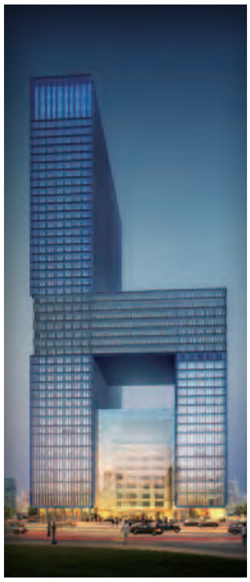
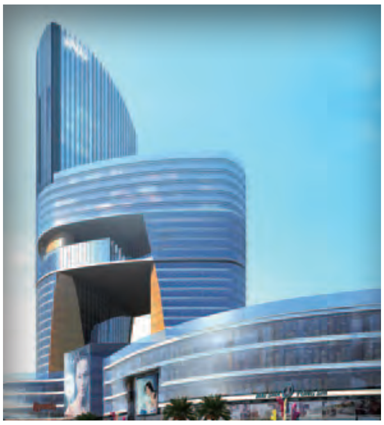
保利(香港)投資有限公司

Poly (Hong Kong) Investments Limited

Stock Code: 119



# ANNUAL REPORT 2011



## Vision

The Group aspires to be a leading Chinese property developer with a renowned brand backed by cultural substance.

## Mission

The Group is driven by a corporate spirit and fine tradition that attaches importance to dedication, honesty and integrity. Its development strategy advocates professionalism, market-orientation and internationalism. It also strives to enhance the architectural quality and commercial value of the properties by instilling cultural substance into its property projects. Ultimately, it aims to build a pleasant living environment for its clients and create satisfactory returns to its shareholders.

# CONTENTS

# CORPORATE INFORMATION

## Board of Directors

### Executive directors

CHEN Hong Sheng
WANG Xu
XUE Ming *(Chairman and Managing Director)*
ZHANG Wan Shun
YE Li Wen

### Non-executive director

IP Chun Chung, Robert

### Independent non-executive directors

YAO Kang, *J.P.*
CHOY Shu Kwan
LEUNG Sau Fan, Sylvia

## Audit Committee

YAO Kang, *J.P.* *(Chairman)*
IP Chun Chung, Robert
CHOY Shu Kwan
LEUNG Sau Fan, Sylvia

## Remuneration Committee

YAO Kang, *J.P.* *(Chairman)*
WANG Xu
XUE Ming
CHOY Shu Kwan
LEUNG Sau Fan, Sylvia

## Company Secretary

TAI Kar Lei

## Registered Office

Room 2503, Admiralty Centre, Tower 1
18 Harcourt Road
Hong Kong

## Principal Bankers

Agricultural Bank of China Limited
Bank of China Limited
Bank of Communications Co., Ltd.
Bank of East Asia, Limited
China Construction Bank Corporation
China Minsheng Banking Corp., Ltd.
CITIC Bank International Limited
Hang Seng Bank Limited
Industrial and Commercial Bank of China Limited
Shenzhen Development Bank Co., Ltd.

## Auditor

PKF

## Share Registrars and Transfer Office

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

## Stock Code

119

## Company Website

www.polyhongkong.com.hk
www.irasia.com/listco/hk/polyhk

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of Poly (Hong Kong) Investments Limited (the "Company") will be held at Aberdeen Room, Level 3, JW Marriott Hotel, Pacific Place, 88 Queensway, Hong Kong on 30th May, 2012 at 11:00 a.m. for the following purposes:

1. To receive and consider the audited financial statements and the reports of the directors and auditor for the year ended 31st December, 2011.

2. To elect directors and to authorise the board of directors to fix their remuneration.

3. To appoint auditor and to authorise the board of directors to fix their remuneration.

To consider as special business and, if thought fit, pass with or without amendments the following resolutions as Ordinary Resolutions:

4. (A) "**THAT**:

(a) subject to paragraph (c) below, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby generally and unconditionally approved;

(b) the approval in paragraph (a) above shall authorise the directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;

(c) the aggregate nominal amount of the share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the directors of the Company pursuant to the approval in paragraph (a) above, otherwise than pursuant to a Rights Issue (as hereinafter defined) or the exercise of any option under the Share Option Scheme of the Company, shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution and the said approval shall be limited accordingly; and

(d) for the purposes of this Resolution:

"Relevant Period" means the period from the passing of this Resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or by any applicable laws to be held; and

(iii) the revocation or variation of this Resolution by an ordinary resolution of the shareholders of the Company in general meeting.

"Rights Issue" means an offer of shares open for a period fixed by the directors of the Company to holders of shares on the register on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognized regulatory body or any stock exchange in, any territory outside Hong Kong)."

4. (B) "**THAT**:

(a) subject to paragraph (b) below, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to purchase its own shares of HK$0.50 each (the "Shares"), subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, be and is hereby generally and unconditionally approved;

(b) the aggregate nominal amount of the Shares to be purchased by the Company pursuant to the approval in paragraph (a) above during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution and the said approval shall be limited accordingly; and

(c) for the purposes of this Resolution:

"Relevant Period" means the period from the passing of this Resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or by any applicable laws to be held; and

(iii) the revocation or variation of this Resolution by an ordinary resolution of the shareholders of the Company in general meeting."

4. (C) "**THAT** conditional upon the Resolutions numbered 4(A) and 4(B) respectively set out in the notice convening this meeting being passed, the general mandate granted to the directors of the Company to allot, issue and deal with additional shares pursuant to the Resolution numbered 4(A) be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of the share capital of the Company purchased by the Company under the authority granted pursuant to the Resolution numbered 4(B), provided that such amount shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution."

By Order of the Board
**TAI Kar Lei**
*Company Secretary*

Hong Kong, 25th April, 2012

*Notes:*

(1) A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company.

(2) In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority, must be deposited at the office of the Company's share registrars, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

(3) A circular containing information concerning resolutions nos. 2 and 4 was sent to the shareholders together with 2011 Annual Report.


# MAXIMISING VALUE

## Yangtze River Delta Region

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## Suzhou Poly Lake Mansion

Suzhou Poly Lake Mansion is located in the Wuzhong Economic Development Zone in Suzhou, Jiangsu Province, which is one of the first economic zones authorised by the Jiangsu Provincial Government. The project is located at the northern side of Yinshan Lake which is a natural scenic area. The site area is approximately 369,000 square metres and the total planned GFA is approximately 1,040,000 square metres. The project will be developed into a mixed-use residential and commercial community.

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Hangzhou Poly Origin 1

Shanghai Poly Plaza 2

Ningbo Project 3

Shanghai Poly Villa Garden 4

Suzhou Poly Lake Mansion 5

# CHAIRMAN'S STATEMENT

## Results of 2011

**Turnover** increased by 65.7% to

**HK$14.1 billion**

**Profit** for the year increased by 50.8% to

**HK$3.2 billion**

**Overall Gross Profit Margin**

**39.5%**

## Business Review

In 2011, the tightening controls in the property market continued to be reinforced and were further deepened. The Central Government extensively strengthened efforts carrying out an array of measures including home purchase restrictions, mortgage restrictions and property price-caps. The monetary policy likewise remained stringent with various interest rates and required reserve ratio hikes. Property tax was also piloted, and the construction of social housing made headway. Being persistently regulated with refining measures, development in the property market continued its course in the presided direction.

With a rapidly changing market environment along with industry complexities seen in 2011, the Group comprehends with the Central Government's strong determination in implementing restrictive property policies. Current real estate market conditions and sector trend indicators suggest fundamental changes will unlikely be forthcoming. These have been successfully accounted for and significantly reflected in changes made to existing property business models and should be noted when comparing against previous years. The Group also took a proactive approach in responding to both latest market conditions and new challenges. By keeping abreast of policy direction and in-depth analysis, the business strategy was enhanced on the backbone of solid risk prevention and sound operations. Further efforts on cash management and operational capability enhancements have also helped maintain stable business growth for the Group and well-prepared it in embarking on new initiatives and capturing opportunities amid the volatile market environment. In addition, the Group took up a series of efforts to sustain business growth, such as progressing steady business operations, achieving sales growth, managing liabilities, smoothing cash flow, and minimising operational risk all contributing to positive results.

Throughout 2011, the Group maintained stable property sales growth, marketed a total of 34 project debuts and upheld continual launches during this period. Contracted sales reached around RMB15.8 billion with a contracted area of about 2.15 million square metres, corresponding to a year-on-year growth of 39% and 50% respectively. The sales growth momentum was kept in shape and the Group further firmed up in the industry. The Group took property sales as the focal point and ensured systematic sales growth by adhering to the rapid-rolling development of residential properties and positioning small-to-medium size homes as a core product type, which primarily catered for the genuine demand of the mass market. Additionally, the Group also focused on product refinements, introduction of an innovative sales model (setting price accordingly to market trends), property launch improvements and property management services enhancements.

The operating capability of the Group continued to improve, achieving a year-on-year revenue growth of 65.7%. Profits before taxation and profit attributable to owners of the Company grew 57.0% and 51.1% respectively on year-on-year basis. Earning per share reached 76.96 cents. The gross profit margin remained at a reasonable level of 39.5%.

A prudent approach was taken in land bank acquisition in 2011. During the first half of the year, six new land plots, with a gross floor area of approximately 6.6 million square metres and an attributable area of about 3.2 million square metres, were acquired in six different cities respectively. This replenishment size was noticeably equitable compared to 2010's and in all cases support the future development plan. These six new acquisitions were generally sited in third-and fourth-tier cities in provinces such as Guizhou, Shandong, and among which, three cities namely Zunyi, Yantai and Weihai were the Group's new footholds. The land cost of these locations remained moderately low. With new projects being mostly residential developments catering for ordinary commodity housing in cities that were mildly impacted by the tightening policy, it is believed that such projects can contribute to the Group's overall sales volume and provide a potential return against risk-sensitive markets. No further land bank replenishments were made in the second half of the year.

To ensure sound business management, the Group paid full attention in minimising business operational risks, securing cash flow, and keeping its financial structure more manageable. Concurrently, the Group also tweaked its sales capabilities in improving both inventory and turnover rates, hence resulting in increased sales and an accelerated pace of capital return. New projects were not initiated by the Group in the second half of 2011, and project construction pace and investment scales have been adeptly managed. Amid the recent tight credit environment, the Group has demonstrated its unique competitive advantage and scored its business operations financing plan with adequate funding by means of well-established relationships with financial institutions. The Group's credit structure has also been optimised to control financing costs. And as such, the Group has managed to secure cash flow and stable business operations through taking the appropriate actions.

In hindsight, 2011 brought about many different changes to the industry which have been reflected in the Group's business operations. The business strategy has also been successfully adjusted along with a modified growth model demonstrating overall enhancements particularly in the Group's risk resistance capability, which has been the foundation in sustaining healthy growth.

## Business Outlook

The Central Economic Work Conference has set the tone for 2012 affirming the efforts particularly in the implementation of strict property regulations. This suggests that the Central Government is unlikely to relax restrictive property policies which will be noticeable across the industry. Amid high inflationary pressure and robust economic growth looking ahead of 2012, tightening policies are expected to remain intact and to show noticeable results. The property market is also expected to grow in the presided regulatory direction.

Taking into account of current industry changes and predictions, the Group perceives the property market as moving back to a rational and healthy track of development as a result of the gradual effectiveness of the restrictive policies. Fundamentals continue to be favourable in the mid-to-long term and demand for commodity housing is still prevalent in the market. The outlook of the real estate market remains optimistic in long term. Facing both current and forthcoming fluctuations and adjustments in the property market, the Group considers sound operations and financial security being the core goals in favour of business scale and robust growth. The Group will continue to take effective measures to minimise extraordinary impact on its business operations and sustain healthy business growth, namely taking a proactive approach; holding on the principle of 'cash is king'; making reasonable arrangements in the annual work plan; accelerating development model modifications; and prioritising both project development and service enhancements.

The Group anticipates to further extend efforts in property sales ensuring products are efficiently marketable. Closer market trend monitoring will take place and more responsive and adaptive pricing strategies will be adopted. Enhancements to product structure and sales planning initiatives will remain in place based on the real demand of the mass market and by taking ordinary residential housing as a key product type. Increased supporting facilities for each product type and a "price-for-value" approach will also be adopted by the Group to boost up property sales and the turnover rate.

With maintaining sound business operations and cash flow security being the industry trend for 2011, the Group has remained to take an integrated approach in prioritising operational risk management, enhancing risk resistance capabilities and retaining efficient operations. Through economising capital spend, rationalising construction commencement progress and maintaining stable saleable resources, the pace and focus of project development and property sales will be readily synchronised for market changes. Stringent standards remain a core focus for the Group with key factors being considered for all expansion projects. To name a few, these include: project location with its respective local and regional market volume, land acquisition costs, human resources and other static and variable factors. Efficient capital utilisation and debt ratio control will be managed through securing capital chain resources, improving capital planning management capabilities and accelerating proceeds from property sales. Likewise, the Group will reduce funding costs through broadening financing channels and optimising debt structures.

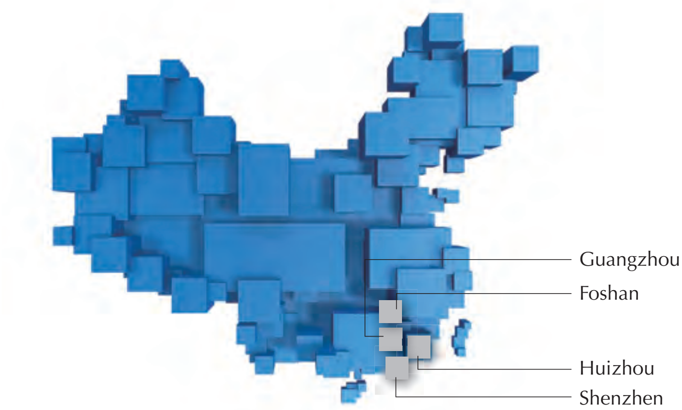
In attaining cost efficiency, the Group will strengthen management capabilities in the aspects of standardisation, refinement and information technology. Product quality can be preserved whilst undergoing cost reduction and scale efficiency improved in line with the Group's growth. Brand management in promoting brand equity will also be improved through unified branding campaigns. Product management efforts will largely consist of: conducting comprehensive research on product standardisation and diversification; developing an innovating product line extension; and planning and designing diversified products catering for mass-market demand and meeting distinctive customer needs across different regions. Additionally, a first-class property management brand will be established through ongoing improvements in property management services, enhancements to project's soft power and integrated competitiveness.

The Group aspires to be one of the leading developers in China. It is crucial for the Group to enhance its solid foundation and competitiveness in future years. Being the only listed flagship of the China Poly Group, the Group is confident in its growth prospects and continued interest and support from the parent company. To deliver attractive shareholders returns, the Group continues to maintain an active and stable approach in its ability to manage complicated situations whilst sustaining business growth.

## Appreciation

With devoted staff efforts, the Group achieved satisfactory operating results and managed to sustain business growth in the midst of difficult situations throughout the course of 2011. On behalf of the Board and Shareholders, I would like to express my sincerest gratitude to all of our employees.

**Xue Ming**
*Chairman*

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## Guangzhou Poly City

Guangzhou Poly City is situated in Huadu District of Guangzhou City with a close proximity to Guangqing Highway and Guangzhou Baiyun International Airport. Facing Fei Er Ling International Ecological Park and Asian Games Branch Stadium, the project enjoys a scenic view with tranquility in the busy district. The walking distance between the project and the subway route No. 9 terminal (expected completion by the end of 2013) is only 2 minutes.

The project has a site area of approximately 249,000 square meters and an aggregate gross floor area of approximately 563,000 square meters. It will be developed into a residential complex comprising villas, condominiums and high-rise apartments. In 2008, Guangzhou Poly City was awarded with the "Golden Garden Award" and "Golden Planning Award" by Nanfang Metropolis News, and "The Most Popular Real Estate Award for 2008" by "Soufun".

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# INCREASING POTENTIAL
## Pearl River Delta Region

Huizhou 1
Poly Deutch Kultur

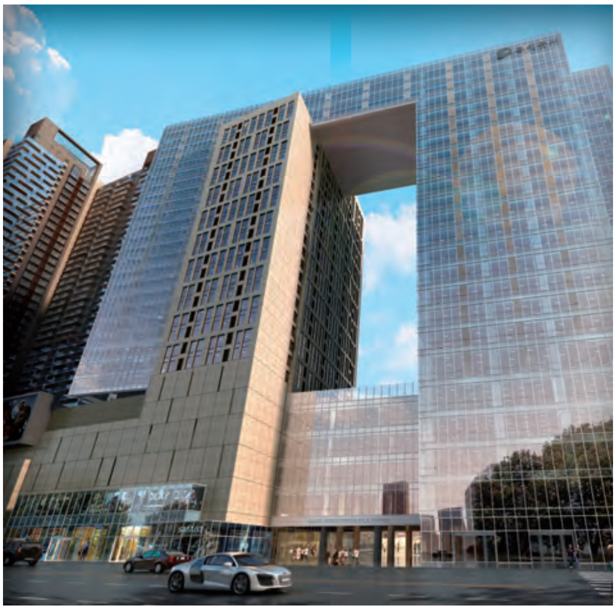
Shenzhen 2
Poly Up Town

Shenzhen 3
Poly Cultural Plaza

Foshan 4
Poly Cullinan Garden

Guangzhou 5
Poly City

# MANAGEMENT DISCUSSION AND ANALYSIS



## Overall Operating Conditions

In 2011, the Group recorded a turnover of HK$14,104,913,000 (corresponding period in 2010: HK$8,514,136,000), representing an increase of 65.7% as compared with the corresponding period last year. Profit attributable to shareholders amounted to HK$2,777,119,000 (corresponding period in 2010: HK$1,838,367,000), representing an increase of 51.1% as compared with the corresponding period last year. Basic earnings per share was HK76.96 cents (corresponding period in 2010: HK55.83 cents), while diluted earnings per share was HK76.63 cents (corresponding period in 2010: HK55.20 cents), an increase of 37.8% and 38.8% respectively as compared with the corresponding period last year.

As at 31st December, 2011, total shareholders' equity of the Group amounted to HK$24,670,940,000 (31st December, 2010: HK$22,010,167,000) and net asset value per share was HK$6.84 (31st December, 2010: HK$6.1).

## Property Development Business

Throughout 2011, new commenced construction area reached a gross floor area of approximately 7.16 million square meters. A total of 34 projects were put on sale, with a pre-sold and sold area of approximately 2.15 million square meters, and among which, 14 projects were newly launched. Properties with a gross floor area of approximately 1.75 million square meters were completed. As of 31st December, 2011, the Group held more than 47 projects (engaging in different stages of development), with both projects under development and land reserved for future development covered a total gross floor area of approximately 22.89 million square metres.

## Property Sales

In 2011, the Central Government continued to reinforce austerity measures which were implemented in 2010. The "home purchase restriction" and various tightening measures were stringent and extended to more cities, resulting in considerable impacts and fluctuations in the property market. In face of the increasingly complex market and regulatory environment, the Group remains its focused sales strategy on residential products, and responsiveness to the changing market dynamics to ensure growth. During the period, the pre-sold and sold areas of 34 projects totaled to about 2.15 million square metres, representing an increase of 0.72 million square metres or 50% as compared with the pre-sold and sold area of 1.43 million square metres in 2010, which exceeded the target area of 2.10 million square metres set at the beginning of the year. The contract sales amounted to RMB15.8 billion, representing an increase of RMB4.4 billion or 39% as compared with contract sales of RMB11.4 billion achieved in 2010. Contracted sales of more than RMB4 billion was marked particularly in Guizhou Province. Also, contracted sales exceeding RMB2 billion was recorded respectively in Shanghai, Wuhan and Guangxi Province. Among sixteen cities with contracted sales, of which the market shares in Liuzhou and Zunyi ranked top while the market share in Nanning was amongst the top three.

### Contracted Sales in 2011 by Region

| **Area** | **RMB** *(Million)* | | | **Gross floor area** *('000 square metres)* | | |
|---|---|---|---|---|---|---|
| | **2011** | 2010 | Change% | **2011** | 2010 | Change% |
| Yangtze River Delta Region | **2,506** | 2,885 | –13% | **197** | 163 | +21% |
| Pearl River Delta Region | **1,710** | 1,115 | +53% | **226** | 181 | +25% |
| Southwestern Region | **6,621** | 4,295 | +54% | **1,078** | 695 | +55% |
| Other Regions | **4,841** | 3,011 | +61% | **648** | 388 | +67% |
| Total | **15,678**[#] | 11,306[#] | +39% | **2,149** | 1,427 | +50% |

[#] Note: Sales of car park were not included

## Newly Land Acquisition

In 2011, the Group added 6 land parcels in Ningbo, Huizhou, Yantai, Weihai, Guiyang and Zunyi respectively, with a total site area of approximately 2.08 million square metres and a total planned gross floor area of approximately 6.6 million square metres. The Group expanded its footholds from 17 cities to 20 cities and further improved its national strategic layout including the new presence in Yantai, Weihai and Zunyi. They all achieved rapid pace of development that construction works were commenced within a year after acquisition. Pre-sale of Zunyi Poly Metropolis of Future was launched in October 2011.

### Land Parcels Acquired in 2011

| Land Parcel | | Usage | Site area ('000 square metres) | Planned gross floor area ('000 square metres) | Group's interests | Project Status |
|---|---|---|---|---|---|---|
| 1. | Ningbo Project | Mixed-use | 208 | 564 | 100% | Under Construction |
| 2. | Huizhou Poly Sunshine Town | Residential | 66 | 238 | 70% | Under Construction |
| 3. | Guiyang Poly The Place of A Lake | Residential | 291 | 830 | 51% | Under Construction |
| 4. | Zunyi Poly Metropolis of Future | Mixed-use | 1,326 | 4,432 | 35.7% | Pre-sale Launched |
| 5. | Weihai Poly Triumph Mansion | Residential | 89 | 219 | 100% | Under Construction |
| 6. | Yantai Poly Champs Elysees Mansion | Residential | 100 | 295 | 100% | Under Construction |
| Total: | | | 2,080 | 6,578 | | |

## Summary of Newly Acquired Projects

### 1. Ningbo Project

Ningbo Project is located in between Yuyao city and Ningbo Jiangbei District and 5km away from the city centre, with an aggregate site area of about 208,000 square metres and planned gross floor area of about 564,000 square metres. It is composed of two plots of lands which are designated to residential and commercial use respectively. The project's commercial part is set to be one of the high end commercial centers in Yuyao, and the residential community will be developed to mainly comprising furnished apartments.

### 2. Huizhou Poly Sunshine Town

Huizhou Poly Sunshine Town is located in Huiyang District of Huizhou, Guangdong Province. It stands to the Shenshan Expressway and neighbors to Palm Island Golf Course to the east. The project enjoys high accessibility as well as ancillary facilities nearby. It covers a site area of approximately 66,000 square metres with a planned gross floor area of approximately 238,000 square metres. The project is positioned as a large comprehensive residential community in the new centre of Huiyang District, comprising high-rise residential buildings, apartments, commercial facilities and low density town houses.

### 3. Guiyang Poly The Place of A Lake

Guiyang Poly The Place of A Lake is located in the center of the ecological tourism area in Huaxi District of Guiyang. It is adjacent to the Huaxi District Administration Center and State Guesthouse, as well as the Luo Ping River Reservoir Wetland Park. It enjoys convenient transportation networks with only 15 minutes ride to the downtown of Guiyang and the planned Guiyang Light Rail No.3 Link is also nearby. The project covers a site area of approximately 291,000 square metres with a planned gross floor area of approximately 830,000 square metres. It is planned to be developed into residential community mainly comprising garden villas and high-rise buildings.

### 4. Zunyi Poly Metropolis of Future

Zunyi Poly Metropolis of Future is located in Honghuagang District of Guizhou. Seamless transport network is establishing in the vicinity, which includes the Ruili-Hangzhou, Chongqing-Zunyi and Guiyang-Zunyi Expressway. The project has a site area of about 1,326,000 square metres and a total gross floor area of about 4,432,000 square metres. It is designed to be a multi-faceted community with comprehensive facilities comprising central commercial district, administrative offices, cultural and entertainment zone.

### 5. Weihai Poly Triumph Mansion

Weihai Poly Triumpth Mansion is sited in Cuihuan District of Weihai, Shandong Province, neighboring to the sea to the east with an excellent open view and ancillary facilities nearby. The project also enjoys the accessibility that is only 2km away from the Xian Gu Ding National Park and 6km away from the Wei Hei Train Station. The project has a site area of about 89,000 square metres with a gross floor area of about 219,000 square metres. It will be developed into a high-rise residential community.

### 6. Yantai Poly Champs Elysees Mansion

Yantai Poly Champs Elysees Mansion is located in Laishan District of Yantai, Shandong Province, right next to the Feng Huang Shan River Reservoir Wetland Park. It enjoys a convenient transport network with only minutes away from the downtown area. The project covers a site area of about 100,000 square metres with a planned gross floor area of about 295,000 square metres, comprising both high-rise and mid-rise residential units.

## Projects under Construction and Projects under Planning

As at 31st December, 2011, the Group held a total of 47 projects in 20 cities. Among the gross floor area, of which approximately 21% and 12% are located in Yangtze River Delta and Pearl River Delta regions respectively, approximately 46 % and 21% are located in cities in the southwest and other regions respectively. The Group had 43 projects under construction with a gross floor area of approximately 10.06 million square metres (attributable area approximately 8.06 million square metres), a land reserve of planned gross floor area of approximately 12.83 million square meters (attributable area approximately 9.15 million square metres).

List of Development Projects as at 31st December, 2011

| Project | | Gross floor area under construction *('000 square metres)* | Planned gross floor area *('000 square metres)* | Group's interests |
|---|---|---|---|---|
| **Yangtze River Delta Region** | | | | |
| 1. | Shanghai Poly Town | 127 | – | 100% |
| 2. | Shanghai Poly Lakeside Garden | 236 | – | 100% |
| 3. | Shanghai Poly Royal Garden | 180 | – | 50.1% |
| 4. | Shanghai Poly Deluxe Mansion | 105 | 60 | 100% |
| 5. | Shanghai Poly Elegant Mansion | 185 | – | 100% |
| 6. | Shanghai Poly Star Island | 311 | 166 | 100% |
| 7. | Shanghai Poly Felicity | 97 | – | 100% |
| 8. | Suzhou Poly West Bank Villa | 124 | 214 | 100% |
| 9. | Suzhou Poly Lake Mansion | 457 | 583 | 100% |
| 10. | Hangzhou Poly Origin | 240 | 283 | 100% |
| 11. | Ningbo Poly City | 303 | 674 | 100% |
| 12. | Ningbo Project | 135 | 429 | 100% |
| **Sub Total** | | 2,500 | 2,409 | |

| Project | Gross floor area under construction (’000 square metres) | Planned gross floor area (’000 square metres) | Group’s interests |
|---|---|---|---|
| **Pearl River Delta Region** | | | |
| 13. Shenzhen Poly Up Town | 357 | – | 70% |
| 14. Guangzhou Poly City | 178 | – | 51% |
| 15. Guangzhou Poly Golf Shire | 242 | 161 | 100% |
| 16. Guangzhou Poly Zephyr City | 235 | 236 | 100% |
| 17. Huizhou Poly Deutch Kultur | 154 | 222 | 80% |
| 18. Huizhou Poly Sunshine Town | 41 | 197 | 70% |
| 19. Foshan Poly Cullinan Garden | 169 | – | 100% |
| 20. Foshan Poly Prestige City | 366 | 68 | 100% |
| **Sub Total** | 1,742 | 884 | |
| **Southwestern Region** | | | |
| 21. Chongqing Poly Spring Villa | 14 | – | 51% |
| 22. Guiyang Poly Hot Spring Newisland | 231 | 21 | 66.5% |
| 23. Guiyang Poly Clouds Hill International | 165 | – | 100% |
| 24. Guiyang Poly International Center | 242 | – | 66.5% |
| 25. Guiyang Poly Spring Street | 174 | 339 | 66.5% |
| 26. Guiyang Poly Park 2010 | 398 | 1,310 | 70% |
| 27. Guiyang Poly The Place of A Lake | 115 | 715 | 51% |
| 28. Zunyi Poly Metropolis of Future | 1,273 | 3,159 | 35.7% |
| 29. Nanning Poly Crescendo | 261 | 192 | 100% |
| 30. Nanning Poly Sincere Garden | 192 | – | 100% |
| 31. Nanning Poly City | 368 | – | 100% |
| 32. Nanning Poly Shanjian Hong | – | 368 | 100% |
| 33. Liuzhou Poly Merization World | 364 | 523 | 100% |
| 34. Kunming Poly Lakeside Mansion | 79 | – | 100% |
| **Sub Total** | 3,876 | 6,627 | |

| Project | Gross floor area under construction *('000 square metres)* | Planned gross floor area *('000 square metres)* | Group's interests |
|---|---|---|---|
| **Other Regions** | | | |
| 35. Wuhan Poly Plaza | 143 | – | 100% |
| 36. Wuhan Poly Cai Sheng Garden | 156 | – | 100% |
| 37. Wuhan Poly Blue Ocean District | 419 | – | 100% |
| 38. Wuhan Yangyuan Project | – | 130 | 51% |
| 39. Wuhan Poly Park | 54 | 98 | 55% |
| 40. Wuhan Poly City | – | 1,488 | 68% |
| 41. Harbin The Tsinghua Summer Palace of Poly | 335 | – | 51% |
| 42. Harbin Poly The Water's Fragrant Dike | 177 | 250 | 58% |
| 43. Jinan Poly Hyde Mansion | 279 | 155 | 100% |
| 44. Jinan Poly Daming Lake | 194 | – | 80% |
| 45. Yantai Poly Champs Elysees Mansion | 100 | 195 | 100% |
| 46. Weihai Poly Triumph Mansion | 86 | 133 | 100% |
| 47. Hainan Shenzhou Peninsula Project | – | 464 | 100% |
| **Sub Total** | 1,943 | 2,913 | – |
| **Grand Total** | 10,061 | 12,833 | |

## Projects with Work Completion

In 2011, among the Group's projects under construction, the area completed was approximately 1.75 million square metres:

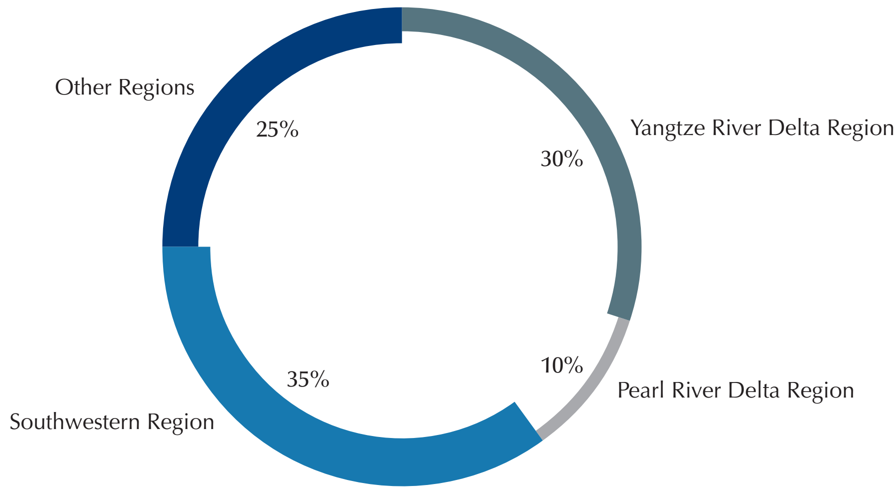
### List of Projects with Work Completion in 2011

| Project | Completed gross floor area in 2011 *('000 square metres)* | Accumulative completed gross floor area till 2011 *('000 square metres)* |
|---|---|---|
| **Yangtze River Delta Region** | | |
| 1. Shanghai Poly Town | 39 | 310 |
| 2. Shanghai Poly Royal Garden | 51 | 51 |
| 3. Shanghai Poly Villa Garden | 17 | 17 |
| **Pearl River Delta Region** | | |
| 4. Guangzhou Poly City | 160 | 385 |
| 5. Huizhou Poly Deutch Kultur | 138 | 138 |
| **Southwestern Region** | | |
| 6. Guiyang Poly Hot Spring Newisland | 286 | 800 |
| 7. Guiyang Poly Spring Street | 184 | 184 |
| 8. Guiyang Poly Clouds Hill International | 206 | 484 |
| 9. Nanning Poly Crescendo | 73 | 73 |
| 10. Kunming Sunny Lake & Splendid Life | 30 | 315 |
| 11. Chongqing Poly Spring Villa | 11 | 39 |
| **Other Regions** | | |
| 12. Wuhan Poly Royal Palace | 293 | 618 |
| 13. Poly Harbin Contemporary No.9 Park Life | 139 | 280 |
| 14. Harbin Poly The Water's Fragrant Dike | 55 | 222 |
| 15. Jinan Poly Garden | 38 | 266 |
| 16. Jinan Poly Daming Lake | 29 | 29 |
| **Grand Total:** | 1,749 | 4,211 |

## Recognised Property Sales

A total of more than 23 projects were delivered and recognised in 2011 with a total sales value of RMB11.51 billion and gross floor area of 1.39 million square metres. The booked average selling price approximated to RMB8,200 per square metre. Among the area delivered, mass residential housing accounted for 76%, villas 20%, offices 1%, and the remaining 3% were retail shops and other products.

**Geographical Distribution of Recognised Property Sales in 2011**




## List of Major Projects with Sales Recognised in 2011

| Project | | Sales recognised in 2011 *(RMB million)* |
|---|---|---|
| **Yangtze River Delta Region** | | |
| 1. | Shanghai Poly Plaza | 741 |
| 2. | Shanghai Poly Noble Duke | 162 |
| 3. | Shanghai Poly Town | 1,611 |
| 4. | Shanghai Poly Lakeside Garden | 193 |
| 5. | Shanghai Poly Villa Garden | 331 |
| 6. | Shanghai Poly Royal Garden | 366 |
| 7. | Others | 20 |
| **Sub Total:** | | **3,424** |

| Project | Sales recognised in 2011 *(RMB million)* |
|---|---|
| **Pearl River Delta River Region** | |
| 8. Guangzhou Poly City | 781 |
| 9. Huizhou Poly Deutch Kultur | 419 |
| **Sub Total:** | **1,200** |
| **Southwestern Region** | |
| 10. Nanning Poly Century | 63 |
| 11. Nanning Poly Landscape | 726 |
| 12. Nanning Poly Crescendo | 432 |
| 13. Nanning Poly Upper House | 47 |
| 14. Kunming Sunny Lake & Splendid Life | 387 |
| 15. Guiyang Poly Clouds Hill International | 992 |
| 16. Guiyang Poly Hot Spring Newisland | 735 |
| 17. Chongqing Poly Spring Villa | 178 |
| 18. Guiyang Poly Spring Street | 496 |
| 19. Others | 9 |
| **Sub Total** | **4,065** |
| **Other Regions** | |
| 20. Wuhan Poly Royal Palace | 733 |
| 21. Poly Harbin Contemporary No.9 Park Life | 385 |
| 22. Harbin Poly The Water's Fragrant Dike | 647 |
| 23. Jinan Poly Garden | 627 |
| 24. Jinan Poly Lotus | 150 |
| 25. Jinan Poly Daming Lake | 277 |
| 26. Others | 5 |
| **Sub Total** | **2,824** |
| **Total:** | **11,513** |

## Recognised Sales in 2011 by Property Type

| Property Type | Sales recognised in 2011 *(RMB million)* | % |
|---|---|---|
| Apartment | 7,247 | 63% |
| Villa | 2,783 | 24% |
| Offices | 723 | 6% |
| Commercial | 652 | 6% |
| Car parking spaces | 108 | 1% |
| **Total** | **11,513** | **100%** |

## Investment Properties

The Group owns investment properties in major cities, such as Shanghai, Beijing, Guangzhou, Wuhan and Shenzhen, which all provide stable and recurrent income. The Group's investment properties amounted to a gross floor area of 0.485 million square metres as at 31st December, 2011. Rental income amounted to RMB448,346,000 in 2011. Leasing performance of the Group's offices and retails spaces remained stable with rental rates comparable to 2010.

In 2011, a new operator was brought in for Radegast Resort Guiyang Hotel which has since been renamed to Regal Poly Guiyang Hotel. The hotel has seen occupancy rates gradually increase. Shanghai Poly Plaza earned the Luban Award representing the highest honor to receive in the construction industry in China.

## List of Investment Properties

List of major investment properties and hotels as at 31st December, 2011

| Region | Property | Gross Floor Area *('000 square metres)* | Occupancy Rate in 2011 | Occupancy Rate in 2010 | Change *(%)* | Attributable Interests of the Group *(%)* | Property Type |
|---|---|---|---|---|---|---|---|
| Shanghai | Shanghai Stock Exchange Building (partial) | 48 | 96.4% | 82.7% | +13.7% | 100% | Office |
| Shanghai | Shanghai Poly Plaza – Main Building and ground area | 72 | 28.1% | – | – | 90% | Office and commercial |
| Beijing | Beijing Poly Plaza | 95 | | | | 75% | Office, hotel and theatre |
| | (Office Building) | | 100% | 98.3% | +1.7% | | |
| | (Hotel) | | 74.3% | 70.6% | +3.7% | | |
| Beijing | Beijing Legend Garden Villas (partial) | 24 | 94.9% | 93.3% | +1.6% | 51% | Apartment, villa and others |
| Guangzhou | Guangzhou Citic Plaza (partial) | 38 | 98.3% | 99.9% | –1.6% | 60% | Office |
| Shenzhen | Shenzhen Poly Cultural Plaza (partial) | 135 | 95.2% | 95.0% | +0.2% | 100% | Shopping mall and theatre |
| Wuhan | Hubei Poly White Rose Hotel | 34 | 56.7% | 53.9% | +2.8% | 100% | Hotel |
| Guiyang | Regal Poly Guiyang Hotel | 39 | 47.7% | 23.8% | +23.9% | 66.5% | Hotel |
| | **Total:** | **485** | | | | | |

## Review of Property Management Business

The Group has several property management companies providing hotel management and high-quality property services and they have been awarded for quality services and creditability.

In 2011, a total of 87 properties with a gross floor area of about 13.28 million square metres subscribed to the Group's property management services which marked an increase of 27 properties compared with 2010. The managed area also grew by 78% entailing office buildings, hotels, shopping centers, villas and residences. The Group's property management services realised an income of RMB132,368,000.

## Summary for Major Project Developments

### 1. Yangtze River Delta Region

Being the initial area the Group focused on property development, Yangtze River Delta region remains one of the key strategic development areas. Land bank in Yangtze River Delta region aggregated a gross floor area of about 4.91 million square metres and served 21.4% of the Group's property development portfolio as at 31st December, 2011. A total of 12 projects were under development that accounted for a gross floor area of 2.41 million square metres, and a gross floor area of approximately 2.5 millions square metres of land bank reserved for future development.

In Shanghai, all seven development projects are currently under development with five being located in Jiading Xincheng of Jiading District. These developments are multifaceted comprising of residential, commercial and retail premises, office buildings, theatre and hotel. Shanghai Poly Garden has introduced the unconventional concept of a cultural property 'family community' that brought together the idea of kinship into its planning, development and property management and is now under phase four of development. Shanghai Poly Lakeside Garden is a residential development that offers easy accessibility to the downtown area with the extension of the Light Railway Line Number 11. Phase two of development is currently underway. Additionally, Shanghai Poly Deluxe Mansion, Shanghai Poly Elegant Mansion, Shanghai Poly Star Island , Poly Theatre & a Hotel are all situated in the prime location of Jiading Xincheng. Poly Grand Theatre, high-rise residential units and office building are currently under construction.

Separately five other projects in the Yangtze River Delta region located in Suzhou, Ningbo and Hangzhou are currently underway. Both Suzhou projects boast panoramic lake views as Suzhou Poly Lake Mansion benefits from the natural scenery to the north of Yinshan Lake in the economic development zone of the Wuzhong District. The first phase of this development is underway. Suzhou Poly West Bank Villa stands at the peninsula along Dushu Lake with phase two of construction already being commenced. Additionally, Ningbo Poly City is one of the biggest lakeside mixed-use developments situated at the prime location of Zhenhai Xincheng in Ningbo and is currently under development. Acquired and construction works have progressed since 2011, the Ningbo Project is being developed into a high-end commercial centre and residential community in Yuyao. Hangzhou Poly Origin resides at the natural scenery in the east of Deqing County and neighbors to Hangning Expressway. Construction work has also commenced.

## 2. Pearl River Delta Region

The property development portfolio in Pearl River Delta had a total gross floor area of approximately 2.62 million square metres (around 11.5% of the Group's entire land bank) as at 31st December, 2011. Eight projects under construction covered a gross floor area of about 1.74 million square metres with the remaining gross floor areas to be developed measured at a gross floor area of around 0.88 million square metres.

The projects in the region offer distinctive features tailored to meet residential housing demand. Located in the Huadu District of Guangzhou, Guangzhou Poly City is the first project in Guangzhou to offer a unique English architectural style neighboring Auto City Centre and the Asian Games Huadu Stadium. Property sales have been well received since its initial launch in 2008, and with the completion of both first and second phases, construction works of phase three have since commenced. Guangzhou Poly Golf Shire also shares the same neighborhood being one block away from Guangzhou Poly City and is currently under the first phase of development. Situated in Xinhua Town of Huadu District and east to the district government, Guangzhou Poly Zephyr City commenced construction in 2011. Also, Foshan Poly Cullinan Garden is an exceptionally new development in the city district of Foshan. Standing in the centre of Chancheng District, the project is only 500 metres away from Jihua Station of Guangfo Metro Line Number 1 and is equipped with amenities and ancillary facilities including medical, educational and entertainment establishments. Foshan Poly Prestige City is situated in Longjiang Town of Shunde District, which is reputed for its robust home furniture business. In addition, Shenzhen Poly Up Town resides in the prime commercial location of Longgang District and is easily accessible via the Shenzhen Metro Number 5 being in close proximity. Huizhou Poly Sunshine Town enjoys the prime location of being settled next to Shenshan Expressway and Palm Island Golf Course. It was acquired and construction commenced in 2011.

## 3. Southwestern Region

Genuine end-user demand is relatively strong across cities in the Southwestern region. The combined land bank of fourteen projects in the Southwestern region amounted to a gross floor area of approximately 10.5 million square metres that accounted for about 45.9% of the Group's development portfolio as at 31 December 2011. Thirteen projects under development accounted for an approximate gross floor area of about 3.87 million square metres. The gross area of about 6.63 million square metres of land bank is yet to be developed.

Guiyang projects are strategically placed with defined product positioning including apartments, villas and high-rise apartments that cater for genuine home user demand. The standard of living in the region has also improved as a result. Six projects are held for development in Guiyang in Guizhou Province. Guiyang Poly Hot Spring Newisland is located in the Wudang District of Guiyang and developed as a comprehensive residential establishment with hot spring offerings. Construction works are currently progressing for phase four. Guiyang Poly International Center is settled at the heart of Nanming District and adjacent to the Guiyang Grand Theatre in Guiyang City. Standing on the bank of Nanming River with a shoreline line of about 300 metres, the project is an exceptional high-end integrated development comprising of residential accommodation, shopping centres, office buildings and an art gallery. Sited at the south of Wudang District and within a kilometre away from the centre of the district, Guiyang Poly Spring Street is well served by a full range of community facilities. Construction of phase two has already commenced. Guiyang Poly Clouds Hill International is located next to Qianling Park and in close proximity to the provincial government and educational institutions. The second phase of development is progressing. Standing against the backdrop of Huaxi National Wetland Park, Guiyang Poly The Place of A Lake is situated in the prime location within the scenic eco-tour zone in Huaxi District. It was acquired and being developed in 2011. Guiyang Poly Park 2010 is located in Wudang District and in close proximity to the district administration centre. Boasting greenery surroundings, the project incorporates an 18-hole international standard golf course. Construction commenced in 2011.

Further complementing the presence and coverage in the Southwestern region, the Group extended its land bank acquisition in Zunyi in 2011. Zunyi Poly Metropolis of Future is an integrated development featuring a community with cultural and entertainment establishments, commercial and retail shops, office buildings and residential units. Construction works has been progressing and pre-sale has been launched.

Additionally, there are six other projects spread across three different cities in the Southwestern region namely, Nanning, Liuzhou and Kunming.

Over the years, brand value, high quality properties and professional property services has contributed to the market share of property in Nanning. Nanning Poly Cresendo is located in the north of Nanning City and is 20 minutes away from the city centre. It will encompass a residential community of mostly low-density residences, high-rise residential units and serviced apartments. Phase one development has been completed. Nanning Poly Sincere Garden is situated in the Qingxiu District of Nanning within close proximity to the Nanning International and Exhibition Centre and the planned station serviced by the Nanning Light Rail Line 1. Nanning Poly City resides at the emerging new community in Jiangnan District and is only 5 minutes driving distance to the city centre. Construction commenced in 2011.

Standing at the Liu River bank and with a shoreline of more than 200 metres, Liuzhou Poly Merization World is situated in prime location in north Liuzhou City with the main Binjiang Road East just adjacent to the east. Kunming Poly Lakeside Mansion is located in Ninghu Xincheng of Dutun New District in Anning City. It also enjoys the tranquil neighborhood with walking distance to Kunming Sunny Lake & Splendid Life. Chongqing Poly Spring Villa resides in the scenic zone of Southern Hot Spring Park, which is lusted as a Chongqing top-ten scenic spot. Designed as a high-end villa community, it boasts onsite hot springs and honored with numerous awards.

## 4. Other Regions

As part of the Group's development portfolio, thirteen projects are based in regions namely, Wuhan, Harbin, Jinan and Hainan with ten were currently being under construction as at 31st December, 2011. Land bank amounted to a gross floor area of approximately 4.85 million square metres that contributed to roughly 21.2% of the Group's property development portfolio. Projects under development accounted for a gross floor area of about 1.94 million square metres and an approximate gross floor area of 2.91 million square metres reserved for future development.

A total of six projects are sited in prime locations that are served by convenient transport options in Wuhan and with five being under construction. Wuhan Poly Plaza is situated at the centre of Hongshan Square in Wuchang District and is close to Line 2 and Line 4 of Wuhan Metro currently being built. Scheduled for completion in 2012, it will represent a future landmark in commercial and office complex development. Yangyuan Project is located in the main area of Central Districts near to Yangtze River; Wuhan Poly Cai Sheng Garden resides in the commercial circle in Xudong District and neighbours Wuhan University of Technology and head office of Wuhan Iron and Steel Group. Wuhan Poly Blue Ocean District inhabits in the north of South Lake in the Wuchang District with panoramic lakeside views and natural greenery of Lion Hill with construction being commenced in 2011. Wuhan Poly Park is located at Jinyintan Avenue in East and West Lake District and construction also began in 2011.

Harbin Poly The Water's Fragrant Dike neighbors major provincial government offices in Harbin. It focuses on a large-scale of high-end low density residential developments and phase four of this project is currently underway. Harbin The Tsinghua Summer Palace of Poly is situated in the Nangang District which is the cultural and education base for higher education and in close proximity to Harbin Poly Yi He Homeland Northern District. Construction commenced in 2011.

The Group owns another two projects in Jinan. Neighboring in the renowned scenic spot of Daming Lake in Jinan, Jinan Poly Daming will be developed to a high-end residential community with low density residential units. Jinan Hyde Mansion is situated in the new commercial centre in Licheng District in east Jinan City with about 30 minutes drive from Jinan Yaoqiang International Airport. This project will be developed to a large-scale commercial and residential community. In addition, the Group added two new sites in Yantai and Weihai in Shandong Province. Located next to the Fenghuang Shan River Reservoir Wetland Park, Yantai Poly Champs Elysees Mansion enjoys the convenient transport networks with only minutes away from the downtown area. Weihai Poly Triump Mansion is situated in Cuihuan District of Weihai. It is close to Xianguding Scenic Spot and east to the ocean offering unparalleled sea views. Both projects are under construction.

Hainan Shenzhou Peninsula Project is located at the central east coast and is about 7 kilometres away from Manning City in the Hainan Province. Leveraging the beautiful coastal resources, protected natural reserves and landscapes, it is expected to be a world-class comprehensive development featuring a large-scale international resort area, yacht club and high-end residential units.

# FINANCIAL REVIEW

## Liquidity and Capital Structure

As at 31st December, 2011, total equity attributable to shareholders of the Group amounted to HK$24,670,940,000 (2010: HK$22,010,167,000), while the net asset value per share was HK$6.84 (2010: HK$6.10). As at 31st December, 2011, the Group's gearing ratio (on the basis of the amount of total liabilities divided by the amount of total assets) was 72% (2010: 68%).

As at 31st December, 2011, the Group had an outstanding bank and other borrowings of HK$37,959,232,000. In terms of maturity, the outstanding bank and other borrowings can be divided into HK$13,101,876,000 (35%) to be repaid within one year, HK$16,202,813,000 (43%) to be repaid after one year but within two years, HK$7,050,532,000 (18%) to be repaid after two years but within five years, HK$1,604,011,000 (4%) to be repaid after five years. In terms of currency denomination, the outstanding bank and other borrowings can be divided into HK$36,282,232,000 (96%) in Renminbi, and HK$1,677,000,000 (4%) in United States dollars.

26% of the bank and other borrowings of the Group are subject to fixed interest rates and the remaining 74% are subject to floating interest rates. Therefore, under circumstances of interest rates uncertainty or fluctuations or otherwise as appropriate, the Group will consider the use of hedging instruments (including interest rates swaps), in order to manage interest rate risks.

As at 31st December, 2011, the Group had a net current assets of HK$39,576,303,000 and total bank balances of HK$12,621,765,000 (2010: HK$33,539,008,000 and HK$16,054,674,000 respectively).

The monetary assets and liabilities and business transactions of the Group are mainly carried and conducted in Hong Kong dollars, Renminbi and United States dollars. The Group maintains a prudent strategy in its foreign exchange risk management, where foreign exchange risks are minimised via balancing the monetary assets versus monetary liabilities, and foreign exchange revenue versus foreign exchange expenditures. The management believes that the foreign exchange rate between Hong Kong dollars and United States dollars is relatively stable. On the other hand, despite the recent mild appreciation of Renminbi, the Board believes that Renminbi will only gradually appreciate by a small percent in the foreseeable future. In this regard, the management believes that the exposure of the Group to foreign exchange risks is minimal.

### Pledge of Assets

As at 31st December, 2011, certain of the Group's investment properties of approximately HK$2,729,734,000 (2010: HK$1,462,914,000), hotel properties of approximately HK$685,555,000 (2010: HK$642,353,000), buildings of approximately HK$791,167,000 (2010: HK$574,413,000), leasehold land of approximately HK$80,759,000 (2010: HK$Nil), prepaid lease payments of approximately HK$391,989,000 (2010: HK$333,389,000), properties under development of approximately HK$16,842,914,000 (2010: HK$10,969,486,000), bank deposits of approximately HK$326,131,000 (2010: HK$181,864,000) and properties held for sales of approximately HK$1,298,174,000 (2010: HK$1,976,672,000) and shares in certain subsidiaries were pledged to secure credit facilities granted to the Group.

### Contingent Liabilities

The Group arranged mortgage loan facilities with certain banks for purchasers of property units and provided guarantees to banks to secure obligations of such purchasers of repayment. The maximum guarantees given to banks amounted to HK$10,378,907,000 as at 31st December, 2011 (2010: HK$8,306,183,000). Such guarantees will terminate upon the earlier of (i) issue of the real estate ownership certificate; and (ii) the satisfaction of the mortgage loans by the buyers of the properties. The Group has not recognised any deferred income in respect of these guarantees as its fair value is considered to be minimal by the directors. The directors also consider that the fair value of the underlying properties is able to cover the outstanding mortgage loans generated by the Group in the event the purchasers default payments to the banks.

At 31st December, 2011, the Company had given guarantees to certain banks and a fellow subsidiary in respect of credit facilities granted to certain subsidiaries of the Company amounted to HK$6,782,716,000 (2010: HK$6,181,000,000), of which HK$6,710,740,000 (2010: HK$6,181,000,000) had been utilised by subsidiaries.

## STAFF

As at 31st December, 2011, the Group employed about 6,450 staffs with remuneration for the year amounted to HK$565,058,000. The Group provides its staff with various benefits including year-ended double-pay, discretionary bonus, contributory provident fund, share options and medical insurance. Staff training is also provided as and when required.

1

2

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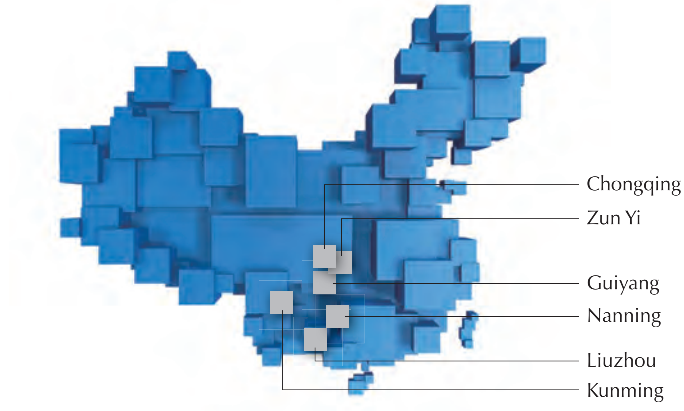
# REINVENTING SPACE

## Southwestern Region

4

5




## Guiyang Poly Spring Street

Guiyang Poly Spring Street is situated at the southern part of Wu Dong District, Guiyang. And is only a kilometer away from the district centre. Surrounded by trees and woodland, and neighboring to the planned ecological tourist site "Chi Jia Zhai", the project boasts the valuable hot spring resources found within the site.

The project covers a site area of approximately 408,000 square metres and an aggregate gross floor area of approximately 697,000 square metres. The project will be developed into a low density integrated property area comprising condominiums, villas and high-rise residential buildings including shopping arcades and schools.

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Guiyang 1
Poly Spring Street

Guiyang 2
Poly Park 2010

Kunming 3
Sunny Lake & Splendid Life

Kunming 4
Poly Lakeside Mansion

Nanning 5
Poly Crescendo

Chongqing 6
Poly Spring Villa

Nanning 7
Poly Landscape

# CORPORATE GOVERNANCE REPORT

This corporate governance report ("CG Report") presents the corporate governance matters during the period covering the financial period ended 31st December, 2011 and up to the date of the Annual Report to which this CG Report is inscribed ("CG Period") required to be disclosed under the Rules Governing the Listing of the Securities of The Stock Exchange of Hong Kong Limited ("Listing Rules").

## Adoption of corporate governance principles

The Board has adopted a set of corporate governance principles ("Principles") which aligns with the requirements set out in the Code on Corporate Governance Practices ("CG Code") (Appendix 14 of the Listing Rules) and the Model Code for Securities Transactions by Directors of Listed Issuers ("Securities Code") (Appendix 10 of the Listing Rules). During the CG Period, the Principles had been duly complied with.

## Securities code

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Securities Code. Having made specific enquiry, all of the Directors have complied with the Company's code of conduct during the CG Period.

## Chairman and Chief Executive Officer

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. However, the roles of Chairman and Chief Executive Officer of the Company have been performed by Mr. Xue Ming since 29th April, 2010. The Board believes that the roles of Chairman and Chief Executive Officer performed by Mr. Xue Ming provide the Group with strong and consistent leadership and are beneficial to the Group especially in planning and execution of business strategies. The Board also believes that the present arrangement is beneficial to the Company and the shareholders as a whole.

## Board of directors

For the year ended 31st December, 2011, the Board had held 4 physical meetings of the full Board of Directors. Out of the 4 full Board meetings, 2 of them were held to discuss and/or approve the annual and interim results of the Group and 2 meetings for considering the business and development of the Group.

For the year ended 31st December, 2011, the composition of the Board, and the respective attendances of the Directors at the above Directors' meetings are presented as follows:

| **Director** | **Board capacity** | **Attendance**<br>Full Board meetings |
|---|---|---|
| Mr. Chen Hong Sheng | Executive Director ("ED") | 4/4 |
| Mr. Wang Xu | ED | 4/4 |
| Mr. Xue Ming | ED, Chairman & Managing Director | 4/4 |
| Mr. Zhang Wan Shun<br>(Appointed on 8th August, 2011) | ED | 2/4 |
| Mr. Han Qing Tao<br>(Resigned on 8th August, 2011) | ED | 2/4 |
| Mr. Ye Li Wen | ED | 4/4 |
| Mr. Ip Chun Chung, Robert | Non-Executive Director ("NED") | 4/4 |
| Mr. Yao Kang, *J.P.* | Independent Non-Executive Director ("INED") | 4/4 |
| Mr. Choy Shu Kwan | INED | 4/4 |
| Ms. Leung Sau Fan, Sylvia | INED | 4/4 |

The Company has received from each of the INEDs a written confirmation of his independence pursuant to the requirements of the Listing Rules and considered that all of the INEDs are independent in accordance with the independence guidelines set out in the Listing Rules.

During the CG Period, none of the Directors above has or maintained any financial, business, family or other material/relevant relationship with any of the other Directors.

The appointment of the directorship were subject to, as to EDs, retirement, rotation and re-election at least once every 3 financial years and, as to NEDs and INEDs, their specific term of office or their retirement by rotation at annual general meeting of the Company, at which they being eligible can offer themselves for re-election.

The Board of Directors of the Company takes responsibility for all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, financial information, appointment of directors and other significant financial and operational matters. The day-to-day management, administration and operation of the Company are delegated to the Managing Director and the senior management. Approval has to be obtained from the Board prior to any significant transactions entered into by the officers.

## Remuneration committee

Since the Adoption Date, the Company had maintained a Remuneration Committee. The role and function of the Remuneration Committee includes:

- formulate remuneration policy;
- recommendation to the Board on the remuneration policy for the Directors;
- review of, approval of and recommendation for (if any) the remuneration package of each Director including benefits in kind, pension right, performance bonus payment and compensation payable;
- review and approval of the compensation payment to any Director upon his/her cessation of directorship in or employment with the Company; and
- engagement of external professional advisors to assist and/or advise the Remuneration Committee on its duties when necessary and reasonable.

Terms of reference of the Remuneration Committee had been compiled since the establishment of the Remuneration Committee and were endorsed and adopted by the Board of Directors of the Company.

During the CG Period, the Remuneration Committee held one committee meeting.

The composition of the Remuneration Committee is as follows:

| **Member** | **Board capacity** | **Attendance** |
|---|---|---|
| Mr. Yao Kang, *J.P.* | INED | 1/1 |
| Mr. Wang Xu | ED | 1/1 |
| Mr. Xue Ming | Chairman and Managing Director | 1/1 |
| Mr. Choy Shu Kwan | INED | 1/1 |
| Ms. Leung Sau Fan, Sylvia | INED | 1/1 |

The chairman of the Remuneration Committee since its establishment has been Mr. Yao Kang, *J.P.*.

The summary of the work performed by the Remuneration Committee for the financial period under review included:

- endorsement to the remuneration policy for the Directors;
- review and approval of the remuneration package of each Director including benefits in kind, pension right, bonus payment and compensation payable.

## Directors' emoluments

The remuneration paid to and/or entitled by each of the Directors for the financial period under review is set out in note 11 to the financial statements in the Annual Report.

The share options granted to and/or entitled by the Directors during the financial period under review are set out in the section headed "Directors' Interests in Securities" in the Directors' Report of the Annual Report.

## Nomination of directors

The Board shall be composed of members with mixed skills and experience with appropriate weights necessary to accomplish the Group's business development, strategies, operation, challenges and opportunities. Each member of the Board shall possess, be recognised for and be able to exhibit high and professional standard of a set of core criteria of competence.

The Company had adopted a nomination policy for the criteria, procedures, and process of the appointment and removal of Directors.

Under the nomination policy, the board of EDs has been delegated the full power to the administration of the nomination policy and the appointment and the termination of Directors, where the full Board remains to have the full and overriding power and absolute right thereover.

During the CG Period, the EDs held one meeting for the appointment and resignation of directors of the Company.

## Audit committee

Throughout the CG Period, the Company had maintained an Audit Committee. The major role and function of the Audit Committee includes:

- monitoring the integrity of the financial statements of the Group;
- providing independent review and supervision of the effectiveness of the internal control of the Group;
- review of the adequacy of the external audits;
- review on the compliance issues with the Listing Rules and other compliance requirements;
- providing independent views on connected transactions and transactions involving materially conflicted interest;
- considering and reviewing the appointment of the Auditor and the audit fee.

Terms of reference of the Audit Committee had been compiled since the establishment of the Audit Committee and revised by the Board of Directors of the Company on 21st January, 2009.

During the CG Period, the Audit Committee had held 4 physical meetings for discussing and/or approving the final/interim results of the Group and for discussing the internal control of the Group.

The composition of the Audit Committee, and the respective attendances of the committee members are presented as follows:

| Member | Board capacity | Attendance |
|---|---|---|
| Mr. Yao Kang, *J.P.* | INED | 4/4 |
| Mr. Choy Shu Kwan | INED | 4/4 |
| Ms. Leung Sau Fan, Sylvia | INED | 4/4 |
| Mr. Ip Chun Chung, Robert | NED | 4/4 |

The chairman of the Audit Committee is Mr. Yao Kang, *J.P.*.

The report of the work performed by the Audit Committee for the financial period under review is set out in the section headed "Audit Committee Report" of this Annual Report.

## Auditor's remuneration

The analysis of the Auditor's remuneration for the financial period under review is presented as follows:

| | **Fee amount** HK$'000 |
|---|---|
| Audit services | 5,400 |
| Non-audit services | – |
| Total | 5,400 |

## Acknowledgement of responsibility for the financial statements

The Directors acknowledged their responsibilities for preparing the financial statements of the Group. In preparing the accounts for the financial period under review, the Directors have:

- based on a going concern basis;
- selected suitable accounting policies and applied them consistently;
- made judgments and estimates that were prudent, fair and reasonable.

## Review of internal control

During the financial period under review, the Directors had arranged to conduct a review over the effectiveness of the internal control system of the Group including functions of financial, operation, compliance and risk management. The review showed a satisfactory control system. The review had been reported to the Audit Committee. The Directors had also, where necessary, initiated necessary improvement and reinforcement to the internal control system.

On behalf of the Board

**XUE Ming**
*Chairman and Managing Director*

16th March, 2012

## Audit committee report

The Audit Committee of the Company was established on 19th March, 1999. Its composition shall be a minimum of 3 members of NEDs with a NED majority being INEDs. For the financial period under review, the Audit Committee comprised all the NED and INEDs of the Company at all times.

For the financial period under review, the Audit Committee had performed the following duties:

- reviewed and commented on the audited full year financial statements and the unaudited interim financial results of the Group of the financial period under review before submission to the Board for adoption and publication;

- endorsed the policy on the engagement of external auditor for non-audit services;

- met with the Auditor to discuss the financial matters of the Group that arose during the course of the audit process, and reviewed the findings, recommendations and representations of the Auditor;

- reviewed and approved the remuneration and the terms of engagement of the Auditor for both audit services and non-audit services for the financial period under review;

- reviewed the internal audit reports and the Company's statement on internal control.

After due and careful consideration of the reports from the management of the Group and the Auditor, the Audit Committee was of the view that no suspected irregularities, internal control deficiencies, or breach of regulations had been found. The Company has taken necessary measures to strengthen its system of internal control so as to ensure that it is adequate and effective.

Based on the reviews and discussions performed by the Audit Committee, the Audit Committee had:

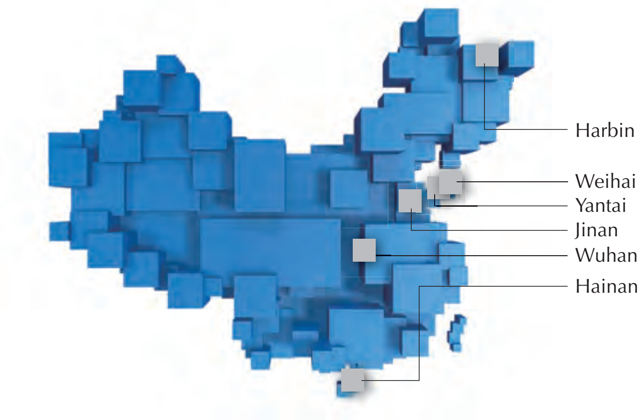
- recommended to the Board for the approval of the audited financial statements of the financial period under review together with the Auditor's Report there attached, before the announcement of the annual results;

- recommended to the Board for the approval of the unaudited financial statements of the financial period under review before the announcement of the interim results; and

- recommended to the Board for the proposal for the re-appointment of PKF as the Auditor of the Company for the ensuing year in the forthcoming annual general meeting of the Company.

Audit Committee Members:
YAO Kang, *J.P. (Chairman of the Audit Committee)*
CHOY Shu Kwan
LEUNG Sau Fan, Sylvia
IP Chun Chung, Robert

Hong Kong, 16th March, 2012




1

## Harbin The Tsinghua Summer Palace of Poly

Located in the south-west to the downtown of Harbin, Harbin The Tsinghua Summer Palace of Poly is in close proximity to the Harbin West Commercial Circle. The project stands at a modern water-front area featuring ecological and contemporary urban living landscape. It benefits from the well-developed transport network with walking distance to Dianbiaochang Station of Harbin Metro Line 1. The project has a total site area of approximately 75,000 square metres and a gross floor area of approximately 335,000 square metres. It will be developed into a residential community mainly comprising high-rise residential buildings.

2

3

# IDENTIFYING OPPORTUNITIES

## Other Region

5

4

6

Jinan 1
Poly Daming Lake

Poly Harbin Contemporary 2
No.9 Park Life

Wuhan 3
Poly Royal Palace

Yantai 4
Poly Champs Elysees Mansion

Wuhan 5
Poly City

Harbin 6
The Tsinghua Summer
Palace of Poly

# DIRECTORS' PROFILE

## Executive Directors

**CHEN Hong Sheng**, aged 62, has joined the Board since January 2004. He graduated from Beijing Aviation Institute in the People's Republic of China ("PRC"). Mr. Chen is also the Chairman of China Poly Group Corporation ("China Poly") and a Director of Poly (Hong Kong) Holdings Limited ("Poly Holdings"). China Poly and Poly Holdings are substantial shareholders of the Company. He is very experienced in management and trading.

**WANG Xu**, aged 52, had been the Managing Director of the Company during the period from October 2007 to July 2009. He is a Deputy General Manager of China Poly and the Chairman of Poly Holdings. Mr. Wang had been the Chairman of Poly Southern Group Limited ("Poly Southern", a wholly-owned subsidiary of China Poly) during the period from March 2003 to September 2007.

**XUE Ming**, aged 50, was appointed as a Director of the Company since April 2006. He is the Chairman and the Managing Director of the Company. He holds a master's degree in Economics from Renmin University of China in the PRC. Mr. Xue is a senior economist with over 31 years' experience in management. He was the Deputy General Manager, the General Manager of Poly Property Group Co., Ltd. ("Poly Shanghai") for the period from 2003 to 2005 and was the General Manager of Poly Shanghai in 2006. He is also a Deputy General Manager of China Poly and a Director and the General Manager of Poly Holdings.

**ZHANG Wan Shun**, aged 47, was appointed as the Deputy Managing Director of the Company since August 2011. He holds a Master degree in Applied Mechanics and Engineering from Zhongshan University and a MBA from Jinan University. He had worked for Guangdong Province Foundation Engineering Company from 1990 to 1995. Mr. Zhang was the Deputy General Manager of Poly Real Estate Group Co., Ltd., the shares of which are listed on Shanghai Stock Exchange (Stock code: 600048) from 1995 to 2007. Since 2007, he was a senior officer of China Poly Group Corporation and served as Deputy Chief Economist, Assistant General Manager and Senior Officer in Real Estate Department. He is a Registered Construction Engineer and Supervising Engineer and has over 22 years' experience in real estate development and construction.

**YE Li Wen**, aged 41, holds a bachelor degree from Dongbei University of Finance & Economics and a Master of Business Administration degree from Beijing University in the PRC. He had worked with China Poly as a senior officer for the period from 1994 to 2001. Mr. Ye has joined the Company since 2001 and is the Deputy General Manager of the Company.

## Non-Executive Director

**IP Chun Chung, Robert**, aged 55, has joined the Board since January 2001 and is a member of the Audit Committee of the Company. Mr. Ip is a practising solicitor. Mr. Ip is also an Independent Non-Executive Director of China Data Broadcasting Holdings Limited (Stock code: 8016) and Value Convergence Holdings Limited (Stock code: 821).

## Independent Non-Executive Directors

**YAO Kang**, *J.P.*, aged 87, has joined the Board since March 1999 and is the Chairman of the Audit Committee and Remuneration Committee of the Company. Mr. Yao was a Director of John Swire & Sons (Hong Kong) Limited and Cathy Pacific Airways Limited. He was also Chairman of Paofoong Insurance Co., (HK) Ltd. and Taikoo Royal Insurance Co., Ltd.

**CHOY Shu Kwan**, aged 57, holds a Master degree in Business Administration and has over 33 years' extensive experience in financial business and investment management. Mr. Choy is also an Independent Non-Executive Director of Skyfame Realty (Holdings) Limited (Stock code: 59).

**LEUNG Sau Fan, Sylvia**, aged 48, holds a Bachelor degree in Accountancy from City University of Hong Kong and a Bachelor of Laws degree from University of London. She is a chartered secretary and has around 20 years of experience in dealing with listing related and corporate finance areas. Ms. Leung is also an Independent Non-Executive Director of China Aerospace International Holdings Limited (Stock code: 31).

# DIRECTORS' REPORT

The directors present their annual report and the audited consolidated financial statements of Poly (Hong Kong) Investments Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31st December, 2011.

## Principal activities

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 55 to the consolidated financial statements.

## Results and appropriations

The results of the Group for the year ended 31st December, 2011 are set out in the consolidated income statement on page 55 of the annual report.

No interim dividend was paid during the year. The directors do not recommend the payment of a final dividend in respect of the year ended 31st December, 2011.

## Share capital

Details of movements during the year in the share capital of the Company are set out in note 37 to the consolidated financial statements.

## Investment properties

At 31st December, 2011, the investment properties of the Group were revalued by an independent firm of professional surveyor and property valuer on an open market value basis at HK$6,578,020,000.

Details of these and other movements during the year in the investment properties of the Group are set out in note 17 to the consolidated financial statements.

## Property, plant and equipment

Details of movements during the year in the property, plant and equipment of the Group are set out in note 18 to the consolidated financial statements.

## Distributable reserves of the Company

The Company's reserve available for distribution to shareholders as at 31st December, 2011 represented the accumulated profits of HK$1,352,582,000.

## Directors and directors' service contracts

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

### Executive directors:

Chen Hong Sheng
Wang Xu
Xue Ming *(Chairman and Managing Director)*
Han Qing Tao (resigned on 8th August, 2011)
Zhang Wan Shun (appointed on 8th August, 2011)
Ye Li Wen

### Non-executive director:

Ip Chun Chung, Robert

### Independent non-executive directors:

Yao Kang, *J.P.*
Choy Shu Kwan
Leung Sau Fan, Sylvia

In accordance with Article 116 of the Company's Articles of Association, Messrs. Chen Hong Sheng, Ip Chun Chung, Robert and Choy Shu Kwan will retire and being eligible, offer themselves for re-election.

In accordance with Article 99 of the Company's Articles of Association, Mr. Zhang Wan Shun, who was appointed as a director during the year will retire and being eligible, offer himself for re-election.

The term of office of Mr. Ip Chun Chung, Robert, the non-executive director, and Mr. Yao Kang, *J.P.* and Mr. Choy Shu Kwan, independent non-executive directors, is three years from 6th October, 2011, subject to retirement by rotation as required by the Company's Articles of Association.

The term of office of Ms. Leung Sau Fan, Sylvia, an independent non-executive director, is three years from 11th August, 2010, subject to retirement by rotation as required by the Company's Articles of Association.

None of the 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 an annual written confirmation from each of the independent non-executive directors concerning their independence and considered that the independent non-executive directors to be independent in accordance with the independence guidelines set out in the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

## Directors' interests in securities

At 31st December, 2011, the interest and short positions of the directors and their associates in the shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

### Long position

#### Ordinary shares of HK$0.5 each of the Company

Mr. Xue Ming is holding 1,000,000 shares (0.03%) in the issued share capital of the Company.

Ms. Leung Sau Fan, Sylvia is holding 33,000 shares (0%) in the issued share capital of the Company.

#### Share options of the Company

| Name of director | Capacity | Number of options held | Number of underlying shares |
|---|---|---|---|
| Chen Hong Sheng | Beneficial owner | 11,500,000 | 11,500,000 |
| Wang Xu | Beneficial owner | 3,000,000 | 3,000,000 |
| Xue Ming | Beneficial owner | 2,650,000 | 2,650,000 |
| Ye Li Wen | Beneficial owner | 1,600,000 | 1,600,000 |
| Yao Kang, *J.P.* | Beneficial owner | 500,000 | 500,000 |
| Choy Shu Kwan | Beneficial owner | 600,000 | 600,000 |
| | | 19,850,000 | 19,850,000 |

Save as disclosed above, none of the directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31st December, 2011.

## Share options

Particulars of the Company's share option schemes are set out in note 38 to the consolidated financial statements.

## Arrangements to purchase shares or debentures

Other than the option holdings set out in note 38, at no time during the year was the Company or any of its holding companies, fellow subsidiaries or subsidiaries, a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## Substantial shareholders

As at 31st December, 2011, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO shows that, other than the interests disclosed above in respect of certain directors, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

### Ordinary shares of HK$0.5 each of the Company

| Name of shareholder | Number of shares Beneficial owner | Investment manager | Held by controlled corporation(s) | Custodian/ Approved lending agent | Person having a security interest in shares | Total number of shares | Approximate percentage of the issued share capital of the Company |
|---|---|---|---|---|---|---|---|
| **Long position** | | | | | | | |
| Congratulations Company Ltd. | 1,037,975,080 | – | – | – | – | 1,037,975,080 | 28.77% |
| Source Holdings Limited | 228,398,760 | – | 100,086,800 | – | – | 328,485,560 *(Note 1)* | 9.10% |
| Ting Shing Holdings Limited | – | – | 1,366,460,640 *(Note 2)* | – | – | 1,366,460,640 | 37.87% |
| Poly (Hong Kong) Holdings Limited | 112,410,476 | – | 1,366,460,640 *(Note 3)* | – | – | 1,478,871,116 | 40.98% |
| Poly Southern Group Limited | 253,788,246 | – | – | – | – | 253,788,246 | 7.03% |
| China Poly Group Corporation | – | – | 1,732,659,362 *(Note 4)* | – | – | 1,732,659,362 | 48.02% |
| JP Morgan Chase & Co. | 20,325,558 | 99,515,000 | – | 91,021,932 | – | 210,862,490 | 5.84% |
| Deutsche Bank Aktiengesellschaft | 25,990,120 | 11,664,000 | – | 1,522,000 | 260,052,458 | 299,228,578 | 8.29% |
| **Short position** | | | | | | | |
| JP Morgan Chase & Co. | 15,685,558 | – | – | – | – | 15,685,558 | 0.43% |
| Deutsche Bank Aktiengesellschaft | 12,286,000 | – | – | – | 246,915,458 | 259,201,458 | 7.18% |
| **Lending pool** | | | | | | | |
| JP Morgan Chase & Co. | – | – | – | 91,021,932 | – | 91,021,932 | 2.52% |
| Deutsche Bank Aktiengesellschaft | – | – | – | 1,522,000 | – | 1,522,000 | 0.04% |

*Notes:*

1. Source Holdings Limited is deemed by the SFO to be interested in 328,485,560 shares of the Company as a result of its direct holding of 228,398,760 shares and indirect holding of 100,086,800 shares through its wholly-owned subsidiaries, Musical Insight Holdings Limited and Wincall Holding Limited of 44,658,800 shares and 55,428,000 shares, respectively.

2. Ting Shing Holdings Limited is deemed by the SFO to be interested in 1,366,460,640 shares as a result of its indirect holding of 1,366,460,640 shares through its subsidiaries, Source Holdings Limited and Congratulations Company Ltd. of 328,485,560 shares and 1,037,975,080 shares, respectively.

3. Poly (Hong Kong) Holdings Limited is deemed by the SFO to be interested in 1,478,871,116 shares as a result of its direct holding of 112,410,476 shares and indirect holding of 1,366,460,640 shares through its wholly-owned subsidiary, Ting Shing Holdings Limited.

4. China Poly Group Corporation owns 100% of Poly (Hong Kong) Holdings Limited and Poly Southern Group Limited and is accordingly deemed by the SFO to be interested in the shares directly and indirectly owned by Poly (Hong Kong) Holdings Limited and Poly Southern Group Limited.

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued shares or underlying shares of the Company as at 31st December, 2011.

## Connected transactions

Details of the discloseable connected transactions for the year are set out in note 53 to the consolidated financial statements. In the opinion of the directors who do not have any interest in these transactions, the transactions were carried out on normal commercial terms and in the ordinary and usual course of business of the Group.

The independent non-executive directors of the Company had reviewed the on-going connected transactions set out in note 53 ("Transactions") to the consolidated financial statements and in their opinion:

1. the Transactions were entered into in the ordinary and usual course of business of the Group;

2. the Transactions were conducted on normal commercial terms; and

3. the Transactions were entered into 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.

The auditors of the Company had reviewed the Transactions and provided a letter to the Board in accordance with Rule 14A.38 of the Listing Rules and confirmed, inter alia, that the Transactions have been entered into in accordance with the relevant agreements governing the Transactions and the Transactions have not exceeded their respective annual caps as disclosed in the relevant announcements and circulars.

## Directors' interests in contracts

There were no contracts of significance to which the Company or any of its holding companies, fellow subsidiaries or subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## Major customers and suppliers

During the year, both the aggregate sales attributable to the Group's five largest customers and the aggregate purchases attributable to the Group's five largest suppliers were less than 30% of the Group's sales and purchases, respectively.

## Emolument policy

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme is set out in note 38 to the consolidated financial statements.

## Pre-emptive rights

There are no provisions for pre-emptive rights under the Company's Articles of Association, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

## Sufficiency of public float

The Company has maintained a sufficient public float throughout the year ended 31st December, 2011.

## Auditor

A resolution will be submitted at the forthcoming annual general meeting of the Company to re-appoint Messrs. PKF as auditor of the Company.

On behalf of the Board

**XUE Ming**
*Chairman and Managing Director*

Hong Kong, 16th March, 2012

# INDEPENDENT AUDITOR'S REPORT

大信梁學濂(香港)會計師事務所

PKF
Accountants &
business advisers

26/F, Citicorp Centre
18 Whitfield Road
Causeway Bay
Hong Kong

**TO THE SHAREHOLDERS OF POLY (HONG KONG) INVESTMENTS LIMITED**
*(Incorporated in Hong Kong with limited liability)*

We have audited the consolidated financial statements of Poly (Hong Kong) Investments Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 55 to 168, which comprise the consolidated and Company's statements of financial position as at 31st December, 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## Directors' responsibility for the consolidated financial statements

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

## 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, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the 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.

## 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 31st December, 2011 and of the profit and cash flows of the Group for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

**PKF**
*Certified Public Accountants*

Hong Kong
16th March, 2012

# CONSOLIDATED INCOME STATEMENT

*For the year ended 31st December, 2011*

| | Notes | 2011 HK$'000 | 2010 HK$'000 |
|---|---|---|---|
| Revenue | 8 | **14,104,913** | 8,514,136 |
| Cost of sales | | **(8,531,463)** | (5,030,365) |
| Gross profit | | **5,573,450** | 3,483,771 |
| Increase in fair value of investment properties | 17 | **453,905** | 140,269 |
| Other income | 9 | **732,268** | 389,783 |
| Selling expenses | | **(554,399)** | (306,980) |
| Administrative expenses | | **(1,095,399)** | (763,814) |
| Net (decrease) increase in fair value of held-for-trading investments | | **(782)** | 1,105 |
| Gain on disposal of available-for-sale investments | | **231,482** | – |
| Gain on disposal of interests in subsidiaries | 44 | **–** | 352,349 |
| Gain on disposal of interest in an associate | 22 | **96,397** | 98,060 |
| Discount on acquisition of interests in subsidiaries | 42 | **–** | 81,303 |
| Impairment loss on trade receivables | 28 | **–** | (2,019) |
| Impairment loss on other receivables | | **(3,676)** | (42,276) |
| Finance costs | 10 | **(440,197)** | (257,316) |
| Share of results of associates | 22 | **16,352** | 19,428 |
| Share of results of a jointly controlled entity | 23 | **(8,030)** | (7,818) |
| Profit before taxation | 13 | **5,001,371** | 3,185,845 |
| Income tax expense | 14 | **(1,778,964)** | (1,049,392) |
| Profit for the year | | **3,222,407** | 2,136,453 |
| Attributable to: | | | |
| Owners of the Company | | **2,777,119** | 1,838,367 |
| Non-controlling interests | | **445,288** | 298,086 |
| | | **3,222,407** | 2,136,453 |
| Earnings per share | 16 | | |
| – basic | | **76.96 cents** | 55.83 cents |
| – diluted | | **76.63 cents** | 55.20 cents |

The notes on pages 64 to 168 form part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31st December, 2011*

| | **2011** **HK$'000** | 2010 HK$'000 |
|---|---|---|
| Profit for the year | **3,222,407** | 2,136,453 |
| Other comprehensive income | | |
| Exchange differences arising on translation of financial statements of foreign operations | **663,356** | 376,952 |
| Change in fair value of available-for-sale investments | **21,423** | 72,786 |
| (Deficit) surplus arising on revaluation of properties | **(8,084)** | 118,037 |
| Investment revaluation reserve released upon disposal of available-for-sale investments | **(100,276)** | – |
| Translation reserve released on disposal of interest in a subsidiary | **–** | (1,428) |
| Translation reserve released upon dissolution of a subsidiary | **–** | (5,797) |
| Other comprehensive income before tax effect | **576,419** | 560,550 |
| Deferred tax asset (liability) arising on revaluation of properties | **2,020** | (29,509) |
| Other comprehensive income for the year, net of tax | **578,439** | 531,041 |
| Total comprehensive income for the year | **3,800,846** | 2,667,494 |
| Attributable to: | | |
| Owners of the Company | **3,222,788** | 2,260,099 |
| Non-controlling interests | **578,058** | 407,395 |
| | **3,800,846** | 2,667,494 |

The notes on pages 64 to 168 form part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31st December, 2011*

| | Notes | 2011 HK$'000 | 2010 HK$'000 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Investment properties | 17 | **6,578,020** | 5,025,391 |
| Property, plant and equipment | 18 | **1,995,829** | 1,751,532 |
| Prepaid lease payments – non-current portion | 19 | **411,287** | 385,060 |
| Goodwill | 20 | **804,890** | 785,299 |
| Interests in associates | 22 | **102,473** | 135,480 |
| Interest in a jointly controlled entity | 23 | **1,646** | 1,515 |
| Available-for-sale investments | 30 | **148,383** | 419,166 |
| Club membership | | **1,226** | 1,169 |
| Deposits paid for acquisition of land use rights | 24 | **3,032,591** | 2,611,577 |
| Deposits paid for acquisition of a subsidiary | 25 | **246,914** | 235,294 |
| Deferred tax assets | 45 | **208,671** | 158,001 |
| | | **13,531,930** | 11,509,484 |
| **CURRENT ASSETS** | | | |
| Properties under development | 26 | **60,359,693** | 37,990,453 |
| Properties held for sale | | **5,895,473** | 5,495,438 |
| Other inventories | 27 | **57,071** | 42,237 |
| Trade and other receivables | 28 | **1,596,981** | 1,215,033 |
| Prepaid lease payments – current portion | 19 | **11,565** | 10,621 |
| Short-term loan receivables | 29 | **185,185** | 176,471 |
| Held-for-trading investments | 31 | **782** | 11,002 |
| Deposits paid for acquisition of a property development project | 32 | **125,236** | 976,544 |
| Amount due from a jointly controlled entity | 23 | **–** | 2,582 |
| Amounts due from fellow subsidiaries | 33(a) | **34,566** | 34,015 |
| Amounts due from non-controlling shareholders of subsidiaries | 33(b) | **790,947** | 189,012 |
| Amounts due from related companies | 33(c) | **7,407** | 17,431 |
| Taxation recoverable | | **288,631** | 136,366 |
| Pledged bank deposits | 34 | **326,131** | 181,864 |
| Bank balances, deposits and cash | 34 | **12,295,634** | 15,872,810 |
| | | **81,975,302** | 62,351,879 |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 35 | **6,168,692** | 3,881,360 |
| Pre-sale deposits | | **11,944,749** | 8,884,824 |
| Property rental deposits | | **91,248** | 67,622 |
| Amount due to an associate | 22 | **74,074** | 70,588 |
| Amount due to the ultimate holding company | 33(a) | **434,064** | 98,635 |
| Amount due to an intermediate holding company | 33(a) | **3,873,396** | 2,625,820 |
| Amounts due to fellow subsidiaries | 33(a) | **2,535,024** | 1,407,760 |
| Amounts due to non-controlling shareholders of subsidiaries | 33(b) | **2,291,217** | 1,018,110 |
| Amount due to a related company | 33(c) | **1,867** | – |
| Taxation payable | | **1,882,792** | 1,235,521 |
| Bank and other borrowings – due within one year | 36 | **13,101,876** | 9,522,631 |
| | | **42,398,999** | 28,812,871 |
| **NET CURRENT ASSETS** | | **39,576,303** | 33,539,008 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **53,108,233** | 45,048,492 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31st December, 2011*

| | Notes | 2011 HK$'000 | 2010 HK$'000 |
|---|---|---|---|
| **CAPITAL AND RESERVES** | | | |
| Share capital | 37 | **1,804,219** | 1,804,219 |
| Reserves | | **22,866,721** | 20,205,948 |
| Equity attributable to owners of the Company | | **24,670,940** | 22,010,167 |
| Non-controlling interests | | **2,500,812** | 1,819,329 |
| **TOTAL EQUITY** | | **27,171,752** | 23,829,496 |
| **NON-CURRENT LIABILITIES** | | | |
| Bank and other borrowings – due after one year | 36 | **24,857,356** | 20,300,639 |
| Loan from a fellow subsidiary | 40 | **209,644** | 188,470 |
| Deferred tax liabilities | 45 | **869,481** | 729,887 |
| | | **25,936,481** | 21,218,996 |
| | | **53,108,233** | 45,048,492 |

The notes on pages 64 to 168 form part of these consolidated financial statements.

The consolidated financial statements on pages 55 to 168 were approved and authorised for issue by the Board of Directors on 16th March, 2012 and are signed on its behalf by:

| **XUE MING** | **YE LI WEN** |
|---|---|
| *Chairman and Managing Director* | *Director* |

# STATEMENT OF FINANCIAL POSITION

*As at 31st December, 2011*

| | Notes | 2011 HK$'000 | 2010 HK$'000 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Interests in subsidiaries | 21 | **182,988** | 182,988 |
| Amounts due from subsidiaries | 33(d) | **21,051,340** | 19,743,343 |
| Available-for-sale investments | 30 | **78,378** | 32,487 |
| | | **21,312,706** | 19,958,818 |
| **CURRENT ASSETS** | | | |
| Other receivables | | **19,879** | 69,839 |
| Bank balances, deposits and cash | 34 | **3,086,732** | 4,043,075 |
| | | **3,106,611** | 4,112,914 |
| **CURRENT LIABILITIES** | | | |
| Other payables | 35 | **31,848** | 28,004 |
| Amount due to an intermediate holding company | 33(a) | **3,161,486** | 1,991,501 |
| Amounts due to subsidiaries | 33(d) | **691,672** | 297,449 |
| Bank borrowings - due within one year | 36 | **–** | 175,500 |
| | | **3,885,006** | 2,492,454 |
| **NET CURRENT (LIABILITIES)/ASSETS** | | **(778,395)** | 1,620,460 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **20,534,311** | 21,579,278 |
| **CAPITAL AND RESERVES** | | | |
| Share capital | 37 | **1,804,219** | 1,804,219 |
| Reserves | 39 | **17,040,236** | 16,420,458 |
| **TOTAL EQUITY** | | **18,844,455** | 18,224,677 |
| **NON-CURRENT LIABILITIES** | | | |
| Other payables | 35 | **12,856** | 20,101 |
| Bank borrowings – due after one year | 36 | **1,677,000** | 3,334,500 |
| | | **1,689,856** | 3,354,601 |
| | | **20,534,311** | 21,579,278 |

The notes on pages 64 to 168 form part of these consolidated financial statements.

The consolidated financial statements on pages 55 to 168 were approved and authorised for issue by the Board of Directors on 16th March, 2012 and are signed on its behalf by:

**XUE MING**
*Chairman and Managing Director*

**YE LI WEN**
*Director*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the year ended 31st December, 2011*

| | Attributable to owners of the Company | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital HK$'000 | Share premium HK$'000 | Share option reserve HK$'000 | Hotel properties revaluation reserve HK$'000 | Translation reserve HK$'000 | Capital redemption reserve HK$'000 | PRC statutory reserves HK$'000 | Investment revaluation reserve HK$'000 | Other capital reserve HK$'000 | Asset revaluation reserve HK$'000 | Other reserve HK$'000 | Accumulated profits HK$'000 | Total HK$'000 | Non-controlling interests HK$'000 | Total HK$'000 |
| At 1st January, 2010 | 1,491,996 | 10,587,718 | 42,694 | 30,829 | 474,811 | 23,917 | 149,172 | 1,716 | 307,485 | 5,798 | – | 1,503,814 | 14,619,950 | 1,518,950 | 16,138,900 |
| Total comprehensive income for the year | – | – | – | 49,584 | 283,714 | – | – | 72,786 | – | 15,648 | – | 1,838,367 | 2,260,099 | 407,395 | 2,667,494 |
| Exercise of share options | 2,800 | 4,291 | (517) | – | – | – | – | – | – | – | – | – | 6,574 | – | 6,574 |
| Placements of shares | 200,000 | 3,320,000 | – | – | – | – | – | – | – | – | – | – | 3,520,000 | – | 3,520,000 |
| Issue of shares for acquisition of Rapid Bloom Limited and its subsidiaries ("Rapid Bloom Group") *(note 42(b))* | 109,423 | 1,801,103 | – | – | – | – | – | – | – | – | – | – | 1,910,526 | – | 1,910,526 |
| Share issue expenses | – | (91,548) | – | – | – | – | – | – | – | – | – | – | (91,548) | – | (91,548) |
| Transfer | – | – | – | – | – | – | 157,485 | – | – | – | – | (157,485) | – | – | – |
| Release upon disposal/dissolution of subsidiaries | – | – | – | – | – | – | (15,480) | – | – | – | – | 15,480 | – | (11,838) | (11,838) |
| Dividends paid to non-controlling shareholders of subsidiaries | – | – | – | – | – | – | – | – | – | – | – | – | – | (124,025) | (124,025) |
| Dividends paid *(note 15)* | – | – | – | – | – | – | – | – | – | – | – | (140,938) | (140,938) | – | (140,938) |
| Capital contribution by non-controlling shareholders | – | – | – | – | – | – | – | – | – | – | – | – | – | 85,294 | 85,294 |
| Acquisition of additional interests in subsidiaries *(note 41)* | – | – | – | – | – | – | – | – | – | – | (74,496) | – | (74,496) | (99,583) | (174,079) |
| Acquisition of subsidiaries *(note 42(b))* | – | – | – | – | – | – | – | – | – | – | – | – | – | 43,136 | 43,136 |
| At 31st December, 2010 | 1,804,219 | 15,621,564 | 42,177 | 80,413 | 758,525 | 23,917 | 291,177 | 74,502 | 307,485 | 21,446 | (74,496) | 3,059,238 | 22,010,167 | 1,819,329 | 23,829,496 |
| At 1st January, 2011 | 1,804,219 | 15,621,564 | 42,177 | 80,413 | 758,525 | 23,917 | 291,177 | 74,502 | 307,485 | 21,446 | (74,496) | 3,059,238 | 22,010,167 | 1,819,329 | 23,829,496 |
| Total comprehensive income for the year | – | – | – | (7,722) | 521,078 | – | – | (78,853) | – | 11,166 | – | 2,777,119 | 3,222,788 | 578,058 | 3,800,846 |
| Share issue expenses | – | (4) | – | – | – | – | – | – | – | – | – | – | (4) | – | (4) |
| Transfer | – | – | – | – | – | – | 266,174 | – | – | – | – | (266,174) | – | – | – |
| Dividends paid to non-controlling shareholders of a subsidiary | – | – | – | – | – | – | – | – | – | – | – | – | – | (43,407) | (43,407) |
| Dividends paid *(note 15)* | – | – | – | – | – | – | – | – | – | – | – | (559,308) | (559,308) | – | (559,308) |
| Capital contribution by non-controlling shareholders | – | – | – | – | – | – | – | – | – | – | – | – | – | 136,579 | 136,579 |
| Acquisition of additional interests in subsidiaries *(note 41)* | – | – | – | – | – | – | – | – | – | – | (73) | – | (73) | 73 | – |
| Acquisition of a subsidiary *(note 42(a))* | – | – | – | – | – | – | – | – | – | – | – | – | – | 7,550 | 7,550 |
| Partial disposal of interest in a subsidiary without loss of control *(note 43)* | – | – | – | – | – | – | – | – | – | – | (2,630) | – | (2,630) | 2,630 | – |
| **At 31st December, 2011** | **1,804,219** | **15,621,560** | **42,177** | **72,691** | **1,279,603** | **23,917** | **557,351** | **(4,351)** | **307,485** | **32,612** | **(77,199)** | **5,010,875** | **24,670,940** | **2,500,812** | **27,171,752** |

Included in other capital reserve at 31st December, 2011 is deemed capital contribution arising on acquisition of subsidiaries of HK$244,221,000 (2010: HK$244,221,000) and deemed capital contribution arising from interest-free loans provided by a fellow subsidiary of HK$62,678,000 (2010: HK$62,678,000).

The People's Republic of China, other than Hong Kong, (the "PRC") statutory reserves are reserves required by the relevant PRC laws applicable to the Group's PRC subsidiaries and associates.

Other reserve represents the difference between the fair value of consideration paid and payable and the carrying amount of net assets attributable to the changes in ownership interests in the subsidiaries being acquired/disposed of from non-controlling interests without change of control during the year.

The notes on pages 64 to 168 form part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

*For the year ended 31st December, 2011*

| | Notes | 2011 HK$'000 | 2010 HK$'000 |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| Profit before taxation | | **5,001,371** | 3,185,845 |
| Adjustments for:– | | | |
| Reversal of impairment loss previously recognised in respect of other receivables | | **(24,720)** | (11,972) |
| Reversal of impairment loss previously recognised in respect of trade receivables | | **(116)** | (1,487) |
| Reversal of impairment loss previously recognised in respect of amount due from an associate | | **–** | (9,700) |
| Impairment loss on goodwill | | **4,657** | 5,417 |
| Impairment loss on trade receivables | | **–** | 2,019 |
| Impairment loss on other receivables | | **3,676** | 42,276 |
| Discount on acquisition of interests in subsidiaries | | **–** | (81,303) |
| Amortisation of prepaid lease payments | | **12,918** | 9,072 |
| Bank interest income | | **(95,743)** | (49,488) |
| Interest income from entrusted loan to a third party | | **–** | (1,240) |
| Dividend income from investment in securities | | **(7,806)** | (821) |
| Depreciation of property, plant and equipment | | **117,898** | 83,030 |
| Finance costs | | **428,617** | 246,772 |
| Gain on disposal of available-for-sale investments | | **(231,482)** | – |
| Gain on disposal of investment properties | | **(1,442)** | (1,527) |
| Loss on disposal of property, plant and equipment | | **2,008** | 6,880 |
| Gain on disposal of interests in subsidiaries | | **–** | (352,349) |
| Gain on dissolution of a subsidiary | | **–** | (7,608) |
| Gain on disposal of interest in an associate | | **(96,397)** | (98,060) |
| Gain on disposal of held-for-trading investments | | **(3,512)** | – |
| Loss on dissolution of a jointly controlled entity | | **–** | 680 |
| Imputed interest expense | | **11,580** | 10,544 |
| Net decrease (increase) in fair value of held-for-trading investments | | **782** | (1,105) |
| Increase in fair value of investment properties | | **(453,905)** | (140,269) |
| Share of results of associates | | **(16,352)** | (19,428) |
| Share of results of a jointly controlled entity | | **8,030** | 7,818 |
| Exchange gains | | **(476,343)** | (292,007) |
| Interest income from non-controlling shareholders of subsidiaries | | **(52,362)** | – |
| Operating cash flows before movements in working capital | | **4,131,357** | 2,531,989 |
| Increase in properties under development and properties held for sale | | **(14,144,555)** | (16,787,309) |
| Increase in other inventories | | **(12,748)** | (11,474) |
| Increase in trade and other receivables | | **(148,816)** | (503,635) |
| Increase in short-term loan receivables | | **–** | (117,647) |
| Increase in deposits paid for acquisition of a property development project | | **(125,235)** | (847,132) |
| Decrease in trade and other payables | | **(258,943)** | (323,655) |
| Increase in pre-sale deposits | | **2,621,169** | 4,158,613 |
| Increase (decrease) in property rental deposits | | **21,223** | (5,732) |
| Net cash used in operations | | **(7,916,548)** | (11,905,982) |
| PRC income tax paid | | **(1,274,977)** | (559,841) |
| Interest paid | | **(3,363,834)** | (1,214,060) |
| **NET CASH USED IN OPERATING ACTIVITIES** | | **(12,555,359)** | (13,679,883) |

## CONSOLIDATED STATEMENT OF CASH FLOWS

*For the year ended 31st December, 2011*

| | Notes | 2011 HK$'000 | 2010 HK$'000 |
|---|---|---|---|
| **INVESTING ACTIVITIES** | | | |
| Purchase of property, plant and equipment | | **(104,790)** | (388,467) |
| Deposits paid for acquisition of land use rights | | **(420,291)** | (1,792,792) |
| Acquisition of subsidiaries (net of cash and cash equivalents acquired) | 42 | **(39,917)** | (51,292) |
| Acquisition of additional interests in subsidiaries | 41 | **–** | (174,079) |
| Repayments from (advances to) fellow subsidiaries | | **1,129** | (4,917) |
| Purchase of investment properties | | **(104)** | (4,096) |
| Increase in interest in a jointly controlled entity | | **(8,642)** | (8,734) |
| Increase in available-for-sale investments | | **(45,891)** | – |
| Net proceeds from disposal of subsidiaries | 44 | **–** | 342,904 |
| Proceeds from disposal of an associate | | **151,490** | 47,369 |
| (Increase) decrease in pledged bank deposits | | **(144,267)** | 81,684 |
| Repayments from (advances to) related companies | | **10,373** | (5,768) |
| Bank interest income received | | **95,743** | 49,488 |
| Interest income received from entrusted loan to a third party | | **–** | 1,240 |
| Dividend income received from investment in securities | | **7,806** | 821 |
| Repayments from an associate | | **–** | 56,790 |
| Repayments from (advances to) a jointly controlled entity | | **2,709** | (229) |
| Advances to non-controlling shareholders of subsidiaries | | **(109,863)** | (44,818) |
| Dividends received from a jointly controlled entity | | **358** | 306 |
| Proceeds from disposal of available-for-sales investments | | **469,362** | – |
| Proceeds from disposal of investment properties | | **10,088** | 3,243 |
| Proceeds from disposal of property, plant and equipment | | **3,477** | 3,878 |
| Proceeds from disposal of held-for-trading investments | | **12,950** | – |
| **NET CASH USED IN INVESTING ACTIVITIES** | | **(108,280)** | (1,887,469) |
| **FINANCING ACTIVITIES** | | | |
| Borrowings raised | | **22,809,806** | 25,043,317 |
| Proceeds from placement of shares | | **–** | 3,520,000 |
| Advances from (repayments to) an intermediate holding company | | **1,169,984** | (285,559) |
| Advances from (repayments to) the ultimate holding company | | **323,731** | (927,535) |
| (Repayments to) advances from fellow subsidiaries | | **(200,006)** | 277,530 |
| Advances from non-controlling shareholders of subsidiaries | | **715,969** | 179,921 |
| Advances from related companies | | **1,867** | – |
| Proceeds from exercise of share options | | **–** | 6,574 |
| Capital contribution by non-controlling shareholders | | **136,579** | 85,294 |
| Repayments of borrowings | | **(15,973,264)** | (6,641,926) |
| Dividends paid | | **(559,308)** | (140,938) |
| Dividends paid to non-controlling shareholders of subsidiaries | | **(43,407)** | (124,025) |
| Share issue expenses | | **(4)** | (91,548) |
| **NET CASH FROM FINANCING ACTIVITIES** | | **8,381,947** | 20,901,105 |

## CONSOLIDATED STATEMENT OF CASH FLOWS

*For the year ended 31st December, 2011*

| | Notes | 2011 HK$'000 | 2010 HK$'000 |
|---|---|---|---|
| **NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS** | | **(4,281,692)** | 5,333,753 |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR** | | **15,872,810** | 10,100,429 |
| **EFFECT OF FOREIGN EXCHANGE RATE CHANGE** | | **704,516** | 438,628 |
| **CASH AND CASH EQUIVALENTS AT END OF THE YEAR** | | **12,295,634** | 15,872,810 |
| **ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS** | | | |
| Represented by: | | | |
| – bank balances, deposits and cash | | **12,295,634** | 15,872,810 |

The notes on pages 64 to 168 form part of these consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31st December, 2011*

## 1. General

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

In the opinion of the directors, the Company's ultimate holding company is China Poly Group Corporation ("China Poly"), a state-owned enterprise established in the PRC. Its parent is Poly (Hong Kong) Holdings Limited ("Poly Holdings"), a company incorporated in Hong Kong. China Poly and its affiliated companies, other than members of the Group, are hereinafter collectively referred to as China Poly Group. The addresses of the registered office and principal place of business of the Company are disclosed in the section of "Corporate Information" to the annual report.

The Company is an investment holding company. Its subsidiaries are engaged in property development, property investment and management, hotel operations and its related services, securities investment and construction services.

## 2. Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

## 3. Basis of preparation

### (a) Initial application of Hong Kong Financial Reporting Standards

In the current year, the Group initially applied the following new or revised standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on 1st January, 2011:–

| | |
|---|---|
| HKAS 24 (Revised) | Related Party Disclosures |
| HK(IFRIC) – Int 19 | Extinguishing Financial Liabilities with Equity Instruments |
| Amendments to HK(IFRIC) – Int 14 | Prepayments of a Minimum Funding Requirement |
| HKFRSs | Improvements to HKFRSs (2010) |

Other than further explained below regarding the impact of HKAS 24 (Revised), the adoption of the new HKFRSs had no material impact on the Group's consolidated financial statements for the current or prior accounting periods.

HKAS 24 (Revised), "Related party disclosures", issued in November 2009. It supersedes HKAS 24, "Related party disclosures", issued in 2003. HKAS 24 (Revised) is mandatory for periods beginning on or after 1st January, 2011. Earlier application, in whole or in part, is permitted. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Group has applied the revised standard from 1st January, 2011. As the result of the adoption, the Group, which is a part of China Poly Group and controlled by the PRC government, is allowed to simplify the disclosure and is only required to disclose following information for its transaction with government-related entities (i) the name of the government entity and the nature of its relationship with Group; (ii) the nature and amount of each individual significant transaction; and (iii) for other transactions that are collectively, but not individually, significant, a qualitative or quantitative indication of their extent.

## 3. Basis of preparation (Continued)

### (b) Hong Kong Financial Reporting Standards in issue but not effective

The following HKFRSs in issue at 31st December, 2011 have not been applied in the preparation of the consolidated financial statements for the year then ended since they were not yet effective for the annual period beginning on 1st January, 2011:–

| | |
|---|---|
| HKAS 19 (Revised 2011) | Employee Benefits[4] |
| HKAS 27 | Separate Financial Statements[4] |
| HKAS 28 | Investments in Associates and Joint Ventures[4] |
| HKFRS 9 | Financial Instruments[6] |
| HKFRS 10 | Consolidated Financial Statements[4] |
| HKFRS 11 | Joint Arrangements[4] |
| HKFRS 12 | Disclosure of Interests in Other Entities[4] |
| HKFRS 13 | Fair Value Measurement[4] |
| HK(IFRIC) – Int 20 | Stripping Costs in the Production Phase of a Surface Mine[4] |
| Amendments to HKAS 1 | Presentation of Items of Other Comprehensive Income[3] |
| Amendments to HKAS 12 | Deferred Tax: Recovery of Underlying Assets[2] |
| Amendments to HKAS 32 | Offsetting Financial Assets and Financial Liabilities[5] |
| Amendments to HKFRS 7 (2010) | Disclosures – Transfers of Financial Assets[1] |
| Amendments to HKFRS 7(2011) | Disclosures – Offsetting Financial Assets and Financial Liabilities[4] |

[1] *Effective for annual periods beginning on or after 1st July, 2011*
[2] *Effective for annual periods beginning on or after 1st January, 2012*
[3] *Effective for annual periods beginning on or after 1st July, 2012*
[4] *Effective for annual periods beginning on or after 1st January, 2013*
[5] *Effective for annual periods beginning on or after 1st January, 2014*
[6] *Effective for annual periods beginning on or after 1st January, 2015*

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's consolidated financial statements.

## 4. Significant accounting policies

### Measurement basis

The consolidated financial statements have been prepared on the historical cost basis except for investment properties, hotel properties, available-for-sale investments and held-for-trading investments, which are measured at their fair values or revalued amounts, as explained in the accounting policies set out below.

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date that control commenced or up to the date that control ceased. When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at that date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of an investment in an associate or jointly controlled entity or other investments.

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

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

## 4. Significant accounting policies (Continued)

### Basis of consolidation (Continued)

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

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position.

### Business combinations and goodwill

#### Business combinations from 1st January, 2010

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred.

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

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

## 4. Significant accounting policies (Continued)

### Business combinations and goodwill (Continued)

#### Business combinations from 1st January, 2010 (Continued)

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

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

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

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

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

## 4. Significant accounting policies (Continued)

### Business combinations and goodwill (Continued)

**Business combinations prior to 1st January, 2010 but after 1st January, 2005**

In comparison to the above-mentioned requirements which were applied on a prospective basis, the following differences applied to business combinations prior to 1st January, 2010:–

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

### Interests in subsidiaries

Interests in subsidiaries is included in the Company's statement of financial position at cost less any identified impairment loss.

### Associates and jointly controlled entities

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

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group or Company and other parties, where the contractual arrangement establishes that the Group or Company and one or more of the other parties share joint control over the economic activity of the entity.

## 4. Significant accounting policies (Continued)

### Associates and jointly controlled entities (Continued)

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

When the Group's share of losses exceeds its interest in the associate or the jointly controlled entity, the Group's interest is reduced to nil and recognition of further losses is discontinued. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the jointly controlled entity.

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

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

## 4. Significant accounting policies (Continued)

### Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition.

### Financial guarantees issued, provisions and contingent liabilities

**(i) Financial guarantees issued**

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

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

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

**(ii) Contingent liabilities assumed in business combinations**

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with (iii) below. Contingent liabilities assumed in a business combination that cannot be reliably fair valued or were not present obligations at the date of acquisition are disclosed in accordance with (iii) below.

## 4. Significant accounting policies (Continued)

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

#### (iii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation. Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable from sales of properties and goods, hotel operations, investments, services provided and subsidies received or receivable, net of discounts and sales related taxes.

(a) Income from sale of properties is recognised upon the execution of a binding sale agreement, the issue of an occupation permit and a completion certificate by the relevant government authorities and fulfilling the terms of the binding sale agreements. Payments received from the purchasers prior to this stage are recorded as pre-sale deposits and presented as current liabilities.

(b) Sales of goods are recognised when goods are delivered and title has passed.

(c) Building management service income is recognised over the relevant period in which the services are rendered.

(d) Revenue from hotel operations and related services is recognised when the relevant services are provided.

## 4. Significant accounting policies (Continued)

### Revenue recognition (Continued)

(e) Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

(f) Dividend income from investments is recognised when the Group's rights to receive payment have been established.

(g) Rental income under operating leases are recognised on a straight-line basis over the term of the relevant lease.

(h) Construction revenue is recognised on the percentage of completion method, measured by reference to (a) the proportion that contract costs incurred for work performed to date to estimated total contract cost or (b) the amount of work certified by independent engineer with reference to the completion of physical proportion of the contract work.

### Investment properties

Investment properties are properties held to earn rentals and/or capital appreciation. These include properties that are being constructed or developed for future use as investment properties.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the year in which the asset is derecognised.

## 4. Significant accounting policies (Continued)

### Property, plant and equipment

Property, plant and equipment including buildings and leasehold land held for use in the production or supply of goods or services, or for administrative purposes, other than hotel properties and construction in progress, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Advantage has been taken of the transitional relief provided by paragraph 80A of HKAS 16 "Property, Plant and Equipment" from the requirement to make regular revaluations of the Group's buildings which had been carried at revalued amounts prior to 30th September, 1995, and accordingly no further revaluation of land and buildings is carried out. Prior to 30th September, 1995, the revaluation increase arising on the revaluation of these assets was credited to the revaluation reserve. Any future decreases in value of these assets will be dealt with as an expense to the extent that they exceed the balance, if any, on the revaluation reserve relating to a previous revaluation of the same asset. On the subsequent sale or retirement of a revalued asset, the corresponding revaluation surplus is transferred to accumulated profits.

Hotel properties are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using the fair values at the end of the reporting period.

Any revaluation increase arising on the revaluation of hotel properties is generally dealt with in other comprehensive income and accumulated as a separate component of equity (hotel properties revaluation reserve), except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in net carrying amount arising on the revaluation of such buildings is dealt with as an expense to the extent that it exceeds the balance, if any, held on the hotel properties revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued hotel properties is charged to profit or loss. On the subsequent sale or retirement of a revalued hotel property, the attributable revaluation surplus remaining in the hotel properties revaluation reserve is transferred directly to accumulated profits.

Depreciation is provided to write off the cost or fair value of items of property, plant and equipment, other than construction in progress, over their estimated useful lives or lease terms and after taking into account of their estimated residual values, using the straight-line method.

## 4. Significant accounting policies (Continued)

### Property, plant and equipment (Continued)

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

### Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, as measured by (a) the proportion that contract costs incurred for work performed to date to the estimated total contract costs or (b) the amount of work certified by independent engineer with reference to the completion of physical proportion of contract work. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the remaining period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as an amount due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as an amount due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade and other receivables.

### Club membership

Club membership with indefinite life are stated at cost less identified impairment loss.

## 4. Significant accounting policies (Continued)

### Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

**The Group as lessor**

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease.

**The Group as lessee**

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

**Leasehold land and building**

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and account for as property, plant and equipment.

### Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the statement of financial position date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

## 4. Significant accounting policies (Continued)

### Foreign currencies (Continued)

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

### Cash and cash equivalents

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

### Retirement benefits scheme contributions

Payments to Group's defined contribution retirement benefits schemes and Mandatory Provident Fund Scheme are charged as expenses when employees have rendered service entitling them to the contributions. Payments made to state-managed retirement benefits schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

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

## 4. Significant accounting policies (Continued)

### Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, and interests in associates and jointly controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

### Properties held for sale

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

### Properties under development

Properties under development developed for future sale in the ordinary course of business are included in current assets at the lower of cost and net realisable value. It comprises the consideration for development expenditure (which includes cost of land use rights, construction costs and capitalised interest) directly contributable to the development of the properties.

## 4. Significant accounting policies (Continued)

### Other inventories

Other inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

### Financial instruments

Financial assets and financial liabilities are recognised on the statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

#### Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

*Financial assets at fair value through profit or loss*

Financial assets at FVTPL represents financial assets held for trading.

A financial asset is classified as held for trading if:–

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

At the end of each reporting period subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend earned on the financial assets.

## 4. Significant accounting policies (Continued)

### Financial instruments (Continued)

#### Financial assets (Continued)

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables (including trade and other receivables, short-term loan receivables, amounts due from subsidiaries, fellow subsidiaries, jointly controlled entity, non-controlling shareholders of subsidiaries and related companies, pledged bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses. (See accounting policy on impairment loss on financial assets below).

*Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either not designated or not classified as financial assets at FVTPL and loans and receivables.

At the end of each reporting period subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in other comprehensive income and accumulated as a separate component of equity (investment revaluation reserve), until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss (see accounting policy on impairment loss on financial assets below).

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at the end of each reporting period subsequent to initial recognition (see accounting policy on impairment loss on financial assets below).

*Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments.

## 4. Significant accounting policies (Continued)

### Financial instruments (Continued)

**Financial assets** (Continued)

*Impairment of financial assets*

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:–

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables and short-term loan receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments of trade receivables in the portfolio past the average credit period of 30 to 90 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

## 4. Significant accounting policies (Continued)

### Financial instruments (Continued)

**Financial assets** (Continued)

*Impairment of financial assets (Continued)*

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and loan receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable or a loan receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income.

**Financial liabilities and equity**

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's financial liabilities are generally classified as other financial liabilities.

## 4. Significant accounting policies (Continued)

### Financial instruments (Continued)

**Financial liabilities and equity** (Continued)

*Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

**Other financial liabilities**

Other financial liabilities including trade payables, property rental deposits, amounts due to subsidiaries, the ultimate holding company, intermediate holding company, fellow subsidiaries, non-controlling shareholders of the subsidiaries, associates, and a related company, bank and other borrowings and loan from a fellow subsidiary are subsequently measured at amortised cost, using the effective interest method.

**Equity instruments**

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue cost.

*Derecognition*

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

## 4. Significant accounting policies (Continued)

### Equity-settled share-based payment transactions

**Share options granted to employees after 7th November, 2002 and vested on or after 1st January, 2005**

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share option reserve.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated profits.

**Share options granted to employees on or before 7th November, 2002**

The financial impact of share options granted is not recorded in the consolidated financial statements until such time as the options are exercised, and no charge is recognised in the consolidated income statement in respect of the value of options granted. Upon the exercise of the share options, the resulting shares issued are recorded as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded as share premium. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

### Government grants

Government grants are recognised as income over the periods necessary to match them with the related costs. Grants related to depreciable assets are presented as a deduction from the carrying amount of the relevant asset and are released to income over the useful lives of the assets. Grants related to expense items are recognised in the same period as those expenses are charged in the consolidated income statement and are reported separately as other income.

## 4. Significant accounting policies (Continued)

### Impairment losses other than goodwill (see the accounting policy in respect of goodwill above)

At the end of each reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. In addition, intangible assets with indefinite useful lives are tested for impairment annually, and whenever there is an indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

### Related parties

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

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

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

  (ii) has significant influence over the Group; or

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

or

## 4. Significant accounting policies (Continued)

**Related parties** (Continued)

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

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

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

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

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

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

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

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

## 5. Key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

## 5. Key sources of estimation uncertainty (Continued)

### Estimated net realisable value of properties under development and held for sale

Management reviews the net realisable value of the Group's properties under development of HK$60,359,693,000 (2010: HK$37,990,453,000) and held for sale of HK$5,895,473,000 (2010: HK$5,495,438,000) with reference to its estimated costs to completion, intended use and current market environment whenever events or changes in circumstances indicate that the carrying amount of the assets exceeds its net realisable value. Appropriate write-off to estimated net realisable value is recognised in profit or loss when there is objective evidence that the asset is impaired.

In determining whether write-off properties under development and held for sale is required, the Group takes into consideration the intended use of the properties, the estimated costs to completion, the current market environment, the estimated market value of the properties and/or the present value of future cash flows expected to receive. Write-off is recognised based on the higher of estimated future cash flows and estimated market value. If the market environment/circumstances or estimated costs to completion changes significantly, resulting in a decrease in the net realisable value of these properties interest, additional write-off loss may be required. No write-off was made on properties under development and properties held for sale for the years ended 31st December, 2011 and 31st December, 2010.

### Estimated impairment of short-term loan receivables and other receivables

In determining whether there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment 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 (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31st December, 2011, the carrying amounts of short-term loan receivables and other receivables are HK$185,185,000 (2010: HK$176,471,000) (net of allowance for doubtful debts of HK$27,040,000 (2010: HK$27,040,000)) and HK$1,104,017,000 (2010: HK$864,833,000) (net of allowance for doubtful debts of HK$40,897,000 (2010: HK$59,937,000)), respectively.

## 5. Key sources of estimation uncertainty (Continued)

### Estimation of fair value of investment properties

Investment properties were revalued as at 31st December, 2011 based on the appraised market value by independent professional valuer. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimate, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of each reporting period.

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

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

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

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

The principal assumptions for the Group's estimation of the fair value include those related to current market rents for similar properties in the same location and condition, appropriate discount rates, expected future market rents and future maintenance costs. The carrying amount of investment properties at 31st December, 2011 was HK$6,578,020,000 (2010: HK$5,025,391,000).

### Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discounted rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31st December, 2011 was HK$804,890,000 (2010: HK$785,299,000). More details are given in note 20.

## 5. Key sources of estimation uncertainty (Continued)

### PRC enterprise income tax

The Group is subject to income taxes in Mainland China. As a result of the fact that certain matters relating to the income taxes have not been confirmed by the local tax bureau, objective estimate and judgment based on currently enacted tax laws, regulations and other related policies are required in determining the provision of income taxes to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will have impact on the income tax and tax provisions in the period in which the differences realise.

### PRC land appreciation tax ("LAT")

The Group is subject to LAT in Mainland China. The provision of LAT is based on management's best estimates according to the understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon the completion of the property development projects. The Group has not finalised its LAT calculation and payments with the tax authorities for its certain property development projects. The final outcome could be different from the amounts that were initially recorded.

## 6. Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to owners of the Company through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 36, cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and accumulated profits.

The directors of the Company review the capital structure on a semi-annual basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

Consistent with others in the industry, 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 bank and other borrowings less bank balances, deposits and cash. Total capital is calculated as "equity", as shown in the consolidated statement of financial position, plus net debt.

## 6. Capital risk management (Continued)

During 2011, the Group's strategy, which was unchanged from 2010 and the gearing ratios at 31st December, 2011 and 2010 were as follows:–

| | **2011**<br>**HK$'000** | 2010<br>HK$'000 |
|---|---|---|
| Total bank and other borrowings *(note 36)* | **37,959,232** | 29,823,270 |
| Less: bank balances, deposits and cash | **(12,295,634)** | (15,872,810) |
| Net debt | **25,663,598** | 13,950,460 |
| Total equity | **27,171,752** | 23,829,496 |
| Total capital | **52,835,350** | 37,779,956 |
| Gearing ratio | **49%** | 37% |

## 7. Financial instruments

### (a) Categories of financial instruments

| | **2011**<br>**HK$'000** | 2010<br>HK$'000 |
|---|---|---|
| **The Group** | | |
| **Financial assets** | | |
| Held-for-trading investments | **782** | 11,002 |
| Loans and receivables (including cash and cash equivalents) | **15,109,799** | 17,414,337 |
| Available-for-sale investments | **148,383** | 419,166 |
| **Financial liabilities** | | |
| Amortised cost | **53,580,312** | 39,124,368 |
| **The Company** | | |
| **Financial assets** | | |
| Loans and receivables (including cash and cash equivalents) | **24,144,314** | 23,787,109 |
| Available-for-sale investments | **78,378** | 32,487 |
| **Financial liabilities** | | |
| Amortised cost | **5,545,125** | 5,818,699 |

## 7. Financial instruments (Continued)

### (b) Financial risk management objectives and policies

The Group's major financial instruments include held-for-trading investments, available-for-sale investments, trade and other receivables, short-term loan receivables, amount due from a jointly controlled entity, amounts due from fellow subsidiaries, amounts due from non-controlling shareholders of subsidiaries, amounts due from related companies, pledged bank deposits, bank balances, deposits and cash, trade and other payables, property rental deposits, amount due to the ultimate holding company, amount due to an intermediate holding company, amounts due to fellow subsidiaries, amounts due to non-controlling shareholders of subsidiaries, amounts due to associates, amount due to a related company, loan from a fellow subsidiary and bank and other borrowings. The Company's major financial instruments include available-for-sale investments, amounts due from subsidiaries, other receivables, bank balances, deposits and cash, other payables, amounts due to subsidiaries, amount due to an intermediate holding company and bank borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

**Market risk**

The Group's activities expose it primarily to the financial risks of changes in interest rates, foreign currency rates and equity security prices. Market risk exposures are further measured by sensitivity analysis. There has been no significant change to the Group's exposure to market risks or the manner in which it manages and measures the risk. Details of each type of market risks are described as follows:–

*(i) Currency risk*

The Group's revenue are mostly denominated in RMB, however, the Group also undertakes certain transactions denominated in foreign currencies, hence exposures to currency risk. In addition, the currency risk also arises from funding to its subsidiaries in the PRC. These loans to its subsidiaries are normally denominated in RMB while the sources of funding are usually denominated in Hong Kong dollars and United States dollars ("US$").

Since Hong Kong dollars is being pegged to US$, material fluctuations in exchange rates of Hong Kong dollars against US$ are remote.

The Group currently does not use any derivative contracts to hedge against its exposure to currency risk. The management manages its currency risk by closely monitoring the movement of the foreign currency rate and consider hedging significant foreign currency exposure should the need arise.

## 7. Financial instruments (Continued)

### (b) Financial risk management objectives and policies (Continued)

**Market risk** (Continued)

*(i) Currency risk (Continued)*

Apart from the bank loan of HK$1,677,000,000 which was denominated in US$, the following table details the Group's exposure as at 31st December, 2011 that the currency risk arising from recognised assets denominated in a currency other than the functional currency and US$ of the entity to which they relate.

| | **2011** | 2010 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Bank balances, deposits and cash | **2,138,417** | 233,871 |
| Short-term loans to subsidiaries | **8,099,396** | 7,414,015 |
| Gross exposure arising from recognised assets | **10,237,813** | 7,647,886 |

Apart from the bank loan of HK$1,677,000,000 which was denominated in US$, the Company did not have any exposure to currency risk as all the financial assets and liabilities were denominated in its functional currency as at 31st December, 2011 and 2010.

## 7. Financial instruments (Continued)

### (b) Financial risk management objectives and policies (Continued)

**Market risk** (Continued)

*(i) Currency risk (Continued)*

The following table indicates the approximate change in the Group's profit after tax and accumulated profits in response to reasonably possible changes in foreign exchange rates. The sensitivity analysis includes balances between group companies where the denomination of the balances is in a currency other than the functional currencies of the lender or borrower.

| | **2011** | | 2010 | |
|---|---|---|---|---|
| | **Appreciation (depreciation) in foreign exchange rate** | **Increase (decrease) in profit after tax and accumulated profits HK$'000** | Appreciation (depreciation) in foreign exchange rate | Increase (decrease) in profit after tax and accumulated profits HK$'000 |
| Renminbi | **5%** | **631,964** | 5% | 449,876 |
| | **(5%)** | **(631,964)** | (5%) | (449,876) |

The sensitivity analysis has been determined assuming that the change in foreign exchange rate had occurred at the end of the reporting period and had been applied to each of the Group's entities' exposure to currency risk for financial instruments in existence at that date, with all other variables remain constant.

## 7. Financial instruments (Continued)

### (b) Financial risk management objectives and policies (Continued)

**Market risk** (Continued)

*(ii) Interest rate risk*

The Group is exposed to fair value interest rate risk in relation to pledged bank deposits and fixed-rate bank and other borrowings (see notes 34 and 36 for details of these deposits and borrowings). The Group aims at keeping borrowings at variable rates. Currently, the Group does not have hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

The Group is also exposed to cash flow interest rate risk in relation to amount due to the ultimate holding company, amount due to an intermediate holding company, amounts due to fellow subsidiaries, amounts due to non-controlling shareholders of subsidiaries, bank balances and variable-rate bank and other borrowings (see notes 33, 34 and 36 for details of these bank balances and borrowings). It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the cash flows interest rate risk.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of LIBOR and benchmark rate in the PRC arising from the Group's US$ and RMB borrowings.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the amount of asset and liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis points increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31st December, 2011 would decrease/increase by HK$69,799,000 (2010: decrease/increase by HK$38,052,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank and other borrowings and bank balances.

## 7. Financial instruments (Continued)

### (b) Financial risk management objectives and policies (Continued)

**Market risk** (Continued)

*(iii) Other price risk*

The Group is exposed to equity price risk through its investments in held-for-trading investments and listed available-for-sale investments. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's equity price risk is mainly concentrated on listed equity instruments quoted in the Stock Exchange. In addition, the Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risks at the end of the reporting period.

If the prices of the respective equity instruments had been 5% higher/lower:–

- Profit for the year ended 31st December, 2011 would increase/decrease by HK$29,000 (2010: increase/decrease by HK$413,000) for the Group a result of the changes in fair value of held-for-trading investments; and

- Investment valuation reserve would increase/decrease by HK$3,438,000 (2010: increase/decrease HK$19,275,000) for the Group as a result of the changes in fair value of listed available-for-sale investments.

**Credit risk**

As at 31st December, 2011, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

## 7. Financial instruments (Continued)

### (b) Financial risk management objectives and policies (Continued)

**Credit risk** (Continued)

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk.

**Liquidity risk**

The Group has net current assets amounting to approximately HK$39,576,303,000 at 31st December, 2011.

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank and other borrowings and ensures compliance with loan covenants.

The Group relies on bank and other borrowings as a significant source of liquidity. As at 31st December, 2011, the Group has available unutilised bank loan facilities of approximately HK$10,072,346,000 (2010: HK$3,783,329,000). Details of which are set out in note 36.

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*For the year ended 31st December, 2011*

# 7. Financial instruments (Continued)

## (b) Financial risk management objectives and policies (Continued)

**Liquidity risk** (Continued)

The following table details the Group's remaining contractual maturity for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Liquidity and interest risk tables

**The Group**

| | Weighted average effective interest rate % | Less than 1 month HK$'000 | 1 – 3 months HK$'000 | 3 months to 1 year HK$'000 | 1 – 5 years HK$'000 | 5+ years HK$'000 | Total undiscounted cash flows HK$'000 | Carrying amount at 31.12.2011 HK$'000 |
|---|---|---|---|---|---|---|---|---|
| **2011** | | | | | | | | |
| **Non-derivative financial liabilities** | | | | | | | | |
| Trade and other payables | | 1,867,719 | 310,603 | 3,060,097 | 868,723 | 3,404 | 6,110,546 | 6,110,546 |
| Property rental deposits | | – | 160 | – | 77,610 | 13,478 | 91,248 | 91,248 |
| Amount due to the ultimate holding company | | | | | | | | |
| – interest-free | | – | – | 30,478 | – | – | 30,478 | 30,478 |
| – variable rate | 7.56 | – | – | 422,655 | – | – | 422,655 | 403,586 |
| Amount due to an intermediate holding company | | | | | | | | |
| – interest-free | | – | – | 3,208,904 | – | – | 3,208,904 | 3,208,904 |
| – variable rate | 7.11 | – | – | 694,035 | – | – | 694,035 | 664,492 |
| Amounts due to fellow subsidiaries | | | | | | | | |
| – interest-free | | 2,268,412 | 4,119 | 262,493 | – | – | 2,535,024 | 2,535,024 |
| Amounts due to non-controlling shareholders of subsidiaries | | | | | | | | |
| – interest-free | | 4,321 | 16,455 | 671,171 | – | – | 691,947 | 691,947 |
| – variable rate | 6.93 | – | – | 1,668,528 | – | – | 1,668,528 | 1,599,270 |
| Bank and other loans | | | | | | | | |
| – fixed rate | 10.36 | – | 810,045 | 6,493,506 | 4,222,760 | – | 11,526,311 | 10,036,667 |
| – variable rate | 7.13 | 308,677 | 640,449 | 5,500,912 | 24,727,252 | 2,801,333 | 33,978,623 | 27,922,565 |
| Amount due to an associate | | – | – | 74,074 | – | – | 74,074 | 74,074 |
| Amount due to a related company | | – | 1,867 | – | – | – | 1,867 | 1,867 |
| Loan from a fellow subsidiary | 6.00 | – | – | – | 222,222 | – | 222,222 | 209,644 |
| | | 4,449,129 | 1,783,698 | 22,086,853 | 30,118,567 | 2,818,215 | 61,256,462 | 53,580,312 |

# 7. Financial instruments (Continued)

## (b) Financial risk management objectives and policies (Continued)

### Liquidity risk (Continued)

Liquidity and interest risk tables (Continued)

**The Group** (Continued)

| | Weighted average effective interest rate % | Less than 1 month HK$'000 | 1 – 3 months HK$'000 | 3 months to 1 year HK$'000 | 1 – 5 years HK$'000 | 5+ years HK$'000 | Total undiscounted cash flows HK$'000 | Carrying amount at 31.12.2010 HK$'000 |
|---|---|---|---|---|---|---|---|---|
| **2010** | | | | | | | | |
| **Non-derivative financial liabilities** | | | | | | | | |
| Trade and other payables | | 968,796 | 453,056 | 2,106,514 | 287,449 | 8,278 | 3,824,093 | 3,824,093 |
| Property rental deposits | | – | – | – | 67,622 | – | 67,622 | 67,622 |
| Amount due to the ultimate holding company | | | | | | | | |
| – interest-free | | – | – | 66,983 | – | – | 66,983 | 66,983 |
| – variable rate | 6.81 | – | – | 32,999 | – | – | 32,999 | 31,652 |
| Amount due to an intermediate holding company | | | | | | | | |
| – interest-free | | – | – | 1,992,598 | – | – | 1,992,598 | 1,992,598 |
| – variable rate | 6.36 | – | 68,404 | 588,028 | – | – | 656,432 | 633,222 |
| Amounts due to fellow subsidiaries | | | | | | | | |
| – interest-free | | 934,447 | 26,966 | 446,347 | – | – | 1,407,760 | 1,407,760 |
| Amounts due to non-controlling shareholders of subsidiaries | | | | | | | | |
| – interest-free | | 187 | 45,552 | 217,310 | – | – | 263,049 | 263,049 |
| – fixed rate | 6.81 | – | – | 264,485 | – | – | 264,485 | 253,685 |
| – variable rate | 7.88 | – | – | 526,080 | – | – | 526,080 | 501,376 |
| Bank and other loans | | | | | | | | |
| – fixed rate | 8.05 | – | 596,132 | 5,238,295 | 3,569,012 | – | 9,403,439 | 8,404,386 |
| – variable rate | 5.28 | 141,811 | 111,034 | 3,817,506 | 17,927,859 | 3,888,036 | 25,886,246 | 21,418,884 |
| Amount due to an associate | | – | – | 70,588 | – | – | 70,588 | 70,588 |
| Loan from a fellow subsidiary | 6.00 | – | – | – | 211,765 | – | 211,765 | 188,470 |
| | | 2,045,241 | 1,301,144 | 15,367,733 | 22,063,707 | 3,896,314 | 44,674,139 | 39,124,368 |

# 7. Financial instruments (Continued)

## (b) Financial risk management objectives and policies (Continued)

### Liquidity risk (Continued)

Liquidity and interest risk tables (Continued)

**The Company**

| | Weighted average effective interest rate % | Less than 1 month HK$'000 | 1-3 months HK$'000 | 3 months to 1 year HK$'000 | 1-5 years HK$'000 | 5+ years HK$'000 | Total undiscounted cash flows HK$'000 | Carrying amount at 31.12.2011 HK$'000 |
|---|---|---|---|---|---|---|---|---|
| **2011** | | | | | | | | |
| **Non-derivative financial liabilities** | | | | | | | | |
| Other payables | | – | – | 14,967 | – | – | 14,967 | 14,967 |
| Amounts due to subsidiaries | | – | – | 691,672 | – | – | 691,672 | 691,672 |
| Amount due to an intermediate holding company | | | | | | | | |
| – interest-free | | – | – | 3,161,486 | – | – | 3,161,486 | 3,161,486 |
| Bank loans | | | | | | | | |
| – variable rate | 3.14 | – | – | – | 1,839,718 | – | 1,839,718 | 1,677,000 |
| | | – | – | 3,868,125 | 1,839,718 | – | 5,707,843 | 5,545,125 |

| | HK$'000 |
|---|---|
| Financial guarantee issued: | |
| – Maximum amount guaranteed *(note 49)* | 6,710,740 |
| – Carrying amount at 31.12.2011 | 21,094 |

| | Weighted average effective interest rate % | Less than 1 month HK$'000 | 1-3 months HK$'000 | 3 months to 1 year HK$'000 | 1-5 years HK$'000 | 5+ years HK$'000 | Total undiscounted cash flows HK$'000 | Carrying amount at 31.12.2010 HK$'000 |
|---|---|---|---|---|---|---|---|---|
| 2010 | | | | | | | | |
| **Non-derivative financial liabilities** | | | | | | | | |
| Other payables | | – | – | 19,749 | – | – | 19,749 | 19,749 |
| Amounts due to subsidiaries | | – | – | 297,449 | – | – | 297,449 | 297,449 |
| Amount due to an intermediate holding company | | | | | | | | |
| – interest-free | | – | – | 1,991,501 | – | – | 1,991,501 | 1,991,501 |
| Bank loans | | | | | | | | |
| – variable rate | 2.24 | – | – | 178,448 | 3,427,866 | – | 3,606,314 | 3,510,000 |
| | | – | – | 2,487,147 | 3,427,866 | – | 5,915,013 | 5,818,699 |

| | HK$'000 |
|---|---|
| Financial guarantee issued: | |
| – Maximum amount guaranteed *(note 49)* | 6,181,000 |
| – Carrying amount at 31.12.2010 | 28,356 |

## 7. Financial instruments (Continued)

### (c) Fair values

#### (i) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at 31st December, 2011 across the three levels of the fair value hierarchy defined in HKFRS 7, "Financial Instruments: Disclosures", with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:–

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments
- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data
- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

At 31st December, 2011, the Group had the following financial instruments carried at fair value all of which are based on the Level 1 of the fair value hierarchy:–

| | **2011** | 2010 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Assets | | |
| Available-for-sale investments – Listed | **68,770** | 385,501 |
| Held-for-trading investments – Listed | **782** | 11,002 |
| | **69,552** | 396,503 |

At 31st December, 2011 and 2010, the Company did not have any financial instruments carried at fair value.

During the year ended 31st December, 2011, there were no significant transfers between financial instruments in Level 1 and Level 2.

## 7. Financial instruments (Continued)

### (c) Fair values (Continued)

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

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31st December, 2011 and 2010 except for the loan from a fellow subsidiary of which the carrying amount and fair value were HK$209,644,000 (2010: HK$188,470,000) and HK$209,762,000 (2010: HK$188,683,000) respectively.

**(iii)** The fair values of financial assets and financial liabilities are determined as follows:–

The fair values of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted active bid prices and ask prices respectively; and the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

## 8. Revenue

Revenue represents the aggregate of the net amounts received and receivable from third parties, net of business tax payable in the PRC. An analysis of the Group's revenue for the year is as follows:–

| | **2011**<br>**HK$'000** | 2010<br>HK$'000 |
|---|---|---|
| Sales of properties | **13,265,798** | 7,742,475 |
| Rental income and building management service income | **499,507** | 443,243 |
| Income from hotel operations | **200,149** | 146,885 |
| Sales of goods | **126,136** | 116,963 |
| Construction revenue | **13,323** | 63,749 |
| Dividend income from unlisted securities | **–** | 821 |
| | **14,104,913** | 8,514,136 |

## 9. Other income

| | **2011** **HK$'000** | 2010 HK$'000 |
|---|---|---|
| Reversal of impairment loss previously recognised in respect of other receivables | **24,720** | 11,972 |
| Reversal of impairment loss previously recognised in respect of trade receivables *(note 28)* | **116** | 1,487 |
| Reversal of impairment loss previously recognised in respect of amount due from an associate | **–** | 9,700 |
| Exchange gains | **476,343** | 292,007 |
| Interest income from non-controlling shareholders of subsidiaries | **52,362** | – |
| Interest income from deposit paid for acquisition of a development project in form of entrusted loan | **–** | 1,240 |
| Bank interest income | **95,743** | 49,488 |
| Gain on disposal of investment properties | **1,442** | 1,527 |
| Gain on disposal of held-for-trading investments | **3,512** | – |
| Gain on dissolution of a subsidiary | **–** | 7,608 |
| Government subsidy | **36,441** | – |
| Dividend income from listed securities | **7,806** | – |
| Others | **33,783** | 14,754 |
| | **732,268** | 389,783 |

## 10. Finance costs

| | **2011** **HK$'000** | 2010 HK$'000 |
|---|---|---|
| Interest on bank and other borrowings:– | | |
| – wholly repayable within five years | **3,171,343** | 1,015,698 |
| – not wholly repayable within five years | **125,413** | 144,323 |
| Imputed interest expense on loan from a fellow subsidiary | **11,580** | 10,544 |
| Total borrowing costs | **3,308,336** | 1,170,565 |
| Less: amounts capitalised *(note 26)* | **(2,868,139)** | (913,249) |
| | **440,197** | 257,316 |

Borrowing costs capitalised during the year arose from specific borrowings.

## 11. Directors' emoluments

The emoluments paid or payable to each of the ten (2010: twelve) directors were as follows:–

| | | Other emoluments | | | |
|---|---|---|---|---|---|
| | Fees HK$'000 | Salaries and other benefits HK$'000 | Bonuses HK$'000 | Retirement benefit scheme contributions HK$'000 | Total emoluments HK$'000 |
| **2011** | | | | | |
| Chen Hong Sheng | 60 | – | – | – | 60 |
| Wang Xu | – | 3,080 | 660 | 12 | 3,752 |
| Xue Ming | – | 3,080 | 660 | 12 | 3,752 |
| Han Qing Tao | – | 1,175 | – | 7 | 1,182 |
| Zhang Wan Shun | – | 964 | 465 | 1 | 1,430 |
| Ye Li Wen | – | 2,170 | 465 | 12 | 2,647 |
| Ip Chun Chung, Robert | 130 | – | – | – | 130 |
| Yao Kang, *J.P.* | 180 | – | – | – | 180 |
| Choy Shu Kwan | 130 | – | – | – | 130 |
| Leung Sau Fan, Sylvia | 130 | – | – | – | 130 |
| Total | 630 | 10,469 | 2,250 | 44 | 13,393 |

## 11. Directors' emoluments (Continued)

| | | Other emoluments | | | |
|---|---|---|---|---|---|
| | Fees | Salaries and other benefits | Bonuses | Retirement benefit scheme contributions | Total emoluments |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| 2010 | | | | | |
| He Ping | 50 | – | – | – | 50 |
| Chen Hong Sheng | 50 | – | – | – | 50 |
| Wang Xu | – | 2,343 | 750 | 12 | 3,105 |
| Xue Ming | – | 2,719 | 720 | 12 | 3,451 |
| Han Qing Tao | – | 1,783 | 520 | 12 | 2,315 |
| Ye Li Wen | – | 1,820 | 520 | 12 | 2,352 |
| Chan Tak Chi, William | 20 | – | – | – | 20 |
| Ip Chun Chung, Robert | 120 | – | – | – | 120 |
| Yao Kang, *J.P.* | 160 | – | – | – | 160 |
| Choy Shu Kwan | 120 | – | – | – | 120 |
| Leung Sau Fan, Sylvia | 60 | – | – | – | 60 |
| Lam Tak Shing, Harry | 80 | – | – | – | 80 |
| Total | 660 | 8,665 | 2,510 | 48 | 11,883 |

*Note:–*

In each of the two years ended 31st December, 2011, no emoluments were paid by the Group to the directors, as an inducement to join or upon joining the Group or as a compensation for loss of office. None of the directors has waived any emoluments during each of the two years ended 31st December, 2011 and 2010.

Bonus was determined with reference to the Group's operating results, individual performances and comparable market statistics.

## 12. Employees' emoluments

Of the five individuals with the highest emoluments in the Group, three (2010: four) were directors of the Company whose emoluments are included in the disclosure in note 11 above. The emoluments of the remaining two (2010: one) highest paid individuals are as follows:–

| | **2011 HK$'000** | 2010 HK$'000 |
|---|---|---|
| Salaries and other benefits | **3,990** | 1,820 |
| Bonuses | **855** | 520 |
| Retirement benefits scheme contributions | **24** | 12 |
| | **4,869** | 2,352 |

The emoluments of the remaining two (2010: one) highest paid individuals were within the following bands:–

| | **2011 Number of employee** | 2010 Number of employee |
|---|---|---|
| Nil to HK$1,000,000 | **–** | – |
| HK$1,000,001 to HK$1,500,000 | **–** | – |
| HK$1,500,001 to HK$2,000,000 | **–** | – |
| HK$2,000,001 to HK$2,500,000 | **1** | 1 |
| HK$2,500,001 to HK$3,000,000 | **1** | – |
| HK$3,000,001 to HK$3,500,000 | **–** | – |

## 13. Profit before taxation

| | **2011** | 2010 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Profit before taxation has been arrived at after charging and (crediting):– | | |
| Staff costs | | |
| – directors' emoluments *(note 11)* | **13,393** | 11,883 |
| – other staff costs | **500,387** | 319,549 |
| – other staff's retirement benefit scheme contributions | **51,278** | 28,355 |
| | **565,058** | 359,787 |
| Amortisation of prepaid lease payments (included in administrative expenses) | **12,918** | 9,072 |
| Depreciation of property, plant and equipment | **117,898** | 83,030 |
| Total depreciation and amortisation | **130,816** | 92,102 |
| Auditor's remuneration | | |
| – current year | **5,400** | 5,000 |
| Cost of inventories recognised as expenses | **8,251,677** | 4,838,672 |
| Operating lease rentals in respect of | | |
| – rented premises | **29,934** | 11,907 |
| – equipment | **1,455** | 1,163 |
| Impairment loss on goodwill (included in cost of sales) *(note 20)* | **4,657** | 5,417 |
| Gain on disposal of available-for-sale investments | **(231,482)** | – |
| Gain on disposal of held-for-trading investments | **(3,512)** | – |
| Share of tax of associates (included in share of results of associates) | **6,711** | 7,780 |
| Loss on disposal of property, plant and equipment | **2,008** | 6,880 |
| Gain on disposal of interests in subsidiaries | **–** | (352,349) |
| Gain on disposal of interest in an associate | **(96,397)** | (98,060) |
| Gain on disposal of investment properties | **(1,442)** | (1,527) |
| Property rental income and building management service income, net of direct expenses of HK$26,989,000 (2010: HK$28,078,000) | **(472,518)** | (415,165) |

## 14. Income tax expense

| | **2011** **HK$'000** | 2010 HK$'000 |
|---|---|---|
| The charge comprises:– | | |
| Hong Kong Profits Tax | **–** | – |
| PRC Enterprise Income Tax | | |
| – current year | **1,023,337** | 601,455 |
| – under-provision in prior year | **19,523** | 8,995 |
| | **1,042,860** | 610,450 |
| LAT | **662,460** | 471,697 |
| Deferred taxation | | |
| – current year | **83,763** | (24,445) |
| – over-provision in prior year | **(10,119)** | (8,310) |
| | **73,644** | (32,755) |
| | **1,778,964** | 1,049,392 |

Hong Kong Profits Tax is calculated at 16.5% (2010: 16.5%) of the estimated assessable profit for the year. No provision for Hong Kong Profits Tax has been made as there is no assessable profit for both years.

Except for certain PRC subsidiaries, which are subject to concessionary tax rates lower than the PRC statutory enterprise income tax rate ("Statutory EIT rate") in accordance with relevant tax rules and regulations, all other PRC subsidiaries are subject to Statutory EIT rate at 25% based on the estimated assessable profit for both years.

Details of deferred taxation are set out in note 45.

Certain PRC subsidiaries are also subject to the PRC LAT which is levied at progressive rates ranging from 30% to 60% on the appreciation of properties, being the proceeds from sales of properties less deductible expenditure including costs of land use rights and development and construction.

## 14. Income tax expense (Continued)

The tax charge for the year can be reconciled to the profit before taxation per the consolidated income statement as follows:–

| | **2011** **HK$'000** | 2010 HK$'000 |
|---|---|---|
| Profit before taxation | **5,001,371** | 3,185,845 |
| Tax at PRC statutory tax rate of 25% | **1,250,343** | 796,461 |
| Tax effect of share of results of associates | **(4,101)** | (4,876) |
| Tax effect of expenses not deductible for tax purpose | **89,680** | 89,414 |
| Tax effect of income not taxable for tax purpose | **(157,097)** | (197,693) |
| Tax effect of tax losses not recognised | **74,311** | 41,740 |
| Tax effect of utilisation of tax losses previously not recognised | **(2,624)** | (6,086) |
| Effect of concessionary tax rates for certain PRC subsidiaries | **–** | (16,479) |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | **(7,460)** | (6,489) |
| Effect of land appreciation tax | **(165,615)** | (117,924) |
| Land appreciation tax | **662,460** | 471,697 |
| Under-provision in prior year | **9,404** | 685 |
| Others | **29,663** | (1,058) |
| Tax charge for the year | **1,778,964** | 1,049,392 |

## 15. Dividends

| | **2011** **HK$'000** | 2010 HK$'000 |
|---|---|---|
| Dividends recognised as distribution during the year:– | | |
| 2010 final dividend of HK$0.155 (2010: HK$0.044 for 2009) per share | **559,308** | 140,938 |

No interim dividend was paid for both years.

The directors of the Company do not recommend the payment of a final dividend for the year ended 31st December, 2011 (2010: a final dividend of HK$0.155 per share).

## 16. Earnings per share

The calculation of the basic and diluted earnings per share for the year is based on the following data:–

| | **2011** **HK$'000** | 2010 HK$'000 |
|---|---|---|
| Earnings:– | | |
| Profit for the year attributable to owners of the Company:– | **2,777,119** | 1,838,367 |

| | **2011** | 2010 |
|---|---|---|
| Number of shares:– | | |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | **3,608,437,046** | 3,292,564,487 |
| Effect of dilutive potential ordinary shares on share options | **15,656,229** | 37,610,582 |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | **3,624,093,275** | 3,330,175,069 |

No new shares were issued during the year ended 31st December, 2011 and the weighted average number of shares has been adjusted for the shares issued during the year ended 31st December, 2010 as set out in note 37.

## 17. Investment properties

| | HK$'000 |
|---|---|
| **The Group** | |
| FAIR VALUE | |
| At 1st January, 2010 | 4,476,339 |
| Exchange adjustments | 150,749 |
| Acquired on acquisition of subsidiaries *(note 42(b))* | 18,160 |
| Additions | 4,096 |
| Transfer from property, plant and equipment | 31,548 |
| Transfer from properties held for sale | 3,679 |
| Transfer from properties under development | 181,403 |
| Increase in fair value recognised in the consolidated income statement | 140,269 |
| Surplus arising on revaluation recognised in the statement of comprehensive income | 20,864 |
| Disposals | (1,716) |
| At 31st December, 2010 and 1st January, 2011 | 5,025,391 |
| Exchange adjustments | 168,497 |
| Additions | 104 |
| Transfer from property, plant and equipment | 6,498 |
| Transfer from properties held for sale | 656,964 |
| Transfer from properties under development | 253,086 |
| Transfer from prepaid lease payments | 5,679 |
| Increase in fair value recognised in the consolidated income statement | 453,905 |
| Surplus arising on revaluation recognised in the statement of comprehensive income | 16,542 |
| Disposals | (8,646) |
| **At 31st December, 2011** | **6,578,020** |

The fair values of the Group's investment properties at 31st December, 2011 and 2010 have been arrived at on the basis of a valuation carried out on that date by AA Property Services Limited, an independent professional surveyor and property valuer not connected with the Group. AA Property Services Limited is a member of the Hong Kong Institute of Surveyors, and has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation was arrived by reference to comparable sales transactions as available in the relevant market.

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The carrying value of investment properties comprises:–

| | **2011 HK$'000** | 2010 HK$'000 |
|---|---|---|
| Properties held under | | |
| – long-term leases in Hong Kong | **163,800** | 136,000 |
| – medium-term land use rights in the PRC | **6,414,220** | 4,889,391 |
| | **6,578,020** | 5,025,391 |

*For the year ended 31st December, 2011*

## 18. Property, plant and equipment

| | Hotel properties HK$'000 | Leasehold land HK$'000 | Buildings HK$'000 | Furniture, fixtures and equipment HK$'000 | Motor vehicles HK$'000 | Plant and machinery HK$'000 | Construction in progress HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|---|
| **The Group** | | | | | | | | |
| COST OR VALUATION | | | | | | | | |
| At 1st January, 2010 | 621,160 | 115,230 | 343,421 | 107,868 | 71,925 | 224,468 | 84,292 | 1,568,364 |
| Exchange adjustments | 22,350 | – | 10,752 | 3,510 | 2,318 | 7,658 | 2,876 | 49,464 |
| Additions | – | – | 23,544 | 19,305 | 33,872 | 2,787 | 308,959 | 388,467 |
| Acquired on acquisition of subsidiaries *(note 42(b))* | – | – | – | 8 | – | – | – | 8 |
| Transfer | 351,269 | – | – | 4,879 | – | 12,079 | (368,227) | – |
| Disposals | – | – | (12,401) | (4,679) | (9,845) | (22) | (303) | (27,250) |
| Disposal on disposal of subsidiaries *(note 44)* | – | – | – | (86) | (159) | – | – | (245) |
| Transfer from properties under development | 72,790 | – | 84,731 | – | – | – | – | 157,521 |
| Transfer to investment properties | – | – | (38,335) | – | – | – | – | (38,335) |
| Surplus arising on revaluation | 97,173 | – | – | – | – | – | – | 97,173 |
| Less: elimination of accumulated depreciation | (14,154) | – | – | – | – | – | – | (14,154) |
| At 31st December, 2010 and 1st January, 2011 | 1,150,588 | 115,230 | 411,712 | 130,805 | 98,111 | 246,970 | 27,597 | 2,181,013 |
| Exchange adjustments | 57,154 | – | 19,752 | 6,282 | 4,644 | 12,196 | 1,365 | 101,393 |
| Additions | – | – | 3,200 | 31,438 | 48,155 | 11,471 | 10,526 | 104,790 |
| Transfer | – | – | 8,354 | 7,763 | – | 2,349 | (18,466) | – |
| Acquired on acquisition of subsidiaries *(note 42(a))* | – | – | – | 345 | 2,444 | – | – | 2,789 |
| Disposals | – | – | – | (10,007) | (4,619) | (15,436) | – | (30,062) |
| Transfer to investment properties | – | – | (6,738) | – | – | – | – | (6,738) |
| Transfer from properties under development | 58,061 | – | 153,882 | – | – | – | – | 211,943 |
| Deficit arising on revaluation | (24,626) | – | – | – | – | – | – | (24,626) |
| Less: elimination of accumulated depreciation | (45,745) | – | – | – | – | – | – | (45,745) |
| **As 31st December, 2011** | **1,195,432** | **115,230** | **590,162** | **166,626** | **148,735** | **257,550** | **21,022** | **2,494,757** |
| Comprising: | | | | | | | | |
| At cost | – | 115,230 | 590,162 | 166,626 | 148,735 | 257,550 | 21,022 | 1,299,325 |
| At valuation – 2011 | 1,195,432 | – | – | – | – | – | – | 1,195,432 |
| | 1,195,432 | 115,230 | 590,162 | 166,626 | 148,735 | 257,550 | 21,022 | 2,494,757 |
| ACCUMULATED DEPRECIATION: | | | | | | | | |
| At 1st January, 2010 | – | 29,861 | 97,605 | 46,959 | 23,680 | 173,864 | – | 371,969 |
| Exchange adjustments | 165 | – | 3,382 | 1,609 | 875 | 6,102 | – | 12,133 |
| Charge for the year | 13,989 | 2,305 | 26,299 | 13,694 | 12,304 | 14,439 | – | 83,030 |
| Elimination on disposals | – | – | (6,172) | (3,663) | (6,638) | (19) | – | (16,492) |
| Elimination on disposal of subsidiaries *(note 44)* | – | – | – | (69) | (149) | – | – | (218) |
| Elimination on revaluation | (14,154) | – | – | – | – | – | – | (14,154) |
| Transfer to investment properties | – | – | (6,787) | – | – | – | – | (6,787) |
| At 31st December, 2010 and 1st January, 2011 | – | 32,166 | 114,327 | 58,530 | 30,072 | 194,386 | – | 429,481 |
| Exchange adjustments | 1,103 | – | 6,077 | 3,170 | 1,772 | 9,989 | – | 22,111 |
| Charge for the year | 44,642 | 2,305 | 17,432 | 19,350 | 18,355 | 15,814 | – | 117,898 |
| Elimination on disposals | – | – | – | (6,610) | (4,070) | (13,897) | – | (24,577) |
| Transfer to investment properties | – | – | (240) | – | – | – | – | (240) |
| Elimination on revaluation | (45,745) | – | – | – | – | – | – | (45,745) |
| **At 31st December, 2011** | **–** | **34,471** | **137,596** | **74,440** | **46,129** | **206,292** | **–** | **498,928** |
| CARRYING VALUES: | | | | | | | | |
| **At 31st December, 2011** | **1,195,432** | **80,759** | **452,566** | **92,186** | **102,606** | **51,258** | **21,022** | **1,995,829** |
| At 31st December, 2010 | 1,150,588 | 83,064 | 297,385 | 72,275 | 68,039 | 52,584 | 27,597 | 1,751,532 |

## 18. Property, plant and equipment (Continued)

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:–

| | |
|---|---|
| Hotel properties | 2% |
| Leasehold land | over the lease term |
| Buildings | 2% – 18% |
| Furniture, fixtures and equipment | 20% |
| Motor vehicles | 20% |
| Plant and machinery | 5% – 23% |

| | The Group | |
|---|---|---|
| | **2011** | 2010 |
| | **HK$'000** | HK$'000 |
| The carrying value of hotel properties, leasehold land and buildings located at:– | | |
| – Long-term leases in Hong Kong | **100,595** | 103,466 |
| – Medium-term land use rights in the PRC | **1,628,162** | 1,427,571 |
| | **1,728,757** | 1,531,037 |

The fair value of the Group's hotel properties at 31st December, 2011 was arrived at on the basis of a valuation carried out on that date by AA Property Services Limited, an independent professional surveyor and property valuer not connected with the Group. AA Property Services Limited is a member of the Hong Kong Institute of Surveyors, and has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation was arrived by the income approach, whereby the income derived from the hotel operations with regard to past trading accounts are capitalised at an appropriate rate of return to arrive at the value of the property interests with due allowance for outgoings and expenses.

## 19. Prepaid lease payments

| | The Group | |
|---|---|---|
| | **2011** | 2010 |
| | **HK$'000** | HK$'000 |
| The Group's prepaid lease payments comprise:– | | |
| – Medium-term land use rights in the PRC | **422,852** | 395,681 |
| Analysed for reporting purposes as:– | | |
| – Current asset | **11,565** | 10,621 |
| – Non-current asset | **411,287** | 385,060 |
| | **422,852** | 395,681 |

## 20. Goodwill

| | The Group | |
|---|---|---|
| | **2011** | 2010 |
| | **HK$'000** | HK$'000 |
| COST: | | |
| At 1st January | **792,382** | 792,382 |
| Acquisition of subsidiaries *(note 42(a))* | **24,248** | – |
| At 31st December | **816,630** | 792,382 |
| IMPAIRMENT: | | |
| At 1st January | **7,083** | 1,666 |
| Impairment loss for the year | **4,657** | 5,417 |
| At 31st December | **11,740** | 7,083 |
| CARRYING AMOUNT: | | |
| At 31st December | **804,890** | 785,299 |

None of the goodwill recognised is expected to be deductible for income tax purpose.

## 20. Goodwill (Continued)

### Impairment testing of goodwill

Goodwill acquired through business combination has been allocated to a specific property development project cash-generating unit for impairment testing. The recoverable amount of the cash-generating unit has been determined based on a value-in-use calculation. To calculate this, a cash flow projection is prepared for the specific property development project based on the financial budgets approved by management covering 5-year period. The discount rate applied to the cash flow projections beyond a one year period is 10%.

### Key assumptions used in the value-in-use calculation

The following describes the key assumptions on which management has based its cash flow projects to undertake impairment testing of goodwill:–

| | |
|---|---|
| Revenue from the property development project | The selling price is estimated by management by reference to the average selling price of a similar property in the relevant locations |
| Cost of construction | The cost of construction is estimated by the engineering department based on the projected cost to completion of the project |

For the year ended 31st December, 2011, management determines that except for impairment loss on goodwill of HK$4,657,000 which is charged to cost of sales as a result of the properties sold, no any other impairment on goodwill based on the estimated recoverable amount of each property development project cash-generating unit is considered necessary. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of units to exceed its aggregate recoverable amount.

## 21. Interests in subsidiaries

| | The Company | |
|---|---|---|
| | **2011** | 2010 |
| | **HK$'000** | HK$'000 |
| Unlisted shares, at cost | **182,988** | 182,988 |

Details of the Company's principal subsidiaries at 31st December, 2011 are set out in note 55.

## 22. Interests in associates/amount due to an associate

### Interests in associates

| | The Group | |
|---|---|---|
| | **2011** | 2010 |
| | **HK$'000** | HK$'000 |
| Cost of unlisted investments in associates | **21,600** | 74,533 |
| Share of post-acquisition profits and reserves, net of dividends received | **80,873** | 60,947 |
| | **102,473** | 135,480 |

During the year ended 31st December, 2010, the Group disposed of 25% equity interest in 上海盛奕資產經營管理有限公司 ("上海盛奕") with carrying amount of HK$53 million at a consideration of HK$151 million resulting in a gain of HK$98 million. During the year ended 31st December, 2011, the Group further disposed of 25% equity in 上海盛奕 with carrying amount of HK$55 million at a consideration of HK$151 million resulting in a gain of HK$96 million.

The summarised combined financial information in respect of the Group's associates is set out below:–

| | **2011** | 2010 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Total assets | **593,330** | 1,001,488 |
| Total liabilities | **(251,753)** | (514,021) |
| Net assets | **341,577** | 487,467 |
| Group's share of net assets of associates | **102,473** | 135,480 |
| Revenue | **422,005** | 554,753 |
| Profit for the year | **54,508** | 64,759 |
| Group's share of results of associates for the year | **16,352** | 19,428 |

## 22. Interests in associates/amount due to an associate (Continued)

Details of the Group's principal associate as at 31st December, 2011 are as follows:–

| Name of associate | Place of establishment/ operation | Proportion of ownership interest: Group's effective interest | Held by the Company | Held by a subsidiary | Principal activities |
|---|---|---|---|---|---|
| 重慶綠地東原房地產開發有限公司 ("重慶綠地") | PRC | **30%** | – | 30% | Property development |

### Amount due to an associate

| | **2011 HK$'000** | 2010 HK$'000 |
|---|---|---|
| Amount due to an associate | **74,074** | 70,588 |

Amount due to an associate is unsecured, interest-free and repayable on demand.

## 23. Interest in a jointly controlled entity/amount due from a jointly controlled entity

### Interest in a jointly controlled entity

| | The Group | |
|---|---|---|
| | **2011 HK$'000** | 2010 HK$'000 |
| Cost of unlisted investment in a jointly controlled entity | **33,846** | 24,018 |
| Share of post-acquisition losses and reserves, net of dividends received | **(32,200)** | (22,503) |
| | **1,646** | 1,515 |

At 31st December, 2011, the Group's jointly controlled entity is indirect equity interest of 45% in 深圳市保利劇院演出經營有限公司 ("深圳市保利劇院") .

## 23. Interest in a jointly controlled entity/amount due from a jointly controlled entity (Continued)

The summarised financial information in respect of the Group's jointly controlled entity is set out below:–

| | **2011** **HK$'000** | 2010 HK$'000 |
|---|---|---|
| Total assets | **7,737** | 8,780 |
| Total liabilities | **(4,080)** | (5,413) |
| Net assets | **3,657** | 3,367 |
| Group's share of net assets of a jointly controlled entity | **1,646** | 1,515 |
| Revenue | **30,722** | 28,442 |
| Loss for the year | **(9,946)** | (7,426) |
| Group's share of results of a jointly controlled entity for the year | **(8,030)** | (7,818) |

Details of the Group's jointly controlled entity as at 31st December, 2011 are as follows:–

| | | Proportion of ownership interest | | | |
|---|---|---|---|---|---|
| Name of jointly controlled entity | Place of establishment/ operation | Group's effective interest | Held by the Company | Held by a subsidiary | Principal activities |
| 深圳市保利劇院 | PRC | **45%** | – | 45% | Theatre management |

### Amount due from a jointly controlled entity

| | **2011** **HK$'000** | 2010 HK$'000 |
|---|---|---|
| Amount due from a jointly controlled entity | **–** | 2,582 |

Amount due from a jointly controlled entity is unsecured, interest-free and repayable on demand.

## 24. Deposits paid for acquisition of land use rights

The deposits were paid by the Group to PRC government authority in connection with the bidding of two (2010: five) pieces of land and the acquisition of one (2010: three) piece of land in the PRC for property development purpose.

## 25. Deposits paid for acquisition of a subsidiary

At 31st December, 2011, the amount represented deposits paid by the Group in connection with the acquisition of a subsidiary which was engaged in property development. The acquisition was not yet completed at 31st December, 2011.

## 26. Properties under development

| | The Group | |
|---|---|---|
| | **2011** | 2010 |
| | **HK$'000** | HK$'000 |
| Properties under development comprise:– | | |
| Land, construction costs and capitalised expenditures | **57,390,704** | 37,006,727 |
| Interest capitalised | **2,968,989** | 983,726 |
| | **60,359,693** | 37,990,453 |

The capitalisation rate of borrowings was 7.51% (2010: 6.27%) for the year ended 31st December, 2011.

During the year, interest of HK$2,868,139,000 (2010: HK$913,249,000) were capitalised in properties under development.

Properties under development under current assets are expected to realise after twelve months from the end of the reporting period.

## 27. Other inventories

| | The Group | |
|---|---|---|
| | **2011** | 2010 |
| | **HK$'000** | HK$'000 |
| Raw materials | **31,566** | 21,108 |
| Work in progress | **379** | 442 |
| Finished goods | **25,126** | 20,687 |
| | **57,071** | 42,237 |

## 28. Trade and other receivables

| | The Group | |
|---|---|---|
| | **2011** | 2010 |
| | **HK$'000** | HK$'000 |
| Trade receivables | **506,565** | 263,600 |
| Less: Allowance for doubtful debts | **(13,601)** | (13,400) |
| | **492,964** | 250,200 |
| Bills receivable on disposal of 上海盛奕 | **–** | 100,000 |
| Other receivables (net of allowance of HK$40,897,000) (2010: HK$59,937,000) | **1,104,017** | 864,833 |
| Total trade and other receivables | **1,596,981** | 1,215,033 |

## 28. Trade and other receivables (Continued)

The credit terms in connection with sales of properties granted to the customers are set out in the sale and purchase agreements and vary from agreements. There is no concentration of credit risk with respect to trade receivables arising from sales of properties as the Group has numerous customers. In respect of sales of goods granted to trade customers, the Group allows an average credit period of 30 to 90 days. The following is an aged analysis of trade receivables net of allowance for doubtful debts at the end of the reporting period:–

| | **2011** **HK$'000** | 2010 HK$'000 |
|---|---|---|
| 0 to 30 days | **337,947** | 204,802 |
| 31 to 90 days | **13,546** | 27,471 |
| More than 90 days | **141,471** | 17,927 |
| | **492,964** | 250,200 |

Included in the Group's trade receivable balances are debtors with aggregate carrying amount of HK$141,471,000 (2010: HK$17,927,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The balance arises from sales of properties and sales of goods of HK$140,947,000 (2010: HK$15,704,000) and HK$524,000 (2010: HK$2,223,000) respectively. Based on past experience, the directors consider that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable.

### Aging of trade receivables which are past due but not impaired

| | **2011** **HK$'000** | 2010 HK$'000 |
|---|---|---|
| 91-365 days | **141,471** | 17,927 |

## 28. Trade and other receivables (Continued)

Movement in the allowance for doubtful debts for trade receivables

| | **2011** **HK$'000** | 2010 HK$'000 |
|---|---|---|
| Balance at beginning of the year | **13,400** | 12,437 |
| Exchange adjustments | **317** | 431 |
| Impairment loss recognised on receivables | **–** | 2,019 |
| Reversal of impairment loss previously recognised | **(116)** | (1,487) |
| Balance at end of the year | **13,601** | 13,400 |

## 29. Short-term loan receivables

| | **2011** **HK$'000** | 2010 HK$'000 |
|---|---|---|
| Other loans *(note a)* | **27,040** | 27,040 |
| Loan to the People's Government of Huiyang District, Huizhou City *(note b)* | **185,185** | 176,471 |
| | **212,225** | 203,511 |
| Less: Impairment loss recognised | **(27,040)** | (27,040) |
| | **185,185** | 176,471 |

## 29. Short-term loan receivables (Continued)

Movement in the allowance of short-term loan receivables

| | **2011** | 2010 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Balance at beginning of the year | **27,040** | 207,743 |
| Reversal of impairment loss previously recognised upon disposal of a subsidiary | **–** | (180,703) |
| Balance at end of the year | **27,040** | 27,040 |

*Notes:–*

(a) In accordance with loan agreements, the other loans carry interest at 12% (2010: 12%) per annum and repayable on demand. No interest was accrued for the two years ended 31st December, 2010 and 2011.

(b) The amount was advanced to the People's Government of Huiyang District, Huizhou City for the development of infrastructure of a piece of land located in Huiyang District, Huizhou City, Guangdong Province, the PRC（中國廣東省惠州市惠陽區）. The amount is unsecured, interest-bearing at benchmark rate of the People's Bank of China and expected to be repayable within one year.

## 30. Available-for-sale investments

| | **The Group** | | **The Company** | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Listed investments:– | | | | |
| – Interests in equity securities listed in Hong Kong *(note a)* | **68,770** | 385,501 | **–** | – |
| Unlisted securities:– | | | | |
| – Equity securities *(note b)* | **79,613** | 33,665 | **78,378** | 32,487 |
| | **148,383** | 419,166 | **78,378** | 32,487 |

## 30. Available-for-sale investments (Continued)

*Notes:–*

(a) The interests in listed equity securities represent the share consideration received on the disposal of certain subsidiaries in 2007 and are measured at fair value at the end of each reporting period.

The change in fair value of HK$21,423,000 (2010: HK$72,786,000) was credited to investment revaluation reserve.

(b) The unlisted equity securities represent investments in unlisted equity securities in the PRC and are measured at cost less impairment at the end of each reporting period because the directors of the Company are of the opinion that their fair values cannot be measured reliably.

## 31. Held-for-trading investments

The amounts represent investments in equity securities listed in Hong Kong. The fair values of these securities are based on bid market prices quoted on the Stock Exchange.

## 32. Deposits paid for acquisition of a property development project

At 31st December, 2011, the amount represented deposits paid by the Group in connection with the acquisition of one property development project in the PRC. The property development project was at a preliminary stage.

## 33. Amount(s) due from (to) fellow subsidiaries/the ultimate holding company/an intermediate holding company/non-controlling shareholders of subsidiaries/related companies/subsidiaries

### (a) Amount(s) due from (to) fellow subsidiaries/the ultimate holding company/an intermediate holding company

| | The Group | |
|---|---|---|
| | **2011** | 2010 |
| | **HK$'000** | HK$'000 |
| Amounts due from fellow subsidiaries:– | | |
| – Interest-free | **34,566** | 34,015 |
| Amounts due to fellow subsidiaries:– | | |
| – Interest-free | **2,535,024** | 1,407,760 |

The amounts are unsecured and repayable on demand.

## 33. Amount(s) due from (to) fellow subsidiaries/the ultimate holding company/an intermediate holding company/non-controlling shareholders of subsidiaries/related companies/subsidiaries (Continued)

### (a) Amount(s) due from (to) fellow subsidiaries/the ultimate holding company/an intermediate holding company (Continued)

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Amount due to an intermediate holding company:– | | | | |
| – Interest-free* | **3,208,904** | 1,992,598 | **3,161,486** | 1,991,501 |
| – Benchmark rate in the PRC plus 0.5% | **593,464** | 565,536 | – | – |
| – Benchmark rate in the PRC plus 1% | **71,028** | 67,686 | – | – |
| | **3,873,396** | 2,625,820 | **3,161,486** | 1,991,501 |

* *The amounts included loan nature of HK$3,161,486,000 (2010: HK$1,991,501,000).*

**The Group**

The amounts are unsecured and repayable within one year except HK$47,418,000 (2010: HK$1,097,000) which is interest-free and repayable on demand.

**The Company**

The amount is unsecured and repayable within one year.

| | The Group | |
|---|---|---|
| | **2011** | 2010 |
| | **HK$'000** | HK$'000 |
| Amount due to the ultimate holding company:– | | |
| – Interest-free | **30,478** | 66,983 |
| – Benchmark rate in the PRC plus 1% | **403,586** | 31,652 |
| | **434,064** | 98,635 |

The amounts are unsecured and repayable within one year except HK$30,478,000 (2010: HK$66,983,000) are repayable on demand.

## 33. Amount(s) due from (to) fellow subsidiaries/the ultimate holding company/an intermediate holding company/non-controlling shareholders of subsidiaries/ related companies/subsidiaries (Continued)

### (b) Amounts due from (to) non-controlling shareholders of subsidiaries

| | The Group | |
|---|---|---|
| | **2011** | 2010 |
| | **HK$'000** | HK$'000 |
| Amounts due from non-controlling shareholders of subsidiaries:– | | |
| – Fixed rate of 12% | **430,376** | – |
| – Interest-free | **360,571** | 189,012 |
| | **790,947** | 189,012 |
| Amounts due to non-controlling shareholders of subsidiaries:– | | |
| – Interest-free | **691,947** | 263,049 |
| – Fixed rate of 6.81% | **–** | 14,489 |
| – Benchmark rate in the PRC | **1,285,453** | – |
| – Benchmark rate in the PRC plus 1.5% | **205,332** | 194,270 |
| – Benchmark rate in the PRC plus 2.6% | **108,485** | 261,616 |
| Entrusted loans from non-controlling shareholders of subsidiaries:– | | |
| – Fixed rate of 6.85% | **–** | 239,196 |
| – Benchmark rate in the PRC plus 1.5% | **–** | 45,490 |
| | **2,291,217** | 1,018,110 |

The amounts are unsecured and repayable on demand except the entrusted loans of HK$284,686,000 in 2010 are repayable within one year.

## 33. Amount(s) due from (to) fellow subsidiaries/the ultimate holding company/an intermediate holding company/non-controlling shareholders of subsidiaries/related companies/subsidiaries (Continued)

### (c) Amounts due from (to) related companies

**The Group**

The amounts due from (to) related companies are unsecured, interest-free and repayable on demand.

### (d) Amounts due from (to) subsidiaries

**The Company**

The amounts due from subsidiaries are unsecured, interest-free and not expected to be realised within one year from the end of the reporting period.

The amounts due to subsidiaries are unsecured, interest-free and repayable on demand.

## 34. Pledged bank deposits and bank balances, deposits and cash

**The Group**

Pledged bank deposits represent deposits pledged to banks to secure general banking facilities granted to the Group. Deposits amounting to HK$326,131,000 (2010: HK$181,864,000) have been pledged to secure general banking facilities and are classified as current assets.

The pledged bank deposits carry interest at a fixed rate 0.5% (2010: 0.36%) per annum. The pledged bank deposits will be released upon settlement of relevant bank borrowings.

Bank balances include HK$314,741,000 (2010: HK$3,431,295,000) which carry interest at fixed rates ranging from 1.25% to 3.5% (2010: 0.01% to 2.25%) per annum and HK$11,976,775,000 (2010: HK$12,438,015,000) which carry interest at variable rates ranging from 0% to 1.31% (2010: 0% to 1.17%) per annum.

**The Company**

Bank balances carry interest at market rates ranging from 0% to 1% (2010: 0% to 1%) per annum.

## 35. Trade and other payables

The following is an aged analysis of trade payables at the end of the reporting period:–

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| 0 to 30 days | **3,134,306** | 1,936,817 | **–** | – |
| 31 to 90 days | **79,294** | 15,453 | **–** | – |
| More than 90 days | **371,651** | 349,343 | **–** | – |
| | **3,585,251** | 2,301,613 | **–** | – |
| Deferred income | **–** | – | **21,094** | 28,356 |
| Other payables | **2,583,441** | 1,579,747 | **23,610** | 19,749 |
| | **2,583,441** | 1,579,747 | **44,704** | 48,105 |
| | **6,168,692** | 3,881,360 | **44,704** | 48,105 |
| Less: Amount due within one year shown under current liabilities | **(6,168,692)** | (3,881,360) | **(31,848)** | (28,004) |
| Amount due after one year | **–** | – | **12,856** | 20,101 |

The average credit period is 90 days. The Group has financial risk management policies in place to ensure that all payable is within the credit time frame.

Deferred income represents the fair value of the guarantees issued by the Company in respect of loans granted to its subsidiaries by financial institutions and a fellow subsidiary. Details of guarantees given by the Company were set out in note 49. During the year ended 31st December, 2010, based on the valuation performed by an independent professional valuer, the directors considered that the fair value of the financial guarantee contracts was approximately HK$32,987,000 at the date of issuance of the financial guarantee contracts, which was recognised as additional cost of interests in subsidiaries, and HK$8,528,000 (2010: HK$4,631,000) was amortised in profit or loss and recorded as other income of the Company.

## 36. Bank and other borrowings

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Bank and other loans | | | | |
| – secured *(note 50)* | **22,363,202** | 14,879,473 | **1,677,000** | – |
| – unsecured | **15,596,030** | 14,943,797 | **–** | 3,510,000 |
| | **37,959,232** | 29,823,270 | **1,677,000** | 3,510,000 |

The bank and other loans are repayable as follows:–

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| On demand or within one year | **13,101,876** | 9,522,631 | **–** | 175,500 |
| In more than one year, but not more than two years | **16,202,813** | 8,377,408 | **419,250** | 351,000 |
| In more than two years, but not more than three years | **5,178,029** | 6,800,268 | **1,257,750** | 877,500 |
| In more than three years, but not more than four years | **1,526,810** | 2,731,206 | **–** | 2,106,000 |
| In more than four years, but not more than five years | **345,693** | 284,372 | **–** | – |
| In more than five years | **1,604,011** | 2,107,385 | **–** | – |
| | **37,959,232** | 29,823,270 | **1,677,000** | 3,510,000 |
| Less: Amount due within one year shown under current liabilities | **(13,101,876)** | (9,522,631) | **–** | (175,500) |
| Amount due after one year | **24,857,356** | 20,300,639 | **1,677,000** | 3,334,500 |

## 36. Bank and other borrowings (Continued)

The Group's bank and other borrowings are interest bearing with details as follow:

– HK$10,036,667,000 fixed-rate borrowings which carry interest from 5.40% to 12.80%. (2010: HK$8,404,386,000 fixed-rate borrowings which carry interest from 5.40% to 10.00%);

– HK$1,677,000,000 (2010: HK$3,510,000,000) variable-rate borrowings which carry interest at LIBOR plus 2.70% (2010: LIBOR plus 1.95%);

– HK$22,480,133,000 (2010: HK$17,908,884,000) variable-rate borrowings which carry interest rates ranging from 90% of benchmark rate in the PRC to 140.63% of benchmark rate in the PRC (2010: ranging from 90% of benchmark rate in the PRC to 120% of benchmark rate in the PRC and benchmark rate in the PRC plus 2.19%); and

– HK$3,765,432,000 (2010: HK$Nil) which carry interest from 11.00% to 12.40% plus the increase in the movement of the benchmark rate in the PRC.

At the end of the reporting period, the Group has the following undrawn borrowing facilities:–

| | **2011**<br>**HK$'000** | 2010<br>HK$'000 |
|---|---|---|
| Variable rate | | |
| – expiring within one year | **638,272** | – |
| – expiring beyond one year | **9,434,074** | 3,783,329 |
| | **10,072,346** | 3,783,329 |

The Group's certain banking facilities of HK$1,677,000,000, all of which were outstanding as at 31st December, 2011, are subject to the fulfillment of covenants relating to the following ratios and conditions, which are commonly found in lending arrangements with financial institutions:–

(a) the consolidated tangible net worth shall not be at any time be less than HK$12 billion; and

(b) the gearing ratio (the consolidated total net borrowings to consolidated tangible net worth) shall not at any time exceed the ratio of 1.5:1.

If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 7.

At 31st December, 2011, none of the above covenants relating to drawn down facilities had been breached.

The Company's variable rate borrowings carry interest at LIBOR plus 2.70% (2010: LIBOR plus 1.95%).

## 37. Share capital

| | Number of ordinary shares | Amount |
|---|---|---|
| | | HK$'000 |
| Ordinary share of HK$0.50 each | | |
| Authorised:– | | |
| At 1st January, 2010 and 31st December, 2010 | 4,000,000,000 | 2,000,000 |
| Increase on 6th May, 2011 *(note a)* | 4,000,000,000 | 2,000,000 |
| **At 31st December, 2011** | **8,000,000,000** | **4,000,000** |
| Issued and fully paid:– | | |
| At 1st January, 2010 | 2,983,991,046 | 1,491,996 |
| Exercise of share options *(note b)* | 5,600,000 | 2,800 |
| Placements of shares *(note c)* | 400,000,000 | 200,000 |
| Issue of shares *(note d)* | 218,846,000 | 109,423 |
| **At 31st December, 2010, 1st January, 2011 and 31st December, 2011** | **3,608,437,046** | **1,804,219** |

During the two years ended 31st December, 2011, the following changes in the share capital of the Company took place:–

(a) On 6th May, 2011, the authorised share capital of the Company was increased from HK$2,000,000,000 divided into 4,000,000,000 ordinary shares of HK$0.5 each to HK$4,000,000,000 by the creation of 4,000,000,000 new ordinary shares of HK$0.5 each.

(b) 5,600,000 share options were exercised by the eligible option holders, resulting in the issue of 5,600,000 ordinary shares of HK$0.5 each in the Company at a total consideration of HK$6,574,000.

(c) On 16th August, 2010, the Company issued 400,000,000 ordinary shares of HK$0.5 each of the Company at a subscription price of HK$8.8 each pursuant to the Placing and Subscription Agreement dated 4th August, 2010. The Company received gross proceeds of HK$3,520,000,000 in relation to the placing and subscription. More details are set out in the Company's announcement dated 4th August, 2010.

(d) On 15th April, 2010, the Company allotted 218,846,000 ordinary shares of HK$0.5 each of the Company at HK$8.73 each, representing the market price of the share at the date of completion, for the acquisition of Rapid Bloom Group *(note 42(b))*.

There was no change in issued share capital of the Company during the year 2011.

The shares issued during the year 2010 rank pari passu in all respects with the existing shares.

## 38. Share option schemes

Details of the equity-settled share option schemes adopted by the Company are as follows:–

### (a) Poly HK Old Scheme

The Poly HK Old Scheme was adopted on 16th June, 1993 for the primary purpose of providing incentives to directors and eligible employees and terminated on 28th May, 2003. Under the Poly HK Old Scheme, the Company could grant options to the directors and the employees of the Company or its subsidiaries to subscribe for shares in the Company for a consideration of HK$1 for each lot of share options granted. Options proposed to be granted had to be accepted within 30 days from the date of offer. The granted options are exercisable during the period commencing on the date one year after the date of grant and expiring on the date ten years after the date of grant.

The exercise price was determined by the directors of the Company, and shall not be less than the higher of the nominal value of the Company's shares on the date of grant, and 80% of the average closing price of the shares for the five business days immediately preceding the date of offer.

Upon termination of the Poly HK Old Scheme, no further options may be offered thereunder. However, in respect of the outstanding options, the provisions of the Poly HK Old Scheme shall remain in force. The outstanding options granted under the Poly HK Old Scheme shall continue to be subject to the provisions of the Poly HK Old Scheme.

The following table discloses details of the Company's options under the Poly HK Old-scheme held by employees (including directors) and movement in such holdings during the year ended 31st December, 2010:–

| | Date of grant | Exercise price Per share HK$ | Exercisable period | Outstanding at 1.1.2010 | Exercised during 2010 | Lapsed during 2010 | Outstanding at 31.12.2010 |
|---|---|---|---|---|---|---|---|
| Category 1: Directors | | | | | | | |
| He Ping *(note)* | 30.11.2000 | 0.740 | 30.11.2001 – 29.11.2010 | 5,000,000 | (5,000,000) | – | – |
| Category 2: Employees | 30.11.2000 | 0.740 | 30.11.2001 – 29.11.2010 | 3,000,000 | – | (3,000,000) | – |
| Total all categories | | | | 8,000,000 | (5,000,000) | (3,000,000) | – |

## 38. Share option schemes (Continued)

### (a) Poly HK Old Scheme (Continued)

*Note:–*

Mr. He Ping resigned as chairman and director of the Company with effect from 29th April, 2010.

The share options under the Poly HK Old Scheme were vested at the grant date.

During the year ended 31st December, 2010, all options granted under the Poly HK Old Scheme were either exercised or lapsed.

### (b) Poly HK New Scheme

As approved by the shareholders of the Company at the annual general meeting held on 28th May, 2003, the Company has terminated the Poly HK Old Scheme and adopted the Poly HK New Scheme, which is in accordance with the revised Chapter 17 of the Listing Rules effective on 1st September, 2001.

The purpose of the Poly HK New Scheme is to provide incentives to eligible participants, and will expire on 27th May, 2013. According to the Poly HK New Scheme, the Board of Directors of the Company may grant options to (i) any director and employee of the Company or subsidiaries, or an entity in which the Group holds an interest ("Affiliate"); (ii) any customer, supplier, agent, partner, consultant, adviser or shareholder of or contractor to the Group or an Affiliate; (iii) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any director, employee, customer, supplier, agent, partner, consultant, adviser or shareholder of or contractor to the Group or an Affiliate; or (iv) a company beneficially owned by any director, employee, consultant, customer, supplier, agent, partner, shareholder, adviser of or contractor to the Group or an Affiliate to subscribe for shares in the Company for a consideration of HK$1 for each lot of share options granted.

## 38. Share option schemes (Continued)

### (b) Poly HK New Scheme (Continued)

Share option granted should be accepted within 28 days from the date of grant. The Board of Directors may at its absolute discretion determine the period during which a share option may be exercised, such period should expire no later than 10 years from the date of grant of the relevant option. The Board of Directors may also provide restrictions on the exercise of a share option during the period a share option may be exercised.

The exercise price is determined by the Board of Directors of the Company, and shall not be less than the highest of: (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the Company's shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the share.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Poly HK New Scheme and any other share option schemes of the Company shall not, in aggregate, exceed 30% of the total number of shares in issue.

The total number of shares issued and to be issued upon exercise of the options granted to each individual under the Poly HK New Scheme and any other share option schemes of the Company (including both exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue.

Pursuant to a resolution passed at the annual general meeting of the Company held on 29th May, 2008, a refreshment of the Poly HK New Scheme mandate was approved. The total number of shares to be allotted and issued pursuant to the grant or exercise of the options under Poly HK New Scheme shall not exceed 10% of the total number of shares in issue as at 29th May, 2008.

At 31st December, 2011, the number of shares in respect of which options had been granted under the Poly HK New Scheme and remained outstanding was approximately 1.5% (2010: 1.5%) of the Company in issue at that date.

# 38. Share option schemes (Continued)

## (b) Poly HK New Scheme (Continued)

The following table discloses details of the Company's options under the Poly HK New Scheme held by employees (including directors) and movement in such holdings during each of the two years ended 31st December, 2011:–

| | Date of grant | Exercise price per share HK$ | Exercisable period | Outstanding at 1.1.2010 | Exercised during 2010 | Outstanding at 1.1.2011 | Exercised during 2011 | Outstanding at 31.12.2011 |
|---|---|---|---|---|---|---|---|---|
| Category 1: Directors | | | | | | | | |
| He Ping *(note i)* | 14.7.2005 | 1.270 | 14.7.2005 – 13.7.2015 | 8,900,000 | – | 8,900,000 | – | 8,900,000 |
| | 29.4.2008 | 4.790 | 29.4.2008 – 28.4.2013 | 4,500,000 | – | 4,500,000 | – | 4,500,000 |
| Chen Hong Sheng | 14.7.2005 | 1.270 | 14.7.2005 – 13.7.2015 | 8,000,000 | – | 8,000,000 | – | 8,000,000 |
| | 29.4.2008 | 4.790 | 29.4.2008 – 28.4.2013 | 3,500,000 | – | 3,500,000 | – | 3,500,000 |
| Wang Xu | 29.4.2008 | 4.790 | 29.4.2009 – 28.4.2013 | 3,000,000 | – | 3,000,000 | – | 3,000,000 |
| Xue Ming | 29.4.2008 | 4.790 | 29.4.2009 – 28.4.2013 | 2,650,000 | – | 2,650,000 | – | 2,650,000 |
| Han Qing Tao *(note ii)* | 29.4.2008 | 4.790 | 29.4.2009 – 28.4.2013 | 1,600,000 | – | 1,600,000 | – | 1,600,000 |
| Ye Li Wen | 29.4.2008 | 4.790 | 29.4.2008 – 28.4.2013 | 1,600,000 | – | 1,600,000 | – | 1,600,000 |
| Chan Tak Chi, William *(note iii)* | 29.4.2008 | 4.790 | 29.4.2008 – 28.4.2013 | 300,000 | (300,000) | – | – | – |
| Yao Kang, *J.P.* | 29.4.2008 | 4.790 | 29.4.2008 – 28.4.2013 | 500,000 | – | 500,000 | – | 500,000 |
| Lam Tak Shing, Harry *(note iv)* | 29.4.2008 | 4.790 | 29.4.2008 – 28.4.2013 | 300,000 | (300,000) | – | – | – |
| Choy Shu Kwan | 14.7.2005 | 1.270 | 14.7.2005 – 13.7.2015 | 300,000 | – | 300,000 | – | 300,000 |
| | 29.4.2008 | 4.790 | 29.4.2008 – 28.4.2013 | 300,000 | – | 300,000 | – | 300,000 |
| | | | | 35,450,000 | (600,000) | 34,850,000 | – | 34,850,000 |
| Category 2: Employees | 29.4.2008 | 4.790 | 29.4.2008 – 28.4.2013 | 18,250,000 | – | 18,250,000 | – | 18,250,000 |
| Total all categories | | | | 53,700,000 | (600,000) | 53,100,000 | – | 53,100,000 |

*Notes:–*

(i) Mr. He Ping resigned as chairman and director of the Company with effect from 29th April, 2010.

(ii) Mr. Han Qing Tao resigned as director of the Company with effect from 8th August, 2011.

(iii) Mr. Chan Tak Chi, William resigned as director of the Company with effect from 11th August, 2010.

(iv) Mr. Lam Tak Shing, Harry resigned as director of the Company with effect from 11th August, 2010.

The share options under the Poly HK New Scheme granted on 29th April, 2008 vested at the grant date for those directors or employees who have completed 4 years of services with the Company. For those directors or employees who have not completed 4 years of services with the Company, the share options granted will become exercisable on the date upon which the directors or employees have completed 4 years of services with the Company or on the date one year after the date on which the share options are issued, whichever is earlier.

No share options were exercised during the year ended 31st December, 2011.

## 39. Reserves

| | Share premium HK$'000 | Share option reserve HK$'000 | Capital redemption reserve HK$'000 | Accumulated profits HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| **The Company** | | | | | |
| At 1st January, 2010 | 10,587,718 | 42,694 | 23,917 | 155,469 | 10,809,798 |
| Placements of shares | 3,320,000 | – | – | – | 3,320,000 |
| Premium arising on shares issued for acquisition of Rapid Bloom Group *(note 42(b))* | 1,801,103 | – | – | – | 1,801,103 |
| Exercise of share options | 4,291 | (517) | – | – | 3,774 |
| Share issue expenses | (91,548) | – | – | – | (91,548) |
| Profit for the year | – | – | – | 718,269 | 718,269 |
| Dividends paid *(note 15)* | – | – | – | (140,938) | (140,938) |
| At 31st December, 2010 and 1st January, 2011 | 15,621,564 | 42,177 | 23,917 | 732,800 | 16,420,458 |
| Share issue expenses | (4) | – | – | – | (4) |
| Profit for the year | – | – | – | 1,179,090 | 1,179,090 |
| Dividends paid *(note 15)* | – | – | – | (559,308) | (559,308) |
| **At 31st December, 2011** | **15,621,560** | **42,177** | **23,917** | **1,352,582** | **17,040,236** |

## 39. Reserves (Continued)

*Notes:–*

(a) As at 31st December, 2011, in the opinion of the directors, the reserves of the Company available for distribution to shareholders amounted to HK$1,352,582,000 (2010: HK$732,800,000).

(b) The consolidated profit attributable to owners of the Company includes a profit of HK$1,178,859,000 (2010: HK$536,130,000) which has been dealt with in the financial statements of the Company.

Reconciliation of the above amount to the Company's profit for the year:–

| | **2011 HK$'000** | 2010 HK$'000 |
|---|---|---|
| Amount of consolidated profit attributable to owners dealt with in the Company's financial statements | **1,178,859** | 536,130 |
| Interim dividend from subsidiaries attributable to the profits of the previous financial years, approved and paid during the year | **231** | 182,139 |
| Company's profit for the year | **1,179,090** | 718,269 |

## 40. Loan from a fellow subsidiary

The amount represents loan from a subsidiary of the ultimate holding company. The amount is unsecured, interest-free and repayable upon expiration of the joint venture term of Poly Plaza Limited ("PPL"), a subsidiary of the Company.

The fair value of the loan at initial recognition has been determined based on the present value of the estimated future cash flows discounted using the prevailing market rate of 6% on the date the loan was granted. The loan is then carried at amortised cost in subsequent periods of effective interest rate of 6%.

## 41. Acquisition of additional interests in subsidiaries

During the year ended 31st December, 2011, the Group injected additional capital of RMB61,599,000 (equivalent to HK$74,216,000) in 惠州市保利建業房地產開發有限公司（「保利建業」）(formerly known as 惠州市中信建業房地產有限公司). As a result, the interest in 保利建業 increased 5% from 65% to 70%. These transactions were accounted for as transactions with equity shareholders in their capacity as owners and therefore an amount of HK$73,000 was reflected as a movement in the consolidated statement of changes in equity.

During the year ended 31st December, 2010, the Group acquired additional interests in certain subsidiaries at a total consideration of RMB147,967,000 (equivalent to HK$174,079,000). These transactions were accounted for as transactions with equity shareholders in their capacity as owners and therefore an amount of HK$74,496,000 was reflected as a movement in the consolidated statement of changes in equity.

## 42. Acquisition of subsidiaries

(a) On 24th July, 2011, the Group entered a sale and purchase agreement to acquire 70% interest of 雲南美城房地產開發有限公司, which is engaged in property development business. The acquisition was completed on 24th July, 2011 and the aggregate cash consideration was HK$41,866,000.

The net assets acquired in above acquisition are as follows:–

| | 雲南美城房地產開發有限公司 HK$'000 |
|---|---|
| Net assets acquired:– | |
| Property, plant and equipment | **2,789** |
| Deferred tax assets | **7,045** |
| Properties under development | **91,899** |
| Other receivables | **226,632** |
| Bank balances, deposits and cash | **1,949** |
| Other payables | **(305,146)** |
| | **25,168** |
| Non-controlling interests | **(7,550)** |
| | **17,618** |
| Goodwill *(note 20)* | **24,248** |
| Total consideration | **41,866** |
| Total consideration satisfied by:– | |
| Cash consideration | **41,866** |
| Net cash outflow arising on acquisition:– | |
| Cash consideration paid | **(41,866)** |
| Bank balances, deposits and cash acquired | **1,949** |
| | **(39,917)** |

## 42. Acquisition of subsidiaries (Continued)

(a) (Continued)

The newly acquired subsidiary contributed HK$Nil and a loss of HK$6,102,000 to the Group's revenue and profit for the year ended 31st December, 2011, respectively, for the period between the date of acquisition and the end of the reporting period.

Had the acquisition been completed on 1st January, 2011, total Group's revenue and profit for the year ended 31st December, 2011 would be HK$14,104,913,000 and HK$3,194,712,000, respectively. This proforma information was for illustrative purposes only and was not necessarily an indication of the turnover and results of the Group that would actually have been impacted had the acquisition been completed on 1st January, 2011, nor was it intended to be a projection of future results.

Acquisition-related costs incurred during the year 2011 for this acquisition amounting to HK$60,000 was included in administrative expenses in the Group's consolidated income statement.

The non-controlling interests arising from acquisition of above subsidiary are measured at non-controlling interests' proportionate share of the fair value of the subsidiary's net identifiable assets at the date of acquisition.

(b) On 5th January, 2010, the Group entered into two sale and purchase agreements to acquire 35% and 20% interest of 武漢眾和置業有限公司, which is engaged in property development business. The acquisition was completed on 5th January, 2010 and the aggregate consideration was HK$52,092,000.

On 15th April, 2010, the Group completed the acquisition of the entire interest in Rapid Bloom Limited and shareholder's loan of HK$3,983,754,000 with Cedar Key Limited (a wholly-owned subsidiary of Poly Holdings, which is a wholly-owned subsidiary of China Poly, the ultimate holding company of the Company) at a total consideration which was determined at after arm's length negotiations. The consideration of HK$3,902,027,000 was satisfied by offsetting an amount due to an intermediate holding company of HK$1,991,501,000 and issuing 218,846,000 shares of the Company to Poly Holdings at HK$8.73 per share, representing the market price of the Company's share at the date of completion. Details of the acquisition were set out in a circular of the Company dated 26th March, 2010. The acquisition was approved by the shareholders of the Company in the extraordinary general meeting held on 15th April, 2010.

## 42. Acquisition of subsidiaries (Continued)

(b) (Continued)

On 7th December, 2010, the Group entered a sale and purchase agreement to acquire 65% interest of 惠州市中信建業房地產有限公司, which is engaged in property development business. The acquisition was completed on 7th December, 2010 and the aggregate cash consideration was HK$765,000.

The net assets acquired in above acquisitions are as follows:–

| | Rapid Bloom Group HK$'000 | 武漢眾和置業有限公司 HK$'000 | 惠州市中信建業房地產有限公司 HK$'000 | Fair value adjustments HK$'000 | Sub-total HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| Net assets acquired:– | | | | | | |
| Investment properties | – | 8,832 | – | 9,328 | 18,160 | 18,160 |
| Property, plant and equipment | – | 8 | – | – | 8 | 8 |
| Deposits paid for acquisition of subsidiaries | 1,316,211 | – | – | – | – | 1,316,211 |
| Deposits paid for acquisition of land use rights | 2,666,627 | – | – | – | – | 2,666,627 |
| Properties under development | – | 88,336 | 63,371 | 26,168 | 177,875 | 177,875 |
| Properties held for sale | – | 1,051 | – | – | 1,051 | 1,051 |
| Other receivables | – | 2 | – | – | 2 | 2 |
| Short-term loan receivable | – | – | 58,824 | – | 58,824 | 58,824 |
| Bank balances, deposits and cash | 299 | 500 | 1 | – | 501 | 800 |
| Other payables | – | (26,757) | (58,824) | – | (85,581) | (85,581) |
| Pre-sale deposits | – | (1,115) | – | – | (1,115) | (1,115) |
| Amount due to non-controlling shareholder of a subsidiary | – | – | (64,665) | – | (64,665) | (64,665) |
| Deferred tax liabilities | – | – | – | (8,874) | (8,874) | (8,874) |
| | 3,983,137 | 70,857 | (1,293) | 26,622 | 96,186 | 4,079,323 |
| Non-controlling interests | – | (31,885) | 452 | (11,703) | (43,136) | (43,136) |
| | 3,983,137 | 38,972 | (841) | 14,919 | 53,050 | 4,036,187 |
| Discount on acquisition of interests in subsidiaries | (81,110) | | | | (193) | (81,303) |
| Total consideration | 3,902,027 | | | | 52,857 | 3,954,884 |
| Total consideration satisfied by:– | | | | | | |
| 218,846,000 consideration shares issued upon completion | 1,910,526 | | | | – | 1,910,526 |
| Amount due to an immediate holding company | 1,991,501 | | | | – | 1,991,501 |
| Cash consideration | – | | | | 52,092 | 52,092 |
| Other payable | – | | | | 765 | 765 |
| Total consideration | 3,902,027 | | | | 52,857 | 3,954,884 |
| Net cash outflow arising on acquisition:– | | | | | | |
| Cash consideration paid | – | | | | (52,092) | (52,092) |
| Bank balances, deposits and cash acquired | 299 | | | | 501 | 800 |
| | 299 | | | | (51,591) | (51,292) |

The newly acquired subsidiaries contributed HK$1,878,000 and a profit of HK$85,438,000 to the Group's revenue and profit for the year ended 31st December, 2010, respectively, for the period between the date of acquisition and the end of the reporting period.

## 42. Acquisition of subsidiaries (Continued)

(b) (Continued)

Had the acquisition been completed on 1st January, 2010, total Group's revenue and profit for the year ended 31st December, 2010 would be HK$8,514,136,000 and HK$2,120,612,000, respectively. This proforma information was for illustrative purposes only and was not necessarily an indication of the turnover and results of the Group that would actually have been impacted had the acquisition been completed on 1st January, 2010, nor was it intended to be a projection of future results.

Acquisition-related costs incurred during the year 2010 for this acquisition amounting HK$2,379,000 was included in administrative expenses in the Group's consolidated income statement.

The non-controlling interests arising from acquisition of above subsidiaries are measured at non-controlling interests' proportionate share of the fair value of subsidiaries' net identifiable assets at the date of acquisition.

In the opinion of directors of the Company, the discount on acquisition of interests in subsidiaries during the year ended 31st December, 2010 was mainly attributable to the decrease in market price of the Company's share during the period between the time of conclusion of total consideration and the acquisition date, representing the date of control obtained by the Group for accounting purpose.

## 43. Transaction with non-controlling interests

Disposal of interest in a subsidiary without loss of control

On 1st January, 2011, the Group disposed of 30% equity interest and a shareholder's loan of HK$430,376,000 in a subsidiary at a consideration of US$30 and of HK$430,376,000 respectively. The carrying amount of the net assets in this subsidiary disposed of attributable to the non-controlling interests at the date of disposal was HK$2,630,000. Accordingly, the Group recognised an increase in non-controlling interests of HK$2,630,000 and a decrease in equity attributable to shareholders of the Company of HK$2,630,000. The effect of partial disposal of interests of this subsidiary that do not result in loss of control on the equity attributable to shareholders of the Company during the year 2011 is summarised as follows:–

| | HK$'000 |
|---|---|
| Carrying amount of 30% interest in a subsidiary disposed of | 2,630 |
| Consideration received from non-controlling interests | – |
| Changes recognised on disposal within equity | 2,630 |

## 44. Disposal of subsidiaries

On 3rd March, 2010, the Group entered into a sale and purchase agreement to dispose of its 51% equity interest in 深圳市祥瑞實業發展有限公司, which is engaged in property development business. The disposal was completed on 9th April, 2010.

On 28th June, 2010, the Group entered into a sale and purchase agreement to dispose of its entire interest in Starry Joy Properties Investment Ltd., which owned 49% equity interest in Tung Sun. The disposal was completed on 28th June, 2010.

## 44. Disposal of subsidiaries (Continued)

The net assets of subsidiaries at the date of disposal were as follows:–

| | 深圳市祥瑞實業發展有限公司 HK$'000 | Starry Joy Properties Investment Ltd. HK$'000 | 2010 HK$'000 |
|---|---|---|---|
| Net assets disposed of:– | | | |
| Property, plant and equipment | 27 | – | 27 |
| Interest in Tong Sun | – | – | – |
| Deferred tax assets | 37 | – | 37 |
| Properties held for sale | 11,966 | – | 11,966 |
| Trade and other receivables | 5,514 | – | 5,514 |
| Short-term loan receivables | – | 180,703 | 180,703 |
| Provision for short-term loan receivables | – | (180,703) | (180,703) |
| Amounts due from fellow subsidiaries | 12,354 | – | 12,354 |
| Amount due from a non-controlling shareholder of a subsidiary | 4,979 | – | 4,979 |
| Bank balances, deposits and cash | 7,984 | – | 7,984 |
| Trade and other payables | (6,166) | – | (6,166) |
| Taxation payable | (12,536) | – | (12,536) |
| | 24,159 | – | 24,159 |
| Non-controlling interests | (11,838) | – | (11,838) |
| Net assets disposed of | 12,321 | – | 12,321 |
| Translation reserve realised on disposal | (1,428) | – | (1,428) |
| Gain on disposal of interests in subsidiaries | 1,461 | 350,888 | 352,349 |
| Total consideration | 12,354 | 350,888 | 363,242 |
| Total consideration satisfied by:– | | | |
| Cash consideration | – | 350,888 | 350,888 |
| Other receivables | 12,354 | – | 12,354 |
| | 12,354 | 350,888 | 363,242 |
| Net cash inflow arising on disposal:– | | | |
| Cash consideration | – | 350,888 | 350,888 |
| Bank balances, deposits and cash disposed of | (7,984) | – | (7,984) |
| | (7,984) | 350,888 | 342,904 |

## 45. Deferred tax assets/liabilities

The deferred tax assets/liabilities recognised by the Group and the movements thereon during the current and prior years are as follows:–

| | **Tax losses** HK$'000 | **Expenses recognised in profit or loss but deductible in subsequent period** HK$'000 | **Others** HK$'000 | **Total** HK$'000 |
|---|---|---|---|---|
| **Deferred tax assets** | | | | |
| At 1st January, 2010 | 13,920 | 60,119 | 18,964 | 93,003 |
| Exchange adjustments | 875 | 2,528 | 695 | 4,098 |
| Disposal of subsidiaries *(note 44)* | – | – | (37) | (37) |
| Credit to consolidated income statement for the year | | | | |
| – current year | 27,185 | 21,259 | 4,183 | 52,627 |
| – under-provision in prior year | 6,793 | 1,517 | – | 8,310 |
| At 31st December, 2010 and 1st January, 2011 | 48,773 | 85,423 | 23,805 | 158,001 |
| Exchange adjustments | 2,725 | 5,429 | 733 | 8,887 |
| Acquisition of a subsidiary *(note 42(a))* | – | 7,045 | – | 7,045 |
| Credit (charge) to consolidated income statement for the year | | | | |
| – current year | 2,699 | 39,857 | (17,937) | 24,619 |
| – under-provision in prior year | 10,104 | 15 | – | 10,119 |
| **At 31st December, 2011** | **64,301** | **137,769** | **6,601** | **208,671** |

| | **Revaluation of properties** | | | | |
|---|---|---|---|---|---|
| | **Investment properties** HK$'000 | **Hotel properties** HK$'000 | **Properties under development** HK$'000 | **Others** HK$'000 | **Total** HK$'000 |
| **Deferred tax liabilities** | | | | | |
| At 1st January, 2010 | 503,943 | 21,802 | 116,259 | 2,223 | 644,227 |
| Exchange adjustments | 14,264 | 744 | 3,951 | 136 | 19,095 |
| Charge to other comprehensive income for the year | 5,216 | 24,293 | – | – | 29,509 |
| Charge (credit) to consolidated income statement for the year | 35,619 | – | (12,566) | 5,129 | 28,182 |
| Acquisition of subsidiaries *(note 42(b))* | 2,332 | – | 6,542 | – | 8,874 |
| At 31st December, 2010 and 1st January, 2011 | 561,374 | 46,839 | 114,186 | 7,488 | 729,887 |
| Exchange adjustments | 25,052 | 2,312 | 5,378 | 490 | 33,232 |
| Charge (credit) to other comprehensive income for the year | 4,136 | (6,156) | – | – | (2,020) |
| Charge (credit) to consolidated income statement for the year | 114,090 | – | (10,546) | 4,838 | 108,382 |
| **At 31st December, 2011** | **704,652** | **42,995** | **109,018** | **12,816** | **869,481** |

## 45. Deferred tax assets/liabilities (Continued)

At 31st December, 2011, the Group other than its subsidiaries in the PRC had unused tax losses of approximately HK$220,839,000 (2010: HK$184,374,000) for offset against future assessable profits. Such unused tax losses may be carried forward indefinitely.

In addition, at 31st December, 2011, the Group's PRC subsidiaries had unused tax losses of approximately HK$547,828,000 (2010: HK$254,879,000) other than those unused tax losses for which deferred tax has been provided for, for offset against future assessable profits. The maximum benefit from unutilised tax losses can be carried forward up to five years from the year in which the loss was originated to offset future taxable profits.

The deferred tax assets arising from the above unused tax losses have not been recognised in the consolidated financial statements due to the unpredictability of future profit streams.

## 46. Operating leases

The Group as lessee:–

| | **The Group** | |
|---|---|---|
| | **2011** | 2010 |
| | **HK$'000** | HK$'000 |
| Lease payments paid under operating leases during the year:– | | |
| – office and factory premises | **29,934** | 11,907 |
| – equipment | **1,455** | 1,163 |
| | **31,389** | 13,070 |

## 46. Operating leases (Continued)

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:–

| | The Group | | | |
|---|---|---|---|---|
| | Office and factory premises | | Equipment | |
| | **2011** | 2010 | **2011** | 2010 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Within one year | **20,812** | 5,164 | **18** | 1,162 |
| In the second to fifth year inclusive | **19,257** | 11,527 | **–** | – |
| Over five years | **18,804** | 20,184 | **–** | – |
| | **58,873** | 36,875 | **18** | 1,162 |

The Group as lessor:–

| | The Group | |
|---|---|---|
| | **2011** | 2010 |
| | **HK$'000** | HK$'000 |
| Income from operating lease arrangements in respect of office and management service | **499,507** | 443,243 |

## 46. Operating leases (Continued)

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:–

| | The Group | | | |
|---|---|---|---|---|
| | Office and shop | | Management fee income | |
| | **2011** | 2010 | **2011** | 2010 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Within one year | **335,597** | 246,857 | **20,503** | 24,098 |
| In the second to fifth year inclusive | **544,039** | 442,172 | **62,566** | 65,479 |
| Over five years | **494,754** | 398,011 | **56,298** | 63,821 |
| | **1,374,390** | 1,087,040 | **139,367** | 153,398 |

Significant leases are negotiated for a lease term of 1 to 19 years (2010: 1 to 20 years). Certain leases contain a contingent rental element.

## 47. Major non-cash transactions

On 15th April, 2010, the Group completed the acquisition of the entire interest in Rapid Bloom Group at a total consideration of HK$3,902,027,000 by issuing 218,846,000 shares of the Company to Poly Holdings at HK$8.73 per share, representing the market price of the share at the date of completion and HK$1,991,501,000 was set off with the current account with Poly Holdings. Details of the acquisition are set out in the note 42(b).

## 48. Capital commitments

| | The Group | |
|---|---|---|
| | **2011** | 2010 |
| | **HK$'000** | HK$'000 |
| Capital expenditure contracted for but not provided in the consolidated financial statements in respect of | | |
| – property development expenditures | **10,869,472** | 5,768,531 |
| – acquisition of land use rights | **991,132** | 2,448,512 |
| – acquisition of property development projects | **–** | 98,244 |
| | **11,860,604** | 8,315,287 |

## 49. Contingent liabilities

The Group arranged mortgage loan facilities with certain banks for purchasers of property units and provided guarantees to banks to secure obligations of such purchasers of repayment. The maximum guarantees given to banks amounted to HK$10,378,907,000 as at 31st December, 2011 (2010: HK$8,306,183,000). Such guarantees will terminate upon the earlier of (i) issue of the real estate ownership certificate; and (ii) the satisfaction of the mortgage loans by the buyers of the properties. The Group has not recognised any deferred income in respect of these guarantees as its fair value is considered to be minimal by the directors. The directors also consider that the fair value of the underlying properties is able to cover the outstanding mortgage loans generated by the Group in the event the purchasers default payments to the banks.

At 31st December, 2011, the Company had given guarantees to certain banks and a fellow subsidiary in respect of credit facilities granted to certain subsidiaries of the Company amounted to HK$6,782,716,000 (2010: HK$6,181,000,000), of which HK$6,710,740,000 (2010: HK$6,181,000,000) had been utilised by subsidiaries.

## 50. Pledge of assets

At the end of the reporting period, the carrying value of the Group's assets which were pledged to secure credit facilities granted to the Group are as follows:–

| | **The Group** | |
|---|---|---|
| | **2011** | 2010 |
| | **HK$'000** | HK$'000 |
| Investment properties | **2,729,734** | 1,462,914 |
| Hotel properties | **685,555** | 642,353 |
| Buildings | **791,167** | 574,413 |
| Prepaid lease payments | **391,989** | 333,389 |
| Properties under development | **16,842,914** | 10,969,486 |
| Bank deposits | **326,131** | 181,864 |
| Properties held for sales | **1,298,174** | 1,976,672 |
| Leasehold land | **80,759** | – |
| | **23,146,423** | 16,141,091 |

## 50. Pledge of assets (Continued)

In addition to above pledge of assets, at 31st December, 2011 and 2010, the Group's interests in certain subsidiaries were pledged to secure credit facilities granted to the Group. The details of net assets value of subsidiaries are as follows:–

| | **2011** | 2010 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Total assets | **15,981,851** | 12,834,134 |
| Total liabilities | **(12,435,220)** | (10,613,520) |
| | **3,546,631** | 2,220,614 |

There are duplication between the carrying value of the Group's assets and the Group's interests in certain subsidiaries being pledged.

## 51. Government grants

During the year ended 31st December, 2008, the Group received government grant of HK$112,077,000 for one specific properties development project of which the development plan of the project was changed during the year ended 31st December, 2009, and the whole amount was refunded to the government during the year ended 31st December, 2010.

The remaining government grant of HK$20,388,000 brought forward from 2010 were deducted from the costs of prepaid lease payments and investment properties of HK$1,538,000 (2010: HK$971,000) and HK$18,850,000 (2010: HK$3,321,000) respectively for the year ended 31st December, 2011.

## 52. Retirement benefit schemes

The Company and its subsidiaries in Hong Kong operate a defined contribution retirement benefit scheme for their qualified employees pursuant to the Occupational Retirement Schemes Ordinance. The assets of the scheme are held separately in a fund which is under the control of an independent trustee. The retirement benefit scheme contributions charged to the consolidated statement of comprehensive income represent the contributions payable by the Group to the fund at rates specified in the rules of the scheme. When there are employees who leave the scheme prior to becoming fully vested in the contributions, the amount of the forfeited contributions will be used to reduce future contributions payable by the Group.

## 52. Retirement benefit schemes (Continued)

To comply with the Mandatory Provident Fund Schemes Ordinance (the "MPFO"), the Group also participates in a Mandatory Provident Fund scheme ("MPF Scheme") for its qualified employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the MPFO. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rate specified in the rules. The only obligation of the Group with respect of MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

The retirement benefit scheme contributions arising from the MPF Scheme charged to the consolidated income statement represent contributions payable to the funds by the Group at rates specified in the rules of the scheme.

The employees in the subsidiaries in the PRC are members of state-managed retirement benefit schemes operated by the PRC government. The subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefit scheme to fund the benefit. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme.

At the end of the reporting period, there was no significant forfeited contributions, which arose upon employees leaving the retirement benefit scheme, available to reduce the contribution payable in the future years.

The total cost charged to consolidated income statement of approximately HK$51,322,000 (2010: HK$28,403,000) represents contributions payable to the schemes by the Group during the year.

## 53. Connected and related party transactions and balances

During the year, the Group had significant transactions and balances with related companies, some of which are also deemed to be connected persons pursuant to the Listing Rules. The significant transactions with these companies during the year, and significant balances with them at the end of the reporting period, are as follows:–

### (I) Connected Persons

#### (A) Transactions and balances with China Poly Group

(a) Continuing connected transactions as defined in Chapter 14A of Listing Rules which are subject to annual cap approved by independent shareholders of the Company

| | The Group | |
|---|---|---|
| | **2011** | 2010 |
| | **HK$'000** | HK$'000 |
| Transactions:– | | |
| Construction services fee paid or payable *(note i)* | **5,266,377** | 2,655,230 |
| Balances:– | | |
| Bank balances and deposits *(note ii)* | **2,341,677** | 777,539 |

*Notes:–*

(i) Construction services fee paid or payable to Poly Construction Developments Company ("Poly Construction") with the annual cap amount of RMB5,800,000,000 (equivalent to approximately HK$6,987,952,000, translated at average rate). The pricing policy of the construction services fee is determined at the state-prescribed prices or where there is no state-prescribed prices, on prices no less favourable than those offered by Poly Construction to independent third parties or those charged by other independent third parties to the Group.

(ii) Deposits placed with Poly Finance Company Limited with a cap amount on maximum daily balance of RMB2,400,000,000 (equivalent to approximately HK$2,962,963,000, translated at closing rate).

## 53. Connected and related party transactions and balances (Continued)

### (I) Connected Persons (Continued)

#### (A) Transactions and balances with China Poly Group (Continued)

(b) Others

| | **The Group** | |
|---|---|---|
| | **2011** | 2010 |
| | **HK$'000** | HK$'000 |
| Transactions:– | | |
| Capital injection into Poly Finance Company Limited ("Poly Finance") *(note vi)* | **45,891** | – |
| Property rental income *(note i)* | **13,760** | 13,782 |
| Imputed interest expenses *(note 40)* | **11,580** | 10,544 |
| Interest expenses *(note ii)* | **127,426** | 99,775 |
| Property leasing commission and management fees | **29** | 37 |
| Guarantee charges *(note iii)* | **22,892** | 6,977 |
| Theatre operating expenses *(note iv)* | **19,711** | 16,093 |
| Acquisition of subsidiaries *(note v)* | **–** | 3,902,027 |
| Management fee income | **947** | 865 |
| Rental expenses paid | **1,429** | 729 |
| Balances:– | | |
| Amounts due from fellow subsidiaries *(note vii)* | **34,566** | 34,015 |
| Amount due to the ultimate holding company *(note vii)* | **434,064** | 98,635 |
| Amount due to an intermediate holding company *(note vii)* | **3,873,396** | 2,625,820 |
| Amounts due to fellow subsidiaries *(note vii)* | **2,535,024** | 1,407,760 |
| Loan from a fellow subsidiary *(note 40)* | **209,644** | 188,470 |
| Bank and other borrowings *(note viii)* | **694,444** | 582,353 |

# 53. Connected and related party transactions and balances (Continued)

## (I) Connected Persons (Continued)

### (A) Transactions and balances with China Poly Group (Continued)

#### (b) Others (Continued)

*Notes:–*

(i) The amount represented rental income received for the theatres which were made with reference to market price.

(ii) The interest expenses derived from the loans advanced from an intermediate holding company, fellow subsidiaries and the ultimate holding company, which carried interest at a fixed rate of 5.6%, variable rates ranging from 90% of benchmark rate in the PRC to 103.36% of benchmark rate in the PRC, and benchmark rate in the PRC plus 0.5% to benchmark rate in the PRC plus 1% (2010: from benchmark rate in the PRC to benchmark rate in the PRC plus 1%).

(iii) The guarantee charges paid to the ultimate holding company for acting as a guarantor of bank loans borrowed by subsidiaries of the Group and it was charged at 1% on the maximum guarantee amount.

(iv) The theatre operating expenses were paid to a jointly controlled entity and a fellow subsidiary for the operation and management of a theatre.

(v) Details of the transaction are set out in note 42(b).

(vi) On 4th May, 2011, the Company entered into an agreement with China Poly and its subsidiaries and a third party pursuant to which all the parties have agreed to make the additional capital contribution into Poly Finance. Accordingly, the Company has injected capital of RMB37,623,000 (approximately HK$45,891,000) during the year ended 31st December, 2011. The Company's interest in Poly Finance remains unchanged before and after the transaction.

(vii) Details of terms are set out in note 33(a).

(viii) The amount of HK$694,444,000 (2010: HK$582,353,000) represented loan from a fellow subsidiary. The balance was unsecured, carried interest at a fixed rate of 5.6%, variable rates ranging from 90% of benchmark rate in the PRC to 103.36% of benchmark rate in the PRC (2010: 90% of benchmark rate in the PRC to 105% of benchmark rate in the PRC) and repayable within two (2010: two) years.

In addition, on 26th January, 2000, the Group and China Poly Group entered into an agreement (the "2000 Supplemental Agreement") supplemental to the management agreement dated 11th June, 1997 (the "Management Agreement") between the same parties. Pursuant to the 2000 Supplemental Agreement, the profit guarantee for the operation of Poly Plaza provided by China Poly Group under the Management Agreement would be suspended for the two years ended 31st December, 2001, but would be extended to cover the two years following its expiry on 31st December, 2007 such that it will end on 31st December, 2009, based on the mechanism provided in the Management Agreement. The 2000 Supplement Agreement was approved by shareholders in an extraordinary general meeting on 17th March, 2000.

Furthermore, on 31st December, 2002, the Group and China Poly Group entered into an agreement (the "2002 Supplemental Agreement") supplemental to the Management Agreement and the 2000 Supplemental Agreement (hereafter collectively "Agreements") between the same parties. Pursuant to the 2002 Supplemental Agreement, the profit guarantee for the operation of Poly Plaza provided by China Poly Group under the Agreements would be suspended for the year ended 31st December, 2003, but would be extended to cover the next year following its expiry on 31st December, 2009 such that it will end on 31st December, 2010, based on the mechanism provided in the Agreements. The 2002 Supplement Agreement was approved by shareholders in an extraordinary general meeting on 30th December, 2002.

For the year ended 31st December, 2010, no compensation for guarantee profit was received by the Group from China Poly Group and the Management Agreement, 2000 and 2002 Supplemental Agreements were expired in 2010.

## 53. Connected and related party transactions and balances (Continued)

### (I) Connected Persons (Continued)

#### (B) Transactions and balances with non-controlling shareholders of subsidiaries

| | The Group | |
|---|---|---|
| | **2011** | 2010 |
| | **HK$'000** | HK$'000 |
| Transactions:– | | |
| Interest income *(note i)* | **52,362** | – |
| Interest expenses *(note i)* | **106,944** | 52,290 |
| Balances:– | | |
| Amounts due from non-controlling shareholders of subsidiaries *(note i)* | **790,947** | 189,012 |
| Amounts due to non-controlling shareholders of subsidiaries *(note i)* | **2,291,217** | 1,018,110 |

*Note:–*

(i) Details of terms are set out in note 33(b).

# 53. Connected and related party transactions and balances (Continued)

## (II) Related parties, other than connected persons

| Related party | Balances | The Group 2011 HK$'000 | The Group 2010 HK$'000 |
|---|---|---|---|
| 重慶綠地 | Amount due to an associate *(note i)* | **74,074** | 70,588 |
| 深圳市保利劇院 | Amount due from a jointly controlled entity *(note ii)* | **–** | 2,582 |
| 廣東保利投資有限公司 | Amount due from a related company *(note iii)* | **7,407** | 7,059 |
| Kumagai SMC Development (Guangzhou) Ltd. | Amount due (to) from a related company *(note iii)* | **(1,867)** | 10,372 |

*Notes:–*

(i) Details of terms are set out in note 22.

(ii) Details of terms are set out in note 23.

(iii) Details of terms are set out in note 33(c).

### The Company

Apart from the transactions as disclosed in notes 33(a) and 33(d) to the consolidated financial statements, the Company had no other transaction with its related parties during the year.

## 53. Connected and related party transactions and balances (Continued)

### (III) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:–

| | **2011** **HK$'000** | 2010 HK$'000 |
|---|---|---|
| Short-term benefits | **23,297** | 20,371 |
| Post-employment benefits | **330** | 283 |
| | **23,627** | 20,654 |

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

## 54. Material transactions and balances with other state-controlled entities

Part of the Group's operations is carried out in an economic environment currently predominated by entities directly or indirectly owned or controlled by the PRC government ("state-controlled entities"). In addition, the Group itself is part of a larger group of companies under China Poly which is controlled by the PRC government. Apart from the transactions with the PRC government, China Poly, other connected persons and related parties disclosed in notes 51 and 53, the Group also conducts business with other state-controlled entities. The directors consider those state-controlled entities are independent third parties so far as the Group's business transactions with them are concerned.

In establishing its pricing strategies and approval process for transactions with other state-controlled entities, the Group does not differentiate whether the counter-party is a state-controlled entity or not.

## 54. Material transactions and balances with other state-controlled entities (Continued)

Material transactions/balances with other state-controlled entities are as follows:–

| | **2011** **HK$'000** | 2010 HK$'000 |
|---|---|---|
| Transactions:– | | |
| Trade sales | **938,075** | 53,436 |
| Trade purchases | **15,895** | 9,978 |
| Balances:– | | |
| Amounts due from other state-controlled entities | **48,620** | 7,032 |
| Amounts due to other state-controlled entities | **179** | – |

In view of the nature of the Group's hotel operating business, the directors are of the opinion that, except as disclosed above, it is impracticable to ascertain the identity of the counterparties and accordingly whether the transactions were with other state-controlled entities.

In addition, the Group has entered into various transactions, including deposit placements, borrowings and other general banking facilities, with certain banks and financial institutions which are state-controlled entities in its ordinary course of business. In view of the nature of those banking transactions, the directors are of the opinion that separate disclosure would not be meaningful.

Except as disclosed above, the directors are of the opinion that transactions with other state-controlled entities are not significant to the Group's operations.

## 55. Principal subsidiaries

Details of the Company's principal subsidiaries at 31st December, 2011 are as follows:–

| Name of subsidiary | Place of incorporation/ establishment | Issued and paid up share capital/ registered capital | Attributable portion of nominal value of issued share capital/ registered capital held by the Company Directly | Indirectly | Principal activity |
|---|---|---|---|---|---|
| Bassington Investments Limited | Hong Kong | HK$2 | – | 100% | Property investment |
| Big Support Limited | British Virgin Islands | US$1 | – | 100% | Investment holding |
| China Dynasty Development Ltd. | British Virgin Islands | US$1,000 | – | 60% | Property investment |
| CMIC Finance Limited | Hong Kong | HK$2 | 100% | – | Financial services |
| CMIC Management Services Limited | Hong Kong | HK$100 | 100% | – | Management services |
| Fainland Limited | Hong Kong | HK$2 | – | 100% | Property investment |
| First Great Investments Limited | Hong Kong | HK$2 | – | 100% | Investment holding |
| Geldy Limited | Hong Kong | HK$10,000 | – | 100% | Property investment |
| Golden Huge Limited | British Virgin Islands | US$1 | – | 100% | Investment holding |
| Grandful International Limited | Hong Kong | HK$2 | – | 100% | Investment holding |
| High Wealth International Limited | Hong Kong | HK$2 | – | 100% | Property investment |
| Honorlink Investments Limited | Hong Kong | HK$2 | – | 100% | Property investment |
| Hubei White Rose Hotel Company Limited *(note i)* | PRC | RMB62,000,000 | – | 100% | Investment, management and operation of a hotel |
| Johnsbury Limited | British Virgin Islands | US$9,600,000 | 100% | – | Investment holding |
| Poly Plaza Limited ("PPL") *(note ii)* | PRC | US$10,000,000 | – | 75% | Investment, management and operation of a hotel complex |
| Polystar Digidisc Co., Ltd. ("Polystar") *(note iii)* | PRC | RMB9,000,000 | – | 66% | Manufacturing and wholesaling of compact discs, video compact discs and digital video discs |

## 55. Principal subsidiaries (Continued)

| Name of subsidiary | Place of incorporation/ establishment | Issued and paid up share capital/ registered capital | Attributable portion of nominal value of issued share capital/ registered capital held by the Company Directly | Indirectly | Principal activity |
|---|---|---|---|---|---|
| Poly (Hong Kong) Property Developments Limited | Hong Kong | HK$1 | – | 100% | Investment holding |
| Poly (Hong Kong) Real Estate Limited | Hong Kong | HK$1 | – | 100% | Investment holding |
| Power Jade Holdings Limited | British Virgin Islands | US$1 | – | 100% | Securities investment |
| Prime Brilliant Limited | Hong Kong | HK$2 | – | 100% | Property investment |
| Propwood Limited | Hong Kong | HK$2 | – | 100% | Property investment |
| Rapid Bloom Limited | British Virgin Islands | US$1 | – | 100% | Investment holding |
| Saneble Limited | Hong Kong | HK$2 | – | 100% | Property investment |
| Smart Best Investments Limited | Hong Kong | HK$1 | – | 100% | Investment holding |
| Upperace Developments Ltd. | British Virgin Islands | US$1 | 100% | – | Securities investment |
| Volgala International Ltd. | British Virgin Islands | US$1 | – | 100% | Securities investment |
| 萬寧騰遠發展有限公司 *(note i)* | PRC | US$14,000,000 | – | 100% | Property development |
| 海南帝港置業有限公司 *(note i)* | PRC | HK$62,250,000 | – | 100% | Property development |
| 保利置業集團有限公司 *(note i)* | PRC | RMB2,200,000,000 | – | 100% | Investment holding |
| 上海浦利房地產發展有限公司 *(note i)* | PRC | US$24,000,000 | – | 100% | Property investment |
| 上海忻利房地產發展有限公司 | PRC | RMB15,000,000 | – | 100% | Property investment |
| 上海夢苑房地產有限公司 | PRC | RMB5,000,000 | – | 100% | Property investment and investment holding |
| 上海保利廣場資產管理有限公司 | PRC | RMB200,000,000 | – | 90% | Property investment |

## 55. Principal subsidiaries (Continued)

| Name of subsidiary | Place of incorporation/ establishment | Issued and paid up share capital/ registered capital | Attributable portion of nominal value of issued share capital/ registered capital held by the Company Directly | Indirectly | Principal activity |
|---|---|---|---|---|---|
| 上海保利佳房地產開發有限公司 | PRC | RMB150,000,000 | – | 100% | Property development |
| 上海保利花木有限公司 | PRC | RMB1,000,000 | – | 100% | Property development |
| 上海保利物業酒店管理有限責任公司 | PRC | RMB50,000,000 | – | 100% | Property management |
| 上海保利金鵬置業有限公司 | PRC | RMB20,000,000 | – | 50.1% | Investment holding |
| 上海保金置業有限公司 | PRC | RMB15,000,000 | – | 50.1% | Property development |
| 上海瑞中置業有限公司 | PRC | RMB8,000,000 | – | 50.1% | Property development |
| 上海保鑫置業有限公司 | PRC | RMB15,000,000 | – | 50.1% | Property development |
| 上海保金房地產經紀有限公司 | PRC | RMB1,000,000 | – | 50.1% | Property agency |
| 上海保利鋭馳房地產經紀有限公司 | PRC | RMB5,000,000 | – | 100% | Property agency |
| 上海賢豐房地產開發有限責任公司 | PRC | RMB10,000,000 | – | 100% | Property development |
| 上海保利茂佳房地產開發有限公司 | PRC | RMB50,000,000 | – | 100% | Property development |
| 上海保利和佳房地產開發有限公司 | PRC | RMB50,000,000 | – | 100% | Property development |
| 上海保利隆佳房地產開發有限公司 | PRC | RMB50,000,000 | – | 100% | Property development |
| 上海保利翔佳房地產開發有限公司 | PRC | RMB50,000,000 | – | 100% | Property development |
| 上海保利盛茂置業有限公司 | PRC | RMB50,000,000 | – | 100% | Property development |
| 上海保利物產經營管理有限公司 | PRC | RMB208,170,000 | – | 100% | Property investment |
| 上海盛鉅資產經營管理有限公司 | PRC | RMB116,000,000 | – | 90% | Property investment |
| 湖北保利置業有限公司 | PRC | RMB100,000,000 | – | 100% | Property development and investment holding |
| 湖北保利建築工程有限公司 | PRC | RMB50,000,000 | – | 100% | Provision of construction services |
| 湖北保利投資有限公司 | PRC | RMB100,000,000 | – | 100% | Property development and investment holding |
| 湖北保利普提金置業有限公司 | PRC | RMB50,000,000 | – | 68% | Property development |
| 武漢眾和置業有限公司 | PRC | RMB41,200,000 | – | 55% | Property development |

## 55. Principal subsidiaries (Continued)

| Name of subsidiary | Place of incorporation/ establishment | Issued and paid up share capital/ registered capital | Attributable portion of nominal value of issued share capital/ registered capital held by the Company Directly | Indirectly | Principal activity |
|---|---|---|---|---|---|
| 武漢聯業科技開發有限責任公司 | PRC | RMB100,000 | – | 100% | Property investment |
| 武漢保利廣場商業管理有限公司 | PRC | RMB30,000,000 | – | 100% | Property management |
| 重慶保利小泉實業有限公司 | PRC | RMB80,000,000 | – | 51% | Property development |
| 北京花園別墅有限公司 | PRC | RMB91,656,147 | – | 51% | Property investment |
| 廣東保利置業有限公司 | PRC | RMB300,000,000 | – | 100% | Investment holding |
| 佛山市保利置業有限公司 | PRC | RMB30,000,000 | – | 100% | Property development |
| 廣州保利南方置業有限公司 | PRC | RMB30,000,000 | – | 100% | Property development |
| 佛山市盈奧投資發展有限公司 | PRC | RMB30,000,000 | – | 100% | Property development |
| 廣州保盈置業有限公司 | PRC | RMB50,000,000 | – | 100% | Property development |
| 廣州保利置業有限公司 | PRC | RMB101,800,000 | – | 51% | Property development |
| 廣州保利城物業管理有限公司 | PRC | RMB3,100,000 | – | 51% | Property management |
| 惠州保利龍勝房地產開發有限公司 | PRC | RMB100,000,000 | – | 80% | Property development |
| 惠州市保利建業房地產開發有限公司 | PRC | RMB88,926,900 | – | 70% | Property development |
| 深圳市保利房地產開發有限公司 | PRC | RMB100,000,000 | – | 100% | Investment holding |
| 深圳市雅豪園投資有限公司 | PRC | RMB200,000,000 | – | 70% | Property development |
| 深圳市保利文化廣場有限公司 | PRC | RMB150,000,000 | – | 100% | Property investment and management |
| 保利貴州置業集團有限公司 | PRC | RMB200,000,000 | – | 100% | Investment holding |
| 貴陽保利海明房地產開發有限公司 | PRC | RMB50,000,000 | – | 100% | Property development |
| 貴陽保利投資房地產開發有限公司 | PRC | RMB20,000,000 | – | 70% | Property development |
| 保利貴州房地產開發有限公司 | PRC | RMB100,000,000 | – | 66.5% | Property development |
| 保利貴州物業管理有限公司 | PRC | RMB5,000,000 | – | 66.5% | Property management |
| 保利貴州溫泉經營管理有限公司 | PRC | RMB3,000,000 | – | 66.5% | Hot spring operation |
| 貴陽保利房地產開發有限公司 | PRC | RMB50,000,000 | – | 66.5% | Property development |

## 55. Principal subsidiaries (Continued)

| Name of subsidiary | Place of incorporation/ establishment | Issued and paid up share capital/ registered capital | Attributable portion of nominal value of issued share capital/ registered capital held by the Company Directly | Indirectly | Principal activity |
|---|---|---|---|---|---|
| 貴陽保利龍谷房地產開發有限公司 | PRC | RMB50,000,000 | – | 66.5% | Property development |
| 貴陽保利鐵投房地產開發有限公司 | PRC | RMB50,000,000 | – | 51% | Property development |
| 遵義保利置業有限公司 | PRC | RMB50,000,000 | – | 35.7% | Property development |
| 黑龍江保利澳娛房地產開發有限公司（「保利澳娛」）*(note iv)* | PRC | RMB100,000,000 | – | 58% | Property development |
| 哈爾濱保利房地產綜合開發有限責任公司 | PRC | RMB50,000,000 | – | 51% | Property development |
| 保利山東置業有限公司 | PRC | RMB340,000,000 | – | 100% | Investment holding |
| 山東保利嘉園置業有限公司 | PRC | RMB50,000,000 | – | 80% | Property development |
| 山東保利花園房地產開發有限公司 | PRC | RMB10,000,000 | – | 100% | Property development |
| 山東保利物業管理有限公司 | PRC | RMB3,000,000 | – | 100% | Property management |
| 山東保利芙蓉房地產開發有限公司 | PRC | RMB10,000,000 | – | 100% | Property development |
| 濟南保利置業有限公司 | PRC | RMB50,000,000 | – | 100% | Property development |
| 濟南保利房地產開發有限公司 | PRC | RMB10,000,000 | – | 85% | Property development |
| 煙台澤眾置業有限公司 | PRC | RMB10,000,000 | – | 100% | Property development |
| 威海保利置業有限公司 | PRC | RMB30,000,000 | – | 100% | Property development |
| 保利雲南置業有限公司 | PRC | RMB100,000,000 | – | 100% | Investment holding |
| 保利雲南房地產開發有限公司 | PRC | RMB100,000,000 | – | 80% | Investment holding |
| 安寧保利房地產開發有限公司 | PRC | RMB10,000,000 | – | 80% | Property development |
| 雲南保利物業服務管理有限公司 | PRC | RMB1,000,000 | – | 80% | Property management |
| 雲南美城房地產開發有限公司 | PRC | RMB50,000,000 | – | 70% | Property development |
| 安寧保利投資有限公司 | PRC | RMB10,000,000 | – | 100% | Property development |
| 昆明保利房地產開發有限公司 | PRC | RMB100,000,000 | – | 73% | Property development |
| 廣西保利置業集團有限公司 | PRC | RMB100,000,000 | – | 100% | Investment holding |
| 廣西保利房地產有限責任公司 | PRC | RMB150,000,000 | – | 100% | Property development |

*For the year ended 31st December, 2011*

## 55. Principal subsidiaries (Continued)

| Name of subsidiary | Place of incorporation/ establishment | Issued and paid up share capital/ registered capital | Attributable portion of nominal value of issued share capital/ registered capital held by the Company Directly | Indirectly | Principal activity |
|---|---|---|---|---|---|
| 廣西保利物業服務有限公司 | PRC | RMB5,000,000 | – | 100% | Property management |
| 南寧新淯公河房地產有限公司 | PRC | RMB10,000,000 | – | 100% | Property development |
| 南寧市新保越房地產有限公司 | PRC | RMB10,000,000 | – | 100% | Property development |
| 廣西保利龍湖藍灣發展有限公司 | PRC | RMB50,000,000 | – | 100% | Property development |
| 柳州保利置業有限公司 | PRC | RMB100,000,000 | – | 100% | Property development |
| 寧波保利置業有限公司 *(note i)* | PRC | HK$1,459,000,000 | – | 100% | Property development |
| 德清保利置業有限公司 | PRC | RMB262,665,000 | – | 100% | Property development |
| 余姚保利置業有限公司 *(note i)* | PRC | HK$1,100,000,000 | – | 100% | Property development |
| 保利（蘇州）置業有限公司 | PRC | RMB800,000,000 | – | 100% | Investment holding |
| 蘇州保利房地產開發有限公司 | PRC | RMB1,200,000,000 | – | 100% | Property development |
| 蘇州保利隆威置業有限公司 | PRC | RMB328,623,800 | – | 100% | Property development |
| 蘇州保利隆勝置業有限公司 | PRC | RMB329,108,480 | – | 100% | Property development |
| 蘇州保利隆茂置業有限公司 | PRC | HK$232,000,000 | – | 100% | Property development |

*Notes:–*

(i) These companies are a wholly foreign owned enterprise in the PRC.

(ii) PPL is a sino-foreign joint venture company established in the PRC for a renewal term of 50 years commencing 9th July, 2003.

(iii) Polystar is a sino-foreign joint venture company established in the PRC for a term of 20 years commencing 18th December, 2000.

(iv) 保利澳娛 is a sino-foreign joint venture company established in the PRC for a term of 20 years commencing 29th December, 2004.

The above table only lists those subsidiaries of the Company which, in the opinion of the directors, principally affected the results, assets or liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

## 56. Segment and entity-wide information

### Reportable segments

For management purposes, the Group is organised into four operating divisions. These divisions are the basis on which the Group reports its segment information.

Principal activities are as follows:–

| | | |
|---|---|---|
| Property development business | – | property development |
| Property investment and management | – | property investment and management |
| Hotel operations | – | hotel and restaurant business and its related services |
| Other operations | – | manufacturing and sales of digital discs and others |

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

Segment assets include all tangible, intangible assets and current assets with the exception of interests in associates and a jointly controlled entity, deferred tax assets and other corporate assets. Segment liabilities include trade payable, accruals and deposits received, liabilities attributable to the individual segments and other borrowings managed directly by the segments with the exception of other corporate liabilities.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment result is "adjusted EBIT" i.e. adjusted earnings before interest and taxes. To arrive at adjusted EBIT, the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as share of results of associates and a jointly controlled entity, gain on disposal of available-for-sale investments, gain on disposal of interest in an associate, directors' and auditor's remuneration and other head office or corporate administration costs.

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

## 56. Segment and entity-wide information (Continued)

### Reportable segments (Continued)

Information about these segments is presented below:–

*For the year ended 31st December, 2011*

| | Property development business HK$'000 | Property investment and management HK$'000 | Hotel operations HK$'000 | Other operations HK$'000 | Eliminations HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| REVENUE | | | | | | |
| External revenue | 13,279,121 | 499,507 | 200,149 | 126,136 | – | 14,104,913 |
| Inter-segment revenue* | – | 16,632 | – | – | (16,632) | – |
| Total revenue | 13,279,121 | 516,139 | 200,149 | 126,136 | (16,632) | 14,104,913 |
| SEGMENT RESULT | 4,001,209 | 624,769 | (29,801) | 25,545 | – | 4,621,722 |
| Unallocated income | | | | | | 577,616 |
| Unallocated expenses | | | | | | (93,971) |
| Gain on disposal of available-for-sale investments | – | – | – | 231,482 | – | 231,482 |
| Gain on disposal of interest in an associate | 96,397 | – | – | – | – | 96,397 |
| Finance costs | | | | | | (440,197) |
| Share of results of associates | 16,352 | – | – | – | – | 16,352 |
| Share of result of a jointly controlled entity | – | – | – | (8,030) | – | (8,030) |
| Profit before taxation | | | | | | 5,001,371 |
| Income tax expense | | | | | | (1,778,964) |
| Profit for the year | | | | | | 3,222,407 |

* *Inter-segment revenue were charged with reference to prices charged to external parties for similar services or products.*

## 56. Segment and entity-wide information (Continued)

### Assets and liabilities

*At 31st December, 2011*

| | Property development business HK$'000 | Property investment and management HK$'000 | Hotel operations HK$'000 | Other operations HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| ASSETS | | | | | |
| Segment assets | 73,266,105 | 7,092,115 | 1,629,764 | 275,659 | 82,263,643 |
| Interests in associates | 102,473 | – | – | – | 102,473 |
| Interest in a jointly controlled entity | – | – | – | 1,646 | 1,646 |
| Unallocated corporate assets | | | | | 13,139,470 |
| Total assets | | | | | 95,507,232 |
| LIABILITIES | | | | | |
| Segment liabilities | (26,813,221) | (448,877) | (217,965) | (41,560) | (27,521,623) |
| Unallocated corporate liabilities | | | | | (40,813,857) |
| Total liabilities | | | | | (68,335,480) |
| OTHER INFORMATION | | | | | |
| Capital expenditure | 64,156 | 15,292 | 19,381 | 6,065 | 104,894 |
| Depreciation | 27,008 | 21,722 | 54,540 | 14,628 | 117,898 |
| Impairment loss on other receivables | 3,676 | – | – | – | 3,676 |
| Impairment loss on goodwill | 4,657 | – | – | – | 4,657 |
| Amortisation of prepaid lease payments | 1,125 | 1,313 | 10,337 | 143 | 12,918 |

An analysis of the Group's revenue by geographical location of its customers is presented below:–

| | Hong Kong HK$'000 | The PRC HK$'000 | Total HK$'000 |
|---|---|---|---|
| Revenue | 4,866 | 14,100,047 | 14,104,913 |

## 56. Segment and entity-wide information (Continued)

The following is an analysis of the carrying amount of segment assets and capital expenditure analysed by the geographical area in which the assets are located.

| | Hong Kong HK$'000 | The PRC HK$'000 | Total HK$'000 |
|---|---|---|---|
| ASSETS | | | |
| Carrying amount of segment assets | **3,556,278** | **91,846,835** | **95,403,113** |
| Capital expenditure | **8,654** | **96,240** | **104,894** |

The Group's customer base is diversified and no customer with whom transactions have exceeded 10% of the Group's revenue.

*For the year ended 31st December, 2010*

| | Property development business HK$'000 | Property investment and management HK$'000 | Hotel operations HK$'000 | Other operations HK$'000 | Eliminations HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| REVENUE | | | | | | |
| External revenue | 7,806,224 | 443,243 | 146,885 | 117,784 | – | 8,514,136 |
| Inter-segment revenue* | 1,492 | 25,760 | – | 474,482 | (501,734) | – |
| Total revenue | 7,807,716 | 469,003 | 146,885 | 592,266 | (501,734) | 8,514,136 |
| SEGMENT RESULT | 2,335,868 | 272,264 | (74) | 38,575 | – | 2,646,633 |
| Unallocated income | | | | | | 343,000 |
| Unallocated expenses | | | | | | (89,794) |
| Gain on disposal of interests in subsidiaries | 352,349 | – | – | – | – | 352,349 |
| Gain on disposal of interest in an associate | 98,060 | – | – | – | – | 98,060 |
| Finance costs | | | | | | (257,316) |
| Discount on acquisition of interests in subsidiaries | 81,303 | – | – | – | – | 81,303 |
| Share of results of associates | 19,428 | – | – | – | – | 19,428 |
| Share of results of a jointly controlled entity | – | – | – | (7,818) | – | (7,818) |
| Profit before taxation | | | | | | 3,185,845 |
| Income tax expense | | | | | | (1,049,392) |
| Profit for the year | | | | | | 2,136,453 |

* *Inter-segment revenue were charged with reference to prices charged to external parties for similar services or products.*

## 56. Segment and entity-wide information (Continued)

### Assets and liabilities

*At 31st December, 2010*

| | Property development business HK$'000 | Property investment and management HK$'000 | Hotel operations HK$'000 | Other operations HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| ASSETS | | | | | |
| Segment assets | 49,736,330 | 5,445,348 | 1,565,773 | 556,747 | 57,304,198 |
| Interests in associates | 135,480 | – | – | – | 135,480 |
| Interests in a jointly controlled entity | – | – | – | 1,515 | 1,515 |
| Unallocated corporate assets | | | | | 16,420,170 |
| Total assets | | | | | 73,861,363 |
| LIABILITIES | | | | | |
| Segment liabilities | (17,492,214) | (448,919) | (187,392) | (49,776) | (18,178,301) |
| Unallocated corporate liabilities | | | | | (31,853,566) |
| Total liabilities | | | | | (50,031,867) |
| OTHER INFORMATION | | | | | |
| Capital expenditure | 330,956 | 33,617 | 18,065 | 9,925 | 392,563 |
| Depreciation | 18,452 | 22,199 | 29,509 | 12,870 | 83,030 |
| Impairment loss on trade receivables | 362 | 38 | 26 | 1,593 | 2,019 |
| Impairment loss on other receivables | 8,474 | 33,227 | 30 | 545 | 42,276 |
| Impairment loss on goodwill | 5,417 | – | – | – | 5,417 |
| Amortisation of prepaid lease payments | 1,183 | 1,063 | 6,688 | 138 | 9,072 |

## 56. Segment and entity-wide information (Continued)

An analysis of the Group's revenue by geographical location of its customers is presented below:–

| | Hong Kong HK$'000 | The PRC HK$'000 | Total HK$'000 |
|---|---|---|---|
| REVENUE | 4,764 | 8,509,372 | 8,514,136 |

The following is an analysis of the carrying amount of segment assets and capital expenditure analysed by the geographical area in which the assets are located.

| | Hong Kong HK$'000 | The PRC HK$'000 | Total HK$'000 |
|---|---|---|---|
| ASSETS | | | |
| Carrying amount of segment assets | 5,123,133 | 68,601,235 | 73,724,368 |
| Capital expenditure | 1,945 | 390,618 | 392,563 |

The Group's customer base is diversified and no customer with whom transactions have exceeded 10% of the Group's revenue.

# FINANCIAL SUMMARY

| | Year ended 31st December, | | | | |
|---|---|---|---|---|---|
| | 2007<br>HK$'000 | 2008<br>HK$'000 | 2009<br>HK$'000 | 2010<br>HK$'000 | **2011**<br>**HK$'000** |
| **RESULTS** | | | | | |
| **Continuing operations** | | | | | |
| Revenue | 973,860 | 3,324,368 | 7,196,898 | 8,514,136 | **14,104,913** |
| Profit before taxation | 383,824 | 349,104 | 1,130,287 | 3,185,845 | **5,001,371** |
| Income tax expense | (165,134) | (74,590) | (314,127) | (1,049,392) | **(1,778,964)** |
| Profit for the year from continuing operations | 218,690 | 274,514 | 816,160 | 2,136,453 | **3,222,407** |
| **Discontinued operations** | | | | | |
| Profit for the year from discontinued operations | 207,864 | – | – | – | **–** |
| Profit for the year | 426,554 | 274,514 | 816,160 | 2,136,453 | **3,222,407** |
| Attributable to: | | | | | |
| Owners of the Company | 401,196 | 222,994 | 662,114 | 1,838,367 | **2,777,119** |
| Non-controlling interests | 25,358 | 51,520 | 154,046 | 298,086 | **445,288** |
| Profit for the year | 426,554 | 274,514 | 816,160 | 2,136,453 | **3,222,407** |

| | At 31st December, | | | | |
|---|---|---|---|---|---|
| | 2007<br>HK$'000 | 2008<br>HK$'000 | 2009<br>HK$'000 | 2010<br>HK$'000 | **2011**<br>**HK$'000** |
| **ASSETS AND LIABILITIES** | | | | | |
| Total assets | 10,209,047 | 22,316,136 | 38,365,170 | 73,861,363 | **95,507,232** |
| Total liabilities | (5,222,301) | (15,159,092) | (22,226,270) | (50,031,867) | **(68,335,480)** |
| | 4,986,746 | 7,157,044 | 16,138,900 | 23,829,496 | **27,171,752** |
| Equity attributable to owners of the Company | 4,669,181 | 6,080,061 | 14,619,950 | 22,010,167 | **24,670,940** |
| Non-controlling interests | 317,565 | 1,076,983 | 1,518,950 | 1,819,329 | **2,500,812** |
| | 4,986,746 | 7,157,044 | 16,138,900 | 23,829,496 | **27,171,752** |

# SUMMARY OF PROPERTIES HELD FOR INVESTMENT PURPOSES

*At 31st December, 2011*

Details of the Group's properties held for investment purpose at 31st December, 2011 are as follows:–

| Location | Term of lease | Type of use | Group's interest |
|---|---|---|---|
| *INVESTMENT PROPERTIES:* | | | |
| Room 2502A, 2502B, 2502C and Room 2508 of 25th Floor Admiralty Centre Tower I 18 Harcourt Road Hong Kong | Long lease | Commercial | 100% |
| 4 apartments of Legend Garden Villas 89 Capital Airport Road, Beijing The People's Republic of China | Held under a land use right for a term expiring on 31st December, 2042 | Residential | 100% |
| Portions of Basements 1, 2 and 3, Portions of 1st Floor, N02, N03 & N04, 11th Floor, North Tower, N02, N03 & N04, 12th Floor, North Tower, Whole of 14th, 15th, 16th, 17th and 18th Floors, South Tower, N04, N05 & N06, 16th floor of North Tower, N07, 19th Floor, North Tower, S01, S02, S03, S04, S07, S08 & S09, 20th Floor, South Tower, N02, N03, N06, N07, N08, N09, 20th Floor, North Tower, Whole of 21st, 22nd, 23rd, 24th, 25th and 27th Floors, South Tower and North Tower, Whole of 26th Floor, North Tower, Shanghai Stock Exchange Building, No. 528 Pudong Road South, Lujiazui, Pudong, Shanghai, The People's Republic of China | Held under a land use right for a term expiring on 14th November, 2043 | Commercial | 100% |

*At 31st December, 2011*

| Location | Term of lease | Type of use | Group's interest |
|---|---|---|---|
| *INVESTMENT PROPERTIES: (Continued)* | | | |
| 5 houses, 15 apartments, a commercial center, a club house, a kindergarten and an extension Legend Garden Villas, 89 Capital Airport Road, Beijing, The People's Republic of China | Held under a land use right for a term expiring on 31st December, 2042 | Commercial/ Residential | 51% |
| Office Tower of Poly Plaza, No. 14 Dongzhimen Nandajie, Dong Cheng District, Beijing, The People's Republic of China | The land use right for the property has been granted for a term of 50 years commencing on 27th October, 2003 | Commercial | 75% |
| Commercial/Office buildings at No. 465 Luo Shi Lu, Hong Shan District, Wuhan, Hubei Province, The People's Republic of China | Held under a land use right for a term expiring on 12th May, 2047 | Commercial | 100% |
| 3 residential units and 5 commercial units at Zhuo Dao Quan Bei Lu, Hong Shan District, Wuhan, Hubei Province, The People's Republic of China | Held under a land use right for a term expiring on 16th January, 2075 | Commercial/ Residential | 100% |
| Various commercial units, cultural centre, exhibition centre, theatre, museum, cinemas and car parking spaces, Poly Cultural Centre, Hou Hai Bin Lu, Nan Shan District, Shenzhen, Guangdong Province, The People's Republic of China | Held under a land use right for a term expiring on 15th January, 2054 | Commercial | 100% |

## SUMMARY OF PROPERTIES HELD FOR INVESTMENT PURPOSES

*At 31st December, 2011*

| Location | Term of lease | Type of use | Group's interest |
|---|---|---|---|
| *INVESTMENT PROPERTIES: (Continued)* | | | |
| Various office units in CITIC Plaza, No. 233 Tianhe Bei Road, Tianhe District, Guangzhou, Guangdong Province, The People's Republic of China | Held under a land use right for a term expiring on 30th September, 2044 | Commercial | 60% |
| Golf training center together with its ancillary accommodations and an adjoining piece of land, 89 Capital Airport Road, Beijing, The People's Republic of China | Held under a long lease for a term expiring on 30th September, 2026 | Commercial | 40% |
| Various commercial and office units, Poly Mingmen, China Asean International Business District, Nanning, Guangxi Province, The People's Republic of China | Held under a land use right for a term expiring on 22nd January, 2076 | Commercial | 100% |
| Various office units, Shanghai Poly Plaza, No. 18 Dong Fang Lu, Pudong New District, Shanghai, The People's Republic of China | Held under a land use right for a term expiring on 21st July, 2055 | Commercial | 90% |
| Various commercial units at No. 8 Dong Wu Da Dao Te, Dong Xi Hu District, Wuhau, Hubei Province, The People's Republic of China | Held under a land use right for a term expiring on 23rd April, 2042 | Commercial | 55% |

*At 31st December, 2011*

| Location | Term of lease | Type of use | Group's interest |
|---|---|---|---|
| *INVESTMENT PROPERTIES: (Continued)* | | | |
| A commercial unit, Guiyang Poly Clouds Hill International, No.148 Shi Bei Lu, Yun Yan District, Guiyang, Guizhou Province, The People's Republic of China | Held under a land use right for a term expiring on 24th May, 2048 | Commercial | 100% |
| Various commercial units, Guiyang Poly Hot Spring Newisland, Wen Quan Lu, Ye Jia Zhuang, Wu Dang District, Guiyang, Guizhou Province, The People's Republic of China | Held under a land use right for a term expiring on 30th August, 2046 | Commercial | 66.5% |
| Various commercial units, Guiyang Poly International Center, Shi Nan Lu, Nan Ming District, Guiyang, Guizhou Province, The People's Republic of China | Held under a land use right for a term expiring on 24th May, 2049 | Commercial | 66.5% |

# SUMMARY OF PROPERTIES HELD FOR DEVELOPMENT

*At 31st December, 2011*

Details of the Group's properties held for development at 31st December, 2011 are as follows:–

| Location | Stage of completion | Expected completion date | Site area/ Gross floor area | Type of use | Group's interest |
|---|---|---|---|---|---|
| *PROPERTIES HELD FOR DEVELOPMENT:* | | | | | |
| A parcel of land on No. 788 Wuchang Minzhu Road, Wu Chang District, Wuhan, Hubei Province, The People's Republic of China | Under construction | December 2012 | 12,000 sq.m./ 143,000 sq.m. | Commercial/ Office | 100% |
| A parcel of land in Chai Lin Tou Village, He Ping Xiang, Hong Shan District, Wuhan, Hubei Province, The People's Republic of China | Under construction | December 2014 | 28,000 sq.m./ 130,000 sq.m. | Commercial/ Residential | 51% |
| A parcel of land in No. 90 Xiao Quan, Nan Quan Village, Ba Nan District, Chongqing, Sichuan Province, The People's Republic of China | Under construction | March 2011 (Phase III) | 210,000 sq.m./ 58,000 sq.m. | Residential | 51% |
| A parcel of land in Zong Fang Cun, Ma Lu Zhen, Jiading District, Shanghai, The People's Republic of China | Under construction | December 2012 (Phase III and IV) | 169,000 sq.m./ 408,000 sq.m. | Commercial/ Residential | 100% |
| A parcel of land at No. 148 Shi Bei Lu, Yun Yan District, Guiyang, Guizhou Province, The People's Republic of China | Under construction | November 2012 (Phase II) | 156,000 sq.m./ 649,000 sq.m. | Residential | 100% |

## SUMMARY OF PROPERTIES HELD FOR DEVELOPMENT

*At 31st December, 2011*

| Location | Stage of completion | Expected completion date | Site area/ Gross floor area | Type of use | Group's interest |
|---|---|---|---|---|---|
| *PROPERTIES HELD FOR DEVELOPMENT*: *(Continued)* | | | | | |
| A parcel of land at East of Hua Gang Da Dao, Xin Hua Zhen, Hua Du District, Guangzhou, Guangdong Province, The People's Republic of China | Under construction | October 2012 (Phase III) | 249,000 sq.m./ 538,000 sq.m. | Commercial/ Residential | 51% |
| A parcel of land on Wen Quan Lu, Ye Jia Zhuang, Wu Dang District, Guiyang, Guizhou Province, The People's Republic of China | Under construction | August 2013 (Phase IV) | 482,000 sq.m./ 1,052,000 sq.m. | Residential | 66.5% |
| A parcel of land on Shi Nan Lu, Nan Ming District, Guiyang, Guizhou Province, The People's Republic of China | Under construction | December 2012 (Phase I) | 21,000 sq.m./ 242,000 sq.m. | Commercial/ Residential | 66.5% |
| A parcel of land on No. 20 Yong Wu Lu, Xing Ning District, Nanning, Guangxi Province, The People's Republic of China | Under construction | January 2015 | 465,000 sq.m./ 527,000 sq.m. | Residential | 100% |
| A parcel of land on San Huan Lu, Song Bei District, Harbin, Heilongjiang Province, The People's Republic of China | Under construction | November 2012 (Phase IV) | 567,000 sq.m./ 649,000 sq.m. | Residential | 58% |
| A parcel of land in Zi Xing Jie, Gong Dian Lu, Nan Gang District, Harbin, Heilongjiang Province, The People's Republic of China | Under construction | October 2013 | 75,000 sq.m./ 335,000 sq.m. | Residential | 51% |

## SUMMARY OF PROPERTIES HELD FOR DEVELOPMENT

*At 31st December, 2011*

| Location | Stage of completion | Expected completion date | Site area/ Gross floor area | Type of use | Group's interest |
|---|---|---|---|---|---|
| *PROPERTIES HELD FOR DEVELOPMENT: (Continued)* | | | | | |
| Four parcels of land in Luo Yang Zhen, Boluo County, Huizhou, Guangdong Province, The People's Republic of China | Under construction | August 2012 (Phase II) | 358,000 sq.m./ 513,000 sq.m. | Commercial/ Residential | 80% |
| A parcel of land in Ma Lu Zhen, Jiading District, Shanghai, The People's Republic of China | Under construction | May 2012 (Phase II) | 119,000 sq.m./ 284,000 sq.m. | Residential | 100% |
| A parcel of land in Tang On Lu, Tangzhen, Pudong New District, Shanghai, The People's Republic of China | Under construction | July 2012 (Phase II) | 120,000 sq.m./ 242,000 sq.m. | Commercial/ Residential | 50.1% |
| A parcel of land in the North of Jing Yi Lu, Li Xia District, Jinan, Shandong Province, The People's Republic of China | Under construction | February 2013 | 80,000 sq.m./ 224,000 sq.m. | Commercial/ Residential | 80% |
| A parcel of land on Donghua Road, Longjiang, Shunde District, Foshan City, Guangdong Province, The People's Republic of China | Under construction | June 2012 (Phase I) | 95,000 sq.m./ 434,000 sq.m. | Commercial/ Residential | 100% |
| A parcel of land on Lu Jing 2 Lu, Chan Cheng District, Foshan City, Guangdong Province, The People's Republic of China | Under construction | May 2013 | 49,000 sq.m./ 172,000 sq.m. | Commercial/ Residential | 100% |

## SUMMARY OF PROPERTIES HELD FOR DEVELOPMENT

*At 31st December, 2011*

| Location | Stage of completion | Expected completion date | Site area/ Gross floor area | Type of use | Group's interest |
|---|---|---|---|---|---|
| *PROPERTIES HELD FOR DEVELOPMENT*: *(Continued)* | | | | | |
| A parcel of land on Shui Dong Lu, Wu Dang District, Guiyang, Guizhou Province, The People's Republic of China | Under construction | November 2013 (Phase II) | 408,000 sq.m./ 697,000 sq.m. | Commercial/ Residential | 66.5% |
| A parcel of land in the West of Fenglin Lu, Fengling North, Nanning, Guangxi Province, The People's Republic of China | Under construction | March 2013 | 35,000 sq.m./ 192,000 sq.m. | Residential | 100% |
| Two parcels of land on Wuyi Xi Lu, Jiangnan District, Nanning, Guangxi Province, The People's Republic of China | Under construction | April 2013 | 66,000 sq.m./ 368,000 sq.m. | Residential | 100% |
| Two parcels of land in the Northwest of Yongwu Overpass, Nanning, Guangxi Province, The People's Republic of China | Under planning | July 2014 | 74,000 sq.m./ 368,000 sq.m. | Commercial/ Residential | 100% |
| A parcel of land on No.2 Baisha Lu, Liuzhou, Guangxi Province, The People's Republic of China | Under construction | March 2013 (Phase I) | 169,000 sq.m./ 887,000 sq.m. | Office/ Commercial/ Residential | 100% |
| A parcel of land in Wu Dang pasture, Wu Dang District, Guiyang, Guizhou Province, The People's Republic of China | Under construction | October 2015 | 1,118,000 sq.m./ 1,708,000 sq.m. | Commercial/ Residential | 70% |

## SUMMARY OF PROPERTIES HELD FOR DEVELOPMENT

*At 31st December, 2011*

| Location | Stage of completion | Expected completion date | Site area/ Gross floor area | Type of use | Group's interest |
|---|---|---|---|---|---|
| *PROPERTIES HELD FOR DEVELOPMENT: (Continued)* | | | | | |
| A parcel of land in the South of Zhu Shun Lu, Li Cheng District, Jinan, Shandong Province, The People's Republic of China | Under construction | April 2013 (Phase I) | 142,000 sq.m./ 434,000 sq.m. | Residential | 100% |
| A parcel of land in Ning Hu Xin Cheng, An Ning County, Kuming, Yunnan Province, The People's Republic of China | Under construction | June 2013 | 13,000 sq.m./ 79,000 sq.m. | Residential | 100% |
| Two parcels of land at junction of Shen Hui Da Dao and Yi Cui Lu, Ai Lian Gang Bei, Longgang District, Shenzhen, Guangdong Province, The People's Republic of China | Under construction | December 2012 (Phase I) | 70,000 sq.m./ 357,000 sq.m. | Residential | 100% |
| Five parcels of land in Dong Ao Zhen, Shenzhou Peninsula, Wanning City, Hainan Province, The People's Republic of China | Under planning | December 2016 | 418,000 sq.m./ 464,000 sq.m. | Commercial/ Residential | 100% |
| Three parcels of land at junction of Guo Xiang Bei Lu and Yin Shan Lake Lu, Suzhou Wuzhong Economic Development Zone, Suzhou City, Jiangsu Province, The People's Republic of China | Under construction | March 2013 (Phase I) | 369,000 sq.m./ 1,040,000 sq.m. | Residential | 100% |

## SUMMARY OF PROPERTIES HELD FOR DEVELOPMENT

*At 31st December, 2011*

| Location | Stage of completion | Expected completion date | Site area/ Gross floor area | Type of use | Group's interest |
|---|---|---|---|---|---|
| *PROPERTIES HELD FOR DEVELOPMENT: (Continued)* | | | | | |
| A parcel of land at Dong Fang Da Dao and Dushu Lake Da Dao, Suzhou Wuzhong Economic Development Zone, Suzhou City, Jiangsu Province, The People's Republic of China | Under construction | December 2015 | 293,000 sq.m./ 338,000 sq.m. | Residential | 100% |
| Two parcels of land known as C10-6, C14-2 located in Jiading New City, Jiading District, Shanghai, The People's Republic of China | Under construction | November 2014 (Phase I) | 93,000 sq.m./ 163,000 sq.m. | Commercial/ Residential | 100% |
| Two parcels of land known as A04-1, A04-2 located in Jiading New City, Jiading District, Shanghai, The People's Republic of China | Under construction | May 2013 (Phase I) | 73,000 sq.m./ 157,000 sq.m. | Commercial/ Residential | 100% |
| Five parcels of land in Jiading New City, Jiading District, Shanghai, The People's Republic of China | Under construction | June 2014 | 205,000 sq.m./ 477,000 sq.m. | Commercial/ Residential | 100% |
| A parcel of land on Chang Jiang Xi Lu, Song Nan Zhen, Bao Shan District, Shanghai, The People's Republic of China | Under construction | October 2013 | 43,000 sq.m./ 94,000 sq.m. | Commercial/ Residential | 100% |
| A parcel of land in Wu Kang Zhen, Huzhou District, De Qing County, Zhe Jiang Province, The People's Republic of China | Under construction | May 2013 | 165,000 sq.m./ 497,000 sq.m. | Commercial/ Residential | 100% |
| A parcel of land in Zhenhai New City, Ning Bo City, The People's Republic of China | Under construction | June 2013 (Phase I) | 326,000 sq.m./ 860,000 sq.m. | Commercial/ Residential | 100% |

## SUMMARY OF PROPERTIES HELD FOR DEVELOPMENT

*At 31st December, 2011*

| Location | Stage of completion | Expected completion date | Site area/ Gross floor area | Type of use | Group's interest |
|---|---|---|---|---|---|
| *PROPERTIES HELD FOR DEVELOPMENT: (Continued)* | | | | | |
| A parcel of land in Ma Xi Village, Hua Du District, Guangzhou, The People's Republic of China | Under construction | November 2013 (Phase I) | 232,000 sq.m./ 381,000 sq.m. | Commercial/ Residential | 100% |
| A parcel of land in Hua Du District, Guangzhou, The People's Republic of China | Under construction | March 2013 (Phase I) | 254,000 sq.m./ 483,000 sq.m. | Commercial/ Residential | 100% |
| A parcel of land in You Yi Da Dao, Hong Shan District, Wuhan, The People's Republic of China | Under construction | September 2012 | 40,000 sq.m./ 145,000 sq.m. | Commercial/ Residential | 100% |
| A parcel of land in Tie Ji Village, Hong Shan District, Wuhan, The People's Republic of China | Under construction | August 2014 (Phase I) | 336,000 sq.m./ 1,276,000 sq.m. | Commercial/ Residential | 68% |
| A parcel of land in Ma Chi Lu, Dong Xi Hu District, Wuhan, The People's Republic of China | Under construction | June 2013 | 30,000 sq.m./ 54,000 sq.m. | Commercial/ Residential | 55% |
| A parcel of land in Xing Fu Cun, Hong Shan District, Wuhan, The People's Republic of China | Under construction | October 2013 | 92,000 sq.m./ 420,000 sq.m. | Commercial/ Residential | 100% |
| A parcel of land in Nan Chang Zhen Jiading District, Shanghai, The People's Republic of China | Under construction | June 2013 | 123,000 sq.m./ 362,000 sq.m. | Commercial/ Residential | 100% |
| A parcel of land in Tu Hu Xia Liao, Danshui, Huiyang District, Huizhou, Guangdong Province, The People's Republic of China | Under construction | August 2013 (Phase I) | 66,000 sq.m./ 238,000 sq.m. | Residential | 70% |

## SUMMARY OF PROPERTIES HELD FOR DEVELOPMENT

*At 31st December, 2011*

| Location | Stage of completion | Expected completion date | Site area/ Gross floor area | Type of use | Group's interest |
|---|---|---|---|---|---|
| *PROPERTIES HELD FOR DEVELOPMENT*: *(Continued)* | | | | | |
| Two parcels of land near Luo Ping reservoir, Xi Nan Xin Qu, Huaxi District, Guiyang, Guizhou Province, The People's Republic of China | Under construction | December 2013 (Phase I) | 291,000 sq.m./ 830,000 sq.m. | Residential | 51% |
| Various parcels of land at west of Zun Yi Da Dao, Zunyi, Guizhou Province, The People's Republic of China | Under construction | December 2013 (Phase I) | 1,326,000 sq.m./ 4,432,000 sq.m. | Commercial/ Residential | 35.7% |
| A parcel of land at north of Wa Shan, Qi Jia Zhuang, Huan Cui District, Weihai, Shandong Province, The People's Republic of China | Under construction | March 2014 (Phase I) | 89,000 sq.m./ 219,000 sq.m. | Residential | 100% |
| A parcel of land in west of Hu Shan Nan Lu, north of Feng Huang Nan Lu, Lai Shan District, Yantai, Shandong Province, The People's Republic of China | Under construction | January 2014 (Phase I) | 100,000 sq.m./ 295,000 sq.m. | Residential | 100% |
| A parcel of land at east of Cheng Dong Lu and South of Tan Jia Ling Dong Lu, Li Zhou Jie Dao, Yu Yao County, Zhejiang Province, The People's Republic of China | Under construction | December 2013 (Phase I) | 208,000 sq.m./ 564,000 sq.m. | Commercial/ Residential | 100% |

# SUMMARY OF PROPERTIES HELD FOR SALE

*At 31st December, 2011*

Details of the Group's properties held for sale at 31st December, 2011 are as follows:–

| Location | Gross floor area | Type of use | Group's interest |
|---|---|---|---|
| *PROPERTIES HELD FOR SALE:* | | | |
| 53 carparking spaces, Poly Xing Yuan, Nos. 1-5, Lane 28, Bin Yang Lu, Xu Hui District, Shanghai, The People's Republic of China | N/A | Residential | 100% |
| 156 carparking spaces, Poly Garden, Gao Xin District, Suzhou, Jiangsu Province, The People's Republic of China | N/A | Residential | 100% |
| Various carparking spaces, Yi He Homeland Southern District, Gong Dian Lu, Nan Gang District, Harbin, Heilongjiang Province, The People's Republic of China | N/A | Residential | 51% |
| Various carparking spaces, Poly Phoenixia Garden, Feng Xiang Lu, Nanning, Guangxi Province, The People's Republic of China | N/A | Residential | 100% |
| Various commercial units and carparking spaces, Nanning Poly Upper House, Zhu Jin Lu, China Asean International Business District, Nanning, Guangxi Province, The People's Republic of China | 272 sq.m. | Commercial | 100% |

*At 31st December, 2011*

| Location | Gross floor area | Type of use | Group's interest |
|---|---|---|---|
| *PROPERTIES HELD FOR SALE: (Continued)* | | | |
| Various residential units and commercial units, Harbin Poly The Water's Fragrant Dike, San Huan Lu, Song Bei District, Harbin, Heilongjiang Province, The People's Republic of China | 32,242 sq.m. | Commercial/ Residential | 58% |
| Various commercial units and carparking spaces, Nanning Poly Century, China Asean International Business District, Nanning, Guangxi Province, The People's Republic of China | 201 sq.m. | Commercial | 100% |
| Various residential units, commercial units and carparking spaces, Poly Harbin Contemporary No. 9 Park Life, Song Bei Zhen, Song Bei District, Harbin, Heilongjiang Province, The People's Republic of China | 39,353 sq.m. | Commercial/ Residential | 51% |
| Various residential units, commercial units and carparking spaces, Guiyang Poly Hot Spring Newisland, Wen Quan Lu, Ye Jia Zhuang, Wu Dang District, Guiyang, Guizhou Province, The People's Republic of China | 65,912 sq.m. | Commercial/ Residential | 66.5% |
| Various residential units, commercial units and carparking spaces, Kunming Sunny Lake & Splendid Life, Da Tun Yin Qu, Lian Ran Zhen, An Ning County, Kunming, Yunnan Province, The People's Republic of China | 15,220 sq.m. | Commercial/ Residential | 80% |

## SUMMARY OF PROPERTIES HELD FOR SALE

*At 31st December, 2011*

| Location | Gross floor area | Type of use | Group's interest |
|---|---|---|---|
| *PROPERTIES HELD FOR SALE: (Continued)* | | | |
| Various residential units and commercial units, Shanghai Poly Noble Duke, Tangzhen, Pudong New District, Shanghai, The People's Republic of China | 2,825 sq.m. | Commercial/ Residential | 50.1% |
| Various residential units, commercial units and a business centre, Wuhan Poly Royal Palace, Dong Hu Kai Fa Qu Shang Ma Zhuang, Wuhan, Hubei Province, The People's Republic of China | 292,106 sq.m. | Commercial/ Residential | 100% |
| Various villas and apartment units Shanghai Poly Town, Zong Fang Cun, Ma Lu Zhen, Jiading District, Shanghai, The People's Republic of China | 10,787 sq.m. | Residential | 100% |
| Various residential units, commercial units and carparking spaces, Nanning Poly Landscape, Jing Guan Da Dao, West of Zhu Gan Dao, Dong Gou Ling, Xingning District, Nanning, Guangxi Province, The People's Republic of China | 13,806 sq.m. | Commercial/ Residential | 100% |
| Various residential units, commercial units and carparking spaces, Guiyang Poly Clouds Hill International, No. 148 Shi Bei Lu, Yun Yan District, Guiyang, Guizhou Province, The People's Republic of China | 21,848 sq.m. | Commercial/ Residential | 100% |

*At 31st December, 2011*

| Location | Gross floor area | Type of use | Group's interest |
|---|---|---|---|
| *PROPERTIES HELD FOR SALE: (Continued)* | | | |
| Various commercial units and carparking spaces/ office building, Shanghai Poly Plaza, No.18 Dong Fang Lu, Pudong New District, Shanghai, The People's Republic of China | 25,875 sq.m | Commercial | 90% |
| Various residential units, Shanghai Poly Lakeside Garden, Ma Lu Zhen, Jiading District, Shanghai, The People's Republic of China | 2,421 sq.m | Residential | 100% |
| Various commercial units and carparking spaces, Guangzhou City of Poly, East of Hua Gang Da Dao, Xin Hua Zhen, Hua Du District, Guangzhou, Guangdong Province, The People's Republic of China | 6,599 sq.m | Commercial | 51% |
| Various residential units, commercial units and carparking spaces, Shanghai Poly Villa Garden, Yang Pu District, Shanghai, The People's Republic of China | 782 sq.m | Commercial/ Residential | 100% |
| Various residential units, Shanghai Poly Royal Garden, Tang On Lu, Tangzhen, Pudong New District, Shanghai, The People's Republic of China | 23,220 sq.m | Residential | 50.1% |

## SUMMARY OF PROPERTIES HELD FOR SALE

*At 31st December, 2011*

| Location | Gross floor area | Type of use | Group's interest |
|---|---|---|---|
| *PROPERTIES HELD FOR SALE: (Continued)* | | | |
| Various villas, residential units, commercial units and carparking spaces, Huizhou Poly Deutch Kultur, Luo Yang Zhen, Boluo, Huizhou, Guangdong Province, The People's Republic of China | 36,495 sq.m. | Commercial/ Residential | 80% |
| Various villas, Nanning Poly Crescendo, No.20 Yong Wu Lu, Xing Ning District, Nanning, Guangxi Province, The People's Republic of China | 33,941 sq.m. | Residential | 100% |
| Various residential and commercial units, Guiyang Poly Spring Street, Shui Dong Lu, Wu Dang District, Guiyang, Guizhou Province, The People's Republic of China | 14,547 sq.m. | Commercial/ Residential | 66.5% |
| Various residential units, commercial units and carparking spaces, Jinan Poly Garden, northwest of Xing Cun Li Jiao, Pan Zhuang Cun, Gang Gou Zhen, Li Cheng District, Jinan, Shandong Province, The People's Republic of China | 22,091 sq.m. | Commercial/ Residential | 100% |
| Various residential and commercial units Jinan Poly Daming Lake, north of Jing Yi Lu, Li Xia District, Jinan, Shandong Province, The People's Republic of China | 9,301 sq.m. | Commercial/ Residential | 80% |