POWERLONG
宝龙

寶龍地產控股有限公司
Powerlong Real Estate Holdings Limited

(Incorporated in the Cayman Islands with limited liability)
Stock code: 1238

2011 Annual Report

Contents

Group Introduction

Powerlong Real Estate Holdings Limited (HK.1238) (the "Company", and together with its subsidiaries, the "Group") is dedicated to developing and operating high quality, large-scale and multi-functional commercial real estate projects. The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 14 October 2009. Powerlong is committed to improving the living standard of the citizens and driving the urbanization progress in China.

The Company had 31 projects as at 31 December 2011. Powerlong City Plaza which comprises of shopping malls, restaurants, leisure and other recreational facilities has created a unique business model drawing extensive attention and recognition from government and the public. Each project does not only promote the regional economic development, but also improves the retail facilities of the cities and creates job opportunities. The upgrade of people's living standard is a key driver for city quality improvement which Powerlong has been and will be actively engaged in.

The successful development of Powerlong is attributable to the innovative vision from the chairman of the Company, Mr. Hoi Kin Hong. Mr. Hoi instilled his insights and visions at the beginning of the corporate development and drove the evolvement of Powerlong. Powerlong will continue to uphold the belief of "Creditability, Courteous, Innovation, Enthusiasm" and build up an efficient and excellent team to create values for the society, customers, shareholders and our staff.

Overview of Our Business

PROPERTY DEVELOPMENT

As at 31 December 2011, the Group had 31 projects at different phases of development, of which the Group currently has 8 fully completed projects, 3 in Fujian Province, 1 in Henan Province, 1 in Anhui Province, 1 in Jiangsu Province and 2 in Shandong Province. Of the projects under development or held for future development, 6 are located in Jiangsu Province, 3 in Shandong Province, 2 in Henan Province, 3 in Fujian Province, 3 in Tianjin Municipality, 1 in Zhejiang Province, 1 in Jilin Province, 3 in Shanghai Municipality and 1 in Chongqing Municipality.

As at 31 December 2011, the Group had completed 8 property development projects and 23 other property development projects at various stages of development in China as follows:

- Completed properties: the Group had total completed GFA of approximately 5.26 million square meters, including 8 fully completed projects in Fujian Province, Henan Province, Anhui Province, Jiangsu Province and Shandong Province.

- Properties under development: the Group had total GFA under development of approximately 3.82 million square meters encompassing work at 18 projects, of which 5 are located in Jiangsu Province, 3 in Shandong Province, 2 in Henan Province, 3 in Fujian Province, 1 in Tianjin Municipality, 2 in Shanghai Municipality, 1 in Zhejiang Province and 1 in Chongqing Municipality.

- Properties held for future development: the Group had total GFA of approximately 4.60 million square meters held for future development at 17 projects, some of which are also properties under development. Of the properties held for future development, the Group has 5 new projects in Jiangsu Province, Tianjin Municipality, Shanghai Municipality and Jilin Province on which the Group has not yet started development.

PROPERTY INVESTMENT

As at 31 December 2011, the Group held and operated completed investment properties, mainly shopping malls, with a total GFA of approximately 1.28 million square meters. These properties are mainly located at Fuzhou and Anxi in Fujian Province, Zhengzhou and Luoyang in Henan Province, Qingdao Chengyang, Jimo, Licang and Tai'an in Shandong Province, Bengbu in Anhui Province, and Wuxi Wangzhuang, Suqian and Yancheng in Jiangsu Province.

HOTEL DEVELOPMENT

The Group continued to develop its hotel business as a long-term recurring income stream. After the grand openings of Four Points by Sheraton Qingdao, Chengyang in February 2011 and the Aloft Haiyang, Yantai in July 2011, by the end of 2011, the Group had total 4 hotels in operation. The Group has engaged a subsidiary of Sheraton Hotels and Resorts International Group as the hotel operator.

PROPERTY MANAGEMENT

The Company provides after-sales property management services to the households of each project developed by the Group through its wholly-owned property management subsidiaries. The services provided include maintenance of public utilities, cleaning of public area, gardening and landscaping, as well as other customer services.

Overview of Our Business

As at 31 December 2011, the status of the Group's property development business was as follows:

GFA (as at 31 December 2011)

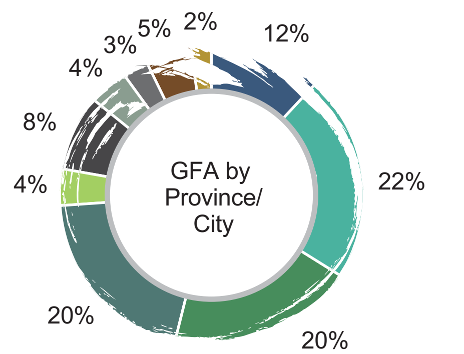
Province	Project	Total GFA ('000 sq m)	Properties completed ('000 sq m)	Properties under development ('000 sq m)	Properties held for future development ('000 sq m)	Interest attributable to us
Fujian Province	Quanzhou Jinjiang Powerlong Golden Jiayuan	144	144	–	–	100%
	Quanzhou Anhai Powerlong Haoyuan	54	54	–	–	100%
	Fuzhou Powerlong City Plaza	218	218	–	–	100%
	Quanzhou Anxi Powerlong City Plaza	331	116	170	45	85%
	Xiamen Project	77	–	77	–	100%
	Jinjiang Powerlong City Plaza	831	–	618	213	100%
Sub-total		1,655	532	865	258	
Jiangsu Province	Suzhou Taicang Powerlong City Plaza	362	214	101	47	100%
	Wuxi Yuqi Powerlong Riverside Garden	348	187	161	–	100%
	Wuxi Powerlong City Plaza	287	287	–	–	80%
	Suqian Powerlong City Plaza	489	347	142	–	100%
	Yancheng Powerlong City Plaza	497	406	91	–	100%
	Changzhou Powerlong City Plaza	860	204	63	593	100%
	Jiangsu Zhenjiang Project	232	–	–	232	100%
Sub-total		3,075	1,645	558	872	
Shangdong Province	Qingdao Chengyang Powerlong City	707	707	–	–	100%
	Tai'an Powerlong City Plaza	289	289	–	–	100%
	Yantai Haiyang Powerlong City Plaza	748	116	66	566	100%
	Qingdao Licang Powerlong City Plaza	367	345	22	–	100%
	Qingdao Jimo Powerlong City Plaza	614	288	321	5	100%
Sub-total		2,725	1,745	409	571	
Henan Province	Zhengzhou Powerlong City Plaza	252	252	–	–	100%
	Luoyang Powerlong City Plaza	1,134	565	191	378	100%
	Xinxiang Powerlong City Plaza	1,331	27	798	506	100%
Sub-total		2,717	844	989	884	
Tianjin Municipality	Tianjin Powerlong International Center	376	–	376	–	65%
	Tianjin North Green Area Project	70	–	–	70	100%
	Powerlong Europe Park	693	–	–	693	100%
Sub-total		1,139	–	376	763	
Shanghai Municipality	Shanghai Powerlong World	49	–	–	49	100%
	Shanghai Caolu town	194	–	76	118	100%
	Shanghai Huaxin Project	298	–	82	216	100%
Sub-total		541	–	158	383	

Province	Project	Total GFA ('000 sq m)	Properties completed ('000 sq m)	Properties under development ('000 sq m)	Properties held for future development ('000 sq m)	Interest attributable to us
Zhejiang Province	Hangzhou Powerlong City Plaza	364	–	231	133	100%
Sub-total		364	–	231	133	
Anhui Province	Bengbu Powerlong City Plaza	496	496	–	–	100%
Sub-total		496	496	–	–	
Chongqing Municipality	Chongqing Hechuan Powerlong City Plaza	658	–	235	423	100%
Sub-total		658	–	235	423	
Jilin Province	Changchun Powerlong Center	312	–	–	312	100%
Sub-total		312	–	–	312	
Total		13,682	5,262	3,821	4,599	

GFA as at 31 December 2011

'000 square meters

Properties completed	5,262
Properties under development	3,821
Properties held for future development	4,599
Total	13,682



'000 square meters

Jiangsu	3,075 (22%)
Shandong	2,725 (20%)
Henan	2,717 (20%)
Fujian	1,655 (12%)
Tianjin	1,139 (8%)
Chongqing	658 (5%)
Shanghai	541 (4%)
Anhui	496 (4%)
Zhejiang	364 (3%)
Changchun	312 (2%)
Total	**13,682**

Overview of Our Business

Corporate Information

DIRECTORS

Executive Directors

Mr. Hoi Kin Hong *(Chairman of the Board of Directors and President)*
Mr. Hoi Wa Fong *(Chief Executive Officer)*
Mr. Xiao Qing Ping *(Deputy President)*
Ms. Shih Sze Ni *(Executive Director of Commercial Management Division and General Manager of Cost Control Center)*

Non-executive Directors

Ms. Hoi Wa Fan
Ms. Liu Xiao Lan (re-designated on 1 April 2012)

Independent non-executive Directors

Mr. Ngai Wai Fung
Mr. Mei Jian Ping
Ms. Nie Mei Sheng

REMUNERATION COMMITTEE

Mr. Mei Jian Ping (Chairman, appointed on 1 April 2012)
Mr. Hoi Wa Fong (acted as Chairman until 31 March 2012)
Ms. Nie Mei Sheng

AUDIT COMMITTEE

Mr. Ngai Wai Fung *(Chairman)*
Mr. Mei Jian Ping
Ms. Nie Mei Sheng

NOMINATION COMMITTEE

Mr. Hoi Kin Hong *(Chairman)*
Mr. Mei Jian Ping
Ms. Nie Mei Sheng

COMPANY SECRETARY

Mr. Leung Yuk Ming (appointed on 15 October 2011)

AUTHORIZED REPRESENTATIVES

Mr. Hoi Wa Fong
Mr. Leung Yuk Ming (appointed on 15 October 2011)

REGISTERED OFFICE

P.O. Box 309
Ugland House Grand Cayman KY1-1104
Cayman Islands

PLACE OF BUSINESS IN HONG KONG

Room 5813, 58th Floor
The Center
99 Queen's Road Central
Hong Kong

WEBSITE

www.powerlong.com

AUDITOR

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

PRINCIPAL PLACE OF BUSINESS IN THE PRC

12th–15th Floor
Gubei International Fortune Center
1452 Hongqiao Road
Changning District
Shanghai
PRC
Postal code: 200336

PRINCIPAL SHARE REGISTRAR

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House, 68 Fort Street
P. O. Box 609
Grand Cayman KY1-1107
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS

Industrial and Commercial Bank of China Limited
China Construction Bank Corporation
Bank of China Limited
Agricultural Bank of China Co., Ltd.
China Merchants Bank Co., Ltd.
China CITIC Bank Corporation Limited
The Hongkong and Shanghai Banking Corporation Limited
Bank of Communications
The Bank of East Asia

LEGAL ADVISOR

Sidley Austin

Corporate Development Milestones

1991-2000

Completion of **Xiamen Powerlong Centre**
Mr. Hoi Kin Hong established Powerlong Group, that is principally engaged in the development of residential properties, to tap into the real estate industry

2003

Construction commenced at **Quanzhou Jinjiang Powerlong Golden Jiayuan**

2004

Construction commenced at **Quanzhou Anhai Powerlong Haoyuan, Fuzhou Powerlong City Plaza**

2005

Completion of **Quanzhou Jinjiang Powerlong Golden Jiayuan, Quanzhou Anhai Powerlong Haoyuan**

Construction commenced at **Suzhou Taicang Powerlong City Plaza Phase I**

2006

Construction commenced at **Tai'an Powerlong City Plaza Phase I, Zhengzhou Powerlong City Plaza, Luoyang Powerlong City Plaza Phase I, Bengbu Powerlong City Plaza**

2007

Opening of **Fuzhou Powerlong City Plaza**

Completion of **Suzhou Taicang Powerlong City Plaza Phase I**

Construction commenced at **Wuxi Powerlong City Plaza Phase I, Wuxi Yuqi Powerlong Riverside Garden Phase I, Qingdao Chengyang Powerlong City Plaza, Tai'an Powerlong City Plaza Phase II**

2008

Opening of **Zhengzhou Powerlong City Plaza**

Completion of **Zhengzhou Powerlong City Plaza, Wuxi Powerlong City Plaza Phase I, Tai'an Powerlong City Plaza Phase I, Bengbu Powerlong City Plaza Phase I**

Construction Commenced at **Wuxi Powerlong City Plaza Phase II**

2009

Listing of **Powerlong Real Estate Holdings Limited on the Main Board of The Stock Exchange of Hong Kong Limited**

Opening of **Qingdao Chengyang Powerlong City Plaza**

Completion of **Bengbu Powerlong City Plaza Phase II, Qingdao Chengyang Powerlong City Plaza Phase I, Luoyang Powerlong City Plaza Phase I, Tai'an Powerlong City Plaza Phase II, Wuxi Yuqi Powerlong Riverside Garden Phase I**

2010

Relocation of **headquarters to Shanghai**

Opening of **Wuxi Powerlong City Plaza, Bengbu Powerlong City Plaza, Four Points by Sheraton Taicang, Four Points by Sheraton Tai'an**

Completion of **Qingdao Chengyang Powerlong City Plaza Phase II, Wuxi Powerlong City Plaza**

Issuance of **US$200 million senior notes in September**

Acquisition of projects in **Anxi of Quanzhou, Yujiapu of Tianjin, Guangfulin of Shanghai, Hechuan of Chongqing, Lakeside Reservoir of Xiamen, Xiasha of Hangzhou, South Xincheng of Changchun**

2011

Opening of Suqian Powerlong City Plaza, Yancheng Powerlong City Plaza, Qingdao Licang Powerlong City Plaza, Qingdao Jimo Powerlong City Plaza, Luoyang Powerlong City Plaza and Anxi Powerlong City Plaza

Opening of Four Points by Sheraton Qingdao, Chengyang in February 2011 and the Aloft Haiyang, Yantai in July 2011

Successful issuance of RMB750,000,000 US$ settled senior bonds in March and the obtaining of a term loan facility with the principal amount of US$47,000,000 from a syndicate of banks in the same period

Issuance of HK$1 billion aggregate principal amount of senior notes due September 2014 to China Life Trustees Limited in September

Acquisitions of new parcels of land in Quanzhou Jinjiang, Tianjin North Green Area, Tianjin Binhai, Jiangsu Zhenjiang, Shanghai Caolu, Shanghai Huaxin

Honors and Awards

BY LEVERAGING ON OUR OUTSTANDING DESIGNS, ARCHITECTURE AND OPERATIONAL CAPABILITIES, WE HAVE ACHIEVED REMARKABLE RESULTS IN OUR PROPERTY DEVELOPMENT BUSINESS AND BROUGHT US MANY MAJOR AWARDS. IN 2011, NEW AWARDS RECEIVED BY US WERE AS FOLLOWS:

China General Chamber of Commerce, China Real Estate Association

- Outstanding Contribution to Commercial Real Estate in China from 2010 to 2011

China Real Estate Research Association, China Real Estate Association, China Real Estate Appraisal

- 2011 Top 50 China Listed Real Estate Developer Combined Strength Award /
- 2011 Top 10 China Real Estate Developer Corporate Brand with Growth Potentials /
- 2011 Top 10 China Real Estate Developer Corporate Brand Value and Professionalism /
- 2011 Top 10 China Listed Real Estate Developer Profitability Award

China Real Estate Top 10 Research Team

- 2011 Top 10 China Commercial Properties Project Brand Value – No.2 /
- 2011 Top 10 China Commercial Properties Company Brand Value – No.2 /

Honors and Awards

- Top 100 China Real Estate Developers /
- Top 100 China Real Estate Developers in 2011 for six consecutive years from 2006 to 2011 /
- China Real Estate Developers with High Social Responsibility for two consecutive years from 2010 to 2011

Yancheng Powerlong City Plaza was awarded "2011-2012 China New Urban Landmark Architectures" by China Index Academy and China Real Estate Index System.

In addition, Mr. Hoi Kin Hong, the Chairman of the Board of Directors (the "Board"), was awarded Outstanding Contributor of Xiamen Special Economic Zone in the 30th Anniversary, HuRun 2011 Annual Industry Contribution Award and 2011 Sohu Annual Industry Leader.

Mr. Hoi Wa Fong, the Chief Executive Officer of the Company, was awarded 2011 Outstanding Person of China Commercial Real Estate Industry by Xiamen Municipal and 2011 Ten Outstanding Figures in Zhenjiang Real Estate Industry.

The above honors and awards have proven the brilliant achievements and strong recognition of Powerlong.

Award Winning Project:
Yancheng Powerlong City Plaza

Chairman's Statement

HOI Kin Hong
Chairman and President

Dear Shareholders,

On behalf of the Board of Powerlong, I hereby present our operating results for the year of 2011. I would like to take this opportunity to express my sincere gratitude to the support and trust of our shareholders.

The year of 2011 marked a new milestone for Powerlong. Despite the ever-changing and uncertain macro-economy, Powerlong has continued to keep abreast of all changes and completed the openings of 6 shopping malls and 2 hotels timely.

EXPANDING PRESENCE BY OPENING 6 NEW MALLS IN 2011

Since the successful transition into a commercial properties developer since 2003, our commercial properties portfolio enlarged significantly, Powerlong has established sound corporate management, solid operating foundation and has gained competitive edges in the commercial property market. In 2011, with professional and precise planning and executions, 6 shopping malls located in 3rd to 4th tier cities, namely Suqian, Yancheng, Qingdao Licang, Qingdao Jimo, Luoyang and Quanzhou Anxi, respectively commenced grand openings. These 6 shopping malls are classified as our second generation products with modified designs and features. Each shopping mall serves as the multi-functional complex for the community providing entertainments and leisure activities to the local residents.

Powerlong achieved remarkable breakthrough during 2011 in terms of the quality of partnerships, of which the tender rate of the 2 malls in Suqian and Yancheng respectively was 100%, while those of the malls in Qingdao Licang, Qingdao Jimo and Quanzhou Anxi reached over 98%. Numerous renowned retailers are willing to maintain long-term and friendly cooperation relationship with us, reflecting the success of Powerlong's second generation malls.

HEALTHY BUSINESS ENABLES FUND RAISING OF APPROXIMATELY RMB2 BILLION FOR CONSOLIDATING DEVELOPMENT STRENGTH

Powerlong has issued RMB750 million US$ settled Senior Bonds due 2014 in March 2011, which is the second bond issuance since the listing of the Company in 2009. We have also secured a loan facility of US$47 million from a bank syndicate at the same period. In September 2011, Powerlong issued HK$1 billion aggregate principal amount of Senior Notes due September 2014 to China Life Trustees Limited and the proceeds will be used for enhancing the flexibility and liquidity of the operations of the Group. The fund raising abilities demonstrated Powerlong has gained recognition and support from investors and financial institutes.

STRATEGIES AND FUTURE OUTLOOK

Our strategies for 2012 can be summarised as "Sound Operations, Strive for Excellence". Powerlong will continue to focus on development of large-scale commercial complex projects particularly in Shandong Province, Jiangsu Province, Henan Province, Tianjin and Fujian Province, where Powerlong enjoys well-established local market knowledge and a reputable brand name with proven track record. The future plan will be developing i) Community commercial complexes in 1st Tier cities; ii) Sub-urban Centers Development in 2nd or 3rd Tier cities and iii) City Centers Development in 3rd and 4th Tier cities.

The 6 new malls opened in 2011 have significantly enlarged our portfolio and an key objective for 2012 will be to improve the operations of existing shopping malls, strengthen the management and expertise on managing the commercial properties and to achieve better rental yields and occupancy rates. In 2012, in addition to the 11 existing shopping malls, Powerlong targets to complete construction of 2 new malls, 1 in Xinxiang and 1 in Hangzhou Xiasha.

Prudent financial management will be the top priority. To maintain sustainable growth, balancing each project's cashflow will be a key objective. Last but not least, Powerlong targets to build and maintain closer strategic alliances with retailers for a stronger landlord brandname to stay competitive in the industry.

To conclude, as a leading commercial property developer, Powerlong adheres to its values of "Creditability, Courteous, Innovation, Enthusiasm" through its good quality products, flexible marketing strategies, and prudent financial management to maximise its profits as well as shareholders' returns.

Finally, on behalf of the Board, I would like to express my sincere gratitude to Powerlong's investors, business partners and customers for their continuous support. At the same time, I would also like to take this opportunity to thank my fellow members of the Board for their contributions and the dedication of our staff.

Hoi Kin Hong
Chairman

22 March 2012

Management Discussion and Analysis

HOI Wa Fong
CEO

BUSINESS REVIEW

Results

During the year under review, the Group achieved total revenue of RMB5,254 million (2010: RMB4,433 million), representing an increase of 18.5%. Net profit for the year ended 31 December 2011 increased by 11.5% to RMB3,550 million (2010: RMB3,185 million) and the portion attributable to equity holders of the Company was RMB3,415 million (2010: RMB2,956 million), representing an increase of 15.5%. Basic and diluted earnings per share attributable to equity holders of the Company for the year ended 31 December 2011 amounted to RMB84.73 cents (2010: RMB72.53 cents).

For the year ended 31 December 2011, the Group conducted its business activities in the following major business segments, namely property development, property investment, property management and other property development related services. During the year under review, property development remains the core business and key revenue driver of the Group.

The increase in revenue was mainly derived from increase in revenue from property sales.

Revenue generated from property sales for the year ended 31 December 2011 amounted to RMB4,749 million (2010: RMB4,162 million). The satisfactory revenue generated from property sales was due to the increase in areas of properties delivered in 2011.

For the year ended 31 December 2011, the rental income and property management services income was RMB284 million (2010: RMB237 million). The growth in the rental income and property management services income was mainly due to the openings of 6 new shopping malls in late 2011 which increased in total areas for leasing.

MARKET AND BUSINESS REVIEW

2011 remained a challenging year for the property market in the PRC. The PRC central government has maintained tight interest rates and credits so as to cool down the property market, resulting in a volatile market sentiment. In 2011, the Group's biggest achievement was the successful openings of the 6 new shopping malls located in Suqian, Yancheng, Qingdao Licang, Qingdao Jimo, Luoyang and Quanzhou Anxi. In addition, 2 new hotels namely Four Points by Sheraton Qingdao, Chengyang and Aloft Haiyang, Yantai were opened in February and July, respectively, which further expanded the Group's hotel business.

The Group continued to stay cautious on land purchases. During 2011, 6 new land parcels were added to the Group's landbank including the land parcels in Quanzhou Jinjiiang, Tianjin Northern Green Area, Tianjin Binhai, Jiangsu Zhenjiang, Shanghai Caolu and Shanghai Huaxin.

To ensure liquidity and funding flexibility, in March 2011, the Company successfully issued RMB750 million 11.5% US$ settled senior notes due March 2014. Further, a term loan facility of an aggregate amount of US$47 million from a bank syndicate was granted during the same month. In September 2011, the Company issued 13.8% HK$1 billion senior notes due September 2014 to China Life Trustees Limited. The Company will continuously improve its development pace in a stable and practical manner in order to cope with the ever-changing environment.

Property Development

During the year under review, the Group adhered closely to its schedules of completion and delivery as originally planned. The total GFA of completed and delivered projects were approximately 657,575 square meters (2010: 515,567 square meters) in aggregate, and represented an increase of 27.5% when compared with the corresponding period of last year, as highlighted in the following table:

Property Sales Performance

The Group achieved remarkable property sales performance during the year under review through the provision of products at different tiers. Major sales growth of the Group during the year under review was attributable to Qingdao Licang, Yancheng, Suqian, Luoyang and Changzhou as shown in the following table:

	Delivered GFA (square meters)	Revenue (RMB'000)	Average Selling Price (RMB/ square meters)
Bengbu			
commercial	4,667	58,774	12,594
residential	264	1,285	4,867
Changzhou			
commercial	3,229	60,046	18,596
residential	83,387	421,641	5,056
Luoyang			
commercial	82,700	595,582	7,202
Quanzhou Anxi			
commercial	11,365	141,578	12,457
Qingdao Chengyang			
residential	370	2,315	6,257
Qingdao Jimo			
commercial	5,075	73,212	14,426
Qingdao Licang			
commercial	14,704	327,952	22,303
residential	113,684	953,115	8,384
Suqian			
commercial	40,876	333,458	8,158
residential	87,359	393,928	4,509
Tai'an			
commercial	1,239	8,357	6,745
residential	551	6,151	11,163
Wuxi Wangzhuang			
commercial	823	21,405	26,009
residential	7,539	67,240	8,919
Wuxi Yuqi			
commercial	816	5,399	6,616
residential	49,498	203,908	4,120
Xinxiang			
commercial	18,961	187,640	9,896

	Delivered GFA (square meters)	Revenue (RMB'000)	Average Selling Price (RMB/ square meters)
Yancheng			
commercial	12,869	219,261	17,038
residential	113,146	619,267	5,473
Yantai Haiyang			
commercial	814	6,378	7,835
residential	3,639	41,122	11,300
Total			
commercial	198,138	2,039,042	10,291
residential	459,437	2,709,972	5,898
	657,575	4,749,014	7,222

During the year under review, the total contracted sales area of the Group reached approximately 811,959 square meters (2010: 874,560 square meters), while total contracted sales in 2011 amounted to RMB5,481 million (2010: RMB6,215 million). This represented a 11.8% decrease when compared with 2010.

In 2011, 6 new shopping malls located at Suqian, Yancheng, Qingdao Licang, Qingdao Jimo, Luoyang and Quanzhou Anxi opened and commenced operations respectively. Powerlong has acquired 6 various lots of land in Quanzhou Jinjiang, Tianjin North Green Area, Tianjin Binhai, Jiangsu Zhenjiang, Shanghai Caolu and Shanghai Huaxin.

Hotel Development

The Group continued to develop its hotel business as a long-term recurring income stream. After the grand openings of Four Points by Sheraton Qingdao, Chengyang in February 2011 and the Aloft Haiyang, Yantai in July 2011, by the end of 2011, the Group had 4 hotels in operation. The Group has engaged a subsidiary of Sheraton Hotels and Resorts International Group as the hotel operator. In 2011, the Group recorded hotel revenue of approximately RMB139 million, representing a 451.2% increase when compared to the amount in 2010. The increase was mainly attributable to the openings the 2 new hotels and the increase of revenue of Four Points by Sheraton, Suzhou Taicang.

Investment Properties

To generate a stable and recurring income, the Group also retains and operates certain commercial properties, mainly shopping malls, for leasing. As at 31 December 2011, the Group had an aggregate GFA of approximately 1.45 million square meters (2010: 774,423 square meters) held as investment properties, which was increased by 87.8% as compared with the areas in 2010.

In 2011, the Group recorded a rental income from investment properties of approximately RMB195 million (2010: RMB181 million), which increased by 7.7% when compared with the amount in 2010. This was mainly attributable to the openings of the Powerlong City Plazas in Suqian and Yancheng in September 2011.

In 2011, the income generated by the Group from providing property management services, after intra-group elimination, amounted to approximately RMB89 million (2010: RMB56 million), representing an increase of 58.9% as compared to the amount in 2010.

Land Bank Replenishment

The Group's strategy is to maintain a portfolio of land bank which is sufficient to support the Group's own development pipeline for around five forthcoming years.

As at 31 December 2011, the Group had a quality land bank amounting to a total GFA of approximately 8.4 million square meters, of which approximately 3.8 million square meters were under development and construction, and approximately 4.6 million square meters were held for future development. The land bank will be used for the development of large-scale commercial properties with supermarkets, department stores, cinema complexes, food courts, leisure facilities, quality residential properties, furnished apartments and hotels.

During the year under review, the Group has successfully expanded its land bank through open tendering and bidding of the following projects:

1. **Tianijn Binhai**
   This project is located at the Binhai Resort in Tanggu.

   This project has a development GFA of approximately 693,000 square meters (excluding GFA of basement).

   Upon completion, the project is expected to include retail outlets, residential units and a hotel.

2. **Tianjin North Green Area**
   The project is closed to the Tianjin Powerlong International Center project at the Yujiapu Financial District.

   This project has a development GFA of approximately 70,000 square meters (including basement).

   This project is expected to consist of a supermarket, an electronic appliances store, a self-serviced KTV, a food court and other retail outlets, etc.

3. **Shanghai Caolu**
   This project is located at the eastern part of Pudong New Area, Shanghai.

   This land occupies a site area of approximately 71,000 square meters with a development GFA of approximately 194,000 square meters (including basement).

   Upon completion, this project is expected to consist of commercial villas, a business hotel, furnished apartments and a street mall, etc.

4. **Quanzhou Jinjiang**
   The project is situated at the Chen Village of Qingyang Sub-District, Jinjiang, Quanzhou.

   This land occupies a site area of approximately 135,000 square meters with a development GFA of approximately 831,000 square meters (including basement).

   Upon completion, the project is expected to include a shopping mall, furnished apartments, a street mall, residential units and a hotel, etc.

5. **Jiangsu Zhenjiang**

This land is located at the eastern side of Jingu East Road and the southern side of Guyang Road.

This land occupies a site area of approximately 79,000 square meters with a GFA of approximately 232,000 square meters.

Upon completion, the project is expected to include a shopping mall, furnished apartments, a street mall, residential units and a hotel, etc.

6. **Shanghai Huaxin**

The project is located at the eastern side of Xinfu Road Central in Huaxin Town, Qingpu Area, Shanghai.

This land occupies a site area of approximately 147,000 square meters with a development GFA of approximately 298,000 square meters.

Upon completion, the project is expected to include furnished apartments, a street mall, residential units and a hotel, etc.

Retail and Ancillary Services

In 2011, the Group also commenced operations of department stores, KTV and amusement arcades under the brands Balloon Department Stores, Loongmic KTV and Fly on Prairie respectively in certain Powerlong City Plazas.

FINANCIAL ANALYSIS

Segment Information

Revenue consists of sales of properties, rental income of investment properties, income of property management services and other property development related services. Revenue of the year under review consists of the followings:

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
Sales of properties	**4,749,014**	4,162,350
Rental income of investment properties	**194,879**	180,635
Income of property management services	**89,394**	56,409
Income of other property development related services	**220,740**	33,263
	5,254,027	4,432,657

Sales of property remains the Group's core business activity, representing 90.4% of total revenue in 2011. Rental income and property management services income accounted for 3.7% and 1.7% of total revenue in 2011, respectively.

Cost of Sales

Cost of sales comprises of land costs, construction costs, decoration costs, capitalised interest expenses and business taxes. Cost of sales in 2011 increased by 45.4% from approximately RMB2,030 million in 2010 to approximately RMB2,951 million, which mainly reflected the corresponding increase in revenue.

Gross Profit and Margin

Gross profit decreased by 4.1% from RMB2,402 million in 2010 to RMB2,303 million in 2011. Gross profit margin slightly decreased from 54.2% in 2010 to 43.8% in 2011, mainly attributable to the differences in product mix and locations of properties delivered.

Selling and Marketing Costs and Administrative Expenses

Selling and marketing costs and administrative expenses for the year ended 31 December 2011 amounted to approximately RMB712 million, which increased by 38.5% from approximately RMB514 million in 2010, of which selling and marketing cost increased from approximately RMB119 million in 2010 by 74.8% to approximately RMB208 million in 2011 and administrative expenses increased from approximately RMB395 million in 2010 by 27.6% to approximately RMB504 million in 2011, which was mainly attributable to the increase in staff costs due to the Group's expansion.

Income Tax Expenses

Income tax expenses increased by 33% from RMB1,305 million in 2010 to RMB1,736 million in 2011. The smaller amount in 2010 was mainly because of certain one-off LAT concessions obtained.

Profit Attributable to Equity Owners of the Company

For the year ended 31 December 2011, the Group achieved a profit attributable to equity holders of RMB3,415 million (2010: RMB2,956 million), increased by RMB459million or 15.5% as compared with the amount in 2010. Excluding the profit attributable to fair value gains on investment properties, the net profit was approximately RMB903 million. Basic earnings per share increased by 16.8% to RMB84.73 cents in 2011 from RMB72.53 cents in 2010.

Net profit margin (excluding the profit attributable to fair value gains on investment properties) for the year under review decreased from 28.5% in 2010 to 17.2% in 2011.

Liquidity and Financial Resources

The long-term funding and working capital required by the Group are primarily derived from income generated from core business operations, bank borrowings and cash proceeds raised from issue of senior notes, which were used to finance its business operations and investment in development projects. The Group's liquidity position was well-managed in the year 2011. The Group had net debt (total borrowings less cash and cash equivalents) of RMB7,945 million as at 31 December 2011 and its net gearing ratio (net debt over total equity) stood at 55.2% as at 31 December 2011. The Group's cash and cash equivalents and restricted cash amounted to RMB1,819 million in total as at 31 December 2011 (2010: RMB4,002 million). Total borrowings as at 31 December 2011 was RMB9,356 million (2010: RMB6,221 million).

Of the total borrowings, RMB2,436 million was repayable within one year while RMB6,920 million was repayable after one year.

The effective interest rate of borrowings as at 31 December 2011 is as follows:

	31 December 2011	2010
Senior notes		
Senior notes due September 2015	**15.02%**	15.02%
Senior notes due March 2014	**13.46%**	–
Senior notes due September 2014	**15.50%**	–
Bank and other borrowings	**7.76%**	5.21%

The Group has established a treasury policy with the objective of better controlling treasury functions and lowering cost of funds. In providing funds to all its operations, funding terms are reviewed and monitored collectively at Group level.

To accomplish the aim of minimising interest rate risk, it is the policy of the Group to continue to closely monitor and manage the Group's loan portfolio by comparing its existing agreements' interest margin spread with market interest rates.

Credit Policy

Trade receivables mainly arose from sales and lease of properties. Receivables in respect of sales and lease of properties are settled in accordance with the terms stipulated in the sale and purchase agreements or lease agreements.

Pledge of Assets

As at 31 December 2011, the Group pledged its properties, properties under construction and land use rights with carrying amount of RMB14,119 million to secure bank facilities granted to the Group. The total secured bank borrowings as at 31 December 2011 amounted to RMB5,997 million.

Financial Guarantees

The face value of the financial guarantees issued by the Group is analysed as below:

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	**2,995,056**	1,876,958

Capital Commitment

(1) Commitments for property development expenditures

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Contracted but not provided for		
– Property development activities	**3,907,013**	2,766,366
– Acquisition of land use rights	**1,205,200**	1,809,186
	5,112,213	4,575,552

(2) Operating leases commitments

The future aggregate minimum lease payments under non-cancelable operating leases are as follows:

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Not later than one year	**13,227**	12,908
Later than one year and not later than two years	**727**	13,227
Later than two years and not later than three years	**–**	727
	13,954	26,862

ISSUANCE OF SENIOR NOTES

On 9 March 2011, the Company issued senior notes due 2014 with an aggregate principal amount of RMB750 million US$ settled at a coupon rate of 11.5% per annum (the “2014 Notes”) for financing existing and new property projects and for its general working capital purposes.

The Group was granted a 36-month loan facility of US$47,000,000 by a bank syndicate on 9 March 2011.

The Company issued HK$1 billion aggregate principal amount of senior Notes due 2014 to China Life Trustees Limited on 8 September 2011 at a coupon rate 13.8%.

EMPLOYEES AND EMOLUMENT POLICY

As at 31 December 2011, the Group employed a total of 4,154 full-time employees (2010: 2,330 employees). The Group has adopted a performance-based rewarding system to motivate its staff. In addition to a basic salary, year-end bonuses are offered to those staff with outstanding performance. The Group reviews the remuneration policies and packages on a regular basis and makes necessary adjustment commensurate with the pay level in the industry. A share option scheme was adopted on 16 September 2009 to attract and retain eligible employees to contribute to the Group. As at 31 December 2011, no option had been exercised under the scheme. In relation to staff training, the Group also provides different types of programs for its staff to improve their skills and develop their respective expertise. A share award scheme was adopted on 2 December 2010 to recognize and motivate the contributions by employees and to give incentives in order to retain them for the continual operation and development of the Group. As at 31 December 2011, no share had been awarded under the scheme.

Shopping Malls Portfolio

Qingdao Jimo Powerlong City Plaza

Opening Date:	December 2011
Key Tenants:	Bestseller, TESCO, Suning, Watson's, Loongmic KTV, Balloon Department Store, Pizza Hut
Area:	Approximately 117,000 meters

Qingdao Licang Powerlong City Plaza

Opening Date:	December 2011
Key Tenants:	Bestseller, Uniqlo, Pizza Hut, Watson's, Loongmic KTV, Balloon Department Store, Hengdian Cinemas
Area:	Approximately 112,000 square meters

Luoyang Powerlong City Plaza

Opening Date:	December 2011
Key Tenants:	Bestseller, Stellar International Complex, Yonghui Supermarket, Suning, JiaNianHua KTV
Area:	Approximately 318,000 square meters

Quanzhou Anxi Powerlong City Plaza

Opening Date: December 2011

Key Tenants: Jinyi International Cinemas, KFC, Watson's, RT-Mart, La Chapelle

Area: Approximately 58,000 square meters

Yancheng Powerlong City Plaza

Opening Date: September 2011

Key Tenants: Bestseller, Yonghui Supermarket, Kidswant, Gome, Watson's, Balloon Department Store, Hengdian Cinemas

Area: Approximately 135,000 square meters

Suqian Powerlong City Plaza

Opening Date: September 2011

Key Tenants: Bestseller, Walmart, Suning, Watson's, Loongmic KTV, Balloon Department Store, Hengdian Cinemas

Area: Approximately 121,000 square meters

Wuxi Powerlong City Plaza

Opening Date: October 2010

Key Tenants: Carrefour, Parksons, Suning, Jiangsu Dongfang Cinemas, Lixin Games

Area: Approximately 143,000 square meters

Zhengzhou Powerlong City Plaza

Opening Date: December 2009

Key Tenants: Hengdian Cinemas, Dashang Supermarket, Suning, Guanjun Ice Skating Rink, Zhengzhou Outlets

Area: Approximately 198,000 square meters

Bengbu Powerlong City Plaza

Opening Date: December 2009

Key Tenants: TESCO, Hengdian Cinemas, Shui Diao Ge Tou KTV, Lixin Games, Gome

Area: Approximately 230,000 square meters

Qingdao Powerlong City Plaza

Opening Date: October 2009

Key Tenants: ChowTaiSeng Jewelry, Suning, XinFuSeng Hotel, Pinault Printemps Redoute, China Film Group Corporation, KFC, McDonald's

Area: Approximately 299,000 square meters

Fuzhou Powerlong City Plaza

Opening Date: April 2007

Key Tenants: Jinyi Cinemas, Xinhuadu Department Store, Carrefour, Gome, Fuzhou Powerlong Amusement Park, Watson's

Area: Approximately 144,000 square meters

Hotels Portfolio

Four Points by Sheraton Qingdao

Opening Date: February 2011

Address: No.271 Wenyang Road, Chengyang Qingdao, Shandong, 266109, China

Four Points by Sheraton Tai'an

Opening Date: December 2010

Address: No. 888 East Huanshan Road, Tai'an, Shandong, 271001, China

Four Points by Sheraton Taicang, Suzhou

Opening Date: July 2010

Address: No. 288 Shanghai East Road, Taicang, Suzhou, Jiangsu, 215400, China

Aloft Haiyang, Yantai

Opening Date: July 2011

Address: Powerlong Town, Haibin Zhong Road, Haiyang, Shandong 265100, China

Days Inn Powerlong Qingdao

Opening Date: January 2012

Address: No. 689 Qingshan Road, Licang, Qingdao, 266100, China

Directors and Senior Management

EXECUTIVE DIRECTORS

HOI Kin Hong, aged 60, is the Chairman of the Board and the President of the Group. He is primarily responsible for the overall strategy and investment decision. Hoi Kin Hong founded Powerlong Group Development Co., Ltd. in 1992 and has served as its chairman and president ever since. Since the establishment of Powerlong Group Development Co., Ltd., he has been engaged in the real estate development business, and has completed the development of several residential projects. He started to specialize in the development of commercial properties in 2003. For two consecutive years in 2006 and 2007, Hoi Kin Hong was recognized as a Contributor to Real Estate Brands in China by the China Index Academy. Hoi Kin Hong is a member of the Chinese People's Political Consultative Conference and of the plenary meeting of the Selection Committee of the Macau Special Administrative Region of the People's Republic of China. In addition, Hoi Kin Hong has also made substantial contributions to charitable and social organizations in China and has been appointed as an Ambassador of China Charities by Charitable Work Development.

HOI Wa Fong, aged 34, is an executive Director of the Board and the Chief Executive Officer of the Group. He is primarily responsible for the overall management of the business operations of the Group. Hoi Wa Fong joined Xiamen Powerlong Decoration Design Works Company Limited in 1999 and served as the vice general manager. In October 2001, Hoi Wa Fong resigned from his position in Xiamen Powerlong Decoration Design Works Company Limited and joined Xiamen Powerlong Real Estate Development Co., Ltd. as vice general manager, responsible for financial and daily operation. He was promoted to vice president and later became an executive vice president of Xiamen Powerlong Group in December 2003 and June 2004, respectively, primarily responsible for the overall management of the business of Xiamen Powerlong Group. Hoi Wa Fong was named as one of the Top 10 Outstanding Young Entrepreneurs in Fujian Province in 2006. Hoi Wa Fong received an EMBA from the Cheung Kong Graduate School of Business in October 2007. Hoi Wa Fong is the son of Hoi Kin Hong.

XIAO Qing Ping, aged 63, is an executive Director of the Board and the Deputy President of the Group. He is primarily responsible for the administrative management of the Company. He was an officer of Jinjiang Bureau of Land Administration from 1997 to 1999. He has over 30 years of experience in administration management. He joined Powerlong Group Development Co., Ltd. in October 2001 as vice president and head of administration. In November 2007, he resigned from his position in Powerlong Group Development Co., Ltd. and joined the Group as an executive Director. He graduated from China Textile Political Distance Learning College in 1988, majoring in economic management.

SHIH Sze Ni, aged 31 is an executive Director of the Board, the Executive Director of Commercial Management Division and General Manager of Cost Control Center of the Group. She is primarily responsible for cost control and overall business management of Commercial Management Division of the Group. Shih Sze Ni joined Xiamen Powerlong Hotel in January 2003 as a director and was primarily responsible for financial management. She then joined Powerlong Group Development Co., Ltd. in May 2005 as a director and chief financial officer. In November 2007, she resigned from her positions in Xiamen Powerlong Hotel and Powerlong Group Development Co., Ltd. and joined the Group as an executive Director and the Executive Director of Commercial Management Division as well as the general manager of the cost control center. She graduated from Central Queensland University in Australia with a master's degree in arts administration in 2001. Shih Sze Ni is the wife of Hoi Wa Fong.

NON-EXECUTIVE DIRECTOR

HOI Wa Fan, aged 36, is a non-executive Director of the Board. Hoi Wa Fan is a managing director of Pou Long Construction and Land Investment Company Limited and is responsible for the overall management and business development of Pou Long Construction and Land Investment Company Limited. Between 2000 and 2006, she was a managing director of Nicole, a fashion brand concept store in Macau. She is a member of All-China Youth Federation. Hoi Wa Fan is the daughter of Hoi Kin Hong.

LIU Xiao Lan, aged 46, is a non-executive Director of the Board. She was re-designated from an executive Director to a non-executive Director since 1 April 2012. Between 1998 and 2002, she worked as a sales manager and marketing manager in the China office of Beckman Coulter, Inc.. She joined Powerlong Group Development Co., Ltd. in June 2002 and served as the assistant to the chief vice president and vice general manager of the real estate center of Powerlong Group Development Co., Ltd. in January 2005. In November 2007, she resigned from her position in Powerlong Group Development Co., Ltd. and joined the Group as an assistant to the president and secretary of the Board. She graduated from Fujian University of Traditional Chinese Medicine in 1988 and completed the advanced business administration program for the Youth Presidents in China offered by Chinese Academy of Social Sciences in 2004.

INDEPENDENT NON-EXECUTIVE DIRECTORS

NGAI Wai Fung, aged 50, is an independent non-executive Director of the Board, is currently the managing director of MNCOR Consulting Limited, the chief executive officer of SW Corporate Services Group Limited and a vice president of Hong Kong Institute of Chartered Secretaries. Mr. Ngai was an independent non-executive director and a member of the audit committee of China Life Insurance Company Limited and Franshion Properties (China) Limited and is currently an independent non-executive director and the Chairman/member of the audit committee of Bawang International (Group) Holdings Limited, Bosideng International Holdings Limited, Biostime International Holdings Limited, China Railway Construction Corporation Limited, China Coal Energy Company Limited, Sany Heavy Equipment International Holding Limited, SITC International Holdings Company and LDK Solar Co., Ltd., all of which are companies listed on the Stock Exchange and/or the Shanghai Stock Exchange and/or the New York Stock Exchange. He was a director and head of Listing Services of KCS Hong Kong Limited (formerly the corporate and commercial divisions of KPMG and Grant Thornton). Prior to that, Mr. Ngai had been in senior management positions including acting as the executive director, chief financial officer and company secretary of a number of Hong Kong listed companies, including COSCO Group, China Unicom (Hong Kong) Limited, Industrial and Commercial Bank of China (Asia) Ltd. Mr. Ngai has over 20 years of senior management experience, most of which is in the areas of finance, accounting, internal control and regulatory compliance for issuers including major red chips companies. Mr. Ngai had led or participated in a number of significant corporate finance projects including listings, mergers and acquisitions as well as issuance of debt securities, and the provision of professional services and support to many state-owned enterprises and redchip companies in the areas of regulatory compliance, corporate governance and company secretarial services. Mr. Ngai is an associate of the Association of Chartered Certified Accountants in the United Kingdom, an associate of the Hong Kong Institute of Certified Public Accountants, a fellow of the Institute of Chartered Secretaries and Administrators and a fellow of the Hong Kong Institute of Chartered Secretaries, a fellow of Hong Kong Institute of Directors and a member of Hong Kong Securities Institute. Ngai received a doctoral degree in finance at Shanghai University of Finance and Economics in 2011, a master's degree in corporate finance from Hong Kong Polytechnic University in 2002 and a bachelor honor degree in laws from University of Wolverhampton in the United Kingdom in 1994 and a master's degree in business administration from Andrews University of Michigan in 1992.

MEI Jian Ping, aged 52, is an independent non-executive Director of the Board. Mr. Mei has been a professor of finance at Cheung Kong Graduate School of Business in Beijing since 2006, and a scholar at the Financial Institutions Center of the Wharton Business School at the University of Pennsylvania since 2004. He was an assistant professor from 1990 to 1995 at New York University, and an associate professor of finance at the same university from 1996 to 2005. From 2003 to 2008, he was a visiting professor of finance at Tsinghua University. Mr. Mei has been a director of Cratings.com Inc. since 1999. Since 2009, Mr. Mei has served on the board of directors of Zhong De Securities Company Limited. Mr. Mei acted as a consultant for various financial institutions, such as Deutsche Bank, UBS, NCH Capital and Asia Development Bank. He has published a number of books and articles on topics related to finance. Mr. Mei received a bachelor degree in mathematics from Fudan University in 1982, a master degree in economics and a doctorate in economics (finance) from Princeton University in 1988 and 1990, respectively. He was appointed an independent non-executive Director of the Company in June 2008 and was appointed as an independent non-executive director of MI Energy Holdings in mid 2010.

NIE Mei Sheng, aged 71, is an independent non-executive Director of the Board. She has more than 18 years of experience working at the China Southwest Municipal Engineering Design Institute. From 1994 to 1998, she served as the director general of the Science & Technology Department and was a member of the Science and Technology Committee of the Ministry of Construction. She has been the vice director of the Science and Technology Committee and the chairwoman of the Housing Industrialization Office of the Ministry of Construction since 1998. Nie Mei Sheng has also served as the chairwoman of the Estate Chamber of the China National Federation of Industry and Commerce since 2001. She has been a standing committee member of the China National Federation of Industry and Commerce since 2004. In addition, she has served as the vice chairwoman of the China Urban Water Supply and Drainage Association and the economic consultant to Jieyang City, Guangdong Province since 2006 and the chairwoman of Jing Rui (China) Real Estate Research Institution since 2007. She was a member of the executive committee of the China National Federation of Industry and Commerce from 2004 to 2008.

Nie Mei Sheng won numerous awards in China and overseas, including A-level Science and Technology Progress Prize by the Ministry of Construction, A-level Science and Technology Progress Prize by the State Education Commission, Jinguo Jiangong Pacesetter by the Center Government Office. She was recognized by the 4th Women Conference of the UN as a female scientific & technological expert. Nie Mei Sheng is a visiting professor of Shanghai University and an academician of the World Productivity Academy. Nie Mei Sheng graduated from civil engineering department of Tsinghua University specializing in water supply and drainage in 1963.

SENIOR MANAGEMENT

GUO Jun, aged 50, is the executive vice president of the Company. He is responsible for the property business of the Company. He served as president of Zhejiang Construction Contractor Company (浙江省建設總承包公司), Sino Sourcing Group and Zhongnan Property Development Group (中南房地產集團). He obtained a bachelor degree in civil engineering from Jilin Architectural and Civil Engineeing Institute and a master degree in construction economics from the Shizuoka University in Japan and also the first group of registered architects and senior engineer of the PRC. He worked as executive vice president of Powerlong Group from June 2007 to January 2009 and rejoined the Company in January 2011.

LIAO Min Shun, aged 48, is the Chief Financial Officer of the Company. He is primarily responsible for the financial management and banking financing of the Company. He served senior management positions in various large-scale enterprises. Prior to joining the Company, he was the director, chief financial controller and general manager of the finance company of Fujian Da Shi Jie Enterprises Group Company Limited. He obtained a bachelor's degree in Rural Finance from Fujian Agriculture and Forestry University, and was awarded a master's degree by the Graduate School of Chinese Academy of Social Sciences. He is also qualified as a Senior Accountant, Senior Economist, International Public Accountant, Certified Taxation Accountant, and Financial Planner. He joined the Company in August 2009.

ZENG Xiang De, aged 53, is the chief consultant and vice director of Decision Making Committee of the Group. He worked in Shenzhen Municipal Bureau of Urban Planning and Land Resources over a long period of time. He was the director and general manager of Junhao Group, the general manager of the Chengdu company of Wanda Group, the chief executive officer of Shenzhen Wanji Group Co. Ltd., the general manager of Chengdu Jinhegu Real Estate Company Limited, and an independent real estate planner. He graduated from Vocational College of Architecture Engineering in Chongqing with a bachelor's degree in Urban Construction in 1982. He joined the Company in December 2010.

LIN Feng Li, aged 44, is the vice president of the Company. Lin Feng Li is responsible for project management, construction, cost, marketing and quality management. Between 1994 to 2008, he was the vice general manager, director and general manager for Eastern China in Xiamen Ju Heng Xing Real Estate Development Company, Xiamen Beifu Real Estate Marketing Agency and Xiamen Haosi Housing Investment Company Limited respectively. He graduated from Zhong Nan University of Finance in 1990, majoring in investment and economics. He joined the Company in 2008.

HONG Qun Feng, aged 39, is the vice president of the Company. Hong Qun Feng is responsible for investment, strategic co-operation and product planning of the Group. Between 1992 to 2005, he was the market manager, assistant to the general manager and general manager of Xiamen Jindu Property Company, Xiamen Chengyi Property Company and Xiamen Bairun Property Consulting Company Limited respectively. He joined the Company in 2004.

HUANG Yong Hua, aged 47, is the vice president of the Company. Huang Yong Hua is responsible for branding, legal affairs, administration and human resources management. He was the chief human resources officer and vice president of Nanjing Golden Eagle International Group, vice president of Nanjing Golden Eagle Retail Group and president of Huacheng Group. He graduated from China Textile University with a bachelor's degree in Chemical Fiber in 1987 and graduated from Nanjing University with a master's degree in Business Administration. He is also a high-level senior economist. He joined the Company in August 2010.

PAN Tao, aged 42, is the general manager of the commercial group of the Company who is responsible for the commercial property operation of the Company. He had worked in Gemdale Commercial Real Estate Company（金地商業地產）, Dalian Wanda Commericial Properties, Dalian Wanda Group, Ministry of Foreign Affairs, the Foreign Affairs Office of the Ministry of Defense. He obtained a bachelor degree in law from the University of International Relations and was a visiting scholar of the Tulane University of the United States. He joined the Company in September 2011.

LEUNG Yuk Ming, aged 37, is the Head of Corporate Finance and Investor Relations Director. He has extensive experiences in investment banking, Listing Rules compliance and accounting. In his career, Leung Yuk Ming has worked for Macquarie Capital (Hong Kong) Limited, DBS Asia Capital Limited, the listing division of the Stock Exchange and Ernst & Young. Leung Yuk Ming received his bachelor's degree in Commerce and LLB from the University of Calgary and the University of London respectively. He is a charter holder of the CFA Institute, member of Hong Kong Society of Financial Analysts and member of the Hong Kong Institute of Certified Public Accountants. He joined the Group in May 2009.

YOU Xiao Di, aged 37, is the general manager of the capital management centre of the Company. He is responsible for the capital and asset management of the Company. He worked in Zhong Ke Xin Securities Company from 1997 to 2002 in the investment banking department. Before joining the Group, he worked as the head of investment banking of Xiamen Enrich Asset Management Company Limited. You Xiao Di joined Xiamen Powerlong Group in February 2005. In November 2007, he resigned from his position in Xiamen Powerlong Group and joined the Company as the vice chief financial officer and the chief investment cooperation officer. He graduated from Xiamen University with a bachelor's degree in finance in 1997 and obtained a Master of Business Administration degree in 2007.

Corporate Governance Report

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Board is pleased to present this Corporate Governance Report in the Group's annual report for the year ended 31 December 2011. The Company focuses on maintaining high standard of corporate governance in order to achieve sustainable development and enhance corporate performance. The Board strives for adhering to the principles of corporate governance and has adopted sound corporate governance practices to meet the legal and commercial standards, focusing on areas such as internal control, fair disclosure and accountability to all shareholders to ensure the transparency and accountability of all operations of the Company. The Company believes that effective corporate governance is an essential factor to create more value for its shareholders. The Board will continue to review and improve the corporate governance practices of the Group from time to time to ensure that the Group is led by an effective Board in order to optimize return for shareholders. The Company has complied with the code provisions in the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the year ended 31 December 2011.

BOARD OF DIRECTORS

As at the date of this annual report, the Board consists of 9 Directors, 4 of whom are executive Directors, 2 of whom are non-executive Directors and 3 of whom are independent non-executive Directors. The biographies of the Directors are set out on pages 30 to 33 of this annual report. The Board's major functions and duties are to oversee the management, businesses, strategic directions and financial performance of the Group as well as to maximize the financial performance of the Group and make decisions in the best interest of the Group. The Board is also fully responsible for the formulation of business plans and strategies in relation to the business operation of the Group, including dividend policy and risk management strategies. The Board has delegated the authority and responsibilities to the senior management for the day-to-day management and operations of the Group. In addition, the Board has also established Board committees and has delegated various responsibilities to these Board committees as set out in their terms of reference, respectively.

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

The Board believes that the non-executive Directors and independent non-executive Directors have brought their independent judgment on issues in connection with the Group's strategies, performance, conflict of interests and management process so that the interests of all shareholders are considered and safeguarded. In compliance with Rule 3.10 and Rule 3.10A of the Listing Rules, the Company has appointed 3 independent non-executive Directors (representing one-third of the Board), 1 of whom has appropriate professional qualifications in accounting and financial management. All independent non-executive Directors have confirmed their independence of the Company and the Company considers them to be independent in accordance with the guidelines for assessing independence set out in Rule 3.13 of the Listing Rules. All independent non-executive Directors have entered into letters of appointment with the Company for a term of 3 years. One third of the Directors are subject to retirement from office by rotation and re-election at the annual general meeting once every 3 years in accordance with the Articles of Association.

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

The Board meets regularly to review the financial and operating performance of the Company, and considers and approves the overall strategies and policies of the Company. For the year ended 31 December 2011, the Board held 2 Board meetings. At these Board meetings, Directors discussed and exchanged their views on significant issues and general operations of the Group, formulated business policies and strategies, as well as reviewed the financial performance and internal control system, including financial, operational and compliance controls and risk management systems.

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of any legal actions taken against Directors and senior management arising out of corporate activities. The insurance coverage is reviewed on an annual basis.

Attendance of the individual directors at the Board meetings during the year ended 31 December 2011 is set out as follows:

Executive Directors	
Mr. Hoi Kin Hong *(Chairman of the Board and the Nomination Committee)*	2/2
Mr. Hoi Wa Fong *(Chief Executive Officer of the Company and Chairman of the Remuneration Committee)*	2/2
Mr. Xiao Qing Ping	2/2
Ms. Shih Sze Ni	2/2
Ms. Liu Xiao Lan	2/2
Non-executive Director	
Ms. Hoi Wa Fan	2/2
Independent non-executive Directors	
Mr. Ngai Wai Fung *(Chairman of the Audit Committee)*	2/2
Mr. Mei Jian Ping	2/2
Ms. Nie Mei Sheng	2/2

All Board members have separate and independent access to the Company's senior management to fulfill their duties and, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expense. All Directors also have access to the company secretary who is responsible for ensuring that the Board procedures and all applicable rules and regulations are followed. An agenda and accompanying Board/committee papers are distributed to the Directors/Board committee members with reasonable notice in advance of the meetings. Minutes of Board meetings and meetings of Board committees, which record sufficient details of the matters considered by the Board and decisions made, including any proposal raised by the Directors or dissenting views expressed, are kept by the company secretary and are open for inspection by the Directors.

A list of directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Hoi Kin Hong is the Chairman of the Board and Mr. Hoi Wa Fong is the Chief Executive Officer of the Company. Mr. Hoi Kin Hong is the father of Mr. Hoi Wa Fong. Despite their relationship, the responsibilities between the Chairman of the Board and the Chief Executive Officer are clearly divided to ensure a balance of power and authority and to reinforce their independence and accountability.

Mr. Hoi Kin Hong, being the Chairman of the Board, is responsible for providing leadership to the Board and ensuring that the Board functions effectively, that Directors receive in timely manner adequate information which is complete and reliable and that all Directors are properly briefed on issues proposed at Board meetings. The Chairman also encourages Directors to participate actively and to make a full contribution to the Board so that the Board acts in the best interest of the Group.

Mr. Hoi Wa Fong, being the Chief Executive Officer of the Company, is responsible for the daily operations of the Group, execution of business policies, strategies, objectives and plans as formulated and adopted by the Board and lead the management of the Group.

INDUCTION AND CONTINUING DEVELOPMENT OF DIRECTORS

Each newly appointed Director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors are continually updated on the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. Continuing briefing and professional development for directors will be arranged where necessary.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealings in securities of the Company by its Directors. Specific enquiry has been made with all the Directors and the Directors have confirmed that they have complied with the required standards in the Model Code during the period under review. All the Directors have declared that they have complied with the Model Code throughout the year ended 31 December 2011.

DIRECTORS RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

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

BOARD COMMITTEES

As an integral part of good corporate governance, the following committees have been set up:

Audit Committee

The audit committee of the Company (the "Audit Committee") comprises all the independent non-executive Directors:

Mr. Ngai Wai Fung *(Chairman of the Audit Committee)*
Mr. Mei Jian Ping
Ms. Nie Mei Sheng

The Audit Committee is established with written terms of reference based upon the provisions and recommended practices of the CG Code. The main duties of the Audit Committee include the following:

- To review the financial statements, reports and accounts and consider any significant or unusual items raised by the external auditors before submission to the Board;

- To review the relationship with the external auditors by reference to the work performed by the auditors, their renumeration and terms of engagement and make recommendations to the Board on the appointment, re-appointment and removal of external auditors; and

- To review the adequacy and effectiveness of the Company's financial reporting system, internal control system, risk management system and the associated procedures.

The Audit Committee provides supervision over the internal control system of the Group and reports to the Board on any material issues and makes recommendations to the Board.

During the year ended 31 December 2011, the Audit Committee held 2 meetings to review the financial results, and to make recommendations to improve the Company's internal control. The chief financial officer and representatives of the external auditor of the Company attended the meeting.

Attendance of individual members of the Audit Committee at the meeting for the year ended 31 December 2011 is set out as follows:

Committee Members	Meetings Attended/Total
Mr. Ngai Wai Fung	2/2
Mr. Mei Jian Ping	2/2
Ms. Nie Mei Sheng	2/2

Auditor's Remuneration

For the year ended 31 December 2011, the fees paid/payable to the auditor of the Company in respect of annual audit services and non-audit services amounted to RMB3.0 million and RMB3.1 million, respectively.

Remuneration Committee

During the year under review, the remuneration committee of the Company (the "Remuneration Committee") comprises 3 members, the majority of whom are independent non-executive Directors:

Mr. Hoi Wa Fong *(Chairman of the Remuneration Committee)*
Mr. Mei Jian Ping
Ms. Nie Mei Sheng

The Remuneration Committee has adopted written terms of reference prepared by reference to the suggested terms of reference stated under the CG Code Provision B.1.3. The Remuneration Committee has been delegated with the powers and authorities to implement the share option scheme of the Company and to deal with all compensation matters regarding the Directors and senior management of the Company in accordance with the terms and conditions of their respective agreements/contracts with the relevant members of the Group.

During the year ended 31 December 2011, the Remuneration Committee held 2 meetings to review and consider the remuneration packages for the executive Directors and senior management of the Company.

Attendance of individual members of the Remuneration Committee at the meeting for the year ended 31 December 2011 is set out as follows:

Committee Members	Meetings Attended/Total
Mr. Hoi Wa Fong	2/2
Mr. Mei Jian Ping	2/2
Ms. Nie Mei Sheng	2/2

Nomination Committee

During the year under review, the nomination committee of the Company (the "Nomination Committee") comprises 3 members, the majority of whom are independent non-executive Directors:

Mr. Hoi Kin Hong *(Chairman of the Nomination Committee)*
Mr. Mei Jian Ping
Ms. Nie Mei Sheng

The Nomination Committee has adopted written terms of reference prepared by reference to the suggested terms of reference stated under the CG Code Provision A.5.2. The Nomination Committee has been delegated with the powers and authorities to review the structure, size and composition of the Board, make recommendation to the Board on selection of individuals nominated for directorships, appointment or reappointment of Directors and succession planning for Directors and assessing the independence of independent non-executive Directors.

The appointment, re-election and removal of Directors are governed by the Company's Articles of Association. Pursuant to the Company's Articles of Association, any director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of the Company after his appointment and be subject to re-election at such meeting, whereas any director appointed as an addition to the Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at such meeting. In addition, at each annual general meeting of the Company, one-third of the Directors shall retire from office by rotation and be eligible for re-election thereat, such that all directors should be subject to retirement by rotation at annual general meeting at least once every three years and be eligible for re-election thereat.

During the year ended 31 December 2011, the Nomination Committee held 1 meeting.

Attendance of individual members of the Nomination Committee at the meeting for the year ended 31 December 2011 is set out as follows:

Committee Members	Meetings Attended/Total
Mr. Hoi Kin Hong	1/1
Mr. Mei Jian Ping	1/1
Ms. Nie Mei Sheng	1/1

INTERNAL CONTROL

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

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

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

SHAREHOLDER RELATIONS

The Company has adopted a policy of disclosing clear and relevant information to shareholders through publication of announcements, notices, circulars, interim and final reports in a timely manner. To enhance the Company's transparency, other information on the Company is also published at the Company's website at http://www.powerlong.com. In addition to publication of information, the annual general meeting of the Company provides a forum for communication between shareholders and Directors. The Chairman of the Board personally chairs the annual general meeting to ensure shareholders' views are communicated to the Board. In addition to the Chairman, the chairmen of the Board committees, or in their absence, other members of the respective committees, are available to answer any queries that shareholders may have. The Chairman will propose separate resolutions for each issue to be considered at the annual general meeting. The annual general meeting proceedings are reviewed from time to time to ensure that the Company follows the best corporate governance practices and shareholders' rights are preserved. Notice of annual general meeting is delivered to all shareholders at least 20 clear business days prior to the date of the meeting, setting out details of each proposed resolution, voting procedures (including procedures for demanding and conducting a poll) and other relevant information. At the beginning of the meeting, the procedures for demanding and conducting a poll will be explained by the Chairman. Vote results are posted on the Company's website.

INVESTOR RELATIONS OVERVIEW

As a responsible listed company, Powerlong is committed to maintain dynamic communications with its shareholders and investors. The Company regularly updates the investors about its latest operations and financial performance through company website, corporate newsletters, site visits, one-on-one meetings, bank conferences and international roadshows.

In 2011, Powerlong was invited to participate in 18 Asian and European forums and conferences held by various investment banks meeting approximately 220 investors. Investor relations activities are not only helpful in promoting two-way communications between Powerlong and the public and acting as an effective channel for information exchange, but also further enhance Powerlong's transparency and credibility within the industry, thereby improving investors' relationship of the Group.

Powerlong participated in the following major investor relations activities in 2011:

January: UBS Greater China Conference (Shanghai)
April: BNP Paribas China Real Estate Conference (Hong Kong)
May: Citi's Asia Pacific Property Conference 2011 (Singapore)
May: Macquarie Greater China Conference (Hong Kong)
May: Morgan Stanley's 2nd Annual Hong Kong Investor Summit (Hong Kong)
June: RBS China-India Access Conference (United Kingdom)
June: Citi's HK & China Mini Conference (United Kingdom)
July: RBS HK/China Access Conference (Hong Kong)
July: Citi's HK & China Mini Conference (Hong Kong)
September: UBS Hong Kong/China Property Conference (Hong Kong)
October: Citi Greater China Investor Conference 2011 (Macau)
November: Bank of America – Merrill Lynch New China Conference (Beijing)
November: Jefferies 2011 Fall Hong Kong/China Property Summit (Hong Kong)

Report of the Directors

The Directors have pleasure in presenting their report and the audited financial statements of the Group for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in property development, investment and hotel operation. Details of the principal activities of its principal subsidiaries are set out in note 36 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2011 are set out on pages 58 to 132 of this annual report.

The Directors recommended the payment of a final dividend of RMB6 cents per ordinary share for the year ended 31 December 2011.

The proposed final dividend, if approved at the annual general meeting of the Company to be held on 18 May 2012 will be paid to the shareholders whose names appear on the register of members of the Company on 24 May 2012. The register of members of the Company will be closed from 24 May 2012 to 29 May 2012 (both days inclusive). In order to qualify for the above mentioned proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 23 May 2012.

RESERVES

Details of movement in the reserves of the Company and the Group for the year ended 31 December 2011 are set out in note 18 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

As at 31 December 2011, the reserves of the Company available for distribution was approximately RMB3,308 million (2010: RMB3,370 million).

MAJOR CUSTOMERS AND SUPPLIERS

During the year under review, the aggregate sales attributable to the Group's five largest customers were less than 30% of the Group's total sales. The aggregate purchases attributable to the Group's five largest suppliers were less than 30% of the Group's total purchases during the year under review.

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

BORROWINGS

Particulars of borrowings of the Company and the Group as at 31 December 2011 are set out in note 19 to the consolidated financial statements.

DONATIONS

Charitable and other donations made by the Group during the year 2011 amounted to RMB25,913,000 (2010: RMB38,072,000).

PROPERTY AND EQUIPMENT

Details of property and equipment of the Group are set out in note 6 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year under review are set out in note 17 to the consolidated financial statements.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 131 to 132 of this annual report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights over shares of the Company under the Company's Articles of Association or the laws of Cayman Islands where the Company is incorporated.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors of the Company during the year and up to the date of this report are as follows:

Executive Directors

Mr. Hoi Kin Hong *(Chairman)*
Mr. Hoi Wa Fong *(Chief Executive Officer)*
Mr. Xiao Qing Ping
Ms. Shih Sze Ni

Non-executive Directors

Ms. Hoi Wa Fan
Ms. Liu Xiao Lan (re-designated on 1 April 2012)

Independent Non-executive Directors

Mr. Ngai Wai Fung
Mr. Mei Jian Ping
Ms. Nie Mei Sheng

In accordance with article 16.18 of the Company's Articles of Association, Mr. Hoi Kin Hong, Mr. Hoi Wa Fong and Mr. Mei Jian Ping will retire by rotation and, being eligible, offer themselves for re-election as Directors at the forthcoming annual general meeting.

Each of the executive Directors and non-executive Director has entered into a service contract with the Company for a term of three years commencing from 14 October 2009. Ms. Liu Xiao Lan re-designated as non-executive director from 1 April 2012 and has entered into a service contract with the Company for a term of one year. Each of the Independent non-executive Directors has entered into a letter of appointment with the Company for a term of three years commencing from 14 October 2009. None of the Directors, including Directors being proposed for re-election at the forthcoming annual general meeting, has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

The Company has received, from each of the independent non-executive Directors, a confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive Directors are independent.

DIRECTORS' REMUNERATION

The Remuneration Committee considers and recommends to the Board on the remuneration and other benefits paid by the Company to the Directors. The remuneration of all Directors is subject to regular monitoring by the Remuneration Committee to ensure that the levels of their remuneration and compensation are appropriate.

Details of Directors' remuneration are set out in note 26 to the consolidated financial statements.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in the note 35 to the consolidated financial statements and in the section "Continuing Connected Transactions", there was no other contract of significance in relation to the Group's business to which the Company, any of its subsidiaries or its holding company was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year under review.

SHARE OPTION SCHEMES

Pursuant to the shareholder's resolutions of the Company on 16 September 2009, the Company has adopted a Share Option Scheme and a Pre-IPO Share Option Scheme for the purpose of providing incentives and rewards to eligible participants who have contributed to the success of the Group's operations.

A. SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme:

1. **Purpose of the Share Option Scheme:**

   The Share Option Scheme is established to recognize and acknowledge the Eligible Participants (as defined in paragraph 2 below) for the contributions they had or may have made to the Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in the Company with a view to achieving the following objectives:

   (i) to motivate the Eligible Participants to optimize their performance efficiency for the benefit of the Group; and

   (ii) to attract and retain the Eligible Participants or to otherwise maintain on-going business relationship with them whose contributions are or will be beneficial to the long-term growth of the Group.

2. **Participants of the Share Option Scheme:**

   The Board may, at its discretion, offer to grant an option to the following persons (collectively the "Eligible Participants") to subscribe for such number of shares of the Company as the Board may determine:

   (i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries;

   (ii) any directors (including non-executive directors and independent non-executive directors) of the Company or any of its subsidiaries;

   (iii) any advisors, consultants, suppliers, customers, agents and such other persons who in the sole opinion of the Board will contribute or have contributed to the Company or any of its subsidiaries.

3. **Total number of shares available for issue under the Share Option Scheme and percentage of issued share capital as at 31 December 2011:**

   The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme shall not in aggregate exceed 31,660,000 shares (representing approximately 0.78% of the issued share capital as at 31 December 2011).

4. **Maximum entitlement of each participant under the Share Option Scheme:**
The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to:

(i) the issue of a circular by the Company containing the identity of the Eligible Participant, the numbers and terms of the options to be granted (and options previously granted to such participant), the information as required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and

(ii) the approval of the shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time, for this respect, such Eligible Participant and his associates (as defined in the Listing Rules) shall abstain from voting at the meeting.

5. **The period within which the options must be exercised under Share Option Scheme to subscribe for shares:**
An option may be exercised at any time during a period to be determined and notified by the Directors to each grantee but in any event not exceeding 10 years from the date of grant of options subject to the provisions for early termination set out in the Share Option Scheme.

6. **The minimum period for which an option must be held before it can be exercised:**
There is no minimum period for which an option granted must be held before it can be exercised unless otherwise imposed by the Directors.

7. **The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made, or loans for such purposes must be paid:**
Options granted must be taken up within 21 days of the date of offer, upon payment of HK$1 per grant.

8. **The basis of determining the exercise price:**
The exercise price is determined by the Board but shall not be less than the highest of (i) the closing price of the ordinary shares as stated in the Stock Exchange's daily quotation sheets on the date (which must be a trading day) of grant of options; (ii) the average closing price of the ordinary shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of an ordinary share.

9. **The remaining life of the Share Option Scheme:**
The Share Option Scheme will remain in force for a period of 10 years commencing from 16 September 2009.

Since the adoption of the Share Option Scheme and up to 31 December 2011, no options had been granted under the Share Option Scheme.

B. PRE-IPO SHARE OPTION SCHEME

The following is a summary of the principal terms of the Pre-IPO Share Option Scheme:

1. Purpose of the Pre-IPO Share Option Scheme:

The Pre-IPO Share Option Scheme is established to recognize and acknowledge the Pre-IPO Eligible Participants (as defined in paragraph 2 below) for the contributions they had or may have made to the Group. The Pre-IPO Share Option Scheme will provide the Pre-IPO Eligible Participants an opportunity to have a personal stake in the Company with a view to achieving the following objectives:

(i) to motivate the Pre-IPO Eligible Participants to optimize their performance efficiency for the benefit of the Group; and

(ii) to attract and retain the Pre-IPO Eligible Participants or to otherwise maintain business relationship with them whose contributions are or will be beneficial to the long-term growth of the Group.

2. Participants of the Pre-IPO Share Option Scheme:

The Board may, at its discretion, offer to grant an option to the following persons (collectively the "Pre-IPO Eligible Participants") to subscribe for such number of shares of the Company as the Board may determine:

(i) any full-time employees, executives or officers of the Company or any of its subsidiaries; or

(ii) any directors (including non-executive directors and independent non-executive directors) of the Company or any of its subsidiaries;

(iii) any full-time employees of any subsidiaries of the Company at a manager level or above and other full-time employees of the Company or its subsidiaries who have been in employment with the Group for over 3 years prior to the date of the adoption of the Pre-IPO Share Option Scheme.

3. Total number of shares available for issue under the Pre-IPO Share Option Scheme and percentage of issued share capital as at 31 December 2011:

The maximum number of shares which may be issued upon exercise of the options granted under the Pre-IPO Share Option Scheme shall not in aggregate exceed 40,000,000 shares (representing approximately 0.99% of the issued share capital).

4. **The period within which the options must be exercised under Pre-IPO Share Option Scheme to subscribe for shares:**

Exercise Period	Number of Options Exercisable
From 16 September 2010 to 15 September 2012	1st batch options, being 20% of the total number of options granted
From 16 September 2011 to 15 September 2013	2nd batch options, being 20% of the total number of options granted
From 16 September 2012 to 15 September 2014	3rd batch options, being 20% of the total number of options granted
From 16 September 2013 to 15 September 2015	4th batch options, being 20% of the total number of options granted
From 16 September 2014 to 15 September 2016	5th batch options, being 20% of the total number of options granted

5. **The minimum period for which an option must be held before it can be exercised:**

Minimum Period	Number of Options Exercisable
12 months from 16 September 2009	1st batch options, up to 20% of the total number of options granted
24 months from 16 September 2009	2nd batch options, up to 20% of the total number of options granted
36 months from 16 September 2009	3rd batch options, up to 20% of the total number of options granted
48 months from 16 September 2009	4th batch options, up to 20% of the total number of options granted
60 months from 16 September 2009	5th batch options, up to 20% of the total number of options granted

6. **The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made, or loans for such purposes must be paid:**
Options granted must be taken up within 21 days of the date of offer, upon payment of HK$1 per grant.

7. **The basis of determining the exercise price:**
The exercise price shall be a price equivalent to a discount of 10% to the offer price of the global offering of the Company's shares.

8. **Movements of the Pre-IPO Share Option Scheme of the Company:**

		Number of share options			
Category	**Exercise Period**	**As at 1 January 2011**	**Granted during the year**	**Exercised/ Lapsed/ Cancelled during the year**	**As at 31 December 2011**
Mr. Hoi Kin Hong	16 September 2010 to 15 September 2012	1,400,000	–	–	1,400,000
	16 September 2011 to 15 September 2013	1,400,000	–	–	1,400,000
	16 September 2012 to 15 September 2014	1,400,000	–	–	1,400,000
	16 September 2013 to 15 September 2015	1,400,000	–	–	1,400,000
	16 September 2014 to 15 September 2016	1,400,000	–	–	1,400,000
	Total	7,000,000	–	–	7,000,000

Category	Exercise Period	Number of share options As at 1 January 2011	Granted during the year	Exercised/ Lapsed/ Cancelled during the year	As at 31 December 2011
Mr. Hoi Wa Fong	16 September 2010 to 15 September 2012	440,000	–	–	440,000
	16 September 2011 to 15 September 2013	440,000	–	–	440,000
	16 September 2012 to 15 September 2014	440,000	–	–	440,000
	16 September 2013 to 15 September 2015	440,000	–	–	440,000
	16 September 2014 to 15 September 2016	440,000	–	–	440,000
	Total	2,200,000	–	–	2,200,000
Mr. Xiao Qing Ping	16 September 2010 to 15 September 2012	360,000	–	–	360,000
	16 September 2011 to 15 September 2013	360,000	–	–	360,000
	16 September 2012 to 15 September 2014	360,000	–	–	360,000
	16 September 2013 to 15 September 2015	360,000	–	–	360,000
	16 September 2014 to 15 September 2016	360,000	–	–	360,000
	Total	1,800,000	–	–	1,800,000

Category	Exercise Period	Number of share options As at 1 January 2011	Granted during the year	Exercised/ Lapsed/ Cancelled during the year	As at 31 December 2011
Ms. Shih Sze Ni	16 September 2010 to 15 September 2012	240,000	–	–	240,000
	16 September 2011 to 15 September 2013	240,000	–	–	240,000
	16 September 2012 to 15 September 2014	240,000	–	–	240,000
	16 September 2013 to 15 September 2015	240,000	–	–	240,000
	16 September 2014 to 15 September 2016	240,000	–	–	240,000
	Total	1,200,000	–	–	1,200,000
Ms. Liu Xiao Lan	16 September 2010 to 15 September 2012	240,000	–	–	240,000
	16 September 2011 to 15 September 2013	240,000	–	–	240,000
	16 September 2012 to 15 September 2014	240,000	–	–	240,000
	16 September 2013 to 15 September 2015	240,000	–	–	240,000
	16 September 2014 to 15 September 2016	240,000	–	–	240,000
	Total	1,200,000	–	–	1,200,000
Directors	Total	13,400,000	–	–	13,400,000

Category	Exercise Period	Number of share options As at 1 January 2011	Granted during the year	Exercised/ Lapsed/ Cancelled during the year	As at 31 December 2011
Employees	16 September 2010 to 15 September 2012	4,432,000	–	(780,000)	3,652,000
	16 September 2011 to 15 September 2013	4,432,000	–	(780,000)	3,652,000
	16 September 2012 to 15 September 2014	4,432,000	–	(780,000)	3,652,000
	16 September 2013 to 15 September 2015	4,432,000	–	(780,000)	3,652,000
	16 September 2014 to 15 September 2016	4,432,000	–	(780,000)	3,652,000
Employees	Total	22,160,000	–	(3,900,000)	18,260,000
	Total	35,560,000	–	(3,900,000)	31,660,000

SHARE AWARD SCHEME

A share award scheme was adopted on 2 December 2010 to recognize and motivate the contributions made to the Group by its employees and to give incentives in order to retain them for the continuous operation and development of the Group. As at 31 December 2011, no share had been awarded under the scheme. Details of the rules of the share award scheme are set out in the announcement of the Company dated 2 December 2010.

The scheme shall be valid and effective for a term of 6 years commencing on the date of adoption of the scheme. Pursuant to the scheme, shares will be acquired by the independent trustee at the cost of the Company and be held in trust for selected employees until the end of each vesting period. Vested shares will be transferred to the selected employees at no consideration. The number of shares to be awarded under the scheme throughout its duration is limited to 2% of the issued share capital of the Company as at the date of adoption of the scheme.

DISCLOSURE OF INTERESTS IN SECURITIES

Directors' interests in the shares and underlying shares of the Company

As at 31 December 2011, the interests of each Director and chief executive of the Company in the shares and underlying shares of the Company (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(1) Interests in shares of the Company

Name of Director	Long/Short position	Capacity	Number of ordinary shares in the Company	Approximate percentage of the Company's issued shares*
Mr. Hoi Kin Hong	Long Position	Interest of a controlled corporation (Note 1)	1,805,637,000	44.38%
	Long Position	Interest of spouse	1,729,000	0.04%
Mr. Hoi Wa Fong	Long Position	Interest of a controlled corporation (Note 2)	605,400,000	14.88%
Ms. Hoi Wa Fan	Long Position	Interest of a controlled corporation (Note 3)	300,000,000	7.37%

Notes:

1. Skylong Holdings Limited is wholly and beneficially owned by Hoi Kin Hong.
2. Sky Infinity Holdings Limited is wholly and beneficially owned by Hoi Wa Fong.
3. Walong Holdings Limited is wholly and beneficially owned by Hoi Wa Fan.

* The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 31 December 2011.

(2) Interests in underlying shares of the Company – equity derivatives of the Company

Name of Director	Long/Short position	Capacity	Number of underlying shares in respect of the share options granted	Approximate percentage of the underlying shares over the Company's issued shares* (Upon fully exercise of share options)
Mr. Hoi Kin Hong	Long Position	Beneficial owner	7,000,000	0.1707%
Mr. Hoi Wa Fong	Long Position	Beneficial owner	2,200,000	0.0537%
Mr. Xiao Qing Ping	Long Position	Beneficial owner	1,800,000	0.0439%
Ms. Shih Sze Ni	Long Position	Beneficial owner	1,200,000	0.0293%
Ms. Liu Xiao Lan	Long Position	Beneficial owner	1,200,000	0.0293%

Note: Details of the above share options as required by the Listing Rules have been disclosed in the above section headed "Information on Share Option Scheme" and note 18 to the consolidated financial statements.

* The percentage represents the number of underlying shares interested divided by the number of the Company's issued shares as at 31 December 2011.

(3) Long Position in the Senior Notes

Name of Director	Capacity	Amount of Debentures	Approximate percentage of the issued debentures (%)
Mr. Hoi Wa Fong	Interest of a controlled corporation (Note)	USD4,700,000	2.35%

Note: Sky Infinity Holdings Limited is wholly and beneficially owned by Hoi Wa Fong.

Saved as disclosed above, as at 31 December 2011, none of the Directors, chief executives of the Company or their respective associates had any personal, family, corporate or other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was deemed or taken to have under such provisions of the SFO) or which were required to be entered into the register kept by the Company pursuant to Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHT TO ACQUIRE SHARES

Saved as disclosed above, at no time during the year under review was the Company or any of its subsidiaries a party to any arrangements to enable the Directors or any of their spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporates, and none of the Directors or chief executives or their respective spouses or children under 18 years of age had been granted any right to subscribe for shares or debt securities of the Company nor exercised any such right.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2011, the interests of substantial shareholders in shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Name	Capacity	Number of shares	Percentage of Shareholding*
Skylong Holdings Limited (Notes 1 and 2)	Beneficial Owner	1,805,637,000 (L)	44.38%
Hoi Kin Hong (Notes 1)	Interest of Spouse	1,729,000 (L)	0.04%
Sky Infinity Holdings Limited (Notes 1 and 3)	Beneficial Owner	605,400,000 (L)	14.88%
Wason (Notes 1 and 4)	Beneficial Owner	300,000,000 (L)	7.37%
Walong (Notes 1 and 5)	Beneficial Owner	300,000,000 (L)	7.37%

Notes:

1. The letter "L" denotes the person's long position in such securities.

2. Skylong Holdings Limited is wholly and beneficially owned by Hoi Kin Hong.

3. Sky Infinity Holdings Limited is wholly and beneficially owned by Hoi Wa Fong.

4. Walong Holdings Limited is wholly and beneficially owned by Hoi Wa Fan.

5. Wason Holdings Limited is beneficially owned as to 70% by Che Iok Teng, as to 10% by each of Hoi Wa Lam (許華琳), Hoi Wa Lam (許華嵐) and Hoi Wa Weng.

* The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 31 December 2011.

ENFORCEMENT OF THE NON-COMPETITION UNDERTAKING

As disclosed in the prospectus of the Company dated 25 September 2009 (the "Prospectus") and the announcements of the Company dated 30 June 2011 and 3 January 2012, in order to reduce competition with Xiamen Powerlong Group, the Company acquired from Xiamen Powerlong Group an aggregate of 58,265 square meters of retail GFA at the Mingfa Centre (a project jointly developed by Xiamen Powerlong with independent third parties). The consideration for the acquisition was RMB600.0 million. Completion of the acquisition was initially scheduled to take place on 31 December 2011. The relevant court in PRC has awarded the Relevant Property to Xiamen Powerlong Group. However, as there involves tax payment, Xiamen Powerlong Group is currently working with the relevant tax authorities and Mingfa Group for solutions. As a result, Xiamen Powerlong Group and the codevelopment partners in Mingfa Centre cannot complete the relevant delivery procedures of the Relevant Property before 31 December 2011. The Company has entered into an amendment to the agreement on 31 December 2011 with Xiamen Powerlong Group, pursuant to which the expected completion of the acquisition was postponed to on or before 30 June 2012.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Hoi Kin Hong, Hoi Wa Fong and Hoi Wa Fan, being the Directors, are interested in certain companies engaged in the hotel operation business, which is ancillary to the Company's core business, namely, commercial property development and operation. The hotels operated by such companies are Xiamen Powerlong Hotel and Jinjiang Powerlong Hotel. These two hotels are operated independently and in individual mode of that of the Group, while the hotels included in the Group's development projects are developed as part of the large-scale and multifunctional commercial complexes. As such, there are no actual or potential competition between these two hotels and the hotels to be included in the Group's development project. Details of Xiamen Powerlong Hotel and Jinjiang Powerlong Hotel are set out in the Prospectus.

Saved as disclosed above, as at 31 December 2011, none of the Directors or their respective associates had interests in businesses which compete or are likely to compete, either directly or indirectly, with the business of the Group pursuant to the Listing Rules.

Each of Skylong Holdings Limited, Sky Infinity Limited, Walong Holdings Limited, Hoi Kin Hong, Hoi Wa Fong and Hoi Wa Fan has undertaken to the Company that, subject to the exceptions mentioned in the Prospectus, they will not engage in, and shall procure that their controlled affiliates (other than members of the Company) will not engage in any property development and hotel operation business in China. Details of the deed of non-competition ("Deed of Non-competition") in favour of the Company are set out in the Prospectus.

The Company has received from Skylong Holdings Limited, Sky Infinity Limited, Walong Holdings Limited, Hoi Kin Hong, Hoi Wa Fong and Hoi Wa Fan an annual confirmation that it/he/she has fully complied with its/his/her obligations under the Deed of Non-competition.

RELATED PARTY TRANSACTIONS

During the year ended 31 December 2011, certain directors and their closely related family members, as well as the companies controlled by certain directors and/or their respective closely related family members entered into transactions with the Group, for which are disclosed in "Related Party Transactions" set out in note 36 to the consolidated financial statements of the Group.

CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2011, the Group entered into the following connected transactions, which were granted with waivers by the Stock Exchange or waivers from independent shareholders' approval, subject to compliance with the disclosure requirements as set out under Chapter 14A of the Listing Rules in relation to annual reports. Details of these transactions are set out below:

A CONTINUING CONNECTED TRANSACTIONS WHICH ARE EXEMPT FROM THE INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENT BUT ARE SUBJECT TO THE REPORTING AND ANNOUNCEMENT REQUIREMENTS

(1) Hotel accommodation services agreement with Macau Powerlong Group

On 4 September 2009, the Company and Pou Long Construction and Land Investment Company Limited ("Macau Powerlong Group") entered into the hotel accommodation services agreement (the "Hotel Services Agreement"), pursuant to which Macau Powerlong Group agreed to provide hotel accommodation services to the Group's employees and guests, who are primarily independent suppliers or service providers to the Company at the Xiamen Powerlong Hotel and Jinjiang Powerlong Hotel for a term of 3 years from 1 January 2009 to 31 December 2011. Upon expiry of the Hotel Services Agreement, on 31 December 2011, the Company and Macau Powerlong Group entered into a renewal agreement to renew the terms of the Hotel Services Agreement for a fixed term of three years commencing from 1 January 2012 to 31 December 2014. Under such renewal agreement, Macau Powerlong Group provides such hotel accommodation services during the ordinary course of business, charges a discount of 50% to the normal room service charges and offers terms no less favorable than those offered by independent third parties for comparable services to the Group. For further details, please also refer to the announcement of the Company dated 3 January 2012.

Macau Powerlong Group is owned as to 88.9% by Hoi Kin Hong and is therefore a connected person of the Company under the Listing Rules.

During the year under review, the total amount charged for the provision of hotel accommodation services by the two hotels of Macau Powerlong Group to the Company under the Hotel Services Agreement was RMB700,000 and the waiver granted by the Stock Exchange was RMB4,200,000.

(2) Property management services agreements with the associates of Macau Powerlong Group and the Directors of the Company

On 4 September 2009, the Company and Fuzhou Powerlong Amusement Management Company Limited ("Fuzhou Amusement"), Qingdao Powerlong Amusement Development Company Limited ("Qingdao Amusement"), Zhengzhou Powerlong Food & Beverage Company Limited, Zhengzhou Cannes Outlets Commercial Company Limited ("Zhengzhou Outlets"), Hoi Kin Mei and Hoi Wa Fong entered into the property management services agreements (the "Property Management Services Agreements") for a term of three years from 1 January 2009 to 31 December 2011. Upon expiry of the Property Management Services Agreements, on 31 December 2011, the Company, Fuzhou Amusement, Qingdao Amusement, Zhengzhou Outlets, Hoi Kin Mei and Hoi Wa Fong entered into a renewal agreement to renew the terms of the Property Management Services Agreements for a fixed term of 3 years commencing from 1 January 2012 to 31 December 2014. Under such renewal agreement, the Group has agreed to provide property management services including security, cleaning and maintenance services, to the amusement park, retail stores and offices operated and occupied by Qindao Amusement, Zhengzhou Outlets, and the commercial units owned by Hoi Kin Mei and Hoi Wa Fong. For further details, please also refer to the announcement of the Company dated 3 January 2012.

The Group charged property management services fees at prevailing market rates and on terms no more favorable than those offered by independent third parties for comparable services to those companies and persons. The Directors are of the view that such transactions are conducted on normal commercial terms and in the ordinary course of business.

Each of Fuzhou Amusement, Qingdao Amusement and Zhengzhou Outlets is wholly owned by Xiamen Powerlong Group and is therefore a connected person of the Company under the Listing Rules.

During the year under review, the total amount of service fees charged by the Group under the Property Management Services Agreements was RMB2,724,000 and the waiver granted by the Stock Exchange was RMB4,420,000.

(3) The first office lease agreement of Fuzhou Powerlong

On 21 April 2008, Xiamen Powerlong Information Industry Co., Ltd. ("Xiamen Powerlong Information"), a 51% owned subsidiary of Powerlong Group Development Co., Ltd. ("Xiamen Powerlong Group"), as landlord and Fuzhou Powerlong as tenant, entered into a lease agreement together with its supplemental agreement entered into by both parties on 4 September 2009 (the "First Office Lease Agreement"), pursuant to which the property located on the third floor of Powerlong Center, Xiamen, with an aggregate GFA of approximately 3,093 square meters, was leased to Fuzhou Powerlong and/or its subsidiaries for office use. The term of the lease expired on 31 December 2011 and the annual rent is RMB1,484,832. Details of the First Office Lease Agreement are set out in the Prospectus.

Xiamen Powerlong Information is a 51% owned subsidiary of Xiamen Powerlong Group, which is in turn 88.9% indirectly owned by Hoi Kin Hong and is therefore a connected person of the Company.

During the year under review, the total amount of rent paid by Fuzhou Powerlong under the First Office Lease Agreement was RMB1,484,832 and the waiver granted by the Stock Exchange was RMB1,484,832.

(4) Security service agreement with Fujian Ping An

On 1 July 2010, the Group and Fujian Ping An Security Devices and Network Co., Ltd. (the "Fujian Ping An") entered into a security service agreement (the "Security Service Agreement") pursuant to which Fujian Ping An agreed to provide certain security intelligentization system services to the Group for a term from 1 July 2010 to 31 December 2012. Details of the Security Service Agreement are set out in the announcement of the Company dated 1 July 2010.

Fujian Ping An is a wholly-owned subsidiary of Xiamen Powerlong Information, a company which is owned as to 51% by Xiamen Powerlong Group and 49% by Jui Yau International Investments Company Limited ("Jui Yau International"). Xiamen Powerlong Group is indirectly owned as to 88.9% by Mr. Hoi Kin Hong and Jui Yau International is owned as to 24.8% by Mr. Hoi Wa Fong and Ms. Hoi Wa Fan, the respective son and daughter of Mr. Hoi Kin Hong, a substantial shareholder of the Company. By virtue of Mr. Hoi Kin Hong's interest in Fujian Ping An, Fujian Ping An is therefore an associate of Mr. Hoi Kin Hong and hence a connected person of the Company under the Listing Rules.

During the year under review, the total amount for the transactions under the Security Service Agreement was RMB61,083,000 and the annual cap amount was RMB80,000,000.

(5) Purchase of office equipment from Xiamen Powerlong Information

On 4 September 2008, Fuzhou Powerlong Real Estate Development Co., Ltd. ("**Fuzhou Powerlong**"), an indirectly wholly-owned subsidiary of the Company, entered into an office equipment purchase agreement with Xiamen Powerlong Information (the "**Equipment Purchase Agreement**"), for a term of 3 years from 1 January 2009 to 31 December 2011. Upon expiry of the Equipment Purchase Agreement, on 31 December 2011, Fuzhou Powerlong and Xiamen Powerlong Information entered into a renewal agreement to renew the terms of the Equipment Purchase Agreement for a fixed term of 3 years commencing from 1 January 2012 to 31 December 2014. Under such renewal agreement, Xiamen Powerlong Information will supply office equipment such as printers, photocopiers, computers and fax machines to Fuzhou Powerlong. For further details, please refer to the announcement of the Company dated 3 January 2012.

During the year under review, the total amount for the transactions under the Equipment Purchase Agreement was RMB922,000 and the annual cap amount was RMB1,000,000.

B CONTINUING CONNECTED TRANSACTIONS WHICH ARE SUBJECT TO THE REPORTING, ANNOUNCEMENT AND INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS

(6) Long-term lease agreements

Details of the long-term lease agreements are set out in the Prospectus. Fuzhou Powerlong, Powerlong Group (Qingdao) Property Development Co., Ltd., Shandong Powerlong Industry Development Co., Ltd., and Zhengzhou Powerlong Real Estate Development Co., Ltd. as landlord have entered into the following long-term lease agreements ("Long-term Lease Agreements"):

Tenant	**Location of property**	**Area of property** (square meters)	**Term** (Year)	**Annual rent payable** (RMB)	**Use of property**
Fuzhou Amusement	Fuzhou Powerlong City Plaza	5,171	5	2.43 million	Amusement park
Zhengzhou Outlets	Zhengdong District, Zhengzhou	15,154	15	6.44 million	Outlet retail stores
Qingdao Amusement	Chengyang District, Qingdao	18,564	10	13.50 million	Amusement park

Each of Fuzhou Amusement, Zhengzhou Outlets and Qingdao Amusement is wholly owned by Xiamen Powerlong Group and is therefore a connected person of the Company under the Listing Rules.

During the year under review, the total amount of rent received by the Group under the Long-term Lease Agreements was RMB22,368,000 and the waiver granted by the Stock Exchange was RMB41,630,000.

The annual caps under the Long-term Lease Agreements is subject to review upon its expiry of every 3 years in accordance with the relevant requirements under Chapter 14A of the Listing Rules. Upon expiry of the annual caps on 31 December 2011, revised annual caps were proposed for the three years commencing from 1 January 2012 to 31 December 2014. For further details, please refer to the announcement of the Company dated 3 January 2012.

The aforesaid continuing connected transactions have been reviewed by independent non-executive Directors. The independent non-executive Directors confirmed that the aforesaid continuing connected transactions have been entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favorable to the Group than terms available to or from independent third parties; (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; (d) have not exceeded the relevant maximum annual cap amount in accordance to the waiver previously granted by the Stock Exchange.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the group in page 52 to page 55 of this annual report in accordance with paragraph 14A.38 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A copy of the auditor's letter has been provided by the Company to The Stock Exchange of Hong Kong Limited.

DIVIDEND

The Board has recommended the payment of a final dividend of RMB6 cents per ordinary share of the Company for the year ended 31 December 2011. The proposed final dividend, if approved by the shareholders at the forthcoming annual general meeting, will be paid to the shareholders on the register of members of the Company around June 2012.

CORPORATE GOVERNANCE

The Company is committed to the establishment of good corporate governance practices and procedures with a view to enhancing investors' confidence to the Company and the Company's accountability. The Company therefore strives to attain and maintain effective corporate governance practices and procedures. Since its listing on 14 October 2009, the Company has complied with the CG Code contained in Appendix 14 to the Listing Rules for the year ended 31 December 2011. Information on the Company's corporate governance practices is set out in the Corporate Governance Report on page 34 to page 39 of this annual report.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 15 May 2012 to Friday, 18 May 2012, both days inclusive, during which period no transfer of shares will be registered. In order to determine who are eligible to attend and vote at the forthcoming annual general meeting of the Company to be held on Friday, 18 May 2012, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Monday, 14 May 2012. In order to qualify for the proposed final dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 23 May 2012. The register of members of the Company will be closed from 24 May 2012 to 29 May 2012,both days inclusive, during which period no transfer of Shares will be registered. Subject to shareholders' approval of the proposed final dividend of shares at the annual general meeting to be held on Friday, 18 May 2012, the final dividend will be paid to shareholders whose names appear on the register of members of the Company at the close of business of Tuesday, 29 May 2012.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2011, the Company had repurchased from the market a total of 17,369,000 shares of the Company at price per share ranging from HK$0.96 to HK$1.06 for an aggregate consideration of HK$17.5 million. All the repurchased shares were subsequently cancelled on 9 January 2012. The Directors believe that the repurchases of shares would lead to an enhancement of the net value of the Group and its net assets and/or its earnings per share. Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2011.

Details of the repurchases of shares were as follows:

Month of repurchase	Number of shares repurchased	Highest price per share HK$	Lowest price per share HK$	Aggregate purchase price HK$
December 2011	17,369,000	1.06	0.96	17,543,000

AUDIT COMMITTEE

The Company has established an Audit Committee in compliance with Rule 3.21 of Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises 3 independent non-executive Directors.

The Audit Committee has reviewed the annual results for the year ended 31 December 2011 with the Company's management.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, throughout the year ended 31 December 2011 and up to the date of this report, the Company has maintained a sufficient public float of more than 25% of the Company's issued share capital as required under the Listing Rules.

AUDITOR

The consolidated financial statements for the year have been audited by PricewaterhouseCoopers who shall retire at the forthcoming annual general meeting. A resolution will be proposed at the forthcoming annual general meeting for the re-appointment of PricewaterhouseCoopers as the auditor of the Company.

On behalf of the Board

Hoi Kin Hong
Chairman

Hong Kong, 22 March 2012

Independent Auditor's Report

羅兵咸永道

TO THE SHAREHOLDERS OF POWERLONG REAL ESTATE HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Powerlong Real Estate Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 60 to 130, which comprise the consolidated and company balance sheets as at 31 December 2011, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion 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 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.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

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.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 22 March 2012

Consolidated Balance Sheet

	Note	31 December 2011 RMB'000	2010 Restated (Note 2(a)(i)) RMB'000	1 January 2010 Restated (Note 2(a)(i)) RMB'000
ASSETS				
Non-current assets				
Property and equipment	6	**1,676,394**	904,176	323,917
Land use rights	7	**648,722**	108,490	61,343
Investment properties	8	**15,025,359**	10,088,058	6,507,786
Interests in a jointly controlled entity	14	**887,131**	–	–
Deferred income tax assets	20	**146,446**	75,514	30,596
		18,384,052	11,176,238	6,923,642
Current assets				
Properties under development	9	**6,407,247**	3,507,149	2,500,814
Completed properties held for sale	10	**2,228,846**	1,359,313	804,028
Trade and other receivables and loans	11	**1,357,441**	1,141,362	511,837
Prepayments	12	**3,682,762**	3,246,298	1,276,725
Prepaid taxes		**122,910**	12,395	11,639
Financial assets at fair value through profit or loss		**2,524**	21,598	11,517
Restricted cash	15	**407,428**	1,262,045	719,891
Cash and cash equivalents	16	**1,411,182**	2,739,908	1,764,225
		15,620,340	13,290,068	7,600,676
Total assets		**34,004,392**	24,466,306	14,524,318
EQUITY				
Equity attributable to owners of the Company				
Share capital and premium	17	**3,037,979**	3,107,456	3,172,401
Other reserves	18	**400,150**	378,062	347,231
Retained earnings				
– Proposed final dividend	31	**243,065**	244,107	245,247
– Unappropriated retained earnings		**10,319,245**	7,149,289	4,437,751
		14,000,439	10,878,914	8,202,630
Non-controlling interests		**404,891**	267,664	26,927
Total equity		**14,405,330**	11,146,578	8,229,557

The notes on pages 66 to 130 are an integral part of these consolidated financial statements.

	Note	31 December 2011 RMB'000	31 December 2010 Restated (Note 2(a)(i)) RMB'000	1 January 2010 Restated (Note 2(a)(i)) RMB'000
LIABILITIES				
Non-current liabilities				
Borrowings	19	**6,919,854**	4,267,087	1,026,201
Deferred income tax liabilities	20	**2,420,330**	1,602,362	961,679
		9,340,184	5,869,449	1,987,880
Current liabilities				
Borrowings	19	**2,436,001**	1,954,281	1,145,715
Trade and other payables	21	**3,109,877**	1,536,007	901,829
Advances from customers		**2,786,218**	2,453,110	1,231,758
Current income tax liabilities	22	**1,926,782**	1,506,881	1,027,579
		10,258,878	7,450,279	4,306,881
Total liabilities		**19,599,062**	13,319,728	6,294,761
Total equity and liabilities		**34,004,392**	24,466,306	14,524,318
Net current assets		**5,361,462**	5,839,789	3,293,795
Total assets less current liabilities		**23,745,514**	17,016,027	10,217,437

The notes on pages 66 to 130 are an integral part of these consolidated financial statements.

Hoi Kin Hong
Director

Hoi Wa Fong
Director

Balance Sheet

	Note	31 December 2011 RMB'000	2010 RMB'000
ASSETS			
Non-current assets			
Interests in subsidiaries	13	**6,211,744**	2,604,360
Current assets			
Amounts due from subsidiaries	13	**389,964**	2,246,126
Cash and cash equivalents	16	**245,731**	77
		635,695	2,246,203
Total assets		**6,847,439**	4,850,563
EQUITY			
Equity attributable to owners of the Company			
Share capital and premium	17	**3,037,979**	3,107,456
Other reserves	18	**53,657**	36,079
Retained earnings	29		
– Proposed final dividend	31	**243,065**	244,107
– Unappropriated retained earnings		**9,694**	18,043
Total equity		**3,344,395**	3,405,685
LIABILITIES			
Non-current liabilities			
Borrowings	19	**3,007,203**	1,344,658
Current liabilities			
Borrowings	19	**146,899**	–
Other payables and accruals	21	**185,193**	36,883
Amounts due to subsidiaries	13	**163,749**	63,337
		495,841	100,220
Total liabilities		**3,503,044**	1,444,878
Total equity and liabilities		**6,847,439**	4,850,563
Net current assets		**139,854**	2,145,983
Total assets less current liabilities		**6,351,598**	4,750,343

The notes on pages 66 to 130 are an integral part of these consolidated financial statements.

Hoi Kin Hong
Director

Hoi Wa Fong
Director

Consolidated Statement of Comprehensive Income

	Note	Year ended 31 December 2011 RMB'000	2010 RMB'000
Revenue	5	**5,254,027**	4,432,657
Cost of sales	23	**(2,951,046)**	(2,030,297)
Gross profit		**2,302,981**	2,402,360
Fair value gains on investment properties – net	8	**3,559,072**	2,562,730
Selling and marketing costs	23	**(207,902)**	(118,933)
Administrative expenses	23	**(503,620)**	(395,413)
Other gains – net	24	**60,242**	14,467
Exchange losses – net	25	**(10,454)**	(5,386)
Operating profit		**5,200,319**	4,459,825
Finance income – net	27	**86,562**	30,128
Profit before income tax		**5,286,881**	4,489,953
Income tax expense	28	**(1,736,424)**	(1,304,512)
Profit for the year		**3,550,457**	3,185,441
Other comprehensive income		**–**	–
Total comprehensive income for the year		**3,550,457**	3,185,441
Attributable to:			
Equity owners of the Company		**3,415,230**	2,955,645
Non-controlling interests		**135,227**	229,796
		3,550,457	3,185,441
Earnings per share for profit attributable to equity owners of the Company during the year (expressed in RMB cents per share)	30		
– Basic		**84.73 cents**	72.53 cents
– Diluted		**84.73 cents**	72.53 cents

	Note	Year ended 31 December 2011 RMB'000	2010 RMB'000
Dividends	31	**243,065**	244,107

The notes on pages 66 to 130 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

	Attributable to equity owners of the Company					
	Share capital and premium RMB'000 (note 17)	**Other reserves** RMB'000 (note 18)	**Retained earnings** RMB'000	**Total** RMB'000	**Non-controlling interests** RMB'000	**Total equity** RMB'000
Year ended 31 December 2010						
Balance at 1 January 2010	3,172,401	347,231	4,682,998	8,202,630	26,927	8,229,557
Comprehensive income						
– Profit for the year	–	–	2,955,645	2,955,645	229,796	3,185,441
– Other comprehensive income	–	–	–	–	–	–
Total comprehensive income	–	–	2,955,645	2,955,645	229,796	3,185,441
Contributions by and distributions to owners of the Company recognised directly in equity						
– Capital contributions from non-controlling interests	–	–	–	–	10,941	10,941
– Dividends	–	–	(245,247)	(245,247)	–	(245,247)
– Repurchase of the shares of the Company (note 17 (a))	(35,479)	–	–	(35,479)	–	(35,479)
– Purchase of shares held for share award scheme (note 17 (b))	(29,466)	–	–	(29,466)	–	(29,466)
– Employees share option scheme (note 18)	–	30,831	–	30,831	–	30,831
Total contributions by and distributions to owners of the Company	(64,945)	30,831	(245,247)	(279,361)	10,941	(268,420)
Balance at 31 December 2010	3,107,456	378,062	7,393,396	10,878,914	267,664	11,146,578
Year ended 31 December 2011						
Balance at 1 January 2011	**3,107,456**	**378,062**	**7,393,396**	**10,878,914**	**267,664**	**11,146,578**
Comprehensive income						
– Profit for the year	**–**	**–**	**3,415,230**	**3,415,230**	**135,227**	**3,550,457**
– Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive income	**–**	**–**	**3,415,230**	**3,415,230**	**135,227**	**3,550,457**
Contributions by and distributions to owners of the Company recognised directly in equity						
– Purchase of shares held for share award scheme (note 17 (b))	**(55,255)**	**–**	**–**	**(55,255)**	**–**	**(55,255)**
– Dividends (note 31)	**–**	**–**	**(241,806)**	**(241,806)**	**–**	**(241,806)**
– Capital contribution from non-controlling interests	**–**	**–**	**–**	**–**	**2,000**	**2,000**
– Repurchase of the shares of the Company (note 17 (a))	**(14,222)**	**–**	**–**	**(14,222)**	**–**	**(14,222)**
– Employees share option scheme (note 18)	**–**	**17,578**	**–**	**17,578**	**–**	**17,578**
Total contributions by and distributions to owners of the Company	**(69,477)**	**17,578**	**(241,806)**	**(293,705)**	**2,000**	**(291,705)**
Appropriation to statutory reserves (note 18)	**–**	**4,510**	**(4,510)**	**–**	**–**	**–**
Balance at 31 December 2011	**3,037,979**	**400,150**	**10,562,310**	**14,000,439**	**404,891**	**14,405,330**

The notes on pages 66 to 130 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

	Note	Year ended 31 December 2011 RMB'000	2010 RMB'000
Cash flows from operating activities			
Cash (used in)/generated from operations	32	**(1,624,867)**	1,543,781
PRC corporate income tax paid		**(265,430)**	(117,288)
PRC land appreciation tax paid		**(264,291)**	(112,913)
Interest paid		**(605,606)**	(176,633)
Net cash (used in)/generated from operating activities		**(2,760,194)**	1,136,947
Cash flows from investing activities			
Purchase of property and equipment		**(404,106)**	(494,116)
Payments of construction fee of investment properties		**(1,986,112)**	(646,399)
Purchase of land use rights		**(226,955)**	(2,713,664)
Repayments of entrusted loans	11(b)	**170,000**	–
Entrusted loans to third parties	11(b)	**(270,000)**	(170,000)
Interest income from entrusted loan		**8,668**	–
Cash advances made to related parties		**(21,933)**	–
Repayments of cash advances by related parties		**6,508**	6,506
Net proceeds from disposals of land use rights		**–**	48,070
Net proceeds from disposals of property and equipment		**2,288**	2,284
Disposal of a subsidiary	14	**(80,763)**	–
Net cash used in investing activities		**(2,802,405)**	(3,967,319)
Cash flows from financing activities			
Repurchase of shares of the Company	17(a)	**(14,222)**	(35,479)
Purchase of shares held for share award scheme	17(b)	**(55,255)**	(29,466)
Capital contributions from non-controlling interests		**2,000**	10,941
Proceeds from borrowings		**6,756,815**	5,388,683
Repayments of borrowings		**(2,869,969)**	(1,358,291)
Decrease in guarantee deposits		**448,172**	30,400
Distribution of dividends		**(241,806)**	(245,247)
Cash advances from related parties		**269,806**	49,900
Repayments of cash advances to related parties		**(49,900)**	–
Net cash generated from financing activities		**4,245,641**	3,811,441
Net (decrease)/increase in cash and cash equivalents		**(1,316,958)**	981,069
Cash and cash equivalents at beginning of the year	16	**2,739,908**	1,764,225
Exchange losses on cash and cash equivalents		**(11,768)**	(5,386)
Cash and cash equivalents at end of the year	16	**1,411,182**	2,739,908

The notes on pages 66 to 130 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1. GENERAL INFORMATION

Powerlong Real Estate Holdings Limited (the "Company") was incorporated in the Cayman Islands on 18 July 2007 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The Company's principal activity is investment holding. The Company and its subsidiaries (together, the "Group") is principally engaged in property development, property investment, property management, and other property development related services in the People's Republic of China (the "PRC").

The Company has its primary listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 14 October 2009.

These financial statements have been approved for issue by the Board of Directors (the "Board") of the Company on 22 March 2012.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied in all the years presented, unless otherwise stated.

(a) Basis of preparation

These consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") under the historical cost convention, as modified by the revaluation of investment properties and financial assets at fair value through profit or loss which are carried at fair values.

The preparation of these consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to these consolidated financial statements are disclosed in note 4.

(i) Change in accounting policy for land use rights relating to properties developed for sale

Land use rights relating to properties developed for sale meet the definition of both leasehold land under HKAS 17 "Leases" and inventories under HKAS 2 "Inventories". The Group changed its accounting policy for land use rights relating to properties developed for sale on 1 January 2011.

In previous years, upfront payments to obtain land use rights on which properties will be developed for sale were regarded as upfront operating lease payments and were initially recognised as a separate current asset item on the balance sheet. They were subsequently amortised on a straight line basis over the lease period in accordance with HKAS 17. The amortisation during the period of construction of the properties was capitalised as the cost of properties under development. The amortisation during the period before the commencement and after the completion of the construction of the properties was recognised in the profit or loss. The unamortised upfront payments were recognised as cost of sales when the relevant properties are sold and delivered upon completion of the relevant properties.

The Group has changed its accounting policy in 2011, whereby land use rights relating to properties developed for sale are regarded as part of the inventories and are no longer amortised. They are included in properties under development or completed properties held for sale, which are measured at the lower of cost and net realisable value, depending on the development status in accordance with HKAS 2. Management believes that the new classification of land use rights relating to properties developed for sale results in a more relevant and no less reliable presentation of the financial position of the Group, and of its performance for current year, and reflects the management's intention on the use of the asset. The new accounting policy also results in a presentation consistent with the industry practices.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

(i) Change in accounting policy for land use rights relating to properties developed for sale (continued)

The change in accounting policy has no material impact to the profits of the Group for current year or for prior years. Accordingly, no retrospective adjustment has been made to the consolidated statements of comprehensive income of the Group for prior years. The only retrospective adjustments made were to include the land use rights relating to properties developed for sale into the respective balances of properties under development and completed properties held for sale. The reclassification made to the consolidated balance sheets of the Group as at 1 January 2010 and 31 December 2010 are as follows:

As at 1 January 2010

	As previously reported RMB'000	Reclassification RMB'000	Restated RMB'000
Current assets			
Land use rights	1,616,364	(1,616,364)	–
Properties under development	1,210,068	1,290,746	2,500,814
Completed properties held for sale	478,410	325,618	804,028

As at 31 December 2010

	As previously reported RMB'000	Reclassification RMB'000	Restated RMB'000
Current assets			
Land use rights	1,741,981	(1,741,981)	–
Properties under development	1,924,716	1,582,433	3,507,149
Completed properties held for sale	1,199,765	159,548	1,359,313

(ii) New and amended standards and interpretations adopted by the Group

HKAS 32 (Amendment)	Classification of rights issues
HK(IFRIC) – Int 19	Extinguishing financial liabilities with equity instruments
Amendment to HKFRS 1	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters
HKAS 24 (Revised)	Related party disclosures
Amendment to HK(IFRIC) Int – 14	Prepayments of a minimum funding requirement
HKFRS (Amendments)	Improvements to HKFRS (2010)

The adoption of the above new and amended standards and interpretations did not have any material impact on the consolidated financial statements except for disclosure.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

(iii) New and amended standards and interpretation have been issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted

		Effective for annual periods beginning on or after
HKFRS 7 (Amendment)	Financial instruments: Disclosures – Transfers of financial assets	1 July 2011
HKFRS 1 (Amendment)	Severe hyperinflation and removal of fixed dates for first-time adopters	1 July 2011
HKAS 12 (Amendment)	Deferred tax: Recovery of underlying assets	1 January 2012
HKAS 1 (Amendment)	Presentation of financial statements	1 July 2012
HKFRS 10	Consolidated financial statements	1 January 2013
HKAS 27 (revised 2011)	Separate financial statements	1 January 2013
HKFRS 11	Joint arrangements	1 January 2013
HKAS 28 (revised 2011)	Associates and joint ventures	1 January 2013
HKFRS 12	Disclosure of interests in other entities	1 January 2013
HKFRS 13	Fair value measurements	1 January 2013
HKAS 19 (Amendment)	Employee benefits	1 January 2013
HKFRS 7 (Amendment)	Financial instruments: Disclosures – Offsetting financial assets and financial liabilities	1 January 2013
HK(IFRIC) – Int 20	Stripping costs in the production phase of a surface mine	1 January 2013
HKAS 32 (Amendment)	Financial instruments: Presentation – Offsetting financial assets and financial liabilities	1 January 2014
HKFRS 9	Financial instruments	1 January 2015
HKFRS 7 (Amendment)	Mandatory effective date and transition disclosures	1 January 2015

Management is in the process of making an assessment of their impact and is not yet in a position to state whether any substantial changes to the Group's significant accounting policies and presentation of the financial information will be resulted.

(b) Consolidation

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances, income and expenses on transactions on transactions between Group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Consolidation (continued)

(i) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

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

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Consolidation (continued)

(iv) Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, interests in jointly controlled entities are initially recognised in the consolidated balance sheet at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the jointly controlled entities. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the jointly controlled entity recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a jointly controlled entity. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its jointly controlled entity, profits and losses resulting from the transactions with the jointly controlled entity are recognised in the Group's consolidated financial statements only to the extent of interests in the jointly controlled entity that are not related to the Group.

(c) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend and receivable.

Impairment testing of the interests in subsidiaries is required upon receiving dividends from these interests if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the interest in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of the Company.

(e) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). These consolidated financial statements are presented in RMB, which is the Company functional and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income, except when deferred in equity as qualifying cash flows hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of comprehensive income within 'finance income – net'. Translation differences on non-monetary financial assets such as financial assets at fair value through profit or loss are recognised in statement of comprehensive income as part of the 'other gains – net'. All other foreign exchange gains and losses are presented in the statement of comprehensive income within 'exchange losses – net'.

(iii) Group entities

The results and financial positions of the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet of the group entities are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each consolidated statement of comprehensive income of the group entities are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at closing rate. Exchange differences arising are recognised in equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Property and equipment

Property and equipment are stated at historical cost less depreciation and any impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred. Depreciation on property and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	20–40 years
Motor vehicles	4–5 years
Furniture, fitting and equipment	3–10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2(h)).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other gains – net' in the consolidated statement of comprehensive income.

Assets under construction are stated at historical cost less impairment losses. Historical cost includes expenditure that is directly attributable to the development of the assets which comprises construction costs, amortisation of land use rights during the construction period, borrowing costs on qualifying assets and professional fees incurred during the development period. On completion, the assets are transferred to buildings within property and equipment.

No depreciation is provided for assets under construction. The carrying amount of an asset under construction is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2(h)).

(g) Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property. It also includes properties that are being constructed or developed for future use as investment properties. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs.

After initial recognition, investment property is carried at fair value, representing open market value determined at each balance sheet date by external valuers. Property that is being constructed or developed for future use as investment property is classified as investment property under construction. If the fair value cannot be reliably determined, the investment property under construction will be measured at cost until such time as fair value can be determined. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flows projections. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Investment properties (continued)

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market conditions.

The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land, if any, classified as investment property; others, including contingent rent payments, are not recognised in the financial statements.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the profit or loss during the financial period in which they are incurred.

Changes in fair values of investment property are recognised as 'fair value gains on investment properties – net' in the consolidated statement of comprehensive income.

If an investment property becomes owner-occupied, it is reclassified as property and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

If an item of property and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property and equipment under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the profit or loss.

(h) Impairment of non-financial assets

Assets that have an indefinite useful live are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating unit). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(i) Properties under development and completed properties held for sale

Properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. Development cost of property comprises cost of land use rights, construction costs, borrowing costs on qualifying assets, and professional fees incurred during the development period. Upon completion, the properties are transferred to completed properties held for sale.

Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and anticipated cost to completion.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Financial assets

Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if it is acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables and loans' and 'cash and cash equivalents' in the consolidated balance sheet (notes (m) and (n)).

Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the consolidated statement of comprehensive income within 'other gains – net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the profit or loss as part of other income when the Group's right to receive payments is established.

(k) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(l) Impairment of financial assets

Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Impairment of financial assets (continued)

Assets carried at amortised cost (continued)

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the profit or loss. If a loan or held – to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of fair value of an instrument using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the profit or loss.

(m) Trade and other receivables and loans

Trade receivables are amounts due from customers for properties sold or services performed in the ordinary course of business. If collection of trade and other receivables and loans is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables and loans are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

(n) Cash and cash equivalents

Cash and cash equivalent includes cash in hand and at banks and deposits held at call with banks, other short-term highly liquid investment with original maturities of three months or less.

Bank deposits which are restricted to use are included in 'restricted cash'. Restricted cash are excluded from cash and cash equivalents included in the consolidated statement of cash flows.

(o) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new share are shown in equity as a deduction, net of tax, from the proceeds.

Where any group entity purchases the Company's shares (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the equity owners of the Company until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to equity owners of the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(q) Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the respective balance sheet date.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(r) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the group entities operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Current and deferred income tax (continued)

(ii) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(iii) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(s) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Retirement benefits

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the PRC government.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Employee benefits (continued)

(ii) Retirement benefits (continued)

The Group also participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme"), which is a defined contribution retirement scheme for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income. The assets of this pension scheme are held separately from those of the Group in independently administered funds.

The Group's contributions to the defined contribution retirement schemes are expensed as incurred.

(iii) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(t) Share-based payments

(a) Equity-settled share-based payment transactions

The Group operates an equity-settled share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

(i) including any market performance conditions (for example, an entity's share price);

(ii) excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and

(iii) including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the profit or loss, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Share-based payments (continued)

(b) Share-based payment transactions among group entities

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

(u) Provisions and contingent liabilities

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

(v) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for the sales of properties and services, stated net of discounts returns and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured; when it is probably that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, type of transaction and the specifics of each arrangement.

(i) Sales of properties

Revenue from sales of properties is recognised when the risks and rewards of properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been delivered to the purchasers and collectability of related receivables is reasonably assured. Deposits and installments received on properties sold prior to the date of revenue recognition are included in the consolidated balance sheets as "advances from customers" under current liabilities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Revenue recognition (continued)

(ii) Rental income

Rental income of property leasing under operating leases is recognised on a straight-line basis over the lease terms.

(iii) Property management

Revenue arising from property management is recognised in the accounting period in which the services are rendered.

(iv) Hotel operations

Hotel revenue from room rentals, food and beverage sales and other ancillary services are recognised when the goods are delivered and services are rendered.

(v) Retail sales

Sales of goods by department stores are recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the products are delivered to customers and title has passed.

(vi) Revenue from amusement businesses

Revenue from amusement arcades and other amusement businesses is recognised when relevant services have been rendered and is measured at the entitlement of economic inflows of the Group from the business.

(vii) Construction and decoration services

Revenue arising from construction and decoration service is recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

(viii) Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flows discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

(ix) Dividend income

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

The Group is the lessee

Payments made under operating leases (net of any incentives received from the lessor), are charged to the profit or loss on a straight-line basis over the period of the lease.

The Group is the lessor

When assets are leased out under an operating lease, the assets are included in the balance sheet based on the nature of the assets. Lease income is recognised in the profit or loss on a straight line basis over the term of the lease.

(x) Dividend distribution

Dividend distribution to the owners of the Company is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the owners or directors of the Company, where appropriate.

(y) Financial guarantee contracts

Financial guarantee contracts in the scope of HKAS 39 Financial Instrument: Recognition and Measurement are accounted for as financial liabilities. A financial guarantee contract is recognised initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of the present value of the best estimate of the expenditure required to settle the present obligation and the amount initially recognised less cumulative amortisation.

3. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign exchange risk, interest rate risk, credit risk, and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Financial risk factor

(i) Foreign exchange risk

The Group's businesses are principally conducted in RMB, except that certain receipts of sales proceeds, cash advance from related parties and borrowings are in foreign currencies. As at 31 December 2011, major non-RMB assets and liabilities are cash and cash equivalents, other payables and borrowings dominated in Hong Kong dollar ("HK$") or US dollar ("US$"). Fluctuation of the exchange rate of RMB against HK$ or US$ could affect the Group's results of operations. The Group has not entered into any forward exchange contract to hedge its exposure to foreign exchange risk.

The carrying amount of the Group's and the Company's foreign currency denominated monetary assets and liabilities at the respective balance sheet dates are as follows:

	Group		Company	
	31 December		31 December	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Monetary assets				
– HK$	**256,107**	6,695	**243,320**	77
– US$	**4,002**	210,252	**2,411**	–
	260,109	216,947	**245,731**	77
Monetary liabilities				
– HK$	**1,091,548**	430,571	**973,186**	–
– US$	**1,574,580**	1,344,658	**1,574,580**	1,344,658
	2,666,128	1,775,229	**2,547,766**	1,344,658

3. FINANCIAL RISK MANAGEMENT (continued)

(a) Financial risk factor (continued)

(i) Foreign exchange risk (continued)

The following table shows the sensitivity analysis of a 5% change in RMB against the relevant foreign currencies. The sensitivity analysis includes only foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. If there is a 5% increase/decrease in RMB against the relevant currencies, the effect in the profit after taxation for the year is as follows:

	Group		Company	
	31 December		31 December	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Increase/(decrease) in profit for the year:				
5% increase in RMB against the relevant currencies				
– HK$	**41,772**	21,194	**36,493**	–
– US$	**78,529**	56,720	**78,608**	67,233
	120,301	77,914	**115,101**	67,233
5% decrease in RMB against the relevant currencies				
– HK$	**(41,772)**	(21,194)	**(36,493)**	–
– US$	**(78,529)**	(56,720)	**(78,608)**	(67,233)
	(120,301)	(77,914)	**(115,101)**	(67,233)

(ii) Interest rate risk

Other than deposit held in banks and entrusted loans to third party, the Group does not have significant interest bearing assets. The average rate of deposits held in banks throughout 2011 was 0.42% (2010: 0.36%). The weighted average interest rate of entrusted loans to third parties throughout 2011 was 7.88% (2010: 5.68%). Any change in interest rates is not considered to have significant impact to the Group. The Group's exposure to changes in interest rates is mainly attributable to its long-term borrowings. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. Borrowings at variable rates expose the Group to cash flows interest rate risk. At 31 December 2011, if interest rates on bank borrowings had been 0.5% higher/lower with all other variables held constant, interest charges for the year would increase/decrease by RMB31,039,000 (2010: RMB17,439,000), mainly as a result of larger/smaller interest expenses on borrowings at variable rates.

The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

3. FINANCIAL RISK MANAGEMENT (continued)

(a) Financial risk factor (continued)

(iii) Credit risk

The Group has no concentrations on credit risk. Cash transactions are limited to high-credit-quality institutions. The extent of the Group's credit exposure is represented by the aggregate balance of cash in bank, restricted cash and trade and other receivables.

For banks and financial institutions, deposits are only placed with a number of international/national/provincial/municipal financial institutions with sound credit ratings. The receivables from related parties are companies owned by the same ultimate shareholder of the Group of which the possibility of bad debt is low. For the trade receivables arisen from sales of properties, the Group closely monitors repayment progress of the customers in accordance with the terms as specified in the enforceable contracts. The Group has set up policies to ensure follow-up action is taken to recover overdue debts. The Group also regularly reviews the recoverable amount of each individual trade and other receivable to ensure that adequate impairment losses are made for irrecoverable amounts. The Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of properties for an amount up to 50% to 70% of the total purchase price of the properties. If a purchaser defaults on the payment of its mortgage during the term of the guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount under the loan and any accrued interest thereon. Under such circumstances, the Group is able to retain the property sales proceeds received from the customers and sell the property to recover any amounts paid by the Group to the bank. In this regard, the directors of the Company consider that the Group's credit risk is minimal. Detailed disclosure of these guarantees is made in note 33.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset (other than equity securities included in financial assets at fair value through profit or loss) in the consolidated balance sheet after deducting any impairment allowance, and guarantees provided to third parties. The Group's exposure to credit risk arising from trade receivable is set out in Note 11.

(iv) Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of available financing, including short-term and long-term bank loans. Due to the dynamic nature of the underlying businesses, the Group's finance department maintains flexibility in funding by maintaining adequate amount of cash and cash equivalents and flexibility in funding through available sources of financing.

The directors have prepared cash flows projections for the year ending 31 December 2012. Key assumptions used in the preparation of the cash flows projections include:

(1) Unit selling price in 2012 is not expected to fluctuate significantly from that of 2011. The contracted sales in 2012 are expected to be derived from 23 projects over 22 cities within the PRC.

(2) The Group could continue to obtain new bank borrowings by way of pledging its land use rights and properties to finance the constructions of properties according to the Group's business development plan. As of 31 December 2011, the Group has undrawn borrowing facilities of RMB1,075,288,000 (note 19).

(3) The Group will closely monitor the cash flows and would adjust the timing of acquiring of new land banks to maintain flexibility towards the uncertainty in the PRC real estate market.

3. FINANCIAL RISK MANAGEMENT (continued)

(a) Financial risk factor (continued)

(iv) Liquidity risk (continued)

Management seek to effectively manage future cash flows and reduce exposure to unexpected adverse changes in economic conditions through a number of alternative plans, including adjusting development time table to ensure that the Group has available resources to finance projects of the Group, implementing cost control measures, adopting more flexible approach to pricing for property sales, seeking co-developers to jointly develop certain projects, generating additional cash inflows through disposal of certain investment properties at commercially acceptable prices, and renegotiating payment terms with counterparties in certain contractual land acquisition arrangements. The Group, will base on its assessment of the relevant future costs and benefits, pursue such plans as are appropriate. The directors consider that the Group will be able to maintain sufficient financial resources to meet its operation needs.

The table below set out the Group's financial liabilities by relevant maturity grouping at each balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
The Group					
At 31 December 2011					
Borrowings	**3,068,862**	**2,894,336**	**4,766,980**	**941,767**	**11,671,945**
Trade and other payables	**3,109,877**	**–**	**–**	**–**	**3,109,877**
At 31 December 2010					
Borrowings	2,294,538	479,794	4,134,273	645,192	7,553,797
Trade and other payables	1,536,007	–	–	–	1,536,007
The Company					
At 31 December 2011					
Borrowings	**433,750**	**523,769**	**3,563,387**	**–**	**4,520,906**
Other payables and accruals	**185,193**	**–**	**–**	**–**	**185,193**
Amounts due to subsidiaries	**163,749**	**–**	**–**	**–**	**163,749**
At 31 December 2010					
Borrowings	184,723	184,723	1,851,428	–	2,220,874
Other payables and accruals	36,883	–	–	–	36,883
Amounts due to subsidiaries	63,337	–	–	–	63,337

(b) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity owners and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity owners, issue new shares or sell assets to reduce debt.

3. FINANCIAL RISK MANAGEMENT (continued)

(b) Capital risk management (continued)

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total borrowings comprise senior notes (note 19), bank borrowings (note 19) and other borrowings (note 19), as shown in the consolidated balance sheet. Total capital is calculated as equity as shown in the consolidated balance sheet plus net debt.

During the year, the Group's strategy was to maintain a gearing ratio within 40%. The gearing ratios at 31 December 2011 and 2010 were as follows:

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Total borrowings (note 19)	**9,355,855**	6,221,368
Less: cash and cash equivalents (note 16)	**(1,411,182)**	(2,739,908)
Net debt	**7,944,673**	3,481,460
Total equity	**14,405,330**	11,146,578
Total capital	**22,350,003**	14,628,038
Gearing ratio	**35.5%**	23.8%

The increase in the gearing ratio during 2011 resulted primarily from the issuance of senior notes.

(c) Fair value estimation

The Group has adopted the amendment to HKFRS 7 for financial instruments that are measured in the balance sheet at fair value. This requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

At 31 December 2011 and 2010, the Group had no level 2 or level 3 financial instruments, the only level 1 financial instrument represents the financial assets at fair value through profit or loss.

The fair value of the Group's financial assets at fair value through profit or loss as at 31 December 2011 and 2010 is based on quoted market prices at the balance sheet dates. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing these consolidated financial statements are evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Income taxes and deferred taxation

The Group is subject to income taxes in the PRC. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the year in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

(b) PRC land appreciation taxes

The Group is subject to land appreciation taxes in the PRC. However, the implementation and settlement of these taxes varies among various tax jurisdictions in cities of the PRC, and the Group has not finalised its PRC land appreciation taxes calculation and payments with most of local tax authorities in the PRC. Accordingly, significant judgement is required in determining the amount of the land appreciation and its related taxes. The Group recognised these PRC land appreciation taxes based on management's best estimates according to the understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the taxation and tax provisions in the years in which such taxes have been finalised with local tax authorities.

(c) Provisions for properties under development and completed properties held for sale

For the purpose of assessing provision, properties under development and completed properties held for sale are grouped at the lowest levels for which there are separately identifiable cash flows. The recoverability of the carrying amounts of properties under development and completed properties held for sale was assessed according to their recoverable amount based on HKAS 36, taking into account costs to completion based on past experience and net sales value based on prevailing market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be recoverable. The assessment requires the use of judgement and estimates.

As at 31 December 2011, no impairment was provided for properties under development or completed properties held for sale.

(d) Provision for property and equipment

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts of property and equipment have been determined based on value-in-use calculations, taking into account latest market information and past experience. These calculation and valuations require the use of judgements and estimates.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(e) Fair value of investment properties

The best evidence of fair value of completed investment properties is current prices in an active market for the properties with similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

(i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;

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

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

The Group assesses the fair value of its completed investment properties based on valuations determined by independent and professional qualified valuer.

Investment properties under construction are carried at fair value when is considered to be reliably measurable. In order to evaluate whether the fair value of an investment property under development can be determined reliably, management considers the factors, mainly but not limited to those set out below:

- The provisions of the construction contract
- The stage of completion
- Whether the project/property is standard (typical for the market) or non-standard
- The level of reliability of cash inflows after completion
- The development risk specific to the property
- Past experience with similar constructions
- Status of construction permits

Management, after consulting independent qualified valuer, considers that the fair value of certain investment properties under construction as at 31 December 2011 can be measured at a reasonable accurate level. Therefore, these investment properties under construction as at 31 December 2011 were measured at fair value (2010: measured at cost).

The fair value gain from completed investment properties and investment properties under construction is disclosed in note 8.

5. SEGMENT INFORMATION

The Board, which is the chief operating decision-maker of the Group, reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. The Group is organised into four business segments: property development, property investment, property management services and other property development related services. As the Board considers most of the Group's consolidated revenue and results are attributable to the market in the PRC and the Group's consolidated assets are substantially located in the PRC, no geographical information is presented.

Revenue consists of sales of properties, rental income of investment properties, income of property management services and other property development related services. Revenue of the year consists of the following:

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
Sales of properties	**4,749,014**	4,162,350
Rental income of investment properties	**194,879**	180,635
Income of property management services	**89,394**	56,409
Income of other property development related services	**220,740**	33,263
	5,254,027	4,432,657

The segment results and other segment items included in the profit for the year ended 31 December 2011 are as follows:

	Property development RMB'000	Property investment RMB'000	Property management services RMB'000	Other property development related services RMB'000	Elimination RMB'000	Group RMB'000
Gross segment revenue	4,749,014	194,879	156,021	220,740	–	5,320,654
Inter-segment revenue	–	–	(66,627)	–	–	(66,627)
Revenue	4,749,014	194,879	89,394	220,740	–	5,254,027
Segment results	1,728,928	3,681,347	(20,949)	(120,211)	–	5,269,115
Interest income on entrusted loans (note 24)						28,876
Gain from disposal of a subsidiary (note 24 (a))						31,251
Unallocated operating costs						(128,923)
Finance income – net						86,562
Profit before income tax						5,286,881
Income tax expense						(1,736,424)
Profit for the year						3,550,457
Depreciation (note 6)	11,044	–	2,114	60,601	–	73,759
Amortisation of land use rights recognised as expenses	–	–	–	8,966	–	8,966
Fair value gains on investment properties – net (note 8)	–	3,559,072	–	–	–	3,559,072

5. SEGMENT INFORMATION (continued)

The segment results and other segment items included in the profit for the year ended 31 December 2010 are as follows:

	Property development RMB'000	Property investment RMB'000	Property management services RMB'000	Other property development related services RMB'000	Elimination RMB'000	Group RMB'000
Gross segment revenue	4,162,350	180,635	111,525	285,744	–	4,740,254
Inter-segment revenue	–	–	(55,116)	(252,481)	–	(307,597)
Revenue	4,162,350	180,635	56,409	33,263	–	4,432,657
Segment results	1,968,849	2,651,325	6,819	(34,892)	(79,511)	4,512,590
Unallocated operating costs						(52,765)
Finance income – net						30,128
Profit before income tax						4,489,953
Income tax expense						(1,304,512)
Profit for the year						3,185,441
Depreciation (note 6)	7,062	–	925	9,428	–	17,415
Amortisation of land use rights recognised as expenses	16,110	–	–	–	–	16,110
Fair value gains on investment properties – net (note 8)	–	2,562,730	–	–	–	2,562,730

Segment assets and liabilities as at 31 December 2011 and capital expenditure for the year then ended are as follows:

	Property development RMB'000	**Property investment RMB'000**	**Property management services RMB'000**	**Other property development related services RMB'000**	**Elimination RMB'000**	**Group RMB'000**
Segment assets	**15,829,030**	**16,409,224**	**159,219**	**2,854,117**	**(2,119,985)**	**33,131,605**
Other assets						**872,787**
Total assets						**34,004,392**
Segment liabilities	**4,996,214**	**603,642**	**184,230**	**1,858,444**	**(2,119,985)**	**5,522,545**
Other liabilities						**14,076,517**
Total liabilities						**19,599,062**
Capital expenditure	**14,837**	**2,913,385**	**6,088**	**736,679**	**–**	**3,670,989**

5. SEGMENT INFORMATION (continued)

Segment assets and liabilities as at 31 December 2010 and capital expenditure for the year then ended are as follows:

	Property development RMB'000	Property investment RMB'000	Property management services RMB'000	Other property development related services RMB'000	Elimination RMB'000	Group RMB'000
Segment assets	13,249,277	10,749,980	115,078	1,724,345	(2,400,340)	23,438,340
Other assets						1,027,966
Total assets						24,466,306
Segment liabilities	3,579,846	369,113	109,679	1,885,538	(2,127,923)	3,816,253
Other liabilities						9,503,475
Total liabilities						13,319,728
Capital expenditure	722,429	916,852	2,559	624,854	–	2,266,694

Segment assets are reconciled to total assets as follows:

	31 December 2011 RMB'000	2010 RMB'000
Segment assets	**33,131,605**	23,438,340
Other assets		
Prepaid taxes	**122,910**	12,395
Deferred income tax assets	**146,446**	75,514
Unallocated cash and cash equivalents and restricted cash	**519,235**	897,112
Amounts due from related parties (note 35(d))	**65,686**	17,338
Unallocated property and equipment	**8,287**	1,796
Other corporate assets	**10,223**	23,811
Total assets	**34,004,392**	24,466,306

5. SEGMENT INFORMATION (continued)

Segment liabilities are reconciled to total liabilities as follows:

	31 December	
	2011	2010
	RMB'000	RMB'000
Segment liabilities	**5,522,545**	3,816,253
Other liabilities		
Current income tax liabilities	**1,926,782**	1,506,881
Deferred income tax liabilities	**2,420,330**	1,602,362
Current borrowings	**2,436,001**	1,954,281
Non-current borrowings	**6,919,854**	4,267,087
Amounts due to related parties (note 35(d))	**302,706**	82,800
Other corporate liabilities	**70,844**	90,064
Total liabilities	**19,599,062**	13,319,728

Sales between segments are carried out in accordance with the terms of the underlying agreements. The revenue from external parties reported to the Board is measured in a manner consistent with that in the statement of comprehensive income.

The amounts provided to the Board with respect to total assets and liabilities are measured in a manner consistent with that of the financial statements. These assets and liabilities are allocated based on the operations of the segment.

Segment assets consist primarily of property and equipment, investment properties, land use rights, properties under development, completed properties held for sale, receivables and cash and cash equivalents.

Segment liabilities consist of operating liabilities.

Capital expenditure comprises additions to property and equipment (note 6), land use rights (note 7) and investment properties (note 8).

6. PROPERTY AND EQUIPMENT – GROUP

	Assets under construction RMB'000	Buildings RMB'000	Motor vehicles RMB'000	Furniture, fitting and equipment RMB'000	Total RMB'000
At 1 January 2010					
Cost	285,753	20,179	22,976	14,273	343,181
Accumulated depreciation	–	(1,634)	(10,977)	(6,653)	(19,264)
Net book amount	285,753	18,545	11,999	7,620	323,917
Year ended 31 December 2010					
Opening net book amount	285,753	18,545	11,999	7,620	323,917
Additions	546,922	–	14,228	38,808	599,958
Transfer	(434,602)	434,602	–	–	–
Disposals	–	–	(886)	(1,398)	(2,284)
Depreciation	–	(7,579)	(5,149)	(4,687)	(17,415)
Closing net book amount	398,073	445,568	20,192	40,343	904,176
At 31 December 2010					
Cost	398,073	455,274	34,784	50,434	938,565
Accumulated depreciation	–	(9,706)	(14,592)	(10,091)	(34,389)
Net book amount	398,073	445,568	20,192	40,343	904,176
Year ended 31 December 2011					
Opening net book amount	**398,073**	**445,568**	**20,192**	**40,343**	**904,176**
Additions	**307,806**	**–**	**28,148**	**161,496**	**497,450**
Transfer from investment properties (note 8)	**297,472**	**55,640**	**–**	**–**	**353,112**
Transfer	**(917,075)**	**917,075**	**–**	**–**	**–**
Disposals	**–**	**–**	**(1,229)**	**(1,059)**	**(2,288)**
Depreciation	**–**	**(28,645)**	**(9,802)**	**(35,312)**	**(73,759)**
Disposal of a subsidiary	**–**	**–**	**(1,767)**	**(530)**	**(2,297)**
Closing net book amount	**86,276**	**1,389,638**	**35,542**	**164,938**	**1,676,394**
At 31 December 2011					
Cost	**86,276**	**1,427,989**	**59,842**	**209,670**	**1,783,777**
Accumulated depreciation	**–**	**(38,351)**	**(24,300)**	**(44,732)**	**(107,383)**
Net book amount	**86,276**	**1,389,638**	**35,542**	**164,938**	**1,676,394**

Depreciation charges were included in the following categories in the consolidated statement of comprehensive income:

	Year ended 31 December	
	2011 RMB'000	2010 RMB'000
Cost of sales	**55,925**	8,199
Selling and marketing costs	**1,356**	825
Administrative expenses	**16,478**	8,391
	73,759	17,415

6. PROPERTY AND EQUIPMENT – GROUP (continued)

As at 31 December 2011, properties with net book amounts totaling RMB593,793,000 (2010: RMB775,361,000), were pledged as collateral for the Group's borrowings (note 19).

Borrowing costs of RMB30,351,000 have been capitalised in assets under construction for the year ended 31 December 2011 (2010: RMB12,658,000).

The capitalisation rate of borrowings for the year ended 31 December 2011 is 9.09% (2010: 6.43%).

7. LAND USE RIGHTS – GROUP

	Year ended 31 December	
	2011	2010
		(Restated)
		(Note 2(a)(i))
	RMB'000	RMB'000
Opening net book amount	**108,490**	61,343
Additions	**260,154**	50,522
Transfer from investment properties (note 8)	**289,044**	–
Amortisation charges	**(8,966)**	(3,375)
Ending net book amount	**648,722**	108,490
Outside Hong Kong, held on leases of:		
Between 10 to 50 years	**648,722**	108,490

Land use rights comprise cost of acquiring rights to use certain land, which are all located in the PRC, mainly for hotel buildings and other self-use buildings over fixed periods.

As at 31 December 2011, land use rights of RMB61,963,000 (2010: RMB93,021,000) were pledged as collateral for the Group's borrowings (note 19).

8. INVESTMENT PROPERTIES – GROUP

	Completed investment properties RMB'000	Investment properties under construction RMB'000	Total RMB'000
Year ended 31 December 2010			
At 1 January 2010	5,582,400	925,386	6,507,786
Additions	33,252	883,600	916,852
Transfer from land use rights (note 7)	–	100,690	100,690
Transfers	805,618	(805,618)	–
Fair value gains – net	2,562,730	–	2,562,730
At 31 December 2010	8,984,000	1,104,058	10,088,058
Year ended 31 December 2011			
At 1 January 2011	**8,984,000**	**1,104,058**	**10,088,058**
Additions	**294,719**	**2,618,666**	**2,913,385**
Transfers to property and equipment and land use rights (notes (a), 6, 7)	**(183,958)**	**(458,198)**	**(642,156)**
Fair value gains – net	**11,860**	**3,547,212**	**3,559,072**
Transfers	**4,911,074**	**(4,911,074)**	**–**
Disposal of a subsidiary	**–**	**(893,000)**	**(893,000)**
At 31 December 2011	**14,017,695**	**1,007,664**	**15,025,359**

(a) During the year, certain properties, previously held for long-term rental yields, have been used for the Group's operations of department stores and amusement businesses, and therefore have been reclassified from investment properties to property and equipment and land use rights.

Completed investment properties and certain investment properties under construction of the Group are measured at fair value as at 31 December 2011, which have been assessed by Savills Valuation and Professional Services Limited, an independent and professionally qualified valuer.

In respect of the completed investment properties, the valuations are based on capitalisation of the net rental incomes of the property derived from the existing tenancies with due allowance for the reversionary income potential of the property.

In respect of the investment properties under construction, the Group has valued such properties on the basis that they will be developed and completed in accordance with the Group's latest development plans. The Group has adopted the "Direct Comparison Approach" by making reference to the sales transactions or asking price evidences of comparable properties as available in the market with adjustments made to account for any differences and where appropriate, the basis of capitalisation of estimated net incomes derived from the properties with consideration of the prevailing market yield. The Group has also taken into account various costs, such as construction cost, contingency cost, finance cost and professional fees that will be expended to complete the development as well as the developer's profit to reflect the risks associated with the development of the properties and the quality of the completed developments.

8. INVESTMENT PROPERTIES – GROUP (continued)

Investment properties as at 31 December 2011 are held in the PRC on leases between 10 to 50 years (2010: same).

Borrowing costs of RMB101,866,000 have been capitalised in certain investment properties for the year ended 31 December 2011 (2010: RMB52,571,000).

The capitalisation rate of borrowings for the year ended 31 December 2011 is 9.09% (2010: 6.43%).

As at 31 December 2011, investment properties of RMB9,867,943,000 (2010: RMB6,364,253,000) were pledged as collateral for the Group's borrowings (note 19).

The future aggregate minimum rentals receivables under non-cancellable operating leases are as follows:

	31 December	
	2011	2010
	RMB'000	RMB'000
Not later than one year	**2,007**	2,007
Later than one year and not later than five years	**8,028**	8,028
Later than five years	**502**	2,509
	10,537	12,544

9. PROPERTIES UNDER DEVELOPMENT – GROUP

	31 December	
	2011	2010
		(Restated)
		(Note 2(a)(i))
	RMB'000	RMB'000
Properties under development include:		
Construction costs and capitalised expenditures	**1,971,783**	1,546,516
Interests capitalised	**722,351**	356,345
Land use rights	**3,713,113**	1,604,288
	6,407,247	3,507,149
Land use rights:		
Outside Hong Kong, held on leases of:		
Over 50 years	**2,578,030**	1,011,588
Between 10 to 50 years	**1,135,083**	592,700
	3,713,113	1,604,288

The properties under development are all located in the PRC and expected to be completed within an operating cycle.

As at 31 December 2011, properties under development of approximately RMB2,776,827,000 (2010: RMB2,290,653,000) were pledged as collateral for the Group's borrowings (note 19).

The capitalisation rate of borrowings for the year ended 31 December 2011 is 9.09% (2010: 6.43%).

10. COMPLETED PROPERTIES HELD FOR SALE – GROUP

The completed properties held for sale are all located in the PRC.

As at 31 December 2011, completed properties held for sale of approximately RMB818,833,000 (2010: RMB542,192,000) were pledged as collateral for the Group's borrowings (note 19).

11. TRADE AND OTHER RECEIVABLES AND LOANS – GROUP

	31 December	
	2011	2010
	RMB'000	RMB'000
Trade receivables (note (a))	**733,349**	498,541
– Related parties (note 35(d))	**57,348**	40,806
– Third parties	**676,001**	457,735
Entrusted loans to third parties (note (b))	**270,000**	170,000
Deposits for acquisition of land use rights	**100,000**	262,342
Other receivables from:	**254,092**	210,479
– Related parties (note 35(d))	**65,686**	17,338
– Third parties	**188,406**	193,141
	1,357,441	1,141,362

(a) Trade receivables are mainly derived from sales of properties and rental income. Sales proceeds and rental fee are paid in accordance with the terms of the related sales and purchase agreements and rental contracts. As at 31 December 2011 and 2010, the ageing analysis of the trade receivables is as follows:

	31 December	
	2011	2010
	RMB'000	RMB'000
Within 90 days	**574,285**	412,865
Over 90 days and within 365 days	**159,064**	85,676
	733,349	498,541

As at 31 December 2011, trade receivables of RMB55,019,000 (2010: nil) were past due but not impaired. These relate to a number of independent customers for whom there is no significant financial difficulty and based on past experience, the overdue amounts can be recovered. The ageing analysis of these trade receivables is as follows:

	31 December	
	2011	2010
	RMB'000	RMB'000
Within 90 days	**–**	–
Over 90 days and within 365 days	**55,019**	–
	55,019	–

11. TRADE AND OTHER RECEIVABLES AND LOANS – GROUP (continued)

(b) The entrusted loans are lent to third parties through a finance institution. The effective interest rate as at 31 December 2011 is 8.14% (2010: 5.70%).

Movements of the entrusted loans are as follows:

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
At 1 January	**170,000**	–
Addition of entrusted loans	**270,000**	170,000
Repayment of entrusted loans	**(170,000)**	–
At 31 December	**270,000**	170,000

Entrusted loan of RMB200,000,000 has been subsequently collected in February 2012.

As at 31 December 2011 and 2010, the fair value of trade and other receivables and loans approximated their carrying amounts.

Trade and other receivables are unsecured and interest free. The Group's trade and other receivables and loans are denominated in RMB. Except for those disclosed in note 11 (a), no material trade and other receivables and loans were impaired or past due as at 31 December 2011 and 2010.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The Group does not hold any collateral as security.

12. PREPAYMENTS – GROUP

	31 December	
	2011	2010
	RMB'000	RMB'000
Acquisition of properties – a related party (note 35(d))	**600,000**	600,000
Acquisition of land use rights (note (a))	**2,974,313**	2,500,878
Construction materials – third parties	**108,449**	145,420
	3,682,762	3,246,298

(a) Payments on land acquisitions will be made in accordance with the payment terms as stipulated in the land acquisition contracts. The relevant land use rights certificates have not been obtained as at 31 December 2011. The land acquisition costs which are contracted but not provided for are included in commitments (note 34(a)).

13. INTERESTS IN AND AMOUNTS DUE FROM/(TO) SUBSIDIARIES – COMPANY

	31 December 2011 RMB'000	2010 RMB'000
Non-current portions		
Investments at cost – unlisted shares	**410,005**	410,005
Deemed capital contributions arising from share-based compensation	**53,657**	36,079
Amounts due from subsidiaries	**5,748,082**	2,158,276
	6,211,744	2,604,360
Current portions		
Amounts due from subsidiaries	**389,964**	2,246,126
Amounts due to subsidiaries	**(163,749)**	(63,337)
	226,215	2,182,789

The amounts due from subsidiaries included in non-current portions are unsecured, interest-free and the Company does not expect repayment in the foreseeable future.

The amounts due from/(to) subsidiaries included under current portions are unsecured, interest-free and repayable on demand.

14. INTERESTS IN A JOINTLY CONTROLLED ENTITY

On 4 June 2010, the Group has entered into a cooperation agreement with an independent third party ("JV Partner") to jointly set up Tianjin Powerlong Jinjun Real Estate Co., Ltd. ("Tianjin Powerlong") to develop a real estate project in Tianjin City. Pursuant to the cooperation agreement, the Group and the JV Partner should contribute funds to Tianjin Powerlong to finance its construction of the project in the proportion of 65% and 35%, respectively; when the construction is completed, Tianjin Powerlong will distribute the properties to the Group and the JV Partner on the pre-determined allocation basis as return of their investments; the Group has an option to acquire the equity interests in Tianjin Powerlong held by the JV Partner at a pre-determined consideration within a period of three years from commencement of this cooperation. At the time of entering into this cooperation agreement, management was of the view that it was highly probable that the Group will exercise the option to acquire the 35% equity interests in Tianjin Powerlong from the JV Partner, hence Tianjin Powerlong is treated as a 100% subsidiary of the Group and funds contributed by the JV Partner to Tianjin Powerlong totaling RMB689,492,000 as of 31 December 2010 are recognised as other borrowing to the Group.

14. INTERESTS IN A JOINTLY CONTROLLED ENTITY (continued)

On 28 December 2011 (the "disposal date"), the Group and the JV Partner have agreed to cancel the Group's option to acquire the JV Partner's equity interests in Tianjin Powerlong. Consequent to this change to cooperation arrangement and according to the principle of the cooperative agreement and article of associate of Tianjin Powerlong, the Group has, in substance, lost the control on Tianjin Powerlong and Tianjin Powerlong was de-consolidated from the disposal date and recognised as a jointly controlled entity to the Group in these consolidated financial statements.

	RMB'000
The Group's share of fair value of net assets in Tianjin Powerlong	887,131
Less: carrying amount of net assets of Tianjin Powerlong derecognised from the Group's consolidated financial statements	(855,880)
Gain from disposal of a subsidiary (note 24 (a))	31,251
Cash outflow on disposal	(80,763)

The summarised financial information in respect of the Group's interests in Tianjin Powerlong which are accounted for using the equity method is set out below:

	31 December 2011 RMB'000
Assets:	
Non-current assets	**895,297**
Current assets	**1,054,203**
	1,949,500
Liabilities:	
Non-current liabilities	**208,607**
Current liabilities	**164,270**
	372,877
Net assets	**1,576,623**
Less: funds contributed by the JV Partner	**(689,492)**
Net assets attributable to the Group	**887,131**
Proportionate interest in Tianjin Powerlong's commitments	**371,224**

No significant income and expenses incurred in Tianjin Powerlong during the period from the disposal date to 31 December 2011.

There are no contingent liabilities relating to the Group's interest in Tianjin Powerlong, and no contingent liabilities of the Tianjin Powerlong itself.

15. RESTRICTED CASH – GROUP

	31 December	
	2011	2010
	RMB'000	RMB'000
Guarantee deposit for construction projects (note (a))	**74,710**	632,121
Guarantee deposit for bank acceptance notes (note (b))	**152,323**	2,081
Guarantee deposit for bank borrowings (note (c))	**176,575**	624,747
Others	**3,820**	3,096
	407,428	1,262,045
Denominated in:		
– RMB	**405,127**	1,262,045
– HK$	**2,301**	–
	407,428	1,262,045

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

(b) As at 31 December 2011, the Group placed cash deposits of approximately RMB152,323,000 (2010: RMB2,081,000) with designated banks as guarantee for the issuance of bank acceptance notes.

(c) As at 31 December 2011, the Group placed cash deposits of approximately RMB176,575,000 (2010: RMB624,747,000) with designated banks as security for the Group's bank borrowings.

The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

16. CASH AND CASH EQUIVALENTS

	Group		Company	
	31 December		31 December	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash at bank and in hand:				
– Denominated in RMB	**1,153,374**	2,522,961	**–**	–
– Denominated in HK$	**253,806**	6,695	**243,320**	77
– Denominated in US$	**4,002**	210,252	**2,411**	–
	1,411,182	2,739,908	**245,731**	77

The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

17. SHARE CAPITAL AND PREMIUM

	Note	Number of ordinary shares	Nominal value of ordinary shares HK$	Equivalent nominal value of ordinary share RMB'000	Share premium RMB'000	Shares held for share award scheme RMB'000	Total RMB'000
Authorised:							
As at 1 January 2010, 31December 2010 and 31 December 2011		30,000,000,000	300,000,000				
Issued and fully paid:							
As at 1 January 2010		4,087,448,000	40,874,480	36,269	3,136,132	–	3,172,401
Repurchase of shares of the Company	(a)	(19,000,000)	(190,000)	(167)	(35,312)	–	(35,479)
Purchased shares held for share award scheme	(b)	–	–	–	–	(29,466)	(29,466)
As at 31 December 2010		4,068,448,000	40,684,480	36,102	3,100,820	(29,466)	3,107,456
Repurchase of shares of the Company	(a)	**(17,369,000)**	**(173,690)**	**(141)**	**(14,081)**	**–**	**(14,222)**
Purchased shares held for share award scheme	(b)	**–**	**–**	**–**	**–**	**(55,255)**	**(55,255)**
As at 31 December 2011		**4,051,079,000**	**40,510,790**	**35,961**	**3,086,739**	**(84,721)**	**3,037,979**

(a) During the year ended 31 December 2011, the Company repurchased 17,369,000 (2010: 19,000,000) of its own ordinary shares through the Stock Exchange at a consideration of approximately HK$17,543,000 (2010: HK$40,341,000), equivalent to RMB14,222,000 (2010: RMB35,479,000). The shares were cancelled after the repurchase.

(b) **Shares held for share award scheme**

On 2 December 2010 (the "Adoption Date"), the Board approved and adopted a share award scheme in which a number of selected employees of the Group are entitled to participate (the "Share Award Scheme"). The Group has set up a trust (the "Share Award Scheme Trust") for the purpose of administrating the Share Award Scheme. Under the sole discretion of the Board, the Share Award Scheme Trust will acquire the Company's shares from the Stock Exchange, with a maximum number determined by the Board, and hold the shares granted to the employees but not vested for the employees until they are vested. Unless early terminated by the Board, the Share Award Scheme shall be valid and effective for a term of six years commencing on the Adoption Date.

During the year ended 31 December 2011, the Share Award Scheme Trust acquired 24,397,000 shares of the Company through the open market (2010: 13,956,000) at a total cost (including related transaction costs) of approximately RMB55,255,000 (2010: RMB29,466,000). As at 31 December 2011, the Share Award Scheme Trust holds 38,353,000 (2010: 13,956,000) shares of the Company.

No expenses or reserves were recognised for the Share Award Scheme as no share of the Company were granted to the employees during the year ended 31 December 2011 (2010: same).

During the year ended 31 December 2011, the Share Award Scheme Trust received cash dividend amounting to RMB2,301,000 (2010: nil) which will be used to pay for the fees of the trust or acquire the Company's own ordinary shares (note 31).

18. OTHER RESERVES

	Group				Company
	Merger reserve	Statutory reserves	Share option reserve	Total	Share option reserve
	RMB'000 (note (a))	RMB'000 (note (b))	RMB'000 (note (c))	RMB'000	RMB'000 (note (c))
Balance at 1 January 2010	337,203	4,780	5,248	347,231	5,248
Employees share option scheme	–	–	30,831	30,831	30,831
Balance at 31 December 2010	337,203	4,780	36,079	378,062	36,079
Balance at 1 January 2011	**337,203**	**4,780**	**36,079**	**378,062**	**36,079**
Employees share option scheme	**–**	**–**	**17,578**	**17,578**	**17,578**
Appropriation to statutory reserves	**–**	**4,510**	**–**	**4,510**	**–**
Balance at 31 December 2011	**337,203**	**9,290**	**53,657**	**400,150**	**53,657**

(a) Merger reserve

The merger reserve represents the aggregate nominal value of the share capital/paid-in capital of the subsidiaries acquired by the Company from the controlling shareholders less the consideration paid to the controlling shareholders pursuant to the reorganisation undertaken in 2007 for preparation of listing of the Company on the Stock Exchange.

(b) Statutory reserves

Pursuant to the relevant laws and regulations in the PRC and the provision of the articles of association of the Group's subsidiaries, the Group's subsidiaries which are registered in the PRC shall appropriate certain percentage of profit after tax (after offsetting any accumulated losses brought forward from prior years) calculated under the accounting principles generally applicable to the PRC enterprises to reserve funds. Depending on the natures, the reserve funds can be used to set off accumulated losses of the subsidiaries or distribute to equity owners in form of bonus issue.

(c) Share option reserve

On 16 September 2009, the Company granted share options to the certain employees of the Group under a share option scheme (the "Pre-IPO Share Option Scheme"), under which the option holders are entitled to acquire aggregate of 40,000,000 shares of the Company at 10% discount to the offer price of HK$2.75 per share upon the listing date.

18. OTHER RESERVES (continued)

(c) Share option reserve (continued)

Particulars of share options as at 31 December 2011 and 2010 are as follows:

Vesting period	Expiry dates	Exercise price	Number of outstanding shares as at 31 December 2011	2010
1 year from 16 September 2009	15 September 2012	HK$2.475	**6,332,000**	7,112,000
2 years from 16 September 2009	15 September 2013	HK$2.475	**6,332,000**	7,112,000
3 years from 16 September 2009	15 September 2014	HK$2.475	**6,332,000**	7,112,000
4 years from 16 September 2009	15 September 2015	HK$2.475	**6,332,000**	7,112,000
5 years from 16 September 2009	15 September 2016	HK$2.475	**6,332,000**	7,112,000
			31,660,000	35,560,000

Movement in the number of share options outstanding is as follows:

	Year ended 31 December 2011	2010
At 1 January	**35,560,000**	37,900,000
Forfeited	**(3,900,000)**	(2,340,000)
At 31 December	**31,660,000**	35,560,000

Pre-IPO Share Option Scheme

The Group has no legal or constructive obligation to repurchase or settle the options in cash.

The fair value of options granted is HK$2.16 per option, which was determined using the Binomial Model by an independent valuer.

19. BORROWINGS

	Group		Company	
	31 December		31 December	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Borrowings included in non-current liabilities:				
Senior notes	**2,863,823**	1,344,658	**2,863,823**	1,344,658
– Senior notes due 2015 ("2015 Notes") (note (a)(i))	**1,284,301**	1,344,658	**1,284,301**	1,344,658
– Senior notes due 2014 ("2014 Notes (I)") (note (a)(ii))	**753,686**	–	**753,686**	–
– Senior notes due 2014 ("2014 Notes (II)") (note (a)(iii))	**825,836**	–	**825,836**	–
Bank borrowings	**4,280,679**	3,349,845	**290,279**	–
– secured (note (b))	**3,990,400**	3,349,845	**–**	–
– unsecured	**290,279**	–	**290,279**	–
Other borrowings	**893,057**	490,124	**–**	–
– secured (note (c))	**893,057**	–	**–**	–
– unsecured	**–**	490,124	**–**	–
Less: amounts due within one year	**(1,117,705)**	(917,540)	**(146,899)**	–
	6,919,854	4,267,087	**3,007,203**	1,344,658
Borrowings included in current liabilities:				
Bank borrowings	**1,083,934**	733,241	**–**	–
– secured (note (b))	**898,934**	682,771	**–**	–
– unsecured	**185,000**	50,470	**–**	–
Other borrowings	**234,362**	303,500	**–**	–
– secured (note (c))	**214,362**	–	**–**	–
– unsecured	**20,000**	303,500	**–**	–
Current portion of long-term borrowings	**1,117,705**	917,540	**146,899**	–
	2,436,001	1,954,281	**146,899**	–
Total borrowings	**9,355,855**	6,221,368	**3,154,102**	1,344,658

19. BORROWINGS (continued)

(a) Senior notes

(i) 2015 Notes

On 16 September 2010, the Company issued 13.75%, 5 years senior notes, with an aggregated nominal value of US$200,000,000 at face value. The net proceeds, after deducting the issuance costs, amounted to US$194,800,000 (equivalent to approximately RMB1,308,511,000). The 2015 Notes is denominated in US$.

The 2015 Notes recognised in the balance sheet are calculated as follows:

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
At 1 January	**1,344,658**	–
Fair value at the date of issuance	**–**	1,308,511
Interest expenses and amortisation of issuance costs	**190,033**	55,335
Repayment of interest	**(184,723)**	–
Foreign exchange gain	**(65,667)**	(19,188)
At 31 December	**1,284,301**	1,344,658

(ii) 2014 Notes (I)

On 17 March 2011, the Company issued 11.5%, 3 years senior notes, with an aggregated nominal value of RMB750,000,000 at face value. The net proceeds, after deducting the issuance costs, amounted to US$110,763,000 (equivalent to approximately RMB722,193,000). The 2014 Notes (I) is denominated in RMB.

The 2014 Notes (I) recognised in the balance sheet are calculated as follows:

	Year ended 31 December 2011 RMB'000
Face value of 2014 Notes (I) issued on 17 March 2011	**750,000**
Issuance costs	**(27,807)**
Fair value at the date of issuance	**722,193**
Interest expenses and amortisation of issuance costs	**74,618**
Repayment of interest	**(43,125)**
Carrying amount as at 31 December 2011	**753,686**

19. BORROWINGS (continued)

(a) Senior notes (continued)

(iii) 2014 Notes (II)

On 8 September 2011, the Company issued 13.8%, 3 years senior notes, with an aggregated nominal value of HK$1,000,000,000 at face value to a financial institution. The net proceeds, after deducting the issuance costs, amounted to HK$973,124,000 (equivalent to approximately RMB797,680,000). The 2014 Notes (II) is denominated in HK$.

The 2014 Notes (II) recognised in the balance sheet are calculated as follows:

	Year ended 31 December 2011 RMB'000
Face value of 2014 Notes (II) issued on 8 September 2011	819,710
Issuance costs	(22,030)
Fair value at the date of issuance	797,680
Interest expenses and amortisation of issuance costs	37,334
Foreign exchange gain	(9,178)
Carrying amount as at 31 December 2011	825,836

(b) Bank borrowings – secured

As at 31 December 2011, the borrowings of RMB4,889,334,000 (2010: RMB4,032,616,000) were secured by property and equipment (note 6), land use rights (note 7), investment properties (note 8), properties under development (note 9), completed properties held for sale (note 10) and restricted cash (note 15); the secured borrowings of RMB499,500,000 (2010: RMB160,000,000) were additionally guaranteed by related parties (note 35).

(c) Other borrowings – secured

(i) Fund raised by a subsidiary in Xiamen

In March 2011, a subsidiary of the Company principally engaged in development of a real estate project in Xiamen ("Xiamen Project Company") entered into a fund arrangement with a financial institution (the "Trustee"). Pursuant to this fund arrangement, the Trustee raised a trust fund totaling RMB450,000,000 and injected the fund to Xiamen Project Company. Xiamen Project Company should repay the principal and the fixed interest of the fund to the Trustee upon the maturity of the fund in September 2012. The principal of the fund of RMB450,000,000 and the related interests of RMB50,703,000 as at 31 December 2011 are recognised as a borrowing of the Group. 49% shares of Xiamen Project Company are held by the Trustee as security and properties under development of Xiamen Project Company of RMB779,710,000 are pledged to the Trustee.

(ii) Borrowings from financial institutions

As at 31 December 2011, borrowings from other financial institutions of RMB606,716,000 (2010: nil) were secured by land use rights (note 7), investment properties (note 8), properties under development (note 9) and completed properties held for sale (note 10).

19. BORROWINGS (continued)

The exposure of the Group's borrowings to interest-rate changes and the contractual repricing dates or maturity date at the end of the year are as follows:

The Group

	6 months or less RMB'000	6–12 months RMB'000	1–5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Borrowings included in non – current liabilities:					
At 31 December 2011	**1,423,401**	**2,204,250**	**3,292,203**	**–**	**6,919,854**
At 31 December 2010	1,772,092	743,347	1,751,648	–	4,267,087
Borrowings included in current liabilities:					
At 31 December 2011	**1,159,895**	**1,276,106**	**–**	**–**	**2,436,001**
At 31 December 2010	1,878,856	75,425	–	–	1,954,281

The Company

	6 months or less RMB'000	6–12 months RMB'000	1–5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Borrowings included in non – current liabilities:					
At 31 December 2011	**–**	**–**	**3,007,203**	**–**	**3,007,203**
At 31 December 2010	–	–	1,344,658	–	1,344,658
Borrowings included in current liabilities:					
At 31 December 2011	**110,614**	**36,285**	**–**	**–**	**146,899**

The carrying amounts and fair value of the non-current borrowings are as follows:

The Group

	31 December 2011		31 December 2010	
	Carrying amount RMB'000	**Fair Value RMB'000**	Carrying amount RMB'000	Fair Value RMB'000
2015 Notes (note (i))	**1,233,842**	**841,221**	1,344,658	1,384,144
2014 Notes (I) (note (i))	**728,569**	**503,474**	–	–
2014 Notes (II) (note (ii))	**790,798**	**790,798**	–	–
Bank borrowings (note (ii))	**3,786,645**	**3,786,215**	2,546,440	2,545,835
Other borrowings (note (ii))	**380,000**	**380,000**	375,989	377,199
	6,919,854	**6,301,708**	4,267,087	4,307,178

19. BORROWINGS (continued)

The Company

	31 December 2011 Carrying amount RMB'000	31 December 2011 Fair Value RMB'000	31 December 2010 Carrying amount RMB'000	31 December 2010 Fair Value RMB'000
2015 Notes (note (i))	**1,233,842**	**841,221**	1,344,658	1,384,144
2014 Notes (I) (note (i))	**728,569**	**503,474**	–	–
2014 Notes (II) (note (ii))	**790,798**	**790,798**	–	–
Bank Borrowings (note (ii))	**253,994**	**253,994**	–	–
	3,007,203	**2,389,487**	1,344,658	1,384,144

(i) The fair values are determined directly by references to the price quotations published by Singapore Exchange Limited on 30 December 2011, the last dealing date of 2011.

(ii) The fair values are estimated based on discounted cash flow using the prevailing market rates of interest available to the Group for financial instruments with substantially the same terms and characteristics at the balance sheet date.

The maturity of the borrowings included in non-current liabilities is as follows:

	Senior notes RMB'000	Bank borrowings RMB'000	Other borrowings RMB'000	Total RMB'000
The Group				
As at 31 December 2011				
1–2 years	**–**	**1,909,737**	**380,000**	**2,289,737**
2–5 years	**2,753,209**	**1,097,608**	**–**	**3,850,817**
Over 5 years	**–**	**779,300**	**–**	**779,300**
	2,753,209	**3,786,645**	**380,000**	**6,919,854**
As at 31 December 2010				
1–2 years	–	172,704	–	172,704
2–5 years	1,344,658	1,749,986	375,989	3,470,633
Over 5 years	–	623,750	–	623,750
	1,344,658	2,546,440	375,989	4,267,087
The Company				
As at 31 December 2011				
1–2 years	**–**	**130,626**	**–**	**130,626**
2–5 years	**2,753,209**	**123,368**	**–**	**2,876,577**
	2,753,209	**253,994**	**–**	**3,007,203**
As at 31 December 2010				
2–5 years	1,344,658	–	–	1,344,658

19. BORROWINGS (continued)

The effective interest rate of borrowings as at 31 December 2011 is as follows:

	Group 31 December		Company 31 December	
	2011 RMB'000	2010 RMB'000	**2011 RMB'000**	2010 RMB'000
2015 Notes	**15.02%**	15.02%	**15.02%**	15.02%
2014 Notes (I)	**13.46%**	–	**13.46%**	–
2014 Notes (II)	**15.50%**	–	**15.50%**	–
Bank and other borrowings	**7.76%**	5.21%	**4.77%**	–

The carrying amounts of borrowings are denominated in the following currencies:

	Group 31 December		Company 31 December	
	2011 RMB'000	2010 RMB'000	**2011 RMB'000**	2010 RMB'000
RMB	**6,837,077**	4,446,139	**753,686**	–
HK$	**944,198**	430,571	**825,836**	–
US$	**1,574,580**	1,344,658	**1,574,580**	1,344,658
	9,355,855	6,221,368	**3,154,102**	1,344,658

As at 31 December 2011, the Group has the following undrawn borrowing facilities:

	Group 31 December	
	2011 RMB'000	2010 RMB'000
Floating rate:		
– expiring within 1 year	**288,900**	1,544,500
– expiring beyond 1 year	**700,750**	120,000
Fixed rate:		
– expiring within 1 year	**85,638**	–
	1,075,288	1,664,500

20. DEFERRED INCOME TAX – GROUP

The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

	31 December 2011 RMB'000	31 December 2010 RMB'000
Deferred income tax assets		
– to be realised after more than 12 months	**58,449**	26,112
– to be realised within 12 months	**87,997**	49,402
	146,446	75,514
Deferred income tax liabilities to be settled after more than 12 months	**(2,420,330)**	(1,602,362)
Deferred income tax liabilities – net	**(2,273,884)**	(1,526,848)

The gross movement on the deferred income tax is as follows:

	Year ended 31 December 2011 RMB'000	Year ended 31 December 2010 RMB'000
Beginning of the year	**(1,526,848)**	(931,083)
Charged in consolidated statement of comprehensive income (note 28)	**(747,036)**	(595,765)
End of the year	**(2,273,884)**	(1,526,848)

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets

	Temporary difference on unrealised profit of inter-company transactions RMB'000	Tax losses RMB'000	Total RMB'000
At 1 January 2010	13,232	17,364	30,596
Credited to consolidated statement of comprehensive income	28,103	16,815	44,918
At 31 December 2010	41,335	34,179	75,514
Credited to consolidated statement of comprehensive income	**8,283**	**63,079**	**71,362**
At 31 December 2011	**49,618**	**97,258**	**146,876**

20. DEFERRED INCOME TAX – GROUP (continued)

Deferred income tax liabilities

	Temporary difference on revaluation gains of investment properties RMB'000
At 1 January 2010	(961,679)
Charged to consolidated statement of comprehensive income	(640,683)
At 31 December 2010	(1,602,362)
Charged to consolidated statement of comprehensive income	**(818,398)**
At 31 December 2011	**(2,420,760)**

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related benefit through the future taxable profits is probable. Losses amounting to RMB279,000, RMB7,290,000, RMB17,350,000, RMB62,155,000 and RMB301,958,000 as at 31 December 2011 will expire in 2013, 2014, 2015, 2016 and 2017, respectively.

21. TRADE AND OTHER PAYABLES

	Group 31 December		Company 31 December	
	2011 RMB'000	2010 RMB'000	**2011 RMB'000**	2010 RMB'000
Trade payables	**2,125,387**	1,036,927	**–**	–
– Related parties (note 35(d))	**21,322**	23,493	**–**	–
– Third parties	**1,708,133**	1,000,700	**–**	–
– Notes payables – third parties	**395,932**	12,734	**–**	–
Other payables and accruals:	**667,327**	236,401	**185,193**	36,883
– Related parties (note 35(d))	**302,706**	82,800	**180,250**	32,900
– Third parties	**364,621**	153,601	**4,943**	3,983
Payables for retention fee	**159,173**	131,463	**–**	–
Payables for acquisition of land use rights	**53,834**	53,834	**–**	–
Other taxes payables	**104,156**	77,382	**–**	–
	3,109,877	1,536,007	**185,193**	36,883

21. TRADE AND OTHER PAYABLES (continued)

As at 31 December 2011, the ageing analysis of trade payables of the Group based on invoice date is as follows:

	31 December	
	2011	2010
	RMB'000	RMB'000
Within 90 days	**881,433**	332,164
Over 90 days and within 180 days	**474,347**	310,110
Over 180 days and within 365 days	**235,303**	145,418
Over 365 days and within 3 years	**534,304**	249,235
	2,125,387	1,036,927

22. CURRENT INCOME TAX LIABILITIES – GROUP

The current income tax liabilities are analysed as follows:

	31 December	
	2011	2010
	RMB'000	RMB'000
Current income tax liabilities		
– PRC corporate income tax payable	**968,572**	824,500
– Withholding income tax for the profit to be distributed from the group companies in the PRC	**71,729**	57,423
– PRC land appreciation tax payable	**886,481**	624,958
	1,926,782	1,506,881

23. EXPENSES BY NATURE

Expenses included in cost of sales, selling and marketing costs and administrative expenses are analysed as follows:

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
Business taxes and other levies (note (a))	**301,089**	234,890
Cost of properties sold (excluding staff costs)	**2,267,084**	1,757,458
Staff costs (including directors' emoluments) (note 26)	**370,867**	194,373
Advertising costs	**117,127**	62,465
Depreciation (note 6)	**73,759**	17,415
Amortisation of land use rights	**8,966**	16,110
Office lease payments	**12,908**	6,770
Auditors' remuneration	**6,484**	4,855
Donations to governmental charity	**25,913**	38,072

23. EXPENSES BY NATURE (continued)

(a) Business taxes

The group entities established in the PRC are subject to business taxes on their revenue at the following rates:

Category	Rate
Sales of properties	5%
Property construction and decoration	3%
Rental income	5%
Property management	5%
Hotel service	5%

24. OTHER GAINS – NET

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
Interest income on entrusted loans (note 11(b))	**28,876**	–
Gain from disposal of a subsidiary (note 14)	**31,251**	–
Gain from disposal of land use rights	**–**	9,471
Fair value gains and disposal gains on financial assets at fair value through profit or loss – net	**115**	4,996
	60,242	14,467

25. EXCHANGE LOSSES – NET

Amount mainly represents the gain or loss of translation of financial assets and liabilities, which are denominated in foreign currency, into RMB at the prevailing year-end exchange rate. It does not include the exchange gain or loss of translation of borrowings which are included in the finance income – net (note 27).

26. STAFF COSTS

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
Wages and salaries	**304,973**	140,810
Pension costs – statutory pension	**35,485**	15,038
Other staff welfare and benefits	**12,831**	7,694
Pre-IPO Share Option Scheme	**17,578**	30,831
	370,867	194,373

26. STAFF COSTS (continued)

(a) Directors' emoluments

The directors' emoluments borne by the Group during the years are as follows:

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
Wages and salaries	**1,226**	1,256
Retirement scheme contributions	**52**	34
Fee	**2,100**	2,100
Pre-IPO Share Option Scheme	**5,897**	8,206
	9,275	11,596

The remuneration of each director of the Company for the year ended 31 December 2011 is set out below:

	Wages and salaries RMB'000	Retirement scheme contributions RMB'000	Fee RMB'000	Pre-IPO Share Option Scheme RMB'000	Total RMB'000
Mr. Hoi	480	–	240	3,081	3,801
Mr. Hoi Wa Fong	240	–	240	968	1,448
Mr. Xiao Qing Ping	236	12	240	792	1,280
Ms. Liu Xiao Lan	258	40	240	528	1,066
Ms. Shih Sze Ni	12	–	240	528	780
Ms. Hoi Wa Fan	–	–	180	–	180
Mr. Ngai Wai Fung	–	–	240	–	240
Mr. Mei Jian Ping	–	–	240	–	240
Ms. Nie Mei Sheng	–	–	240	–	240
	1,226	52	2,100	5,897	9,275

26. STAFF COSTS (continued)

(a) Directors' emoluments (continued)

The remuneration of each director of the Company for the year ended 31 December 2010 is set out below:

	Wages and salaries RMB'000	Retirement scheme contributions RMB'000	Fee RMB'000	Pre-IPO Share Option Scheme RMB'000	Total RMB'000
Mr. Hoi	540	–	240	4,287	5,067
Mr. Hoi Wa Fong	288	–	240	1,347	1,875
Mr. Xiao Qing Ping	176	7	240	1,102	1,525
Ms. Liu Xiao Lan	228	27	240	735	1,230
Ms. Shih Sze Ni	12	–	240	735	987
Ms. Hoi Wa Fan	12	–	180	–	192
Mr. Ngai Wai Fung	–	–	240	–	240
Mr. Mei Jian Ping	–	–	240	–	240
Ms. Nie Mei Sheng	–	–	240	–	240
	1,256	34	2,100	8,206	11,596

During the year ended 31 December 2011, none of the directors of the Company waived his/her emoluments nor has agreed to waive his/her emoluments for the year ended 31 December 2011 (2010: same).

(b) Amount due from a director and entities ultimately controlled by the director

Particulars of amounts due from directors of the Company and entities ultimately controlled by the directors disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance are as follows:

	31 December		**Maximum amount outstanding for the year ended 31 December**	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Mr. Hoi	**–**	4,376	**–**	4,376
Related entities ultimately controlled by Mr. Hoi (note 35(d))	**690,111**	653,768	**690,111**	665,024
	690,111	658,144	**690,111**	669,400

26. STAFF COSTS (continued)

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year including three (2010: same) directors whose emoluments are reflected in the analysis presented above. The aggregate amounts of emoluments of the remaining two (2010: same) individuals for the years are set out below:

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
Wages and salaries	**1,600**	949
Retirement scheme contributions	**51**	54
Pre-IPO Share Option Scheme	**1,056**	1,960
	2,707	2,963

The emoluments fell within the following bands:

	Number of individuals	
	2011	2010
Emolument bands (in HK$)		
HK$1,000,000 – HK$1,500,000	**1**	–
HK$1,500,000 – HK$2,000,000	**1**	2

(d) During the year ended 31 December 2011, no emolument was paid by the Group to any of the above directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2010: same).

(e) Pensions – defined contribution plans

Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees.

The Group also participates in a pension scheme under the rules and regulations of the MPF Scheme for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income.

Details of the retirement scheme contributions for the employees, which have been dealt with in the consolidated statement of comprehensive income of the Group for the year, are as follows:

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
Gross scheme contributions	**35,485**	15,038

27. FINANCE INCOME – NET

	Year ended 31 December 2011 RMB'000	Year ended 31 December 2010 RMB'000
Interest expenses:		
– Bank borrowings and other borrowings	**(481,677)**	(181,753)
– Senior notes	**(301,985)**	(55,335)
Less: interest capitalised	**764,699**	230,942
	(18,963)	(6,146)
Net foreign exchange gains on financing activities	**105,525**	36,274
	86,562	30,128

28. INCOME TAX EXPENSE

	Year ended 31 December 2011 RMB'000	Year ended 31 December 2010 RMB'000
Current tax:		
– PRC corporate income tax	**450,809**	486,266
– PRC land appreciation tax	**524,273**	195,358
– Withholding income tax for profit to be distributed from the group companies in the PRC	**14,306**	27,123
Deferred income tax:		
– PRC corporate income tax	**747,036**	595,765
	1,736,424	1,304,512

The income tax on the profit before income tax of the Group differs from the theoretical amount that would arise using the enacted tax rate of the home country of the group entities as follows:

	Year ended 31 December 2011 RMB'000	Year ended 31 December 2010 RMB'000
Operating profit before income tax	**5,286,881**	4,489,953
Calculated at applicable corporate income tax rate	**1,304,681**	1,128,598
Effect of expenses not deductible for income tax	**50,613**	11,341
Effect of income not subject to income tax	**(26,381)**	(9,069)
PRC land appreciation tax deductible for PRC corporate income tax purposes	**(131,068)**	(48,839)
	1,197,845	1,082,031
Withholding income tax for profit to be distributed by certain group companies in the PRC	**14,306**	27,123
PRC land appreciation tax	**524,273**	195,358
	1,736,424	1,304,512

28. INCOME TAX EXPENSE (continued)

PRC corporate income tax

The income tax provision of the Group in respect of operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the year, based on the existing legislation, interpretations and practices in respect thereof.

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "new CIT Law"), which is effective from 1 January 2008. Under the new CIT Law, the corporate income tax rate applicable to the group entities located in Mainland China is 25%. Under the new CIT Law, the corporate income tax rate applicable to certain of the group entities established and operated in Xiamen Special Economic Zone is gradually increased from 15% to 25% in a transitional period of five years starting from 1 January 2008. The applicable tax rate for 2011 is 24% (2010: 22%).

According to the new CIT Law, starting from 1 January 2008, a withholding tax of 10% will be levied on the immediate holding companies outside the PRC when their PRC subsidiaries declare dividend out of profits earned after 1 January 2008. A lower 5% withholding tax rate may be applied when the immediate holding companies of the PRC subsidiaries are established in Hong Kong and fulfil requirements under the tax treaty arrangements between the PRC and Hong Kong.

PRC land appreciation tax ("LAT")

Pursuant to the requirements of the Provisional Regulations of the PRC on LAT effective 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT effective on 27 January 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for sales of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items.

The Group has made provision of LAT for sales of properties according to the aforementioned progressive rate, except for certain group companies which calculate the LAT based on deemed tax rates in accordance with the approved taxation method obtained from tax authorities.

Overseas income tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 of Cayman Islands and accordingly, is exempted from Cayman Islands income tax. The Company's direct subsidiary in the British Virgin Islands was incorporated under the International Business Companies Act of the British Virgin Islands and, accordingly, is exempted from British Virgin Islands income tax.

Hong Kong profits tax

No provision for Hong Kong profits tax has been made in these consolidated financial statements as the Company and the Group did not have assessable profit in Hong Kong for the year. The profit of the group entities in Hong Kong is mainly derived from dividend income, which is not subject to Hong Kong profits tax.

29. RETAINED EARNINGS OF THE COMPANY

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
As at 1 January	**262,150**	246,783
Profit for the year	**232,415**	260,614
Dividends (note 31)	**(241,806)**	(245,247)
As at 31 December	**252,759**	262,150

30. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity owners of the Company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the Group and held for Share Award Scheme (note 17 (b)).

	Year ended 31 December	
	2011	2010
Profit attributable to equity owners of the Company (RMB'000)	**3,415,230**	2,955,645
Weighted average number of ordinary shares in issue (thousand shares)	**4,030,607**	4,075,024
Basic earnings per share (RMB cents per share)	**84.73 cents**	72.53 cents

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: Pre-IPO Share Option Scheme and Share Award Scheme. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options under the two schemes. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the two schemes.

For the year ended 31 December 2011, as the average market share price of the ordinary shares during the year was lower than the subscription price, the diluted earnings per share was equal to the basic earnings per share (2010: same).

31. DIVIDENDS

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
Proposed final dividend of RMB6.00 cents (2010: RMB6.00 cents) per ordinary share	**243,065**	244,107

2010 final cash dividend amounting to RMB244,107,000 has been approved by Annual General Meeting on 27 May 2011 and subsequently paid in June 2011. The net dividends of RMB241,806,000, after deducting dividend of RMB2,301,000 paid to the Share Award Scheme Trust (note 17 (b)), is treated as transaction with owners in the consolidated statement of changes in equity for the year ended 31 December 2011.

The directors recommended the payment of a final dividend of RMB6.00 cents per ordinary share, totaling RMB243,065,000 based on the ordinary shares in issue as of 31 December 2011. Such dividend is subject to approval by the shareholders at the Annual General Meeting on 18 May 2012. These consolidated financial statements do not reflect this dividend payable.

32. CASH (USED IN)/GENERATED FROM OPERATIONS

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
Profit before taxation	**5,286,881**	4,489,953
Adjustments for:		
Depreciation (note 6)	**73,759**	17,415
Amortisation of land use rights recognised as expense	**8,966**	16,110
Fair value gains on investment properties – net (note 8)	**(3,559,072)**	(2,562,730)
Pre-IPO Share Option Scheme (note 18)	**17,578**	30,831
Gain from disposal of land use rights (note 24)	**–**	(9,471)
Interest income on entrusted loan (note 24)	**(28,876)**	–
Gain from disposal of subsidiary (note 24 (a))	**(31,251)**	–
Finance income – net (note 27)	**(86,562)**	(30,128)
Foreign exchange losses on cash and cash equivalents	**11,768**	5,386
Changes in operating capital:		
– Properties under construction and completed properties held for sale	**(4,770,559)**	(897,129)
– Restricted cash	**406,445**	(572,554)
– Trade and other receivables and loans	**(161,507)**	(463,408)
– Prepayments	**72,055**	(143,606)
– Financial assets at fair value through profit or loss	**19,074**	(10,081)
– Trade and other payables	**743,561**	451,841
– Advances from customers	**372,873**	1,221,352
Cash (used in)/generated from operating activities	**(1,624,867)**	1,543,781

33. FINANCIAL GUARANTEE CONTRACTS

The face value of the financial guarantees issued by the Group is analysed as below:

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	**2,995,056**	1,876,958

The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificate which will generally be available within an average period of two to three years upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of properties.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the mortgages. The directors of the Company are of the view that the fair value of financial guarantees is not significant.

34. COMMITMENTS – GROUP

(a) Commitments for property development expenditures

	31 December	
	2011	2010
	RMB'000	RMB'000
Contracted but not provided for		
– Property development activities	**3,907,013**	2,766,366
– Acquisition of land use rights	**1,205,200**	1,809,186
	5,112,213	4,575,552

(b) Operating leases commitments

The future aggregate minimum lease payments under non-cancelable operating leases are as follows:

	31 December	
	2011	2010
	RMB'000	RMB'000
– Not later than one year	**13,227**	12,908
– Later than one year and not later than two years	**727**	13,227
– Later than two years and not later than three years	**–**	727
	13,954	26,862

35. RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

Name	Relationship
Skylong Holdings Limited	The ultimate holding company of the Group (incorporated in Cayman Islands)
The Controlling Shareholders, including Mr. Hoi, Ms. Wang Lai Jan, Mr. Hoi Wa Fong and Ms. Hoi Wa Fan	Ultimate controlling shareholders of the Company and their close family member, Mr. Hoi, Mr. Hoi Wa Fong and Ms. Hoi Wa Fan are also executive directors of the Company
Xiamen Powerlong Group 廈門寶龍集團	Ultimately controlled by Mr. Hoi
Macau Powerlong Group 澳門寶龍集團發展有限公司	Ultimately controlled by Mr. Hoi
Xiamen Powerlong Information Industry Co., Ltd. 廈門寶龍信息產業發展有限公司	Ultimately controlled by Mr. Hoi
Fuzhou Powerlong Amusement Management Company Limited 福州寶龍樂園遊樂有限公司	Ultimately controlled by Mr. Hoi
Qingdao Kingcity Outlets Business Company Limited 青島康城奧特萊斯購物中心有限公司	Ultimately controlled by Mr. Hoi
Qingdao Powerlong Amusement Management Company Limited 青島寶龍樂園旅遊發展有限公司	Ultimately controlled by Mr. Hoi
Fuzhou Cannes Department Store Company Limited 福州康城百貨有限公司	Ultimately controlled by Mr. Hoi
Zhengzhou Powerlong Food & Beverage Company Limited 鄭州食全食美餐飲管理有限公司	Ultimately controlled by Mr. Hoi
Fujian Ping An Security Devices and Network Limited 福建平安報警網絡有限公司	Ultimately controlled by Mr. Hoi
Zhengzhou Cannes Outlets Commercial Company Limited 鄭州康城奧特萊斯購物中心有限公司	Ultimately controlled by Mr. Hoi
Xiamen Powerlong Hotel 廈門寶龍大酒店有限公司	Ultimately controlled by Mr. Hoi
Great Merchant Limited 弘商有限責任公司	Ultimately controlled by Mr. Hoi
Tianjin Powerlong 天津寶龍金駿房地產開發有限公司	Jointly Controlled by the Group

35. RELATED PARTY TRANSACTIONS (continued)

(b) Transactions with related parties

(i) During the year ended 31 December 2011, the Group had the following significant transactions with related parties:

	Year ended 31 December 2011 RMB'000	2010 RMB'000
Rental income		
– Qingdao Powerlong Amusement Management Company Limited	**13,501**	13,501
– Zhengzhou Cannes Outlets Commercial Company Limited	**6,438**	13,277
– Fuzhou Powerlong Amusement Management Company Limited	**2,429**	2,371
– Zhengzhou Powerlong Food & Beverage Company Limited	**–**	1,604
– Other related entities ultimately controlled by Mr. Hoi	**–**	17
	22,368	30,770
Property management fee income		
– Related entities ultimately controlled by Mr. Hoi	**2,724**	2,806
Purchase of office equipment and security intelligentisation system services from related parties		
– Xiamen Powerlong Information Industry Co., Ltd.	**922**	1,000
– Fujian Ping An Security Devices and Network Limited	**61,083**	45,181
	62,005	46,181
Hotel accommodation service fee charged by a related party		
– Macau Powerlong Group	**700**	940
Office lease expense charged by a related party		
– Xiamen Powerlong Information Industry Co., Ltd.	**1,485**	1,485

The above transactions were charged in accordance with the terms of the underlying agreements.

(ii) Related parties have provided guarantees for the Group's bank borrowings of RMB499,500,000 at 31 December 2011 (2010: RMB160,000,000)(note 19).

(iii) In the opinion of the directors of the Company, the related party transactions were conducted in the ordinary course of business.

(c) Key management compensation

Key management compensation for the year ended 31 December 2011 is set out below:

	Year ended 31 December 2011 RMB'000	2010 RMB'000
Key management compensation		
– Salaries and other employee benefits	**14,982**	19,119
– Pension costs	**276**	217
	15,258	19,336

35. RELATED PARTY TRANSACTIONS (continued)

(d) Balances with related parties

As at 31 December 2011, the Group had the following material balances with related parties:

	31 December 2011 RMB'000	31 December 2010 RMB'000
Trade receivables from related parties (note (i))		
– Qingdao Powerlong Amusement Management Company Limited	**32,679**	17,841
– Zhengzhou Cannes Outlets Commercial Company Limited	**15,713**	13,786
– Zhengzhou Powerlong Food & Beverage Company Limited	**3,135**	3,488
– Fuzhou Powerlong Amusement Management Company Limited	**3,104**	2,974
– Qingdao Kingcity Outlets Business Company Limited	**2,678**	2,678
– Other related entities ultimately controlled by Mr. Hoi	**39**	39
	57,348	40,806
Other receivables from related parties (note (i))		
– Mr. Hoi	**–**	4,376
– Related entities ultimately controlled by Mr. Hoi	**32,763**	12,962
– Xiamen Powerlong Group	**21,376**	6,857
– Zhengzhou Cannes Outlets Commercial Company Limited	**3,680**	3,537
– Qingdao Powerlong Amusement Management Company Limited	**1,566**	–
– Fuzhou Cannes Department Store Company Limited	**–**	2,132
– Other related entities ultimately controlled by Mr. Hoi	**6,141**	436
– Tianjin Powerlong	**32,923**	–
	65,686	17,338

	31 December 2011 RMB'000	31 December 2010 RMB'000
Prepayments for acquisition of properties (note (iii))		
– Xiamen Powerlong Group	**600,000**	600,000
Trade payables to related parties (note (ii)):		
– Fujian Ping An Security Devices and Network Limited	**19,614**	23,377
– Other related entities ultimately controlled by Mr. Hoi	**1,708**	116
	21,322	23,493
Other payables to related parties (note (ii)):		
– Great Merchant Limited (note (v))	**147,350**	–
– Xiamen Powerlong Group	**113,851**	–
– Mr. Hoi	**32,900**	32,900
– Xiamen Powerlong Information Industry Co., Ltd.	**–**	15,000
– Fujian Ping An Security Devices and Network Limited	**–**	9,900
– Xiamen Powerlong Hotel	**–**	25,000
– Other related entities ultimately controlled by Mr. Hoi	**8,605**	–
	302,706	82,800
Senior notes held by a related party (note (iv)):		
– Mr. Hoi Wa Fong	**30,181**	31,599

35. RELATED PARTY TRANSACTIONS (continued)

(d) Balances with related parties (continued)

(i) Amounts due from/to related parties included in trade receivables/payables are mainly derived from rental income and purchase of construction materials, which are unsecured, interest-free and to be settled according to contract terms.

(ii) Amounts due from/to related parties included in other receivables/payables are unsecured, interest-free and repayable on demand, which are cash advances in nature.

(iii) On 5 December 2008, the Group entered into an agreement (the "Agreement") with Xiamen Powerlong Group to acquire certain properties in Mingfa Centre (the "Mingfa Properties") from Xiamen Powerlong Group at a consideration of RMB600,000,000. Pursuant to the Agreement, the Group is entitled to the rental income derived from the Mingfa Properties during the period from the date of entering into the Agreement to the date of transfer of properties ownership certificate to the Group; if Xiamen Powerlong Group is not able to transfer the Mingfa Properties to the Group on or before the agreed completion date, the Group has the right to terminate the Agreement and Xiamen Powerlong Group should return the consideration and the accumulated rental income the Group is entitled to the Group. Owing to a delay in the delivery of the properties by the co-development partner to the Xiamen Powerlong Group, completion of the acquisition was delayed. The Company and the Xiamen Powerlong Group have agreed to postpone the date for completion of the acquisition to 30 June 2012. The rental income attributed to the Group for the year ended 31 December 2011 amounted to RMB16,846,000 (2010: RMB16,846,000) which has been recognised as revenue of the Group and settled by Xiamen Powerlong Group.

(iv) Mr. Hoi Wa Fong has purchased certain of the 2015 Notes (note 19) issued by the Company through open market. The carrying amount of the 2015 Notes held by Mr. Hoi Wa Fong is RMB30,181,000 as of 31 December 2011 (2010: RMB31,599,000).

(v) The Group has subsequently repaid the amounts to Great Merchant Limited in January 2012.

36. PRINCIPAL SUBSIDIARIES AND JOINTLY CONTROLLED ENTITY OF THE COMPANY

Details of the principal subsidiaries and jointly controlled entity of the Company at 31 December 2011 are set out below.

Name	Place and date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Attributable equity interest	Principal activities and place of operation
Subsidiary directly held by the Company:				
Powerlong Real Estate (BVI) Holdings Limited	British Virgin Islands 20 July 2007	HK$100	100%	Investment holding in British Virgin Islands
Subsidiaries indirectly held by the Company:				
Powerlong Real Estate (Hong Kong) Holdings Limited	Hong Kong 5 July 2007	HK$1	100%	Investment holding in Hong Kong

36. PRINCIPAL SUBSIDIARIES AND JOINTLY CONTROLLED ENTITY OF THE COMPANY (continued)

Name	Place and date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Attributable equity interest	Principal activities and place of operation
Subsidiary indirectly held by the Company: (continued)				
Wide Evolution Limited	Hong Kong 11 February 2008	HK$1	100%	Investment holding in Hong Kong
福州寶龍房地產發展有限公司 Fuzhou Powerlong Real Estate Development Co., Ltd.	the PRC 21 October 2003	US$8,000,000	100%	Property development and property investment in the PRC
蘇州寶龍房地產發展有限公司 Suzhou Powerlong Real Estate Development Co., Ltd.	the PRC 5 August 2004	US$10,000,000	100%	Property development and property investment in the PRC
鄭州寶龍置業發展有限公司 Zhengzhou Pou Long Real Estate Development Co., Ltd.	the PRC 7 April 2005	RMB700,000,000	100%	Property development and property investment in the PRC
山東寶龍實業發展有限公司 Shandong Powerlong Industrial Development Co., Ltd.	the PRC 7 June 2005	RMB100,000,000	100%	Property development and property investment in the PRC
蚌埠寶龍置業有限公司 Bengbu Powerlong Real Estate Co., Ltd.	the PRC 21 February 2006	RMB20,000,000	100%	Property development and property investment in the PRC
洛陽寶龍置業發展有限公司 Luoyang Powerlong Property Development Company Limited	the PRC 3 March 2006	RMB80,000,000	100%	Property development and property investment in the PRC
寶龍集團（青島）置業發展有限公司 Powerlong Group (Qingdao) Property Development Co., Ltd.	the PRC 13 July 2006	RMB660,000,000	100%	Property development and property investment in the PRC

36. PRINCIPAL SUBSIDIARIES AND JOINTLY CONTROLLED ENTITY OF THE COMPANY (continued)

Name	Place and date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Attributable equity interest	Principal activities and place of operation
Subsidiary indirectly held by the Company: (continued)				
蘇州太倉寶龍大酒店有限公司 Suzhou Taicang Powerlong Hotel Co., Ltd.	the PRC 29 August 2006	RMB80,000,000	100%	Hotel operation in the PRC
無錫寶龍房地產發展有限公司 Wuxi Powerlong Real Estate Development Co., Ltd.	the PRC 1 November 2006	US$15,000,000	80%	Property development and property investment in the PRC
無錫玉祁寶龍置業有限公司 Wuxi Yuqi Powerlong Property Co., Ltd.	the PRC 27 February 2007	US$15,000,000	100%	Property development and property investment in the PRC
青島寶龍房地產發展有限公司 Qingdao Powerlong Real Estate Development Co., Ltd.	the PRC 21 November 2007	US$60,000,000	100%	Property development and property investment in the PRC
宿遷寶龍置業發展有限公司 Suqian Powerlong Property Development Company Limited	the PRC 10 December 2007	RMB100,000,000	100%	Property development and property investment in the PRC
煙台寶龍體育置業有限公司 Yantai Powerlong Real Estate Co., Ltd.	the PRC 19 December 2007	US$54,950,000	100%	Property development and property investment in the PRC
新鄉寶龍置業發展有限公司 Xinxiang Powerlong Real Estate Development Co., Ltd.	the PRC 25 December 2007	US$80,000,000	100%	Property development and property investment in the PRC
鹽城寶龍置業發展有限公司 Yancheng Powerlong Real Estate Development Co., Ltd.	the PRC 13 May 2008	US$75,000,000	100%	Property development and property investment in the PRC

36. PRINCIPAL SUBSIDIARIES AND JOINTLY CONTROLLED ENTITY OF THE COMPANY (continued)

Name	Place and date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Attributable equity interest	Principal activities and place of operation
Subsidiary indirectly held by the Company: (continued)				
常州寶龍置業發展有限公司 Changzhou Powerlong Real Estate Development Co., Ltd.	the PRC 30 June 2008	US$199,600,000	100%	Property development and property investment in the PRC
青島寶龍置業發展有限公司 Qingdao Powerlong Property Development Company Limited	the PRC 24 November 2009	US$56,000,000	100%	Property development and property investment in the PRC
安溪寶龍置業發展有限公司 Anxi Powerlong Property Development Co., Ltd.	the PRC 27 January 2010	RMB70,000,000	85%	Property development and property investment in the PRC
重慶寶龍長潤置業發展有限公司 Chongqing Powerlong Real Estate Co., Ltd.	the PRC 28 October 2010	US$30,000,000	100%	Property development and property investment in the PRC
杭州寶龍房地產開發有限公司 Hangzhou Powerlong Real Estate Development Co., Ltd.	the PRC 14 December 2010	US$199,900,000	100%	Property development and property investment in the PRC
晉江市晉龍實業發展有限公司 Jinjiang Jinlong Industrial Development Co., Ltd.	the PRC 20 December 2010	RMB100,000,000	100%	Property development and property investment in the PRC
上海皓龍房地產發展有限公司 Shanghai Haolong Real Estate Development Co., Ltd.	the PRC 16 February 2011	RMB100,000,000	100%	Property development and property investment in the PRC
天津寶龍城房地產開發有限公司 Tianjin Powerlong City Real Estate Development Co., Ltd.	the PRC 9 March 2011	RMB300,000,000	100%	Property development and property investment in the PRC

36. PRINCIPAL SUBSIDIARIES AND JOINTLY CONTROLLED ENTITY OF THE COMPANY (continued)

Name	Place and date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Attributable equity interest	Principal activities and place of operation
Subsidiary indirectly held by the Company: (continued)				
上海寶龍華睿房地產開發有限公司 Shanghai Powerlong Huarui Real Estate Development Co., Ltd.	the PRC 23 March 2011	RMB100,000,000	100%	Property development and property investment in the PRC
天津寶龍園房地產開發有限公司 Tianjin Powerlong Garden Real Estate Development Co., Ltd.	the PRC 11 April 2011	RMB100,000,000	100%	Property development and property investment in the PRC
上海寶龍康晟房地產發展有限公司 Shanghai Powerlong Kangsheng Real Estate Development Co., Ltd.	the PRC 11 August 2011	RMB100,000,000	100%	Property development and property investment in the PRC
鎮江寶龍置業發展有限公司 Zhenjiang Powerlong Property Development Co., Ltd.	the PRC 9 November 2011	US$40,000,000	100%	Property development and property investment in the PRC
Jointly controlled entity indirectly held by the Company:				
天津寶龍金駿房地產開發有限公司 Tianjin Powerlong	the PRC 1 April 2010	RMB120,000,000	65% (note 14)	Property development and property investment in the PRC

The above table lists the principal subsidiaries of the Group which, in the opinion of the directors, principally affect the results and net assets of the Group. To give full details of subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

The names of certain of the companies referred to in these consolidated financial statements represent management's best effort in translation of the Chinese names of these companies as no English names have been registered or available.

Five-year Financial Summary

CONSOLIDATED ASSETS, EQUITY AND LIABILITIES

	31 December				
	2011	2010	2009	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS					
Non-current assets	**18,384,052**	11,176,238	6,923,642	3,694,941	2,909,593
Current assets	**15,620,340**	13,290,068	7,600,676	4,876,074	3,363,878
Total assets	**34,004,392**	24,466,306	14,524,318	8,571,015	6,273,471
EQUITY AND LIABILITIES					
Total equity	**14,405,330**	11,146,578	8,229,557	2,043,472	1,085,300
Non-current liabilities	**9,340,184**	5,869,449	1,987,880	914,968	881,384
Current liabilities	**10,258,878**	7,450,279	4,306,881	5,612,575	4,306,787
Total liabilities	**19,599,062**	13,319,728	6,294,761	6,527,543	5,188,171
Total equity and liabilities	**34,004,392**	24,466,306	14,524,318	8,571,015	6,273,471

* In 2011, the Group changed its accounting policies for land use rights which are held for development and subsequent sale.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December				
	2011	2010	2009	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**5,254,027**	4,432,657	4,135,739	1,583,766	1,025,837
Cost of sales	**(2,951,046)**	(2,030,297)	(1,829,484)	(869,057)	(412,898)
Gross profit	**2,302,981**	2,402,360	2,306,255	714,709	612,939
Fair value gains on investment properties – net	**3,559,072**	2,562,730	2,425,853	856,040	533,035
Selling and marketing costs	**(207,902)**	(118,933)	(66,218)	(60,927)	(57,944)
Administrative expenses	**(503,620)**	(395,413)	(178,251)	(140,918)	(50,846)
Other gains/(losses) – net	**60,242**	14,467	(2,445)	(26,781)	1,210
Exchange losses – net	**(10,454)**	(5,386)	(1,108)	(11,005)	(6,870)
Operating profit	**5,200,319**	4,459,825	4,484,086	1,331,118	1,031,524
Fair value losses on embedded financial derivatives	**–**	–	–	(14,834)	–
Finance income/(costs) – net	**86,562**	30,128	(851)	(33,655)	(3,401)
Profit before income tax	**5,286,881**	4,489,953	4,483,235	1,282,629	1,028,123
Income tax expenses	**(1,736,424)**	(1,304,512)	(1,442,165)	(345,313)	(421,382)
Profit for the year	**3,550,457**	3,185,441	3,041,070	937,316	606,741
Other comprehensive income	**–**	–	–	–	–
Total comprehensive income for the year	**3,550,457**	3,185,441	3,041,070	937,316	606,741
Attributable to:					
Equity owners of the Company	**3,415,230**	2,955,645	3,042,669	932,658	603,341
Non-controlling interests	**135,227**	229,796	(1,599)	4,658	3,400
	3,550,457	3,185,441	3,041,070	937,316	606,741
Earnings per share for profit attributable to equity owners of the Company for the year (expressed in RMB cents per share)					
– Basic	**84.73 cents**	72.53 cents	93.93 cents	31.09 cents	Not Applicable
– Diluted	**84.73 cents**	72.53 cents	93.92 cents	31.09 cents	Not Applicable
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Dividends	**243,065**	244,107	245,247	–	32,900

* Certain comparative figures have been reclassified to conform to the current presentation.

POWERLONG
宝龙

Powerlong Real Estate Holdings Limited
寶龍地產控股有限公司

12/F - 15/F, Gubei International Wealth Center
1452 HongQiao Road, ChangNing, Shanghai
China

Unit 5813, 58/F., The Center
99 Queen's Road Central
Hong Kong

Website: www.powerlong.com