**	**664**	**9**	**1,669**
Mr. Liu Zhijie	**–**	**608**	**524**	**4**	**1,136**
Mr. Huang Youquan	**–**	**608**	**599**	**7**	**1,214**
Non-executive director:					
Mr. Fung Ka Pun	**199**	**–**	**–**	**–**	**199**
	199	**5,400**	**4,533**	**50**	**10,182**

9. DIRECTORS' REMUNERATION *(Continued)*

(b) Executive directors and a non-executive director *(Continued)*

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total RMB'000
2010					
Executive directors:					
Mr. Wong Chiu Yeung	–	1,255	1,882	10	3,147
Mr. Chen Yuanlai	–	1,045	1,220	10	2,275
Mr. Cheng Hiu Lok	–	1,046	1,220	10	2,276
Mr. Li Wei	–	1,028	1,045	18	2,091
Non-executive director:					
Mr. Fung Ka Pun	209	–	–	–	209
	209	4,374	5,367	48	9,998

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

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2010: four) directors, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining one (2010: one) non-director, highest paid employee for the year are as follows:

	2011 RMB'000	2010 RMB'000
Salaries, allowances and benefits in kind	**996**	1,043
Discretionary performance related bonuses	**664**	523
Pension scheme contributions	**–**	10
	1,660	1,576

The number of the non-director, highest paid employee whose remuneration fell within the following band:

	2011	2010
RMB1,500,001 to RMB2,000,000	**1**	1

11. INCOME 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). Taxes on profits assessable in Mainland China have been calculated at the rates of tax prevailing in the cities in which the Group's subsidiaries operate.

	2011	2010
	RMB'000	RMB'000
Group:		
Current charge for the year:		
PRC CIT	**411,302**	321,779
PRC LAT	**278,139**	272,396
	689,441	594,175
Deferred (note 34)	**(98,567)**	(3,068)
Total tax charge for the year	**590,874**	591,107

On 16 March 2007, the National People's Congress approved the PRC Corporate Income Tax Law (the "New CIT Law"), which became effective on 1 January 2008. The New CIT Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rates for domestic-invested and foreign-invested enterprises at 25%. Pursuant to "Guo Fa [2007] No. 39" promulgated on 26 December 2007, for the Group's subsidiaries in Xiamen and Shenzhen which enjoyed a preferential tax rate of 15% prior to 1 January 2008, the tax rate is transitioned to 25% over five years at rates of 18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and 25% in 2012.

11. INCOME TAX *(Continued)*

A reconciliation of the tax expense applicable to profit before tax at the statutory/applicable rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	2011 RMB'000	2010 RMB'000
Profit before tax	**1,467,877**	1,527,418
At the statutory/applicable rates of different jurisdictions	**392,854**	394,307
Lower tax rates for specific cities	**(68,910)**	(9,384)
Effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiaries	**(7,304)**	7,304
Profits and losses attributable to jointly-controlled entities and associates	**4,274**	(32,669)
Income not subject to tax	**(4,868)**	(796)
Expenses not deductible for tax	**45,063**	3,710
Tax losses utilised from previous periods	**(9,949)**	—
Tax losses not recognised	**1,743**	7,865
Tax effect on unrealised profits arising from transactions within the Group	**30,327**	(442)
LAT	**278,139**	272,396
Tax effect of LAT	**(70,495)**	(51,184)
Tax charge at the Group's effective rate	**590,874**	591,107

The share of tax charge for the year ended 31 December 2011 attributable to jointly-controlled entities and associates amounting to RMB7,412,000 (2010: RMB108,123,000) and RMB416,000 (2010: RMB29,530,000), respectively, are included in "Share of profits and losses of jointly-controlled entities and associates" in the consolidated statement of comprehensive income.

12. 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 loss of RMB163,577,000 (2010: profit of RMB250,820,000) which has been dealt with in the financial statements of the Company (note 37(e)).

13. DIVIDENDS

	2011 RMB'000	2010 RMB'000
Interim dividend - Nil (2010: HK4 cents) per ordinary share	–	99,814
Proposed final - HK4 cents (2010: HK5 cents) per ordinary share	92,494	124,290
	92,494	224,104

A final dividend of HK5 cents per ordinary share amounting to RMB124,290,000 for the year ended 31 December 2010 was paid on 5 May 2011 by the Company.

The proposed final dividend for the year ended 31 December 2011 is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

14. 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 owners of the parent, and the weighted average number of ordinary shares of 2,853,200,000 (2010: 2,795,665,753) in issue during the year (note 36).

The weighted average number of ordinary shares in issue during the prior year had been retrospectively adjusted to reflect the capitalisation issue in February 2010.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2011 and 2010 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those years.

15. PROPERTY AND EQUIPMENT

	Land and buildings RMB'000	Leasehold improvements RMB'000	Furniture, fixtures and office equipment RMB'000	Transportation equipment RMB'000	Total RMB'000
31 December 2011					
At 1 January 2011:					
Cost	73,989	30,207	16,869	24,325	145,390
Accumulated depreciation	(5,572)	(7,757)	(7,144)	(9,307)	(29,780)
Net carrying value	68,417	22,450	9,725	15,018	115,610
At 1 January 2011, net of accumulated depreciation	68,417	22,450	9,725	15,018	115,610
Additions	–	2,267	3,653	56,220	62,140
Transfer from completed properties held for sale	1,208	–	–	–	1,208
Depreciation	(2,389)	(4,395)	(2,928)	(4,242)	(13,954)
Write-off	–	(1,578)	(142)	–	(1,720)
Disposals	(1,702)	(258)	(917)	(434)	(3,311)
At 31 December 2011, net of accumulated depreciation	65,534	18,486	9,391	66,562	159,973
At 31 December 2011:					
Cost	73,495	30,638	19,463	80,111	203,707
Accumulated depreciation	(7,961)	(12,152)	(10,072)	(13,549)	(43,734)
Net carrying value	65,534	18,486	9,391	66,562	159,973

15. PROPERTY AND EQUIPMENT *(Continued)*

	Land and buildings RMB'000	Leasehold improvements RMB'000	Furniture, fixtures and office equipment RMB'000	Transportation equipment RMB'000	Total RMB'000
31 December 2010					
At 1 January 2010:					
Cost	68,952	11,687	9,960	12,678	103,277
Accumulated depreciation	(3,242)	(3,747)	(4,625)	(7,071)	(18,685)
Net carrying value	65,710	7,940	5,335	5,607	84,592
At 1 January 2010, net of accumulated depreciation	65,710	7,940	5,335	5,607	84,592
Additions	5,037	18,842	7,407	12,350	43,636
Depreciation	(2,330)	(4,010)	(2,519)	(2,236)	(11,095)
Write-off	–	(322)	(250)	(225)	(797)
Disposals	–	–	(248)	(478)	(726)
At 31 December 2010, net of accumulated depreciation	68,417	22,450	9,725	15,018	115,610
At 31 December 2010:					
Cost	73,989	30,207	16,869	24,325	145,390
Accumulated depreciation	(5,572)	(7,757)	(7,144)	(9,307)	(29,780)
Net carrying value	68,417	22,450	9,725	15,018	115,610

At 31 December 2011, certain of the Group's buildings with an aggregate carrying amount of RMB62,412,000 (2010: RMB60,446,000) were pledged to banks to secure the bank loans granted to the Group (note 40).

The Group's leasehold land included in property and equipment with a net carrying amount of RMB7,920,000 (2010: RMB8,146,000) is situated in Hong Kong and is held under a medium term lease.

16. INVESTMENT PROPERTIES

	Completed RMB'000	Under construction RMB'000	Total RMB'000
Carrying amount at 1 January 2010	1,296,000	—	1,296,000
Additions	6,995	23,134	30,129
Transfer from prepaid land lease payments	—	5,643	5,643
Net gain from a fair value adjustment	8,005	56,223	64,228
Carrying amount at 31 December 2010 and 1 January 2011	1,311,000	85,000	1,396,000
Additions	—	67,811	67,811
Transfer from completed properties held for sale	6,041	—	6,041
Transfer from properties under development	—	36,787	36,787
Net gain from a fair value adjustment	82,959	265,402	348,361
Carrying amount at 31 December 2011	**1,400,000**	**455,000**	**1,855,000**

All of the Group's investment properties are situated in Mainland China and are held under medium term lease.

The Group's investment properties were revalued on 31 December 2011 by DTZ Debenham Tie Leung, independent professionally qualified valuers, at RMB1,855,000,000 (2010: RMB1,396,000,000).

The fair value of completed investment properties was based on either the capitalisation of net income derived from the existing tenancies with allowance for the reversionary income potential of the properties, or making the reference to comparable market transactions. The fair value of investment properties under construction is determined on the basis of the residual method. The use of the residual method to value investment properties under construction requires considering the significant risks which are relevant to the development process, including but not limited to construction and letting risks.

At 31 December 2011, the Group's investment properties with an aggregate carrying amount of RMB1,559,000,000 (2010: RMB1,396,000,000) were pledged to secure the bank loans granted to the Group (note 40).

The Group's investment properties are leased to third parties and companies controlled by Mr. Wong under operating leases, further summary details of which are included in note 41(a).

17. PREPAID LAND LEASE PAYMENTS

	2011	2010
	RMB'000	RMB'000
Carrying amount at 1 January	**1,653,111**	2,212,208
Additions	**1,370,553**	48,416
Acquisition of a subsidiary that is not a business (note 38)	**–**	126,636
Transfer to properties under development	**–**	(678,999)
Transfer to investment properties	**–**	(5,643)
Recognised during the year	**(48,259)**	(49,507)
Carrying amount at 31 December	**2,975,405**	1,653,111
Current portion included in prepayments, deposits and other receivables	**(65,095)**	(39,325)
Non-current portion	**2,910,310**	1,613,786

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

	2011	2010
	RMB'000	RMB'000
Long term leases	**2,159,670**	810,525
Medium term leases	**815,735**	842,586
	2,975,405	1,653,111

At 31 December 2011, certain of the Group's leasehold land with an aggregate carrying amount of RMB797,707,000 (2010: RMB996,980,000) were pledged to banks to secure the bank loans granted to the Group (note 40).

18. INTANGIBLE ASSET

	Operating concession	
	2011	2010
	RMB'000	RMB'000
Cost at 1 January, net of accumulated amortisation	**4,662**	4,819
Amortisation provided during the year	**(176)**	(157)
At 31 December	**4,486**	4,662
At 31 December:		
Cost	**4,861**	4,861
Accumulated amortisation	**(375)**	(199)
Net carrying amount	**4,486**	4,662

On 28 March 2006, Quanzhou Straits Sports Centre Co., Ltd (the "Straits Sports Centre") entered into an operating right concession agreement (the "Operating Right Agreement") with Quanzhou Sports Bureau (the "Sports Bureau"), a local government body in Quanzhou, the PRC, at a cash consideration of RMB5,000,000. Pursuant to the Operating Right Agreement, the Straits Sports Centre is granted an operating concession (the "Operating Concession") to operate and manage certain sports and recreation facilities (the "Facilities") in Quanzhou for a period of 30 years (the "Operating Period").

This service concession arrangement involves the Group as operator (i) paying a specific amount as consideration to obtain the Operating Concession of the Facilities; (ii) operating and maintaining the Facilities at a specified level of serviceability on behalf of the Sports Bureau for the Operating Period; and (iii) receiving a right to charge users using the Facilities. The Group is entitled to operate and manage the Facilities, and is entitled to all the income associated with the operation of the Facilities. However, the relevant government bodies as grantors will control and regulate the scope of services provided and the prices charged by the Group during the Operating Period, retain ownership, and be entitled to any residual interest in the Facilities at the end of the Operating Period.

The cost of the Operating Concession is being amortised over the Operating Period.

19. PROPERTIES UNDER DEVELOPMENT

	2011 RMB'000	2010 RMB'000
Properties under development expected to be completed:		
Within normal operating cycle included under current assets	**4,450,136**	4,250,492
Beyond normal operating cycle included under non-current assets	**899,644**	409,828
	5,349,780	4,660,320
Properties under development expected to be completed within normal operating cycle and recovered:		
Within one year	**1,964,620**	1,900,345
After one year	**2,485,516**	2,350,147
	4,450,136	4,250,492

All of the Group's properties under development are located in Mainland China and are held under long term leases.

At 31 December 2011, certain of the Group's properties under development, including the relevant land use rights, with an aggregate carrying amount of RMB4,435,515,000 (2010: RMB2,574,109,000) were pledged to banks to secure the bank loans granted to the Group (note 40).

20. CONTRACT IN PROGRESS

	2011 RMB'000	2010 RMB'000
At 1 January	**26,457**	—
Additions	**253,407**	26,457
At 31 December	**279,864**	26,457

On 18 August 2009, the Group entered into the Land Development Contract with the Nan'an Government to carry out the construction and preparation works in respect of land infrastructure and ancillary public facilities over certain land parcels in Nan'an City. Pursuant to the Land Development Contract, though the Group does not have ownership title or land use right to such land parcels, when the land parcels are sold by the Nan'an Government through public auctions, the Group is entitled to the entire sales proceeds arising from such land sales.

The development of the relevant land parcels commenced in 2010 and is expected to be completed gradually in or after 2015.

20. CONTRACT IN PROGRESS *(Continued)*

Contract in progress represents costs incurred by the Group in connection with the construction and development of the relevant land parcels under the Land Development Contract and comprises costs of construction, materials and supplies, capitalised borrowing costs on related borrowing funds during the period of development and other costs directly attributable to such Land Development Contract.

21. INVESTMENTS IN SUBSIDIARIES

	Company	
	2011	2010
	RMB'000	RMB'000
Unlisted investment, at cost	**–**	–
Due from subsidiaries	**1,447,142**	–
	1,447,142	–

The amounts due from and to subsidiaries included in the Company's current assets and current liabilities are unsecured, interest-free and repayable on demand. As at 31 December 2011, the carrying amounts of such balances approximated to their fair values.

The amounts advanced to the subsidiaries included in the investments in subsidiaries above are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors, these advances are considered as quasi-equity loans to the subsidiaries.

Particulars of the principal subsidiaries of the Group are set out below:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Affluent Way International Limited^ø	BVI	US$1	100	–	Investment holding
South China Property International Limited^ø	Hong Kong	HK$10,000	–	100	Investment holding
Bohai International Investment Limited^^ø	Hong Kong	HK$10,000	–	100	Investment holding
Dragon Tale Investments Limited^ø	BVI	US$1	–	100	Investment holding

21. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Xiamen Zhongjun Industrial Co., Ltd.** (廈門中駿集團有限公司)	PRC	HK$1,565,000,000	–	100	Investment holding and trading of construction materials
Xiamen Cippon Tai Wo Property Management Co., Ltd.** (廈門世邦泰和物業管理有限公司)	PRC	HK$1,500,000	–	100	Property management
Xiamen Guanjun Aviation Storage Services Co., Ltd.* (廈門冠駿航空倉儲服務有限公司#)	PRC	RMB50,000,000	–	100	Property investment
Xiamen Lucky Star Decoration Engineering Co., Ltd.** (廈門福斯達裝修工程有限公司)	PRC	RMB50,000,000	–	100	Interior design and decoration
Xiamen Jinmen Seaview Manor Real Estate Co., Ltd.** (廈門金門海景山莊房地產有限公司)	PRC	HK$20,000,000	–	100	Property development
Tianxia Estate (Xiamen) Development Co., Ltd.** (天下房地產（廈門）開發有限公司)	PRC	US$7,000,000	–	100	Property development
Beijing World City Property Management Co., Ltd.** (北京世界城物業管理有限公司#)	PRC	RMB50,000,000	–	100	Property management
Tangshan SCE Real Estate Development Co., Ltd.* (唐山中駿房地產開發有限公司#)	PRC	RMB100,000,000	–	100	Property development
Nan'an Junjie Real Estate Development Co., Ltd. * (南安駿杰房地產開發有限公司#)	PRC	RMB100,000,000	–	80	Property development

21. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Beijing Dushishengjing Real Estate Development Co., Ltd. * (北京都市聖景房地產開發有限公司#)	PRC	RMB10,000,000	–	100	Property development
Zhangzhou Long Wen Hua Gang Real Estate Development Co., Ltd.* (漳州龍文華港房地產發展有限公司#)	PRC	RMB100,000,000	–	100	Property development
Beijing Jinghui Real Estate Development Co., Ltd.**^ (北京京匯房地產開發有限公司#)	PRC	RMB100,000,000	–	100	Property development
Quanzhou Junjing Real Estate Development Co., Ltd.* (泉州駿景房地產開發有限公司#)	PRC	RMB100,000,000	–	100	Property development
Nan'an Junxin Real Estate Development Co., Ltd.* (南安駿信房地產開發有限公司#)	PRC	RMB50,000,000	–	51	Property development
Zhongjun (Quanzhou) Real Estate Development Co., Ltd.* (中駿(泉州)房地產開發有限公司#)	PRC	RMB315,000,000	–	100	Property development
Nan'an Huajing Real Estate Development Co., Ltd.* (南安市華景房地產開發有限公司#)	PRC	RMB70,000,000	–	100	Property development
Shenzhen Fanya Real Estate Development Co., Ltd.** (深圳泛亞房地產開發有限公司#)	PRC	HK$160,000,000	–	63.2	Property development
Fujian Taijing Construction Co., Ltd.* (福建泰景建設有限公司#)	PRC	RMB59,720,000	–	100	Property construction

21. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Shanxi Yuanhong Real Estate Development Co., Ltd.* (山西源宏房地產開發有限公司#)	PRC	RMB100,000,000	–	90	Property development
Xiamen Zhongjun Tianfeng Real Estate Co., Ltd.*** (廈門中駿天峰房地產有限公司#)	PRC	RMB240,000,000	–	60	Property development
Fujian Straits West-Coast Investment Co., Ltd.* (福建省海峽西岸投資有限公司#)	PRC	RMB1,000,000,000	–	58	Property development
Quanzhou Straits Sports Center Co., Ltd* (泉州市海峽體育中心有限公司#)	PRC	RMB300,000,000	–	58	Operation and management of sports and recreation facilities
Fujian SCE Gulf Construction and Development Co., Ltd *** (福建中駿海灣建設開發有限公司#)	PRC	US$103,250,000	–	38.25	Undertaking of the pre-development work for a land site
Anshan SCE Real Estate Development Co., Ltd *** (鞍山中駿房地產開發有限公司#)	PRC	RMB370,940,000	–	70	Property development
Xiamen Junxianghexin Real Estate Development Co., Ltd.*@ (廈門駿翔和信房地產有限公司#)	PRC	RMB150,000,000	–	100	Property development
Quanzhou Puxi Third Property Co., Ltd.*** (泉州市浦西三號置業有限公司#)	PRC	RMB900,000,000	–	34	Property development
Xiamen Junyou Real Estate Development Co., Ltd.* (廈門駿友房地產開發有限公司#)	PRC	RMB120,000,000	–	90	Property development
Nan'an Junhong Real Estate Development Co., Ltd.* (南安駿宏房地產開發有限公司#)	PRC	RMB150,000,000	–	80	Property development

21. INVESTMENTS IN SUBSIDIARIES *(Continued)*

- * Registered as limited liability companies under the PRC law
- ** Registered as wholly-foreign-owned entities under the PRC law
- *** Registered as Sino-foreign joint ventures under the PRC law
- # The English names of these companies represent the best effort made by management of the Company to directly translate their Chinese names as no official English names have been registered.
- ^ At 31 December 2011, the shares of these Companies were pledged to a bank to secure a bank loan of RMB24,313,000 (2010: RMB42,499,000) granted to the Group (note 32).
- @ Pursuant to the relevant agreements concluded between the Group and the non-controlling shareholder of this subsidiary, the Group is entitled to all the results and assets and obligated to all liabilities of this subsidiary effective from the date of the relevant agreements by paying the non-controlling shareholder a fixed return and a consideration for the capital contributed by the non-controlling shareholder. The legal ownership of the relevant non-controlling interest will be transferred to the Group by the non-controlling shareholder when the Group settles all the fixed return and the consideration. Accordingly, the relevant non-controlling interest was considered as being acquired by the Group at the date of the relevant agreements.
- ø At 31 December 2011, the shares of these companies were pledged under share mortgage to the holders of the senior notes to secure the senior notes of RMB2,000,000,000 (note 33).

Details of a subsidiary acquired in prior year are set out in note 38 to the financial statements.

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

22. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES

	2011 RMB'000	2010 RMB'000
Share of net assets	**145,396**	153,951
Due from/(to) jointly-controlled entities	**139,287**	(12,495)
	284,683	141,456

The amounts due from/(to) jointly-controlled entities are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the jointly-controlled entities are as follows:

Name	Nominal value of registered/ paid-up capital	Place of incorporation/ registration	Percentage of ownership interest attributable to the Group	Principal activities
Well China International Investment Holdings Limited	Ordinary shares of HK$140,000,000	Hong Kong	49(1)	Investment holding
Quanzhou Yuanhang Real Estate Development Co., Ltd.* (泉州遠航房地產開發有限公司#)	Registered capital of RMB150,000,000	PRC	49(1)	Property development and investment
Poly-Wuyi (Hong Kong) Development Limited	Ordinary shares of HK$10,000	Hong Kong	50	Investment holding
Fuzhou Wuyi Oasis Real Estate Co., Ltd.** (福州武夷綠州房地產有限公司)	Registered capital of RMB40,000,000	PRC	50	Property development
Xiamen Vanke Maluanwan Property Co., Ltd.* (廈門市萬科馬鑾灣置業有限公司#)	Registered capital of RMB30,000,000	PRC	20	Property development

* Registered as a limited liability company under the PRC law
** Registered as a wholly-foreign-owned entity under the PRC law
\# The English names of these companies represent the best effort made by management of the Company to directly translate their Chinese names as no official English names have been registered.
(1) Pursuant to the relevant shareholders' agreements, the Group is entitled to a 50% voting right in the boards of directors of these entities.

All of the above investments in jointly-controlled entities are held through subsidiaries of the Company.

22. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES *(Continued)*

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

	2011	2010
	RMB'000	RMB'000
Share of the jointly-controlled entities' assets and liabilities:		
Non-current assets	**210,360**	62,867
Current assets	**321,358**	279,482
Current liabilities	**(294,471)**	(168,393)
Non-current liabilities	**(91,851)**	(20,005)
Net assets	**145,396**	153,951
Share of the jointly-controlled entities' results:		
Revenue	**40,420**	502,171
Other income	**1,280**	4,423
	41,700	506,594
Total expenses	**(39,252)**	(306,188)
Tax	**(7,412)**	(108,123)
Profit/(loss) after tax	**(4,964)**	92,283

23. INVESTMENTS IN ASSOCIATES

	2011 RMB'000	2010 RMB'000
Share of net assets	**43,602**	46,282
Deferred gains	**(18,702)**	—
	24,900	46,282

Particulars of the associates are as follows:

Name	Nominal value of registered/ paid-up capital	Place of incorporation/ registration	Percentage of ownership interest attributable to the Group	Principal activities
Quanzhou Baoxing Real Estate Development Co., Ltd.* (泉州寶興房地產開發有限公司#)	Registered capital of RMB48,000,000	PRC	30	Property development
China Bright Investments Limited	Ordinary shares of HK$100	Hong Kong	20	Investment holding
Grand Richy Investments Limited	Ordinary shares of US$100	BVI	45	Investment holding
South Fujian Gold Coast Resort Co., Ltd. Shishi** (石獅市閩南黃金海岸度假村有限公司#)	Registered capital of RMB205,000,000	PRC	45	Property development
Xiamen Dayoufu Property Consultation Co.** (廈門大友富置業顧問有限公司#)	Registered capital of HK$3,000,000	PRC	20	Property agency

* Registered as a limited liability company under the PRC law

** Registered as a wholly-foreign-owned entity under the PRC law

The English names of these companies represent the best effort made by management of the Company to directly translate their Chinese names as no official English names have been registered.

23. INVESTMENTS IN ASSOCIATES *(Continued)*

The Group's shareholdings in all associates are held indirectly by subsidiaries of the Company.

All associates have been accounted for using the equity method in these financial statements and their financial year end date is coterminous with that of the Group.

The following table illustrates the summarised financial information, on a 100% basis, of the Group's associates extracted from their financial statements:

	2011 **RMB'000**	2010 RMB'000
Assets	**997,076**	630,314
Liabilities	**(847,862)**	(478,324)
Revenue	**7,217**	592,464
Profit/(loss)	**(21,056)**	114,058

24. COMPLETED PROPERTIES HELD FOR SALE

All of the Group's completed properties held for sale are located in Mainland China and are held under long term leases. All the completed properties held for sale are stated at cost.

At 31 December 2011, certain of the Group's completed properties held for sale with an aggregate carrying amount of RMB440,995,000 (2010: RMB127,623,000) were pledged to banks to secure the bank loans granted to the Group (note 40).

25. TRADE RECEIVABLES

The Group's trade receivables arise from the sale of properties, leasing of investment properties and provision of property management services.

Consideration in respect of properties is payable by the purchasers in accordance with the terms of the related sale and purchase agreements. The Group normally requires its customers to make payment of monthly/quarterly charges in advance in relation to the leasing of investment properties and provision of property management services. The Group generally grants a rent-free period for three months to the lessees of the Group's investment properties, extending up to six months for major customers.

Since the Group's trade receivables are related to a number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. All trade receivables are non-interest-bearing.

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

	2011	2010
	RMB'000	RMB'000
Neither past due nor impaired	**159,644**	12,671
1 to 6 months past due	**8,518**	9,711
7 to 12 months past due	**2,193**	2,243
Over 1 year past due	**2,013**	2,482
	172,368	27,107

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 diversified customers with no recent history of default and 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.

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Prepayments (note)	**710,525**	412,914	**646**	787
Deposits	**107,056**	91,763	**–**	–
Other receivables	**55,571**	58,494	**–**	–
	873,152	563,171	**646**	787
Non-current portion	**(567,209)**	(357,197)	**–**	–
Current portion	**305,943**	205,974	**646**	787

Note: The balances included prepayments for the acquisition of land use rights in Mainland China amounting to RMB517,209,000 (2010: RMB307,197,000) as at 31 December 2011.

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.

27. BALANCES WITH RELATED PARTIES

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

	Group	
	2011	2010
	RMB'000	RMB'000
Due from related parties:		
Companies controlled by Mr. Wong	**–**	1,580
Jointly-controlled entities	**110,713**	33,876
Associates	**300,180**	182,955
	410,893	218,411
Due to related parties:		
Companies controlled by Mr. Wong	**321**	–
Jointly-controlled entities	**18,182**	–
Associates	**62,621**	76,798
	81,124	76,798

Except for RMB100,000,000 due from an associate which bears interest at 9% per annum and is repayable within one year, the balances are non-trade in nature, unsecured, interest-free and are repayable on demand. The carrying amounts of the balances with related parties approximate to their fair values.

None of the amounts due from related parties 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.

28. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash and bank balances	**1,560,600**	1,522,129	**13,655**	2,215
Time deposits	**518,762**	–	**–**	–
Less: Restricted cash (notes)	**(191,884)**	(253,238)	**–**	–
Cash and cash equivalents	**1,887,478**	1,268,891	**13,655**	2,215

Notes:

(a) Pursuant to the relevant regulations in the PRC, certain property development companies of the Group are required to place at designated bank accounts certain amounts of pre-sale proceeds of properties as guarantee deposits for the construction of the related properties. The deposits can only be used for purchases of construction materials and payments of the construction fees of the relevant property projects when approval from relevant local government authorities is obtained. At 31 December 2011, such guarantee deposits amounted to RMB103,163,000 (2010: RMB81,191,000).

(b) According to the relevant mortgage facility agreements signed by certain subsidiaries of the Group with their banks, the subsidiaries are required to place at designated bank accounts certain amounts as deposits for potential default of mortgage loans advanced to property purchasers. Such guarantee deposits will be released after the property ownership certificates of the relevant properties have been passed to the bank. As at 31 December 2011, such deposits amounted to RMB4,991,000 (2010: RMB1,435,000).

(c) Pursuant to a management agreement entered into between the Sports Bureau and Straits Sports Centre, the fund advanced by the Sports Bureau and deposited in a designated bank account can only be used for the payments of construction costs and expenditure incurred for the construction of the Facilities. As at 31 December 2011, such advance amounted to RMB9,940,000 (2010: RMB4,052,000).

(d) In addition to the restrictions as detailed in notes (a), (b) and (c), certain subsidiaries of the Group are also required to place certain amounts as guarantee deposits for public maintenance fund or the use of the loan proceeds which deposited in specific bank accounts are restricted. As at 31 December 2011, the aggregate amount of such deposits was RMB73,790,000 (2010: RMB166,560,000).

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to RMB2,002,463,000 (2010: RMB1,488,581,000). 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 one day and three months depending on immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. All the bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

29. TRADE PAYABLES

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

	2011	2010
	RMB'000	RMB'000
Within 1 year	**772,566**	437,989
Over 1 year	**16,022**	5,467
	788,588	443,456

The trade payables are non-interest-bearing and repayable within the normal operating cycle or on demand.

30. RECEIPTS IN ADVANCE

Receipts in advance represent sales proceeds received from buyers in connection with the Group's pre-sale of properties during the year.

31. OTHER PAYABLES AND ACCRUALS

		Group		Company	
	Notes	**2011**	2010	**2011**	2010
		RMB'000	RMB'000	**RMB'000**	RMB'000
Deposits received		**149,445**	201,721	**—**	—
Accruals		**120,470**	31,458	**97,405**	1,964
Due to non-controlling shareholders of certain subsidiaries	(a)	**16,410**	17,820	**—**	—
Advances from non-controlling shareholders of certain subsidiaries	(b)	**348,872**	205,015	**—**	—
Other payables		**139,605**	37,054	**—**	205
		774,802	493,068	**97,405**	2,169
Non-current portion		**(15,000)**	(16,410)	**—**	—
Current portion		**759,802**	476,658	**97,405**	2,169

Notes:

(a) The balances are interest-free, except for an amount of RMB15,000,000 at 31 December 2011 (2010: RMB15,000,000) which bears interest at 6.56% per annum (being the one-year borrowing rate offered by the People's Bank of China) (2010: 5.81% per annum).

(b) The balances are unsecured, interest-free and repayable on demand.

Other payables are non-interest-bearing and are expected to be settled within one year. As at 31 December 2011, the carrying amounts of the Group's accruals, other payables and the balances with non-controlling shareholders of certain subsidiaries approximate to their fair values.

32. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2011			2010		
	Contractual interest rate (%) per annum	**Maturity**	**RMB'000**	Contractual interest rate (%) per annum	Maturity	RMB'000
Current						
Bank loans - secured	**2.50-8.53**	**2012**	**878,433**	2.50 - 5.84	2011	548,282
Current portion of long term bank loans - secured	**5.99-8.65**	**2012**	**378,303**	2.50 - 6.05	2011	83,609
Other loans - secured	**10.00**	**2012**	**150,000**			—
			1,406,736			631,891
Non-current						
Bank loans - secured	**5.99-8.65**	**2013-2017**	**1,720,197**	2.50 - 6.05	2012-2017	1,932,354
Other loans - secured			**—**	10.00	2012	150,000
			1,720,197			2,082,354
			3,126,933			2,714,245

	2011	2010
	RMB'000	RMB'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**1,256,736**	631,891
In the second year	**1,382,690**	916,184
In the third to fifth years, inclusive	**321,590**	1,013,552
Beyond five years	**15,917**	2,618
	2,976,933	2,564,245
Other borrowings repayable:		
Within one year	**150,000**	—
In the second year	**—**	150,000
	150,000	150,000
	3,126,933	2,714,245

32. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

Notes:

(a) Certain of the Group's bank loans are secured by the Group's property and equipment, investment properties, prepaid land lease payments, properties under development and completed properties held for sale, details of which are disclosed in note 40 to the financial statements.

(b) Certain of the Group's bank loans with an aggregate amount of RMB24,313,000 (2010: RMB42,499,000) were secured by share charges in respect of the equity interests of certain subsidiaries of the Group (note 21).

(c) Except for certain secured bank loans of RMB31,432,000 (2010: RMB50,282,000) as at 31 December 2011, which were denominated in Hong Kong dollars, all of the Group's bank and other borrowings were denominated in RMB.

(d) Except for other loans of RMB150,000,000, all borrowings bear interest at floating interest rates. The carrying amounts of the Group's bank and other borrowings approximate to their fair values.

(e) Certain of the Group's bank loans with an aggregate amount of RMB99,000,000 (2010: Nil) were secured by land use right of an associate to the Group.

33. SENIOR NOTES

On 14 January 2011, the Company issued senior notes with an aggregate principal amount of RMB2,000,000,000 at 100% face value (the "Senior Notes"), which are listed on the Singapore Exchange Securities Trading Limited. The Senior Notes are denominated in RMB and settled in the United States dollars ("US$"), and bear coupon at 10.5% per annum payable semi-annually in arrears. The net proceeds, after deduction of direct issuance costs, amounted to approximately RMB1,949,425,000. The Senior Notes will mature on 14 January 2016. The Company, at its option, can redeem all or a portion of the Senior Notes at any time prior to the maturity date at the redemption prices (principal amount plus applicable premium) plus accrued and unpaid interest up to the redemption date, as set forth in the written agreement between the Company and the trustees of the Senior Notes. The Senior Notes are secured by pledges over the share capital of certain subsidiaries of the Company (note 21).

The fair value of the early redemption option of the Senior Notes was not significant and was therefore not recognised by the Group on inception and at 31 December 2011.

34. DEFERRED TAX

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

Deferred tax liabilities

	Withholding taxes RMB'000	Revaluation of investment properties RMB'000	Total RMB'000
At 1 January 2010	—	197,247	197,247
Charged to profit or loss of the statement of comprehensive income during the year	7,304	16,057	23,361
At 31 December 2010 and 1 January 2011	7,304	213,304	220,608
Charged/(credited) to profit or loss of the statement of comprehensive income during the year	(7,304)	87,091	79,787
At 31 December 2011	**—**	**300,395**	**300,395**

34. DEFERRED TAX *(Continued)*

Deferred tax assets

	Unrealised profits arising from intra-group transactions RMB'000	Provision of LAT RMB'000	Accruals RMB'000	Losses available for offsetting against future taxable profits RMB'000	Total RMB'000
At 1 January 2010	20,302	10,749	—	62,147	93,198
Credited/(charged) to profit or loss of the statement of comprehensive income during the year	(15,956)	39,380	—	3,005	26,429
At 31 December 2010 and 1 January 2011	4,346	50,129	—	65,152	119,627
Credited/(charged) to profit or loss of the statement of comprehensive income during the year	30,361	49,697	131,727	(33,431)	178,354
At 31 December 2011	**34,707**	**99,826**	**131,727**	**31,721**	**297,981**

34. DEFERRED TAX *(Continued)*

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

	2011	2010
	RMB'000	RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**241,192**	70,004
Net deferred tax liabilities recognised in the consolidated statement of financial position	**243,606**	170,985

At 31 December 2011, the Group has tax losses arising in Mainland China of RMB143,060,000 (2010: RMB318,235,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of certain of these losses of RMB16,175,000 (2010: RMB67,297,000) as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

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

At 31 December 2011, no deferred tax has been recognised for withholding taxes (2010: RMB7,304,000) that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB1,489,233,000 at 31 December 2011.

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

35. PROVISION FOR MAJOR OVERHAULS

Pursuant to the Operating Right Agreement, the Group has contractual obligations which it must fulfil as a condition of the Operating Concession. The obligations are (a) to maintain the Facilities it operates to a specified level of serviceability and (b) to restore the Facilities to a specified condition before they are handed over to the Sports Bureau at the end of the Operating Concession. These contractual obligations to maintain or restore the sports and recreation facilities, except for the upgrade element, are recognised and measured in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, i.e., at the best estimate of the expenditure that would be required to settle the present obligation at the reporting date. The future expenditure on these maintenance and restoration costs is collectively referred to as "major overhauls". The estimation basis is reviewed on an ongoing basis, and revised where appropriate.

The movements in the provision for the major overhauls of the Facilities for the year are as follows:

	2011	2010
	RMB'000	RMB'000
At 1 January	**7,648**	3,800
Additional provisions	**3,842**	3,677
Increase in a discounted amount arising from the passage of time (note 7)	**344**	171
At 31 December	**11,834**	7,648

36. SHARE CAPITAL

Shares

	2011 HK$	2010 HK$
Authorised:		
10,000,000,000 ordinary shares of HK$0.10 each	**1,000,000,000**	1,000,000,000
Issued and fully paid:		
2,853,200,000 ordinary shares of HK$0.10 each	**285,320,000**	285,320,000
Equivalent to RMB'000	**250,683**	250,683

There was no movement in the Company's share capital during the year and a summary of the transactions in the Company's issued share capital for the prior year is as follows:

					RMB equivalent		
	Number of shares in issue	Issued capital HK$'000	Share premium account HK$'000	Total HK$'000	Issued capital RMB'000	Share premium account RMB'000	Total RMB'000
At 1 January 2010	112,660	11	774,602	774,613	11	681,988	681,999
Capitalisation issue	2,253,087,340	225,309	(225,309)	–	197,956	(197,956)	–
Issue of shares	600,000,000	60,000	1,500,000	1,560,000	52,716	1,317,900	1,370,616
Share issue expenses	–	–	(59,468)	(59,468)	–	(52,233)	(52,233)
At 31 December 2010, 1 January 2011 and 31 December 2011	**2,853,200,000**	**285,320**	**1,989,825**	**2,275,145**	**250,683**	**1,749,699**	**2,000,382**

Share options scheme

The Company operates a share option scheme (the "Scheme") which was adopted at the special general meeting held on 6 January 2010. Employees (including directors) of the Group are included in the eligible participants under the Scheme. A total of 285,320,000 shares will be available for issue under the Scheme, which represented 10% of the aggregate of the shares in issue on the date the shares of the Company commence trading on the Hong Kong Stock Exchange. Each participant cannot be entitled to more than 1% of the total number of shares in issue in any 12-month period. The option shall expire, in any event, not later than 10 years from the date of grant of the option subject to the provision for early termination set out in the Scheme. The Scheme remains in force until 5 January 2020. No option has been granted under the Scheme since the adoption of the Scheme.

37. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the year are presented in the consolidated statement of changes in equity on pages 61 and 62 of this annual report.

(b) Capital reserve

Capital reserve represents the difference between the amounts of consideration and the carrying values of non-controlling interests acquired or disposed of.

(c) 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 Company's subsidiaries established in the PRC and were approved by the respective boards of directors.

For the entities concerned, 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 holdings, provided that the balance after such conversion is not less than 25% of their registered capital.

(d) Merger reserve

The merger reserve represents the excess of the Company's share of the nominal value of the paid-up capital of the subsidiaries acquired over the Company's cost of acquisition of the subsidiaries under common control upon the group reorganisation completed in December 2007.

37. RESERVES *(Continued)*

(e) Company

	Notes	Share premium account RMB'000	Exchange fluctuation reserve RMB'000	Retained profits/ (accumulated losses) RMB'000	Total RMB'000
Balance at 1 January 2010		681,988	807	(20,391)	662,404
Total comprehensive income/(loss) for the year		—	(69,563)	250,820	181,257
Capitalisation issue	36	(197,956)	—	—	(197,956)
Issue of shares	36	1,317,900	—	—	1,317,900
Share issue expenses	36	(52,233)	—	—	(52,233)
Interim 2010 dividend		—	—	(99,814)	(99,814)
At 31 December 2010		1,749,699	(68,756)	130,615	1,811,558
Total comprehensive loss for the year		—	(78,180)	(299,373)	(377,553)
Final 2010 dividend	13	—	—	(124,290)	(124,290)
At 31 December 2011		**1,749,699**	**(146,936)**	**(293,048)**	**1,309,715**

38. ACQUISITION OF A SUBSIDIARY THAT IS NOT A BUSINESS

Year ended 31 December 2010

In June 2010, the Group entered into a share transfer agreement with Beijing Dupeng Real Estate Development Co. Ltd., a state-owned enterprise, for the acquisition of the entire equity interest in Beijing Dushishengjing Real Estate Development Co. Ltd. ("BJ Shengjing") and its shareholder's loan at a cash consideration of RMB126,680,000. The acquisition was completed in July 2010 and BJ Shengjing became a wholly-owned subsidiary of the Group.

Up to the date of the acquisition, BJ Shengjing has not carried out any significant business activities except for holding one parcel of land in Beijing, the PRC, and no property development and pre-sale activities have been carried out by BJ Shengjing. Therefore, this acquisition has been accounted for by the Group as an acquisition of assets as the operation of BJ Shengjing does not constitute a business.

The net assets acquired by the Group in the above transaction are as follows:

	RMB'000
Net assets acquired:	
Prepaid land lease payments	126,636
Cash and bank balances	44
	126,680
Total consideration satisfied by:	
Cash	126,680
Net cash outflow arising on acquisition:	
Cash and bank balances acquired	44
Cash consideration paid	(126,680)
	(126,636)

39. FINANCIAL GUARANTEE CONTRACTS

At the end of the reporting period, the Group had financial guarantees which were not provided for in the financial statements as follows:

	2011 **RMB'000**	2010 RMB'000
Guarantees in respect of mortgage facilities provided for certain purchasers of the Group's properties (notes)	**2,338,262**	1,305,421

Notes:

(i) As at 31 December 2011, the Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default on mortgage payments by these purchasers before the expiry of the guarantees, the Group is responsible for repaying the outstanding mortgage principals together with the accrued interest and penalties owed by the defaulted purchasers to the banks.

Under the above arrangement, the related properties were pledged to the banks as collateral for the mortgage loans, upon default on mortgage repayments by these purchasers, the banks are entitled to take over the legal titles and will realise the pledged properties through open auction. The Group is responsible for repaying the banks when the proceeds from the auction of the properties cannot cover the outstanding mortgage principals together with the accrued interest and penalties.

The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon the issuance of real estate ownership certificates to the purchasers, which will generally be available within one to two years after the purchasers take possession of the relevant properties.

(ii) The fair value of the guarantees is not significant and the directors of the Company consider that in the case of default on payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalties and therefore no provision has been made in the financial statements for the guarantees.

In addition, the Group's share of the jointly-controlled entities' and associates' own financial guarantees, which are not included in the above, is as follows:

	2011 **RMB'000**	2010 RMB'000
Guarantees in respect of mortgage facilities provided for certain purchasers of the jointly-controlled entities' properties	**17,802**	334,531
Guarantees in respect of mortgage facilities provided for certain purchasers of the associates' properties	**–**	24,635

40. PLEDGE OF ASSETS

At the end of the reporting period, the following assets of the Group were pledged to certain banks for securing the loans granted to the Group:

	2011	2010
	RMB'000	RMB'000
Property and equipment (note 15)	**62,412**	60,446
Investment properties (note 16)	**1,559,000**	1,396,000
Prepaid land lease payments (note 17)	**797,707**	996,980
Properties under development (note 19)	**4,435,515**	2,574,109
Completed properties held for sale (note 24)	**440,995**	127,623
	7,295,629	5,155,158

41. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 16) under operating lease arrangements, with leases negotiated for terms ranging from one to fifteen years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

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

	2011	2010
	RMB'000	RMB'000
Within one year	**19,409**	12,512
In the second to fifth years, inclusive	**402**	486
After five years	**–**	237
	19,811	13,235

41. OPERATING LEASE ARRANGEMENTS *(Continued)*

(b) As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to five years.

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

	2011	2010
	RMB'000	RMB'000
Within one year	**1,647**	1,246
In the second to fifth years, inclusive	**2,989**	3,038
	4,636	4,284

42. COMMITMENTS

In addition to the operating lease commitments detailed in note 41(b) above, the Group had the following capital commitments at the end of the reporting period:

	2011	2010
	RMB'000	RMB'000
Contracted, but not provided for:		
Capital expenditure for properties under development, prepaid land lease payments and construction of investment and owner-occupied properties in Mainland China	**1,960,821**	1,812,174

In addition, the Group's share of the jointly-controlled entities' own capital commitments, which are not included in the above, is as follows:

	2011	2010
	RMB'000	RMB'000
Contracted, but not provided for:		
Capital expenditure for jointly-controlled entities' properties under development and prepaid land lease payments	**219,931**	75,508

At the end of the reporting period, the Company did not have any significant commitments.

43. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances detailed in note 27 to the financial statements, the Group had the following transactions with related parties during the year:

	Notes	**2011**	2010
		RMB'000	RMB'000
Sales of properties to:			
Directors	(i)	**–**	3,586
Family members of the directors	(i)	**7,990**	10,381
Rental income from companies controlled by Mr. Wong	(ii)	**1,765**	1,683
Property management fee income from companies controlled by Mr. Wong	(ii)	**266**	253
Sales agency fees paid to an associate	(iii)	**4,185**	5,790
Interest income from an associate	(iv)	**2,700**	–
Provision of construction services to an associate	(v)	**20,160**	–

Notes:

(i) The properties were sold at prices mutually agreed by both parties.

(ii) Terms on the rental and management fee income of office premises were mutually agreed between both parties.

(iii) The sales agency fees were charged at rates ranging from 0.8% to 1.1% of the selling prices of the relevant properties sold.

(iv) The interest income represented the interest arising from a loan to an associate charged at a fixed rate of 9% per annum on outstanding principal.

(v) Terms on the construction services were mutually agreed between both parties.

(b) During the year, an associate of the Group pledged its land use right as security for certain of the Group's bank loans with an aggregate amount of RMB99,000,000.

(c) In the opinion of the directors, the directors of the Company represent the key management personnel of the Group. Further details of the compensation of key management personnel of the Group are set out in note 9 to the financial statements.

Transactions of items (a)(i) and (a)(ii) above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

44. FINANCIAL INSTRUMENTS BY CATEGORY

All financial assets and liabilities of the Company and the Group as at 31 December 2011 and 2010 are loans and receivables and financial liabilities stated at amortised cost, respectively.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other borrowings, senior notes, amounts due from/to 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 trade payables, which arise directly from its operations.

It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

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 income and operating cash flows are substantially independent of changes in market interest rates. Other than deposits held at banks, the Group does not have significant interest-bearing assets. Restricted deposits were held at banks in the PRC at the same saving rate of unrestricted deposits throughout the year. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank borrowings with floating interest rates. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk, but will consider hedging significant interest rate risk should the need arise.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax. There is no material impact on other components of the Group's equity.

	Increase/ (decrease) in basis points	Effect on profit before tax RMB'000
2011		
RMB	**150**	**(37,168)**
HK$	**150**	**(486)**
RMB	**(150)**	**37,168**
HK$	**(150)**	**486**

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Interest rate risk *(Continued)*

	Increase/ (decrease) in basis points	Effect on profit before tax RMB'000
2010		
RMB	150	(33,727)
HK$	150	(754)
RMB	(150)	33,727
HK$	(150)	754

Foreign currency risk

All of the Group's turnover and substantially all of the Group's operating expenses are denominated in RMB, which is 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 Bureau by complying with certain procedural requirements. However, approval from appropriate PRC governmental authorities is required where RMB is to be converted into a foreign currency and remitted out of 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 payment of dividends to the Company, without prior approval of the State Administration for Foreign Exchange Bureau. 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 Bureau, this could affect the Group's subsidiaries' ability to obtain required foreign currency through debt or equity financing, including by means of loans or capital contributions from the shareholders.

The Group's financial assets and liabilities including certain amounts due from/(to) related parties denominated in Hong Kong dollars ("HK$"), certain short term deposits denominated in HK$ and US$ and the Senior Notes denominated in RMB are subject to foreign currency risk. Therefore, the fluctuations in the exchange rates of RMB against foreign currencies could affect the Group's results of operations.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Foreign currency risk *(Continued)*

In order to minimise the impact of changes in exchange rate of RMB against foreign currencies, the Group obtains most of its bank and other borrowings in RMB to finance its operation in the PRC.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB exchange rate against US$ and HK$, with all other variables held constant, of the Group's profit before tax.

	Increase/ (decrease) in exchange rate	Effect on profit before tax RMB'000
2011		
If US$ weakens against RMB	**10%**	**N/A**
If US$ strengthens against RMB	**(10%)**	**N/A**
If HK$ weakens against RMB	**5%**	**(50,234)**
If HK$ strengthens against RMB	**(5%)**	**50,234**
2010		
If US$ weakens against RMB	10%	(107)
If US$ strengthens against RMB	(10%)	107
If HK$ weakens against RMB	5%	N/A
If HK$ strengthens against RMB	(5%)	N/A

Credit risk

It is the Group's policy that all customers are required to pay deposits in advance of the purchase of properties. In addition, the Group does not have any significant credit risk as the credit given to any individual or corporate entity is not significant. The Group performs appropriate and sufficient credit verification procedures for every credit sale transaction to minimise credit risk. There is no significant concentration of credit risk within the Group.

The Group has arranged bank financing for certain purchasers of property units and provided guarantees to secure obligations of such purchasers for repayments. Detailed disclosure of these guarantees is made in note 39.

The credit risk of the Group's other financial assets, which mainly comprise cash and short term deposits, other receivables and amounts due from related parties, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

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 lines 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. In the opinion of the directors of the Company, the Group will have adequate sources of funding to finance its operation needs 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, was as follows:

Group

			2011		
	Within one year or on demand RMB'000	In the second year RMB'000	In the third to fifth years, inclusive RMB'000	Beyond five years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	1,503,414	1,479,902	345,587	17,099	3,346,002
Senior notes	210,000	210,000	210,000	2,315,000	2,945,000
Trade payables	788,588	–	–	–	788,588
Financial liabilities included in other payables and accruals	760,294	15,492	–	–	775,786
Due to related parties	81,124	–	–	–	81,124
	3,343,420	1,705,394	555,587	2,332,099	7,936,500
Financial guarantees issued: Maximum amount guaranteed	2,338,262	–	–	–	2,338,262

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk *(Continued)*

Group *(Continued)*

	2010				
	Within one year or on demand RMB'000	In the second year RMB'000	In the third to fifth years, inclusive RMB'000	Beyond five years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	664,954	1,128,386	1,077,411	2,781	2,873,532
Trade payables	443,456	—	—	—	443,456
Financial liabilities included in other payables and accruals	275,807	2,280	15,000	—	293,087
Due to related parties	76,798	—	—	—	76,798
	1,461,015	1,130,666	1,092,411	2,781	3,686,873
Financial guarantees issued: Maximum amount guaranteed	1,305,421	—	—	—	1,305,421

Company

	2011				
	Within one year or on demand RMB'000	**In the second year RMB'000**	**In the third to fifth years, inclusive RMB'000**	**Beyond five years RMB'000**	**Total RMB'000**
Senior notes	**210,000**	**210,000**	**210,000**	**2,315,000**	**2,945,000**
Financial liabilities included in other payables and accruals	**97,405**	**—**	**—**	**—**	**97,405**
Due to a subsidiary	**815**	**—**	**—**	**—**	**815**
	308,220	**210,000**	**210,000**	**2,315,000**	**3,043,220**

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk *(Continued)*

Company *(Continued)*

	2010				
	Within one year or on demand RMB'000	In the second year RMB'000	In the third to fifth years, inclusive RMB'000	Beyond five years RMB'000	Total RMB'000
Financial liabilities included in other payables and accruals	2,169	—	—	—	2,169

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2011 and 31 December 2010.

The Group monitors capital using a net gearing ratio, which is net debt divided by the total equity. Net debt includes total interest-bearing bank and other borrowings and senior notes (as shown in the consolidated statement of financial position) less cash and bank balances (including restricted cash and time deposits). Capital comprises all components of equity (i.e., share capital, non-controlling interests and reserves). The Group aims to maintain a healthy and stable net gearing ratio.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Capital management *(Continued)*

The net gearing ratios as at 31 December 2011 and 2010 were as follows:

Group

	2011	2010
	RMB'000	RMB'000
Interest-bearing bank and other borrowings (note 32)	**3,126,933**	2,714,245
Senior notes	**1,953,506**	—
Less: Cash and bank balances (note 28)	**(2,079,362)**	(1,522,129)
Net debt	**3,001,077**	1,192,116
Total equity	**5,918,907**	4,684,950
Net gearing ratio	**50.7%**	25.4%

46. APPROVAL OF THE FINANCIAL STATEMENTS

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

Five Year Financial Summary

A summary of the results and of the assets and liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements and accountants' report dated 25 January 2010, is set out as below:

RESULTS

	Year ended 31 December				
	2011	2010	2009	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
REVENUE	**3,770,348**	4,131,295	586,463	331,179	371,694
Cost of sales	**(2,227,639)**	(2,537,800)	(292,804)	(203,335)	(242,727)
Gross profit	**1,542,709**	1,593,495	293,659	127,844	128,967
Other income and gains	**107,617**	22,219	16,039	6,962	43,476
Changes in fair value of investment properties	**348,361**	64,228	371,613	211,366	168,247
Selling and marketing expenses	**(130,807)**	(101,066)	(38,955)	(27,143)	(46,268)
Administrative expenses	**(204,129)**	(171,583)	(91,197)	(64,883)	(57,650)
Other expenses	**(1,720)**	(832)	(137)	(247)	(589)
Finance costs	**(130,872)**	(6,891)	(5,642)	(3,324)	(1,376)
Exchange differences on senior notes	**(48,411)**	—	—	—	—
Share of profits and losses of:					
Jointly-controlled entities	**(4,964)**	92,283	(1,598)	(4,697)	(3,261)
Associates	**(9,907)**	35,565	(3,095)	(4,413)	(888)
PROFIT BEFORE TAX	**1,467,877**	1,527,418	540,687	241,465	230,658
Income tax expense	**(590,874)**	(591,107)	(178,996)	(75,606)	(70,581)
PROFIT FOR THE YEAR	**877,003**	936,311	361,691	165,859	160,077
Attributable to:					
Owners of the parent	**715,757**	946,125	373,434	168,458	159,206
Non-controlling interests	**161,246**	(9,814)	(11,743)	(2,599)	871
	877,003	936,311	361,691	165,859	160,077

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2011	2010	2009	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
TOTAL ASSETS	**15,285,874**	10,577,689	8,705,494	5,366,768	4,175,555
TOTAL LIABILITIES	**(9,366,967)**	(5,892,739)	(6,393,268)	(4,792,841)	(3,799,447)
NON-CONTROLLING INTERESTS	**(1,596,413)**	(1,017,891)	(802,851)	(116,424)	(117,740)
	4,322,494	3,667,059	1,509,375	457,503	258,368

Overview of Major Properties

MAJOR INVESTMENT PROPERTIES

Name of project	Location	Use	Tenure	Attributable interest of the Group
World City	No. 8 Jinhui Road, Chaoyang District, Beijing	Commercial	Medium lease term	100%

MAJOR PROPERTIES UNDER/HELD FOR DEVELOPMENT

Name of project	Location	Use	Site area (sq.m.)	Gross floor area (sq.m.)	Stage of completion	Expected completion date	Attributable interest of the Group
Sapphire Peninsula	Xingxia Road, Southern zone of Quanzhou Bridge, Quanzhou, Fujian Province	Residential and commercial	80,905	267,676	Under construction	2013	100%
Fortune Plaza • Royal Terrace	Core area of Quanzhou new town (next to the Quanzhou Haixia Sports Center), Fujian Province	Residential	89,016	202,129	Under construction	2013	58%
International Finance Center	Baozhou Road, Fengze, Quanzhou, Fujian Provice	Residential and commercial	58,217	405,000	Held for development	2014 or after	34%