萊蒙國際
TOPSPRING

Top Spring International Holdings Limited
萊 蒙 國 際 集 團 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)
（於開曼群島註冊成立的有限公司）

Stock Code 股份代號: 3688

Quality Property is a Gateway to Quality Living
品質地產　品位生活

Annual Report 2011
年報

We Believe
quality property is a gateway to quality living

使命
品質地產，品味生活

Our Vision
is to build and operate the best urban communities for China

願景
力鑄中國最優的城市綜合體開發與運營商

We Value
joint efforts in creating and celebrating success

企業價值
共創輝煌，分享成功

Brand Commitment
value proven with time

品牌承諾
時間見證價值

Contents

Group Introduction

Top Spring International Holdings Limited ("**Top Spring**" or the "**Company**", and together with its subsidiaries, collectively the "**Group**", "**we**" or "**us**") is a real estate property developer in the PRC specializing in the development and operation of urban mixed-use communities and the development and sale of medium to high-end residential properties in the Yangtze River Delta, the Pearl River Delta, Beijing-Tianjin and Chengdu-Chongqing regions in the PRC. Based in Hong Kong and Shenzhen and under the leadership of Mr. Wong Chun Hong, our Founder, Chairman and Chief Executive Officer, as at 31 December 2011, we had a total of 14 property projects over 7 cities at various stages of development in Shenzhen, Dongguan, Huizhou, Changzhou, Hangzhou, Chengdu and Tianjin with a net saleable and leasable gross floor area ("**GFA**") of approximately 3,966,242 square meters ("**sq.m.**") with an average cost of approximately HK$2,311.5 per sq.m., of which, a net saleable and leasable GFA of approximately 3,100,851 sq.m. for which we have entered into land grant contracts and/or obtained land use rights, and a net saleable and leasable GFA of approximately 865,391 sq.m. for which we have yet to enter into land grant contracts.

On 23 March 2011, Top Spring listed its shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The listing on the Stock Exchange not only represents a successful establishment of a global financing platform that forms a solid foundation for our long-term development, but will also allow the Company to further its corporate governance standards, to recruit and retain competent employees in the PRC property industry as well as to improve the Company's brand equity and raise its profile among its customers.

With our low cost land reserve policy and highly trained and dedicated management team, we are fully prepared to become one of the leading property developers in the PRC.

Overview of Our Business

Overview of Our Property Developments

Most of our property projects are developed in multiple phases and each phase may be at a different stage of development. We classify our property projects, for which we have obtained some or all of the land use right certificates or entered into land grant contracts, into the following three categories: completed projects, projects under development and projects held for future development. Other projects, for which we have entered into a land grant contract but have not obtained any land use right certificate, or may or may not have entered into a land grant contract, are classified as projects contracted to be acquired.

During the year ended 31 December 2011, the Group acquired additional commercial and residential lands in Tianjin, Hui Zhou and Changzhou. The total plot ratio GFA of new land bank was approximately 1,120,105 sq.m. and the average cost was approximately RMB849.6 per sq.m..

As at 31 December 2011, we had a total of 14 property projects over 7 cities at various stages of development located in Shenzhen, Changzhou, Hangzhou, Chengdu, Dongguan, Tianjin and Huizhou, including a net saleable and leasable GFA of approximately 273,135 sq.m. of completed projects, a net saleable and leasable GFA of approximately 739,624 sq.m. projects under development, a net saleable and leasable GFA of approximately 2,088,092 sq.m. projects held for future development and a net saleable and leasable GFA of approximately 865,391 sq.m. project contracted to be acquired (although there can be no assurance that we will be successful in such acquisitions), totaling a net saleable and leasable GFA of approximately 3,966,242 million sq.m. with an average cost of approximately HK$2,311.5 per sq.m..

Overview of Our Business

The following table sets out details of our 14 property projects over 7 cities as at 31 December 2011:

Project no.	City	Project	Type of Property	Net Saleable/ Leasable GFA sq.m.	Interest Attributable to the Group %
Completed Projects					
1	Shenzhen	Shenzhen Hidden Valley Phase 1	Residential	996	100
1	Shenzhen	Shenzhen Hidden Valley Phase 2	Residential	770	100
1	Shenzhen	Shenzhen Hidden Valley Phase 3	Residential	5,266	100
1	Shenzhen	Shenzhen Hidden Valley Phase 4	Residential	5,154	100
2	Shenzhen	The Spring Land Phase 1	Residential/ Commercial	4,176	100
2	Shenzhen	The Spring Land Phase 2	Residential	3,936	100
2	Shenzhen	The Spring Land Phase 3	Residential/ Commercial	45,955	100
3	Shenzhen	Shenzhen Water Flower Garden (Rental assets)	Residential/ Commercial	4,992	100
4	Changzhou	Changzhou Landmark Phase 1	Commercial	46,627	100
4	Changzhou	Changzhou Landmark Phase 2	Residential/ Commercial	32,201	100
4	Changzhou	Changzhou Landmark Phase 3	Residential/ Commercial	1,860	100
5	Changzhou	Changzhou Le Leman City Phase 1 (1-A)	Residential/ Commercial	456	100
5	Changzhou	Changzhou Le Leman City Phase 2 (2-A)	Residential/ Commercial	154	100
5	Changzhou	Changzhou Le Leman City Phase 3 (1-C)	Residential	6,281	100
5	Changzhou	Changzhou Le Leman City Phase 6 (3-A)	Residential	17,196	100
5	Changzhou	Changzhou Le Leman City Phase 11 (Holiday-Inn Hotel)	Commercial/ Hotel	50,716	100
6	Dongguan	Dongguan Landmark	Residential/ Commercial	20,217	100
7	Hangzhou	Hangzhou Landmark	Commercial	26,182	100
Subtotal				**273,135**	
Projects Under Development					
2	Shenzhen	The Spring Land Phase 4	Residential/ Commercial	143,574	100
4	Changzhou	Changzhou Landmark Phase 4	Residential/ Commercial	92,748	100
5	Changzhou	Changzhou Le Leman City Phase 4 (3-B)	Residential/ Commercial	100,353	100
5	Changzhou	Changzhou Le Leman City Phase 5 (1-B)	Residential/ Commercial	61,268	100
5	Changzhou	Changzhou Le Leman City Phase 7 (4-B)	Residential/ Commercial	106,243	100
5	Changzhou	Changzhou Le Leman City Phase 9 (2-B)	Residential/ Commercial	83,057	100
8	Chengdu	Chengdu Landmark	Commercial	110,764	100
11	Hangzhou	Hangzhou Hidden Valley Phase 1	Residential	41,617	100
Subtotal				**739,624**	

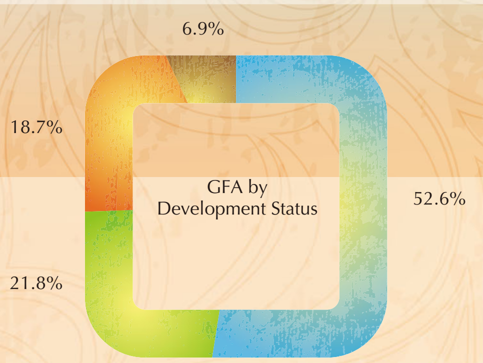
Project no.	City	Project	Type of Property	Net Saleable/ Leasable GFA sq.m.	Interest Attributable to the Group %
Projects Held For Future Development					
2	Shenzhen	The Spring Land Phase 5	Residential/ Commercial	70,009	100
2	Shenzhen	The Spring Land Phase 6	Residential/ Commercial	56,900	100
9	Shenzhen	Shenzhen Blue Bay	Residential	15,000	92
11	Hangzhou	Hangzhou Hidden Valley Residential Phases 2-7	Residential	259,793	100
5	Changzhou	Changzhou Le Leman City Phase 7 (4-A)	Residential/ Commercial	93,139	100
5	Changzhou	Changzhou Le Leman City Phase 8 (5-B)	Residential/ Commercial	117,544	100
5	Changzhou	Changzhou Le Leman City Phase 10 (5-A)	Residential/ Commercial	115,600	100
10	Changzhou	Taihu Hidden Valley	Residential	320,001	100
12	Tianjin	Tianjin Le Leman City	Residential/ Commercial	530,796	58
13	Huizhou	Huizhou Waterfront Project	Residential	509,310	100
Subtotal				**2,088,092**	
Project Contracted To Be Acquired					
14	Shenzhen	Shenzhen Landmark	Residential/ Commercial	865,391	100
Subtotal				**865,391**	
TOTAL				**3,966,242**	

Overview of Our Business

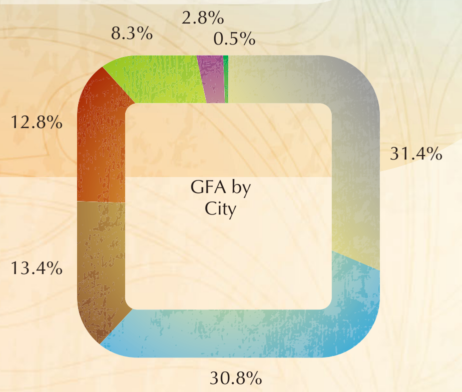
The table below sets forth the net saleable and leasable GFA information of our 14 property projects in terms of planned use of the properties as at 31 December 2011.

	Completed GFA sq.m.	Under Development GFA sq.m.	Held for Future Development GFA sq.m.	Contracted to be Acquired GFA sq.m.
Properties held for sale				
Residential	67,161	548,827	1,913,909	464,748
Hotel/Serviced Apartments	50,716	–	89,756	180,000
Retail	7,633	44,080	84,427	180,643
Office	–	85,392	–	40,000
Sub-total	125,510	678,299	2,088,092	865,391
Properties held for investment				
Retail	147,625	61,325	–	–
Sub-total	147,625	61,325	–	–
Net saleable and leasable GFA	273,135	739,624	2,088,092	865,391

Net saleable/leasable GFA by development status and city
as at 31 December 2011



	square meters
Completed projects	273,135
Projects under development	739,624
Projects held for future development	2,088,092
Projects contracted to be acquired	865,391
Total GFA	3,966,242



	square meters
Changzhou	1,245,444
Shenzhen	1,222,119
Tianjin	530,796
Huizhou	509,310
Hangzhou	327,592
Chengdu	110,764
Donguang	20,217
Total GFA	3,966,242

Overview of Our Business

Set out below is a map showing the cities where the Group's 14 property projects are located.

Corporate Information

Board of Directors

Executive Directors

Mr. WONG Chun Hong *(Chairman and Chief Executive Officer)*
Ms. LI Yan Jie
Mr. LEE Sai Kai David
Mr. LAM Jim *(Chief Financial Officer)*

Non-executive Directors

Dr. MCCABE Kevin Charles
Mr. LI Zhi Zheng
Mr. ZHANG Yi Jun

Alternate Director to Dr. MCCABE Kevin Charles

Ms. THAM Qian

Independent Non-executive Directors

Mr. BROOKE Charles Nicholas
Mr. CHENG Yuk Wo
Professor WU Si Zong

Company Secretary

Ms. LUK Po Chun, CPA, ACCA

Authorised Representatives

Mr. LEE Sai Kai David
Ms. LUK Po Chun

Audit Committee

Mr. CHENG Yuk Wo *(Chairman)*
Dr. MCCABE Kevin Charles
Mr. BROOKE Charles Nicholas

Remuneration Committee

Mr. CHENG Yuk Wo *(Chairman)*
Mr. WONG Chun Hong
Professor WU Si Zong

Nomination Committee

Professor WU Si Zong *(Chairman)*
Mr. WONG Chun Hong
Mr. CHENG Yuk Wo

Corporate Governance Committee

Mr. LEE Sai Kai David *(Chairman)*
Mr. LAM Jim
Mr. CHENG Yuk Wo

Auditors

KPMG

Hong Kong Legal Advisers

Deacons

Compliance Adviser

Investec Capital Asia Limited

Registered Office

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

Headquarters and Principal Place of Business in Hong Kong

Rooms 04-08, 26th Floor
Shui On Centre
6-8 Harbour Road
Wanchai
Hong Kong

Principal Share Registrar and Transfer Office

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

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
China Construction Bank
Agricultural Bank of China
Industrial and Commercial Bank of China
China Minsheng Banking Corp., Ltd.
China Merchants Bank
Bank of Communications
Shenzhen Development Bank

Investor Relations

Mr. LEUNG Ka Lock Eric

Stock Code

3688

Board Lot

500 Shares

Company Website

www.topspring.com

Honors and Awards

Headquarters' Key Client
– China Construction Bank

Boao Real Estate Forum Award's
China Real Estate Popular Awards

Changzhou Le Leman City
2011 Most Popular Project –
Soufun.com

2011 China Top 30 Real Estate
Developers
– Guandian.cn

Top Spring Real Estate (Changzhou)
Company 2011 Elite Enterprise –
Changzhou Municipal People's
Government, Changzhou, the PRC

Changzhou Le Leman City (Commercial
Property) Security Team – Changzhou
Municipal Public Security Bureau

2011 Most Contributable
Property (Commercial Property)
in Chengdu – Chengdu TV

Shenzhen Water Flower Property Co., Ltd. 2011
Top Ten Most Influential Brands
in Real Estate in Shenzhen –
Soufun.com

The Spring Land Top 10 Best Selling Projects
of 2011 – Soufun.com

Most Influential Office Building in
Chengdu – Chengdu Commercial Property
Development Forum Committee

Hong Kong Outstanding
Enterprises – Economic Digest

2011 Most Valuable Listed Enterprise for
Investment (Blue-chip) – The Economic Observer

Chengdu Landmark 2011 Top 50 Properties in
China (Western China) –
Western China City Daily

2011 Valuable Commercial Property for
Investment in Chengdu – The 8th Most Popular
Real Estate in China from
Soufun.com and China Index Academy

Honors and Awards

2011 Top Ten Developers (Sales Area) in Shenzhen – SZhome.om

2011 (First Half Year) Top Ten Developers in Marketing in Shenzhen – SZhome.com

The Spring Land 2011 Top Ten in Sales Area in Shenzhen – SZhome.com

The Spring Land 2011 Second Best-selling Project (Sales Amount) in Shenzhen – SZhome.com

The Spring Land 2011 (First Half Year) Top Ten in Sales Area in Shenzhen – SZhome.com

The Spring Land 2011 (First Half Year) Second Best-selling Project (Sales Area) in Baoan District Shenzhen – SZhome.com

The Spring Land 2011 Second Best-selling Project (Sales Area) in Baoan District Shenzhen – SZhome.com

2011 Top Ten Developers (Sales Amount) in Shenzhen – SZhome.com

Changzhou Le Leman City 2011 Most Popular Project – House 365.com

Joint Efforts in Creating and Celebrating Success

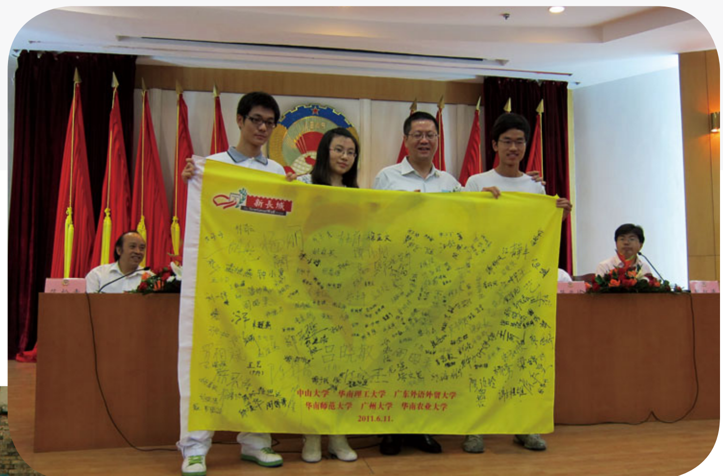
Corporate Social Responsibility

Top Spring keeps evolving while staying committed to social responsibility. The Group is dedicated in good faith to commit more success in business result and remained passionately focused on corporate social values. By establishing a matching objective of corporate social responsibility and devoting to its corporate value of "joint efforts in creating and celebrating success", and finally incorporates as our corporate value and as an indispensably part of operating principles. Our Group is devoted to making contributions to the community and keep making continuous development.

Under the leadership of Mr. Wong Chun Hong, our Chairman, Top Spring is proactively engaged in the development of social responsibility. In the past, the Group made donations and contributions to various charity activities such as donations for flooding in Eastern China, Wenchuan Earthquake, the Project Hope, Changzhou Cultural Fund and other charity funds. The Group also funded the construction of two teaching buildings for Vocational and Technical School in Conghua City in January 2011 as a response of Guangzhou CPPCC to support the development of new socialist countryside in Guangzhou. In 2011, the Group established New Great Wall & Top Spring International Scholarship (新長城萊蒙國際助學金) and have continuously donated over RMB 2 million to China Foundation For Poverty Alleviation to support 200 students who are studying in six universities in Guangzhou including Sun Yat-Sen University and Guangzhou University for their daily expenses during the four years of university studies. The Group also made contributions to Katie Piper Foundation in the UK, The Community the Chest of Hong Kong and Sik Sik Yuen for over HKD one million in aggregation for the people in need.

The social responsibility of Top Spring is even demonstrated in its corporate conducts and every person in it. In June 2011, a subsidiary of the Group, Changzhou Water Flower Property Development Co., Ltd., donated RMB1 million to CEIBS Corporate Partnership Programme & The CEIBS Education Foundation, and in September of the same year, it donated again for Zhejiang Xinhua Compassion Education Foundation. Moreover, several subsidiaries of the Group organized activities such as volunteer tree-planting, donation for victims in Zhouqu earthquake, offering care for the elderly in Lantern Festival, caring for Autistic sufferers, offering comfort at Mid-Autumn Festival and offering education assistance and hiking for the Hope Project.

The Company bears a number of responsibilities to promote the development of the society. Top Spring will proactively engage in its role as a corporate citizen and continuously refine our objective devote to sustainable development of the Company and the society.



"New Great Wall & Top Spring International Scholarship"

"Walk for Project Hope"

Corporate Social Responsibility

“Lantern Festival with the Elderly”

“Mid-autumn Festival Greetings”

“Volunteer Tree-planting”

“Boy Scouts Activities”

Chairman's Statement

Dear Shareholders,

On behalf of the board of directors (the "**Board**") of the Company, I am pleased to present the financial results of the Group for the year ended 31 December 2011.

Results and Dividends

In 2011, notwithstanding the challenging global economic environment amid the escalated policy measures aimed at preventing an over-heated residential property market in the PRC, the Group managed to deliver a satisfactory set of financial results with strong growth in turnover, gross margin and recognised profit. Moreover, the Group saw a noticeable improvement to its financial structure following the successful listing of its shares on the Stock Exchange in March 2011 (the net proceeds of the IPO was approximately HK$1,419.4 million) amid its sound financial management strategy.

In 2011, the Group's turnover and profit attributable to equity shareholders of the Company reached approximately HK$5,861.3 million and HK$1,021.9 million respectively, representing an increase of approximately 1.1 times and 1.1 times respectively over the corresponding period of 2010. Gross profit margin was up approximately 5.1 percentage points year-over-year to approximately 66.2%. The core net profit for the year ended 31 December 2011 (i.e. profit attributable to equity shareholders of the Company deducting valuation gains on investment properties net of deferred tax) increased by approximately 71.3% year-over-year to approximately HK$751.7 million from approximately HK$438.8 million for the year ended 31 December 2010.

In 2011, the Group's earnings per share increased by approximately 63.6% year-over-year to approximately HK$1.08 from approximately HK$0.66 for the corresponding period of 2010. Net assets per share was approximately HK$3.5 as at 31 December 2011.

As at 31 December 2011, cash and bank deposits (including cash and cash equivalents and restricted and pledged deposits) amounted to approximately HK$6,231.1 million while aggregate borrowings (including bank and other loans and a loan from an associate) amounted to approximately HK$7,431.8 million. The net gearing ratio of the Group was approximately 34.1% as at 31 December 2011, down significantly from approximately 151.0% as at 31 December 2010.

The Board of Directors has proposed a final dividend of HK15 cents per share for the year ended 31 December 2011 which is subject to the approval by shareholders of the Company at the forthcoming annual general meeting of the Company. Together with the 2011 interim dividend of HK15 cents per share, total dividends declared for the year amounted to HK30 cents per share. The dividend payout ratio in 2011 was approximately 29.4% (for the year ended 31 December 2010: nil).

Business Review

We attribute the encouraging financial results for the year ended 31 December 2011 to the Group's strategies of "quality property is a gateway to quality living", "dual business lines of medium & high-end residential and urban mixed-use communities" and "land acquisition policy focusing on low land cost and high appreciation potential". Moreover, capitalizing on the strength of its professional and experienced management team, the Group was able to pro-actively respond to the rapid market changes by regularly re-visiting and fine-tuning its project launch schedule, product pricing strategy, construction schedule, cost structures as well as financial management strategy.

In 2011, the Group recorded contracted sales of approximately HK$5,036.2 million, representing a decrease of approximately 16.2% over 2010. The contracted saleable GFA sold was approximately 263,662 sq.m., representing a decrease of approximately 15.8% over 2010. In addition to the overall negative market sentiment on residential properties in the second-half of 2010, the decrease in contracted sales was partly driven by the new rule governing the pre-sale of villa projects in Shenzhen imposed in 2011 which had adversely affected the sales of our Shenzhen Hidden Valley Phase 4. On the other hand, while residential property prices softened in second-half of 2011, the average selling price of our contracted sales remained relatively stable (2011: approximately HK$19,101.0 per sq.m. and 2010: approximately HK$19,184.4 per sq.m.).

In 2011, the Group received overwhelming response on The Spring Land Phase 3 in Shenzhen which was launched to the market in June 2011. 923 units, equaling approximately 86% of the total units of the project, were subscribed by the customers on the first day of launch and the total subscription amount was almost RMB2 billion. Chengdu Landmark, the Group's first mixed-use community project in Chengdu, also achieved encouraging pre-sale results in 2011. Overall, the Group continued to rank highly in its two major markets of Shenzhen and Changzhou where the Group was ranked the second and the fifth respectively in terms of contracted sales in 2011. Benefiting from its progressive geographical diversification strategy, Shenzhen, Changzhou and Chengdu accounted for approximately 46%, 36% and 18% of the Group's contracted sales area sold in 2011 as compared to approximately 49%, 51% and 0% a year ago.

During the year, rental income generated from the Group's investment properties under operation (total leasable GFA of 147,625 sq.m.) in Changzhou, Dongguan, Hangzhou and Shenzhen increased by approximately 13.4% year-on-year to approximately HK$104.7 million, which was mainly due to the rising rent rate as a result of the optimisation of tenant mix. As at 31 December 2011, the occupancy rate of the investment properties under operation remained high at 92.9%. As at 31 December 2011, the Group's two other investment properties, namely the shopping mall of Chengdu Landmark (38,525 sq.m.) and a retail asset of our Changzhou Le Leman City (Phase 9) (22,800 sq.m.), were still under construction and are scheduled to be completed by 2012 and 2014 respectively.

Land Bank

In 2011, the Group replenished its land bank selectively while maintaining a sound financial position. In 2011, the Group acquired additional commercial and residential lands in Tianjin, Huizhou and Changzhou. The total plot ratio GFA of new land bank was approximately 1,120,105 sq.m. and the average land cost was approximately RMB849.6 per sq.m..

As at 31 December 2011, the Group had a total net saleable/leaseable land bank of approximately 3,966,242 sq.m., with an average cost approximately HK$2,311.5 sq.m..

As at 31 December 2011, the saleable/leasable GFA under construction of the Group was approximately 739,624 sq.m., representing an increase of approximately 37.3% as compared to the area as at 31 December 2010. The Group plans to complete saleable/leasable GFA of approximately 499,016 sq.m. in 2012.

Chairman's Statement

Market Outlook

Overall, we expect the PRC property market will remain challenging in 2012. We are of the view that a series of policy measures including "price restriction", "purchase restriction" and "credit limit" to curb the excessive growth of housing prices issued by the Chinese Government before will continue to be in force. Nonetheless, we expect that the credit liquidity in 2012 will improve as compared with the second-half of 2011, due to expected gradual easing of the monetary policy and the recent policy support towards first-home purchases including discounted mortgage interest rates and increased mortgage lending quotas. Given strong pent-up demand from first-time homebuyers, we believe transaction volume of residential properties in 2012 should improve as compared to the level in the second-half of 2011. On the other hand, due to the increased inventory level amid PRC property developers' overall desire to improve liquidity, we envisage further downward pressure on housing prices in 2012. Notwithstanding the subdued market outlook for the residential sector, we remain confident on the medium – to long-term development of the Chinese property market, as both residential and commercial properties should benefit from the combined effects of the consistent growth in household incomes and urban population.

Contracted Sales

In 2012, the Group will launch brand new projects including The Spring Land Phase 4, Hangzhou Hidden Valley Phase 1, Changzhou Le Leman City Phase 7 (4-A) and Tianjin Le Leman City Phase 1. These projects are expected to make a significant contribution to our HK$5.0 billion to HK$6.0 billion contracted sales target for 2012 and will further diversify the geographical distribution of the Group's contracted sales. Depending on the market conditions, the Group will adjust its new project launch schedule on a timely basis and adopt a flexible pricing strategy in order to achieve its contracted sales target.

Operational Management Strategy

Entering into 2012, the Group will firmly adhere to its mission of 'quality property is a gateway to quality living' and will continue to enhance its product quality and brand equity. In 2012, increased efforts will be devoted to further improving the level of customer satisfaction, designing products that are cost effective and best suit the needs of our customers, improving the efficiency of operational management, and enhancing the service standards of commercial and residential property management. The Group will also review and adjust its construction schedule on a regular basis so as to cope with the fast changing market sentiment. For employees, we fully recognized human capital as our most important asset and will therefore strive to encourage them to realize their full potential in a caring and conductive environment. We also attach equal importance to building human values and business values within the corporate. During 2011, in order to further improve the management capability, the Group appointed a new Chief Operating Officer from the senior management team who possesses comprehensive professional knowledge and good execution capability. Meanwhile, the Company also internally appointed a new executive Director and recruited an additional non-executive Director from outside to enhance the Group's sense of forward-looking when it formulates its business strategies. The Company now has a total of ten Directors on its Board.

Land Bank Strategy

The Group financial position is solid as can be evident by its over HK$6 billion cash reserves and relatively low net gearing ratio of approximately 34.1% as of 31 December 2001. Currently with limited outstanding land premium, the Group will further step up its land acquisition efforts in 2012. We continue to believe that such a counter-cyclical land bank strategy is the best way to preserve the Group's future profit margin. Under the guiding principle of sound financial condition, the Group will continue to exercise strict discipline to acquire quality, cost effective land bank with strong appreciation potential in the Group's focused regions of Pearl River Delta, Yangtze River Delta, Beijing-Tianjin and Chengdu-Chongqing. Given the current difficult market environment, we believe attractive investment opportunities will continue to unfold, particularly in the second half of 2012. We will continue to maintain a balanced land bank portfolio comprising of medium and high-end residential properties as well as urban mixed-use communities and will further enlarge our investment properties portfolio comprised mainly of shopping malls and retail space. We will also further broaden our product range when appropriate.

Financial Management Strategy

The Group will continue to implement a prudent financial management policy. It will further optimize its financial structure, broaden its financing channels both in the PRC and abroad, and maintain sufficient cashflow to capture the attractive investment opportunities when arise.

Appreciation

On behalf of the Board, I would like to take this opportunity to express my sincerest gratitude to our shareholders, customers and business partners for their great support and to all our employees for their dedicated efforts.

ON BEHALF OF THE BOARD
TOP SPRING INTERNATIONAL HOLDINGS LIMITED

Wong Chun Hong
Chairman

Hong Kong
29 March 2012

Management Discussion and Analysis

Review of Business in 2011

(1) Contracted Sales

In 2011, the Group recorded contracted sales of approximately HK$5,036.2 million, representing a decrease of approximately 16.2% over 2010. The contracted saleable GFA was approximately 263,662 sq.m., representing a decrease of approximately 15.8% over 2010. The decrease in both contracted sales and contracted saleable GFA were driven by the significant slowdown in the PRC property market as a result of the PRC government's policy measures aimed to sustain the long-term development of the property industry. The average selling price of our contracted sales, however, was not materially affected (2011: approximately HK$19,101.0 per sq.m. and 2010: approximately HK$19,184.4 per sq.m.). For the period from 1 January 2012 to 25 March 2012, the Group has achieved contracted sales of approximately HK$906.2 million with contracted saleable GFA of approximately 71,914 sq.m..

The breakdown of the total contracted saleable GFA and the total contracted sales of the Group during the year ended 31 December 2011 is set out as follows:

City	Project/Phase of Project	Contracted Saleable GFA		Contracted Sales		
		sq.m.	%	RMB million	Equivalent to approximately HK$ million	%
Shenzhen	Shenzhen Hidden Valley Phase 1	991	0.4	60.6	73.0	1.4
	Shenzhen Hidden Valley Phase 3	1,325	0.5	100.7	121.4	2.4
	Shenzhen Hidden Valley Phase 4	1,714	0.7	115.0	138.6	2.8
	The Spring Land Phase 1	613	0.2	13.2	15.9	0.3
	The Spring Land Phase 2	5,146	2.0	113.1	136.3	2.7
	The Spring Land Phase 3	111,684	42.4	2,319.1	2,794.8	55.4
Changzhou	Changzhou Landmark Phase 3	218	0.1	2.1	2.5	0.1
	Changzhou Landmark Phase 4	13,284	5.0	183.4	221.0	4.4
	Changzhou Le Leman City Phase 1	1,436	0.5	7.2	8.7	0.2
	Changzhou Le Leman City Phase 3	10,270	3.9	125.4	151.1	3.0
	Changzhou Le Leman City Phase 4	16,818	6.4	171.6	206.8	4.1
	Changzhou Le Leman City Phase 5	15,857	6.0	131.7	158.7	3.2
	Changzhou Le Leman City Phase 6	5,315	2.0	88.5	106.7	2.1
	Changzhou Le Leman City Phase 7	11,635	4.4	94.5	113.9	2.3
	Changzhou Le Leman City Phase 9	20,914	7.9	147.1	177.3	3.5
Chengdu	Chengdu Landmark Tower 1	14,029	5.3	158.4	190.9	3.8
	Tower 2	20,627	7.8	228.3	275.1	5.5
	Tower 3	11,786	4.5	119.1	143.5	2.8
Total		263,662	100.0	4,179.0	5,036.2	100.0

(2) Projects Completed, Delivered and Booked in 2011

For the year ended 31 December 2011, the Group completed construction of The Spring Land (Phases 2 and 3), Shenzhen Hidden Valley (Phase 4) and Changzhou Le Leman City (Phase 6) with total saleable GFA of approximately 261,795 sq.m..

For the year ended 31 December 2011, the Group's property development business achieved a turnover, net of sales return, of approximately HK$5,617.6 million with saleable GFA of approximately 222,095 sq.m. being recognised, representing approximately 1.2 times and 1.1 times, respectively, over the year ended 31 December 2010. The average selling price for the sale of properties was approximately HK$25,293.7 per sq.m. for the year ended 31 December 2011 (for the year ended 31 December 2010: approximately HK$23,733.7 per sq.m.). In addition, the Group's gross profit margin and gross profit rose substantially by approximately 5.1 percentage points and HK$2,193.5 million, respectively, mainly due to the rise in proportion of sale of high margin properties, in particular our Shenzhen Hidden Valley and The Spring Land, being recognised in 2011.

Shenzhen Hidden Valley

Changzhou Landmark

Management Discussion and Analysis

Details of the projects completion and sale of properties of the Group recognised in 2011 are listed below:

Project/Phase of Project	Saleable GFA of Properties Completed sq.m.	Saleable GFA Booked sq.m.	Sale of Properties Recognised HK$ million
Sales			
Shenzhen Hidden Valley			
– Phase 1	–	992	69.1
– Phase 3	–	931	86.3
– Phase 4	14,965	9,811	700.5
The Spring Land			
– Phase 1	–	1,473	34.6
– Phase 2	99,052	95,116	2,210.6
– Phase 3	116,202	92,957	2,225.5
Changzhou Landmark	–	218	2.0
Changzhou Le Leman City			
– Phase 1 (1-A)	–	210	1.4
– Phase 2 (2-A)	–	659	3.9
– Phase 3 (1-C)	–	6,292	89.1
– Phase 6 (3-A)	31,576	14,380	257.8
Sub-total	261,795	223,039	5,680.8
Less: Sales return			
Shenzhen Hidden Valley			
– Phase 3	–	(944)	(62.7)
Shenzhen Water Flower Garden (Note)	–	–	(0.5)
Sub-total	–	(944)	(63.2)
Total	261,795	222,095	5,617.6

Note: The amount represents a sale return of a unit of car park.

(3) Investment Properties

In addition to the sale of properties developed by us, we also lease out or expect to lease out the retail units in The Spring Land, Changzhou Landmark, Changzhou Le Leman City, Dongguan Landmark, Hangzhou Landmark, Shenzhen Water Flower Garden and Chengdu Landmark in the PRC. As at 31 December 2011, the total carrying value of the investment properties of the Group was approximately HK$2,942.2 million. The retail units which we held for the purpose of leasing to third parties had a leasable GFA of approximately 208,950 sq.m. of which investment properties under operation with a leasable GFA of approximately 147,625 sq.m. had a fair value of approximately HK$2,625.9 million. A shopping mall of Chengdu Landmark, which was under development as at 31 December 2011, has a leaseable GFA and fair value of approximately 38,525 sq.m. and HK$287.5 million respectively. A retail asset of Changzhou Le Leman City (Phase 9), with a cost of approximately HK$28.8 million and a leasable GFA of approximately 22,800 sq.m. as at 31 December 2011, did not record its fair value in the consolidated financial statements because this project was still at an initial stage of development and its fair value could not be reliably determined. The Group recorded approximately HK$270.2 million (net of deferred tax) as gain in fair value of its investment properties for the year ended 31 December 2011.

We carefully plan and select tenants based on factors such as the project's overall positioning, market demand in surrounding areas, market levels of rent and development needs of tenants. We attract large-scale anchor tenants which assist us in enhancing the value of our projects. We enter into longer and more favourable lease contracts with well-known brands, chain cinema operators, major game centers and top operators of catering businesses. As at 31 December 2011, the GFA taken up by our anchor tenants, whose leased GFA was over 10% of the total leasable GFA of a single investment property, made up approximately 33% of our total leasable area in our investment properties.

For the year ended 31 December 2011, we generated steady recurring rental income of approximately HK$104.7 million, representing an increase of approximately 13.4%, from approximately HK$92.3 million for the year ended 31 December 2010. Excluding the shopping mall of Chengdu Landmark and the retail asset of Changzhou Le Leman City (Phase 9) which are under construction, the occupancy rate of all our investment properties under operation achieved approximately 92.9% as at 31 December 2011.

Management Discussion and Analysis

Details of the Group's investment properties as at 31 December 2011 and the Group's rental income for the year ended 31 December 2011 are set out as follows:

Investment Properties	Leasable GFA as at 31 December 2011 sq.m.	Fair Value or Cost as at 31 December 2011 HK$ million	Rental Income for the year ended 31 December 2011 HK$ million	Occupancy Rate as at 31 December 2011 %
Investment Properties under operation				
Changzhou Landmark (Phases 1 and 2)	77,581	1,389.5	53.9	100
Dongguan Landmark	20,172	451.6	16.7	100
Hangzhou Landmark	24,667	320.8	20.5	100
Shenzhen Water Flower Garden (Retail assets)	4,992	162.9	12.8	100
The Spring Land (Phase 1) (Retail assets) (Note 1)	3,355	172.8	0.8	66
Changzhou Le Leman City (Phase 11) (Retail asset) (Note 2)	16,858	128.3	–	45
Sub-total	147,625	2,625.9	104.7	92.9
Investment Properties under development				
Chengdu Landmark (Shopping mall) (Note 3)	38,525	287.5	–	–
Changzhou Le Leman City (Phase 9) (2-B) (Retail asset) (Note 4)	22,800	28.8	–	–
Sub-total	61,325	316.3	–	
Total	208,950	2,942.2	104.7	

Note 1: The business of the retail assets in The Spring Land (Phase 1) was commenced starting from the third quarter of 2011.

Note 2: The retail asset represents a Habilitation and Recreation Centre of our Changzhou Le Leman City (Phase 11) for leasing purpose. There was no rental income recognised for this retail asset because the tenants enjoyed the rent-free period and the effective rental income was insignificant to recognise during the year ended 31 December 2011.

Note 3: The construction of Chengdu Landmark is scheduled to be completed in 2012.

Note 4: The construction of a retail asset in our Changzhou Le Leman City (Phase 9) (2-B), in which the Group entered into an operating lease for the purpose of operating a supermarket business with an independent third party, is scheduled to be completed in 2014.

Land reserves acquired from 1 January 2011 to the date of this report

City	Project	Total Consideration RMB'000	Site Area sq.m.	Plot Ratio GFA sq.m.	Average Cost RMB per sq.m.	Interest Attributable to the Group %
Changzhou	Taihu Hidden Valley [1]	97,628	66,666	79,999	1,220.4	100
Tianjin	Tianjin Le Leman City[2] – held by 天津海吉星投資發展有限公司 (Tianjin Hyperion Investment Development Co., Ltd.*) and 天津海吉星建設有限公司 (Tianjin Hyperion Construction Co., Ltd.*)	400,600	333,666	530,796	754.7	58
Huizhou	Huizhou Waterfront Project[3]	453,379	254,655	509,310	890.2	100
Total		951,607	654,987	1,120,105	849.6	

Notes:

(1) In February 2011, the Group entered into a land grant contract for one of the parcels of land for Taihu Hidden Valley with a site area of approximately 44,877 sq.m. at a consideration of approximately RMB68.2 million. We have obtained the land use rights certificate for that parcel of land in March 2011.

In July 2011, the Group entered into a land grant contract for one of the parcels of land for Taihu Hidden Valley with a site area of approximately 21,789 sq.m. at a consideration of approximately RMB29.4 million. We have obtained the land use rights certificate for that parcel of land in August 2011.

(2) 天津海吉星投資發展有限公司 (Tianjin Hyperion Investment Development Co., Ltd.*) and 天津海吉星建設有限公司 (Tianjin Hyperion Construction Co., Ltd.*) (the "two Tianjin Companies"), in each of which the Group had a 58% equity interest, entered into land grant contracts for three parcels of land in Tianjin with a total site area of approximately 333,666 sq.m. during the year ended 31 December 2011. We have obtained the land use rights certificates for such parcels of land in September 2011.

(3) In August 2011, the Group entered into an agreement to acquire the entire interest of two investment holding companies which together owned a total of four parcels of land in Huizhou at a consideration of approximately RMB453.4 million (equivalent to approximately HK$553.1 million).

We intend to continue to leverage our past experience in identifying land with investment potential at advantageous times and acquiring land reserves at relatively low cost. Moreover, we intend to continue to acquire low-cost land in locations with vibrant economies and strong growth potential.

Expected Project Commencement and Completion in 2012

During 2012, the Group intends to commence construction on six phases among four projects with a total net saleable/ leasable GFA of approximately 425,383 sq.m..

Details of the projects with expected commencement of construction in 2012 are set out below:

City	Project	Total Saleable/ Leasable GFA sq.m.
Shenzhen	The Spring Land Phases 5 and 6	126,909
Changzhou	Changzhou Le Leman City Phase 7 (4-A)	93,139
Tianjin	Tianjin Le Leman City Phases 1 and 2	55,335
Huizhou	Huizhou Waterfront Project Phase 1	150,000
Total		425,383

The Group also intends to complete the construction on five phases among three projects with a total net saleable/ leasable GFA of approximately 499,016 sq.m. in 2012.

Management Discussion and Analysis

Details of the projects with expected completion in 2012 are set out below:

City	Project	Total Saleable/ Leasable GFA sq.m.
Shenzhen	The Spring Land Phase 4	143,574
Changzhou	Changzhou Le Leman City Phase 4 (3-B)	100,353
Changzhou	Changzhou Le Leman City Phase 5 (1-B)	61,268
Changzhou	Changzhou Le Leman City Phase 9 (2-B)	83,057
Chengdu	Chengdu Landmark	110,764
Total		499,016

Financial Review

Turnover

Turnover represents income from sale of properties, rental income, income from hotel operations and income from provision of property management and related services earned during the period, net of business tax and other sales related taxes and discounts allowed.

Our turnover increased by more than 1.1 times, to approximately HK$5,861.3 million for the year ended 31 December 2011 from approximately HK$2,759.9 million for the year ended 31 December 2010. This increase was primarily attributable to an increase in our sale of properties, rental income, income from hotel operations and property management and related services income.

Turnover from sale of properties increased primarily due to an increase in total saleable GFA sold and delivered, from approximately 107,876 sq.m. (excluding car parks and net of sales return) for the year ended 31 December 2010 to approximately 222,095 sq.m. (excluding car parks and net of sales return) for the year ended 31 December 2011. The increase in total saleable GFA sold and delivered was in turn primarily driven by the higher scheduled deliveries of pre-sold properties of The Spring Land project (2011: 189,546 sq.m. in total and 2010: 44,673 sq.m. in total) for the year ended 31 December 2011. Rental income increased primarily due to an increase in the rental rates for the year ended 31 December 2011. Income from hotel operations increased mainly due to an increase in both the average room rate and the income from the food and beverage sector of our hotel property. As a result of an increase in the leased GFA of our investment properties and sold and delivered GFA of our residential properties, the property management and related services income also increased.

Direct costs

The principal component of direct costs is the cost of completed properties sold, which consists of land premium, construction and other development costs, capitalised borrowing costs during the construction period, the cost of rental income, the cost of hotel operations and the cost of property management and related services. We recognise the cost of completed properties sold for a given period to the extent that revenue from such properties has been recognised in such period.

Our direct costs increased to approximately HK$1,982.2 million for the year ended 31 December 2011 from approximately HK$1,074.3 million for the year ended 31 December 2010. This increase was primarily attributable to the increase in recognised sales of our properties for the year ended 31 December 2011.

Gross profit

Our gross profit increased by approximately 1.3 times, to approximately HK$3,879.1 million for the year ended 31 December 2011 from approximately HK$1,685.6 million for the year ended 31 December 2010. The Group reported a gross profit margin of approximately 66.2% for the year ended 31 December 2011 as compared to approximately 61.1% for the year ended 31 December 2010. The increase in gross profit was primarily attributable to the increase in recognised sales in our Shenzhen projects with higher gross margin, in particular Shenzhen Hidden Valley Phase 4 and The Spring Land Phases 2 and 3.

Other revenue

Other revenue increased by approximately HK$69.0 million, or approximately 5.3 times, to approximately HK$82.0 million in 2011 from approximately HK$13.0 million in 2010. The increase was primarily attributable to an increase in bank interest income by approximately HK$45.9 million and the Group recognised a government grant of approximately HK$19.4 million in 2011.

Other net income

Other net income decreased by approximately HK$11.6 million from a net income of HK$60.2 million in 2010 to HK$48.6 million in 2011. The decrease was primarily attributable to the net gain on disposal of a subsidiary in the amount of approximately HK$64.5 million recorded in 2010 in excess of a gain from change in fair value of the derivative financial instruments of approximately HK$56.7 million arising from an other loan with face value of HK$400 million, recorded during the year ended 31 December 2011.

Selling and marketing expenses

Selling and marketing expenses increased by approximately 40.5%, to approximately HK$173.4 million for the year ended 31 December 2011 from approximately HK$123.4 million for the year ended 31 December 2010. The increase was primarily attributable to higher sales commission fees and more expenses incurred for the launch of our new projects in 2011 as compared with 2010.

Administrative expenses

Administrative expenses increased by approximately 56.6%, to approximately HK$495.0 million for the year ended 31 December 2011 from approximately HK$316.1 million for the year ended 31 December 2010. The increase was mainly due to the increase in share-based payment expenses and legal and professional fees incurred in 2011 as compared with 2010.

Valuation gains on investment properties

Valuation gains on investment properties increased by approximately 3.4 times, to approximately HK$360.3 million for the year ended 31 December 2011 from approximately HK$82.0 million for the year ended 31 December 2010. The increase was on one hand attributable to an addition to our investment properties portfolio, i.e. our Chengdu Landmark, in which its fair value was recorded in excess of its costs (i.e. approximately HK$137.5 million) during the year ended 31 December 2011. On the other hand, the intended use of certain areas in The Spring Land (Phase 1) has been changed to leasing purpose during the year ended 31 December 2011. The fair value of this retail asset was approximately HK$172.8 million as at 31 December 2011 and the revaluation gain of approximately HK$142.5 million was recognised in 2011 accordingly.

Finance costs

Finance costs increased by approximately 6.1 times, to approximately HK$425.1 million for the year ended 31 December 2011 from approximately HK$59.7 million for the year ended 31 December 2010. The increase was primarily attributable to our increased borrowings by our offshore entities with interest expenses unqualified for capitalisation for the year ended 31 December 2011 as compared to 2010.

Income tax

Income tax expenses increased by approximately 1.6 times, to approximately HK$2,249.8 million for the year ended 31 December 2011 from approximately HK$857.1 million for the year ended 31 December 2010. The increase was mainly attributable to an increase in the profit arising from properties sold which carried a higher gross profit margin for the year ended 31 December 2011 resulting in an increase in the provision for CIT and LAT by approximately HK$570.7 million and HK$883.6 million respectively.

Management Discussion and Analysis

Profitability

The net profit margin of the Group (profit attributable to equity shareholders of the Company to turnover) was 17.9% in 2010 and was 17.4% in 2011.

Non-controlling interests

The loss attributable to non-controlling interests for the year ended 31 December 2011 decreased by approximately HK$10.0 million to approximately HK$0.3 million for the year ended 31 December 2011 from approximately HK$10.3 million for the year ended 31 December 2010. The decrease was primarily due to a larger loss incurred in 2010 by a sizable non-wholly owned subsidiary in which the non-controlling interests were wholly acquired by the Group in August 2010. As at 31 December 2011, the non-controlling interests mainly represented the 25% equity interest held by an independent third party in our Guangzhou Top Spring Water Flower Agriculture Ecological Park Co., Ltd. (廣州市萊蒙水榭農業生態園有限公司) and the 42% equity interests held by an independent third party in the two Tianjin Companies.

Liquidity, Financial and Capital Resources

Cash position

As at 31 December 2011, the carrying amount of the Group's cash and bank deposits was approximately HK$6,231.1 million (as at 31 December 2010: approximately HK$5,213.5 million), representing an increase of approximately 19.5% as compared to that as at 31 December 2010.

For the year ended 31 December 2011, the Group had net cash used in operating activities of approximately HK$413.6 million, net cash used in investing activities of approximately HK$277.7 million and net cash generated from financing activities of approximately HK$1,772.5 million.

Borrowings and charges on the Group's assets

The Group had an aggregate borrowings (including bank and other loans and a loan from an associate) as at 31 December 2011 of approximately HK$7,431.8 million, of which approximately HK$1,720.1 million is repayable within 1 year, approximately HK$4,261.8 million is repayable after 1 year but within 5 years and approximately HK$1,449.9 million is repayable after 5 years. As at 31 December 2011, the Group's bank loans of approximately HK$5,001.6 million were secured by investment properties, properties under development for sale and pledged deposits of the Group with total carrying values of approximately HK$5,537.2 million and by equity interests in certain subsidiaries within the Group. As at 31 December 2011, the Group's other loans of approximately HK$1,249.8 million were secured by equity interests in certain subsidiaries within the Group. The carrying amounts of all the Group's bank and other loans were denominated in Renminbi ("RMB") except for certain loan balances with an aggregate amount of approximately HK$545.9 million and HK$848.9 million as at 31 December 2011 which were denominated in Hong Kong dollars and US dollars respectively. The loans with fixed interest rates ranging 4.86% to 6.66% per annum were borrowed by the Group during the year ended 31 December 2011.

Net gearing ratio

The net gearing ratio is calculated by dividing our net borrowings (total borrowings net of cash and cash equivalents and restricted and pledged deposits) by the total equity. Our net gearing ratio as at 31 December 2011 and 31 December 2010 were approximately 34.1% and 151.0% respectively. The net gearing ratio was significantly reduced after the listing of the Company's shares on the Stock Exchange on 23 March 2011 and the increase in the Group's retained earnings as at 31 December 2011.

Foreign exchange risk

As at 31 December 2011, the Group had cash balances denominated in RMB of approximately RMB4,640.5 million (equivalent to approximately HK$5,726.2 million), and in US dollars of approximately US$51.5 million (equivalent to approximately HK$399.6 million).

Almost all of the Group's operating activities are carried out in the PRC with most of the transactions denominated in RMB. The Group is exposed to foreign currency risk arising from the exposure of RMB against Hong Kong dollars as a result of its investment in the PRC and the settlement of certain of the general and administrative expenses and other loans in Hong Kong dollars or US dollars. In addition, RMB is not freely convertible into foreign currencies and the conversion of RMB into foreign currencies is subject to rules and regulations of the foreign exchange control promulgated by the PRC government. We do not have a foreign currency hedging policy. However, the Directors monitor our foreign exchange exposure closely and may, depending on the circumstances and trend of foreign currency, consider adopting significant foreign currency hedging policy in the future.

Contingent Liabilities

As at 31 December 2011, save for the guarantees of approximately HK$4,441.9 million given to financial institutions for mortgage loan facilities granted to purchasers of the Group's properties, the Group had no other material contingent liabilities as at 31 December 2011 (as at 31 December 2010: approximately HK$3,229.4 million).

Pursuant to the mortgage contracts, banks require us to guarantee our purchasers' mortgage loans until we complete the relevant properties and the property ownership certificates and certificates of other interests with respect to the relevant properties are delivered to our purchasers. If a purchaser defaults on a mortgage loan, we may have to repurchase the underlying property by paying off the mortgage. If we fail to do so, the mortgagee bank may auction the underlying property and recover any shortfall from us as the guarantor of the mortgage loan.

Material Acquisitions and Disposals of Assets

During the year ended 31 December 2011, the Group did not have any material acquisitions or disposals of assets save as disclosed in this annual report.

Use of Proceeds from IPO

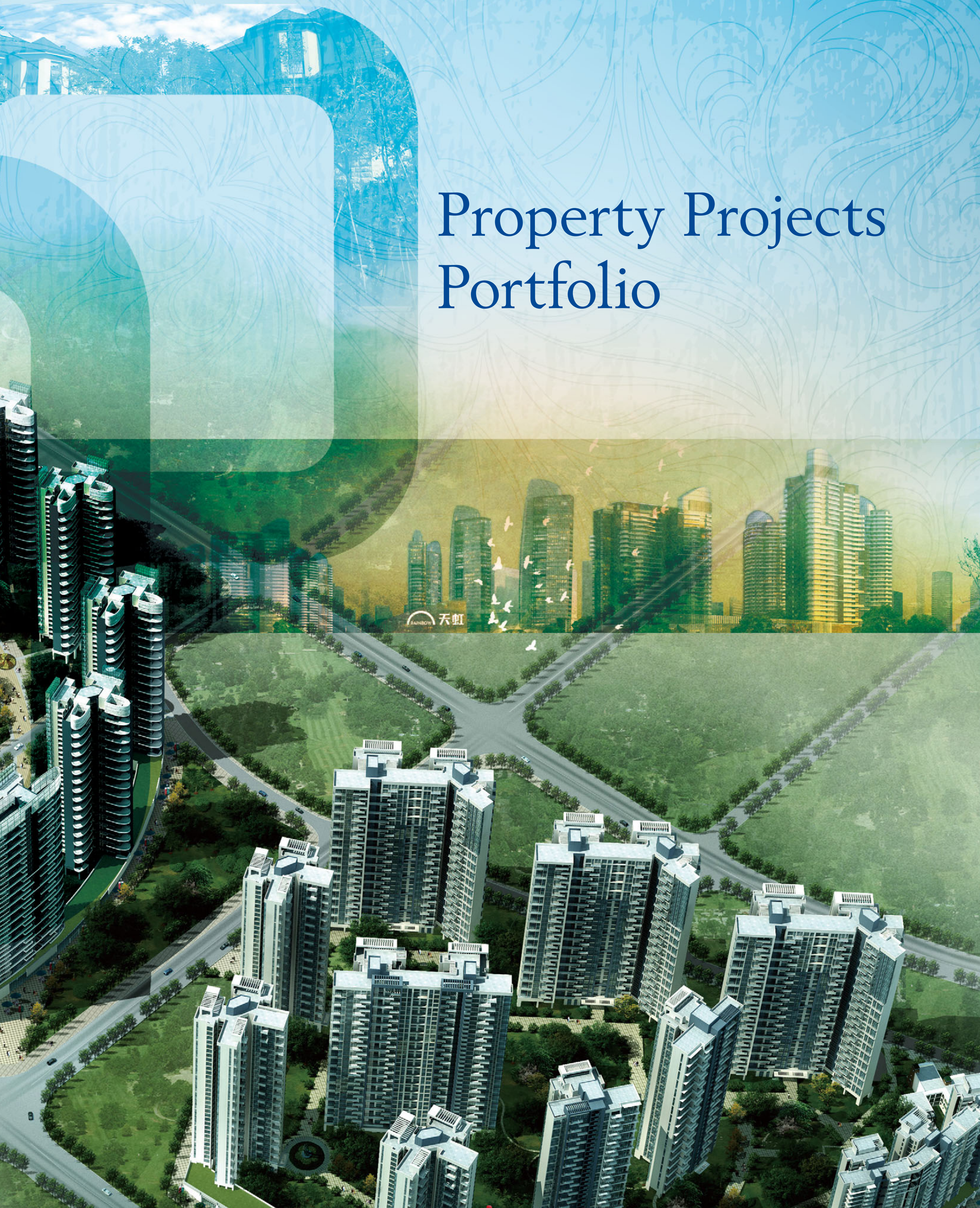
Trading of shares in the Company on the Stock Exchange commenced on 23 March 2011, and the Group raised net proceeds of approximately HK$1,419.4 million from the IPO. As at 31 December 2011, the Group had applied approximately HK$878.9 million of the net proceeds for acquisition of new projects for development in the PRC and approximately HK$71.3 million for general corporate and working capital purposes, which is in compliance with the intended use of proceeds as disclosed in the Prospectus.

Employees and Remuneration Policy

As at 31 December 2011, the Group employed a total of 1,119 employees (as at 31 December 2010: 939 employees) in the PRC and Hong Kong. Of them, 115 were under the headquarter team, 352 were under the property development division and 652 were under the retail operation and property management division. For the year ended 31 December 2011, the total staff costs incurred was approximately HK$288.4 million (for the year ended 31 December 2010: approximately HK$206.6 million). The remuneration of the employees was based on their performance, work experience, skills, knowledge and the prevailing market wage level. The Group remunerated the employees by means of basic salaries, cash bonus and equity settled share-based payment.

The Company adopted a pre-IPO share option scheme and a share award scheme on 2 December 2010 under which the Company granted share options and awarded shares to certain eligible employees, respectively. As at 31 December 2011, 460,000 awarded shares had been cancelled upon the resignation of certain awardees under the share award scheme. As at 31 December 2011, no share options had been exercised by the grantees and 2,508,332 share options had been cancelled upon the resignation of certain grantees under the pre-IPO share option scheme. The Company has also adopted a post-IPO share option scheme on 28 February 2011 for the purpose of recognising and acknowledging the contribution that eligible employees have made or may make to the Group. As at the date of this report, no share option has been granted by the Company under the post-IPO share option scheme.

Property Projects Portfolio



Property Projects Portfolio

Shenzhen Water Flower Garden

Key Statistics

No. of Phases		3	
Site area (sq.m.)		164,764	
Construction start date		March 2002	
Completion date		October 2006	
Total GFA (sq.m.)		294,638	
Total saleable / leasable GFA (sq.m.)		216,545	
Land cost (RMB million)		437	
Development costs incurred (RMB million)		938	
Interest attributable to us (%)		100%	
	Residential	**Retail**	**Other**
Saleable / Leasable GFA (sq.m.)	211,553	4,992	–
Net saleable / leasable GFA (sq.m.) as at 31 December 2011	–	4,992	–

Project Overview

Location Xiangmei Road, Futian District, Shenzhen, Guangdong Province

Property Type Residential, retail, clubhouse

Highlights Situates prominently in the exclusive region of the city centre and offers unique view of the Honey Lake

It was awarded 'Classical Chinese Model Residential Property' in 2003 and 'Real Estate of the Year' in both 2002 and 2003

Location

Shenzhen Hidden Valley

Location

Key Statistics

No. of Phases		4	
Site area (sq.m.)		143,047	
Construction start date		July 2007	
Completion date		June 2011	
Total GFA (sq.m.)		131,736	
Total saleable / leasable GFA (sq.m.)		83,933	
Land cost (RMB million)		200	
Development costs incurred (RMB million)		1,078	
Interest attributable to us (%)		100%	
	Residential	**Retail**	**Other**
Saleable / Leasable GFA (sq.m.)	83,933	–	–
Net saleable / leasable GFA (sq.m.) as at 31 December 2011	12,186	–	–

Project Overview

Location Yulong Road, Bao'an District, Shenzhen, Guangdong Province

Property Type Residential

Highlights One of the best villa projects in Shenzhen and was awarded "Global International Garden Community Nominations Award" and "China International Garden Community Award"

Offers close proximity to central business district ("**CBD**") (10 minutes drive from Futian CBD) and yet is surrounded by suburb parks with natural living environment

Phase 1 was launched in May 2008 and became the best selling project in the luxury residential market in Shenzhen in 2009. Phase 2 was launched in September 2008 and was sold out within a short period of time despite the global financial crisis

Property Projects Portfolio

The Spring Land

Key Statistics

No. of Phases		6	
Site area (sq.m.)		166,979	
Construction start date		May 2009	
Expected completion date		June 2014	
Total GFA (sq.m.)		774,371	
Total saleable / leasable GFA (sq.m.)		558,769	
Land cost (RMB million)		491	
Development costs incurred as at 31 December 2011 (RMB million)		1,651	
Interest attributable to us (%)		100%	
	Residential	**Retail**	**Other**
Saleable / Leasable GFA (sq.m.)	521,748	37,021	–
Net saleable / leasable GFA (sq.m.) as at 31 December 2011	287,529	37,021	–

Project Overview

Location Renmin South Road, Longhua Town, Bao'an District, Shenzhen, Guangdong Province

Property Type Residential, retail

Highlights Locates at the Hongshan Station of Subway Line No. 4

The Spring Land (Phases 1 and 2) and (Phase 3) were ranked the best and the second best-selling projects in Shenzhen for 2010 and 2011, respectively

Changzhou Landmark

Key Statistics

No. of Phases		4	
Site area (sq.m.)		120,296	
Construction start date		August 2005	
Expected completion date		June 2013	
Total GFA (sq.m.)		513,404	
Total saleable / leasable GFA (sq.m.)		318,423	
Land cost (RMB million)		250	
Development costs incurred as at 31 December 2011 (RMB million)		2,245	
Interest attributable to us (%)		100%	
	Residential	**Retail**	**Other**
Saleable / Leasable GFA (sq.m.)	125,032	180,238	13,153
Net saleable / leasable GFA (sq.m.) as at 31 December 2011	70,722	89,561	13,153

Project Overview

Location Xiyingli, Zhonglou District, Changzhou, Jiangsu Province

Property Type Residential, retail and office

Highlights Locates at the commercial centre of the city

Ranked in "China Top 10 Mainstream Real Estate Projects" in 2005 and Twin Stars (serviced apartments) of the project was awarded "2006 Best International Apartment in China"

Phase 1-3 comprises mainly of retail/apartments while Phase 4 is a large-scale residential project with height over 150 meters

Secured anchor tenants like Wal-Mart, Warner Brothers, KFC

Property Projects Portfolio

Changzhou Le Leman City

Key Statistics

No. of Phases		11	
Site area (sq.m.)		478,448	
Construction start date		May 2006	
Expected completion date		January 2017	
Total GFA (sq.m.)		1,235,171	
Total saleable / leasable GFA (sq.m.)		985,019	
Land cost (RMB million)		484	
Development costs incurred as at 31 December 2011 (RMB million)		1,972	
Interest attributable to us (%)		100%	
	Residential	**Retail**	**Other**
Saleable / Leasable GFA (sq.m.)	818,360	115,943	50,716
Net saleable / leasable GFA (sq.m.) as at 31 December 2011	585,348	115,943	50,716

Project Overview

Location Yanzheng Middle Road, Wujin District, Changzhou, Jiangsu Province (Opposite of Wujin District Government Building)

Property Type Residential, retail and hotel

Highlights Situates in the centre of Wujin District and is adjacent to the Wujin District Government Building

Includes numerous amenities including a 5-star hotel, a large-scale commercial centre, an arts and culture centre, a youth and children's centre, a bilingual international kindergarten, etc.

Taihu Hidden Valley

Location

Taihu Hidden Valley

Key Statistics

Site area (sq.m.)		266,668	
Expected construction start date		January 2013	
Expected completion date		December 2016	
Total GFA (sq.m.)		320,001	
Total saleable / leasable GFA (sq.m.)		320,001	
Land cost (RMB million)		322	
Interest attributable to us (%)		100%	
	Residential	**Retail**	**Other**
Saleable / Leasable GFA (sq.m.)	320,001	–	–

Project Overview

Location Resort Area, West Bay of Taihu Bay, Wujin District, Changzhou, Jiangsu Province

Property Type Low-density residential

Highlights Locates at the junction of Changzhou city and Wuxi city

Facing the Taihu Lake on the south and is surrounded by mountains on the other three sides

This precious parcel of land is only 25-minutes-drive from downtowns of both Changzhou and Wuxi

Property Projects Portfolio

Dongguan Landmark

Key Statistics

No. of Phases		1	
Site area (sq.m.)		18,738	
Construction start date		June 2006	
Completion date		July 2008	
Total GFA (sq.m.)		79,679	
Total saleable / leasable GFA (sq.m.)		65,107	
Land cost (RMB million)		90	
Development costs incurred (RMB million)		267	
Interest attributable to us (%)		100%	
	Residential	**Retail**	**Other**
Saleable / Leasable GFA (sq.m.)	43,288	21,819	–
Net saleable / leasable GFA (sq.m.) as at 31 December 2011	–	20,217	–

Project Overview

Location No. 88 Hongfu Road, Nancheng District, Dongguan, Guangdong Province

Property Type Residential and retail

Highlights Locates in the CBD of Dongguan, the dramatic setting and accessibility of the mall substantially upgrades the local amenities

Location

Hangzhou Landmark

Location

Key Statistics

No. of Phases		1	
Site area (sq.m.)		14,780	
Construction start date		January 2006	
Completion date		July 2007	
Total GFA (sq.m.)		49,989	
Total saleable / leasable GFA (sq.m.)		36,880	
Land cost (RMB million)		21	
Development costs incurred (RMB million)		105	
Interest attributable to us (%)		100%	
	Residential	**Retail**	**Other**
Saleable / Leasable GFA (sq.m.)	–	36,880	–
Net saleable / leasable GFA (sq.m.) as at 31 December 2011	–	26,182	–

Project Overview

Location No. 303 Ouhuazhou Avenue, Linping, Yuhang District, Hangzhou, Zhejiang Province

Property Type Retail

Highlights Close proximity to metro station

Leveraging on ‘high growth city’ attributes, Linping is set to be one of the three high growth satellite cities of Hangzhou

Secured anchor tenants like Wal-Mart, Watsons, KFC and Nike attracted not only other retailers, but also significant pedestrian traffic

Property Projects Portfolio

Chengdu Landmark

Key Statistics

No. of Phases		1	
Site area (sq.m.)		20,727	
Construction start date		June 2011	
Expected completion date		December 2012	
Total GFA (sq.m.)		139,265	
Total saleable / leasable GFA (sq.m.)		110,764	
Land cost (RMB million)		158	
Development costs incurred as at 31 December 2011 (RMB million)		185	
Interest attributable to us (%)		100%	
	Residential	**Retail**	**Office**
Saleable / Leasable GFA (sq.m.)	–	38,525	72,239

Project Overview

Location Hongpailou, Fourth Section of Second Ring Road, Wuhou District, Chengdu, Sichuan Province

Property Type Retail, office and serviced apartment

Highlights Close proximity to Jialing Road Station of Metro line no. 3

Site was secured at approximately RMB1,426.5 per sq.m., significantly lower than the average land cost for comparable projects

In November 2010, the Group entered into a tenancy agreement with Rainbow Department Store Co., Ltd.. The GFA of the leased premises is approximately 30,500 sq.m. for a term of 20 years

Location

Hangzhou Hidden Valley

Key Statistics

No. of Phases		7	
Site area (sq.m.)		287,192	
Construction start date		September 2011	
Expected completion date		September 2017	
Total GFA (sq.m.)		519,561	
Total saleable / leasable GFA (sq.m.)		301,410	
Land cost (RMB million)		1,952	
Development costs incurred as at 31 December 2011 (RMB million)		298	
Interest attributable to us (%)		100%	
	Residential	**Retail**	**Other**
Saleable / Leasable GFA (sq.m.)	301,410	–	–

Project Overview

Location Dongzhou Avenue, Fuyang, Hangzhou, Zhejiang Province

Property Type Low density residential

Highlights Irreplaceable location with scarce resources

19km and 17km away from the Hangzhou CBD and "Riverside" Center, respectively

Property Projects Portfolio

Shenzhen Landmark

Key Statistics

No. of Phases		N/A	
Site area (sq.m.)		183,962	
Construction start date		August 2013	
Expected completion date		December 2015	
Total GFA (sq.m.)		1,532,696	
Total saleable / leasable GFA (sq.m.)		865,391	
Land cost (RMB million)		3,938	
Interest attributable to us (%)		100%	
	Residential	**Retail**	**Other**
Saleable / Leasable GFA (sq.m.)	464,748	180,643	220,000

Project Overview

Location Nanlian Community, Shenhui Road, Longgang District, Shenzhen, Guangdong Province

Property Type Residential and retail

Highlights Close proximity to Nanlian Station and Longcheng Plaza Station of Metro Subway Line No. 3

Shenzhen Landmark is an old village redevelopment program

The project will be built as a large-scaled urban mixed-use community with a relatively high proportion of retail area

Location

Shenzhen Blue Bay

Location

Key Statistics

No. of Phases		N/A	
Site area (sq.m.)		11,200	
Construction start date		April 2013	
Expected completion date		September 2014	
Total GFA (sq.m.)		23,000	
Total saleable / leasable GFA (sq.m.)		15,000	
Land cost (RMB million)		15	
Interest attributable to us (%)		92%	
	Residential	**Retail**	**Other**
Saleable / Leasable GFA (sq.m.)	15,000	–	–

Project Overview

Location Guanhu Road, Kuichong Town, Longgang District, Shenzhen, Guangdong Province

Property Type Low-density residential

Highlights Expected to comprise a residential development located in Yantian district

The project offers an excellent sea view which is adjacent to a beach facing the South China Sea

Property Projects Portfolio

Tianjin Le Leman City

Key Statistics

No. of Phases		N/A	
Site area (sq.m.)		333,666	
Expected construction start date		June 2012	
Expected completion date		December 2016	
Total GFA (sq.m.)		548,471	
Total saleable / leasable GFA (sq.m.)		530,796	
Land cost (RMB million)		401	
Interest attributable to us (%)		58%	
	Residential	**Retail**	**Other**
Saleable / Leasable GFA (sq.m.)	432,916	13,524	84,356

Project Overview

Location Junction of Beihua Road and Jincang Expressway, Jinhai County, Tianjin

Property Type Commercial, industrial and residential

Highlights Located 20 kilometers away from Tianjin city centre (Nankai District)

Approximately 12 kilometers away from the south station of Beijing-Tianjin high-speed railway and 5 kilometers away from Beijing-Tianjin Expressway

Location

Huizhou Waterfront Project

Location

Key Statistics

No. of Phases		N/A	
Site area (sq.m.)		254,655	
Expected construction start date		November 2012	
Expected completion date		October 2015	
Total GFA (sq.m.)		581,590	
Total saleable / leasable GFA (sq.m.)		509,310	
Land cost (RMB million)		453	
Interest attributable to us (%)		100%	
	Residential	**Retail**	**Other**
Saleable / Leasable GFA (sq.m.)	497,910	6,000	5,400

Project Overview

Location Huidong, Huizhou

Property Type Residential

Highlights The Cross-Harbour Bridge, which is an extension of the Guangzhou-Huizhou Highway, is under construction and will start service in late 2012

Once the Bridge is completed, it will be 85 kilometers only away from Shenzhen Luohu (Huangbeiling) with 1.5 hours by drive.

Another national bay district besides of Hainan

All residential units will offer spectacular seaview

Corporate Governance Report

Corporate Governance Principles and Practices

The Company believes that good corporate governance will not only increase transparency of decision-making process, but also provide a sound framework to facilitate the implementation, enforcement and accountability of management in the Company to the public and lay a good foundation for the long-term development of the Company. Therefore, the Company strives to develop and implement effective corporate governance principles and practices. The Company has adopted the code provisions of the Code on Corporate Governance Practices (the "**Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). Throughout the year since the listing of the Company on the Main Board of the Stock Exchange on 23 March 2011 ("**Listing Date**") and up to and including 31 December 2011, the Company has complied with the Code with the exception of code provision A.2.1, as explained in the paragraph headed "Chairman and Chief Executive Officer" below.

The Board of Directors

The Board is responsible for 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.

The Board comprises four executive Directors, namely Mr. WONG Chun Hong, Ms. LI Yan Jie, Mr. LEE Sai Kai David and Mr. LAM Jim, three non-executive Directors, namely Dr. MCCABE Kevin Charles, Mr. LI Zhi Zheng and Mr. ZHANG Yi Jun, an alternate Director to Dr. MCCABE Kevin Charles, namely Ms. THAM Qian and three independent non-executive Directors, namely Mr. BROOKE Charles Nicholas, Mr. CHENG Yuk Wo and Professor WU Si Zong.

There is no relationship, including financial, business, family or other material/relevant relationships, among the members of the Board.

During the year under financial review, the Board held six Board meetings (exclusive of meetings of Board committee constituted by the Board held during the period). The attendance of each Director is set out in the table below:

	Number of attendance/Total
Executive Directors	
Mr. WONG Chun Hong	5/6
Ms. LI Yan Jie	3/6
Mr. LEE Sai Kai David	5/6
Mr. LAM Jim (Note 1)	4/4
Non-executive Directors	
Dr. MCCABE Kevin Charles	6/6
Mr. LI Zhi Zheng (Note 2)	5/6
Mr. ZHANG Yi Jun (Note 1)	3/4
Independent non-executive Directors	
Mr. BROOKE Charles Nicholas	4/6
Mr. CHENG Yuk Wo	5/6
Professor WU Si Zong	6/6

Notes:

1. Mr. LAM Jim and Mr. ZHANG Yi Jun were appointed as executive Director and non-executive Director on 4 July 2011 respectively.

2. Mr. LI Zhi Zheng was redesignated from an executive Director to a non-executive Director on 4 July 2011.

Chairman and Chief Executive Officer

Under code provision 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 period from the Listing Date up to and including 31 December 2011, Mr. WONG Chun Hong performed his duties as the chairman as well as the chief executive officer of the Company. The Board believes that the serving by the same individual as the 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. The Board will continue to review the current management structure from time to time and shall make changes where appropriate and inform the investors of the Company accordingly.

Non-Executive Directors and Independent Non-Executive Directors

Each of the non-executive Directors (and the alternate to the non-executive Director) and the independent non-executive Directors (except Mr. ZHANG Yi Jun), was appointed by the Company for a term of three years commencing on 1 December 2010 unless terminated by not less than three months' notice in writing served by either the Company or the respective Director. Mr. ZHANG Yi Jun was appointed by the Company for a term of three years commencing on 4 July 2011 unless terminated by not less than three months' notice in writing served by either the Company or Mr. ZHANG Yi Jun.

Each of the independent non-executive Directors has confirmed by written confirmation that he has complied with the independence requirements set out in Rule 3.13 of the Listing Rules. The Company considers that all independent non-executive Directors are independent under these independence requirements.

Independent non-executive Directors possess appropriate professional qualifications and experience or appropriate accounting or relevant financial management expertise. Independent non-executive Directors are able to provide their independent judgment in respect of matters such as the Group's strategy, policy and performance at Board and Board committee meetings, and to make significant contributions to the affairs of the Group.

Remuneration Committee

The Company established a remuneration committee (the "**Remuneration Committee**") on 2 December 2010. The Remuneration Committee consists of Mr. WONG Chun Hong, Mr. CHENG Yuk Wo and Professor WU Si Zong. During the year under review, Mr. WONG Chun Hong was the chairman of the Remuneration Committee. With effect from 29 March 2012, Mr. WONG ceased to be the chairman and Mr. CHENG Yuk Wo was appointed as the chairman of the Remuneration Committee.

The primary duties of the Remuneration Committee are to make recommendations to the Board on the Company's structure for remuneration of Directors and senior management and on the establishment of formal and transparent procedures for developing such remuneration policy.

In determining the remuneration of the Directors and the senior management, the Remuneration Committee would consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors and the senior management, performance and contributions of the Directors and the senior management and the change in market conditions.

Corporate Governance Report

The Remuneration Committee has held two meetings during the year under financial review. The attendance of each member of the Remuneration Committee is set out in the table below:

	Number of attendance/Total
Mr. CHENG Yuk Wo (Note)	2/2
Mr. WONG Chun Hong (Note)	2/2
Professor WU Si Zong	2/2

Note: During the year under review, Mr. WONG Chun Hong was the Chairman of the Remuneration Committee. With effect from 29 March 2012, Mr. WONG ceased to be the Chairman and Mr. CHENG Yuk Wo was appointed as the Chairman of the Remuneration Committee.

For the year under review, the Remuneration Committee reviewed the terms (in particular, the remuneration package) of the service contracts of Mr. LAM Jim and Mr. ZHANG Yi Jun and recommended to the Board to approve the revision of the remuneration package of Mr. LI Zhi Zheng. The Remuneration Committee also made recommendations to the Board on the year-end bonus of executive and non-executive Directors and senior management of the Company for 2011. No Director was involved in deciding his own remuneration.

Nomination Committee

The Company established a nomination committee (the "**Nomination Committee**") on 2 December 2010. The Nomination Committee consists of Mr. WONG Chun Hong, Mr. CHENG Yuk Wo and Professor WU Si Zong. During the year under review, Mr. WONG Chun Hong was the Chairman of the Nomination Committee. With effect from 29 March 2012, Mr. WONG ceased to be the Chairman and Professor WU Si Zong was appointed as the Chairman of the Nomination Committee.

The primary duties of the Nomination Committee are to review the structure, size and composition of the Board on a regular basis, to make recommendations to the Board on matters relating to the appointment or re-appointment of Directors and succession planning for Directors, and to assess the independence of the independent non-executive Directors. In considering the nomination of new Directors, the Nomination Committee will take into account the qualification, ability, working experience, leadership and professional ethics of the candidates as well as the independence requirement in the case of an independent non-executive Director.

The Company has adopted procedures for nomination of a new Director, pursuant to which (i) an interview will be conducted with the prospective candidates; and (ii) the Board will consider and, if thought fit, approve the appointment of a new Director by way of Board meeting or written resolution. To ensure that a newly appointed Director will have a proper understanding of the operations and business of the Company and is fully aware of his responsibilities under all applicable laws and regulations (including the Listing Rules), he will be provided with a comprehensive, tailored made and formal induction on the first occasion of his appointment.

The Nomination Committee has held one meeting during the year under financial review. The attendance of each member of the Nomination Committee is set out in the table below:

	Number of attendance/Total
Professor WU Si Zong (Note)	1/1
Mr. WONG Chun Hong (Note)	1/1
Mr. CHENG Yuk Wo	1/1

Note: During the year under review, Mr. WONG Chun Hong was the chairman of the Nomination Committee. With effect from 29 March 2012, Mr. WONG ceased to be the Chairman and Mr. Professor WU Si Zong was appointed as the Chairman of the Nomination Committee.

Audit Committee

The Company established an audit committee (the "**Audit Committee**") on 2 December 2010. The Audit Committee consists of two independent non-executive Directors, namely Mr. CHENG Yuk Wo and Mr. BROOKE Charles Nicholas, and one non-executive Director, namely Dr. MCCABE Kevin Charles. The chairman of the Audit Committee is Mr. CHENG Yuk Wo.

Mr. CHENG Yuk Wo, the chairman of the Audit Committee, has considerable experience in accounting and financial management, which is in line with the requirements of Rule 3.10(2) of the Listing Rules.

The Audit Committee reports to the Board and is authorized by the Board to assess matters relating to the financial statements of the Company. The Audit Committee oversees all financial reporting procedures and the effectiveness of the Company's internal controls, to advise the Board on the appointment and re-appointment of external auditors, and to review and oversee the independence and objectivity of external auditors.

The Audit Committee is responsible for recommending to the Board on matters related to the appointment, re-appointment and removal of the external auditors, which is subject to the approval of the Board and the Shareholders at a general meeting of the Company. For the year under review, the Board has not taken a different view from that of the Audit Committee regarding the selection, appointment, resignation or dismissal of the external auditors.

The Audit Committee held two meetings during the year under financial review. The attendance of each member of the Audit Committee in person or by his alternate is set out in the table below:

	Number of attendance/Total
Mr. CHENG Yuk Wo (Chairman)	2/2
Mr. BROOKE Charles Nicholas	2/2
Dr. MCCABE Kevin Charles	2/2

At the above meetings, the Audit Committee has considered, reviewed and discussed the accounting principles and practice adopted by the Company and the annual results of the Group for the year ended 31 December 2010 and the interim results of the Group for the six months ended 30 June 2011 and the effectiveness of financial reporting, internal control, consultancy services and risk management systems.

Corporate Governance Committee

To facilitate more effective implementation of corporate governance practices, a corporate governance committee of the Board (the "**Corporate Governance Committee**") has been established on 29 March 2012 with specific written terms of reference which deal clearly with the committee's authority and duties. The Corporate Governance Committee consists of two executive Directors, namely Mr. LEE Sai Kai David and Mr. LAM Jim, and an independent non-executive Director, namely Mr. CHENG Yuk Wo. The chairman of the Corporate Governance Committee is Mr. LEE Sai Kai David.

Advisory Committee

The Company established an advisory committee (the "**Advisory Committee**") on 2 December 2010. The Advisory Committee consists of two executive Directors, namely, Mr. WONG Chun Hong and Ms. LI Yan Jie.

The primary duties of the Advisory Committee are to make all determinations and provide directions to the trustees of the Pre-IPO Share Option Scheme and the Share Award Scheme adopted by the Company.

The Advisory Committee did not hold any meeting during the year under financial review.

Auditors' Remuneration

For the year ended 31 December 2011, the total fees paid/payable to the external auditors of the Company, KPMG, in respect of audit and non-audit services are set out below:

	For the year ended 31 December 2011 HK$'000
Audit services	4,512
Non-audit services (Note)	1,851
Total	6,363

Note: Apart from the provision of annual audit services, KPMG, the Group's external auditors, also provided review services on the consolidated financial statements of the Group for the six months ended 30 June 2011 and other consultancy services.

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 under review, and are prepared in accordance with the applicable statutory requirements and accounting standards. The statement of the external auditors of the Company, KPMG, about their reporting responsibilities on the financial statement of the Group is set out in the Independent Auditors' Report on page 76 of this annual report.

Internal Control

The Board is fully responsible for maintaining proper and effective internal control system and for regularly reviewing the operational efficiency of the financial, operational, compliance controls, risk management and other aspects of the system in order to safeguard the investment of Shareholders and the assets of the Company. During the year under review, the Board has conducted a review of the effectiveness of the internal control system of the Group covering the above aspects. The Board has also considered the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget during the year under review.

The internal audit department of the Company is responsible for regular review and audit of the finance and operation the Group. The purpose of such work is to ensure the normal operation of internal control and the playing of its due role.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code") as its code of conduct for securities transactions by the Directors. After having made specific enquiries with all Directors, all Directors have confirmed that they have complied with the required standards set out in the Model Code and its code of conduct since the Listing Date up to and including 31 December 2011.

Employees who are likely to be in possession of unpublished price sensitive information of the Company are also subject to compliance with guidelines on no less exacting terms than the Model Code.

Investor Relations

The Company ensures that fair and transparent disclosure is made for its business and financial performance through a variety of formal communication channels. Information regarding the Company will be published in its website: www.topspring.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 inquiries, and provides information on business activities of the Group.

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

The Company will also meet with the investment community and respond to their inquiries about the status of the Company from time to time, so as to strengthen the contacts and communication between the Company and its investors.

Biography of Directors and Senior Management

Directors

Executive Directors

Mr. WONG Chun Hong (黃俊康) aged 57
Chairman and Chief Executive Officer

Mr. WONG is the Founder of the Group and was appointed an executive Director, the Chairman and the Chief Executive Officer of the Company on 25 August 2009. He is responsible for the strategic planning, board management and overall management of the Group. He is also a director of various subsidiaries within the Group. In addition, he is also the second largest controlling shareholder and vice chairman of the board of directors of Rainbow Department Store Co., Ltd. ("**Rainbow**"), a company listed on the Shenzhen Stock Exchange. He has over two decades of experience in the real estate business in the PRC and Hong Kong and has profound accomplishments in the finance and retail fields, Mr. WONG's career milestones prior to the establishment of the Group are set out in the following table:

Date	Career milestones
1988	• Xin An Lake, Shenzhen — Mr. WONG's first PRC commercial/ residential complex development project. • Xin An Lake has a total GFA of approximately 500,000 sq.m.
1990	• Top Spring Development Limited ("**TSD**") — a joint venture company formed by Mr. WONG with COFCO (Hong Kong) Limited (formerly known as Top Glory Holding Company Limited ("**Top Glory**")), a wholly-owned subsidiary of China National Cereals, Oils & Foodstuffs Import and Export Corporation ("**COFCO**") to engage in property development and investment in Hong Kong and the PRC. • TSD was owned as to 70% by Top Glory and 30% by Mr. WONG through his controlled entity, respectively. • Mr. WONG managed all the property projects of TSD group and Top Glory group across China, covering cities such as Hong Kong, Shenyang, Xiamen, Beijing, Guangzhou and Shenzhen.
1993	• Mr. WONG formulated and implemented the transfer of the property interests of TSD and Top Glory to a listed company (now privatized), Top Glory International Holdings Limited (formerly known as World Trade Center Group Limited) ("**TGI**"). • Mr. WONG became the deputy managing director and the second largest shareholder of TGI and was in charge of many major property projects including Top Glory Tower and Carnation Court in Hong Kong, Beijing Capital Paradise, Shenyang Top Spring Plaza, Guangzhou Top Spring Development Building, Xiamen Top Spring Plaza and Xin An Lake in Shenzhen. • Mr. WONG was the vice chairman of China Foods Limited (then known as China Foods Holdings Limited) ("**China Foods**"), a company listed on the Stock Exchange and a subsidiary of COFCO.

Date	Career milestones
1996	• According to Mr. WONG, he disposed of all his interest in TGI and ceased to work at TGI and China Foods.
1996-2001	• Mr. WONG obtained a controlling stake in and became a major shareholder, chairman and chief executive officer of ITC Properties Group Limited (formerly known as Cheung Tai Hong Holdings Limited ("**CTH**")), a company listed on the Stock Exchange.
	• Mr. WONG was in charge of the development of detached or semi-detached luxury villas (with garden) at a development site at Wenyu River Tourism and Villa Development Zone, Shunyi County, Beijing, and commercial/residential properties at a site in Sheung Wan, Hong Kong.
2001	• According to Mr. WONG, he disposed of all his interest in CTH and focused on developing the Group's business until now.
2010	• Mr. WONG was awarded 2010 年度風雲人物 (2010 Person of the Year) by China Real Estate Information Corporation (中國房產信息集團) and 新浪樂居 (Sina House).

Mr. WONG also attended the Global CEO Programme for China in 2007 which was co-organized by IESE Business School and Harvard Business School. He is a member of 廣州政治協商會常委 (Guangzhou Chinese People's Political Consultative Conference).

Chance Again Limited ("**Chance Again**"), which is the Controlling Shareholder (as defined in the Listing Rules) of the Company, is held as to 100% by Cheung Yuet (B.V.I.) Limited ("**BVI Co**"). The entire issued share capital of BVI Co is wholly-owned by HSBC International Trustee Limited ("**HSBC International Trustee**") as the trustee of The Cheung Yuet Memorial Trust, a discretionary family trust established by Mr. WONG, the beneficiaries of which include Mr. WONG's family members (the "**Wong Family Trust**"). Mr. WONG is the settlor of the Wong Family Trust. Mr. WONG is also a director of Chance Again. Save as mentioned above, Mr. WONG does not have any relationships with any Directors, senior management or substantial Shareholders of the Company.

Ms. LI Yan Jie (李艷洁) aged 41
Executive Director

Ms. Li joined the Group in December 2000 and was appointed as an executive Director on 25 August 2009. She also serves as a director of various subsidiaries within the Group, including Changzhou Top Spring Landmark Real Estate Co., Ltd.. She was formerly the chief operating officer of the Company. She is in charge of the day-to-day operations of the Group and supervises all the senior vice presidents, vice presidents and general managers of the project companies. Ms. Li has extensive experience in sales and marketing and has a well-established client base. In 2004, Ms. Li was a director of Rainbow, a company which is now listed on the Shenzhen Stock Exchange. From 1994 to 2000, she was the general manager of 深圳市土地房產交易中心 (Shenzhen Land & Real Estate Exchange Center) (formerly known as 深圳市房地產交易中心 (Shenzhen Real Estate Exchange Center). Ms. Li studied an executive training course on real estate development and finance at 清華大學 (Tsinghua University) in 2006.

Biography of Directors and Senior Management

Mr. LEE Sai Kai David (李世佳) aged 46
Executive Director

Mr. LEE joined the Group in September 2002 and was appointed as an executive Director on 25 August 2009. He is also a director of various subsidiaries within the Group. Mr. LEE oversees the financial aspects of all the Group's investments in the PRC and Hong Kong and has extensive experience in accounting and senior management. He has 15 years of experience in the property industry both in Hong Kong and China through his working experience in the Group, CTH and TGI, which are all engaged in property businesses. He began his career at Deloitte Touche Tohmatsu in 1988 and became a senior accountant of a Hong Kong listed company, namely, China Everbright Limited (formerly known as IHD Holdings Limited) in 1991. Previously, he acted as the deputy financial controller of TGI, a company then listed on the Stock Exchange and the financial controller of China Foods, a company listed on the Stock Exchange. In 1996, he took up executive directorship at CTH, a company listed on the Stock Exchange. He now serves as a director of Rainbow, a company listed on the Shenzhen Stock Exchange. Mr. LEE received his Bachelor of Arts (Hons.) degree in Accountancy from The Hong Kong Polytechnic (now known as Hong Kong Polytechnic University) in 1994. He is an associate of the Hong Kong Institute of Certified Public Accountants and the Chartered Institute of Management Accountants and a fellow of the Association of Chartered Certified Accountants.

Mr. LAM Jim (林戰) aged 41
Executive Director and Chief Financial Officer

Mr. LAM joined the Group as the chief financial officer of the Company in May 2010 and was appointed as an executive Director on 4 July 2011. Prior to joining the Group, Mr. LAM was the chief financial officer, company secretary and a qualified accountant of Greentown China Holdings Limited, a company listed on the Stock Exchange, from September 2008 to April 2010. Prior to September 2008, Mr. LAM worked in various international investment banks and has over 10 years of experience in the field of auditing, equity research and investment. Mr. LAM received his Bachelor's degree in business administration from the Chinese University of Hong Kong in May 1992 and a Master's degree in accounting and finance from the London School of Economics and Political Science in August 1996. He is also a member of the Hong Kong Institute of Certified Public Accountants.

Non-executive Director

Dr. MCCABE Kevin Charles aged 63

Non-executive Director and Non-executive Vice Chairman

Dr. MCCABE joined the Group in June 2008 and was appointed as a non-executive Director and the non-executive vice chairman of the Company on 25 August 2009. He is a former director of two of the Group's subsidiaries, Le Leman International (Yuhang) Limited and Top Spring International (Yuhang) Landmark Co., Ltd..

Dr. MCCABE was a non-executive director of a listed company on the ASX, Valad Property Group Limited, from August 2007 to November 2009. He is also the chairman of Sheffield United PLC, a company previously listed company on the AIM market in London and was the chairman of Teesland plc, a company previously listed on the London Stock Exchange.

Dr. MCCABE commenced his career in property and construction in 1964. After leaving Sheffield in 1973, he joined and became a director of Teesland Development Co. Ltd ("**Teesland**"). In 1976, he left Teesland to set up his own property group and in 1980 he formed Scarborough Property Group plc, the forerunner of Scarborough Group International Limited ("**Scarborough UK**"), which is still wholly owned by the MCCABE Family and of which he is currently the chairman. As at 28 February 2009, Scarborough UK and its subsidiaries (collectively, the "**Scarborough Group**") had total assets of over £570 million.

With over 40 years of experience in business, Dr. MCCABE has grown and listed a number of companies while creating significant shareholder wealth in the process. Scarborough UK is now a global company with interests in the UK, Europe, Hong Kong and China. Dr. MCCABE either personally or via other connected corporations also has real estate interests in India, Canada and Australia. Dr. MCCABE is also a director of Sheffield United Realty B.V., Scarborough International Holdings B.V., Scarborough Property Company Limited, Scarborough Group Holdings Limited, Scarborough Group Limited and Scarborough UK.

Dr. MCCABE is also a member of the Royal Institution of Chartered Surveyors and the Institute of Arbitrators. In July 2010, Dr. MCCABE was conferred a degree of Doctor of Letters, honoris causa, from the University of Sheffield in the United Kingdom.

Alternate Director to Dr. MCCABE Kevin Charles

Ms. THAM Qian (譚謙) aged 48

Ms. THAM joined the Group in December 2003 and was appointed as an alternate Director to Dr. MCCABE Kevin Charles on 25 August 2009. She is a former director of various subsidiaries within the Group. She joined the Scarborough Group in 2001 and was involved in numerous property development and investment projects in the UK. In 2003, she spearheaded the growth of the Scarborough Group's property business in China and Hong Kong and since then, she has initiated co-investment transactions with many Chinese developers, the first of which was with Top Spring Group Holdings Limited ("**TSGHL**"). Ms. THAM has over ten years of experience in property investment and property management. She commenced her career in import, export and wholesale businesses in the UK. Ms. THAM was also involved in diverse businesses including supermarkets, properties and large scale catering businesses in the UK. In 1999, she co-founded the JNT Group, a football promotion agency firm, which gave many Chinese footballers the opportunity to play football overseas. Furthermore, she is the first Asian lady to have obtained a football agent licence from the Fédération Internationale de Football Association (FIFA). She was active in the football promotion agency business for China and Europe. In 1991, Ms. THAM received her Master of Business Administration degree from the University of Sheffield in the United Kingdom.

Given that Dr. MCCABE Kevin Charles is residing outside Hong Kong and is not ordinarily based in Hong Kong, Ms. THAM Qian was appointed as an alternate Director to Dr. MCCABE to facilitate the performance and discharge of his fiduciary duties and obligations as a Director.

Biography of Directors and Senior Management

Mr. LI Zhi Zheng (李志正) aged 69
Non-executive Director

Mr. LI joined the Group in March 2005. On 25 August 2009, he was appointed as an executive Director and the deputy managing Director of the Company, and since then he was responsible for assisting the Chairman in formulating and implementing the Group's strategic plans, handling material legal issues, matters relating to human resources and other significant matters delegated to him by the Chairman. On 4 July 2011, Mr. LI was re-designated as a non-executive Director. Mr. LI is also a director of various subsidiaries within the Group. Mr. LI has many years of experience in business management and administration.

Mr. LI graduated from the Faculty of Automated Control at 清華大學 (Tsinghua University) in 1966. Thereafter, he worked at 中華人民共和國航空工業部 (Department of Aviation Industry of the PRC) as a senior engineer.

Mr. LI has previously acted as the chairman of three A-share companies that are listed on the Shenzhen Stock Exchange, namely, 深圳市天馬微電子股份有限公司 (Shenzhen Tianma Microelectronic Company Limited), AVIC Real Estate Holding Company Limited (深圳市中航地產股份有限公司) (formerly known as 深圳市南光（集團）股份有限公司 (Shenzhen Nan-Guang (Group) Plc) and Shenzhen Fiyta Holdings Ltd. (深圳市飛亞達（集團）股份有限公司). He has also acted as the chairman of CATIC Shenzhen Holdings Limited (深圳中航集團股份有限公司) (formerly known as 深圳中航實業股份有限公司 (CATIC Shenzhen Holdings Limited), an H-share company listed on the Stock Exchange. In addition, from 2003 to 2008, he also acted as a director of Shenzhen Expressway Company Limited (深圳高速公路股份有限公司), an A-share company listed on the Shanghai Stock Exchange and an H-share company listed on the Stock Exchange. In 1995, he was awarded a special governmental sponsorship from the State Council of the PRC.

Mr. ZHANG Yi Jun (張宜鈞) aged 57
Non-executive Director

Mr. ZHANG joined the Group as a non-executive Director on 4 July 2011. He graduated from South China Normal University (華南師範大學) in the PRC. Mr. ZHANG is a senior economist and holds a degree of EMBA from Shanghai Jiao Tong University (上海交通大學). He studied corporate management and real estate management in Japan with 20 years of working experiences in investment and corporate management. He was the chairman and the president of Shenzhen Construction and Investment Holdings Company Limited (深圳市建設投資控股公司) and the commissioner of Bureau of Supervision of the Shenzhen Municipal Government (深圳市監察局). Mr. ZHANG is a non-executive director of Hong Long Holdings Limited (鴻隆控股有限公司), a company listed on the Stock Exchange. He was an executive director, vice chairman and chief executive officer of Hong Long Holdings Limited (鴻隆控股有限公司) and an executive director and the chief executive officer of Shenzhen Investment Limited (深圳控股有限公司) and a non-executive director of Coastal Greenland Limited (沿海綠色家園有限公司) and Road King Infrastructure Limited (路勁基建有限公司) respectively, all the aforesaid companies listed on the Stock Exchange.

Independent Non-executive Directors

Mr. BROOKE Charles Nicholas aged 70
Independent Non-executive Director

Mr. BROOKE was appointed as an independent non-executive Director on 30 November 2010. He is also an independent non-executive director of Shanghai Forte Land Co., Ltd. (復地(集團)股份有限公司), a company listed on the Stock Exchange, and the chairman and a non-executive director of VinaLand Limited which is listed on the London Stock Exchange. He was a former non-executive director of China Central Properties Limited, a company previously listed on the AIM market of the London Stock Exchange. Mr. BROOKE is the chairman of Professional Property Services Ltd. which specializes in real estate consultancy and is based in Hong Kong, providing clients with a selected range of advisory services across the Asia Pacific region. He is a Justice of the Peace, a former member of the Hong Kong Town Planning Board, a former vice-chairman of the Metro Planning Committee and a former member of the Hong Kong Housing Authority. He is also the chairman of the Hong Kong Harbourfront Commission and is a member of the Innovation and Technology Steering Committee and the Steering Committee on the Promotion of Electric Vehicles. He is the former president of the Royal Institution of Chartered Surveyors. Mr. BROOKE was awarded the Bronze Bauhinia Star (BBS) in 1999. He is a trustee of the International Valuation Standards Council, and also the chairman of the Hong Kong Science and Technology Parks Corporation. He is an honorary member of the American Institute of Architects, an honorary professor at the University of Hong Kong and 重慶大學 (Chongqing University) and an honorary fellow of the College of Estate Management, which is associated with the University of Reading. In 2004, Mr. BROOKE was admitted as a freeman of the City of London. He is a Fellow of the Royal Institution of Chartered Surveyors and of the Hong Kong Institute of Surveyors. In 1963, Mr. BROOKE graduated from the University of London with a Bachelor of Science degree in Estate Management.

Mr. CHENG Yuk Wo (鄭毓和) aged 51
Independent Non-executive Director

Mr. CHENG was appointed as an independent non-executive Director on 30 November 2010. Mr. CHENG worked at PricewaterhouseCoopers (formerly known as Coopers and Lybrand) in London in 1984 and at UBS AG (formerly known as Swiss Bank Corporation) in Toronto in 1989. He is also the co-founder of Centurion Corporate Finance Limited. In 1999, he became the sole proprietor of Erik CHENG & Co., Certified Public Accountants. Mr. CHENG received his Master of Sciences (Econ) in Accounting and Finance from The London School of Economics and Political Science in 1984, and his Bachelor of Arts (Hons.) in Accounting from the University of Kent in 1983. Mr. CHENG is currently a member of the Institute of Chartered Accountants of Ontario, Canada. He is also a fellow of the Institute of Chartered Accountants in England and Wales and a Certified Public Accountant practising in Hong Kong.

Biography of Directors and Senior Management

The table below sets out Mr. CHENG's directorships in a number of companies listed in Hong Kong:

Name of the listed company	Position
21 Holdings Limited	Executive director
Chong Hing Bank Limited	Independent non-executive director
C.P. Lotus Corporation (formerly known as Chia Tai Enterprises International Limited)	Independent non-executive director
CPMC Holdings Limited	Independent non-executive director
CSI Properties Limited (formerly known as Capital Strategic Investment Limited)	Independent non-executive director
Goldbond Group Holdings Limited	Independent non-executive director
HKC (Holdings) Limited	Independent non-executive director
Imagi International Holdings Limited	Independent non-executive director
South China Land Limited	Independent non-executive director
Henry Group Holdings Limited (formerly known as Zida Computer Technologies Limited)	Former independent non-executive director, non-executive director and vice chairman from May 2005 to August 2008

Professor WU Si Zong (吳泗宗) aged 60
Independent Non-executive Director

Professor WU was appointed as an independent non-executive Director on 30 November 2010. Since 1997 and until now, he has been a professor, a doctoral tutor, the secretary of the Party Committee and the vice dean of the Economic and Management School at 同濟大學 (Tongji University). Professor WU is the vice-chairman of 上海市市場學會 (Shanghai Marketing Society) and the standing director of 中國市市場學會 (China Marketing Society). Professor WU lectures in economics and international trade. His main research fields are business management, marketing and international trade. From 1994 to 1997, he was the Head of Affairs Committee of the International Trade Faculty at 江西財經大學 (Jiangxi University of Finance and Economics). From 2001 to 2008, Professor WU published several theses and was involved in various research projects in his fields of expertise. He also published many books in marketing, commerce and trade from 2000 to 2007. Professor WU received his Bachelor's degree in Economics from 江西財經大學 (Jianxi University of Finance and Economics) in 1982. In 1995, he received his Master's degree in Economics at 上海財經大學 (Shanghai University of Finance and Economics).

Save as disclosed above, there is no other information in respect of the Directors required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and there is no other matter that needs to be brought to the attention of the Shareholders.

Senior Management

Mr. CHEN Feng Yang (陳風楊) aged 48
Chief Operating Officer

Mr. CHEN joined the Group in February 2006 and was promoted as a Chief Operating Officer of the Company on 1 June 2011. He is a director of several subsidiaries of the Group. Mr. CHEN was appointed as a senior vice president of the Company and was in charge of the operation management department and oversees all of the Group's construction-related matters before his new appointment. In 2003, he was promoted to vice president from assistant general manager at 中國寶安集團股份有限公司 (China Bao'an Group Co. Ltd.) of which he oversees the property operations of China Bao'an group's subsidiaries. During his term at China Bao'an group, he took up various other managerial positions. These include being a director of 湖北紅蓮湖旅遊渡假區開發有限公司 (Hubei Honglianhu Tourism Development Ltd.) since 2002, and the chairman of 深圳恒安房地產開發有限公司 (Hengan Property Development (Shenzhen) Ltd.) since 2004. Mr. CHEN graduated from 武漢工業大學 (Wuhan Institute of Technology) in 1989 with a Master's degree in Structural Engineering.

Mr. LUO Wen Jun (羅文俊) aged 55
Vice President

Mr. LUO joined the Group in May 2006 and was appointed as a vice president of the Company on 18 June 2009 to oversee and manage the Group's property projects in Changzhou. He is also a director of various subsidiaries within the Group. From 2006 to 2009, Mr. LUO served the Group as the general manager of the Group's Shanghai project and as a general manager of two other subsidiaries of the Group. Mr. LUO has extensive experience in property development and business management prior to joining the Group. In 1985, Mr. LUO worked as the deputy sector chief of 上海市閘北區人民政府財貿辦公室 (Shanghai Zhabei District People's Government Finance and Trade Office). He then became the general manager of 上海市新新百貨公司 (Shanghai Xin Xin Department Store) in 1987, and an assistant supervisor in 上海市閘北區人民政府財貿辦公室 (Shanghai Zhabei District People's Government Finance and Trade Office) in 1992. He also took on various managerial roles including, deputy general manager of 上海心族農工商總公司 (Shanghai Xin Zu Nong Industrial and Commercial Company Limited) in 1996, general manager of 上海明天廣場有限公司 (Shanghai Tomorrow Square Company Limited) in 1996 and a director and executive deputy general manager of 上海不夜城股份有限公司 (Shanghai Everbright Company Limited) from 2002 to 2006. Mr. LUO completed a course on Business Management at 上海電視大學 (Shanghai TV University) in 1986.

Mr. WU Zhi Qun (吳志群) aged 43
Vice President

Mr. WU joined the Group in January 2004 and was appointed as a vice president of the Company on 29 January 2004. He is also a director of various subsidiaries within the Group. Mr. WU was appointed as the general manager of Shenzhen SZITIC Property Development Co., Ltd. in March 2009. From 2004 to 2009, he was mainly in charge of the architectural and design-related matters. He has been in the architectural field for over ten years and has profound experience in architectural design. He began his career in 1991 by working at 深圳市建築設計研究總院有限公司 (Shenzhen General Institute of Architectural Design and Research Co., Ltd.) (formerly known as 深圳市建築設計院一院 (Shenzhen No. 1 Institute of Architectural Design). In 1995, he was the deputy chairman at 深圳市清華苑建築設計有限公司 (Tsinghua-Yuan Architectural Design Ltd Shenzhen) (formerly known as 清華大學建築設計研究院深圳分院 (Architecture Design & Research Group of Tsinghua University in Shenzhen). From May 2000 to January 2004, he worked at 萬科企業股份有限公司 (China Vanke Co., Ltd.) as the chief architect of the planning and design department. Mr. WU is a state-registered architect and graduated from 清華大學 (Tsinghua University) with a Bachelor's degree in Engineering in 1991.

Biography of Directors and Senior Management

Mr. ZHANG Peng Li (張鵬力) aged 44
Vice President

Mr. ZHANG joined the Group in March 2008 and was appointed as a vice president of the Company on 15 October 2010. Prior to his appointment as a vice president of the Company, he served the Group as the general manager of Shenzhen Water Flower Property Co., Ltd., a subsidiary of the Group. Mr. ZHANG specializes in real estate project management. Prior to joining the Group, Mr. ZHANG worked as a manager of the real estate department at 深圳賽格高技術投資股份有限公司 (Shenzhen SEG Hi-tech Industrial Co., Ltd.) from June 1995 to March 2004. Thereafter, he worked at 萬達集團 (Wanda Group) from March 2004 to February 2008, and was the general manager of 無錫萬達商業廣場投資有限公司 (Wuxi Wanda Commercial Plaza Investment Co., Ltd.) from November 2006 to February 2008.

Company Secretary

Ms. LUK Po Chun (陸寶珍) aged 42
Company Secretary

Ms. LUK joined the Group in 2007 and was appointed as the company secretary of the Company on 25 August 2009. She is responsible for the company secretarial and accounting matters in Hong Kong. Having worked for various listed companies in Hong Kong and overseas, Ms. LUK has extensive experience in company secretarial matters, accounting and financial management. Prior to joining the Group, Ms. LUK was the chief accountant of China Water Affairs Group Limited, which is listed on the Stock Exchange. She was also the chief accountant of S.A. Cimenteries CBR, a subsidiary of Heidelberg Cement Group, a listed company in Germany. Ms. LUK graduated from Hong Kong Polytechnic University in December 2007 with a Master's degree in Corporate Finance. She is also an associate of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants.

Directors' Report

The Directors are pleased to present their annual report and the audited financial statements of the Company for the year ended 31 December 2011.

Principal Activities

The principal activity of the Company is investment holding. The Group is a real estate property developer in the PRC and is principally engaged in the development and operation of urban mixed-use communities and the development and sale of medium to high-end residential properties in the Yangtze River Delta, the Pearl River Delta, Beijing-Tianjin and Chengdu-Chongqing regions in the PRC. Details of the principal activities of the subsidiaries are set out in note 14 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 Group at that date are set out in the financial statements on pages 77 to 151 of this annual report. The Board has proposed the payment of final dividend of HK15 cents per share for the year ended 31 December 2011 (for the year ended 31 December 2010: Nil) to shareholders whose names appear on the register of members of the Company on 31 May 2012. Upon approval by the shareholders at the forthcoming annual general meeting of the Company to be held on 23 May 2012 ("2012 AGM"), the final dividend will be payable on or around 14 June 2012.

Closure of Register of Members

The Register of Members of the Company will be closed during the following periods:

(i) From 21 May 2012 to 23 May 2012, both days inclusive, during which period no transfer of share will be registered, for the purpose of ascertaining shareholders' entitlement to attend and vote at the 2012 AGM. In order to be eligible to attend and vote at the 2012 AGM, all transfers accompanied by the relevant share certificates must be lodged with the Hong Kong branch share register and transfer office of the Company, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 p.m. on 18 May 2012; and

(ii) From 29 May 2012 to 31 May 2012, both days inclusive, during which period no transfer of shares will be registered, for the purpose of ascertaining shareholders' entitlement to the proposed final dividend. In order to qualify for the proposed final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Hong Kong branch share register and transfer office of the Company, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 p.m. on 28 May 2012.

Summary Financial Information

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the prospectus of the Company in connection with its Global Offering dated 11 March 2011 (the "**Prospectus**"), is set out from pages 152 to 156 of this annual report. 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 note 13 to the financial statements, respectively. Further details of the Group's major investment properties are set out on page 22.

Properties Under Development for Sale

Details of the properties under development for sale of the Group during the year are set out in note 17 to the financial statements. Further details of the Group's major properties under development are set out on page 4.

Completed Properties for Sale
Details of the completed properties for sale of the Group during the year are set out in note 17 to the financial statements. Further details of the Group's major completed properties held for sale are set out on page 4.

Leasehold Land Held for Development for Sale
Details of the leasehold land held for development for sale of the Group during the year are set out in note 17 to the financial statements. Further details of the Group's major leasehold properties held for development for sale are set out on page 5.

Share Capital
Details of movements in the Company's share capital during the year are set out in note 26 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 existing Shareholders.

Tax Relief and Exemption
The Company is not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

Purchase, Redemption or Sale of Listed Securities of the Company
Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period from the Listing Date up to and including 31 December 2011.

Reserves
Details of movements in the reserves of the Group during the year are set out in note 26 to the financial statements and in the consolidated statement of changes in equity.

Distributable Reserves
As at 31 December 2011, the aggregate amount of the Company's reserves available for distribution to equity shareholders of the Company, as calculated in accordance with the Companies Law of the Cayman Islands and the Company's memorandum and articles of association, was HK$1,637,269,000 (2010: HK$Nil). Under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to Shareholders subject to the provisions of its memorandum and articles of association and provided that immediately following the distribution of dividend the Company is able to pay its debts as they fall due in the ordinary course of business. In accordance with the Company's articles of association, dividends shall be distributed out of the retained profits or other reserves, including share premium and contributed surplus, of the Company.

Bank Borrowings
Particulars of bank borrowings of the Group as at 31 December 2011 are set out in note 22 to the financial statements.

Charitable Donations
The charitable donations made by the Group during the year amounted to HK$6,170,000 (2010: HK$7,102,000).

Major Customers and Suppliers

For the year ended 31 December 2011, sales to the Group's five largest customers accounted for approximately 2.8% of the Group's revenue for the year and sales to the largest customer included therein amounted to approximately 0.6% of the Group's revenue for the year.

For the year ended 31 December 2011, purchases from the Group's five largest suppliers accounted for approximately 24.0% of the Group's purchases for the year and purchases from the largest supplier included therein amounted to approximately 6.2% of the Group's purchases for the year.

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

Directors

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

	Date of appointment
Executive Directors	
Mr. WONG Chun Kong (Chairman and Chief Executive Officer)	25 August 2009
Ms. LI Yan Jie	25 August 2009
Mr. LEE Sai Kai David	25 August 2009
Mr. LAM Jim (Chief Financial Officer)	4 July 2011
Non-executive Directors	
Dr. MCCABE Kevin Charles	25 August 2009
Mr. LI Zhi Zheng (Note)	25 August 2009
Mr. ZHANG Yi Jun	4 July 2011
Alternate Director to Dr. MCCABE Kevin Charles	
Ms. THAM Qian	25 August 2009
Independent non-executive Directors	
Mr. BROOKE Charles Nicholas	30 November 2010
Mr. CHENG Yuk Wo	30 November 2010
Professor WU Si Zong	30 November 2010

Note: Mr. Li Zhi Zheng was appointed as an executive Director on 25 August 2009. With effect from 4 July 2011, Mr. Li Zhi Zheng was redesignated from an executive Director to a non-executive Director.

In accordance with article 84(1) 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.

In accordance with article 83(3) of the Company's articles of association, any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Mr. LAM Jim and Mr. ZHANG Yi Jun were appointed as an executive Director and a non-executive Director by the Board on 4 July 2011 respectively.

By virtue of article 83(3) of the Company's articles of association, Mr. LAM Jim and Mr. ZHANG Yi Jun will retire from office and, being eligible, will offer themselves for re-election at the 2012 AGM.

By virtue of article 84(1) of the Company's articles of association, Ms. LI Yan Jie, Dr. MCCABE Kevin Charles and Mr. CHENG Yuk Wo will retire from office and, being eligible, will offer themselves for re-election at the 2012 AGM.

The Company has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that, as at the date of this annual report, all of the independent non-executive Directors are independent.

Directors' and Senior Managements Biographies

Biographical details of the Directors and the senior management of the Group are set out on pages 50 to 58 of this annual report.

Directors' Service Contracts

Each of the executive Directors and non-executive Directors (including alternate Director to non-executive Director) (except Mr. LAM Jim and Mr. ZHANG Yi Jun) has entered into a service contract with the Company for an initial term of three years commencing on 1 December 2010 upon expiration of which the service contract shall lapse and expire. The service contract may also be terminated in accordance with the provisions therein contained by either party giving to the other not less than three months' prior notice in writing. Each of Mr. LAM Jim and Mr. ZHANG Yi Jun entered into a service contract with the Company for an initial term of three years commencing on 4 July 2011 upon expiration of which the service contract shall lapse and expire. The service contract may also be terminated in accordance with the provisions therein contained by either party giving to the other not less than three months' prior notice in writing.

Each of the independent non-executive Directors has been appointed by the Company for an initial term of three years commencing on 1 December 2010 upon expiration of which the appointment shall lapse and expire. The appointment may also be terminated by either party giving to the other not less than three months' prior notice in writing.

No Director proposed for re-election at the 2012 AGM has a service contract which is not determinable by the Group 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, performance, the results of the Group and the change in market conditions.

Directors' Interests in Contracts

Save as disclosed in the section headed "Continuing Connected Transactions" in this annual report and in note 8 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, subsisted at the end of the year under review or at any time during the year under review.

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2011, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")), as recorded in the register maintained under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("**Model Code**"), were as follows:

(i) Long positions in Shares and underlying Shares of the Company

Name of Director	Capacity	Number and class of securities (Note 1)	Percentage of issued Shares (%)
Mr. WONG Chun Hong ("**Mr. WONG**") (Note 2)	Settlor of a trust	631,756,000 Shares (L)	63.15
Mr. LEE Sai Kai David	Beneficial owner	786,500 Shares (L)	0.08
Mr. LAM Jim (Note 3)	Beneficial owner	5,000,000 Shares (L)	0.49
Dr. MCCABE Kevin Charles ("**Dr. MCCABE**") (Note 4)	Interest in a controlled corporation	112,500,000 Shares (L)	11.25
	Beneficial owner	209,000 Shares (L)	0.02
Ms. THAM Qian (Note 5)	Beneficial owner	1,203,667 Shares (L)	0.12

Notes:

(1) The letter "L" denotes the Director's long position in the Shares or underlying Shares of the Company.

(2) Chance Again is held as to 100% by Cheung Yuet (B.V.I.) Limited ("BVI Co"). The entire issued share capital of BVI Co is wholly-owned by HSBC International Trustee Limited ("HSBC International Trustee") as the trustee of The Cheung Yuet Memorial Trust, a discretionary family trust established by Mr. WONG, the beneficiaries of which include Mr. WONG's family members (the "Wong's Family Trust"). Mr. WONG is the settlor of the Wong Family Trust. By virtue of the SFO, Mr. WONG is deemed to be interested in the 631,048,000 Shares held by Chance Again.

(3) Mr. LAM Jim's long position in the Shares comprises 5,000,000 options granted to him by the Company under the pre-IPO share option scheme adopted by the Company on 2 December 2010 ("Pre-IPO Share Option Scheme) which remained outstanding as at 31 December 2011.

(4) Sheffield United Realty B.V. ("Sheffield United Realty") is accustomed to act in accordance with Dr. MCCABE's instructions through Dr. MCCABE's interest in Scarborough Group International Limited ("Scarborough UK") (an indirect holding company of Sheffield United Realty). By virtue of the SFO, Dr. MCCABE is deemed to be interested in the 112,500,000 Shares held by Sheffield United Realty.

(5) Ms. THAM Qian's long position in the Shares comprises 37,000 Shares and 1,166,667 options granted to her by the Company under the Pre-IPO Share Option Scheme which remained outstanding as at 31 December 2011.

Directors' Report

(ii) Long positions in the shares of associated corporations

Name of Director	Name of associated corporation	Capacity	Number and class of securities in associated corporation (Note 1)	Percentage of interest in associated corporation (%)
Mr. WONG (Note 2)	Chance Again	Settlor of a trust	100 ordinary shares (L)	100
Mr. WONG (Note 2)	Top Spring Group Holdings Limited ("**TSGHL**")	Settlor of a trust	9,999,901 ordinary shares (L)	99.999
Mr. WONG	TSGHL	Beneficial owner	99 ordinary shares (L)	0.001
Mr. WONG (Note 2)	Top Spring Holdings Limited ("**TSHL**")	Settlor of a trust	100,000 ordinary shares (L)	85
Dr. MCCABE (Note 3)	TSHL	Interest in a controlled corporation	17,647 ordinary shares (L)	15

Notes:

(1) The letter "L" denotes the Director's long position in the shares of the relevant associated corporation of the Company.

(2) Chance Again is held as to 100% by BVI Co. The entire issued share capital of BVI Co is wholly-owned by HSBC International Trustee as the trustee of the Wong Family Trust. Mr. WONG is the settlor of the Wong Family Trust. By virtue of the SFO, Mr. WONG is deemed to be interested in the 100 shares in Chance Again, and the 9,999,901 shares and 100,000 shares held by Chance Again respectively in TSGHL and TSHL (each a subsidiary of Chance Again).

(3) Sheffield United Realty is accustomed to act in accordance with Dr. MCCABE's instructions through Dr. MCCABE's interest in Scarborough UK (an indirect holding company of Sheffield United Realty). By virtue of the SFO, Dr. MCCABE is deemed to be interested in the 17,647 shares held by Sheffield United Realty in TSHL (a subsidiary of Chance Again).

Save as disclosed above, as at 31 December 2011, none of the Directors and chief executive of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company in accordance with Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Rights to Acquire Shares or Debentures

Save as disclosed in this annual report, 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; nor was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors or their respective spouses or minor children to acquire such rights in any other body corporate.

Directors' Interests in a Competing Business

During the year under review, save as disclosed in the section headed "Relationship with our Controlling Shareholders and the Scarborough Group" in the Prospectus, 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.

Share Option Schemes

The Company adopted a pre-IPO share option scheme and a share award scheme on 2 December 2010 under which the Company granted share options and awarded shares to certain eligible employees, respectively. As at 31 December 2011, no share options had been exercised by the grantees and 2,508,332 share options had been cancelled upon the resignation of certain grantees under the pre-IPO share option scheme. The Company has also adopted a post-IPO share option scheme on 28 February 2011 for the purpose of recognising and acknowledging the contribution that eligible employees have made or may make to the Group. As at 31 December 2011, no share option has been granted by the Company under the post-IPO share option scheme.

(a) Pre-IPO Share Option Scheme

(i) Purpose and Participants of the Pre-IPO Share Option Scheme

The Company has adopted the Pre-IPO Share Option Scheme on 2 December 2010 to recognise and acknowledge the contributions that certain of its employees or employees of companies in which the Group holds an interests (excluding the subsidiaries of the Group) ("**Invested Entities**") have made or may make to the Group.

(ii) Implementation

On 3 December 2010, options to subscribe for a total of 34,371,667 Shares were granted to 98 employees of the Group and an Invested Entity ("**Selected Grantees**") under the Pre-IPO Share Option Scheme. Up to 31 December 2011, options to subscribe for a total of 2,508,332 Shares granted under the Pre-IPO Share Option Scheme to 12 Selected Grantees lapsed and became not exercisable as a result of their ceasing to be employed by the Group. As at 31 December 2011, there were options to subscribe for a total of 31,863,335 Shares granted to 86 Selected Grantees under the Pre-IPO Share Option Scheme and remaining outstanding ("**Pre-IPO Options**"). Further details of the options granted under the Pre-IPO Share Option Scheme and remaining outstanding at the end of the year under review are set out in note 25(a) of the financial statements.

The Pre-IPO Options were transferred to Great Canyon Investment Limited, a special purpose vehicle incorporated in the British Virgin Islands under the Share Option Trust which holds the Pre-IPO Options on trust for the benefit of the Selected Grantees prior to the vesting of the Pre-IPO Options in accordance with the terms and conditions of the Pre-IPO Share Option Scheme and instrument constituting the Share Option Trust. For the implementation of the Pre-IPO Share Option Scheme, the Share Option Trust was established on 3 December 2010 for the benefit of the Selected Grantees and HSBC Trustee (Hong Kong) Limited ("**HSBC Trustee**") acts as the trustee thereof.

All the Pre-IPO Options were granted at a consideration of HK$1.00 paid by each Selected Grantee and no further options will be granted under the Pre-IPO Share Option Scheme on or after the Listing Date.

(iii) Vesting of the Pre-IPO Options

- Subject to applicable laws and regulations and the paragraphs below, the Pre-IPO Options are to be exercised on or after the Listing Date and are subject to a vesting period of three years commencing from the Listing Date during which 30% of the total Pre-IPO Options granted to a Selected Grantee will vest on each of the first and second anniversary dates of the Listing Date and 40% of the total Pre-IPO Options granted to such Selected Grantee will vest on the third anniversary date of the Listing Date.

- Notwithstanding the foregoing paragraph, unless it is provided for in the employment contract with the relevant Selected Grantee and/or written documents for granting an offer, any Pre-IPO Option granted to a Selected Grantee whose employment with the Group or an Invested Entity is less than one year as at the Listing Date shall be subject to the vesting period of three years from the first anniversary date of the employment commencement date of such Selected Grantee, during which 30% of the total Pre-IPO Options granted to such Selected Grantee will vest on each of the second and third anniversary dates of the employment commencement date and 40% of the total Pre-IPO Options granted to such Selected Grantee will vest on the fourth anniversary date of the employment commencement date.

- Any vesting date of a Selected Grantee is subject to postponement of one year in the event that the performance appraisal of such Selected Grantee is rated at the lowest range for two consecutive years. Notwithstanding the postponement of the vesting date, the vesting period shall remain as a period of three years from the Listing Date or, as the case may be, the first anniversary date of the employment commencement date, and any Pre-IPO Option granted to a Selected Grantee but not vested at the end of the vesting period shall be deemed to have been surrendered by such Selected Grantee forthwith.

- The Pre-IPO Options will become exercisable for a period to be notified by a committee established and authorised by the Board ("**Advisory Committee**") to each Selected Grantee and will not be more than 10 years from the date on which the Pre-IPO Option is deemed to have been granted in the manner as stipulated in the Pre-IPO Share Option Scheme.

(iv) Exercise price of the Pre-IPO Options

The exercise price payable upon the exercise of any Pre-IPO Options is fixed at HK$2.492 per Share, subject to any adjustment made in the manner as contemplated under the Pre-IPO Share Option Scheme.

(v) Other material terms of the Pre-IPO Share Option Scheme

The terms of the Pre-IPO Share Option Scheme are similar to those of the Post-IPO Share Option Scheme except in respect of the following material terms:

- the Pre-IPO Share Option Scheme is not conditional upon listing of Shares of the Company on the Main Board of the Stock Exchange and is not subject to any other conditions;

- the provisions on the granting of options to connected persons (as defined in the Listing Rules) were not included; and

- the Advisory Committee may only grant options under the Pre-IPO Share Option Scheme at any time on a business day (as defined in the Listing Rules) during a period commencing on 2 December 2010 and before the Listing Date. No further options (other than options to subscribe for a total of 34,371,667 Shares already granted under the Pre-IPO Share Option Scheme, of which 31,863,335 options remained outstanding as at 31 December 2011) will be offered under the Pre-IPO Share Option Scheme and accordingly, the Pre-IPO Share Option Scheme does not contain provision relating to the "refreshing" of the 10% limit or the seeking of separate approval for granting options beyond the 10% limit as anticipated in Note 1 of Rule 17.03(3) of the Listing Rules, or the restrictions on the number of shares issued or to be issued under options in any 12-month period to any participant of the Pre-IPO Share Option Scheme not exceeding 1% of the Shares in issue as anticipated in the Note to Rule 17.03(4) of the Listing Rules.

(b) Post-IPO Share Option Scheme

(i) Purpose of the Post-IPO Share Option Scheme

The Company has adopted the Post-IPO Share Option Scheme on 28 February 2011 to recognise and acknowledge the contributions that Eligible Persons (as defined in paragraph (ii) below) have made or may make to the Group.

(ii) Participants of the Post-IPO Share Option Scheme

The Board may at its discretion grant options to: (i) any director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or a company in which the Group holds an interest or a subsidiary of such company ("**Affiliate**"); or (ii) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or an Affiliate; or (iii) a company beneficially and wholly owned by any director, employee, consultant, professional, customer, supplier, agent, partner, adviser of or contractor to the Group or an Affiliate ("**Eligible Persons**").

(iii) Subscription price of Shares

The subscription price for any Share under the Post-IPO Share Option Scheme will be a price determined by the Board and notified to each grantee and will be not less than the highest of (i) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the date of grant of the relevant option, which must be a business day as defined in the Listing Rules; (ii) an amount equivalent to the average closing price of a Share as stated in the Stock Exchange's daily quotations sheets for the five business days (as defined the Listing Rules) immediately preceding the date of grant of the relevant option; and (iii) the nominal value of a Share. The subscription price shall also be subject to any adjustments made in a situation contemplated under the Post-IPO Share Option Scheme.

(iv) Maximum number of Shares

The maximum number of Shares in respect of which options may be granted under the Post-IPO Share Option Scheme and any other schemes involving the issue or grant of options or similar rights over Shares or other securities by the Company shall not, in aggregate, exceed 100,000,000 Shares, being 10% of the issued share capital of the Company as at the Listing Date unless Shareholders' approval has been obtained.

The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Post-IPO Share Option Scheme and any other schemes involving the issue or grant of options or similar rights over Shares or other securities by the Company must not, in aggregate, exceed 30% of the Shares in issue from time to time.

(v) Maximum entitlement of each Eligible Person

No option may be granted to any Eligible Person which, if exercised in full, would result in the total number of Shares issued and to be issued upon exercise of the share options already granted or to be granted to such Eligible Person under the Post-IPO Share Option Scheme (including exercised, cancelled and outstanding share options) in the 12-month period up to and including the date of such new grant exceeding 1% of the issued share capital of the Company as at the date of such new grant. Any grant of further share options above this limit shall be subject to certain requirements provided under the Listing Rules.

Any grant of options to any Director, chief executive (as defined in the Listing Rules) or substantial Shareholder (as defined in the Listing Rules) or any their respective associates (as defined in the Listing Rules) must be approved by the independent non-executive Directors (but excluding, for all purposes, any independent non-executive Director who is a proposed grantee).

Where any grant of options to a substantial Shareholder or an independent non-executive Director or their respective associates would result in the total number of the Shares issued and to be issued upon exercise of the options granted and to be granted (including options exercised, cancelled and outstanding) to such person in any 12-month period up to and including the date of the grant:

(a) representing in aggregate over 0.1% of the Shares in issue; and

(b) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK$5.0 million,

such further grant of options must be approved by the Shareholders.

(vi) Time of exercise of the Options

Subject to certain restrictions contained in the Post-IPO Share Option Scheme, an option may be exercised in accordance with the terms of the Post-IPO Share Option Scheme and the terms of grant thereof at any time during the applicable option period, which is not more than 10 years from the date of grant of option.

(vii) Payment on acceptance of Option offer

HK$1.00 is payable by the Eligible Person to the Company on acceptance of the option offered as consideration for the grant. The offer of a grant of share options may be accepted within 21 business days from the date of offer.

(viii) Remaining life of the Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme will remain valid for a period of 10 years commencing on the effective date of the Post-IPO Share Option Scheme, i.e. 22 March 2011, after which no further options will be issued but the provisions of the Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the Scheme.

(ix) Present status of the Post-IPO Share Option Scheme

No share options had been granted under the Post-IPO Share Option Scheme since the scheme has become effective.

Share Award Scheme

(i) Purpose and Participants of the Share Award Scheme

The Company has adopted the Share Award Scheme on 2 December 2010 to recognise and acknowledge the contributions of certain of its employees or employees of the Invested Entities, especially those whom the Company considers have contributed to the early development and growth of the Group and to align their interests with those of the Shareholders.

(ii) Implementation

Pursuant to the Share Award Scheme, a total of 35 employees of the Group and the Invested Entity ("**Selected Employees**") were awarded 6,452,000 Shares (after the Capitalization Issue (as defined in the Prospectus)) ("**Awarded Shares**"). None of the Awarded Shares was awarded to the Directors. On 3 December 2010, 2,024 Shares were contributed and transferred by Chance Again to the Selected Employees which were immediately transferred to Marble World Holdings Limited ("**Marble World**"), a special purpose vehicle incorporated in the British Virgin Islands under the Share Award Trust which holds such Shares and will hold further Shares to be issued to it pursuant to the Capitalization Issue on trust for the benefit of the Selected Employees prior to the vesting of the Awarded Shares in accordance with the terms and conditions of the Share Award Scheme and instrument constituting the Share Award Trust. For the implementation of the Share Award Scheme, the Share Award Trust was established on 3 December 2010 for the benefit of the Selected Employees and HSBC Trustee acts as the trustee thereof.

As at 31 December 2011, two Selected Employees hare ceased to be employed by the Group. A total of 460,000 Awarded Shares granted to them were deemed to have been surrendered by then and will be reallocated at the discretion of the Advisory Committee.

(iii) Vesting of the Awarded Shares

- Prior to the vesting of the Awarded Shares, the Selected Employees are not entitled to any rights attaching to the unvested Awarded Shares, including but not limited to voting rights, rights to dividends or other distributions.

- Subject to the following paragraphs and the terms of the Share Award Scheme, the grant of the Awarded Shares to a Selected Employee is subject to a vesting period of three years commencing from the relevant date on which the Awarded Share(s) was/were awarded ("**Date of Award**"), during which 30% of the total Awarded Shares granted to such Selected Employee will vest on each of the first and second anniversary dates of the Date of Award and 40% of the total Awarded Shares granted to such Selected Employee will vest on the third anniversary date of the Date of Award.

- Unless it is provided for in the employment contract with the relevant Selected Employee, any Awarded Shares granted to a Selected Employee whose employment with the Group or an Invested Entity is less than one year at the Date of Award shall be subject to the vesting period of three years from the first anniversary date of the employment commencement date of such Selected Employee, during which 30% of the total Awarded Shares granted to such Selected Employee will vest on each of the second and third anniversary dates of the employment commencement date and 40% of the total Awarded Shares granted to such Selected Employee will vest on the fourth anniversary date of the employment commencement date.

- The vesting date is subject to postponement of one year in the event that the performance appraisal of such Selected Employee is rated at the lowest range for two consecutive years.

- Notwithstanding the postponement of the vesting date, the vesting period shall remain as a period of three years from the Date of Award or, as the case may be, the first anniversary date of the employment commencement date, and any Awarded Shares granted to a Selected Employee but not vested at the end of the vesting period shall be deemed to have been surrendered by such Selected Employee forthwith.

- The Awarded Shares will be vested to each Selected Employee at nil consideration.

- As at the vesting of the Awarded Shares, the Awarded Shares together with all the dividends and other distributions accrued thereon from the Date of Award to the vesting date of the relevant Awarded Shares (both dates inclusive), and all rights and benefits deriving from such Awarded Shares on or after such vesting will be vested in the relevant Selected Employees.

Further details of the share award scheme are disclosed in note 25(b) to the financial statements.

Contract of Significance

Save as disclosed in the section headed "Continuing Connected Transactions" in this annual report and, no contract of significance had been entered into between the Company or any of its subsidiaries and the controlling shareholder of the Company or any of its subsidiaries during the year under review.

No contract of significance for the provision of services to the Company or any of its subsidiaries by the controlling shareholder of the Company or any of its subsidiaries was entered into.

Management Contracts

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

Substantial Shareholders' and Other Persons' Interests in Shares and Underlying Shares

As at 31 December 2011, the interests and 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 Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO were as follows:

Name	Capacity	Number and class of securities (Note 1)	Approximate percentage of issued Shares (%)
Chance Again (Note 2)	Beneficial owner	631,048,000 Shares (L)	63.08
HSBC International Trustee (Note 2)	Trustee of a trust	631,048,000 Shares (L)	63.10
BVI Co (Note 2)	Interest in a controlled corporation	631,048,000 Shares (L)	63.10
Ms. LIU Choi Lin ("**Ms. LIU**") (Notes 2 & 3)	Interest of spouse	631,048,000 Shares (L)	63.10
Sheffield United Realty (Note 4)	Beneficial owner	112,500,000 Shares (L)	11.25
Scarborough International Holdings B.V. (Note 4)	Interest in a controlled corporation	112,500,000 Shares (L)	11.25
Scarborough Property Company Limited (Note 4)	Interest in a controlled corporation	112,500,000 Shares (L)	11.25
Scarborough Group Holdings Limited (Note 4)	Interest in a controlled corporation	112,500,000 Shares (L)	11.25
Scarborough Group Limited (Note 4)	Interest in a controlled corporation	112,500,000 Shares (L)	11.25
Scarborough UK (Note 4)	Interest in a controlled corporation	112,500,000 Shares (L)	11.25
Mrs. Sandra MCCABE ("**Mrs. MCCABE**") (Note 5)	Interest of spouse	112,500,000 Shares (L)	11.25
APG Algemene Pensioen Groep NV	Investment manager	51,208,500 Shares (L)	5.12
Metro Holdings Limited	Interest in a controlled corporation	50,500,000 Shares (L)	5.05
Ong Hie Koan	Interest in a controlled corporation	50,500,000 Shares (L)	5.05

Notes:

(1) The letter "L" denotes the person's long position in the Shares of the Company.

(2) Chance Again is held as to 100% by BVI Co. The entire issued share capital of BVI Co is wholly-owned by HSBC International Trustee as the trustee of the Wong Family Trust. Mr. WONG is the settlor of the Wong Family Trust. By virtue of the SFO, Mr. WONG is deemed to be interested in the 631,048,000 Shares held by Chance Again.

Such information is extracted from the corporate substantial shareholder notice of each of HSBC International Trustee and BVI Co filed on 24 March 2011 as shown on the website of the Stock Exchange. However, based on the total number of issued shares of the Company of 1,000,413,500 shares as at 31 December 2011, the approximate percentage of issued shares in which HSBC International Trustee and BVI Co were interested was 63.08% respectively.

(3) Ms. LIU is the spouse of Mr. WONG. By virtue of the SFO, Ms. LIU is deemed to be interested in the Shares in which Mr. WONG is interested.

(4) Sheffield United Realty is a wholly-owned subsidiary of Scarborough International Holdings B.V., which in turn is a wholly-owned subsidiary of Scarborough Property Company Limited, which in turn is a wholly-owned subsidiary of Scarborough Group Holdings Limited, which in turn is a wholly-owned subsidiary of Scarborough Group Limited, which in turn is a wholly-owned subsidiary of Scarborough UK. By virtue of the SFO, each of Scarborough International Holdings B.V., Scarborough Property Company Limited, Scarborough Group Holdings Limited, Scarborough Group Limited and Scarborough UK is deemed to be interested in the 112,500,000 Shares held by Sheffield United Realty.

(5) Sheffield United Realty is accustomed to act in accordance with Dr. MCCABE's instructions through Dr. MCCABE's interest in Scarborough UK (an indirect holding company of Sheffield United Realty). By virtue of the SFO, Dr. MCCABE is deemed to be interested in the 112,500,000 Shares held by Sheffield United Realty. Mrs. MCCABE is the spouse of Dr. MCCABE. By virtue of the SFO, Mrs. MCCABE is deemed to be interested in the Shares in which Dr. MCCABE is interested.

(6) Based on the corporate substantial shareholder notice of Metro Holdings Limited filed on 25 August 2011 as shown on the website of the Stock Exchange, 50,000,000 Shares were held by Crown Investments Limited which was in turn wholly controlled by Metro China Holdings Pte Ltd which was in turn wholly controlled by Metro Holdings Limited. 500,000 Shares were held by Meren Pte Ltd which was in turn wholly controlled by Metro Holdings Limited. By virtue of the SFO, Metro Holdings Limited is deemed to be interested in the 50,000,000 Shares and 500,000 Shares held by Crown Investments Limited and Meren Pte Ltd respectively.

(7) Based on the individual substantial shareholder notice of Ong Hie Koan filed on 25 August 2011 as shown on the website of the Stock Exchange, 50,000,000 Shares were held by Crown Investments Limited which was in turn wholly controlled by Metro China Holdings Pte Ltd which was in turn wholly controlled by Metro Holdings Limited. 500,000 Shares were held by Meren Pte Ltd which was in turn wholly controlled by Metro Holdings Limited. Metro Holdings Limited was 34.68% controlled by Ong Hie Koan. By virtue of the SFO, Ong Hie Koan is deemed to be interested in the 50,000,000 Shares and 500,000 Shares held by Crown Investments Limited and Meren Pte Ltd respectively.

Save as disclosed above, as at 31 December 2011, no person (other than a Director or chief executive of the Company) had any 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 Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO.

Continuing Connected Transactions

The following continuing connected transactions are exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules:

(a) Licensing of properties to the Company

Connected person

Forsyth Hong Kong Limited ("**Forsyth Hong Kong**"), is an associate of Sheffield United Realty, the substantial Shareholder of the Company, and is therefore a connected person of the Company.

Transactions

Pursuant to a licence agreement dated 31 March 2007 ("**Original Licence Agreement**") and entered into between Forsyth Hong Kong and TSGHL, Forsyth Hong Kong agreed to grant a licence to TSGHL for the right to use the premises at Room 3318, 33rd Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong (the "**3318 Office Premises**") for a term commencing on 1 April 2007 and ending on 31 March 2011.

As the Group intended to use the 3318 Office Premises and part of the adjacent premises, being room number 25 of Room 3328, 33rd Floor, China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong (the "**3328 Office Premises**"), the Company entered into a new licence agreement with Forsyth Hong Kong (the "**Licence Agreement**") on 11 February 2010 on substantially the same terms as the Original Licence Agreement, pursuant to which the Group has been granted a licence for the right to use the 3318 Office Premises and the 3328 Office Premises for a term commencing on 1 February 2010 and ending on 31 March 2011. On the same date, TSGHL entered into an agreement with Forsyth Hong Kong to terminate the Original Licence Agreement, to be effective on the date of commencement of the Licence Agreement.

Pricing

Pursuant to the Licence Agreement, the Company shall pay to Forsyth Hong Kong a monthly fee (inclusive of management fees and government rates) of HK$89,500 during the term of the Licence Agreement.

Transaction amount in 2011

For the year ended 31 December 2011, the annual fee paid by the Group under the Licence Agreement for using the premises licensed thereunder amounted to HK$268,500.

Listing Rules requirements

Since each of the applicable percentage ratios (other than the profits ratio), on an annual basis, is expected to be less than 0.1%, the transactions contemplated under the Licence Agreement constitute continuing connected transactions for the Company which are exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements pursuant to Rule 14A.33(3) of the Listing Rules.

The Directors (including the independent non-executive Directors) are of the opinion that (i) the fee payable under the Licence Agreement was determined through arm's length negotiations between the parties to the agreement and with reference to the monthly fee under the Original Licence Agreement and the prevailing monthly licence fee for using similar office premises; (ii) the Licence Agreement was entered into in the ordinary course of business and on normal commercial terms; and (iii) the terms of the Licence Agreement are fair and reasonable and in the interests of the Shareholders as a whole.

(b) Provision of financial assistance to the Group

Connected person

TSHL is held as to 85% by Chance Again and 15% by Sheffield United Realty. TSHL is an associate of Chance Again (the controlling Shareholder of the Company), and therefore a connected person of the Company.

Transactions

In March 2009, Changzhou Top Spring Landmark Real Estate Co., Ltd. ("**Changzhou Top Spring**") was granted a loan ("**Changzhou Loan**") in the amount of not more than RMB300 million by a financial institution for a term commencing on 15 April 2009 and ended on 14 April 2011. The Changzhou Loan was secured by, among others, a corporate guarantee provided by TSHL ("**TSHL Guarantee**").

Pursuant to the letter of guarantee given by TSHL on 25 March 2009, TSHL has agreed to provide the TSHL Guarantee in favour of the financial institution in respect of the Changzhou Loan for a principal amount of RMB300 million together with all the related interests, penalties, compound interests, damages and any expenses incurred in relation to the recovery of the Changzhou Loan and the enforcement of the TSHL Guarantee. The purpose of providing the TSHL Guarantee is to enable Changzhou Top Spring to obtain the Changzhou Loan for use as its general working capital.

Listing Rules requirements

As the TSHL Guarantee was provided by TSHL for the benefit of the Group on normal commercial terms where no security over the assets of the Group is granted in respect of the TSHL Guarantee, the TSHL Guarantee constitutes continuing connected transaction for the Company which is exempt from the reporting, announcement and independent Shareholders' approval requirements pursuant to Rule 14A.65(4) of the Listing Rules.

The Directors (including the independent non-executive Directors) are of the opinion that the terms of the TSHL Guarantee were negotiated on an arm's length basis and the TSHL Guarantee was provided by TSHL for the benefit of the Group on normal commercial terms where no security over the assets of the Group is granted in respect of the TSHL Guarantee. The Directors (including the independent non-executive Directors) are of the view that the TSHL Guarantee was fair and reasonable and in the interest of the Group and Shareholders as a whole.

Compliance of Non-Competition Undertakings

To protect the Group from potential competition, Mr. Wong entered into a deed of non-competition ("**Deed of Non-Competition**") with the Company pursuant to which he represents, warrants and undertakes to the Company (for itself and for the benefit of the other members of the Group), among other things, that other than through the Group, neither he nor any of his associates is currently interested, involved or engaged, or is likely to be interested, involved or engaged, directly or indirectly, in any business which is or is about to be engaged in any business which competes or is likely to compete directly or indirectly with the Group's business. Details of the Deed of Non-Competition have been set out in the paragraph headed "Non-Competition Undertakings from Mr. Wong" in the section headed "Relationship with our Controlling Shareholders and the Scarborough Group" of the Prospectus.

The Company has received the annual confirmation from Mr. Wong in respect of his compliance with the terms of the Deed of Non-Competition.

In order to ensure compliance by Mr. Wong of the Deed of Non-Competition and to manage any potential conflict of interests arising from the business of the controlling Shareholders and the Scarborough Group (i.e. Scarborough UK and its subsidiaries) and to safeguard the interests of the Shareholders, the Company has adopted the following corporate governance measures:

(a) the independent non-executive Directors will review, on an annual basis, the compliance with the undertakings by Mr. Wong under the Deed of Non-Competition;

(b) Mr. Wong will provide all information requested by the Company which is necessary for the annual review by the independent non-executive Directors of his compliance with the Deed of Non-Competition such as: (i) information on business opportunities including project names, amount of investment and the geographical location which may be identified by him or any of his associate(s); and (ii) information on any property developments conducted by him or any of his associate(s) during the year or a negative confirmation, as appropriate;

(c) the Company will disclose decisions on matters reviewed by the independent non-executive Directors relating to (i) compliance and enforcement of Mr. Wong's non-competition undertakings; (ii) the exercise of the pre-emption rights where a business opportunity is referred to the Group; and/or (iii) any decision on the enforcement of breaches of his non-competition undertakings either through the annual reports of the Company, or by way of announcement to the public;

(d) Mr. Wong will make an annual declaration on compliance with his non-competition undertakings in the annual report of the Company and ensure that the disclosure of details of his compliance with and the enforcement of his non-competition undertakings is consistent with the principles of voluntary disclosure in the Corporate Governance Report contained in Appendix 23 to the Listing Rules;

(e) Mr. Wong will abstain from voting in any meeting of the shareholders and/or the Board where there is any actual or potential conflicting interest;

(f) the Board has a balanced composition of executive Directors, non-executive Directors and independent non-executive Directors so that there is a strong element on the Board that can effectively exercise independent judgment. With expertise in different professional fields, the Company believes that the independent non-executive Directors have the necessary caliber and expertise to form and exercise independent judgment in the event that conflicts of interest between the Group, the Controlling Shareholders and the Scarborough Group arise;

(g) in the event that potential conflicts of interest may materialize, i.e. where a Director has an interest in a company that will enter into an agreement with the Group, the Director(s) with an interest in the relevant transaction(s) will not be present at the relevant Board meeting, and will be excluded from the Board deliberation and abstain from voting and will not be counted towards quorum in respect of the relevant resolution(s) at such Board meeting;

(h) in the event that potential conflicts of interest may materialize, the Controlling Shareholders and the Scarborough Group (as the case may be) will abstain from voting in the Shareholders' meeting of the Company with respect to the relevant resolution(s); and

(i) the Group is administratively independent from the Controlling Shareholders and the Scarborough Group as it has its own company secretary, authorized representatives and administrative personnel.

The Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between the Controlling Shareholders, the Scarborough Group and their respective associates and the Group and to protect the interests of the Shareholders, in particular, the minority Shareholders.

Events after the Reporting Period

Details of the significant events of the Group after the reporting period are set out in note 31 to the financial statements.

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 the latest practicable date prior to the issue of this annual report.

Auditors

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

ON BEHALF OF THE BOARD
TOP SPRING INTERNATIONAL HOLDINGS LIMITED

WONG Chun Hong
Chairman

Hong Kong
29 March 2012

Independent Auditor's Report

KPMG

Independent auditor's report to the shareholders of
Top Spring International Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Top Spring International Holdings Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 77 to 151, which comprise the consolidated and Company balance sheets as at 31 December 2011, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement 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.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This 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 auditor's 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 auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the 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.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

29 March 2012

Consolidated Income Statement

For the year ended 31 December 2011 (Expressed in Hong Kong dollars)

	Note	**2011 $'000**	2010 $'000
Turnover	3	**5,861,312**	2,759,894
Direct costs		**(1,982,177)**	(1,074,302)
Gross profit		**3,879,135**	1,685,592
Valuation gains on investment properties	13(a)	**360,295**	82,005
Other revenue	4	**81,998**	12,989
Other net income	5	**48,640**	60,153
Selling and marketing expenses		**(173,426)**	(123,371)
Administrative expenses		**(495,018)**	(316,138)
Profit from operations		**3,701,624**	1,401,230
Finance costs	6(a)	**(425,084)**	(59,680)
Share of profits less losses of associates		**(5,113)**	–
Profit before taxation	6	**3,271,427**	1,341,550
Income tax	7(a)	**(2,249,825)**	(857,128)
Profit for the year		**1,021,602**	484,422
Attributable to:			
Equity shareholders of the Company		**1,021,900**	494,723
Non-controlling interests		**(298)**	(10,301)
Profit for the year		**1,021,602**	484,422
Basic and diluted earnings per share	11	**$1.08**	$0.66

The notes on pages 85 to 151 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 26(b).

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011 (Expressed in Hong Kong dollars)

	Note	2011 $'000	2010 $'000
Profit for the year		**1,021,602**	484,422
Other comprehensive income for the year			
Surplus on revaluation of other land and buildings, net of tax	13(d)	**49,843**	–
Exchange differences on translation of financial statements of PRC subsidiaries, net of nil tax		**160,245**	106,251
Share of other comprehensive income of associates, net of nil tax		**1,917**	–
		212,005	106,251
Total comprehensive income for the year		**1,233,607**	590,673
Attributable to:			
Equity shareholders of the Company		**1,231,394**	595,139
Non-controlling interests		**2,213**	(4,466)
Total comprehensive income for the year		**1,233,607**	590,673

The notes on pages 85 to 151 form part of these financial statements.

Consolidated Balance Sheet

At 31 December 2011 (Expressed in Hong Kong dollars)

	Note	2011 $'000	2011 $'000	2010 $'000	2010 $'000
Non-current assets					
Fixed assets	13(a)				
– Investment properties			**2,942,217**		2,253,221
– Other property, plant and equipment			**479,542**		533,740
– Interests in leasehold land held for own use under operating leases			**29,117**		19,519
			3,450,876		2,806,480
Interests in associates	15		**81,977**		104,170
Other financial assets	16		**32,292**		30,981
Restricted and pledged deposits	19		**345,508**		177,563
Deferred tax assets	7(c)(ii)		**719,150**		295,030
			4,629,803		3,414,224
Current assets					
Inventories	17	**9,166,826**		5,096,696	
Other financial assets	16	**169,052**		94,697	
Trade and other receivables	18	**526,822**		901,230	
Restricted and pledged deposits	19	**1,344,771**		1,744,788	
Cash and cash equivalents	20(a)	**4,540,791**		3,291,157	
		15,748,262		11,128,568	
Current liabilities					
Trade and other payables	21	**5,188,466**		5,496,927	
Bank and other loans	22	**1,720,066**		2,882,969	
Tax payable	7(c)(i)	**3,879,498**		1,764,063	
		10,788,030		10,143,959	
Net current assets			**4,960,232**		984,609
Total assets less current liabilities			**9,590,035**		4,398,833
Non-current liabilities					
Bank and other loans	22	**5,473,006**		3,482,822	
Loan from an associate	23	**238,738**		–	
Derivative financial instruments	24	**13,641**		–	
Deferred tax liabilities	7(c)(ii)	**344,185**		153,144	
			6,069,570		3,635,966
NET ASSETS			**3,520,465**		762,867

Consolidated Balance Sheet

At 31 December 2011 (Expressed in Hong Kong dollars)

	Note	2011 $'000	2011 $'000	2010 $'000	2010 $'000
CAPITAL AND RESERVES	26				
Share capital			**100,041**		24
Reserves			**3,319,885**		762,843
Total equity attributable to equity shareholders of the Company			**3,419,926**		762,867
Non-controlling interests			**100,539**		–
TOTAL EQUITY			**3,520,465**		762,867

Approved and authorised for issue by the board of directors on 29 March 2012.

Wong Chun Hong
Director

Lee Sai Kai David
Director

The notes on pages 85 to 151 form part of these financial statements.

Balance Sheet

At 31 December 2011 (Expressed in Hong Kong dollars)

	Note	2011 $'000	2011 $'000	2010 $'000	2010 $'000
Non-current assets					
Fixed assets	13(b)		**1,108**		1,424
Investments in subsidiaries	14		**69,839**		5,030
			70,947		6,454
Current assets					
Other receivables	18	**3,280,555**		204,870	
Cash and cash equivalents	20(a)	**53,076**		41,383	
		3,333,631		246,253	
Current liability					
Other payables	21	**1,279,385**		286,434	
Net current assets/(liabilities)			**2,054,246**		(40,181)
Total assets less current liabilities			**2,125,193**		(33,727)
Non-current liability					
Other loans	22		**387,883**		–
NET ASSETS/(LIABILITIES)			**1,737,310**		(33,727)
CAPITAL AND RESERVES	26				
Share capital			**100,041**		24
Reserves			**1,637,269**		(33,751)
TOTAL EQUITY/(DEFICIT)			**1,737,310**		(33,727)

Approved and authorised for issue by the board of directors on 29 March 2012.

Wong Chun Hong	**Lee Sai Kai David**
Director	*Director*

The notes on pages 85 to 151 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011 (Expressed in Hong Kong dollars)

		Attributable to equity shareholders of the Company								
	Note	Share capital $'000	Capital reserve $'000	Exchange reserve $'000	PRC statutory reserves $'000	Other reserve $'000	Retained profits $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 January 2010		124	–	78,953	14,819	256,402	547,613	897,911	500,758	1,398,669
Changes in equity for 2010:										
Profit/(loss) for the year		–	–	–	–	–	494,723	494,723	(10,301)	484,422
Other comprehensive income		–	–	100,416	–	–	–	100,416	5,835	106,251
Total comprehensive income		–	–	100,416	–	–	494,723	595,139	(4,466)	590,673
Dividends declared and approved to non-controlling shareholders by subsidiaries		–	–	–	–	–	–	–	(3,213)	(3,213)
Disposal of a subsidiary		–	–	–	–	–	–	–	(82,043)	(82,043)
Acquisition of additional interests in subsidiaries from non-controlling shareholders		–	–	–	–	(580,413)	–	(580,413)	(411,500)	(991,913)
Equity settled share-based transactions		–	6,160	–	–	–	–	6,160	–	6,160
Contributions from non-controlling shareholders		–	–	–	–	–	–	–	464	464
Arising from Reorganisation		(100)	–	–	–	(155,830)	–	(155,930)	–	(155,930)
Balance at 31 December 2010		24	6,160	179,369	14,819	(479,841)	1,042,336	762,867	–	762,867

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011 (Expressed in Hong Kong dollars)

		Attributable to equity shareholders of the Company										
	Note	Share capital $'000	Share premium $'000	Capital reserve $'000	Exchange reserve $'000	PRC statutory reserves $'000	Property revaluation reserve $'000	Other reserve $'000	Retained profits $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 January 2011		24	–	6,160	179,369	14,819	–	(479,841)	1,042,336	762,867	–	762,867
Changes in equity for 2011:												
Profit/(loss) for the year		–	–	–	–	–	–	–	1,021,900	1,021,900	(298)	1,021,602
Other comprehensive income		–	–	–	159,651	–	49,843	–	–	209,494	2,511	212,005
Total comprehensive income		–	–	–	159,651	–	49,843	–	1,021,900	1,231,394	2,213	1,233,607
Capitalisation issue	26(c)	74,976	(74,976)	–	–	–	–	–	–	–	–	–
Issuance of new shares under initial public offering ("IPO"), net of issuing expenses	26(c)	25,041	1,469,178	–	–	–	–	–	–	1,494,219	–	1,494,219
Share options and awarded shares cancelled		–	–	(4,288)	–	–	–	–	4,288	–	–	–
Acquisition of subsidiaries		–	–	–	–	–	–	–	–	–	77,839	77,839
Equity settled share-based transactions		–	–	81,508	–	–	–	–	–	81,508	–	81,508
Contributions from non-controlling shareholders		–	–	–	–	–	–	–	–	–	20,487	20,487
Transfer to PRC statutory reserves		–	–	–	–	363,304	–	–	(363,304)	–	–	–
Dividend declared in respect of the current year		–	–	–	–	–	–	–	(150,062)	(150,062)	–	(150,062)
Balance at 31 December 2011		100,041	1,394,202	83,380	339,020	378,123	49,843	(479,841)	1,555,158	3,419,926	100,539	3,520,465

The notes on pages 85 to 151 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2011 (Expressed in Hong Kong dollars)

	Note	2011 $'000	2010 $'000
Operating activities			
Cash generated from operations	20(b)	**83,660**	1,807,282
Tax paid:			
– PRC tax paid		**(497,240)**	(237,807)
Net cash (used in)/generated from operating activities		**(413,580)**	1,569,475
Investing activities			
Payment for purchase of fixed assets		**(42,025)**	(18,141)
Proceeds from disposal of fixed assets		**3,408**	54
Proceeds from disposal of associates		**144,613**	7,244
Acquisition of subsidiaries	20(c)	**103,023**	–
Proceeds from disposal of a subsidiary	20(d)	**–**	90,462
Proceeds from sale of available-for-sale investments		**96,409**	–
Payment for purchase of available-for-sale investments		**(165,100)**	(94,697)
Interest received		**56,042**	10,221
Expenditure on development projects		**(90,141)**	(146,845)
(Increase)/decrease in restricted and pledged deposits		**(192,777)**	40,580
Repayment of loans to non-controlling shareholders		**–**	80,009
Capital contributions to associates		**(191,191)**	(102,029)
Net cash used in investing activities		**(277,739)**	(133,142)
Financing activities			
Proceeds from new bank and other loans		**6,204,790**	3,879,162
Repayment of bank loans		**(5,724,528)**	(1,517,980)
Repayment of loan from a related company		**–**	(5,750)
Proceeds from loan from an associate		**233,157**	–
Decrease/(increase) in restricted and pledged deposits		**390,162**	(581,591)
Interest and other borrowing costs paid		**(695,759)**	(307,032)
Acquisition of additional interests in subsidiaries		**–**	(959,218)
Contributions from non-controlling shareholders		**20,487**	464
Dividends paid to non-controlling shareholders		**–**	(3,213)
Proceeds from issue of shares		**1,560,076**	–
Share issue expenses		**(65,857)**	–
Interim dividends paid to equity shareholders of the Company	26(b)	**(150,062)**	–
Net cash generated from financing activities		**1,772,466**	504,842
Net increase in cash and cash equivalents		**1,081,147**	1,941,175
Effect of foreign exchange rate changes		**168,487**	67,077
Cash and cash equivalents at 1 January	20(a)	**3,291,157**	1,282,905
Cash and cash equivalents at 31 December	20(a)	**4,540,791**	3,291,157

The notes on pages 85 to 151 form part of these financial statements.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 General information and basis of presentation

Top Spring International Holdings Limited ("the Company") was incorporated in the Cayman Islands as an exempted company with limited liability on 25 August 2009 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

Pursuant to a reorganisation (the "Reorganisation") of the Company and its subsidiaries (collectively referred to as "the Group") which was completed on 3 December 2010 to rationalise the group structure in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the subsidiaries now comprising the Group. Details of the Reorganisation are set out in the prospectus of the Company dated 11 March 2011. The Company's shares were listed on the Stock Exchange on 23 March 2011 ("the Listing Date").

The Group is regarded as a continuing entity resulting from the Reorganisation under common control and has been accounted for on the basis of merger accounting. The consolidated financial statements of the Group have been prepared as if the current group structure had been in existence throughout both years presented, or since the respective dates of incorporation or establishment of the group companies, rather than from the date when the Company became the holding company of the Group pursuant to the Reorganisation.

2 Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinances. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued a number of amendments to HKFRSs and one new Interpretation that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

– HKAS 24 (revised 2009), *Related party disclosures*

– Improvements to HKFRSs (2010)

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 Significant accounting policies (Continued)

(a) Statement of compliance (Continued)

The impacts of these developments are discussed below:

– HKAS 24 (revised 2009) revises the definition of a related party. As a result, the Group has re-assessed the identification of related parties and concluded that the revised definition does not have any material impact on the Group's related party disclosures in the current and previous years. HKAS 24 (revised 2009) also introduces modified disclosure requirements for government-related entities. This does not impact the Group because the Group is not a government-related entity.

– Improvements to HKFRSs (2010) omnibus standard introduces a number of amendments to the disclosure requirements in HKFRS 7, *Financial instruments: Disclosures*. The disclosures about the Group's financial instruments in note 27 have been conformed to the amended disclosure requirements. These amendments do not have any material impact on the classification, recognition and measurements of the amounts recognised in the consolidated financial statements of the Group in the current and previous years.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 34).

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2011 comprise the Group and the Group's interests in associates.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that investment properties (see note 2(g)(i)), financial instruments classified as available-for-sale securities (see note 2(e)) and derivative financial instruments (see note 2(f)) are stated at their fair value as explained in the accounting policies set out below.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 33.

2 Significant accounting policies (Continued)

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in accordance with notes 2(m) or (n) depending on the nature of the liability.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(e)) or, when appropriate, the cost on initial recognition of an investment in an associate (see note 2(d)).

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 2(j)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 Significant accounting policies (Continued)

(d) Associates

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 2(j)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(e)).

(e) Other investments in equity securities

The Group's and the Company's policies for investments in equity securities, other than investments in subsidiaries and associates, are as follows:

Investments in equity securities are initially stated at fair value, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the balance sheet at cost less impairment losses (see note 2(j)).

Investments in securities which do not fall into any of the above category are classified as available-for-sale securities. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. Dividend income from these investments is recognised in profit or loss in accordance with the policy set out in note 2(s)(vi). When these investments are derecognised or impaired (see note 2(j)), the cumulative gain or loss is reclassified from equity to profit or loss.

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

2 Significant accounting policies (Continued)

(f) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At each balance sheet date the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

(g) Fixed assets

(i) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2(i)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the balance sheet date and their fair value cannot be reliably determined at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 2(s)(ii).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 2(i)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 2(i).

(ii) Other property, plant and equipment

The following items of property, plant and equipment are stated at cost less accumulated depreciation (see note 2(h)) and impairment losses (see note 2(j)):

- hotel properties;
- other land and buildings; and
- furniture, fixtures and other fixed assets.

Changes arising on the revaluation of properties held for own use are generally dealt with in other comprehensive income and are accumulated separately in equity in the property revaluation reserve.

The cost of self-constructed items of property, plant and equipment includes the aggregate cost of development, materials and supplies, wages, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of borrowing costs (see note 2(u)) and other direct expenses.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal. Any related revaluation surplus is transferred from the property revaluation reserve to retained profits and is not reclassified to profit or loss.

2 Significant accounting policies (Continued)

(h) Depreciation of fixed assets

(i) *Investment properties and investment properties under development*
No depreciation is provided on investment properties and investment properties under development.

(ii) *Properties under development for own use*
No depreciation is provided until such time as the relevant assets are complete and put into use.

(iii) *Hotel properties*
Depreciation is calculated to write-off the cost of hotel properties using the straight-line method over their estimated useful lives of 5.5 to 33 years.

(iv) *Other land and buildings*
Depreciation is provided on the cost of the leasehold land of properties over the unexpired terms of the leases. Costs of buildings thereon are depreciation on a straight-line basis over the unexpired terms of the respective leases or 25 years if shorter.

(v) *Furniture, fixtures and other fixed assets*
Depreciation is calculated to write-off the cost of furniture, fixtures and other fixed assets, less their estimated residual value, if any, using the straight-line method over their estimated useful lives of 4 to 8 years.

Where parts of an item of furniture, fixtures and other fixed assets have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(i) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) *Classification of assets leased to the Group*
Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

– property held under operating leases that would otherwise meet the definition of an investment property is classified as investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 2(g)(i)); and

– land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

2 Significant accounting policies (Continued)

(i) Leased assets (Continued)

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see note 2(g)(i)) or is held for development for sale (see note 2(k)).

(j) Impairment of assets

(i) Impairment of investments in equity securities and other receivables

Investments in equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For investments in subsidiaries and associates (including those recognised using the equity method (see note 2(d))), the impairment loss is measured by comparing the recoverable amount of the investment as a whole with its carrying amount in accordance with note 2(j)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(j)(ii).

– For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 Significant accounting policies (Continued)

(j) Impairment of assets (Continued)

(i) *Impairment of investments in equity securities and other receivables (Continued)*

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

– For available-for-sale securities, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

  Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) *Impairment of other assets*

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, an impairment loss previously recognised no longer exists or may have decreased:

– fixed assets (other than properties carried at revalued amounts); and

– pre-paid interests in leasehold land classified as being held under an operating lease.

If any such indication exists, the asset's recoverable amount is estimated.

– Calculation of recoverable amount
  The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses
  An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

2 Significant accounting policies (Continued)

(j) Impairment of assets (Continued)

(ii) Impairment of other assets (Continued)

– Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(k) Inventories

Inventories are carried at the lower of cost and net realisable value. Cost and net realisable value are determined as follows:

(i) Leasehold land

The cost of leasehold land, which is held for development for sale, represents the cost of acquisition and the premium, if any, payable to the relevant government authorities. Net realisable value is determined by reference to management estimates based on prevailing market conditions.

(ii) Properties under development for sale

The cost of properties under development for sale comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses capitalised, an appropriate portion of overheads and borrowing costs capitalised (see note 2(u)). Net realisable value represents the estimated selling price, based on prevailing market conditions, less estimated costs of completion and costs to be incurred in selling the property.

(iii) Completed properties for sale

Cost is determined by apportionment of the total land and development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price, based on prevailing market conditions, less estimated costs to be incurred in selling the property.

(l) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 2(j)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(m) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(n) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 2(r)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 Significant accounting policies (Continued)

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(p) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

The employees of the Group participate in retirement plans (defined contribution retirement plans) managed by respective local governments of the municipalities in which the Group operates in the PRC. The contribution to the retirement plan is calculated based on fixed rates of the employees' salaries cost and charged to profit or loss as and when incurred, except to the extent that they are included in the cost of inventories not yet recognised as an expense. The Group has no other obligation for the payment of retirement and other post-retirement benefits of staff other than the contributions described above.

(ii) Share-based payments

The fair values of share options and awarded shares granted to employees are recognised as employee costs with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using valuation techniques, taking into account the terms and conditions upon which the options and awarded shares were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair values of the options and awarded shares are spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options and awarded shares that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options and awarded shares that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option and awarded share is exercised (when it is transferred to the share premium account) or the option or awarded share expires (when it is released directly to retained profits).

2 Significant accounting policies (Continued)

(q) Income tax

(i) Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

(ii) Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

(iii) Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

(iv) Additional income tax that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

2 Significant accounting policies (Continued)

(q) Income tax (Continued)

(v) Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group or the Company has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Group or the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(r) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantee issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2(r)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

2 Significant accounting policies (Continued)

(r) Financial guarantees issued, provisions and contingent liabilities (Continued)

(ii) Other provisions and contingent liabilities (Continued)

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(s) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of properties

Revenue from the sale of properties is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyers. The Group considers that the significant risks and rewards of ownership are transferred when the properties are completed and delivered to the buyers. Revenue from the sale of properties is net of business tax and other sales related taxes and is after deduction of any trade discounts. Deposits and instalments received on properties and prior to the date of revenue recognition are included in the balance sheet as receipts in advance.

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iii) Hotel operations

Income from hotel operations is recognised when services are provided.

(iv) Property management and related services income

Property management and related services income is recognised when services are provided.

(v) Interest income

Interest income is recognised as it accrues using the effective interest method.

(vi) Dividends

Dividend income is recognised when the shareholder's right to receive payment is established.

(vii) Government grants

Government grants are recognised in the balance sheet initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 Significant accounting policies (Continued)

(t) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into Hong Kong dollars at the closing foreign exchange rates at the balance sheet date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(u) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(v) Related parties

(a) A person, or a close member of that person's family, is related to the Group if 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 the Group's parent.

2 Significant accounting policies (Continued)

(v) Related parties (Continued)

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities 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).

(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).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(w) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

3 Turnover

The principal activities of the Group are property development, property investment, hotel operations and provision of property management and related services.

Turnover represents income from sale of properties, rental income, income from hotel operations and income from provision of property management and related services earned during the year, net of business tax and other sales related taxes and discounts allowed, and is analysed as follows:

	2011 $'000	2010 $'000
Sale of properties	**5,617,559**	2,560,273
Rental income	**104,682**	92,326
Hotel operations	**93,696**	66,002
Property management and related services income	**45,375**	41,293
	5,861,312	2,759,894

4 Other revenue

	2011 $'000	2010 $'000
Bank interest income	**55,857**	9,958
Other interest income	**185**	263
Rental income from operating leases, other than those relating to investment properties	**4,807**	1,226
Government grant (Note)	**19,368**	–
Others	**1,781**	1,542
	81,998	12,989

Note: During the year, the Group received a government subsidy from local government authority as recognition of the Group's investment in the relevant district in the People's Republic of China ("PRC").

5 Other net income

	2011 $'000	2010 $'000
Net gain on disposal of a subsidiary	**–**	64,457
Net gain on disposal of associates (note 15(a))	**5,685**	1,722
Net gain/(loss) on disposal of fixed assets	**116**	(26)
Net exchange loss	**(14,192)**	(6,395)
Fair value change on derivative financial instruments	**56,711**	–
Others	**320**	395
	48,640	60,153

6 Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

(a) Finance costs

	2011 **$'000**	2010 $'000
Interest on bank loans and other borrowings wholly repayable		
– within five years	**560,193**	288,983
– after five years	**77,502**	–
	637,695	288,983
Interest on loan from an associate wholly repayable within five years	**577**	–
Other borrowing costs	**57,487**	18,049
	695,759	307,032
Less: Amount capitalised (Note)	**(270,675)**	(247,352)
	425,084	59,680

Note: The borrowing costs have been capitalised at rates ranging from 4.86% to 11.15% (2010: 4.86% to 9.95%) per annum for the year ended 31 December 2011.

(b) Staff costs

	2011 **$'000**	2010 $'000
Salaries, wages and other benefits	**195,967**	194,058
Contributions to defined contribution retirement plans	**10,964**	6,395
Equity settled share-based payment expenses	**81,508**	6,160
	288,439	206,613

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

6 Profit before taxation (Continued)

(c) Other items

	2011 $'000	2010 $'000
Depreciation and amortisation	**50,145**	41,128
Less: Amount capitalised	**(86)**	(155)
	50,059	40,973
Cost of properties sold	**1,813,511**	957,281
Rental income from investment properties (Note)	**(104,682)**	(92,326)
Less: Direct outgoings	**11,927**	9,417
	(92,755)	(82,909)
Impairment loss for trade receivables	**16,024**	182
Auditors' remuneration		
– audit services	**4,512**	3,478
– other services	**1,851**	10,671
Other rental income less direct outgoings	**(4,807)**	(1,226)
Operating lease charges:		
– minimum lease payments for land and buildings	**12,389**	14,714

Note: Included contingent rental income of $13,738,000 (2010: $8,162,000) for the year ended 31 December 2011.

7 Income tax

(a) Income tax in the consolidated income statement represents:

	2011 $'000	2010 $'000
Current tax		
Provision for PRC Corporate Income Tax ("CIT")	**941,789**	371,098
Provision for Land Appreciation Tax ("LAT")	**1,511,068**	627,430
Withholding tax	**38,098**	–
	2,490,955	998,528
Deferred tax		
Origination and reversal of temporary differences	**(241,130)**	(141,400)
	2,249,825	857,128

Pursuant to the rules and regulations of the British Virgin Islands ("BVI") and the Cayman Islands, the Group is not subject to any income tax in the BVI and the Cayman Islands.

7 Income tax (Continued)

(a) Income tax in the consolidated income statement represents: (Continued)

No provision was made for Hong Kong Profits Tax as the Group's Hong Kong subsidiaries sustained losses for taxation purposes for the years ended 31 December 2010 and 2011.

The provision for CIT is based on the respective applicable CIT rates on the estimated assessable profits of the PRC subsidiaries within the Group as determined in accordance with the relevant income tax rules and regulations of the PRC. The applicable CIT rates were 24% to 25% for the year ended 31 December 2011 (2010: 22% to 25%).

LAT is levied on properties developed by the Group in the PRC for sale, at progressive rates ranging from 30% to 60% on the appreciation of land value, which under the applicable regulations is calculated based on the proceeds of sale of properties less deductible expenditures including lease charges of land use right, borrowing costs and all qualified property development expenditures.

Withholding taxes are levied on the Group's Hong Kong subsidiaries in respect of dividend distributions arising from profit of the PRC subsidiaries within the Group earned after 1 January 2008 at 5%.

(b) Reconciliation between income tax expense and accounting profit at applicable tax rates:

	2011 $'000	2010 $'000
Profit before taxation	**3,271,427**	1,341,550
Notional tax on profit before taxation, calculated at the rates applicable to the jurisdictions concerned	**844,727**	324,654
Effect of non-taxable income	**(2,036)**	(500)
Effect of non-deductible expenses	**28,424**	3,250
Effect of deemed interest income	**114,913**	31,808
Effect of prior years' unrecognised tax losses utilised	**(2,301)**	(1,584)
Effect of unrecognised temporary differences now utilised	**(1,371)**	(2,142)
Effect of unused tax losses and temporary differences not recognised	**49,369**	8,719
Withholding tax on dividend distributions by PRC subsidiaries	**38,098**	–
Deferred tax effect on LAT accrual	**(331,066)**	(134,507)
LAT	**1,511,068**	627,430
Actual income tax expense	**2,249,825**	857,128

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

7 Income tax (Continued)

(c) Income tax in the consolidated balance sheet represents:

(i) Current taxation

	2011 $'000	2010 $'000
CIT		
Provision for the year	**941,789**	371,098
CIT tax paid in respect of provision for the year	**(58,362)**	(76,182)
Exchange adjustments	**37,855**	6,256
	921,282	301,172
Balance of tax provision relating to prior years	**266,569**	183,537
Tax payable	**1,187,851**	484,709
LAT		
Provision for the year	**1,511,068**	627,430
LAT tax paid in respect of provision for the year	**(99,645)**	(20,300)
Exchange adjustments	**84,514**	16,472
	1,495,937	623,602
Balance of tax provision relating to prior years	**1,157,612**	655,752
Tax payable	**2,653,549**	1,279,354
Withholding tax		
Provision for the year	**38,098**	–
	3,879,498	1,764,063

7 Income tax (Continued)

(c) Income tax in the consolidated balance sheet represents: (Continued)

(ii) Deferred tax assets and liabilities recognised

The components of deferred tax liabilities/(assets) recognised in the consolidated balance sheet and the movements during the year are as follows:

	Depreciation allowances in excess of related depreciation $'000	Unrealised gain on intra-group transactions $'000	Revaluation of properties $'000	Temporary differences on LAT provision $'000	Accruals $'000	Unused tax losses $'000	Others $'000	Total $'000
Deferred tax arising from:								
At 1 January 2010	7,330	(20,565)	157,845	(117,438)	(49,072)	(2,164)	26,138	2,074
Charged/(credited) to profit or loss	7,609	(18,436)	26,078	(134,507)	17,966	(36,695)	(3,415)	(141,400)
Exchange adjustments	731	(1,305)	9,184	(9,682)	(1,533)	(979)	1,024	(2,560)
At 31 December 2010 and 1 January 2011	15,670	(40,306)	193,107	(261,627)	(32,639)	(39,838)	23,747	(141,886)
Charged/(credited) to profit or loss	7,612	20,118	90,074	(331,066)	(22,740)	(12,936)	7,808	(241,130)
Charged to reserves	–	–	16,614	–	–	–	–	16,614
Acquisition of subsidiaries	–	–	–	–	–	–	1,495	1,495
Exchange adjustments	837	(1,112)	9,997	(17,382)	(1,929)	(1,898)	1,429	(10,058)
At 31 December 2011	24,119	(21,300)	309,792	(610,075)	(57,308)	(54,672)	34,479	(374,965)

	2011 $'000	2010 $'000
Net deferred tax assets recognised in the consolidated balance sheet	**(719,150)**	(295,030)
Net deferred tax liabilities recognised in the consolidated balance sheet	**344,185**	153,144
	(374,965)	(141,886)

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

7 Income tax (Continued)

(d) Deferred tax assets not recognised:

Deferred tax assets have not been recognised in respect of the following items:

	2011 **$'000**	2010 $'000
Deductible temporary differences	**331,423**	274,359
Unused tax losses		
– Hong Kong (Note (i))	**3,008**	3,008
– PRC (Note (ii))	**254,787**	114,375
	589,218	391,742

Notes:

(i) The unused tax losses do not expire under the current tax legislation.

(ii) The unused tax losses can be carried forward to offset against taxable profits of subsequent years for up to five years from the year in which they arose. The unused tax loses expired between 2012 and 2016.

The Group has not recognised deferred tax assets in respect of deductible temporary differences and unused tax losses of certain subsidiaries as it is not probable that sufficient future taxable profits will be available against which the deductible temporary differences and unused tax losses can be utilised.

(e) Deferred tax liabilities not recognised:

The Corporate Income Tax Law and its implementation rules impose a withholding tax at 10%, unless reduced by a treaty or agreement, for dividends, distributed by a PRC-resident enterprise to its immediate holding company outside PRC for profits generated beginning on 1 January 2008 and undistributed profits generated prior to 1 January 2008 are exempt from such withholding tax. According to the China-Hong Kong tax arrangement and its relevant regulations, a qualified Hong Kong tax resident which is the "beneficial owner" and holds 25% or more of a PRC enterprise is entitled to a reduced withholding tax rate of 5%. The Group did not provide for deferred tax liabilities on profits generated by certain of its PRC subsidiaries after 1 January 2008 amounting to $81,489,000 (2010: $6,502,000) since the Group controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

8 Directors' remuneration

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Share-based payments (Note)	2011 Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Executive directors							
Wong Chun Hong	–	6,078	5,804	17	11,899	–	11,899
Li Zhi-zheng (from 1 January 2011 to 3 July 2011)*	–	1,085	–	–	1,085	–	1,085
Li Yan-jie	–	2,286	3,981	20	6,287	–	6,287
Lee Sai-kai David	–	2,275	4,235	12	6,522	–	6,522
Lam Jim	–	964	2,410	12	3,386	4,700	8,086
Non-executive directors							
McCABE Kevin Charles	120	–	–	–	120	–	120
Tham Qian (alternate director to McCABE Kevin Charles)	480	–	–	12	492	2,193	2,685
Li Zhi-zheng (from 4 July 2011 onwards)*	300	–	–	–	300	–	300
Zhang Yi Jun	300	–	–	–	300	–	300
Independent non-executive directors							
Brooke Charles Nicholas	480	–	–	–	480	–	480
Cheung Yuk Wo	222	–	–	–	222	–	222
Wu Si Zong	217	–	–	–	217	–	217
	2,119	12,688	16,430	73	31,310	6,893	38,203

* *Mr. Li Zhi-zheng, an executive director of the Company, was re-designated as a non-executive director of the Company with effect from 4 July 2011.*

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

8 Directors' remuneration (Continued)

	Directors' fees $'000	Salaries, allowances and benefits in kind $'000	Discretionary bonuses $'000	Retirement scheme contributions $'000	Sub-Total $'000	Share-based payments (Note) $'000	2010 Total $'000
Executive directors							
Wong Chun Hong	–	5,229	–	35	5,264	–	5,264
Li Zhi-zheng	–	1,996	3,551	–	5,547	–	5,547
Li Yan-jie	–	1,992	6,653	25	8,670	–	8,670
Lee Sai-kai David	–	1,894	3,500	12	5,406	–	5,406
Non-executive directors							
McCABE Kevin Charles	10	–	–	–	10	–	10
Tham Qian (alternate director to McCABE Kevin Charles)	480	–	–	12	492	209	701
Independent non-executive directors							
Brooke Charles Nicholas	39	–	–	–	39	–	39
Cheung Yuk Wo	20	–	–	–	20	–	20
Wu Si Zong	20	–	–	–	20	–	20
	569	11,111	13,704	84	25,468	209	25,677

Note: These represent the estimated value of share options granted to the directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in note 2(p)(ii).

The details of these benefits in kind, including the principal terms and number of options granted, are disclosed in note 25.

9 Individuals with highest emoluments

Of the five individuals with the highest emoluments, two (2010: four) are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the remaining individuals are as follows:

	2011 $'000	2010 $'000
Salaries, allowances and benefits in kind	**4,738**	1,339
Discretionary bonuses	**11,345**	5,171
Share-based payments	**10,547**	376
Retirement scheme contributions	**58**	26
	26,688	6,912

9 Individuals with highest emoluments (Continued)

The emoluments of the above individuals with the highest emoluments are within the following bands:

	2011 Number of individuals	2010 Number of individuals
\$6,500,001 – \$7,000,000	**1**	1
\$8,000,001 – \$8,500,000	**1**	–
\$11,000,001 – \$11,500,000	**1**	–

10 Profit attributable to equity shareholders of the Company

The consolidated profit attributable to equity shareholders of the Company includes a profit of \$349,660,000 (2010: loss of \$36,577,000) which has been dealt with in the financial statements of the Company.

Details of dividends paid and payable to equity shareholders of the Company are set out in note 26(b).

11 Basic and diluted earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of \$1,021,900,000 (2010: \$494,723,000) and the weighted average number of 944,816,000 shares (2010: 750,000,000 shares) in issue during the year.

The weighted average number of shares in issue for the year ended 31 December 2011 is based on the assumption that 750,000,000 shares of the Company are in issue and issuable, comprising 235,294 shares in issue and 749,764,706 shares to be issued pursuant to the capitalisation issue, as if the shares were outstanding throughout the period from 1 January 2011 to the Listing Date, 250,000,000 shares issued under IPO and 413,500 shares issued upon the exercise of the over-allotment option in connection with the IPO.

The weighted average number of shares in issue for the year ended 31 December 2010 is based on the assumption that 750,000,000 shares of the Company are in issue and issuable, comprising 235,294 shares in issue and 749,764,706 shares to be issued pursuant to the capitalisation issue, as if the shares were outstanding throughout that year.

	2011 '000	2010 '000
Weighted average number of shares		
Issued ordinary shares	**235**	235
Capitalisation issue (note 26(c)(i))	**749,765**	749,765
Effect of issuance of new shares under IPO (notes 26(c)(ii) and (iii))	**194,816**	–
Weighted average number of shares	**944,816**	750,000

The pre-IPO share options outstanding have no dilutive effects on earnings per share for the year ended 31 December 2011. In last year, the share options granted under the pre-IPO share option scheme (see note 25) were subject to the successful listing of the Company's shares on the Stock Exchange and employment conditions of the grantees after listing. Prior to the listing of the Company's shares, such share options would not be considered for computation of diluted earnings per share.

There were no other potential dilutive ordinary shares in existence for the years ended 31 December 2010 and 2011.

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(Expressed in Hong Kong dollars unless otherwise indicated)

12 Segment reporting

The Group manages its businesses by divisions, which are organised by business lines (product and services). In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following four reportable segments. No operating segments have been aggregated to form the following reportable segments.

– Property development: this segment develops and sells residential properties and shops within the shopping arcades.

– Property investment: this segment leases shopping arcades and club houses to generate rental income and to gain from the appreciation in the properties' values in the long term. Currently the Group's investment property portfolio is located entirely in the PRC.

– Hotel operations: this segment operates hotels to provide hotel services to general public.

– Property management and related services: this segment mainly provides property management and related services to purchasers and tenants of the Group's self-developed residential properties and shopping arcades.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segments assets include all tangible, non-current and current assets with the exception of interests in associates, investments in financial assets, deferred tax assets and other corporate assets. Segment liabilities include trade and other payables attributable to the operating activities of the individual segments and bank and other borrowings managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to revenues generated by those segments and the expenses incurred by those segments.

The measure used for reporting segment profit is "adjusted EBITDA" i.e. "adjusted earnings before interests, taxes, depreciation and amortisation". To arrive at "adjusted EBITDA" the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as directors' and auditors' remuneration and other head office or corporate administration costs.

In addition to receiving segment information concerning adjusted EBITDA, management is provided with segment information concerning revenue (including inter-segment sales), interest income and expense from cash balances and borrowings managed directly by the segments, depreciation and amortisation, valuation changes on investment properties and additions to non-current segment assets used by the segments in their operations.

12 Segment reporting (Continued)

(a) Segment results, assets and liabilities (Continued)

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the year is set out below.

2010

	Property development $'000	Property investment $'000	Hotel operations $'000	Property management and related services $'000	Total $'000
Revenue from external customers	2,560,273	92,326	66,002	41,293	2,759,894
Inter-segment revenue	–	17,985	–	53,119	71,104
Reportable segment revenue	2,560,273	110,311	66,002	94,412	2,830,998
Reportable segment profit/ (loss) (adjusted EBITDA)	1,353,030	32,084	17,254	(25,718)	1,376,650
Interest income from bank deposits	5,897	892	–	3,169	9,958
Interest expense	(18,292)	(13,047)	–	–	(31,339)
Depreciation and amortisation for the year	(8,201)	(811)	(26,808)	(3,145)	(38,965)
Valuation gains on investment properties	–	82,005	–	–	82,005
Reportable segment assets	9,108,612	3,780,224	460,964	522,935	13,872,735
Additions to non-current segment assets during the year	29,086	28,832	–	500	58,418
Reportable segment liabilities	(11,494,396)	(61,329)	–	(9,355)	(11,565,080)

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

12 Segment reporting (Continued)

(a) Segment results, assets and liabilities (Continued)

2011

	Property development $'000	Property investment $'000	Hotel operations $'000	Property management and related services $'000	Total $'000
Revenue from external customers	5,617,559	104,682	93,696	45,375	5,861,312
Inter-segment revenue	–	19,235	–	133,482	152,717
Reportable segment revenue	**5,617,559**	**123,917**	**93,696**	**178,857**	**6,014,029**
Reportable segment profit/(loss) (adjusted EBITDA)	**3,335,109**	**86,302**	**36,783**	**(46,782)**	**3,411,412**
Interest income from bank deposits	48,282	504	–	345	49,131
Interest expense	(416,233)	(8,851)	–	–	(425,084)
Depreciation and amortisation for the year	(11,580)	(60)	(28,757)	(1,751)	(42,148)
Valuation gains on investment properties	–	360,295	–	–	360,295
Reportable segment assets	**15,539,281**	**3,287,583**	**374,807**	**27,667**	**19,229,338**
Additions to non-current segment assets during the year	55,228	93,935	1,062	5,632	155,857
Reportable segment liabilities	**(12,106,840)**	**(441,563)**	**–**	**(22,097)**	**(12,570,500)**

12 Segment reporting (Continued)

(b) Reconciliations of reportable segment revenue, profit or loss, assets and liabilities

	2011 $'000	2010 $'000
Revenue		
Reportable segment revenue	**6,014,029**	2,830,998
Elimination of inter-segment revenue	**(152,717)**	(71,104)
Consolidated turnover	**5,861,312**	2,759,894
Profit		
Reportable segment profit derived from Group's external customers	**3,411,412**	1,376,650
Share of profits less losses of associates	**(5,113)**	–
Other revenue and net income	**130,638**	73,142
Depreciation and amortisation	**(50,059)**	(38,965)
Finance costs	**(425,084)**	(31,339)
Valuation gains on investment properties	**360,295**	82,005
Unallocated head office and corporate expenses	**(150,662)**	(119,943)
Consolidated profit before taxation	**3,271,427**	1,341,550
Assets		
Reportable segment assets	**19,229,338**	13,872,735
Interests in associates	**81,977**	104,170
Other financial assets	**201,344**	125,678
Deferred tax assets	**719,150**	295,030
Unallocated head office and corporate assets	**146,256**	145,179
Consolidated total assets	**20,378,065**	14,542,792
Liabilities		
Reportable segment liabilities	**(12,570,500)**	(11,565,080)
Tax payable	**(3,879,498)**	(1,764,063)
Deferred tax liabilities	**(344,185)**	(153,144)
Derivative financial instruments	**(13,641)**	–
Unallocated head office and corporate liabilities	**(49,776)**	(297,638)
Consolidated total liabilities	**(16,857,600)**	(13,779,925)

(c) Geographic information

No geographic information has been presented as the Group's operating activities are largely carried out in the PRC.

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(Expressed in Hong Kong dollars unless otherwise indicated)

13 Fixed assets

(a) The Group

	Investment properties $'000	Investment properties under development $'000	Sub-total $'000	Hotel properties $'000	Properties under development for own use $'000	Other land and buildings $'000	Furniture, fixtures and other fixed assets $'000	Sub-total $'000	Interests in leasehold land held for own use under operating leases $'000	Total $'000
Cost or valuation:										
At 1 January 2010	1,981,606	–	1,981,606	416,296	54,485	52,583	41,748	565,112	6,231	2,552,949
Exchange adjustments	85,040	–	85,040	28,380	2,563	2,205	1,733	34,881	561	120,482
Additions	25,529	–	25,529	–	13,238	–	18,141	31,379	14,442	71,350
Transfer from inventories	–	99,980	99,980	–	–	–	–	–	–	99,980
Cost adjustment (Note)	(20,939)	–	(20,939)	–	–	(6,344)	–	(6,344)	–	(27,283)
Reduction through disposal of a subsidiary	–	–	–	–	–	–	(913)	(913)	–	(913)
Other disposals	–	–	–	–	–	–	(145)	(145)	–	(145)
Surplus on revaluation	82,005	–	82,005	–	–	–	–	–	–	82,005
At 31 December 2010	2,153,241	99,980	2,253,221	444,676	70,286	48,444	60,564	623,970	21,234	2,898,425
Representing:										
Cost	–	99,980	99,980	444,676	70,286	48,444	60,564	623,970	21,234	745,184
Valuation	2,153,241	–	2,153,241	–	–	–	–	–	–	2,153,241
	2,153,241	99,980	2,253,221	444,676	70,286	48,444	60,564	623,970	21,234	2,898,425
Accumulated amortisation and depreciation:										
At 1 January 2010	–	–	–	25,556	–	4,790	17,031	47,377	1,089	48,466
Exchange adjustments	–	–	–	1,634	–	253	697	2,584	51	2,635
Written back on disposal of a subsidiary	–	–	–	–	–	–	(219)	(219)	–	(219)
Written back on disposals	–	–	–	–	–	–	(65)	(65)	–	(65)
Charge for the year	–	–	–	26,808	–	2,447	11,298	40,553	575	41,128
At 31 December 2010	–	–	–	53,998	–	7,490	28,742	90,230	1,715	91,945
Net book value:										
At 31 December 2010	2,153,241	99,980	2,253,221	390,678	70,286	40,954	31,822	533,740	19,519	2,806,480

13 Fixed assets (Continued)

(a) The Group (Continued)

	Investment properties $'000	Investment properties under development $'000	Sub-total $'000	Hotel properties $'000	Properties under development for own use $'000	Other land and buildings $'000	Furniture, fixtures and other fixed assets $'000	Sub-total $'000	Interests in leasehold land held for own use under operating leases $'000	Total $'000
Cost or valuation:										
At 1 January 2011	2,153,241	99,980	2,253,221	444,676	70,286	48,444	60,564	623,970	21,234	2,898,425
Exchange adjustments	100,244	9,201	109,445	18,791	1,268	2,298	3,336	25,693	1,127	136,265
Additions	–	69,598	69,598	1,062	–	10,150	42,025	53,237	9,331	132,166
Transfer from/(to) inventories	26,259	–	26,259	–	(12,680)	–	–	(12,680)	–	13,579
Cost adjustment (Note)	(1,932)	–	(1,932)	(3,988)	–	–	–	(3,988)	–	(5,920)
Reclassification	125,331	–	125,331	–	(58,874)	(66,457)	–	(125,331)	–	–
Disposals	–	–	–	–	–	–	(6,528)	(6,528)	–	(6,528)
Surplus on revaluation	222,721	137,574	360,295	–	–	–	–	–	–	360,295
Surplus on revaluation upon reclassification	–	–	–	–	–	66,457	–	66,457	–	66,457
At 31 December 2011	2,625,864	316,353	2,942,217	460,541	–	60,892	99,397	620,830	31,692	3,594,739
Representing:										
Cost	–	28,840	28,840	460,541	–	60,892	99,397	620,830	31,692	681,362
Valuation	2,625,864	287,513	2,913,377	–	–	–	–	–	–	2,913,377
	2,625,864	316,353	2,942,217	460,541	–	60,892	99,397	620,830	31,692	3,594,739
Accumulated amortisation and depreciation:										
At 1 January 2011	–	–	–	53,998	–	7,490	28,742	90,230	1,715	91,945
Exchange adjustments	–	–	–	2,979	–	394	1,542	4,915	94	5,009
Written back on disposals	–	–	–	–	–	–	(3,236)	(3,236)	–	(3,236)
Charge for the year	–	–	–	28,757	–	3,197	17,425	49,379	766	50,145
At 31 December 2011	–	–	–	85,734	–	11,081	44,473	141,288	2,575	143,863
Net book value:										
At 31 December 2011	2,625,864	316,353	2,942,217	374,807	–	49,811	54,924	479,542	29,117	3,450,876

Note: Cost adjustment represents the finalisation of the development costs with contractors during the year in respect of properties completed in prior years.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

13 Fixed assets (Continued)

(b) The Company

	Furniture, fixtures and other fixed assets $'000
Cost:	
At 1 January 2010	–
Additions	1,582
At 31 December 2010	1,582
Accumulated depreciation:	
At 1 January 2010	–
Charge for the year	158
At 31 December 2010	158
Net book value:	
At 31 December 2010	1,424

	Furniture, fixtures and other fixed assets $'000
Cost:	
At 1 January 2011 and 31 December 2011	**1,582**
Accumulated depreciation:	
At 1 January 2011	**158**
Charge for the year	**316**
At 31 December 2011	**474**
Net book value:	
At 31 December 2011	**1,108**

13 Fixed assets (Continued)

(c) Revaluation of investment properties

The Group's investment properties and investment properties under development were revalued at 31 December 2011 by an independent firm of surveyors, DTZ, who have among their staff Fellows of The Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued.

The Group's investment properties were valued in their existing states by reference to comparable market transactions and where appropriate on the basis of capitalisation of the net rental income allowing for reversionary income potential. The Group's investment properties under development were valued by estimating the fair value of such properties as if they were completed in accordance with the relevant development plan and then deducting from that amount the estimated costs to complete the construction, financing costs and a reasonable profit margin.

Included in the Group's investment properties under development amounted to $28,840,000 (2010: $99,980,000) were carried at cost less accumulated impairment losses, if any, as the directors are of the opinion that its fair value cannot be reliably determined due to the development project is still under initial stage.

(d) During the year ended 31 December 2011, the intended use of a property previously held for own use has been changed to leasing purpose. This property with carrying amount of $125,331,000, being the fair value of the property at the date of change in use, was transferred from "other land and buildings" to "investment properties" accordingly. As a result of the transfer, a revaluation surplus, after tax effect of $16,614,000 (note 7(c)(ii)), of $49,843,000 on other land and buildings has been recognised in other comprehensive income and accumulated in the property revaluation reserve.

(e) The analysis of net book value of the properties is as follows:

	2011 $'000	2010 $'000
In the PRC		
– under long leases	**762,586**	543,324
– under medium-term leases	**2,633,366**	2,231,334
	3,395,952	2,774,658

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(Expressed in Hong Kong dollars unless otherwise indicated)

13 Fixed assets (Continued)

(f) Fixed assets leased out under operating leases

The Group leases out a number of building facilities under operating leases. The leases typically run for an initial period of 1 to 15 years, with an option to renew the lease after that date at which time all terms are renegotiated.

All properties held under operating leases that would otherwise meet the definition of investment property are classified as investment property.

The Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2011 **$'000**	2010 $'000
Within 1 year	**97,172**	72,609
After 1 year but within 5 years	**262,611**	221,357
After 5 years	**185,359**	267,022
	545,142	560,988

(g) The Group's certain investment properties and hotel properties were pledged against bank loans, details of which are set out in note 22.

14 Investments in subsidiaries

	The Company **2011** **$'000**	2010 $'000
Unlisted shares, at cost	**12**	12
Capital contribution in respect of equity settled share-based transactions	**69,827**	5,018
	69,839	5,030

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

(Expressed in Hong Kong dollars unless otherwise indicated)

14 Investments in subsidiaries (Continued)

Name of subsidiary	Place of incorporation/ establishment and operation	Issued and paid-up capital/ registered capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Top Spring Real Estate (Shenzhen) Co., Ltd. (萊蒙房地產 (深圳) 有限公司)	PRC	$320,000,000	100%	–	100%	Property development and investment
Top Spring (HK) Company Limited (萊蒙 (香港) 有限公司)	Hong Kong	US$200,000	100%	–	100%	Provision of property management and related services
Shenzhen Top Spring Business Management Co., Ltd. (深圳市萊蒙商業管理有限公司)	PRC	RMB500,000	100%	–	100%	Provision of property management and related services
Changzhou Top Spring Property Services Co., Ltd. (常州市萊蒙物業服務有限公司)	PRC	RMB5,000,000	100%	–	100%	Provision of property management and related services
Changzhou Top Spring Business Management Co., Ltd. (常州萊蒙商業管理有限公司)	PRC	RMB500,000	100%	–	100%	Provision of property management and related services
Hangzhou Top Spring Business Management Co., Ltd. (杭州萊蒙商業管理有限公司)	PRC	RMB500,000	100%	–	100%	Provision of property management and related services
Changzhou Top Spring Advertising Co., Ltd. (常州萊蒙廣告有限公司)	PRC	RMB500,000	100%	–	100%	Provision of advertising services
Tai Xiang Information Consulting (Shenzhen) Co., Ltd. (泰祥信息諮詢 (深圳) 有限公司)	PRC	$1,000,000	100%	–	100%	Investment holding
Shenzhen Top Spring Investment Holding Company (深圳萊蒙投資控股有限公司) (formerly known as Shenzhen Sheng Xing Information Consulting Co., Ltd. (深圳市盛興信息諮詢有限公司))	PRC	RMB100,000,000	100%	–	100%	Investment holding
Shenzhen SZITIC Property Development Co., Ltd. (深圳深國投房地產開發有限公司)	PRC	RMB340,100,000	100%	–	100%	Investment holding, property development and investment

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(Expressed in Hong Kong dollars unless otherwise indicated)

14 Investments in subsidiaries (Continued)

Name of subsidiary	Place of incorporation/ establishment and operation	Issued and paid-up capital/ registered capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Changzhou Top Spring Water Flower Property Development Co., Ltd. (常州萊蒙水榭花都房地產開發有限公司)	PRC	US$80,500,000	100%	–	100%	Property development and investment
Shenzhen City Hua Long Property Development Co., Ltd. (深圳市華龍房地產開發有限公司)	PRC	RMB50,000,000	100%	–	100%	Property development and investment
Dongguan SZITIC Property Development Co., Ltd. (東莞市深國投房地產開發有限公司)	PRC	RMB20,000,000	100%	–	100%	Property development and investment
Shenzhen Xiang Sheng Information Consulting Co., Ltd. (深圳市祥盛信息諮詢有限公司)	PRC	RMB5,000,000	100%	–	100%	Provision of consultation services to group companies
Shenzhen Water Flower Property Co., Ltd. (深圳市水榭花都房地產有限公司)	PRC	RMB331,384,021	100%	–	100%	Property development and investment
Shenzhen Top Spring Jun Da Information Consulting Co., Ltd. (深圳萊蒙俊達信息諮詢有限公司)	PRC	RMB10,000,000	100%	–	100%	Provision of consultation services to group companies
Xiang Kang Information Consulting (Shenzhen) Co., Ltd. (祥康信息諮詢 (深圳) 有限公司)	PRC	$1,000,000	100%	–	100%	Provision of consultation services to group companies
Changzhou Top Spring Landmark Real Estate Co., Ltd. (常州萊蒙都會置業有限公司)	PRC	US$39,999,934	100%	–	100%	Property development and investment
Top Spring Realty (Chengdu) Co., Ltd. (萊蒙置業 (成都) 有限公司)	PRC	US$18,750,000	100%	–	100%	Property development and investment
Top Spring International (Yuhang) Landmark Co., Ltd. (萊蒙國際 (余杭) 置業有限公司)	PRC	US$10,000,000	100%	–	100%	Property development and investment
Top Spring Xiang Jun Information Consulting (Shenzhen) Co., Ltd. (萊蒙祥俊信息諮詢 (深圳) 有限公司)	PRC	$1,000,000	100%	–	100%	Provision of consultation services to group companies

(Expressed in Hong Kong dollars unless otherwise indicated)

14 Investments in subsidiaries (Continued)

Name of subsidiary	Place of incorporation/ establishment and operation	Issued and paid-up capital/ registered capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activity
Shenzhen Top Spring Property Services Co., Ltd. (深圳市萊蒙物業服務有限公司)	PRC	RMB3,000,000	100%	–	100%	Provision of property management service
Changzhou Top Spring Taihu Bay Property Development Co., Ltd. (常州萊蒙鵬源太湖灣房地產開發有限公司)	PRC	US$64,800,000	100%	–	100%	Property development and investment
Top Spring Landmark (Fuyang) Co., Ltd. (萊蒙置業 (富陽) 有限公司)	PRC	US$221,480,000	100%	–	100%	Property development and investment
Jun Shun Business Enterprise Consulting (Shenzhen) Co., Ltd. (俊順企業管理諮詢(深圳)有限公司)	PRC	RMB1,000,000	100%	–	100%	Provision of consultation services to group companies
Shenzhen Da Yi Xin Information Consulting Co., Ltd. (深圳市達益鑫信息諮詢有限公司)	PRC	RMB500,000	100%	–	100%	Provision of consultation services to group companies
Shenzhen Jun Xin Da Investment Development Co., Ltd. (深圳市駿鑫達投資發展有限公司)	PRC	RMB10,000,000	100%	–	100%	Provision of consultation services to group companies
Jun Hong Da Information Consulting (Shenzhen) Co., Ltd. (俊鴻達信息諮詢 (深圳) 有限公司)	PRC	RMB1,000,000	100%	–	100%	Provision of consultation services to group companies
Jun Ping Chang Business Enterprise Consulting (Shenzhen) Co., Ltd. (俊平昌企業管理諮詢 (深圳) 有限公司)	PRC	RMB1,000,000	100%	–	100%	Provision of consultation services to group companies
Jun Ang Information Consulting (Shenzhen) Co., Ltd. (俊昂信息諮詢 (深圳) 有限公司)	PRC	RMB1,000,000	100%	–	100%	Provision of consultation services to group companies
Shenzhen Xun Min Information Consulting Co., Ltd. (深圳市旭旻信息諮詢有限公司)	PRC	RMB1,000,000	100%	–	100%	Provision of consultation services to group companies

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

14 Investments in subsidiaries (Continued)

Name of subsidiary	Place of incorporation/ establishment and operation	Issued and paid-up capital/ registered capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Shenzhen Kang Xin Da Investment Limited (深圳市康鑫達投資管理有限公司)	PRC	RMB30,000	100%	–	100%	Provision of investment management services to group companies
Shenzhen Xiang Heng Chang Trading Co., Ltd. (深圳市祥恒昶貿易有限公司)	PRC	RMB500,000	100%	–	100%	Investment holding
Shenzhen Zhen Kang Trading Limited (深圳市臻康貿易有限公司)	PRC	RMB500,000	100%	–	100%	Investment holding
Tianjin Hyperion Construction Co., Ltd. (天津海吉星建設有限公司)	PRC	RMB50,000,000	58%	–	58%	Property development and investment
Tianjin Hyperion Investment Development Co., Ltd. (天津海吉星投資發展有限公司)	PRC	RMB100,000,000	58%	–	58%	Property development and investment

15 Interests in associates

	The Group 2011 $'000	2010 $'000
Share of net assets	**81,977**	104,170

(Expressed in Hong Kong dollars unless otherwise indicated)

15 Interests in associates (Continued)

The following list contains particulars of associates which principally affected the results or assets of the Group:

Name of associate	Proportion of ownership interest Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Tianjin Hyperion Agricultural Products Logistics Co., Ltd. (天津海吉星農產品物流有限公司) ("THAPLCL") (Note (a))	– (2010: 40%)	– (2010: –)	– (2010: 40%)	Wholesale of agricultural products and property development
Shenzhen Prosperity Top Spring Investment Fund Management Company Limited (深圳華盛萊蒙投資基金管理有限公司) ("Shenzhen PTi Fund Management") (Note (b))	40%	–	40%	Investment holding and provision of investment management service
Tianjin Top Spring Tian Gui Equity Investment Funds Partnership (天津萊蒙天貴股權投資基金合夥企業(有限合夥)) ("Tianjin Top Spring Tian Gui") (Note (b))	24.6%	–	24.6%	Equity investment and provision of investment consultancy service

(a) Acquisition of THCCL, THIDCL and disposal of THAPLCL

During the year, the Group made a capital contribution of RMB32,000,000 (equivalent to approximately $38,528,000) to THAPLCL. In addition, the Group made capital contributions of RMB20,000,000 (equivalent to approximately $24,080,000) and RMB40,000,000 (equivalent to approximately $48,262,000) to Tianjin Hyperion Construction Co., Ltd. (天津海吉星建設有限公司) ("THCCL") and Tianjin Hyperion Investment Development Co., Ltd. (天津海吉星投資發展有限公司) ("THIDCL") respectively, representing 40% equity interests in each of the associates.

On 31 July 2011, the Group entered into an agreement with the joint venture partners in relation to the acquisition of additional equity interests in THCCL and THIDCL from 40% to 58% respectively at a total consideration of RMB2,691,000 (equivalent to approximately $3,243,000), and the disposal of the Group's 40% equity interest in THAPLCL at a consideration of RMB120,000,000 (equivalent to approximately $144,613,000), all satisfied by cash (the acquisition and disposal together referred to as the "Transaction"). The Transaction was completed on 31 July 2011 and THCCL and THIDCL became subsidiaries of the Group since that date, resulting in a net gain on disposal of $5,685,000 recognised in the consolidated income statement (see note 5).

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

15 Interest in associates (Continued)

(b) Investments in Shenzhen PTi Fund Management and Tianjin Top Spring Tian Gui

In December 2011, the Group, through a wholly-owned subsidiary, invested RMB4,000,000 (equivalent to approximately $4,820,000), representing 40% equity interest in Shenzhen PTi Fund Management, which owns a wholly-owned subsidiary, Tianjin Prosperity Top Spring Equity Investment Fund Management Company Limited (天津華盛萊蒙股權投資基金管理有限公司) ("Tianjin PTi Fund Management"). Both Shenzhen PTi Fund Management and Tianjin PTi Fund Management are established in the PRC with limited liability.

Shenzhen PTi Fund Management and Tianjin PTi Fund Management are principally in the business of investment holding and provision of investment management services to Tianjin Top Spring Tian Gui, which is limited partnership established in the PRC. Apart from the provision of investment management services, Shenzhen PTi Fund Management is the general partner and investment manager and Tianjin PTi Fund Management is the general partner of Tianjin Top Spring Tian Gui. The Group made capital contributions in the sum of RMB57,660,000 (equivalent to approximately $69,487,000) through its wholly-owned subsidiaries to Tianjin Top Spring Tian Gui, representing 24.6% of the total capital of Top Spring Tian Gui.

The directors are of the opinion that based on the investment structure and pursuant to (i) the Articles of Associations of Shenzhen PTi Fund Management and Tianjin PTi Fund Management; and (ii) the limited partnership agreements of Tianjin Top Spring Tian Gui, the Group has significant influence, but not control or joint control, over Shenzhen PTi Fund Management and Tianjin Top Spring Tian Gui and therefore they are accounted for as associates of the Group.

Summary financial information on associates

	Assets $'000	Liabilities $'000	Equity $'000	Loss $'000
2011				
100 per cent	**310,311**	**(5,314)**	**304,997**	**(8,673)**
Group's effective interest	**83,405**	**(1,428)**	**81,977**	**(2,331)**
2010				
100 per cent	261,101	(1,232)	259,869	(3,320)
Group's effective interest	104,440	(493)	103,947	(1,328)

16 Other financial assets

	The Group 2011 $'000	2010 $'000
Non-current portion:		
Available-for-sale investments, unlisted	**201,344**	125,678
Less: Non-current portion	**(32,292)**	(30,981)
Current portion	**169,052**	94,697

17 Inventories

	The Group 2011 $'000	2010 $'000
Leasehold land held for development for sale	**1,344,066**	494,136
Properties under development for sale	**6,461,246**	3,302,993
Completed properties for sale	**1,361,514**	1,299,567
	9,166,826	5,096,696

(a) The analysis of carrying value of properties is as follows:

	The Group 2011 $'000	2010 $'000
In the PRC		
– under long leases	**7,813,549**	3,601,954
– under medium-term leases	**1,353,277**	1,494,742
	9,166,826	5,096,696
Including:		
– Properties expected to be completed after more than one year	**5,432,537**	1,315,935

(b) The Group's certain properties under development for sale were pledged against bank loans, details of which are set out in note 22.

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(Expressed in Hong Kong dollars unless otherwise indicated)

18 Trade and other receivables

	The Group		The Company	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Debtors, prepayments and deposits (Note (ii))	**526,822**	901,230	**2,540**	7,443
Amounts due from subsidiaries (Note (iii))	**–**	–	**3,278,015**	100,915
Amounts due from related companies (Note (iii))	**–**	–	**–**	96,512
	526,822	901,230	**3,280,555**	204,870

Notes:

(i) The Group's credit policy is set out in note 27(a).

(ii) The Group's balances at 31 December 2011 included deposits and prepayments for acquisition of land use rights of $74,038,000 (2010: $343,262,000).

(iii) The balances are unsecured, interest-free and recoverable on demand.

(iv) All of the Group's trade debtors was not impaired, of which 91% and 95% at 31 December 2010 and 2011 respectively was neither past due nor more than 1 year past due. Receivables which were neither overdue nor impaired relate to a wide range of customers for whom there was no recent history of default. Receivables which were overdue but not impaired relate to independent customers, for which have a good track record of trading with the Group or sufficient rental deposits are held to cover potential exposure to credit risk. Based on past experience, management considers that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable.

(v) Included in trade and other receivables are trade debtors (net of allowance for doubtful debts) with the following ageing analysis at the balance sheet date:

	The Group	
	2011	2010
	$'000	$'000
Current or under 1 month overdue	**23,956**	56,664
More than 1 month overdue and up to 3 months overdue	**15,343**	15,104
More than 3 months overdue and up to 6 months overdue	**1,051**	7,826
More than 6 months overdue and up to 1 year overdue	**1,445**	5,578
More than 1 year overdue	**2,201**	8,589
	43,996	93,761

19 Restricted and pledged deposits

	The Group 2011 $'000	2010 $'000
Restricted deposits (Note (i))	**192,777**	–
Pledged deposits (Note (ii))	**1,497,502**	1,922,351
	1,690,279	1,922,351
Less: Non-current portion (Note (ii))	**(345,508)**	(177,563)
Current portion	**1,344,771**	1,744,788

Notes:

(i) The Group's certain bank deposits which were restricted for use as:

	2011 $'000	2010 $'000
Guarantee deposits for construction costs payables	**73,063**	–
Guarantee deposits for construction of pre-sold properties	**119,714**	–
	192,777	–

In accordance with relevant construction contracts, certain Group's subsidiaries with property development projects are required to place at designated bank accounts certain amount of deposits for potential default in payment of construction costs payables. Such guarantee deposits will only be released after the settlement of the construction costs payables.

In addition, in accordance with relevant documents issued by the PRC State-Owned Land and Resource Bureau, certain Group's subsidiaries with property development projects are required to place in designated bank accounts certain amount of pre-sale proceeds of properties as guarantee deposits for constructions of related properties. The deposits can only be used for purchases of construction materials and the payments of construction fee of the relevant property projects when approval from the PRC State-Owned Land and Resource Bureau is obtained. Such guarantee deposits will only be released after completion of related pre-sold properties or issuance of the real estate ownership certificate, whichever is the earlier.

(ii) Pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group. Deposits amounting to $1,151,994,000 (2010: $1,744,788,000) have been pledged to secure short-term borrowings and are therefore classified as current assets. The remaining deposits amounting to $345,508,000 (2010: $177,563,000) have been pledged to secure long-term borrowings and banking facilities and are therefore classified as non-current assets

The Group's certain bank deposits which were pledged as securities in respect of:

	2011 $'000	2010 $'000
Bank loans (note 22)	**1,496,133**	1,917,483
Mortgage loan facilities granted by the banks to purchasers of the Group's properties	**1,369**	4,868
	1,497,502	1,922,351

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

20 Cash and cash equivalents

(a) Cash and cash equivalents comprise:

	The Group		The Company	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Cash at banks and in hand	**4,540,791**	3,291,157	**53,076**	41,383

(b) Reconciliation of profit before taxation to cash generated from operations:

	Note	**2011** **$'000**	2010 $'000
Profit before taxation		**3,271,427**	1,341,550
Adjustments for:			
Interest income	4	**(56,042)**	(10,221)
Finance costs	6(a)	**425,084**	59,680
Depreciation and amortisation	6(c)	**50,059**	40,973
Valuation gains on investment properties	13(a)	**(360,295)**	(82,005)
Net (gain)/loss on disposal of fixed assets	5	**(116)**	26
Net gain on disposal of a subsidiary	5	**–**	(64,457)
Net gain on disposal of associates	5	**(5,685)**	(1,722)
Fair value change on derivative financial instruments	5	**(56,711)**	–
Equity settled share-based payment expenses	6(b)	**81,508**	6,160
Share of profits less losses of associates		**5,113**	–
Net foreign exchange gain		**(33,317)**	(7,489)
Changes in working capital:			
Increase in inventories		**(2,942,257)**	(1,787,018)
Decrease in trade and other receivables		**540,565**	647,752
(Decrease)/increase in trade and other payables		**(835,673)**	1,664,053
Cash generated from operations		**83,660**	1,807,282

20 Cash and cash equivalents (Continued)

(c) Acquisition of subsidiaries in 2011

On 31 July 2011, the Group acquired additional equity interests in each of its associates, THCCL and THIDCL from 40% to 58% respectively and disposed of its 40% equity interest in THAPLCL (as referred to as the "Transaction" in note 15 (a)). Following the Transaction, THCCL and THIDCL became subsidiaries of the Group.

(i) Fair value of net assets acquired:

	$'000
Inventories	**492,167**
Trade and other receivables	**119,957**
Cash and cash equivalents	**106,266**
Trade and other payables	**(563,937)**
Deferred tax liabilities	**(1,495)**
Net assets	**152,958**
Less: Share of net assets by the Group immediately before the acquisition	**(73,032)**
Share of net assets by non-controlling shareholers	**(76,683)**
Considerations paid in cash	**3,243**

(ii) Analysis of net cash inflow of cash and cash equivalents in respect of the acquisition of subsidiaries:

	$'000
Cash considerations paid	**(3,243)**
Cash acquired	**106,266**
	103,023

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(Expressed in Hong Kong dollars unless otherwise indicated)

20 Cash and cash equivalents (Continued)

(d) Disposal of a subsidiary in 2010

During the year ended 31 December 2010, the Group disposed of all its equity interest in a subsidiary to an independent third party at a total consideration of $125,884,000.

(i) Net assets disposed:

	$'000
Fixed assets	694
Inventories	163,177
Trade and other receivables	23
Cash and cash equivalents	1,304
Trade and other payables	(21,721)
Tax payable	(7)
Non-controlling interests	(82,043)
Net assets	61,427
Net gain on disposal of a subsidiary	64,457
	125,884
Satisfied by:	
Cash	91,766
Debtors	34,118
	125,884

(ii) Analysis of net cash inflow of cash and cash equivalents in respect of the disposal of a subsidiary:

	$'000
Cash consideration received	91,766
Cash disposed of	(1,304)
	90,462

(e) Significant non-cash transactions

The Group incurred payables of $772,566,000 and $422,208,000 to contractors for additions of properties under development during the years ended 31 December 2010 and 2011 respectively.

21 Trade and other payables

	The Group		The Company	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Creditors and accrued charges	**1,847,526**	1,320,389	**30,300**	654
Rental and other deposits	**74,125**	56,669	**–**	–
Receipts in advance	**3,099,396**	4,074,316	**–**	–
Amounts due to subsidiaries (Note (i))	**–**	–	**1,249,085**	274,110
Amounts due to non-controlling shareholders (Note (i))	**167,419**	–	**–**	–
Amounts due to related companies (Note (i))	**–**	45,553	**–**	11,670
	5,188,466	5,496,927	**1,279,385**	286,434

Notes:

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

(ii) Included in trade and other payables are trade creditors with the following ageing analysis at the balance sheet date:

	The Group	
	2011	2010
	$'000	$'000
Due within 1 month or on demand	**875,490**	719,530
Due after 1 month but within 3 months	**1,548**	2,008
Due after 3 months but within 6 months	**132,161**	15,195
Due after 6 months but within 1 year	**330,118**	17,094
Due after 1 year	**50,475**	196,607
	1,389,792	950,434

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22 Bank and other loans

At 31 December 2011, the bank and other loans were analysed as follows:

	The Group		The Company	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Bank loans				
– Secured	**5,001,611**	4,457,583	**–**	–
– Unsecured	**941,635**	1,908,208	**–**	–
	5,943,246	6,365,791	**–**	–
Other loans				
– Secured	**1,249,826**	–	**387,883**	–
	7,193,072	6,365,791	**387,883**	–

At 31 December 2011, bank and other loans were repayable as follows:

	The Group		The Company	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Within one year and included in current liabilities	**1,720,066**	2,882,969	**–**	–
After one year and included in non-current liabilities:				
After one year but within two years	**1,590,406**	2,651,982	**–**	–
After two years but within five years	**2,432,699**	830,840	**387,883**	–
After five years	**1,449,901**	–	**–**	–
	5,473,006	3,482,822	**387,883**	–
	7,193,072	6,365,791	**387,883**	–

22 Bank and other loans (Continued)

Notes:

(i) The bank loans bear interest ranging from 0.93% to 9.95% and 0.85% to 11.15% per annum at 31 December 2010 and 2011 respectively, and are secured by the following assets:

	The Group	
	2011	2010
	$'000	$'000
Investment properties	**2,403,554**	1,727,770
Hotel properties	**–**	390,678
Properties under development for sale	**2,502,994**	650,243
Pledged deposits	**630,602**	1,917,483
Total	**5,537,150**	4,686,174

(ii) Included in the bank loans at 31 December 2011 was an entrusted loan amounting to RMB400,000,000 (2010: RMB400,000,000) (equivalent to approximately $492,731,000 (2010: $493,583,000)) provided by CITIC Trust Co., Ltd., an independent third party. The loan is secured by 100% equity interest in a subsidiary. The loan is interest-bearing at 9.18% (2010: 9.18%) per annum and repayable within one year.

(iii) Included in the bank loans at 31 December 2010 was an entrusted loan amounting to RMB300,000,000 (equivalent to approximately $355,125,000) provided by Huarong International Trust Co., Ltd., an independent third party. The loan was secured by the investment properties of the Group and guaranteed by Top Spring Holdings Limited, a related company of the Group. The loan was interest-bearing at 6.68% per annum and fully repaid during 2011.

(iv) At 31 December 2011, the other loans provided by independent third parties were interest-bearing at rates ranging from 18.33% to 23.13% per annum and secured by equity interests in certain subsidiaries within the Group.

The Group's other loans are subject to the fulfilment of covenants relating to certain financial ratios requirement. If the Group were to breach the covenants the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 27(b). At 31 December 2011, none of the covenants relating to drawn down facilities had been breached.

23 Loan from an associate

The loan from an associate represents an entrusted loan which is unsecured, interest-bearing at 11.31% per annum and repayable within three years.

24 Derivative financial instruments

Derivative financial instruments arising from other loans are expected to be recognised as income after more than one year. The estimate of the fair value of the derivative financial instruments is measured based on a binomial model.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

25 Equity settled share-based transactions

(a) Pre-IPO share option scheme

The Company has a pre-IPO share option scheme which was adopted on 2 December 2010 whereby the directors of the Company are authorised, at their discretion, to invite employees of the Group, including directors of any company in the Group, to take up options at consideration of $1.00 per grant to subscribe for shares of the Company. On 3 December 2010, a total number of 34,371,667 share options were granted under the pre-IPO share option scheme. The options fully vest after three years from the Listing Date or, as the case may be, the first anniversary date of the employment commencement date of the relevant grantees, and are then exercisable within a period of 10 years from the date of grant. The exercise price per share is $2.49, being 40% of the price of IPO of shares of the Company. Each option gives the holder the right to subscribe for one ordinary share in the Company and is settled gross in shares.

No share options were granted or exercised under the pre-IPO share option scheme during the year ended 31 December 2011. A total number of 2,508,332 (2010: Nil) share options were cancelled during the year ended 31 December 2011 and 31,863,335 (2010: 34,371,667) share options were outstanding at 31 December 2011.

(i) The terms and conditions of the grants are as follows:

	Number of instruments	Vesting conditions	Contractual life of options
Options granted to a director:			
– on 3 December 2010	1,166,667	One year (30%), two years (60%) and three years (100%) from the Listing Date	10 years
Options granted to senior management and employees:			
– on 3 December 2010	33,205,000	One year (30%), two years (60%) and three years (100%) from the Listing Date	10 years
Total share options granted	34,371,667		

25 Equity settled share-based transactions (Continued)

(a) Pre-IPO share option scheme (Continued)

(ii) The number and weighted average exercise price of share options are as follows:

	2011 Number of options '000	2010 Number of options '000
Outstanding at the beginning of the year	**34,372**	–
Granted during the year	**–**	34,372
Cancelled during the year	**(2,509)**	–
Outstanding at the end of the year	**31,863**	34,372
Exercisable at the end of the year	**–**	–

No share options were exercised during the year.

The share options outstanding at 31 December 2011 had a weighted average exercise price of $2.49 and a weighted average remaining contractual life of 8.9 (2010: 9.9) years. The weighted average exercise price of share options at 31 December 2010 cannot be determined as the price of IPO of shares of the Company was not available.

(iii) *Fair value of share options and assumptions*

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a binomial lattice model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the binomial lattice model.

Fair value of share options and assumptions

Fair value at measurement date	$5.64
Estimated share price	$8.63
Estimated exercise price	$3.45
Expected volatility (expressed as weighted average volatility used in the modelling under binomial lattice model)	51%
Option life (expressed as weighted average life used in the modelling under binomial lattice model)	10 years
Expected dividends	1.20%
Risk-free interest rate (based on Hong Kong Government Bond)	2.638%

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

25 Equity settled share-based transactions (Continued)

(a) Pre-IPO share option scheme (Continued)

(iii) Fair value of share options and assumptions (Continued)

The expected volatility is based on the price volatility of the shares of comparable companies which are listed and publicly traded in the Stock Exchange over the most recent period. Expected dividends are derived based on expected dividend payout ratio of the Company.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

(b) Share award scheme

The Company has a share award scheme which was adopted on 2 December 2010. Under the share award scheme, a total number of 6,452,000 (after capitalisation issue) shares of the Company was awarded to certain employees of the Group as a means of recognising their contributions to the early development of the Group and aligning their interests with the shareholders of the Company. The eligible employees received an offer to be granted by the awarded shares at nil consideration but subject to a six-month lock-up period. The awarded shares fully vest after three years from the date of award and are valid and effective for unlimited period unless a triggering event has arisen upon the occurrence of certain events. The shares awarded by the Company will be settled with the shares (after capitalisation issue) held by a share award trust.

No shares were awarded under the share award scheme during the year ended 31 December 2011. A total number of 460,000 (2010: Nil) awarded shares were cancelled during the year ended 31 December 2011 and 5,992,000 awarded shares were outstanding at 31 December 2011.

(i) The terms and conditions of the grants are as follows:

	Number of instruments	Vesting conditions
Shares awarded to employees:		
– on 3 December 2010	6,452,000	One year (30%), two years (60%) and three years (100%) from the date of award

25 Equity settled share-based transactions (Continued)

(b) Share award scheme (Continued)

(ii) Fair value of awarded shares and assumptions

The fair value of services received in return for awarded shares is measured by reference to the fair value of awarded shares. The estimate of the fair value of the awarded shares is measured based on a revaluation method of market approach with option-based pricing model adopted to account for the vesting condition. The significant inputs into the model included estimated fair value of shares at the grant date, expected dividends, risk-free interest rate and expected volatility rate.

The expected volatility is based on the price volatility of the shares of comparable companies which are listed and publicly traded in the Stock Exchange over the most recent period. Expected dividends are derived based on expected dividend payout ratio of the Company.

(c) Share option scheme

The Company has a share option scheme which was adopted on 28 February 2011 to recognise and acknowledge the contributions that the employees and directors have made or may make to the Group.

An option under the share option scheme may be exercised in accordance with the terms of the share option scheme at any time during a period as determined by the directors of the Company, which must not be more than 10 years from the date of grant.

No share options were granted under the share option scheme during the year ended 31 December 2011.

26 Capital, reserves and dividends

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Share capital $'000	Share premium $'000	Capital reserve $'000	Retained profits/ (accumulated losses) $'000	Total $'000
Balance at 1 January 2010	12	–	–	(3,334)	(3,322)
Changes in equity for 2010:					
Loss and total comprehensive income for the year	–	–	–	(36,577)	(36,577)
Equity settled share-based transactions	–	–	6,160	–	6,160
Arising from Reorganisation	12	–	–	–	12
Balance at 31 December 2010 and 1 January 2011	**24**	**–**	**6,160**	**(39,911)**	**(33,727)**
Changes in equity for 2011:					
Profit and total comprehensive income for the year	**–**	**–**	**–**	**349,660**	**349,660**
Capitalisation issue (Note (c)(i))	**74,976**	**(74,976)**	**–**	**–**	**–**
Issuance of new shares under IPO, net of issuing expenses (Notes (c)(ii) and (iii))	**25,041**	**1,469,178**	**–**	**–**	**1,494,219**
Dividend declared in respect of the current year (Note (b))	**–**	**–**	**–**	**(150,062)**	**(150,062)**
Equity settled share-based transactions	**–**	**–**	**81,508**	**–**	**81,508**
Share options and awarded shares cancelled	**–**	**–**	**(4,288)**	**–**	**(4,288)**
Balance at 31 December 2011	**100,041**	**1,394,202**	**83,380**	**159,687**	**1,737,310**

26 Capital, reserves and dividends (Continued)

(b) Dividends

Dividends payable to equity shareholders of the Company attributable to profit for the year

	2011 $'000	2010 $'000
Interim dividend declared and paid of 15 cents (2010: Nil) per ordinary share	**150,062**	–
Final dividend proposed after the balance sheet date of 15 cents (2010: Nil) per ordinary share	**150,062**	–
	300,124	–

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

(c) Share capital

	The Company			
	2011		2010	
	No. of shares '000	**Amount $'000**	No. of shares '000	Amount $'000
Authorised:				
Ordinary shares of $0.10 each	**1,000,414**	**100,041**	5,000,000	500,000
Ordinary shares, issued and fully paid:				
At 1 January	**234**	**24**	117	12
Arising from Reorganisation	**–**	**–**	117	12
Capitalisation issue (Note (i))	**749,766**	**74,976**	–	–
Issuance of new shares under IPO (Notes (ii) and (iii))	**250,414**	**25,041**	–	–
At 31 December	**1,000,414**	**100,041**	234	24

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

26 Capital, reserves and dividends (Continued)

(c) Share capital (Continued)

Notes:

(i) On 28 February 2011, pursuant to a written resolution of the shareholders, the Company allotted and issued 749,764,706 shares of $0.10 each to the then existing shareholders of the Company. This resolution was conditional on the share premium account being credited as a result of the Company's IPO and pursuant to this resolution, a sum of $74,976,000 standing to the credit of the share premium account was subsequently applied in paying up this capitalisation in full.

(ii) On 23 March 2011, the Company was successfully listed on the Stock Exchange following the completion of its IPO of 250,000,000 shares of $0.10 each issued at a price of $6.23 per share. The proceeds of $25,000,000 representing the par value, were credited to the Company's share capital. The remaining proceeds of $1,466,752,000, after the issuing expenses of $65,748,000, were credited to the share premium account.

(iii) On 15 April 2011, the Company issued 413,500 shares of $0.10 each, at a price of $6.23 per share upon the exercise of the over-allotment option in connection with the IPO. The proceeds of $41,000 representing the par value, were credited to the Company's share capital. The remaining proceeds of $2,426,000, after the issuing expenses of $109,000, were credited to the share premium account.

(d) Nature and purpose of reserves

(i) Share premium

The share premium account is governed by the Companies Law of the Cayman Islands and may be applied by the Company subject to the provisions, if any, of its memorandum and articles of association in paying distributions or dividends to equity shareholders.

No distribution or dividend may be paid to the equity shareholders out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.

(ii) Capital reserve

The capital reserve comprises the portion of the grant date fair value of awarded shares and unexercised share options granted to employees of the Company that has been recognised in accordance with the accounting policy adopted for share-based payments in note 2(p)(ii).

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 2(t).

26 Capital, reserves and dividends (Continued)

(d) Nature and purpose of reserves (Continued)

(iv) PRC statutory reserves

PRC statutory reserves include general reserve, statutory surplus reserve and statutory public welfare fund.

General reserve

The general reserve is non-distributable and the transfer to this reserve is determined by the board of directors in accordance with the relevant laws and regulations of the PRC. This reserve can be used to offset accumulated losses and increase capital upon approval from the relevant authorities.

Statutory surplus reserve

According to the PRC Company Law, the PRC subsidiaries of the Group (excluding foreign investment enterprises) are required to transfer 10% of their profit after taxation, as determined under the PRC Accounting Regulations, to the statutory surplus reserve until the reserve balance reaches 50% of their registered capital. The transfer to this reserve must be made before distribution of a dividend to shareholders.

Statutory reserve fund can be used to make good previous years' losses, if any, and may be converted into share capital by the issue of new shares to shareholders in proportion to their existing shareholders or by increasing the par value of the shares currently held by them, provided that the balance after such issue is not less than 25% of the registered capital.

Statutory public welfare fund

Prior to 1 January 2006, according to the then PRC Company Law, the PRC subsidiaries of the Group (excluding foreign investment enterprises) were required to transfer 5% to 10% of their profit after taxation, as determined under the PRC Accounting Regulations, to the statutory public welfare fund. This fund could only be utilised on capital items for the collective benefits of the Group's employees such as the construction of dormitories, canteens and other staff welfare facilities. This fund was non-distributable other than in liquidation. The transfer to this reserve must be made before distribution of a dividend to shareholders.

From 1 January 2006, according to the revised PRC Company Law, the PRC subsidiaries of the Group (excluding foreign investment enterprises) are not required to make such transfers.

(v) Property revaluation reserve

Property revaluation reserve has been set up and is dealt with in accordance with the accounting policies adopted for other land and buildings in note 2(g)(ii).

26 Capital, reserves and dividends (Continued)

(d) Nature and purpose of reserves (Continued)

(vi) Other reserve

The other reserve represents:

(1) The difference between the consideration received and the net book value of Joinbest Enterprises Limited ("JEL") and its subsidiaries for the deemed disposal of partial interests in JEL. The deemed disposal was resulted from the issuance of 1 ordinary share of JEL at premium upon conversion of convertible notes held by a third party on 18 June 2006.

(2) The differences between the consideration paid and the net book value of certain subsidiaries for the acquisition of additional interests in these subsidiaries from non-controlling shareholders in prior years.

(3) The deemed contributions from ultimate shareholder represent the transfer of investment costs in JEL, Le Leman International (Yuhang) Limited, Glory Wise Limited, Fullshine Group Limited and Fortune Mega International Limited at nil consideration pursuant to the Reorganisation.

(4) The difference between the consideration paid and the net book value of Shenzhen SZITIC Property Development Co., Ltd. ("SZITIC Property") and its subsidiaries for the acquisition of additional interests in SZITIC Property from the non-controlling shareholder in 2010.

(5) The increase in other reserve arising from the Reorganisation to rationalise the group structure in preparation for the listing of the Company's shares on the Stock Exchange.

(6) The waiver of repayment of amount due to a related company. In December 2010, the Group entered into an agreement with a related company beneficially owned by a shareholder of the Company whereby repayment of amount due to the related company of $350,000,000 was waived.

(e) Distributability of reserves

At 31 December 2011, the aggregate amount of the Company's reserves available for distribution to equity shareholders of the Company, as calculated in accordance with the Companies Law of the Cayman Islands and the Company's memorandum and articles of association, was $1,637,269,000 (2010: $Nil). After the balance sheet date the directors proposed a final dividend of 15 cents per ordinary share (2010: $Nil), amounting to $150,062,000 (2010: $Nil) (note 26(b)). This dividend has not been recognised as a liability at the end of balance sheet date.

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to fund its property development projects, provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

26 Capital, reserves and dividends (Continued)

(f) Capital management (Continued)

Consistent with industry practice, the Group monitors its capital structure on the basis of a gearing ratio, which is net debt divided by total equity at the balance sheet date. For this purpose, the Group defines net debt as total bank and other loans less restricted and pledged deposits and cash and cash equivalents.

The Group's gearing ratio at the balance sheet date was as follows:

	2011 $'000	2010 $'000
Current liabilities:		
Bank and other loans	**1,720,066**	2,882,969
Non-current liabilities:		
Bank and other loans	**5,473,006**	3,482,822
Loan from an associate	**238,738**	–
Total bank and other loans	**7,431,810**	6,365,791
Less: Restricted and pledged deposits	**(1,690,279)**	(1,922,351)
Cash and cash equivalents	**(4,540,791)**	(3,291,157)
Net debt	**1,200,740**	1,152,283
Total equity	**3,520,465**	762,867
Gearing ratio	**34.1%**	151.0%

27 Financial risk management and fair values

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to bank deposits, and trade and other receivables. The Group maintains a defined credit policy and the exposures to these credit risks are monitored on an ongoing basis.

Cash is deposited with financial institutions with sound credit ratings and the Group has exposure limit to any single financial institution. Given their high credit ratings, management does not expect any of these financial institutions will fail to meet their obligations.

In respect of rental income from leasing properties, sufficient rental deposits are held to cover potential exposure to credit risk. An ageing analysis of the receivables is prepared on a regular basis and is closely monitored to minimise any credit risk associated with these receivables. Adequate impairment losses have been made for estimated irrecoverable amounts.

The Group has no concentration of credit risk in view of its large number of customers. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated balance sheet. Except for the financial guarantees given by the Group as set out in note 29, the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the balance sheet date is disclosed in note 29.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 18.

(b) Liquidity risk

Individual subsidiaries within the Group are responsible for their own cash management, including the raising of loans to cover the expected cash demands, subject to approval by the Company's board of directors. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed funding lines from major financial institutions to meet its liquidity requirements in the short and longer term.

27 Financial risk management and fair values (Continued)

(b) Liquidity risk (Continued)

The following table details the remaining contractual maturities at the balance sheet date of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group can be required to pay:

	2011 Contractual undiscounted cash outflow					
	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	More than 5 years $'000	Total $'000	Carrying amount $'000
Bank and other loans	**2,328,890**	**2,471,906**	**2,556,954**	**1,948,546**	**9,306,296**	**7,193,072**
Loan from an associate	**21,884**	**21,884**	**243,594**	**–**	**287,362**	**238,738**
Derivative financial instruments	**–**	**13,641**	**–**	**–**	**13,641**	**13,641**
Creditors and accrued charges	**1,797,051**	**10,590**	**39,885**	**–**	**1,847,526**	**1,847,526**
Amounts due to non-controlling shareholders	**167,419**	**–**	**–**	**–**	**167,419**	**167,419**
	4,315,244	**2,518,021**	**2,840,433**	**1,948,546**	**11,622,244**	**9,460,396**

	2010 Contractual undiscounted cash outflow					
	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	More than 5 years $'000	Total $'000	Carrying amount $'000
Bank and other loans	3,308,904	2,219,873	1,418,928	–	6,947,705	6,365,791
Creditors and accrued charges	1,320,389	–	–	–	1,320,389	1,320,389
Amounts due to related companies	45,553	–	–	–	45,553	45,553
	4,674,846	2,219,873	1,418,928	–	8,313,647	7,731,733

27 Financial risk management and fair values (Continued)

(c) Interest rate risk

The Group's interest rates risk arises primarily from cash and cash equivalents, restricted and pledged deposits and borrowings issued at variable rates.

The Group does not anticipate significant impact to cash and cash equivalents and the restricted and pledged deposits because the interest rates of bank deposits are not expected to change significantly.

The interest rates and terms of repayment of bank and other loans of the Group are disclosed in note 22 to the financial statements. The Group does not carry out any hedging activities to manage its interest rate exposure.

Sensitivity analysis

At 31 December 2011, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit after tax and total equity attributable to equity shareholders of the Company by approximately $10,976,000 (2010: $11,523,000) in response to the general increase/decrease in interest rates.

The sensitivity analysis above has been determined assuming that the changes in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at that date. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for the years 2010 and 2011.

(d) Currency risk

Almost all of the Group's operating activities are carried out in the PRC with most of the transactions denominated in Renminbi. The Group is exposed to foreign currency risk arising from the exposure of Renminbi against Hong Kong dollars as a result of its investment in the PRC and the settlement of certain of the general and administrative expenses and other loans in Hong Kong dollars or United States dollars. In addition, Renminbi is not freely convertible into foreign currencies and the conversion of Renminbi into foreign currencies is subject to rules and regulations of the foreign exchange control promulgated by the PRC government.

(e) Equity price risk

The Group is exposed to equity price risk arising from changes in the Company's own share price to the extent that the Company's own equity instruments underlie the fair values of derivatives of the Group. At the balance sheet date the Group is exposed to this risk through derivative financial instruments as disclosed in note 24.

At 31 December 2011, a reasonably possible increase/decrease of 5% (2010: 5%) in the relevant stock market index of the Company, with all other variables held constant, the impact on the Group's and the Company's profit after tax and total equity is not expected to be material.

27 Financial risk management and fair values (Continued)

(f) Fair values

(i) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at the balance sheet date across the three levels of the fair value hierarchy defined in HKFRS 7, *Financial instruments: Disclosures*, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

– Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments

– Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data

– Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

At 31 December 2011, the Group's only financial instruments carried at fair value are derivative financial instruments (see note 24), which is measured based on a binomial lattice model. The Group's derivative financial instruments fall into Level 2 of the fair value hierarchy described above.

(ii) Fair values of financial instruments carried at other than fair value

Other financial assets and liabilities as presented in the Group's consolidated and Company balance sheets are carried at amounts not materially different from their fair values at 31 December 2010 and 2011.

28 Commitments

(a) Capital commitments outstanding at 31 December 2011 not provided for in the Group's financial statements were as follows:

	2011 $'000	2010 $'000
Contracted for	**1,419,165**	3,265,516
Authorised but not contracted for	**3,481,418**	8,303
	4,900,583	3,273,819

Capital commitments mainly related to development expenditure for the Group's properties under development.

In addition, the Group was committed at 31 December 2011 to make donations of $6,170,000 (2010: $7,102,000) to a charitable institution of RMB1,000,000 per annum until 2016.

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(Expressed in Hong Kong dollars unless otherwise indicated)

28 Commitments

(b) At 31 December 2011, the Group's total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2011 $'000	2010 $'000
Within 1 year	**12,328**	13,408
After 1 year but within 5 years	**23,343**	24,757
	35,671	38,165

The Group is the lessee in respect of a number of building facilities under operating leases. The leases typically run for an initial period of 1 to 5 years, with an option to renew the lease all terms are renegotiated. None of the leases includes contingent rentals.

29 Contingent liabilities

	2011 $'000	2010 $'000
Guarantees given to financial institutions for mortgage loan facilities granted to purchasers of the Group's properties	**4,441,859**	3,229,358

30 Material related party transactions

(a) Except as disclosed is elsewhere to the financial statements, material related party transactions identified during the years and balances with these parties at those dates are summarised as follows:

	2011 $'000	2010 $'000
Other interest income received and receivable from related parties	–	137
Sale of a property to key management personnel	**2,875**	6,191

The directors of the Company are of the opinion that the above related party transactions were conducted on normal commercial terms and in the ordinary course of business.

(b) Remuneration of key management personnel, including amounts paid to the directors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9, is as follows:

	2011 $'000	2010 $'000
Short-term employee benefits	**54,298**	32,400
Post-employment benefits	**280**	110
	54,578	32,510

(c) At 31 December 2010, Top Spring Holdings Limited, a related company of the Group, provided guarantee for the Group's borrowings of $355,125,000 (see note 22(iii)).

31 Non-adjusting post balance sheet event

After the balance sheet date, the directors proposed a final dividend. Further details are disclosed in note 26(b).

32 Immediate parent and ultimate holding company

The directors consider the immediate parent and ultimate holding company of the Group to be Chance Again Limited, which is incorporated in the BVI. This entity does not produce financial statements available for public use.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

33 Accounting judgements and estimates

The key sources of estimation uncertainty and critical accounting judgements in applying the Group's accounting policies are described below.

(a) Valuation of investment properties

As described in note 13, investment properties and investment properties under development are stated at fair value based on the valuation performed by an independent firm of professional valuers.

In determining the fair value of investment properties, the valuers have based on a method of valuation which involves, inter alia, certain estimates including current market rents for similar properties in the same location and condition, appropriate discount rates and expected future market rents. In relying on the valuation report, management has exercised their judgement and is satisfied that the method of valuation is reflective of the current market conditions.

Investment properties under development are valued by estimating the fair value of such properties as if they were completed in accordance with the relevant development plan and then deducting from that amount the estimated costs to complete the construction, financing costs and a reasonable profit margin.

(b) Impairment of non-current assets

If circumstances indicate that the carrying amounts of fixed assets (other than investment properties) may not be recoverable, the assets may be considered impaired and are tested for impairment. An impairment loss is recognised when the asset's recoverable amount has declined below its carrying amount. The recoverable amount is the greater of the fair value less costs to sell and value in use. In determining the recoverable amount which requires significant judgements, the Group estimates the future cash flows to be derived from continuing use and ultimate disposal of the asset and applies an appropriate discount rate to these future cash flows.

(c) Write-down of inventories for property development

Management performs a regular review on the carrying amounts of inventories for property development. Based on management's review, write-down of inventories for property development will be made when the estimated net realisable value has declined below the carrying amount.

In determining the net realisable value of completed properties for sale, management refers to prevailing market data such as recent sales transactions, market survey reports available from independent property valuers and internally available information, as bases for evaluation.

In respect of leasehold land held for development for sale and properties under development for sale, the estimate of net realisable value requires the application of a risk-adjusted discount rate to estimate future discounted cash flows to be derived from these properties. These estimates require judgement as to the anticipated sale prices by reference to recent sales transactions in nearby locations, rate of new property sales, marketing costs (including price discounts required to stimulate sales) and the expected costs to completion of properties, the legal and regulatory framework and general market conditions.

(d) LAT

As explained in note 7(a), LAT is levied on properties developed by the Group in the PRC for sale, at progressive rates ranging from 30% to 60% on the appreciation of land value, which under the applicable regulations is calculated based on the proceeds of sale of properties less deductible expenditures including lease charges of land use right, borrowing costs and all qualified property development expenditures. Given the uncertainties of the calculation basis of LAT as interpreted by the local tax bureau, the actual outcomes may be higher or lower than those estimated at each balance sheet date. Any increase or decrease in actual outcomes/estimates would affect income statement in the future years.

(Expressed in Hong Kong dollars unless otherwise indicated)

34 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2011

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and five new standards which are not yet effective for the year ended 31 December 2011 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 7, *Financial instruments: Disclosures – Transfers of financial assets*	1 July 2011
Amendments to HKAS 12, *Income taxes – Deferred tax: Recovery of underlying assets*	1 January 2012
Amendments to HKAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*	1 July 2012
HKFRS 10, *Consolidated financial statements*	1 January 2013
HKFRS 11, *Joint arrangements*	1 January 2013
HKFRS 12, *Disclosures of interests in other entities*	1 January 2013
HKFRS 13, *Fair value measurement*	1 January 2013
HKAS 27, *Separate financial statements* (2011)	1 January 2013
HKAS 28, *Investments in associates and joint ventures*	1 January 2013
Revised HKAS 19, *Employee benefits*	1 January 2013
HKFRS 9, *Financial instruments*	1 January 2015

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

Five-Year Financial Summary

Consolidated Income Statement

	For the year ended 31 December				
	2011	2010	2009	2008	2007
	$'000	$'000	$'000	$'000	$'000
Turnover	**5,861,312**	2,759,894	3,228,072	662,218	679,583
Direct costs	**(1,982,177)**	(1,074,302)	(2,110,780)	(335,388)	(315,134)
Gross profit	**3,879,135**	1,685,592	1,117,292	326,830	364,449
Valuation gains on investment properties	**360,295**	82,005	179,978	152,867	50,146
Other revenue	**81,998**	12,989	14,550	12,420	21,570
Other net income/(loss)	**48,640**	60,153	(2,582)	9,867	120,243
Selling and marketing expenses	**(173,426)**	(123,371)	(70,721)	(72,544)	(33,869)
Administrative expenses	**(495,018)**	(316,138)	(207,288)	(163,465)	(96,957)
Profit from operations	**3,701,624**	1,401,230	1,031,229	265,975	425,582
Finance costs	**(425,084)**	(59,680)	(6,375)	(3,767)	(33,857)
Share of losses of associates	**(5,113)**	–	–	–	(2,832)
Profit before taxation	**3,271,427**	1,341,550	1,024,854	262,208	388,893
Income tax	**(2,249,825)**	(857,128)	(501,362)	(159,037)	(209,054)
Profit for the year	**1,021,602**	484,422	523,492	103,171	179,839
Attributable to:					
Equity shareholders of the Company	**1,021,900**	494,723	376,586	9,465	121,262
Non-controlling interests	**(298)**	(10,301)	146,906	93,706	58,577
Profit for the year	**1,021,602**	484,422	523,492	103,171	179,839
Basic earnings per share ($)	**1.08**	0.66	0.50	0.01	0.16

Consolidated Statement of Comprehensive Income

	For the year ended 31 December				
	2011	2010	2009	2008	2007
	$'000	$'000	$'000	$'000	$'000
Profit for the year	**1,021,602**	484,422	523,492	103,171	179,839
Other comprehensive income for the year					
Surplus on revaluation of other land and buildings, net of tax	**49,843**	–	–	–	–
Exchange differences on translation of financial statements of PRC subsidiaries, net of nil tax	**160,245**	106,251	2,191	45,744	50,656
Share of other comprehensive income of associates, net of nil tax	**1,917**	–	–	–	–
Total comprehensive income for the year	**1,233,607**	590,673	525,683	148,915	230,495
Attributable to:					
Equity shareholders of the Company	**1,231,394**	595,139	376,957	44,369	154,102
Non-controlling interests	**2,213**	(4,466)	148,726	104,546	76,393
Total comprehensive income for the year	**1,233,607**	590,673	525,683	148,915	230,495

Five-Year Financial Summary

Consolidated Balance Sheet

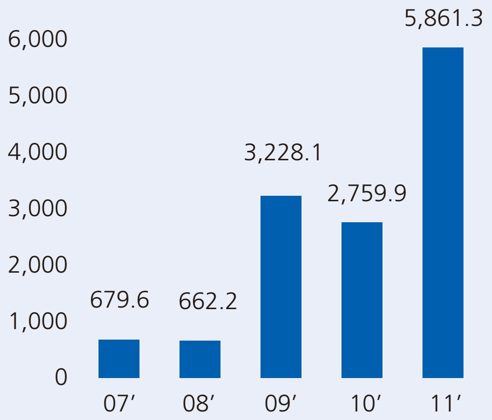
	At 31 December									
	2011		2010		2009		2008		2007	
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Non-current assets										
Fixed assets										
– Investment properties		**2,942,217**		2,253,221		1,981,606		1,799,490		1,021,073
– Other property, plant and equipment		**479,542**		533,740		517,735		585,281		299,800
– Interests in leasehold land held for own use under operating leases		**29,117**		19,519		5,142		3,885		3,836
		3,450,876		2,806,480		2,504,483		2,388,656		1,324,709
Interests in associates		**81,977**		104,170		65,058		64,956		61,429
Other financial assets		**32,292**		30,981		–		2,821		2,668
Restricted and pledged deposits		**345,508**		177,563		–		–		–
Deferred tax assets		**719,150**		295,030		111,538		87,940		60,334
		4,629,803		3,414,224		2,681,079		2,544,373		1,449,140
Current assets										
Inventories	**9,166,826**		5,096,696		3,057,999		3,452,406		2,345,686	
Other financial assets	**169,052**		94,697		–		–		–	
Trade and other receivables	**526,822**		901,230		1,500,229		767,428		616,842	
Restricted and pledged deposits	**1,344,771**		1,744,788		1,314,860		105,283		269,922	
Cash and cash equivalents	**4,540,791**		3,291,157		1,282,905		546,907		596,982	
	15,748,262		11,128,568		7,155,993		4,872,024		3,829,432	
Current liabilities										
Trade and other payables	**5,188,466**		5,496,927		3,560,819		4,253,341		2,593,191	
Bank and other loans	**1,720,066**		2,882,969		571,580		1,428,085		980,766	
Tax payable	**3,879,498**		1,764,063		944,981		586,226		513,742	
	10,788,030		10,143,959		5,077,380		6,267,652		4,087,699	
Net current assets/(liabilities)		**4,960,232**		984,609		2,078,613		(1,395,628)		(258,267)
Total assets less current liabilities		**9,590,035**		4,398,833		4,759,692		1,148,745		1,190,873
Non-current liabilities										
Bank and other loans	**5,473,006**		3,482,822		3,247,411		187,455		631,432	
Loan from an associate	**238,738**		–		–		–		–	
Loans from non-controlling shareholders	**–**		–		–		–		214,546	
Derivative financial instruments	**13,641**		–		–		–		–	
Deferred tax liabilities	**344,185**		153,144		113,612		73,630		–	
		6,069,570		3,635,966		3,361,023		261,085		845,978
NET ASSETS		**3,520,465**		762,867		1,398,669		887,660		344,895

Five-Year Financial Summary

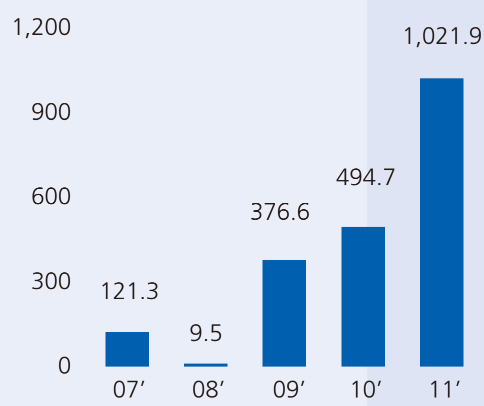
	At 31 December									
	2011		2010		2009		2008		2007	
	$'000	**$'000**	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
CAPITAL AND RESERVES										
Share capital		**100,041**		24		124		112		–
Reserves		**3,319,885**		762,843		897,787		525,026		128,273
Total equity attributable to equity shareholders of the Company		**3,419,926**		762,867		897,911		525,138		128,273
Non-controlling interests		**100,539**		–		500,758		362,522		216,622
TOTAL EQUITY		**3,520,465**		762,867		1,398,669		887,660		344,895

Five-Year Financial Summary

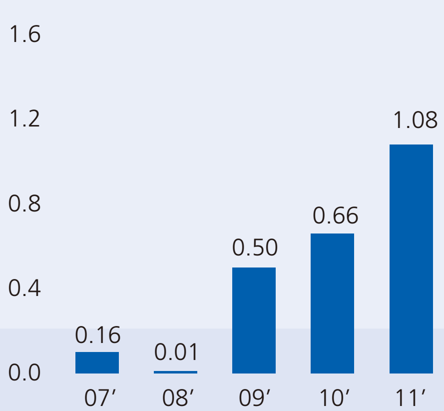
Turnover
($ million)



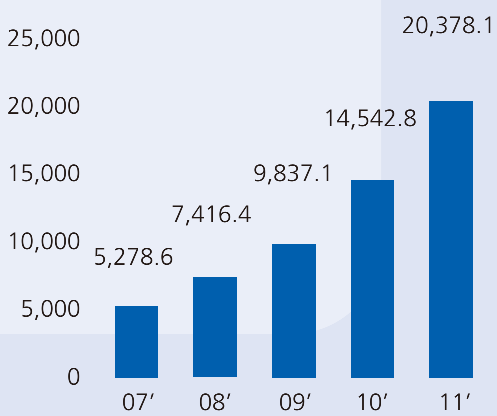
Profit attributable to equity shareholders of the Company
($ million)



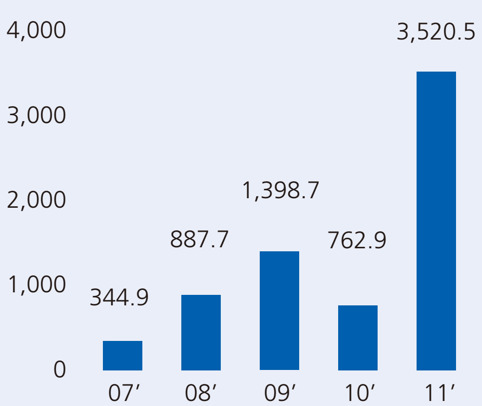
Basic earnings per share
($ per share)



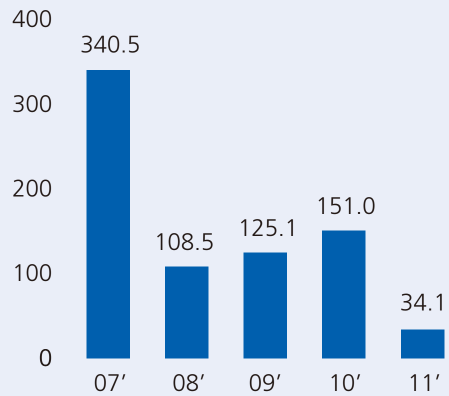
Total assets
($ million)



Total equity
($ million)



Gearing ratio
(%)



TOPSPRING 萊蒙國際

Top Spring International Holdings Limited
萊 蒙 國 際 集 團 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立的有限公司)

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