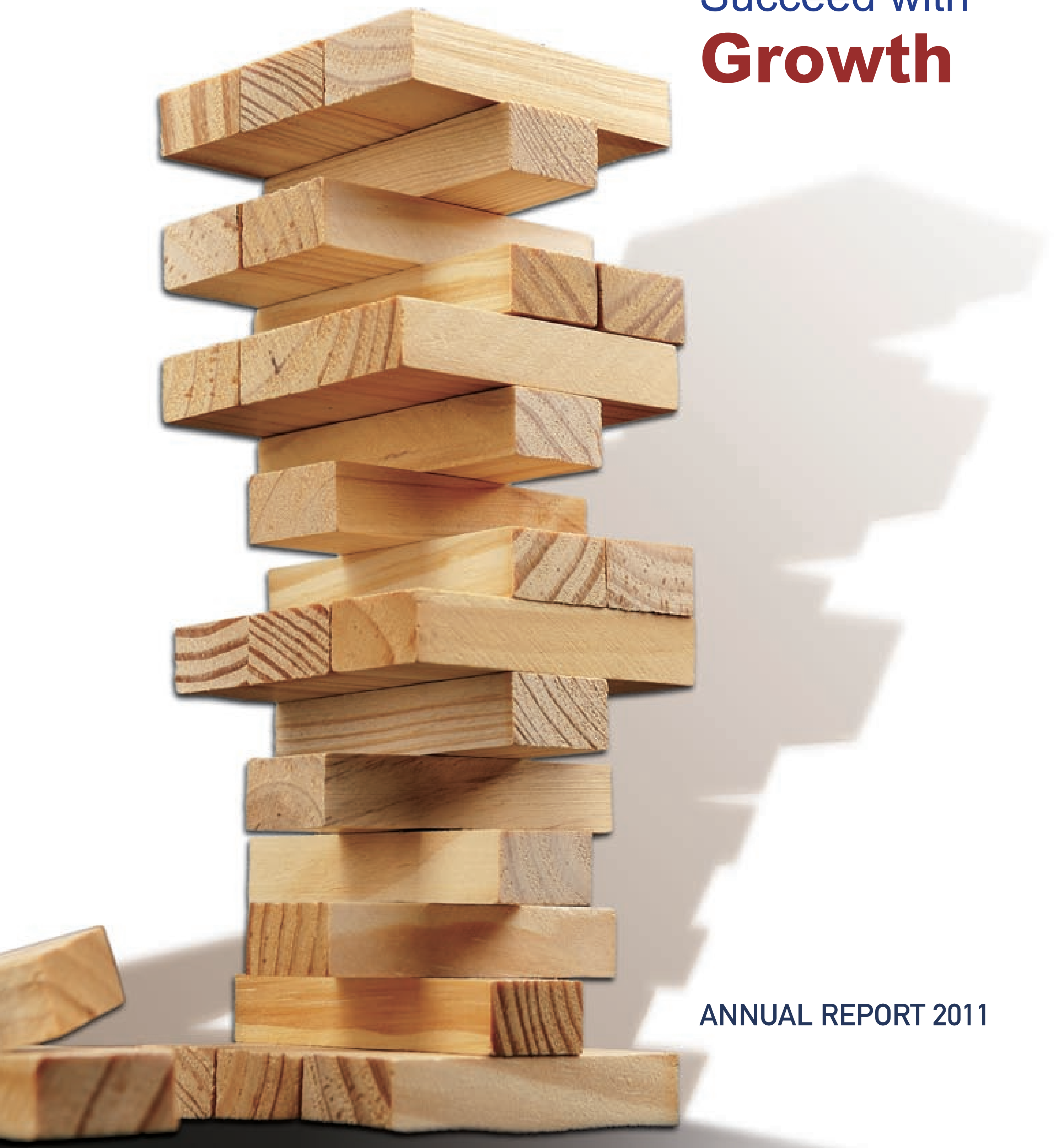
SHANGHAI ZENDAI
上海証大房地產有限公司

SHANGHAI ZENDAI PROPERTY LIMITED

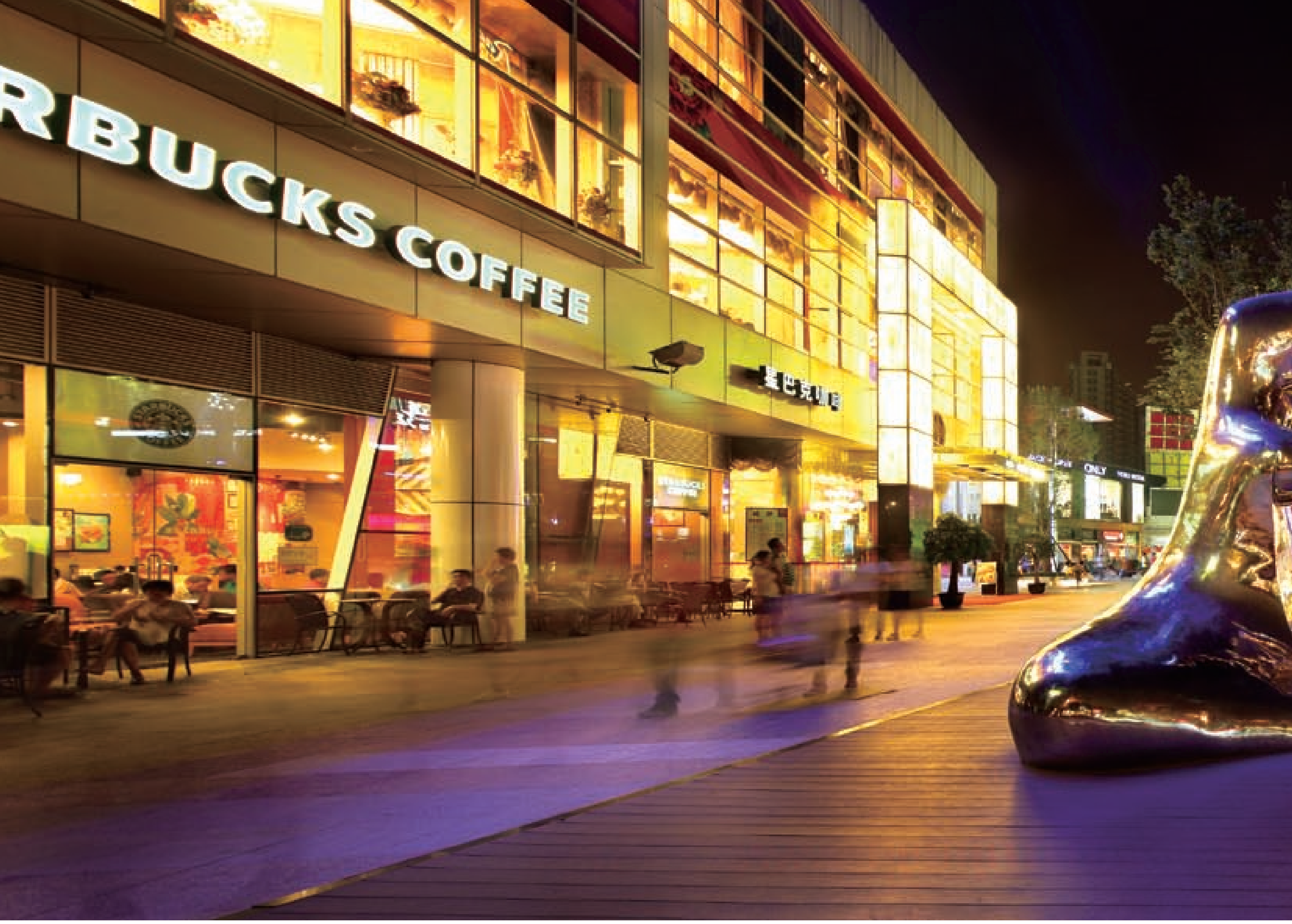
(incorporated in Bermuda with limited liability)

Stock Code : 00755

Succeed with Growth

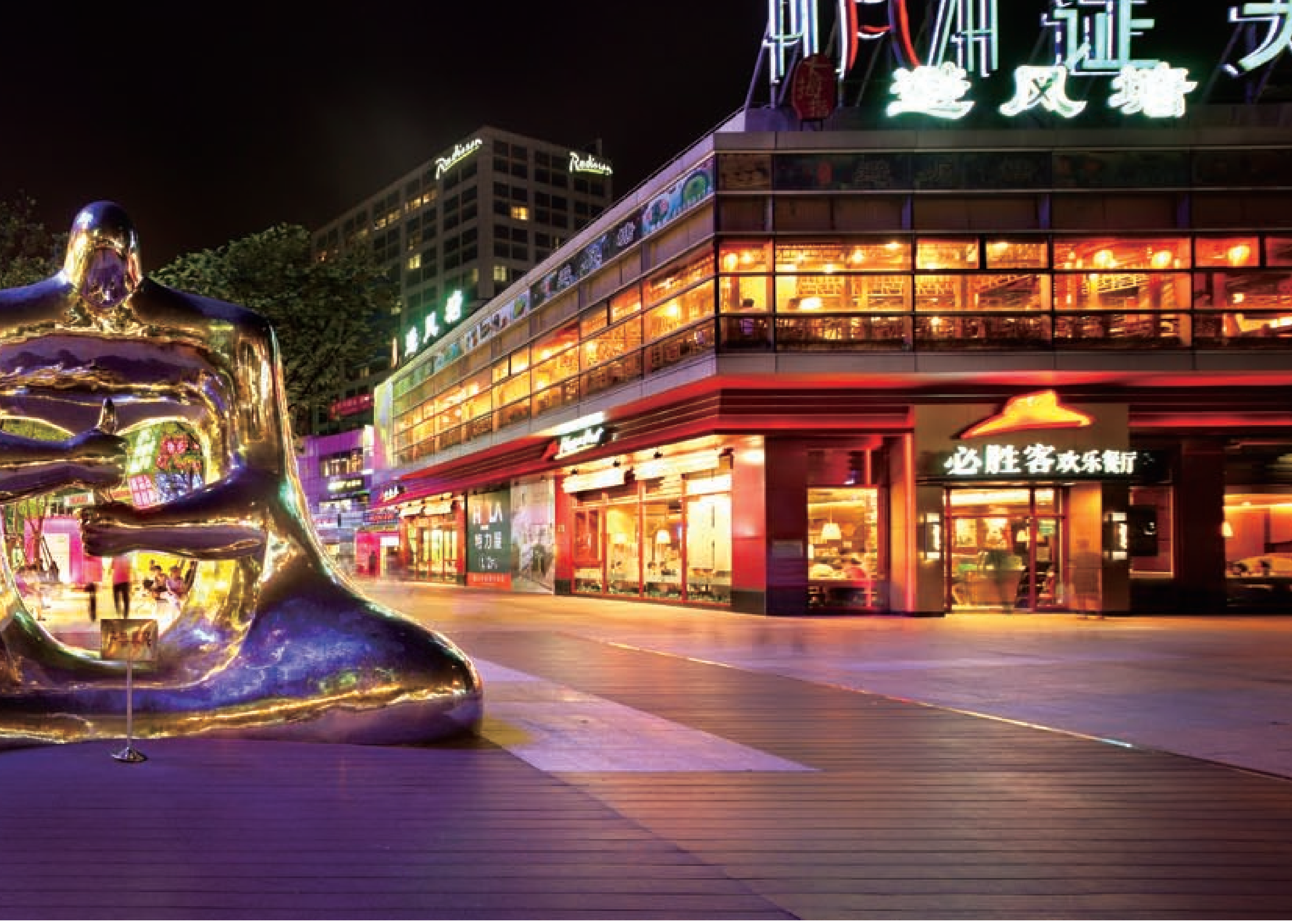


ANNUAL REPORT 2011



CORPORATE DEVELOPMENT STRATEGY

Shanghai Zendai is a comprehensive real estate value creator engaged in real estate development, property development, property operations, property management and property-related finance activities. For the decade ahead, the Company will devote itself in the following during the first five years: brand development of the Thumb project, a residential and commercial integrated community, and Mandarin Palace villas; brand building of the Himalayas project, an urban integrated commercial property; hotels and resorts development; product improvement; brands figuring; and scale expansion. For the remaining five years, it will strive to be a first-rate property operator in China through optimizing property services and strengthening property-related finance activities.



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BOARD

Executive Directors

Mr. Dai Zhikang *(Chairman)*
Mr. Wang Fujie
Mr. Zhu Nansong
Mr. Zuo Xingping
Ms. Zhou Yan
Mr. Tang Jian

Non-executive Directors

Mr. Wu Yang
Mr. Zhou Chun
Mr. Dong Wenliang
Mr. Liu Zhiwei

Independent Non-executive Directors

Mr. Lo Mun Lam, Raymond
Mr. Lai Chik Fan
Dr. Tse Hiu Tung, Sheldon

COMMITTEES

Executive Committee

Mr. Wang Fujie *(Chairman)*
Mr. Dai Zhikang
Mr. Zhu Nansong
Mr. Zuo Xingping
Ms. Zhou Yan
Mr. Tang Jian

Audit Committee

Mr. Lo Mun Lam, Raymond *(Chairman)*
Mr. Lai Chik Fan
Dr. Tse Hiu Tung, Sheldon

Remuneration Committee

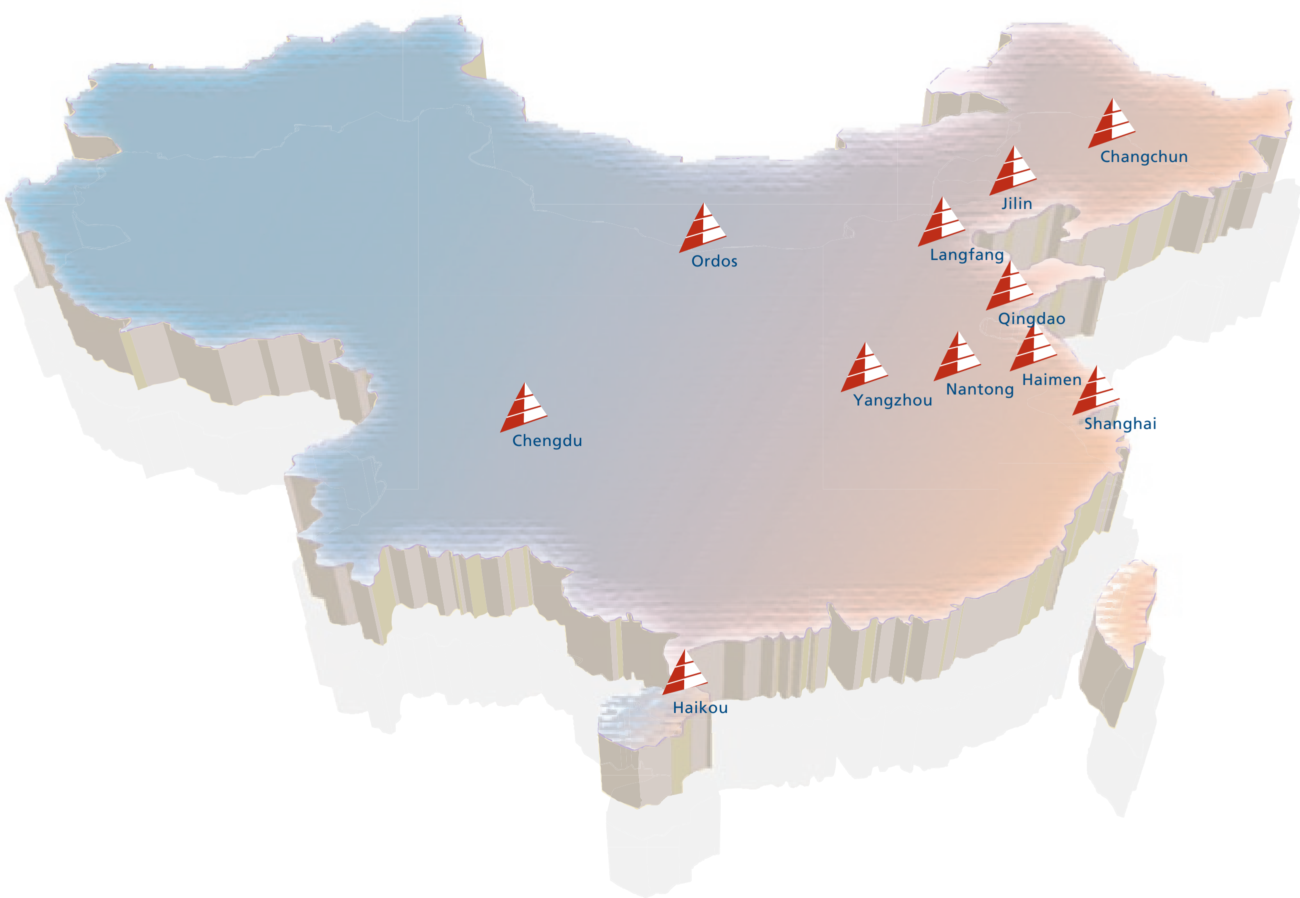
Mr. Lo Mun Lam, Raymond *(Chairman)*
Mr. Dai Zhikang
Mr. Lai Chik Fan
Dr. Tse Hiu Tung, Sheldon

Nomination Committee

Mr. Dai Zhikang *(Chairman)*
Mr. Lo Mun Lam, Raymond
Mr. Lai Chik Fan

MAP OF LOCATIONS OF PROPERTY PROJECTS

Being a diversified property development company in China, the Group has been focusing on development, investment and management in respect of residential and commercial properties in China. The Group is currently developing real estate projects in three regions, i.e. the north of China, Shanghai and its surrounding area, as well as Hainan, across 11 cities.



PRINCIPAL BANKERS

Standard Chartered Bank
Citic Ka Wah Bank Limited
Bank of Communication
Shanghai Pudong Development Bank
Agricultural Bank of China

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Mr. Wong Ngan Hung

QUALIFIED ACCOUNTANT

Mr. Wong Ngan Hung

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FINANCIAL RESULTS

The board of directors (the "Directors") of Shanghai Zendai Property Limited (the "Company") is pleased to announce the annual results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2011 (the "year" or "year under review").

During the year under review, turnover of the Group amounted to approximately HK$2,796,296,000, a decrease of 29% against approximately HK$3,959,091,000 last year. Profit attributable to shareholders of the Company (the "Shareholders") dropped 21% to approximately HK$449,886,000 as compared with approximately HK$569,838,000 last year. Basic earnings per share of shares of the Company (the "Share") were HK3.6 cents (2010: HK4.6 cents). The decrease in turnover and profit for the year was due to substantially fewer properties for delivery and the increase in finance cost compared to the previous year.

During the year under review, the Group's turnover and profit were mainly generated from:

- Delivery of office buildings in "Wu Dao Kou Financial Center", Shanghai
- Delivery of office buildings in "Zendai International Financial Center", Hainan
- Delivery of residential properties in Changchun, Jilin, Haimen and Chengdu
- Revaluation gains on investment properties

Riverside retail shops on the Parcel of Land in Qingpu District, Shanghai (rendering)

BUSINESS REVIEW

During the year under review, the policies of restrictions on property purchases and tightening of mortgages implemented by the Government of the People's Republic of China (the "PRC") and the domestic impact of volatility in foreign economies dragged down the property transaction volume and property prices overall. However, in light of accelerating urbanisation of China and the rising disposable income of its citizens, the Group plans to build more large-scale commercial projects such as Himalayas Center in first-tier cities, as well as more integrated residential and commercial projects such as Zendai Thumb Plaza in second- and third-tier cities. This, in turn, supports the development of the overall Chinese property market.

As the restrictive policies on the local property market are not expected to be loosened in the near future, to mitigate our capital commitments and liabilities, the Group entered into sales and purchase agreements in October and December 2011 in relation to the disposal of 65% and 35% interests in the land parcel of 上海外灘國際金融中心(8-1) (the "Land Parcel") in Huangpu District, Shanghai. Once the transactions are completed, the Group would no longer own any interests in the Land Parcel. The move not only reduces our capital commitments and liabilities, but also increases our capital inflow, hence benefiting our financial position and enabling the Group to reserve the capital for future development.

As the leading integrated commercial property developer in the PRC, the Group has strived to boost the development and sales of commercial and residential properties to realise the opportunities in the PRC property market. During the year under review, Himalayas Center, the largest urban integrated cultural and commercial property in Shanghai, became a new landmark in the city. The Jumeirah Himalayas Hotel Shanghai located in Himalayas Center has commenced business on 30 March 2011, and the remaining commercial and cultural facilities are to begin operation in 2012, marking a new milestone in the Group's self-developed integrated cultural and commercial project.

COMMERCIAL PROPERTY PROJECTS

Shanghai

Wu Dao Kou Financial Center

"Wu Dao Kou Financial Center," is a grade A commercial project of the Group in Pudong, Shanghai. It comprises a south tower and a north tower, with a total saleable area of 83,265 square metres. As at 31 December 2011, a total floor area of 83,265 square metres had been delivered, of which 5,333 square metres were thus sold and delivered during the year, generating a total contract value of RMB275,905,000 (equivalent to HK$332,777,000) which has been recognised as turnover.

Zendai Cube Tower

"Zendai Cube Tower," another grade A office building of the Group in Pudong, Shanghai comprises office and commercial space with a total saleable floor area of 33,149 square metres. As at 31 December 2011, a cumulative floor area of 33,149 square metres has been sold and delivered, of which 1,702 square metres were transacted during the year. A contract value totaling RMB55,317,000 (equivalent to HK$66,719,000) was recognised as turnover.

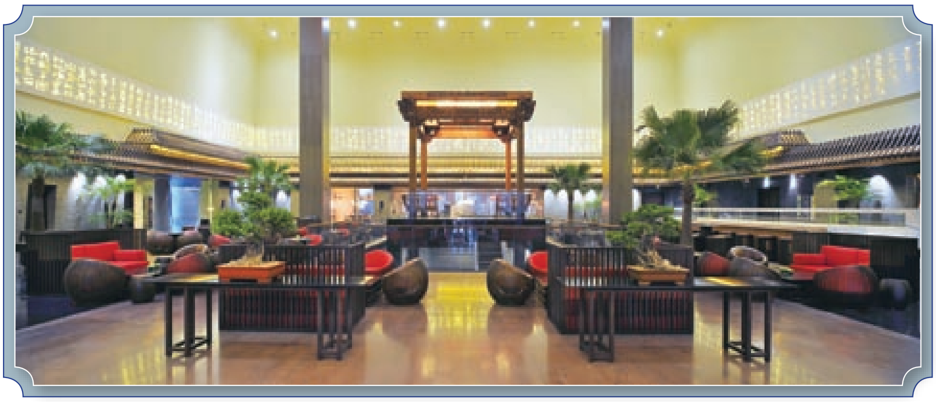
Zendai Thumb Plaza

During the year, the Group sold approximately 2,429 square metres of the commercial space at "Zendai Thumb Plaza" in Shanghai for approximately RMB186,255,000 (equivalent to HK$224,647,000) which will be used as general working capital. The remaining space under the Group totaled around 45,739 square metres. The Group also owns 477 parking spaces in the underground parking lot. "Zendai Thumb Plaza" is a modern integrated commercial complex in a prime location near Century Park and the Lujiazui financial district. As at 31 December 2011, more than 90% of the commercial space in the Plaza was leased. Rental income recognised during the year was RMB68,716,000 (equivalent to HK$82,880,000).

Radisson Hotel Pudong

The Group's five-star "Radisson Hotel" is located in "Zendai Thumb Plaza". The 18-storey hotel boasts a gross floor area of 31,529 square metres and 361 guest rooms, a four-storey ancillary building and a single basement level. Managed under the "Radisson" brand by Carlson Companies, the average occupancy rate of the hotel was 67% in 2011. Total income of the hotel reached RMB125,712,000 (equivalent to HK$151,625,000), a decrease of 6% from last year.

Himalayas Center



Lobby, Jumeirah Himalayas Hotel Shanghai

"Himalayas Center," the largest urban integrated cultural and commercial property in Shanghai and 45% owned by the Group, is situated on a prime location in Pudong facing the Shanghai New International Expo Center. Furthermore, the Fangdian Road station exit of the Metro Line 7 is directly linked with the basement of the Center's shopping mall and it is also near the Long Yang Road Station, the interchange station of Metro Line 2 and the Shanghai Maglev Line. The project occupies a site area of 28,893 square metres with a total gross floor area of approximately 164,500 square metres, including an underground parking space of approximately 25,080 square metres.

The Himalayas Center was designed by Arata Isozaki, an internationally acclaimed architect. Guided by an architectural theme of the modern panorama of natural landscape and greenery, the Center includes the city's largest "specially contoured" building, with an overall height of 31.5 metres, and comprises 29 single building units in different styles, topped off with the largest sky garden in Shanghai. The design of the project has garnered numerous prestigious awards.

The Himalayas Center is an amalgam of the Jumeirah Himalayas Hotel Shanghai, Shopping Centre, the DaGuan Theatre and the Himalayas Art Museum, offering total gross floor areas of 66,435 square metres, 55,702 square metres, 11,376 square metres and 5,956 square metres respectively. The Jumeirah Himalayas Hotel Shanghai, a five-star hotel in China managed by Jumeirah Hotel Group from Dubai boasts a total gross floor area of approximately 66,435 square metres. Trial operations commenced in March 2011 and the average occupancy rate during the year was 34%, generating a total income of approximately RMB89,553,000 (equivalent to HK$108,012,000). The remaining parts of the Himalayas Center are to be completed in phases during 2012. Recruitment of tenants for the commercial space has started in March 2011, and the project is scheduled to be opened during April to August 2012 gradually. As at December 2011, contracted space covered around 12,098 square metres. As for the Himalayas Art Museum, it is the first large open museum in the world and the DaGuan Theatre with a seating capacity of 1,100 is to be the official venue of the "Shanghai International Film Festival." These facilities are to be opened in October 2012 respectively.

Parcel of Land in Qingpu District

The Group owns a 140,099 square metres parcel of land in the tourist district of Zhujiajiao Town, Qingpu District, Shanghai. It is to be developed as an integrated complex comprising mid-range to high-end apartments, retail shops, hotels and a clubhouse in two phases, with a gross floor area of approximately 180,024 square metres. Phase I with a gross floor area of approximately 124,634 square metres contains both residential (43,299 square metres) and commercial areas (57,782 square metres) as well as a business hotel (23,553 square metres). Construction of Phase I has started in the first quarter of 2011, with the residential area of town houses and commercial area starting pre-sale in December 2011, and delivery pending in the first quarter of 2013. As at 31 December 2011, the residential and commercial areas already sold totaled 1,375 square metres and 1,561 square metres respectively, generating RMB26,642,000 (equivalent to HK$32,134,000)and RMB36,119,000 (equivalent to HK$43,561,000) respectively, during the year. As for the business hotel, the Group has signed an agreement with Banyan Tree Group, a major international hotel operator, to open the first Angsance Resort Hotel （悦椿度假酒店） in Shanghai. Scheduled to officially open in 2014, this high-end resort replicates the tranquil setting of an ancient town by riverside, and is jointly designed by Banyan Tree Group.

Construction of Phase II with a gross floor area of approximately 55,390 square metres has commenced in the fourth quarter of 2012 with a commercial plaza (41,136 square metres) and resort hotel (14,254 square metres) to be erected.

Other Cities

Qingdao Zendai Thumb Plaza

The Group owns the rights to a parcel of land in Laoshan District northwest of the intersection of Haier Road and Tongan Road in Qingdao City, Shandong Province, the PRC. The approximately 38,092 square metres site is intended to be developed into an integrated project, "Qingdao Zendai Thumb Plaza." The project includes retail shops (68,000 square metres), a hotel (20,000 square metres), serviced apartments (64,000 square metres) and a car park (63,000 square metres), with a gross floor area of approximately 215,000 square metres. The construction work began in June, 2010 with pre-sale of the serviced apartments commencing in June 2011. As at 31 December 2011, a total saleable area of 19,851 square metres had been sold, generating RMB334,260,000 (equivalent to approximately HK$403,160,000) of total contract value for the Group. The serviced apartments are expected to be ready for delivery in the second half of 2012. Construction of retail stores and a car park are to be completed in the second quarter of 2012, and will be retained for leasing.

A Parcel of Land in Lao Shan District, Qingdao City

The Group has a 45% interest in a parcel of land in the southwestern Laoshan District of Qingdao City, Shandong Province covering approximately 43,613 square metres. This site bounded by the Hong Kong Road to its south and Songling Road to its west is intended for development of an integrated project "Qingdao Shangshi International Plaza" which comprises serviced apartments, residential apartments and an underground car park. The project with a total gross floor area of approximately 143,000 square metres is to be constructed in phases. Phase I comprising five 28- to 30-storey high-end residential buildings with a gross floor area of approximately 66,190 square metres was completed and delivered in 2010. Other parts of the project are still under planning.

Yangzhou Commercial Project

The Group is developing an integrated property project for commercial, cultural, leisure and entertainment use in the heart of Yangzhou City, including a cultural sightseeing area and a commercial district. The project, to be developed in two phases, has a total saleable area of approximately 81,200 square metres. Phase I including 12 blocks and 243 units was completed in 2010 and the property has been reserved for leasing, with a gross area of approximately 20,089 square metres. Planning of Phase II is currently under planning.

Haikou Project

The Group owns the "Zendai International Financial Centre," a project under development with a saleable area of approximately 56,136 square metres in Haikou City, Hainan Province. As at 31 December 2011, a total gross floor area of 38,538 square metres was sold at a total contract value of RMB733,941,000 (equivalent to HK$885,226,000). Within this area, transactions covering 19,111 square metres took place during the year, generating a total contract value of RMB426,224,000 (equivalent to HK$514,080,000). Of this, 36,047 square metres were delivered during the year and a total contract value of RMB700,375,000 (equivalent to HK$844,741,000) was recognised as turnover.

A Parcel of Land in Chenmai County, Hainan Province

The Group owns 60% interest in a parcel of land in Chenmai County, Hainan with a site area of 1,309,563 square metres. The land is intended to be developed into a leisure-oriented commercial and residential property, including hotels, villas and other related facilities. Related layouts and concrete design are currently on the drawing board.

"Zhongke Langfang Technology Valley" in Langfang City

The Group and Shan Shan Investment Holdings Co., Limited ("Shan Shan Investment") are co-developing the "Zhongke Langfang Technology Valley" ("Technology Valley") in Langfang City, Hebei Province. The project has a total site area of approximately 3,300,000 square metres, around 30% of which is to be used for development of commercial properties. The project, located in the hub of the Beijing Tianjin Hebei city circle, Bohai Rim, is intended to become a technology research and development centre modeled after Silicon Valley in the US. Construction of the infrastructure has been completed and it is now soliciting tenants. Among the Technology Valley anchor tenants are seven research centers under the Chinese Academy of Sciences in the Phase 1. The Group hopes to be able to leverage these strategic alliances to gain a foothold in the Bohai Rim to realise business opportunities and acquire a diverse business portfolio in the country.

Land Parcels in Nantong City, Jiangsu

The Group owns 50% equity of two parcels of land in Nantong City, Jiangsu Province, the PRC with a combined site area of 281,912 square metres.

Commercial Street of Nantong Project, Phase 1

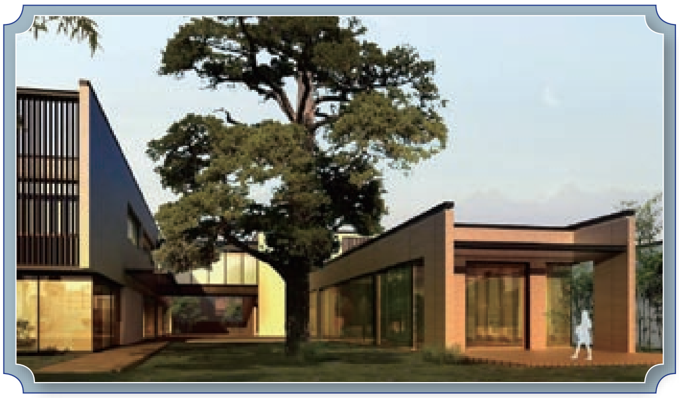
Located in the southern part of Chongchuan District in Nantong City, Shanghai Zendai Real Estate Co., Ltd., wholly-owned subsidiary of the Company, is to assume a leading role in the management of a project to be developed into a prestigious large scale commercial area and residential community. Modeled after Shanghai Zendai Thumb Plaza with a total gross floor area of approximately 194,489 square metres, construction is to be divided into three phases. The first phase, with a total commercial area of approximately 39,157 square metres, has been completed in June 2011. Construction has started in the fourth quarter of 2010 of the second phase, a residential project with a total gross floor area of approximately 107,852 square metres with pre-sale commencing in December 2011. Expected to be completed in October 2012, a total salable area of 5,259 square metres with a contract value of RMB75,119,000 (equivalent to approximately HK$90,603,000) has been sold. The third phase, with a total gross floor area of approximately 47,480 square metres, comprises of a commercial area of approximately 34,300 square metres and a residential area of approximately 13,180 square metres, and is expected to start during 2013.

RESIDENTIAL PROJECTS

Shanghai

Mandarin Palace

"Mandarin Palace", the Group's premium residential project in Shanghai, comprises 54 villas with a total saleable area of approximately 39,696 square metres. As at 31 December 2011, 47 villas have been sold, generating a total contract value of RMB1,637,845,000 (equivalent to approximately HK$1,975,449,000). During the year, one villa with a total saleable area of 604 square metres was delivered with a contract value of RMB66,500,000 (equivalent to HK$80,207,000) recorded in the year. The construction of the remaining seven villas is in progress, and they are expected to be on pre-sale in July 2012, and completed in December 2012.



Mandarin Palace Phase 2 (rendering)

Zendai Yuanshen Financial Building – Zendai Quantland

Zendai Yuanshen Financial Building – Zendai Quantland

"Zendai Yuanshen Financial Building" is located in Pudong, Shanghai. The "Zendai Quantland" residential units in the building cover total residential and commercial saleable areas of approximately 22,100 square metres and 9,308 square metres respectively. As at 31 December 2011, a cumulative area of 31,316 square metres has been sold with approximately 800 square metres sold and delivered during the year, generating RMB35,564,000 (equivalent to HK$42,895,000) in turnover.

Other Cities

Valley International in Jilin

Occupying a 191,100 square metres site, to be developed in four phases, the total saleable area of the "Valley International"residential project is approximately 201,000 square metres. The first phase of the project, "楓林別墅" comprises 118 town houses and 11 villas with a saleable area of 39,252 square metres. As at 31 December 2011, a total saleable area of 39,252 square metres were sold, carrying a total contract value of RMB20,810,000 (equivalent to HK$25,100,000). Approximately 265 square metres were sold and delivered during the year, generating RMB1,645,000 (equivalent to HK$1,984,000) in turnover.

Jilin Project, Phase 3

The second phase of the project will comprise four low-rise blocks and seven high-rise residential blocks, providing 503 residential units and ancillary commercial facilities, with a saleable area of approximately 82,189 square metres. Of this, 78,384 square metres will be for residential use and 3,805 square metres will be for commercial development. 11 buildings will be constructed, completed and delivered in three batches.

Construction of the first batch comprising four low-rise blocks with a saleable residential area of approximately 22,996 square metres was completed. All of the units have been sold and delivered in 2011.

The second batch comprises five high-rise blocks, with a saleable residential area of approximately 41,634 square metres. As at 31 December 2011, a total saleable area of 29,136 square metres was sold, with a total contract value of RMB160,577,000 (equivalent to HK$193,676,000). Of this, approximately 12,157 square metres was sold during the year, generating RMB74,369,000 (equivalent to HK$89,698,000) in contract value. During the year, an area of 18,122 square metres was delivered and a total contract value of RMB102,235,000 (equivalent to HK$123,308,000) was recognised as turnover.

The third batch comprises two high-rise blocks, with a saleable residential area of approximately 13,754 square metres. Pre-sale of the units has commenced in the second quarter of 2011. During the year, a saleable area of 4,394 square metres with a contract value of RMB30,165,000 (equivalent to HK$36,383,000) was sold. An area of 3,441 square metres was delivered and a contract value of RMB23,386,000 (equivalent to HK$28,206,000) was recognised as turnover during the year.

The third phase of the project is to provide 117 villas and town houses with a saleable area of approximately 44,500 square metres. Construction was completed in 2010. As at 31 December 2011, a total saleable area of 44,339 square metres was sold, carrying a total contract value of RMB245,028,000 (equivalent to HK$295,535,000). During the year, an area of approximately 2,397 square metres was delivered, generating RMB12,499,000 (equivalent to HK$15,075,0000) in contract value.

Specific planning is still under progress for phase four of the project which will be developed into villas with a saleable area of approximately 34,920 square metres.

"Zendai Ideal City" In Changchun

Located in Changchun, "Zendai Ideal City" is to comprise residential properties and ancillary commercial space on a 225,139 square metres site, with a total saleable area of 352,300 square metres. The project is to be constructed in five phases. The first phase has a total saleable area of approximately 112,000 square metres on an approximately 77,300 square metres site of which 106,300 square metres will be for residential use and 5,700 square metres will be for commercial use. It includes 23 multi-storey residential buildings and three high-rise residential buildings, offering a total of 1,210 units and related ancillary commercial facilities. As at 31 December 2011, all residential units in the first phase were sold and delivered. During the year, approximately 943 square metres was delivered and a contract value of RMB3,615,000 (equivalent to HK$4,360,000) was recognised as turnover.

The second phase of the project is planned to be developed into 19 multi-storey residential buildings, 10 high-rise residential buildings and ancillary commercial facilities, with a total saleable area of about 114,074 square metres. Of this, 102,371 square metres would be for residential use and 14,214 square metres for commercial use. Construction was completed in 2010. As at 31 December 2011, total residential and commercial saleable area of 101,737 square metres and 4,481 square metres were sold respectively, with total contract values of RMB400,106,000 (equivalent to HK$482,579,000) and RMB35,895,000 (equivalent to HK$43,294,000) respectively. During the year, the Group delivered an area of 6,537 square metres and a total contract value of RMB44,499,000 (equivalent to HK$53,671,000) was recognised as turnover.

The third phase of the project is to be developed into 16 multi-storey and 8 high rise residential complexes with retail shops and a total saleable area of about 124,787 square metres with the residential area and commercial space accounting for 111,972 square metres and 12,875 square metres respectively. Construction has commenced in May 2010, while pre-sale has started in late 2010. As at 31 December 2011, a total residential saleable area of 66,328 square metres, with a total contract value of RMB386,655,000 (equivalent to HK$466,355,000) was sold. During the year, a saleable area of 60,584 square metres was delivered and a contract value of RMB352,753,000 (equivalent to HK$425,465,000) was recognised as turnover.

"Zendai Garden-Riverside Town" in Haimen

Multiflora Garden, Haimen Project, Phase 3

The "Zendai Garden-Riverside Town" project in Haimen, Jiangsu Province comprises two parcels of land occupying a total site area of 1,388,872 square metres.

The first parcel covers 577,336 square metres and is to be developed into two parts. "Dong Zhou Mansion," the first part of the parcel, is being developed in three phases with Phase I offering 52 villas. The last block of the villas was sold during the year with a total saleable area of 304 square metres, generating RMB2,175,000 (equivalent to HK$2,623,000) in contract value. Phases II and III of the "Dong Zhou Mansion" are still in the planning stage.

"Multiflora Garden," on the second part of the parcel of land, is to be developed in three phases into an integrated residential area comprising low density town houses. Phases I and II contain 212 units with a saleable area of approximately 57,500 square metres. As at 31 December 2011, a total saleable area of 56,352 square metres were sold, generating a total contract value of RMB264,655,000 (equivalent to HK$319,208,000). During the year, the Group delivered five units totalling 1,215 square metres and recognised the total contract value of RMB5,014,000 (equivalent to HK$6,048,000) as turnover. Phase III of Multiflora Garden is to have a site area of approximately 112,190 square metres and a saleable area of approximately 91,979 square metres. Construction has been underway since early 2010 while pre-sale started in September 2010. As at 31 December 2011, a total saleable area of 37,330 square metres were sold, generating a total contract value of RMB244,150,000 (equivalent to HK$294,476,000). During the year, a total saleable area of approximately 27,059 square metres was sold, generating a total contract value of RMB182,540,000 (equivalent to HK$220,166,000). The Group delivered an area of 7,216 square metres during the year and a contract value of RMB44,825,000 (equivalent to HK$54,065,000) was recognised as turnover.

The second parcel with an area of approximately 811,536 square metres is to be developed into residential properties in phases. The construction of the first phase, "清華園生態花園洋房", covering site area of approximately 42,070 square metres with a saleable area of approximately 63,886 square metres, was completed in 2010. As at 31 December 2011, a cumulative area of 40,221 square metres was sold, generating a total contract value of RMB183,598,000 (equivalent to HK$221,443,000). Of this, 24,647 square metres were sold during the year, generating RMB118,557,000 (equivalent to HK$142,995,000) in contract value. During the year under review, an area of 20,979 square metres has been delivered and a total contract value of RMB97,449,000 (equivalent to HK$117,536,000) was recognised as turnover. Other aspects of development are currently under planning.

The Phase II of 清華園 (now named as 水清木華園二期, with an site area of approximately 148,059 square metres is to be developed into small high-rise residential properties with a saleable area of approximately 244,787 square metres in two phases. The first phase, with a saleable area of approximately 87,346 square metres, started construction in May 2010 and the pre-sale in December 2011. As at 31 December 2011, a cumulative area of 263 square metres was sold, generating a total contract value of RMB1,214,000 (equivalent to HK$1,464,000) and is expected to be delivered in the second quarter of 2013. Other aspects of development are currently under planning.

Chengdu "山水琨玉"

The Group completed construction of a multi-storey residential project with ancillary commercial facilities in Chengdu, Sichuan Province, with a total saleable area of 33,002 square metres in 2010. As at the first half of 2011, the units were all sold out. An area of 4,064 square metres was delivered and a total contract value of RMB44,511,000 (equivalent to HK$53,686,000) was recognised as turnover in the year.

Land Parcels in Inner Mongolia Autonomous Region

The Group owns two parcels of land in Dongsheng Kangbashi New Area, Ordos City, Inner Mongolia Autonomous Region, the PRC, with a total site area of 248,118 square metres which it intends to develop into villas with a planned saleable area of 122,890 square metres. Construction has commenced in March 2011 and the pre-sale is expected to begin in the third quarter of 2012. It is expected to be completed and delivered by 2013.

Huzhou in Zhejiang Province

The Group's parcel of land with an area of approximately 59,935 square metres in Huzhou, Zhejiang Province was sold in June 2011. The total consideration of HK$263,011,000 was earmarked for the Group's acquisition of real estate projects in future.

PROSPECTS

Looking to the year ahead, the policies of the Central Government policies to cool the overheated property market including restrictions on property purchase, property taxes and tightened mortgages are expected to have an impact on the market. These factors plus the Government's construction of subsidised affordable housing have already begun to suppress the demand for speculative property purchase, and would create pressure on the overall property prices. Thus the Group maintains a prudent attitude towards the property market in 2012. However, continued rapid urbanisation in the PRC has created ongoing demand, and the improving living standards have spurred urban residents to pursue high quality property. Therefore, the Group remains optimistic about the long-term development of the property market in the PRC.

Shanghai Zendai will adhere to a sound and proactive approach to developing its property portfolio. The Group will consolidate its business foundation by enhancing internal management and retaining sufficient capital to support future development so as to prepare to take maximum advantage of opportunities when the property market in the PRC starts to recover. On the other hand, the Group will adjust its portfolio structure to improve design of individual projects and boost its marketing activities as well as strengthen its presence across the nation. In addition, as the Government initiates policy permitting Chinese enterprises begin channeling investments overseas, the Group is evaluating and adjusting its development strategy to seek strategic opportunities to develop properties and other quality projects overseas and optimally utilise its capital to generate reasonable returns to its shareholders.

Qinghua Garden, Haimen

Qinghua Garden, Haimen

REVIEW OF OPERATIONS

The turnover and profit for the year were mainly attributable to sales and delivery of office units of Wu Dao Kou Financial Centre in Shanghai and Zendai International Financial Centre in Hainan Province and residential units in, Changchung, Jilin, Haimen and revaluation gain of investment properties. The Group continued to offer both residential and commercial properties for sale. For commercial projects, they were office premises, in, Zendai International Financial Centre. In respect of residential projects, they were apartments, villas and detached houses in Haimen, Jilin, Changchun, Qingdao and Zhujiajiao Town (Qingpu District, Shanghai).

LIQUIDITY, FINANCIAL RESOURCES, CAPITAL STRUCTURE AND GEARING

As at 31 December 2011 the Group had a healthy financial position with net assets increased from approximately HK$5,127 million in 2010 to approximately HK$5,813 million. Net current assets amounted to approximately HK$3,834 million (2010: approximately HK$5,471 million) with current ratio of approximately 1.20 times (2010: 1.43 times). The Group adopted relatively prudent financial policy and closely monitored its cash flow. As at 31 December 2011, the Group had consolidated bank loans of approximately HK$2,561 million in which HK$755 million was repayable within one year and HK$1,806 million was repayable more than one year. As at 31 December 2011, the Group's bank balances and cash are approximately HK$1,113 million. The gearing ratio of the Group decreased from 0.96 times in 2010 to 0.67 times in 2011 (basis: total of amounts due to related companies, bank loans, notes payable and other borrowings divided by Shareholders' funds).

Bird's-eye view of Ordos residential project (rendering)

SEGMENT INFORMATION

Sales of Properties

The turnover of this segment for the year amounted to HK$2,391,143,000 (2010: HK$3,612,066,000) decreased substantially due to less properties were delivered.

Travel and Related Business

The turnover of this segment for the year reached approximately HK$12,692,000 (2010: HK$12,038,000).

Property Rental, Management and Agency Services

The turnover of this segment for the year was approximately HK$240,837,000 (2010: HK$181,964,000). The increase was due to more properties were managed by the Group.

Hotel Operations

The turnover of this segment for the year was HK$151,624,000 (2010: HK$153,023,000) which remained stable.

FOREIGN CURRENCY EXPOSURES

The operations of the Group are mainly carried out in the PRC with most transactions settled in RMB. The Group undertakes certain transactions denominated in currencies other than RMB, hence exposures to exchange rate fluctuations arise. The Group's cash and cash equivalents and senior loan notes also expose to such foreign currency risk. The Group currently does not use any derivative contracts to hedge against its exposure to currency risk. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rate.

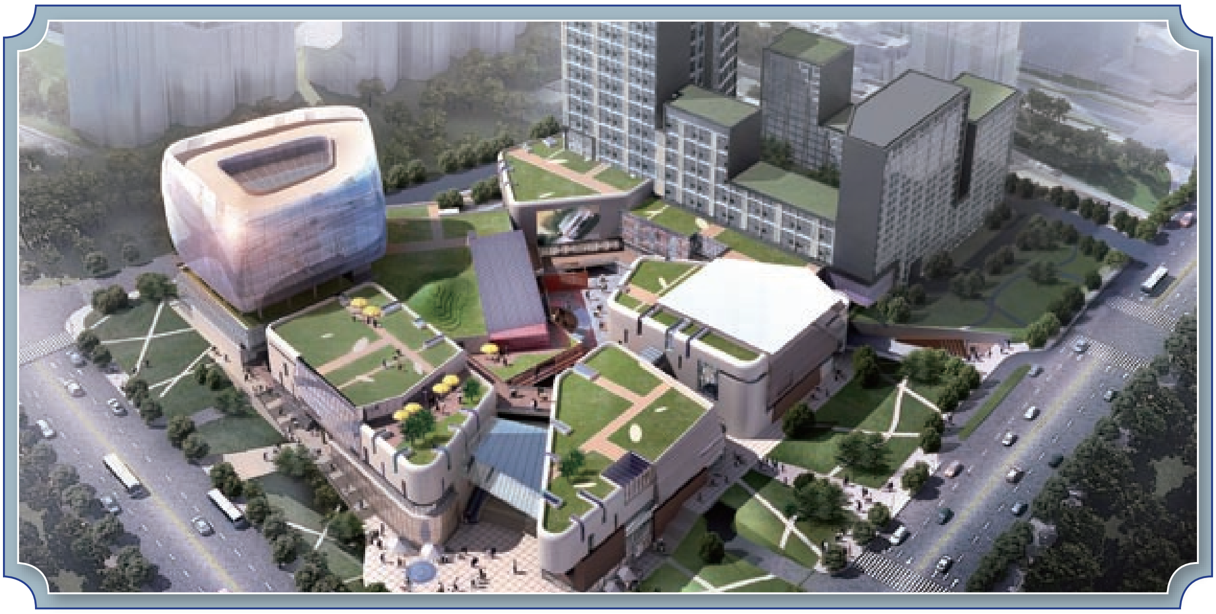
EMPLOYEES

As at 31 December 2011, the Group employed approximately 1,450 employees (2010: 1,300 employees) in Hong Kong and the PRC. They were remunerated according to the nature of the job and market conditions. Other staff benefits include a mandatory provident fund scheme, local municipal government retirement scheme, insurance and medical insurance and share option scheme.

MAJOR DISPOSAL OF ASSETS

During the year, the Group disposed of all the issued share capital of 上海証大外灘國際金融服務中心置業有限公司 (Shanghai Zendai Bund International Finance Services Centre Real Estate Company Limited) ("Shanghai Zendai Bund") and 上海証大五道口房地產開發有限公司 (Shanghai Zendai Wudaokou Property Company Limited) ("Shanghai Zendai Wudaokou") for total considerations of

Toronto Garden of Phase II of Jilin project



Bird's-eye view of the Thumb Plaza at Qingdao (rendering)

RMB9,570,000,000 and RMB2,960,000,000 in October and December 2011 respectively. When these transactions are completed, the Group would no longer has any interests in the land parcel of 外灘國際金融中心(8-1)) (the Land Parcel) which the Group acquired for a total consideration of RMB9,220,000,000 in February 2010. For details of the disposal of Shanghai Zendai Bund and Shanghai Zendai Wudaokou, please refer to the Company's announcements dated 2 November 2011 and 5 January 2012 respectively.

CHARGE ON ASSETS

As at 31 December 2011, the Group's property, plant and equipment, payment for leasehold land held for own use under operating leases, investment properties, properties under development and for sales and pledged bank deposits of approximately HK$372,372,000, HK$642,794,000, HK$2,226,027,000, HK$2,344,002,000 and HK$224,749,000 respectively had been pledged to banks to secure bank loans granted to the Group.

At 31 December 2011, the Group pledged its 10% interests in 海之門 with carrying amount of HK$122,369,000 (2010: HK$117,818,000), and a subsidiary, 上海証大西鎮房地產開發有限公司 with carrying amount of HK$482,039,000 (2010: HK$479,077,000) for other financing arrangements of the Group. Details of which are disclosed in note 41 to the financial statements.

At 31 December 2011, the Group pledged its entire interests in 証大喜瑪拉雅 with carrying amount of HK$418,598,000 (2010: HK$458,730,000) to Shanghai Forte Land Co., Ltd. ("Shanghai Forte"), a shareholder of 海之門 for securing Shanghai Forte's interests in 海之門.

GROWING WITH OUR EMPLOYEES

Along with the continuous development of the Group, our employees also keep on growing every day gaining enjoyment and experience from their work under the care, training and support from the management and colleagues of the Company.

Adhering to the concept of "People-oriented", providing our employees with the best and concrete platform for their development and growing with them have long been the development goal and expectation of Zendai Group.

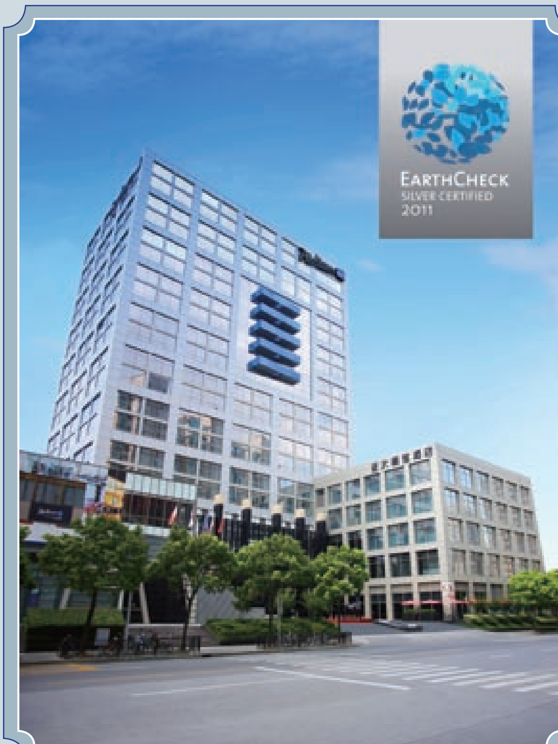
The Group organized a "Half-sky" spring outing for female employees on 11 March 2011.

The Group organized a team outing activity and commercial property training at Kunshan starting from 20 May 2011.

The Group strongly believes that employees are our most valuable asset. To help staff at all levels adapt to our culture, the Group provides them with training, including the Company's orientation program. The Group also organized various training camps with the theme of commercial real estate in 2011 to motivate employees to develop their potential. In order to further energize the staff to enhance the cohesion and competitiveness of the Group, the Company held a three-day training program starting from 20 May 2011 in Bacheng Town, Kunshan City with the objective of "willpower training, mind cultivation, personal perfection and team unification".

ENVIRONMENTAL PROTECTION:

The Group regards environmental protection as one of the important considerations of its project construction and property operations. While committing to building quality properties, the Group also incorporates sustainable development in every aspect of its business, and actively participates in various green activities. These activities include the "Earth Hour" global lights-out event. Zendai Radisson Hotel had also passed the "EarthCheck" international assessment standard and was awarded the EarthCheck Silver Certification.



Radisson BLU Hotel Pudong Century Park achieves EarthCheck Silver status

GROWING WITH OUR COMMUNITY:

As a property developer, the Group always regards the promotion of our community's mutual development as one of our major development objectives. In addition to property construction, we believe that community culture, educational development and the establishment of community relations are also important development aspects.

Himalayas Summer Music Festival

In August 2011, Shanghai Zendai Himalayas Center and China Shanghai International Arts Festival jointly organized the first "Himalayas Summer Music Festival". The concert tickets were given out to the audience through telephone booking, lucky draws on Weibo and other ways. The music festival was held at Wuji Plaza of Himalayas Center, with designs to reflect the ancient Chinese philosophy and architecture that incorporates the modern landscape garden and the oriental spirit, which match perfectly with the fantastic stage. Performers of the music festival included famous Rock and Roll icons and new singers, such as Cold Fairyland, Old Wolf, Duck Fight Goose, Pet Conspiracy, Nanwu Band, Su Yang, Cui Jian, Boys Climbing Ropes, Wang Xiaokun and Y.T.B. Band, Sonnet and Tang Dynasty.

On 29 October 2011, Zendai Himalayas Center kicked off the third "Rice Harvest Festival" under the welcoming cheers from thousands of people. This half-day activity lets city dwellers experience the different lifestyle of the rice farmers in the Himalayas and appreciate the architecture that embodies the life philosophy of living in harmony with nature. To enable people to experience the city life that perfectly integrates with nature, an area of 1,800 sq.m. is retained in the architecture for the plantation of rice and wheat by city dwellers so that they can enjoy the beauty of nature and the pleasure of farming even in urban areas, where youngsters can also cherish the fruits of labor and recognize that food is hard to come by.

the third Zendai Himalayas Rice Harvest Festival

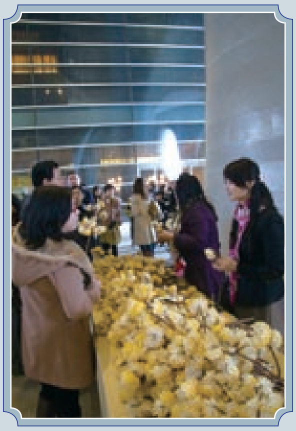
COMMUNITY SERVICE:

Contributing to society is the obligation of a responsible corporate citizen. As a vibrant property enterprise focusing on the development of urban areas, Zendai has been steadily propelling its business growth and expanding its market over the years, and at the same time committed to participating in various community activities and constructing cultural and arts facilities. Zendai has also been practicing community service in its corporate behavior and actively fulfilling its corporate social responsibility, thus giving a deeper meaning of "corporate citizenship".

Boxes of Love 2012

Graduation Ceremony of the 3rd Wuji College

In the charity activity of "Mifan Mama – Boxes of Love 2010", Zendai Radisson Hotel gave boxes full of candies and biscuits, which were a modest contribution from the hotel's guests and staff, to The Family of Mifan Mama. All Boxes of Love will be delivered to the disabled children in the remote and poor areas such as Anhui and Jiangxi. In 2012, the Group will continue to support charity and care for the underprivileged in the society as in previous years.



Memorial Ceremony for Japan and Yunnan Earthquake

On 19 March 2011, the Group held a "Kind and Warm-hearted" blessing activity at the Wuji Plaza of Himalayan Center, where hundreds of guests prayed for people suffering from disasters and blessed for mankind. Zendai Group sympathizes with the people suffering from the earthquake disasters and the resulting enormous economic losses in Japan and Yunnan. To express our blessing and encouragement for them, Chairman Mr. Dai Zhikang invited Tibetan monks to hold a spiritual ceremony to pray for people in disasters, for mankind and for a better tomorrow.

On 11 July 2011, Zendai kicked off the third Wuji College internship program for outstanding university students. After a series of strict selection, 51 outstanding students from the top six universities in China including Peking University, Tsinghua University, Renmin University of China, Graduate School of the People's Bank of China, Fudan University and Tongji University, as well as Wuhan University, Nanjing University, Shanghai University, Shanghai University of Finance and Economics, Shanghai International Studies University and Cornell University in the U.S. spent a short, memorable and very fulfilling three weeks in learning and practicing in Shanghai, Haimen of Jiangsu, Jiaxing of Zhejiang, Zendai Group and Wuji College.

A. EXECUTIVE DIRECTORS

Mr. Dai Zhikang ("Mr. Dai"), aged 47, who joined the Group in March 2002, is an executive Director and chairman of the Company. He is also the founder and chairman of Shanghai Zendai Investment Group (上海証大投資集團) ("Zendai Group"). He graduated from Renmin University of China with a bachelor's degree in economics (finance). He is also a postgraduate of the Graduate School of the People's Bank of China. He founded Zendai Group in 1994, and subsequently restructured the group and became its founder and chairman in 1998. Mr. Dai is a director of Giant Glory Assets Limited, which was interested in 2,326,560,000 Shares as at 31 December 2011, representing approximately 18.67% of the issued share capital of the Company as at 31 December 2011. Giant Glory Assets Limited was also interested in 85% of the issued share capital of Jointex Investment Holdings Limited, a substantial Shareholder which was interested in 2,932,000,000 Shares as at 31 December 2011, representing approximately 23.52% of the issued share capital of the Company as at 31 December 2011.

Mr. Wang Fujie ("Mr. Wang"), aged 57, was appointed as an executive Director and vice chairman of the Company in February 2010, and was appointed as chief executive officer of the Company on 11 November 2010. He is also the chairman of Shanghai Zendai Real Estate Company Limited (上海証大置業有限公司), a wholly-owned subsidiary of the Company. Mr. Wang graduated from the economics and management school of Tianjin University with a master of business administration degree. Having worked for various governmental bodies, departments and local governments of the PRC for over 30 years in the past, Mr. Wang is experienced in management and administration. He once served as deputy director of Hainan Branch, Xinhua News Agency, director of Hebei Branch, Xinhua News Agency, director general of Culture Office of Hebei Province, mayor of Langfang Municipal People's Government, Hebei Province, deputy director of General Office of the Ministry of Agriculture and spokesman of the Ministry of Agriculture of the State. He was also a representative of the ninth session of the National People's Congress of the PRC from 1998 to 2002.

Mr. Zhu Nansong ("Mr. Zhu"), aged 45, was an executive Director from May 2003 to October 2005. Mr. Zhu was re-appointed as an executive Director in January 2009. Mr. Zhu graduated from Renmin University of China and Graduate School of the People's Bank of China. Mr. Zhu also obtained a doctorate degree in philosophy from Fudan University. Mr. Zhu was interested in 50,000,000 Shares as at 31 December 2011, representing approximately 0.4% of the issued share capital of the Company. He was also interested in 15% of the issued share capital of Jointex Investment Holdings Limited, a substantial Shareholder interested in 2,932,000,000 Shares as at 31 December 2011, representing approximately 23.52% of the issued share capital of the Company as at as at 31 December 2011.

Mr. Zuo Xingping ("Mr. Zuo"), aged 46 was appointed as an executive Director in November 2010. Mr. Zuo graduated from 中國人民大學 (Renmin University of China) with a bachelor's degree, and obtained a master degree from 中國人民銀行研究生部 (The People's Bank of China Graduate Research Department). Mr. Zuo has over 16 years of experience in securities investment and the capital markets. He is also the supervisor of Shanghai Zendai Real Estate Company Limited (上海証大置業有限公司), a wholly-owned subsidiary of the Company.

Mr. Tang Jian ("Mr. Tang"), aged 35, who joined the Board in May 2003 and is an executive Director and was appointed as the authorised representative of the Company in June 2003. He is also the director of Shanghai Zendai Wudaokou Property Development Company Limited (上海証大五道口房地產開發有限公司) and Shanghai Zendai Delta Land Company Limited (上海証大三角洲置業有限公司), which are wholly-owned subsidiaries of the Company. Mr. Tang obtained a bachelor's degree from Shanghai University of Finance and Economics specialising in finance and once worked for the Bank of Shanghai. Mr. Tang is responsible for the business management and corporate governance of the Group and has more than ten years of experience in this field. Mr. Tang is a director of Giant Glory Assets Limited, which was interested in 2,326,560,000 Shares, representing approximately 18.67% of the issued share capital of the Company as at 31 December 2011.

Ms. Zhou Yan ("Ms. Zhou"), aged 44, was appointed as an executive Director in January 2009. Ms. Zhou received a bachelor's degree in arts from the School of Literature of Shanghai University (a branch of the Fudan University), and a master's degree in business studies from Massey University of New Zealand in 2000. Ms. Zhou has more than 9 years of sales experience in various property development companies in the PRC.

B. NON-EXECUTIVE DIRECTORS

Mr. Wu Yang ("Mr. Wu"), aged 46, has been re-designated as a non-executive Director from being an executive Director effective on 11 November 2010. Mr. Wu was appointed as an executive Director of the Company in January 2009, and is also director of Ordos City Zendai Property Development Limited (鄂爾多斯市証大房地產開發有限公司), a wholly-owned subsidiary of the Company. Mr. Wu received his bachelor's degree in construction from Shengyang Radio and TV University in 1987, and his master's degree in industrial economics from Capital University of Economics and Business. Mr. Wu has over 14 years of experience in the property development business.

Mr. Zhou Chun ("Mr. Zhou"), aged 52, was appointed as a non-executive Director in March 2011. Mr. Zhou holds a master's degree in business administration (finance) from Northern Illinois University of the United States of America. Mr. Zhou was appointed as the chief executive officer of Forte Capital Group ("Forte Capital") in May 2010. Shanghai Forte Land Co., Ltd. ("Forte Land"), the issued shares of which are listed on The Stock Exchange of Hong Kong Limited, is the controlling shareholder of Forte Capital and China Alliance Properties Limited. China Alliance Properties Limited holds 19.51% of Shares of the Company as at 31 December 2011. Mr. Zhou has over 20 years of experience in domestic and foreign investment banking, fund management and real estate investment. He served as chief representative and managing director in the People's Republic of China for Colony Capital of the United States of America, and a director of GE Equity of the United States of America.

Mr. Dong Wenliang ("Mr. Dong"), aged 37, was appointed as a non-executive Director in March 2011. Mr. Dong graduated with a bachelor's degree in laws from the School of Economics of Law of Shanghai University of Finance and Economics in 1997. Mr. Dong joined Forte Land in 2003. He was appointed as manager and director of administration and business development departments of Forte Land and its subsidiaries in several districts. He has been the executive general manager of asset management department of Forte Capital since 2010. Forte Land is the controlling Shareholder of China Alliance Properties Limited which holds 19.51% of the Shares of the Company as at 31 December 2011.

Mr. Liu Zhiwei ("Mr. Liu"), aged 44, is appointed as a non-executive Director in February 2010. Mr. Liu is an entrepreneur and is currently chairman of Shenzhen Chunda Investment Co. Ltd. (深圳市淳大投資有限公司) and vice chairman of Xi'an International Trust Co., Ltd. (西安國際信託有限公司). Mr. Liu obtained a bachelor's degree in industrial management engineering from Zhe Jiang University in 1989. He continued to study in the Graduate School of the People's Bank of China between 1989 and 1992 and received a master's degree in international finance. In 2007, he obtained a doctorate degree in law from Hunan University. Mr. Liu has over 15 years of experience in finance, securities investment and the capital markets. He once served as general manager and chairman of Xin Jiang Hui-tong (Group) Co., Ltd. (新疆滙通（集團）股份有限公司), general manager of the merger and acquisition department of Guosen Securities Co., Ltd. and general manager of the investment banking department of Great Wall Securities Co., Ltd. His wholly-owned company Grand Link Finance Limited was interested in 400,000,000 Shares, representing 3.21% of the issued share capital of the Company at 31 December 2011.

C. INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lo Mun Lam, Raymond ("Mr. Lo"), aged 59, who joined the Board in 2002, is the principal of an investment and corporate finance firm with offices in London and Hong Kong. As a chartered accountant of London, he was licensed as a Responsible Officer by the Securities & Futures Commission of Hong Kong for engaging in the Type 6 (advising on corporate finance) activity. He has extensive expertise and experience in international corporate finance, merger & acquisition, cross-border direct investment and hedge fund investment, focusing on lifestyle, real estate and hospitality sectors. He held directorship and strategist positions with multinational financial and international emerging companies. In addition to serving the Company, he currently serves as non-executive chairman of Luk Fook Holdings Limited (stock code: 0590), and as non-executive director of Asian Capital Resources (Holdings) Limited (stock code: 8025), the issued shares of both companies are listed on the Stock Exchange and the Growth Enterprise Market of the Stock Exchange respectively. He graduated from University of Wisconsin-Madison and held post-graduate degrees and professional qualifications in accounting, law, finance, real estate and hospitality sectors, focusing on research of corporate finance.

Mr. Lai Chik Fan ("Mr. Lai"), aged 63, who joined the Board in 2004, was born in China and was educated in Hong Kong and the US. As an investment banker with over 30 years of experience in the industry, he is known for his knowledge, integrity and vast experience in the areas of investment banking and international equity sales and distribution. Mr. Lai is currently a managing director of AR Evans Capital Limited. In the past, he once worked for a number of investment banks, including Koffman Financial Holdings Limited, Paine Webber Hong Kong Limited, Merrill Lynch Asia Ltd, Smith Barney (Hong Kong) Ltd, and Chin Tung Securities Ltd. Mr. Lai serves as a director for a number of listed companies in Hong Kong. He was a non-executive director of China Medical and Bio Science Ltd (listed on the Growth Enterprise Market of the Stock Exchange) but resigned in July 2007. On 10 August 2007, he was appointed as an executive director of China Golden Development Holdings Ltd. (listed on the Main Board), and subsequently resigned in October 2008.

Dr. Tse Hiu Tung, Sheldon ("Dr. Tse"), aged 47, who joined the Board in October 2005, is a partner at a law firm in Hong Kong providing corporate and commercial legal services and has over 16 years of experience in corporate finance, mergers and acquisitions, private equity, joint ventures and compliance matters of the business in the PRC. Dr. Tse was authorised to practise law in Hong Kong, England and Wales and the PRC. He graduated with a bachelor's degree in laws from Zhongshan University in Guangzhou in 1986. Dr. Tse obtained a master's degree in laws and a doctorate degree in philosophy from the University of London, the United Kingdom in 1989 and 1993 respectively. He was appointed as a member of the arbitrators' panel of the Guangzhou Arbitration Commission and a China-appointed attesting officer, and is also a member of the Hong Kong Securities Institute.

D. COMPANY SECRETARY

Mr. Wong Ngan Hung ("Mr. Wong"), aged 51, is a member of the Hong Kong Institute of Certified Public Accountants since 1986. He also obtained a master's degree in business administration from University of San Francisco in United States of America. Mr. Wong has been working with the Company since 2006 and was appointed Company secretary in January 2012.

The directors of the Company (the "Directors") have pleasure in presenting their annual report together with the audited financial statements for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The principal activity of the Company continues to be investment holding. The principal activities of its subsidiaries are principally engaging in property development business, property investments, management and agency services, hotel operations and provision of travel and related services.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2011 and the state of the Company's and the Group's affairs as at that date are set out in the consolidated financial statements on pages 46 to 155. The Directors do not recommend the payment of any dividend in respect of the year ended 31 December 2011.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on page 156.

SHARE CAPITAL

Details of movement in the share capital on the Company are set out in note 45(a) to the financial statements.

RESERVES

Details of the movements in reserves of the Group and the Company during the year 2011 are set out in the consolidated statement of changes in equity and note 46 to the financial statements respectively.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31 December 2011 were HK$48,505,000. In the opinion of the directors, the Company's reserves available for distribution represent the contributed surplus, special capital reserve and retained profits.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group and the Company during the year 2011 are set out in note 17 to the financial statements.

PROPERTIES UNDER DEVELOPMENT AND FOR SALES

Details of properties under development and for sales of the Group for the year are set out on pages 7 to 16 of the annual report.

DIRECTORS

The Directors during the year 2011 and up to the date of this report were as follows:

Executive Directors

Mr. Dai Zhikang (Chairman)
Mr. Wang Fujie
Mr. Zhu Nansong
Mr. Zuo Xingping
Mr. Tang Jian
Ms. Zhou Yan
Mr. Ma Chengliang (resigned on 31 May 2011)

Non-executive Directors

Mr. Wu Yang
Mr. Dong Wenliang (appointed on 28 March 2011)
Mr. Zhou Chun (appointed on 28 March 2011)
Mr. Liu Zhiwei
Mr. Zhang Hua (resigned on 28 March 2011)
Mr. Wang Zhe (resigned on 28 March 2011)

Independent non-executive Directors

Mr. Lo Mun Lam, Raymond
Mr. Lai Chik Fan
Dr. Tse Hiu Tung, Sheldon

According to bye-laws of the Company, Mr. Zhu Nansong, Mr. Wu Yang, Mr. Lo Mun Lam, Raymond and Mr. Lai Chik Fan shall retire from office by rotation and then be eligible for re-election at the forthcoming annual general meeting of the Company.

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

As at 31 December 2011, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, are set out below:

Name of Director	Number of Shares/ underlying Shares	Capacity and nature of interests	Approximate percentage of issued share capital
Mr. Wang Fujie *(Note 2)*	10,000,000 (L)	Beneficial owner	0.08%
Mr. Dai Zhikang ("Mr. Dai") *(Note 1)*	6,753,635,000 (L)	Interests of controlled corporations	54.19%
Mr. Dai *(Note 2)*	10,000,000 (L)	Beneficial owner	0.08%
Mr. Zhu Nansong	50,000,000 (L)	Beneficial owner	0.40%
Mr. Wu Yang *(Note 2)*	30,000,000 (L)	Beneficial owner	0.24%
Ms. Zhou Yan *(Note 2)*	10,000,000 (L)	Beneficial owner	0.08%
Mr. Tang Jian	10,000,000 (L)	Beneficial owner	0.08%
Mr. Tang Jian *(Note 2)*	5,000,000 (L)	Beneficial owner	0.04%
Mr. Liu Zhiwei ("Mr. Liu") *(Note 3)*	400,000,000 (L)	Interests of controlled corporations	3.21%
Mr. Liu *(Note 2)*	120,000,000 (L)	Beneficial owner	0.96%
Mr. Lo Mun Lam, Raymond *(Note 2)*	5,000,000 (L)	Beneficial owner	0.04%
Mr. Lai Chik Fan *(Note 2)*	5,000,000 (L)	Beneficial owner	0.04%
Dr. Tse Hiu Tung, Sheldon *(Note 2)*	5,000,000 (L)	Beneficial owner	0.04%

(L) denotes long position

Notes:

1. Mr. Dai was deemed to be interested in an aggregate of 6,753,635,000 Shares held by Giant Glory Assets Limited, Jointex Investment Holdings Limited, Dorsing Star Limited, Shanghai Zendai Investment Development (Hong Kong) Company Limited and Gold Lucky Investment Holdings Limited, respectively, as follows:

    (a) 2,326,560,000 Shares were held by Giant Glory Assets Limited in which is wholly-owned by Mr. Dai;

(b) 2,932,000,000 Shares were held by Jointex Investment Holdings Limited in which is owned as to 85% by Giant Glory Assets Limited;

(c) 1,000,000,000 Shares were held by Dorsing Star Limited which is wholly owned by Master Faith Group Limited. All shares of Master Faith Group Limited are held by DBS Trustee H.K. (Jersey) Limited in its capacity as trustee of the DLD Trust, the beneficiaries of which include Liu Qiong Yu and Dai Mo Cao, both are family members of Mr. Dai. Mr. Dai is the settlor of the DLD Trust and therefore is deemed to be interested in the 1,000,000,000 Shares held by Dorsing Star Limited;

(d) 455,175,000 Shares are held by Shanghai Zendai Investment Development (Hong Kong) Company Limited which is indirectly owned as to 60% by Mr. Dai; and

(e) 39,900,000 Shares are held by Gold Lucky Investment Holdings Limited which is wholly-owned by Mr. Dai.

2. These Shares represent the Shares to be allotted and issued upon the exercise of share options granted.

3. Mr. Liu was deemed to be interested in 400,000,000 Shares held by Grand Link Finance Limited which is his wholly owned Company.

Save as disclosed above, none of the Directors or chief executive of the Company had any interest or short position in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO on or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as at 31 December 2011.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

No Director retiring and eligible for re-election at the forthcoming annual general meeting has entered into a service contract with the Company which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

DIRECTORS', SUPERVISORS' AND SENIOR EXECUTIVES' EMOLUMENTS

Details of the Directors', supervisors' and senior management's emoluments are set out in notes 11 and 52(a) to the financial statements. The Group's general policy on remuneration is to maintain fair and competitive packages based on industry practice and market conditions. The following factors are considered when determining the remuneration packages of executive Directors:

- Business needs;
- The Group's results and performance;

- Appraisal of individual contributions to results of the Group;
- Changes in market conditions such as demand and supply.

Furthermore, the Company has adopted a share option scheme as a long term incentive scheme to all eligible staff of the Group.

SHARE OPTIONS

Details of the share option scheme adopted by the Company are set out in note 45(d) to the financial statements.

The following table discloses movements in the Company's share options during the year:

	Number of Options					
	Outstanding at beginning of year	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Outstanding at end of year	Exercisable period
Directors						
Mr. Ma Chengliang	20,000,000	–	–	(20,000,000)	–	12 November 2010 – 11 November 2013
	15,000,000	–	–	(15,000,000)	–	12 November 2011 – 11 November 2013
	15,000,000	–	–	(15,000,000)	–	12 November 2012 – 11 November 2013
	50,000,000	–	–	(50,000,000)	–	
Mr. Wu Yang	12,000,000	–	–	–	12,000,000	12 November 2010 – 11 November 2013
	9,000,000	–	–	–	9,000,000	12 November 2011 – 11 November 2013
	9,000,000	–	–	–	9,000,000	12 November 2012 – 11 November 2013
	30,000,000	–	–	–	30,000,000	
Ms. Zhou Yan	5,000,000	–	–	–	5,000,000	12 November 2010 – 11 November 2013
	5,000,000	–	–	–	5,000,000	12 November 2011 – 11 November 2013
	10,000,000	–	–	–	10,000,000	
Mr. Tang Jian	5,000,000	–	–	–	5,000,000	12 November 2010 – 11 November 2013
Mr. Dai Zhikang	5,000,000	–	–	–	5,000,000	30 March 2011 – 29 March 2014
	5,000,000	–	–	–	5,000,000	30 March 2012 – 29 March 2014
	10,000,000	–	–	–	10,000,000	

	Number of Options					
	Outstanding at beginning of year	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Outstanding at end of year	Exercisable period
Mr. Wang Fujie	5,000,000	–	–	–	5,000,000	30 March 2011 – 29 March 2014
	5,000,000	–	–	–	5,000,000	30 March 2012 – 29 March 2014
	10,000,000	–	–	–	10,000,000	
Mr. Liu Zhiwei	48,000,000	–	–	–	48,000,000	30 March 2011 – 29 March 2014
	36,000,000	–	–	–	36,000,000	30 March 2012 – 29 March 2014
	36,000,000	–	–	–	36,000,000	30 March 2013 – 29 March 2014
	120,000,000	–	–	–	120,000,000	
Mr. Lo Mun Lam, Raymond	5,000,000	–	–	–	5,000,000	30 March 2011 – 29 March 2014
Mr. Lai Chik Fan	5,000,000	–	–	–	5,000,000	30 March 2011 – 29 March 2014
Dr. Tse Hiu Tung, Sheldon	5,000,000	–	–	–	5,000,000	30 March 2011 – 29 March 2014
Total	**250,000,000**	**–**	**–**	**(50,000,000)**	**200,000,000**	
Employees	8,000,000	–	–	–	8,000,000	12 May 2010 – 11 November 2013
	35,000,000	–	–	–	35,000,000	12 November 2010 – 11 November 2013
	15,000,000	–	–	–	15,000,000	12 November 2011 – 11 November 2013
	15,000,000	–	–	–	15,000,000	30 March 2011 – 29 March 2014
	11,000,000	–	–	–	11,000,000	30 March 2012 – 29 March 2014
	6,000,000	–	–	–	6,000,000	30 March 2013 – 29 March 2014
Total	**90,000,000**	**–**	**–**	**–**	**90,000,000**	
Total	**340,000,000**	**–**	**–**	**(50,000,000)**	**290,000,000**	

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the share option scheme set out in note 45(d) to the financial statements, at no time during the year 2011 was the Company, its holding company or any of its subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and neither the Directors nor the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than the related party transactions set out in note 52 to the financial statements and as set out in the section headed "Connected and related party transactions" below, no contracts of significance to which the Company, its holding company or any of its subsidiaries, was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year 2011 or any time during the year 2011.

CONNECTED AND RELATED PARTY TRANSACTIONS

During the year 2011, the Group entered into certain related party transactions which also constitute connected transactions under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Company has complied with the disclosure requirements of Chapter 14A of the Listing Rules and details of these transactions are set out in note 52 to the financial statements.

DIRECTORS' INTEREST IN COMPETING BUSINESS

Pursuant to Rule 8.10 of the Listing Rules, the Company discloses that during the year 2011 and up to the date of this report, Mr. Dai Zhikang held directorships in Shanghai Zendai Investment Development Company Limited, and/or its subsidiaries (collectively referred to as the "Zendai Group"), which are also engaged in property development and related business. As the board of directors of the Group operates independently from the boards of Zendai Group, the Group operates its business independently or, and at arm's length from, the business of Zendai Group.

PERSONS HAVING 5% OR MORE INTERESTS

As at 31 December 2011, the interests or short positions of the persons, other than a director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Name	Name of company	Nature of interests	Number of shares interested or amount of registered capital interested	Approximate percentage of the issued share capital or registered capital
Giant Glory Assets Limited *(Note 1)*	The Company	Beneficial owner	2,326,560,000 Shares (L)	18.67%
Giant Glory Assets Limited	The Company	Interests of controlled corporation	2,932,000,000 Shares (L)	23.52%
Jointex Investment Holdings Limited *(Note 1)*	The Company	Beneficial owner	2,932,000,000 Shares (L)	23.52%
Dorsing Star Limited *(Note 1)*	The Company	Beneficial owner	1,000,000,000 Shares (L)	8.02%
Liu Qiong Yu *(Note 1)*	The Company	Beneficiary of a trust	1,000,000,000 Shares (L)	8.02%
Dai Mo Cao *(Note 1)*	The Company	Beneficiary of a trust	1,000,000,000 Shares (L)	8.02%
Master Faith Group Limited *(Note 1)*	The Company	Interests of controlled corporation	1,000,000,000 Shares (L)	8.02%
DBS Trustee H.K. (Jersey) Limited *(Note 1)*	The Company	Trustee	1,000,000,000 Shares (L)	8.02%
China Alliance Properties Limited *(Note 2)*	The Company	Beneficial owner	2,431,815,000 Shares (L)	19.51%

Name	Name of company	Nature of interests	Number of shares interested or amount of registered capital interested	Approximate percentage of the issued share capital or registered capital
Shanghai Forte Land Co., Ltd. *(Note 2)*	The Company	Interests of controlled corporation	2,431,815,000 Shares (L)	19.51%
Shanghai Fosun High Technology (Group) Co., Ltd. *(Note 2)*	The Company	Interests of controlled corporation	2,431,815,000 Shares (L)	19.51%
Fosun International Limited *(Note 2)*	The Company	Interests of controlled corporation	2,431,815,000 Shares (L)	19.51%
Fosun Holdings Limited *(Note 2)*	The Company	Interests of controlled corporation	2,431,815,000 Shares (L)	19.51%
Fosun International Holdings Ltd. *(Note 2)*	The Company	Interests of controlled corporation	2,431,815,000 Shares (L)	19.51%
Guo Guangchang *(Note 2)*	The Company	Interests of controlled corporation	2,431,815,000 Shares (L)	19.51%

(L) denotes long position

Notes:

1. These Shares constitutes part of the deemed interest of Mr. Dai as referred to in the note under the section headed "Directors' interests" in shares or debentures above.

2. Guo Guangchang has 58% control of Fosun International Holdings Ltd., which has 100% control of Fosun Holdings Limited, which has 79.08% control of Fosun International Limited, which has 100% control of Shanghai Fosun High Technology (Group) Co., Ltd, which together with Fosun International Limited have a 99% control of Shanghai Forte Land Co., Limited, which has 100% control of China Alliance Properties Limited.

Save as disclosed above, as at 31 December 2011, no persons, other than a director or chief executive of the Company, had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the laws of Bermuda.

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

During the year, the Company purchased 28,095,000 of its own shares for cancellation. Except for the above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

MAJOR CUSTOMERS AND SUPPLIERS

During the year 2011, the Group's sales to the five largest customers accounted for 31.6% of the Group's turnover for the year, of which the largest customer accounted for 13.1% of the Group's turnover for the year. During the year 2011, the aggregate purchases attributable to the Group's largest supplier and five largest suppliers accounted for approximately 11.5% and 34.5% respectively, of the Group's total purchases for the year. None of the Directors, their associates or any shareholders of the Company which to the knowledge of the Directors, own more than 5% of the Company's share capital, had any interest in the share capital of any of the five largest customers or suppliers of the Group.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of its independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and considered that the independent non-executive Directors to be independent.

AUDITOR

A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint BDO Limited as auditor of the Company.

PUBLIC FLOAT

Based on information that in publicly available to the Company and within the knowledge of the Directors as at 29 March 2012, being the latest practicable date prior to the issue of this report, there was sufficient public float for the Shares.

On behalf of the Board
Dai Zhikang
Director
29 March 2011

The Company has adopted the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules (the "Code") as its own code of corporate governance and has taken careful measures to ensure that the provisions have been duly complied with from time to time. The Directors are of the opinion that the Company has met the code provisions in the Code during the year ended 31 December 2011.

DIRECTORS' SECURITIES TRANSACTIONS

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 Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry of all Directors, the Directors had complied with the required standard set out in the Model Code during the year ended 31 December 2011.

BOARD OF DIRECTORS

The composition of the Board for the year ended 31 December 2011 was as follows:

Executive Directors

Mr. Dai Zhikang *(Chairman)*
Mr. Wang Fujie
Mr. Zhu Nansong
Mr. Zuo Xingping
Ms. Zhou Yan
Mr. Tang Jian
Mr. Ma Chengliang (resigned on 31 May 2011)

Non-executive Directors

Mr. Wu Yang
Mr. Liu Zhiwei
Mr. Zhou Chun (appointed on 28 March 2011)
Mr. Dong Wenliang (appointed on 28 March 2011)
Mr. Wang Zhe (resigned on 28 March 2011)
Mr. Zhang Hua (resigned on 28 March 2011)

Independent non-executive Directors

Mr. Lo Mun Lam, Raymond
Mr. Lai Chik Fan
Dr. Tse Hiu Tung, Sheldon

During the year, there were 11 board meetings held. The following table summarized the attendance of the directors in board meetings:

Name of director	Number of meetings attended	Remarks
Mr. Dai Zhikang	7	
Mr. Wang Fujie	9	
Mr. Zhu Nansong	4	
Mr. Zuo Xingping	4	
Ms. Zhou Yan	8	
Mr. Tang Jian	11	
Mr. Wu Yang	4	
Mr. Zhou Chun	2	Appointed on 28 March 2011
Mr. Dong Wenliang	2	Appointed on 28 March 2011
Mr. Liu Zhiwei	0	
Mr. Lo Mun Lam, Raymond	5	
Mr. Lai Chik Fan	5	
Dr. Tse Hiu Tung, Sheldon	5	
Mr. Ma Chengliang	2	Resigned on 31 May 2011
Mr. Wang Zhe	0	Resigned on 28 March 2011
Mr. Zhang Hua	0	Resigned on 28 March 2011

The Board was responsible for making overall strategic decisions, financial matters and equity related transactions such as acquisitions. The management will handle and execute the decisions made by the Board and oversee the day-to-day management of the Group under the supervision of Mr. Wang Fujie, following Mr. Ma Chengliang's resignation, the Company's chief executive officers.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The chairman of the Company is Mr. Dai Zhikang and the chief executive officer of the Company is Mr. Wang Fujie. The roles of the chairman and chief executive officer are segregated and are not exercised by the same individual. The chairman was responsible for overseeing the management of the Board whereas the chief executive officer was responsible for overseeing the day-to-day management of the Group's business and the implementation of the policies decided by the Board.

REMUNERATION OF DIRECTORS

The Remuneration Committee was responsible for, among others, review on the remuneration of Directors and was responsible for approving any change to existing remuneration package made available to the Directors. The remuneration committee consists of Mr. Dai Zhikang, who was appointed member on 30 March 2011, Mr. Lai Chik Fan, Mr. Lo Mun Lam, Raymond and Dr. Tse Hiu Tung, Sheldon with Mr. Lo Mun Lam, Raymond being the chairman. Mr. Tang Jian resigned as member on 30 March 2011.

NOMINATION OF DIRECTORS

Prior to 31 March 2011, candidates for proposed appointment of Directors were first nominated by one of the executive Directors and were assessed according to their work experience and academic achievements. For the year ended 31 December 2011, one meeting was held by the Board in relation to nomination of Directors. On 30 March 2011, the Company established a nomination committee and Mr. Dai Zhikang, Mr. Lo Mun Lam, Raymond and Mr. Lai Chik Fan were appointed members of the committee.

AUDITOR'S REMUNERATION

As regards audit services provided to the Company, the remuneration made to the auditors was assessed according to the complexity, time required and prevailing market conditions. During the year ended 31 December 2011, the Group had engaged its auditor to provide non-audit services to the Company in respect of the interim review of the Company's results for the 6 months ended 30 June 2011. The fee paid for such service was HK$460,000. The auditor also provided other non-audit services which mainly included the review on cash flow forecast prepared by the Company and the preparation of accountant's report in connection with a very substantial disposal and connected transaction regarding the disposal of entire interests in a wholly-owned subsidiary of the Company (details were set out in the Company's announcement dated 2 November 2011). The fees for these services were HK$355,000.

AUDIT COMMITTEE

The audit committee comprised of Mr. Lai Chik Fan, Mr. Lo Mun Lam, Raymond and Dr. Tse Hiu Tung, Sheldon with Mr. Lo Mun Lam, Raymond being the chairman. Its duties were, among others, to review adequacy of the Company's policies and procedures regarding internal controls, to review the relationship between the Company and its auditors and to review the Group's financial statements. During the year ended 31 December 2011, the audit committee held 2 meetings, at which all of Mr. Lai Chik Fan, Mr. Lo Mun Lam, Raymond and Dr. Tse Hiu Tung, Sheldon attended. During the aforesaid meetings, members of the audit committee reviewed the financial results and reports, financial and internal controls of the Company and had thorough discussions with the auditor regarding the work performed. The Company's annual results for the year ended 31 December 2011 has been reviewed by the audit committee.

GENERAL

The Directors acknowledge their responsibility for preparing the accounts contained herein. The reporting responsibilities of BDO Limited, the auditor of the Company, are stated in the auditor's report on pages 44 to 45 of this report. There are no material uncertainties relating to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. The Board has conducted a review of the effectiveness of the system of internal control of the Group. There is no disagreement between the Board and the audit committee regarding the selection, appointment, resignation or dismissal of the external auditor.

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TO THE SHAREHOLDERS
OF SHANGHAI ZENDAI PROPERTY LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Shanghai Zendai Property Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 46 to 155, which comprise the consolidated and company statements of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, 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 judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

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

BDO Limited
Certified Public Accountants

Chan Wing Fai
Practising Certificate no. P05443

Hong Kong, 29 March 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	2011 HK$'000	2010 HK$'000
Turnover	7	**2,796,296**	3,959,091
Cost of sales		**(1,380,617)**	(2,490,121)
Gross profit		**1,415,679**	1,468,970
Other income and gains	8	**214,865**	35,164
Distribution costs		**(131,196)**	(81,133)
Administrative expenses		**(310,362)**	(286,561)
(Impairment loss)/reversal of impairment loss on property, plant and equipment	17	**(9,694)**	11,002
Reversal of impairment loss on payment for leasehold land held for own use under operating leases	20	**45,371**	47,982
Reversal of write-down of properties under development	26	**–**	22,369
Change in fair value of investment properties	18	**162,297**	21,753
Impairment loss on goodwill	21	**(1,040)**	(45,862)
Reversal of impairment loss/(impairment loss) on other receivable	28(c)	**19,995**	(19,230)
Waiver of an other receivable	28(d)	**–**	(63,431)
Share of results of associates	23	**19,689**	297,980
Share of result of a jointly controlled entity	24	**(5,610)**	(2,776)
Finance costs	12	**(466,174)**	(256,556)
Profit before tax expenses	9	**953,820**	1,149,671
Tax expenses	13	**(505,606)**	(582,044)
Profit for the year		**448,214**	567,627
Other comprehensive income			
Exchange differences arising on translation of foreign operations		**216,913**	181,872
Release of other revaluation reserve on disposal of properties for sales held by associates		**(8,271)**	(30,809)
Tax expenses related to release of other revaluation reserve		**1,241**	4,621
Release of foreign exchange reserve upon disposal of subsidiaries		**(25,644)**	–
Other comprehensive income for the year, net of tax		**184,239**	155,684
Total comprehensive income for the year		**632,453**	723,311

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	**2011** **HK$'000**	2010 HK$'000
Profit/(loss) for the year attributable to:			
– Owners of the Company		**449,886**	569,838
– Non-controlling interests		**(1,672)**	(2,211)
		448,214	567,627
Total comprehensive income attributable to:			
– Owners of the Company		**623,475**	719,393
– Non-controlling interests		**8,978**	3,918
		632,453	723,311
Earnings per share	*16*		
– Basic		**HK3.6 Cents**	HK4.6 Cents
– Diluted		**HK3.6 Cents**	HK4.6 Cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2011

	Notes	2011 HK$'000	2010 HK$'000
Non-current assets			
Property, plant and equipment	17	**387,019**	400,498
Investment properties	18	**2,564,824**	1,769,068
Payment for leasehold land held for own use under operating leases	20	**642,794**	591,808
Goodwill	21	**101,763**	101,457
Interests in associates	23	**842,307**	1,328,800
Interest in a jointly controlled entity	24	**52,614**	56,000
Available-for-sale investments	25	**35,648**	27,797
Total non-current assets		**4,626,969**	4,275,428
Current assets			
Properties under development and for sales	26	**4,346,035**	15,427,690
Inventories	27	**1,887**	1,654
Trade and other receivables	28	**650,583**	351,131
Deposits for property development	29	**90,557**	67,672
Amounts due from associates	23	**660,086**	257,620
Amount due from a jointly controlled entity	24	**535,984**	525,962
Available-for-sale investments	25	**1,957**	589
Amounts due from related companies	30	**15,954**	13,193
Pledged bank deposits	31	**224,749**	393,945
Tax prepayments	40	**39,400**	16,810
Entrusted loans receivables	34	**293,542**	–
Cash and cash equivalents		**888,224**	1,287,852
		7,748,958	18,344,118
Assets classified as held for sale	32	**15,456,736**	–
Total current assets		**23,205,694**	18,344,118
Total assets		**27,832,663**	22,619,546
Current liabilities			
Trade, notes and other payables	33	**1,029,434**	661,929
Receipts in advance from customers		**1,283,397**	2,347,472
Entrusted loans payables	34	**73,386**	–
Amounts due to associates	35	**10,447,186**	7,471,706
Amounts due to related companies	36	**55,089**	50
Amounts due to minority owners of subsidiaries	37	**173,310**	19,203
Bank loans	38	**754,648**	896,698
Senior loan notes	39	**1,078,964**	–
Tax payable	40	**1,626,279**	1,475,602
		16,521,693	12,872,660
Liabilities associated with assets classified as held for sale	32	**2,850,453**	–
Total current liabilities		**19,372,146**	12,872,660

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2011

	Notes	2011 HK$'000	2010 HK$'000
Net current assets		**3,833,548**	5,471,458
Total assets less current liabilities		**8,460,517**	9,746,886
Non-current liabilities			
Bank loans	*38*	**1,806,183**	1,644,557
Senior loan notes	*39*	**–**	1,073,607
Other borrowing	*41*	**–**	1,127,589
Deferred tax liabilities	*42*	**692,810**	638,521
Other payables	*33*	**148,599**	135,878
Total non-current liabilities		**2,647,592**	4,620,152
Total liabilities		**22,019,738**	17,492,812
TOTAL NET ASSETS		**5,812,925**	5,126,734
Capital and reserves attributable to owners of the Company			
Share capital	*45(a)*	**249,276**	249,838
Reserves		**5,300,154**	4,680,591
Equity attributable to owners of the Company		**5,549,430**	4,930,429
Non-controlling interests		**263,495**	196,305
TOTAL EQUITY		**5,812,925**	5,126,734

On behalf of the Board

Tang Jian
Director

Dai Zhikang
Director

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2011

	Notes	2011 HK$'000	2010 HK$'000
Non-current assets			
Property, plant and equipment	*17*	**93**	35
Investments in subsidiaries	*49*	**1,002,716**	1,002,716
Total non-current assets		**1,002,809**	1,002,751
Current assets			
Other receivables	*28*	**1,039**	959
Amounts due from subsidiaries	*49*	**2,376,622**	2,781,606
Cash and cash equivalents		**138,513**	36,180
Total current assets		**2,516,174**	2,818,745
Total assets		**3,518,983**	3,821,496
Current liabilities			
Other payables	*33*	**10,405**	9,768
Amounts due to subsidiaries	*49*	**214,448**	346,246
Senior loan notes	*39*	**1,081,304**	–
Total current liabilities		**1,306,157**	356,014
Net current assets		**1,210,017**	2,462,731
Total assets less current liabilities		**2,212,826**	3,465,482
Non-current liabilities			
Senior loan notes	*39*	**–**	1,159,095
Total liabilities		**1,306,157**	1,515,109
TOTAL NET ASSETS		**2,212,826**	2,306,387
Capital and reserves attributable to owners of the Company			
Share capital	*45(a)*	**249,276**	249,838
Reserves	*46*	**1,963,550**	2,056,549
TOTAL EQUITY		**2,212,826**	2,306,387

On behalf of the Board

Tang Jian
Director

Dai Zhikang
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

AS AT 31 DECEMBER 2011

	Share capital *(Note 45(a))* HK$'000	Share premium *(Note 46(a))* HK$'000	Capital Redemption reserve HK$'000	Contributed surplus *(Note 46(b))* HK$'000	Special Capital reserve *(Note 46c)* HK$'000	Statutory Surplus reserve HK$'000	Share Option reserve *(Note 46(d))* HK$'000	Retained profits HK$'000	Foreign Exchange reserve HK$'000	Other Revaluation reserve *(note)* HK$'000	Equity Attributable to owners of the Company HK$'000	Non-Controlling interests HK$'000	Total HK$'000
At 1 January 2010	208,188	1,283,855	1,074	157,315	68,541	246,121	21,908	1,240,938	317,736	46,160	3,591,836	192,387	3,784,223
Profit/(loss) for the year	–	–	–	–	–	–	–	569,838	–	–	569,838	(2,211)	567,627
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	–	175,743	–	175,743	6,129	181,872
Release of other revaluation reserve on disposal of properties for sales held by associates, net of tax	–	–	–	–	–	–	–	–	–	(26,188)	(26,188)	–	(26,188)
Total comprehensive income	–	–	–	–	–	–	–	569,838	175,743	(26,188)	719,393	3,918	723,311
Issuance of ordinary shares *(Note 45(a)(i))*	39,000	565,500	–	–	–	–	–	–	–	–	604,500	–	604,500
Exercise of share options *(Note 45(b))*	2,650	29,150	–	–	–	–	–	–	–	–	31,800	–	31,800
Equity settled share-based transactions *(Note 45(d))*	–	–	–	–	–	–	25,372	–	–	–	25,372	–	25,372
Release upon lapse of share options *(Note 45(d))*	–	–	–	–	–	–	(638)	638	–	–	–	–	–
Dividends approved in respect of the previous year *(Note 15)*	–	–	–	–	–	–	–	(42,472)	–	–	(42,472)	–	(42,472)
Transfer to statutory surplus reserve	–	–	–	–	–	103,625	–	(103,625)	–	–	–	–	–
At 31 December 2010	249,838	1,878,505	1,074	157,315	68,541	349,746	46,642	1,665,317	493,479	19,972	4,930,429	196,305	5,126,734

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

AS AT 31 DECEMBER 2011

	Share capital *(Note 45(a))* HK$'000	Share premium *(Note 46(a))* HK$'000	Capital Redemption reserve HK$'000	Contributed surplus *(Note 46(b))* HK$'000	Special Capital reserve *(Note 46c)* HK$'000	Statutory Surplus reserve HK$'000	Share Option reserve *(Note 46(d))* HK$'000	Retained profits HK$'000	Foreign Exchange reserve HK$'000	Other Revaluation reserve *(note)* HK$'000	Equity Attributable to owners of the Company HK$'000	Non-Controlling interests HK$'000	Total HK$'000
At 1 January 2011	249,838	1,878,505	1,074	157,315	68,541	349,746	46,642	1,665,317	493,479	19,972	4,930,429	196,305	5,126,734
Profit/(loss) for the year	–	–	–	–	–	–	–	449,886	–	–	449,886	(1,672)	448,214
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	–	206,263	–	206,263	10,650	216,913
Release of other revaluation reserve on disposal of properties for sales held by associates, net of tax	–	–	–	–	–	–	–	–	–	(7,030)	(7,030)	–	(7,030)
Release of foreign exchange reserve upon disposal of subsidiaries *(Note 52)*	–	–	–	–	–	–	–	–	(25,644)	–	(25,644)	–	(25,644)
Total comprehensive income	–	–	–	–	–	–	–	449,886	180,619	(7,030)	623,475	8,978	632,453
Cancellation upon repurchase of own shares	(562)	(3,894)	–	–	–	–	–	–	–	–	(4,456)	–	(4,456)
Transaction costs attributable to repurchase of shares	–	(18)	–	–	–	–	–	–	–	–	(18)	–	(18)
Acquisition of a subsidiary *(Note 50(a))*	–	–	–	–	–	–	–	–	–	–	–	58,212	58,212
Release upon lapse of share options *(Note 45(d))*	–	–	–	–	–	–	(7,264)	7,264	–	–	–	–	–
Transfer to statutory surplus reserve	–	–	–	–	–	62,137	–	(62,137)	–	–	–	–	–
At 31 December 2011	249,276	1,874,593	1,074	157,315	68,541	411,883	39,378	2,060,330	674,098	12,942	5,549,430	263,495	5,812,925

Note: Other revaluation reserve arises from the revaluation of properties for sales upon acquisition of additional interest in associates. The reserve will be released to profit or loss on the disposal of relevant properties.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	2011 HK$'000	2010 HK$'000
Cash flows from operating activities			
Profit before tax expenses		**953,820**	1,149,671
Adjustments for:			
Interest income		**(54,988)**	(15,855)
Dividend income		**(656)**	(40)
Finance costs	*12*	**466,174**	256,556
Depreciation of property, plant and equipment		**21,152**	21,382
Amortisation of payment for leasehold land held for own use under operating leases		**17,933**	17,040
Impairment loss/(reversal of impairment loss) on property, plant and equipment	*17*	**9,694**	(11,002)
Reversal of impairment loss on payment for leasehold land held for own use under operating leases	*20*	**(45,371)**	(47,982)
Reversal of write-down of properties under development	*26*	**–**	(22,369)
Change in fair value of investment properties	*18*	**(162,297)**	(21,753)
Impairment loss on goodwill	*21*	**1,040**	45,862
(Reversal of impairment loss)/impairment loss on other receivable	*28 (c)*	**(19,995)**	19,230
Waiver of an other receivable	*28 (d)*	**–**	63,431
Share of results of associates	*23*	**(19,689)**	(297,980)
Share of result of a jointly controlled entity	*24*	**5,610**	2,776
Equity settled share-based payment expenses	*45 (d)*	**–**	25,372
Write off of property, plant and equipment	*17*	**628**	1,880
Release of other revaluation reserve on disposal of properties		**(7,030)**	(26,188)
Loss on disposal of financial assets at fair value through profit or loss		**–**	1,986
Gain on disposal of investment properties		**(71,309)**	–
Gain on disposal of available-for-sale investments		**(23)**	(38)
Gain on repurchase of senior loan notes	*39*	**(251)**	–
Gain on disposal of subsidiaries	*51*	**(68,353)**	(2,632)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2011

	2011 HK$'000	2010 HK$'000
	1,026,089	1,159,347
Increase in trade and other receivables	**(376,398)**	(98,561)
Increase in properties under development and for sales	**(1,050,966)**	(10,532,994)
(Increase)/decrease in deposits for property development	**(14,426)**	643,952
Increase in inventories	**(168)**	(493)
Increase/(decrease) in trade, notes and other payables	**158,219**	(76,534)
Increase in receipts in advance from customers	**434,068**	1,487,683
Cash generated from/(used in) operations	**176,418**	(7,417,600)
Interest received	**54,988**	15,855
Interest paid	**(285,887)**	(265,401)
Income taxes paid	**(418,017)**	(252,416)
Net cash used in operating activities	**(472,498)**	(7,919,562)
Investing activities		
Capital injection in associates	**–**	(635,594)
Capital injection in a jointly controlled entity	**–**	(58,851)
(Increase)/decrease in amounts due from related companies	**(2,245)**	7,833
Decrease/(increase) in amount due from a jointly controlled entity	**10,564**	(525,962)
Increase in amounts due from associates	**(492,413)**	(186,915)
Loan/(repayment of loan) to the majority owner of a former associate	**100,030**	(97,693)
Addition of investment property	**(342)**	(10,866)
Purchase of available-for-sale investments	**(9,369)**	(13,030)
Purchase of property, plant and equipment	**(8,689)**	(19,375)
Proceeds from disposal of investment properties	**224,648**	–
Proceeds from disposal of financial assets at fair value through profit or loss	**–**	48,235
Increase in entrusted loans receivables	**(293,542)**	–

	Notes	2011 HK$'000	2010 HK$'000
Proceeds from disposal of assets classified as held for sale		–	20,448
Net cash inflow on disposal of subsidiaries	51	193,183	13,170
Net cash inflow on disposal of a partial interest in associate		–	176,554
Dividends received from available-for-sale investments		656	40
Dividends received from an associate		85,761	–
Proceeds from disposal of available-for-sale investment		636	–
Acquisition of subsidiaries, net of cash acquired	50	(108,793)	–
Net cash used in investing activities		(299,915)	(1,282,006)
Financing activities			
Dividends paid		–	(42,472)
Increase in bank loans		772,549	2,430,614
Repayment of bank loans		(852,434)	(1,330,028)
Increase in other borrowing		–	1,127,589
Proceeds from exercise of share options		–	31,800
Proceeds from placement of ordinary shares		–	604,500
Decrease/(increase) in pledged bank deposits		169,196	(393,945)
Increase in entrusted loans payables		73,386	–
(Decrease)/increase in amounts due to associates		(41,682)	7,471,706
Increase/(decrease) in amounts due to related companies		55,037	(5,158)
Increase/(decrease) in amounts due to minority owners of subsidiaries		153,354	(35,816)
Consideration paid for repurchase of shares		(4,456)	–
Expenses paid for repurchase of shares		(18)	–
Consideration paid for repurchase of senior loan notes		(2,091)	–
Net cash from financing activities		322,841	9,858,790
Net (decrease)/increase in cash and cash equivalents		(449,572)	657,222
Cash and cash equivalents at beginning of year	54	1,287,852	599,949
Effect of foreign exchange rate changes		57,414	30,681
Cash and cash equivalents classified as assets held for sales	32	(7,470)	–
Cash and cash equivalents at end of year	54	888,224	1,287,852

1. GENERAL

Shanghai Zendai Property Limited ("The Company") is a public limited company incorporated in Bermuda. Its shares are listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). Its registered office is at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda and principal place of business is at Unit 6108, 61/F, The Centre, 99 Queen's Road Central, Hong Kong.

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in note 49. The Group comprises the Company and all its subsidiaries.

Its parent and the ultimate holding company is Giant Glory Assets Limited, a private limited company incorporated in the British Virgin Islands.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs – effective 1 January 2011

HKFRSs (Amendments)	Improvements to HKFRSs 2010
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK(IFRIC) – Interpretation 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments
HKAS 24 (Revised)	Related Party Disclosures

Except as explained below, the adoption of these new/revised standards and interpretations has no material impact on the Group's financial statements.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(a) Adoption of new/revised HKFRSs – effective 1 January 2011 *(Continued)*

HKFRS 3 (Amendments) – Business Combinations

As part of the Improvements to HKFRSs issued in 2010, HKFRS 3 has been amended to clarify that the option to measure non-controlling interests ("NCI") at either fair value or the NCI's proportionate share in the recognised amounts of the acquiree's identifiable net assets is limited to instruments that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation. Other components of NCI are measured at their acquisition date fair value unless another measurement basis is required by HKFRSs. The Group has amended its accounting policies for measuring NCI but the adoption of the amendment has had no impact on the Group's financial statements.

HKAS 24 (Revised) – Related Party Disclosures

HKAS 24 (Revised) amends the definition of related party and clarifies its meaning. This may result in changes to those parties who are identified as being related parties of the reporting entity. The Group has reassessed the identification of its related parties in accordance with the revised definition and no amendment is required for the disclosures of its related party transactions in the current and comparative periods. The adoption of HKAS 24 (Revised) has no impact on the Group's reported profit or loss, total comprehensive income or equity for any period presented.

HKAS 24 (Revised) also introduces simplified disclosure requirements applicable to related party transactions where the Group and the counterparty are under the common control, joint control or significant influence of a government, government agency or similar body. These new disclosures are not relevant to the Group because the Group is not a government related entity.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new or revised HKFRSs, potentially relevant to the Group's operations, have been issued but are not yet effective and have not been early adopted by the Group:

Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets[1]
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets[2]
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income[3]
HKFRS 9	Financial Instruments[5]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosure of Interests in Other Entities[4]
HKFRS 13	Fair Value Measurement[4]
HKAS 27 (2011)	Separate Financial Statements[4]
HKAS 28 (2011)	Investments in Associates and Joint Ventures[4]
HKAS 19 (2011)	Employee Benefits[4]
Amendments to HKAS 32 and HKFRS 7	Offsetting Financial Assets and Financial Liabilities[4]
Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosure[6]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2012
3 Effective for annual periods beginning on or after 1 July 2012
4 Effective for annual periods beginning on or after 1 January 2013
5 Effective for annual periods beginning on or after 1 January 2013 and 2014, as appropriate
6 Effective for annual periods beginning on or after 1 January 2015

The Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs and the Directors so far have concluded that the application of these new/revised HKFRSs will have no material impact on the Group's financial statements.

Amendments to HKFRS 7 – Disclosures – Transfers of Financial Assets

The amendments to HKFRS 7 improve the disclosure requirements for transfer transactions of financial assets and allow users of financial statements to better understand the possible effects of any risks that may remain with the entity on transferred assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective *(Continued)*

Amendments to HKAS 12 – Deferred Tax – Recovery of Underlying Assets

The amendments to HKAS 12 introduce a rebuttable presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The amendments will be applied retrospectively.

Amendments to HKAS 1 (Revised) – Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit and loss in the future (e.g. revaluations of available-for-sale financial assets) and those that may not (e.g. revaluations of property, plant and equipment). Tax on items of other comprehensive income is allocated and disclosed on the same basis. The amendments will be applied retrospectively.

HKFRS 9 – Financial Instruments

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective *(Continued)*

HKFRS 10 – Consolidated Financial Statements

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implementation of HKFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 is applied retrospectively subject to certain transitional provisions.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective *(Continued)*

HKFRS 11 – Joint Arrangements

Joint arrangements under HKFRS 11 have the same basic characteristics as joint ventures under HKAS 31. Joint arrangements are classified as either joint operations or joint ventures. Where the Group has rights to the assets and obligations for the liabilities of the joint arrangement, it is regarded as a joint operator and will recognise its interests in the assets, liabilities, income and expenses arising from the joint arrangement. Where the Group has rights to the net assets of the joint arrangement as a whole, it is regarded as having an interest in a joint venture and will apply the equity method of accounting. HKFRS 11 does not allow proportionate consolidation. In an arrangement structured through a separate vehicle, all relevant facts and circumstances should be considered to determine whether the parties to the arrangement have rights to the net assets of the arrangement. Previously, the existence of a separate legal entity was the key factor in determining the existence of a jointly controlled entity under HKAS 31. HKFRS 11 will be applied retrospectively with specific restatement requirements for a joint venture which changes from proportionate consolidation to the equity method and a joint operation which changes from equity method to accounting for assets and liabilities.

HKFRS 12 – Disclosure of Interests in Other Entities

HKFRS 12 integrates and makes consistent the disclosures requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity's interests in other entities and the effects of those interests on the reporting entity's financial statements.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective *(Continued)*

HKFRS 13 – Fair Value Measurement

HKFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 "Financial Instruments: Disclosures". HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. HKFRS 13 can be adopted early and is applied prospectively.

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange.

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values as explained in the accounting policies set out in note 4 below.

3. BASIS OF PREPARATION *(Continued)*

(c) Functional and presentation currency

The consolidated financial statements are presented in Hong Kong dollars ("HK$"). Each entity in the Group maintains its books and records in its own functional currency. The functional currency of the Company is HK$. The board of directors considered that it is more appropriate to present the financial statements in HK$ as the shares of the Company are listed on the Stock Exchange.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Business combination and basis of consolidation *(Continued)*

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Contingent consideration balances arising from business combinations whose acquisition dates preceded 1 January 2010 (i.e. the date the Group first applied HKFRS 3 (2008)) have been accounted for in accordance with the transition requirements in the standard. Such balances are not adjusted upon first application of the standard. Subsequent revisions to estimates of such consideration are treated as adjustments to the cost of these business combinations and are recognised as part of goodwill.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Subsidiaries

A subsidiary is an entity over which the Company is able to exercise control. Control is achieved where the Company, directly or indirectly, has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment losses, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(c) Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies. Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying values are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate and the entire carrying amount of the investment is subject to impairment test by comparing its carrying amount with its recoverable amount, which is higher of value in use and fair value less costs to sell.

Where the fair value of identifiable assets, liabilities and contingent liabilities exceeds the fair value of consideration paid, the excess is credited in full to profit or loss as share of results of associates.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

Jointly controlled entities are accounted for using equity method whereby they are initially recognised at cost and thereafter, their carrying amounts are adjusted for the Group's share of the post-acquisition change in the jointly controlled entities' net assets except that losses in excess of the Group's interest in the jointly controlled entities are not recognised unless there is an obligation to make good those losses.

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

(e) Goodwill

Goodwill is initially recognised at cost being the excess of the aggregate of a consideration transferred and the amount recognised for non-controlling interests over the fair value of identifiable assets, liabilities and contingent liabilities acquired.

Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount to each asset in the unit. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Hotel buildings	Lower of underlying land lease term or 50 years
Motor vehicles	5 years
Leasehold improvements	5 years
Furniture and equipment	5 years

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss on disposal.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Investment properties

Investment properties are properties held either to earn rentals or for capital appreciation or for both, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties are measured at cost on initial recognition and subsequently at fair value unless they are still in the course of construction or development at the reporting period end and their fair value cannot be reliably determined at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal is recognised in profit or loss.

(h) Payments for leasehold land held for own use under operating leases

Payments for leasehold land held for own use under operating leases represent up-front payments to acquire long-term interests in lessee-occupied properties. These payments are stated at cost less impairment and are amortised over the period of the lease on a straight-line basis as an expense.

(i) Properties under development and for sale

Completed properties and properties under development held for sale are stated at the lower of cost and net realisable value. Cost includes the cost of land, development expenditure, borrowing costs capitalised in accordance with the Group's accounting policy, and other attributable expenses. Net realisable value is determined by prevailing market conditions.

(j) Leasing

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Leasing *(Continued)*

The Group as lessor

Rental income from operating leases is recognised in the profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expenses, over the terms of the leases.

The land and building elements of property leases are considered separately for the purpose of lease classification.

(k) Financial instrument

(i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Loans and receivables: These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers, and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Financial instrument *(Continued)*

(i) Financial assets (Continued)

Available-for-sale financial assets: These assets are non-derivative financial assets that are designated as available for sale or are not included in other categories of financial assets. Subsequent to initial recognition, these assets are carried at fair value with changes in fair value recognised directly in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary instruments, which are recognised in profit or loss.

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.

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtors' financial difficulty;
- a significant or prolonged decline in the fair value of an investment in equity instrument below its cost; and
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Financial instrument *(Continued)*

(ii) Impairment loss on financial assets (Continued)

For loans and receivables

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. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction 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.

For available-for-sale financial assets

Where a decline in the fair value constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in the profit or loss.

Any impairment losses on available-for-sale debt investments are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For available-for-sale equity investment, any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

For available-for-sale equity investment that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversed.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Financial instrument *(Continued)*

(iii) Financial liabilities at amortised cost

The Group's financial liabilities including trade, notes and other payables, entrusted loans payables, amounts due to associates, amounts due to related companies, amounts due to minority owners of subsidiaries, bank loans, other borrowing and senior loan notes, are initially measured at fair value, net of directly attributable costs incurred for the acquisition or issue of the financial liabilities and are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised within "finance costs" in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

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

(v) Equity instruments

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Financial instrument *(Continued)*

(vi) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contact at the higher of: (i) the amount determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue.

(vii) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in relevant contract is discharged, cancelled or expires.

(l) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Non-current assets held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale when:

- they are available for immediate sale;
- management is committed to a plan to sell;
- it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn;
- an active programme to locate a buyer has been initiated;
- the asset or disposal group is being marketed at a reasonable price in relation to its fair value; and
- a sale is expected to complete within 12 months from the date of classification.

Non-current assets and disposal groups classified as held for sale are measured at the lower of:

- their carrying amount immediately prior to being classified as held for sale in accordance with the Group's accounting policy; and
- fair value less costs to sell.

Following their classification as held for sale, non-current assets (including those in a disposal group) are not depreciated.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Revenue recognition

Income from sales of properties is recognised when the risks and rewards of the properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been delivered to the purchasers pursuant to the sales agreements. Deposits and instalments received from forward sales of properties are carried in the statement of financial position under current liabilities.

Hotel revenue from rooms rental, food and beverage sales and other ancillary services is recognised when services are rendered.

Rental income under operating leases is recognised on a straight-line basis over the term of the relevant leases.

Income from building management services is recognised when the services are rendered.

Income from travel and related services is recognised when the services are rendered.

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

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

(o) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Income taxes *(Continued)*

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. 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. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of reporting period.

Income taxes are recognised in profit or loss except when they relate to items directly recognised to other comprehensive income in which case the taxes are also directly recognised in other comprehensive income.

(p) Foreign currency

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. 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 in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Foreign currency *(Continued)*

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the year, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve. Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as foreign exchange reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are transferred to profit or loss as part of the profit or loss on disposal.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of reporting period. Exchange differences arising are recognised in the foreign exchange reserve.

(q) Employee benefit

(i) Defined contribution retirement plans

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

(ii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is recognised in profit or loss over the vesting period with a corresponding increase in the share option reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also recognised in profit or loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the fair value of goods or services received is recognised in profit or loss unless the goods or services qualify for recognition as assets. A corresponding increase in equity is recognised. For cash-settled share based payments, a liability is recognised at the fair value of the goods or services received.

The attributable equity amount recognised in the share option reserve is transferred to share premium account and retained profits when the options are exercised and expire respectively.

(s) Impairment of non-financial assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- payment for leasehold land held for own use under operating leases; and
- investments in subsidiaries, associates and jointly controlled entity

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Impairment of non-financial assets other than goodwill *(Continued)*

If the recoverable amount (i.e. the greater of fair value less costs to sell and value in use) 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.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent 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.

(t) Capitalisation of borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(u) Government grants

Government grants are recognised when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

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, the existence of which 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.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make judgments, 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 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.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(a) Critical judgments in applying accounting policies

(i) Classification of investment properties

The Group has temporarily rent out certain commercial units which are not classified as investment properties because it is not the Group's intention to hold them in the long-term for capital appreciation or rental income. Accordingly, they are continuously accounted for as properties for sales.

(ii) Impairment loss on loans and receivable

The policy for impairment of loans and receivables of the Group is based on the evaluation of collectability and ageing analysis of the loans and receivables and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these loans and receivables, including the current creditworthiness of each debtor. If the financial conditions of debtors of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment may be required.

(b) Key sources of estimation uncertainty

(i) Impairment of non-financial assets other than goodwill

The Group conducts impairment reviews of assets when events of changes in circumstances indicate that their carrying amounts may not be recoverable in accordance with relevant accounting standards. An impairment loss is recognised when the carrying amount of an asset is lower than the greater of its fair value less cost to sell or the value in use. In determining the value in use, management assess the present value of the estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life. Estimates are applied in determining these future cash flows and the discount rate.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(b) Key sources of estimation uncertainty *(Continued)*

(ii) Estimated impairment loss on goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary, associates or jointly controlled entity at the date of acquisition. Goodwill is recorded as a separate asset or, as applicable, included within investments in associates and jointly controlled entity.

The Group tests annually whether goodwill has suffered any impairment in accordance with accounting policies stated in note 4(e). Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2011, the carrying amount of goodwill is HK$101,763,000 (2010: HK$101,457,000), net of accumulated impairment losses of HK$79,974,000 (2010: HK$78,934,000). Details of the impairment test is disclosed in note 22.

(iii) Provision for properties under development and for sales

The Group assesses the recoverable amounts of properties under development and for sales according to their forecast net realisable value, taking into account costs to completion based on budget and past experience and net sales value based on prevailing and expected market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of estimation.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(b) Key sources of estimation uncertainty *(Continued)*

(iv) Land appreciation taxes ("LAT")

LAT is levied at progressive rates ranging from 30% to 60% on appreciation of land value, being the proceeds of sales of properties less deductible expenditure including sales charges, borrowing costs and all property development expenditure.

The Group is subject to LAT in the People's Republic of China, other than Hong Kong and Macau (the "PRC") which has been included in tax expenses of the Group. However, the implementation of these tax varies amongst various PRC provinces and the Group has not finalised its LAT returns with various local tax bureaus. Accordingly, significant estimation is required in determining the amount of land appreciation and its related taxes. The ultimate tax determination is uncertain during the ordinary course of business. The Group recognises these liabilities based on management's best estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provisions in the period in which such determination is made.

6. SEGMENT REPORTING

The Group determines its operating segments based on the reports regularly reviewed by the chief operating decision maker that are used to assess performance and allocate resources. The chief operating decision maker considers the business primarily on the basis of the types of goods and services supplied by the Group. The Group is currently organised into four operating divisions which comprise (i) sales of properties; (ii) hotel operations; (iii) properties rental, management and agency services; and (iv) provision of travel and related services.

Certain revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segments' results that is used by the chief operating decision maker for assessment of segment performance.

6. SEGMENT REPORTING *(Continued)*

Segment information is presented below:

(a) Information about reportable segment revenue, profit or loss and other information

	Sales of properties		Hotel operations		Properties rental, management and agency services		Travel and related services		Group	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Reportable segment revenue from external sales	**2,391,143**	3,612,066	**151,624**	153,023	**240,837**	181,964	**12,692**	12,038	**2,796,296**	3,959,091
Reportable segment profit before tax expenses	**1,111,833**	1,314,909	**35,950**	83,099	**289,255**	57,103	**9**	15	**1,437,047**	1,455,126
Other information										
Interest income	**5,579**	7,434	**–**	70	**546**	543	**–**	–	**6,125**	8,047
Interest income from other receivables	**10,612**	6,532	**–**	–	**–**	–	**–**	–	**10,612**	6,532
Depreciation of property, plant and equipment	**5,186**	4,270	**15,125**	16,964	**820**	105	**21**	43	**21,152**	21,382
Amortisation of payment for leasehold land held for own use under operating leases	**–**	–	**17,933**	17,040	**–**	–	**–**	–	**17,933**	17,040
(Impairment loss)/reversal of impairment loss on property, plant and equipment	**–**	–	**(9,694)**	11,002	**–**	–	**–**	–	**(9,694)**	11,002
Reversal of impairment loss on payment for leasehold land held for own use under operating leases	**–**	–	**45,371**	47,982	**–**	–	**–**	–	**45,371**	47,982
Change in fair value of investment properties	**–**	–	**–**	–	**162,297**	21,753	**–**	–	**162,297**	21,753
Reversal of write-down of properties under development	**–**	22,369	**–**	–	**–**	–	**–**	–	**–**	22,369
Share of results of associates	**19,689**	297,980	**–**	–	**–**	–	**–**	–	**19,689**	297,980
Share of result of a jointly controlled entity	**(5,610)**	(2,776)	**–**	–	**–**	–	**–**	–	**(5,610)**	(2,776)
Write off of property, plant and equipment	**628**	1,087	**–**	–	**–**	793	**–**	–	**628**	1,880
Gain on disposal of subsidiaries	**68,353**	2,632	**–**	–	**–**	–	**–**	–	**68,353**	2,632
Gain on disposal of investment properties	**–**	–	**–**	–	**71,309**	–	**–**	–	**71,309**	–
Impairment loss on goodwill	**1,040**	45,862	**–**	–	**–**	–	**–**	–	**1,040**	45,862
Reversal of impairment/(impairment loss) on other receivable	**19,995**	(19,230)	**–**	–	**–**	–	**–**	–	**19,995**	(19,230)
Waiver of an other receivable	**–**	63,431	**–**	–	**–**	–	**–**	–	**–**	63,431
Reportable segment assets	**9,515,151**	19,246,772	**1,026,065**	929,554	**1,342,671**	1,928,060	**2,651**	2,282	**11,886,538**	22,106,668
Expenditures for reportable segment non-current assets	**5,061**	709,703	**1,731**	2,389	**1,897**	12,594	**–**	–	**8,689**	724,686
Reportable segment liabilities	**15,924,872**	12,803,174	**19,485**	292,244	**557,384**	182,708	**2,257**	1,919	**16,503,998**	13,280,045

6. SEGMENT REPORTING *(Continued)*

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

	Group	
Profit before tax expenses	**2011**	2010
	HK$'000	HK$'000
Reportable segment profit before tax expenses	**1,437,047**	1,455,126
Interest income	**2,837**	1,276
Other revenue	**369**	–
Loss on disposal of financial assets at fair value through profit or loss	**–**	(1,986)
Gain on repurchase of senior loan notes	**251**	–
Finance costs	**(466,174)**	(256,556)
Unallocated head office and corporate expenses	**(20,510)**	(48,189)
Profit before tax expenses	**953,820**	1,149,671

	Group	
Assets	**2011**	2010
	HK$'000	HK$'000
Reportable segment assets	**11,886,538**	22,106,668
Available-for-sale investments	**14,709**	14,709
Pledged bank deposits	**224,749**	393,945
Unallocated head office and corporate assets	**249,931**	104,224
Assets classified as held for sale	**15,456,736**	–
Total assets	**27,832,663**	22,619,546

6. SEGMENT REPORTING *(Continued)*

(b) Reconciliation of reportable segment profit or loss, assets and liabilities *(Continued)*

Liabilities	Group 2011 HK$'000	2010 HK$'000
Reportable segment liabilities	**16,503,998**	13,280,045
Borrowings *(note)*	**2,618,837**	4,188,072
Unallocated head office and corporate liabilities	**46,450**	24,695
Liabilities associated with assets classified as held for sale	**2,850,453**	–
Total liabilities	**22,019,738**	17,492,812

Note:

The balance comprises certain bank loans, senior loan notes and other borrowing.

(c) Geographical information

The Group's operations are principally located in the PRC and Hong Kong. Group administration is carried out in the PRC and Hong Kong.

The following table provides an analysis of the Group's turnover by geographical market.

Group	Revenue from external customers 2011 HK$'000	2010 HK$'000
PRC	**2,783,604**	3,947,053
Hong Kong	**12,692**	12,038
	2,796,296	3,959,091

As the Group's assets are substantially located in the PRC, no further geographical information is presented.

6. SEGMENT REPORTING *(Continued)*

(d) Information about major customers

Revenue from customers of the sales of properties segment in the PRC contributing over 10% of total turnover of the Group is as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Customer A	**366,766**	–
Customer B	**–**	802,200
Customer C	**–**	457,483

7. TURNOVER

Turnover representing the aggregate of proceeds from sales of properties, amounts received and receivable from the hotel operations, properties rental, management and agency income, and the provision of travel and related services is summarised as follows:

	Group	
Turnover	**2011**	2010
	HK$'000	HK$'000
Sales of properties	**2,391,143**	3,612,066
Hotel operations:		
Room rentals	**107,380**	113,155
Food and beverage sales	**32,479**	28,090
Rendering of ancillary services	**11,765**	11,778
Properties rental, management and agency income	**240,837**	181,964
Travel and related services	**12,692**	12,038
	2,796,296	3,959,091

8. OTHER INCOME AND GAINS

	Group	
	2011	2010
	HK$'000	HK$'000
Bank interest income	**8,962**	9,323
Interest income from other receivables	**10,612**	6,532
Interest income from entrusted loans receivables	**35,414**	–
Rental income *(note)*	**1,094**	8,989
Government grants	**–**	2,790
Gain on disposal of investment properties	**71,309**	–
Gain on disposal of available-for-sale investments	**23**	38
Gain on disposal of subsidiaries *(Note 51)*	**68,353**	2,632
Gain on repurchase of senior loan notes *(Note 39)*	**251**	–
Exchange gains, net	**–**	602
Dividend income from available-for-sale investments	**656**	40
Others	**18,191**	4,218
	214,865	35,164

Note:

Rental income was derived from certain office and commercial units included in properties for sales, which the Group intends to sell subject to the tenancy agreements.

9. PROFIT BEFORE TAX EXPENSES

Profit before tax expenses is arrived at after charging:

	Group	
	2011	2010
	HK$'000	HK$'000
Cost of sales	**1,380,617**	2,490,121
Staff costs *(Note 10)*	**182,481**	139,547
Depreciation of property, plant and equipment	**21,152**	21,382
Amortisation of payment for leasehold land held for own use under operating leases	**17,933**	17,040
Auditor's remuneration	**2,300**	2,349
Write off of property, plant and equipment	**628**	1,880
Exchange losses, net	**309**	–
Direct operating expenses from investment properties that generated rental income during the year	**38,350**	32,306
Loss on disposal of financial assets at fair value through profit or loss	**–**	1,986

10. STAFF COSTS

	Group	
	2011	2010
	HK$'000	HK$'000
Staff costs (including directors) comprise:		
Wages and salaries	**164,062**	106,122
Contributions to defined contribution retirement plans	**18,419**	8,053
Equity settled share-based payment expense *(Note 45(d))*	**–**	25,372
	182,481	139,547

11. DIRECTORS' EMOLUMENTS

(a) Directors' remuneration

Details of directors' remuneration are as follows:

2011	Fees HK$'000	Salaries and other benefits HK$'000	Share-based payment expense HK$'000	Contribution to retirement benefits schemes HK$'000	Total HK$'000
Executive directors:					
Mr. Dai Zhikang ("Mr. Dai")	–	3,000	–	12	3,012
Mr. Tang Jian	–	1,087	–	85	1,172
Mr. Ma Chengliang (i)	–	3,500	–	79	3,579
Mr. Zuo Xingping	–	1,414	–	80	1,494
Mr. Zhu Nansong	–	–	–	–	–
Mr. Wang Fujie	–	2,434	–	11	2,445
Ms. Zhou Yan	–	1,279	–	73	1,352
Non-executive directors:					
Mr. Wu Yang	–	3,586	–	73	3,659
Mr. Wang Zhe (ii)	–	–	–	–	–
Mr. Zhang Hua (ii)	–	–	–	–	–
Mr. Liu Zhiwei	–	–	–	–	–
Mr. Zhou Chun (iii)	–	–	–	–	–
Mr. Dong Wenliang (iii)	–	–	–	–	–
Independent non-executive directors:					
Mr. Lai Chik Fan	120	–	–	–	120
Mr. Lo Mun Lam, Raymond	120	–	–	–	120
Dr. Tse Hiu Tung, Sheldon	120	–	–	–	120
Total	360	16,300	–	413	17,073

11. DIRECTORS' EMOLUMENTS *(Continued)*

(a) Directors' remuneration *(Continued)*

2010	Fees	Salaries and other benefits	Share-based payment expense	Contribution to retirement benefits schemes	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors:					
Mr. Dai	–	2,039	1,286	12	3,337
Mr. Tang Jian	–	946	–	87	1,033
Mr. Fang Bin	–	1,335	–	75	1,410
Mr. Ma Chengliang	–	5,000	–	87	5,087
Mr. Zuo Xingping	–	–	–	–	–
Mr. Zhu Nansong	–	–	–	–	–
Mr. Wang Fujie	–	1,332	1,286	10	2,628
Ms. Zhou Yan	–	1,088	–	75	1,163
Non-executive directors:					
Mr. Wu Yang	–	1,228	–	75	1,303
Mr. Wang Zhe	–	–	–	–	–
Mr. Zhang Hua	–	–	–	–	–
Mr. Liu Zhiwei	–	–	16,567	–	16,567
Independent non-executive directors:					
Mr. Lai Chik Fan	120	–	643	–	763
Mr. Lo Mun Lam, Raymond	120	–	643	–	763
Dr. Tse Hiu Tung, Sheldon	120	–	643	–	763
Total	360	12,968	21,068	421	34,817

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

During the year, no emoluments were paid by the Group to the directors as an inducement to join, or upon joining the Group, or as compensation for loss of office.

11. DIRECTORS' EMOLUMENTS *(Continued)*

(a) Directors' remuneration *(Continued)*

(i) The director resigned with effect from 31 May 2011.

(ii) The directors resigned with effect from 28 March 2011.

(iii) The directors were appointed on 28 March 2011.

(b) The five highest paid individuals

For the years ended 31 December 2011 and 2010, the five highest paid individuals were all directors of the Company, and their respective remuneration are disclosed in note 11(a).

12. FINANCE COSTS

	Group	
	2011	2010
	HK$'000	HK$'000
Interest on bank loans wholly repayable within five years	**125,236**	56,121
Interest on bank loans not wholly repayable within five years	**42,692**	69,530
Interest on senior loan notes *(Note 39)*	**111,640**	108,451
Interest on other borrowing *(Note 41)*	**215,445**	31,299
Interest on entrusted loans payables	**1,962**	–
Unwinding of discount on other payable *(Note 33(b))*	**9,387**	8,933
Amortisation of issue costs of senior loan notes *(Note 39)*	**7,699**	7,699
Less: amount capitalised in properties under development	**(47,887)**	(25,477)
	466,174	256,556

Borrowing costs capitalised during the year, are calculated by applying a capitalisation rate of 8.5% (2010: 9.5%) to expenditure on qualifying assets.

13. TAX EXPENSES

The amount of tax expenses in the consolidated statement of comprehensive income represents:

	Group	
	2011	2010
	HK$'000	HK$'000
Current tax – PRC Enterprise Income Tax		
– tax for the year	**172,037**	328,004
– under provision in respect of prior years	**34,006**	3,802
	206,043	331,806
Current tax – LAT		
– tax for the year	**277,650**	290,898
– (over)/under provision of tax attributable to sales of properties in prior years	**(14,261)**	6,201
	263,389	297,099
Deferred tax *(Note 42)*		
– current year	**36,174**	(46,861)
	505,606	582,044

13. TAX EXPENSES *(Continued)*

Hong Kong Profits Tax

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits in Hong Kong for the years ended 31 December 2011 and 2010.

PRC Enterprise Income Tax

For subsidiaries which are located and operated in Shanghai and approved to be established before 16 March 2007 by the State Administration of Industrial and Commerce, the Enterprise Income Tax Law of the PRC provides a five-year transition period during which the transitional rates are 18%, 20%, 22%, 24% and 25% for the years ended 31 December 2008, 2009, 2010, 2011 and 2012 respectively. These PRC subsidiaries are subject to PRC Enterprise Income Tax at rate ranging from 24% to 25% (2010: 22% to 25%) during the year ended 31 December 2011.

Profits of other subsidiaries established in the PRC are subject to an income tax rate of 25%, which is unified to both domestic enterprises and foreign-invested enterprises.

Pursuant to the PRC tax law passed on 16 March 2007, a 10% withholding tax will be levied on dividends declared to foreign investors effective from 1 January 2008. However, a 5% withholding tax will be levied on dividends declared to Hong Kong investor under the tax treaty arrangement between the PRC and Hong Kong. Further to the issuance of Guofa (2007) No. 39, the Ministry of Finance and the State Administration of Taxation released notice Caishui (2008) No. 1 on 22 February 2008, stating that the distributions of the pre-2008 earnings of a foreign invested enterprise to a foreign investor in 2008 or later will be exempted from any withholding taxes.

13. TAX EXPENSES *(Continued)*

LAT

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including costs of land and development and construction expenditures.

The tax expense for the year can be reconciled to the profit before tax expenses per the consolidated statement of comprehensive income as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Profit before tax expenses	**953,820**	1,149,671
Tax calculated at the PRC profits tax rate of 25% (2010: 25%)	**238,455**	287,418
Tax effect of share of results of associates	**(4,922)**	(74,495)
Tax effect of share of result of a jointly controlled entity	**1,403**	694
Lower tax rates for specific entities in the PRC	**(26,143)**	(23,968)
Effect of different tax rates of subsidiaries operating in jurisdictions other than the PRC	**2,765**	13,889
Tax effect of expenses not deductible for tax purposes	**32,664**	31,936
Tax effect of revenue and gains not taxable for tax purposes	**(63,730)**	(51,518)
Tax effect of tax losses not recognised	**13,369**	19,808
Utilisation of tax losses previously not recognised	**(160)**	(2,775)
Provision of withholding tax on dividend	**14,510**	80,154
Under provision in respect of prior years	**34,006**	3,802
	242,217	284,945
LAT	**350,409**	382,617
Tax effect of LAT deductible for calculation of income tax purpose	**(87,020)**	(85,518)
	263,389	297,099
Tax expenses	**505,606**	582,044

14. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Profit attributable to owners of the Company includes a loss of HK$89,087,000 (2010: HK$182,644,000) which has been dealt with in the financial statements of the Company.

15. DIVIDENDS

No dividend was proposed for the year ended 31 December 2011 and 2010.

16. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2011 HK$'000	2010 HK$'000
Profit attributable to owners of the Company	**449,886**	569,838
	Number of shares (thousands)	Number of shares (thousands)
Weighted average number of ordinary shares in issue	**12,488,037**	12,332,311
	HK Cents	HK Cents
Basic earnings per share	**3.6**	4.6

16. EARNINGS PER SHARE *(Continued)*

(b) Diluted

Diluted earnings per share is calculated based on the profit attributable to owners of the Company and the weighted average number of shares in issue during the year after adjusting for the number of dilutive potential ordinary shares on share options granted.

	2011	2010
	HK$'000	HK$'000
Profit attributable to owners of the Company for the purpose of basic and diluted earnings per share	**449,886**	569,838

	Number of shares (thousands)	Number of shares (thousands)
Weighted average number of ordinary shares in issue	**12,488,037**	12,332,311
Effect of dilutive potential ordinary shares on share options *(note)*	**–**	4,668
Weighted average number of ordinary shares for diluted earnings per share	**12,488,037**	12,336,979

	HK Cents	HK Cents
Diluted earnings per share	**3.6**	4.6

Note:

The exercise price of the share options is higher than the average market price of the Company's shares during the year ended 31 December 2011 and therefore the exercise of the share options is not included in the computation of diluted earnings per share for the year.

17. PROPERTY, PLANT AND EQUIPMENT

Group

	Hotel buildings HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Furniture and equipment HK$'000	Total HK$'000
2011					
Cost					
At 1 January 2011	421,968	27,534	199	40,512	490,213
Exchange differences	16,515	1,212	–	2,160	19,887
Additions	–	2,132	–	6,557	8,689
Reclassified to assets held for sale	–	(3,407)	–	(2,385)	(5,792)
Written off	–	(1,535)	–	(1,050)	(2,585)
At 31 December 2011	438,483	25,936	199	45,794	510,412
Accumulated depreciation and impairment					
At 1 January 2011	60,387	11,553	177	17,598	89,715
Exchange differences	3,715	638	–	1,633	5,986
Provided for the year	11,579	4,378	22	5,173	21,152
Reclassified to assets held for sale	–	(846)	–	(351)	(1,197)
Impairment loss *(note)*	9,694	–	–	–	9,694
Eliminated on written off	–	(1,085)	–	(872)	(1,957)
At 31 December 2011	85,375	14,638	199	23,181	123,393

17. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Group

	Hotel buildings HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Furniture and equipment HK$'000	Total HK$'000
2010					
Cost					
At 1 January 2010	406,605	15,157	235	37,186	459,183
Exchange differences	15,363	718	1	1,373	17,455
Additions	–	13,455	–	5,920	19,375
Written off	–	(1,796)	(37)	(3,967)	(5,800)
At 31 December 2010	421,968	27,534	199	40,512	490,213
Accumulated depreciation and impairment					
At 1 January 2010	58,188	9,113	162	12,364	79,827
Exchange differences	2,199	565	–	664	3,428
Provided for the year	11,002	2,797	52	7,531	21,382
Reversal of impairment loss *(note)*	(11,002)	–	–	–	(11,002)
Eliminated on written off	–	(922)	(37)	(2,961)	(3,920)
At 31 December 2010	60,387	11,553	177	17,598	89,715
Net book values					
At 31 December 2011	**353,108**	**11,298**	**–**	**22,613**	**387,019**
At 31 December 2010	361,581	15,981	22	22,914	400,498

Hotel buildings are pledged to a bank to secure a bank loan granted to the Group (Note 38).

Note:

During the year ended 31 December 2011, impairment loss of approximately HK$9,694,000 (2010: reversal of impairment loss: HK$11,002,000) in respect of hotel building was recognised in profit or loss, which was determined with reference to a valuation as determined by qualified valuers, DTZ Debenham Tie Leung Limited, an independent firm of surveyors. The valuation was arrived at using the discounted cash flow approach.

17. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Company

	Leasehold improvements HK$'000	Furniture and equipment HK$'000	Total HK$'000
2011			
Cost			
At 1 January 2011	**–**	**225**	**225**
Additions	**–**	**81**	**81**
At 31 December 2011	**–**	**306**	**306**
Accumulated depreciation			
At 1 January 2011	**–**	**190**	**190**
Provided for the year	**–**	**23**	**23**
At 31 December 2011	**–**	**213**	**213**
2010			
Cost			
At 1 January 2010	37	317	354
Additions	–	8	8
Written off	(37)	(100)	(137)
At 31 December 2010	–	225	225
Accumulated depreciation			
At 1 January 2010	37	275	312
Provided for the year	–	15	15
Eliminated on written off	(37)	(100)	(137)
At 31 December 2010	–	190	190
Net book values			
At 31 December 2011	**–**	**93**	**93**
At 31 December 2010	–	35	35

18. INVESTMENT PROPERTIES

	Group	
	2011	2010
	HK$'000	HK$'000
Fair value		
At beginning of year	**1,769,068**	1,686,900
Exchange differences	**53,612**	49,549
Additions	**342**	10,866
Transfer from properties under development and for sales and measured at fair value *(note)*	**720,151**	–
Disposals	**(140,646)**	–
Change in fair value	**162,297**	21,753
At end of the year	**2,564,824**	1,769,068

Note:

During the year ended 31 December 2011, the Group changed its intention from holding the commercial units and car-parks of its commercial project in Qingdao as properties under development to investment properties. Therefore, the carrying amount of the commercial units and car-parks were transferred to investment properties and measured at fair value at the date of reclassification.

19. ANALYSIS OF INVESTMENT PROPERTIES

(a) The analysis of the carrying amount of investment properties is as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Land and buildings held in the PRC:		
– Long lease	**13,454**	12,947
– Medium-term lease	**2,196,673**	1,414,783
– Short lease	**354,697**	341,338
	2,564,824	1,769,068

19. ANALYSIS OF INVESTMENT PROPERTIES *(Continued)*

(b) Investment properties with carrying amount of HK$Nil (2010: HK$1,342,985,000) and HK$2,564,824,000 (2010: HK$426,083,000) were revalued at 31 December 2011 at a valuation by qualified valuers, Jones Lang LaSalle Sallmanns Limited and DTZ Debenham Tie Leung Limited, independent firms of surveyors respectively. The valuation of completed investment properties was arrived at by capitalising the rental income derived from the existing tenancies with due provision for any reversionary potential of the properties. The valuation of the investment properties under development was arrived at on the basis that they will be developed and completed in accordance with the latest development proposals and taken into account the constructions costs that will be expended to complete the development as well as developer's profit margin to reflect the quality of the completed development.

(c) Investment properties with carrying amount of HK$2,226,027,000 (2010: HK$1,769,068,000) are pledged to banks to secure bank loans granted to the Group (Note 38).

(d) Gross rental income from investment properties amounted to HK$87,121,000 (2010: HK$67,161,000).

20. PAYMENT FOR LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASES

The Group's payment for leasehold land held for own use under operating leases is pledged to a bank to secure a bank loan granted to the Group (Note 38).

	Group	
	2011	2010
	HK$'000	HK$'000
Land use right in the PRC		
– Medium-term lease	**642,794**	591,808

During the year ended 31 December 2011, reversal of impairment loss of approximately HK$45,371,000 (2010: HK$47,982,000) in respect of the leasehold land held for own use under operating leases had been recognised in profit or loss, which was determined with reference to a valuation by the qualified valuers, DTZ Debenham Tie Leung Limited, an independent firm of surveyors. The valuation was arrived at by discounted cash flow approach.

21. GOODWILL

	Group HK$'000
At 1 January 2010	145,605
Exchange differences	1,714
Impairment loss	(45,862)
At 31 December 2010	101,457
Exchange differences	1,346
Impairment loss	(1,040)
At 31 December 2011	**101,763**

22. IMPAIRMENT TESTING ON GOODWILL

Goodwill acquired through certain business combinations has been allocated to three (2010: three) major cash generating units for impairment testing.

The cash-generating units are property development projects of subsidiaries and located in the cities of Chengdu, Qingdao and Shanghai, respectively, and are either currently available for sale or will be available for sale in the forthcoming five years.

The recoverable amounts for the cash-generating units have been determined based on a value-in-use calculation using cash flow projections based on forecasts covering a five-year period. The discount rate applied to the cash flow projections is 10% (2010: 10%) per annum.

22. IMPAIRMENT TESTING ON GOODWILL *(Continued)*

The carrying amount of goodwill as at 31 December 2011 allocated to each of the three (2010: three) cash-generating units is as follows:

	2011 HK$'000	2010 HK$'000
Sales of properties:		
上海証大三角洲置業有限公司	**36,346**	35,012
Lanrich International Limited	**65,417**	65,417
成都山水置業有限公司	**–**	1,028
	101,763	101,457

The management has adopted the following key assumptions in preparation of the cash flow projections to undertake impairment testing of goodwill:

– Selling prices – The market prices of the comparable properties nearby
– Construction costs – The estimated costs including infrastructure costs to complete the property development projects
– Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant units
– Price inflation – The basis used to determine the value assigned to selling price inflation is the forecast price indices of 3% – 4% per annum which is consistent with industry trend

The values assigned to key assumptions are based on historical experiences, current market condition, approved budgets and forecasts and consistent with external information sources.

The carrying values of goodwill were tested for impairment as at 31 December 2011 and 2010. The results of the tests indicated that impairment charge of HK$1,040,000 (2010: HK$45,862,000) was necessary and was recognised in profit or loss in the current year.

23. INTERESTS IN ASSOCIATES

	Group	
	2011	2010
	HK$'000	HK$'000
Share of net assets	**842,307**	1,328,800
Amounts due from associates *(note a)*	**660,086**	257,620
	1,502,393	1,586,420

The investments are unlisted equity interests and details of the Group's associates at 31 December 2011 are as follows:

Name	Form of business structure	Place of establishment and operations	Paid-up registered capital	Percentage of ownership interest	Principal activities
上海証大喜瑪拉雅置業有限公司 ("証大喜瑪拉雅")	Corporation	The PRC	RMB633,630,000	45%	Property development in the PRC
中科廊坊科技谷有限公司	Corporation	The PRC	RMB200,000,000	30%	Property development in the PRC
青島上實地產有限公司	Corporation	The PRC	US$3,620,000	45%	Property development in the PRC

Notes:

(a) The amounts were unsecured, interest-free and repayable on demand.

(b) At 31 December 2011, the Group's 40% interests in 上海海之門房地產投資管理有限公司 ("海之門") were reclassified as assets classified as held for sale as explained in note 32.

23. INTERESTS IN ASSOCIATES *(Continued)*

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

	2011 **HK$'000**	2010 HK$'000
Total assets	**5,961,344**	14,510,369
Total liabilities	**(3,628,446)**	(10,831,387)
Net assets	**2,332,898**	3,678,982
Group's share of net assets of associates	**842,307**	1,328,800
Total revenue	**191,880**	2,007,974
Total profit for the year	**49,341**	665,850
Group's share of results of associates for the year	**19,689**	297,980

24. INTEREST IN A JOINTLY CONTROLLED ENTITY

	Group	
	2011 **HK$'000**	2010 HK$'000
Share of net assets	**52,614**	56,000
Amount due from a jointly controlled entity *(note)*	**535,984**	525,962
	588,598	581,962

Note:

At 31 December 2011, the amount was interest-free, unsecured, repayable on demand and included in the current assets.

At 31 December 2010, the amount, except for the amount of HK$176,554,000 which bore interest at fixed rate of 18% per annum, was interest-free, unsecured, repayable on demand and included in the current assets.

24. INTEREST IN A JOINTLY CONTROLLED ENTITY *(Continued)*

During the year ended 31 December 2010, 上海証大置業有限公司 ("証大置業") entered into an agreement with an independent third party to form a 50% owned equity jointly controlled entity, 文廣証大南通文化投資發展有限公司 ("文廣証大"). The jointly controlled entity has registered capital of RMB100,000,000 and is principally engaged in property development and accounted for using the equity method.

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

	Group	
	2011	2010
	HK$'000	HK$'000
Non-current assets	**774**	601
Current assets	**1,316,027**	764,558
Current liabilities	**(1,089,264)**	(653,159)
Non-current liabilities	**(122,309)**	–
Net assets	**105,228**	112,000
Group's share of net assets of the jointly controlled entity	**52,614**	56,000
Income	**205**	133
Expenses	**(11,425)**	(5,685)
Loss for the year	**(11,220)**	(5,552)
Group's share of loss of the jointly controlled entity	**(5,610)**	(2,776)

The Group had no capital commitments in relation to the jointly controlled entity as at 31 December 2011 (2010: HK$27,316,000).

25. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2011	2010
	HK$'000	HK$'000
Unlisted equity interests, at cost *(note a)*	**35,648**	27,797
Investment funds, at fair value *(note b)*	**1,957**	589
	37,605	28,386

	Group	
	2011	2010
	HK$'000	HK$'000
Analysed for reporting purpose as:		
Non-current assets	**35,648**	27,797
Current assets	**1,957**	589
	37,605	28,386

Notes:

(a) The balance represents investments costs of HK$35,648,000 (2010: HK$27,797,000) in four (2010: three) private entities established in the PRC and are classified under non-current assets. They are measured at cost less any impairment at the end of each reporting period because the directors of the Company are of the opinion that their fair value cannot be measured reliably.

(b) These funds are operated by the Agricultural Bank of China. According to the funds prospectus, these funds invest in listed and unlisted securities in the PRC and other commodities contracts. The expected return on these funds ranged from 3% to 5% per annum as estimated by the issuers.

26. PROPERTIES UNDER DEVELOPMENT AND FOR SALES

	Group	
	2011	2010
	HK$'000	HK$'000
Properties		
– Under development	**3,309,823**	14,165,054
– For sales	**1,036,212**	1,262,636
	4,346,035	15,427,690

During the year ended 31 December 2011, no impairment loss was recognised or reversed.

An impairment loss of HK$22,369,000 recognised in prior years against the carrying value of properties under development was reversed during the year ended 31 December 2010, after adjustment for foreign exchange rate change. The reversal of impairment loss was due to an increase in the estimated net realisable value of certain properties as a result of recovery of the PRC property market.

Properties under development and for sales with carrying amount of HK$2,344,002,000 (2010: HK$2,805,034,000) are pledged to banks to secure bank loans (Note 38) granted to the Group.

Properties under development and for sales with carrying amount of HK$735,497,000 (2010: HK$568,231,000) are pledged to the trustee, 新華信託股份有限公司, to secure other borrowing granted to the Group as set out in note 41.

Accumulated finance costs of approximately HK$74,871,000 (2010: HK$49,276,000) were capitalised in the properties under development and for sales.

Properties under development and for sales which are expected to be recovered in more than twelve months after the end of reporting period are classified under current assets as they are expected to be realised in the Group's normal operating cycle. The amounts of properties under development and for sales that are expected by management to be realised after more than twelve months from the end of reporting period are HK$2,059,625,000 (2010: HK$13,343,804,000).

27. INVENTORIES

	Group	
	2011	2010
	HK$'000	HK$'000
Food, beverage and low value consumables	**1,887**	1,654

28. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables *(note a)*	**84,510**	36,702	**–**	–
Refundable deposits for potential acquisition of land use rights in the PRC	**311,399**	–	**–**	–
Deposits	**108,049**	44,304	**468**	464
Prepayments	**112,925**	141,115	**510**	495
Loan to the majority owner of a former associate *(note b)*	**–**	97,693	**–**	–
Other receivables *(notes c and d)*	**33,700**	50,547	**61**	–
	650,583	370,361	**1,039**	959
Impairment loss on other receivable *(note c)*	**–**	(19,230)	**–**	–
	650,583	351,131	**1,039**	959

The Group generally grants no credit period to its customers on sales of properties, except for certain significant transactions where credit terms or settlement schedules are negotiated on an individual basis. A credit period ranging from 30 to 60 days is granted to customers in travel and related services.

28. TRADE AND OTHER RECEIVABLES *(Continued)*

(a) The ageing analysis of trade receivables at 31 December 2011 is as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Current (i)	**42,654**	4,406
Less than 1 month past due	**197**	4,675
1 to 3 months past due	**1,719**	12,073
More than 3 months but less than 12 months past due	**36,324**	13,707
More than 12 months past due	**3,616**	1,841
Amount past due but not impaired (ii)	**41,856**	32,296
	84,510	36,702

(i) The current balance neither past due nor impaired related to a number of customers for whom there was no recent history of default.

(ii) The balance of HK$41,856,000 (2010: HK$32,296,000) was past due but not impaired. The Group recognised impairment loss on individual assessment based on the accounting policy stated in note 4(k)(ii). The directors consider the balance would be recoverable.

(b) As at 31 December 2010, a loan of HK$97,693,000 was advanced to the majority owner of 証合泰, an associate of the Group. The loan carries interest at fixed rate of 9% per annum and is unsecured and repayable in May 2011. The amount was settled during the year ended 31 December 2011.

28. TRADE AND OTHER RECEIVABLES *(Continued)*

(c) Except for the balance mentioned below, all other receivables are neither past due nor impaired.

In prior year, the Group advanced a deposit of HK$23,282,000 to an independent third party for proposed acquisition of a subsidiary. The proposed acquisition was terminated subsequently. Despite certain assets with estimated fair value amounting to HK$28,209,000 were seized through court proceedings, management assessed that it would take a lengthy period of time to obtain a legal right of disposal of the assets to recover the outstanding balance. Therefore, an impairment loss of HK$19,230,000 was recognised in profit or loss during the year ended 31 December 2010.

During the year ended 31 December 2011, the aforesaid deposit was fully recovered from the independent third party and a reversal of the impairment loss in respect of the deposit was recognised in profit or loss.

Movement in the impairment loss on other receivable:

	Group	
	2011	2010
	HK$'000	HK$'000
Balance at beginning of the year	**19,230**	–
Exchange differences	**765**	–
(Reversal of impairment loss)/impairment loss recognised	**(19,995)**	19,230
Balance at end of the year	**–**	19,230

28. TRADE AND OTHER RECEIVABLES *(Continued)*

(d) In order to promote the development of the educational infrastructure nearby the property development project in Haimen, the PRC, undertaken by a wholly-owned subsidiary, 海門証大濱江置業有限公司 ("証大濱江"). 証大濱江 entered into a co-operation agreement with a local third party in 2007 whereby 証大濱江 was solely responsible to construct a secondary school and the third party will manage the operation of the school for 20 years from the date of completion of the construction of the school. The costs of construction would be compensated by the third party by paying annual lease payments (due in December each year) to 証大濱江 for 20 years which amounted to RMB90,000,000. The first annual lease payment was due in December 2009. The carrying amount of the receivable of HK$62,776,000 as at 31 December 2009 represents the expected cash flows from the leases receivable discounted at the effective interest rate at the time of recognition of the receivable less payments received, if any, up to the end of that reporting period.

During the year ended 31 December 2010, 証大濱江 and the local third party agreed to terminate the co-operation agreement and therefore the school was transferred to the local government of Haimen as donation in order to enhance the corporate image of the Group in Haimen. The directors believe that this will benefit to the sales of the developing properties in Haimen in the future. As such, the entire receivable of HK$63,431,000 as at 31 December 2010 was written off in profit or loss during the year ended 31 December 2010.

29. DEPOSITS FOR PROPERTY DEVELOPMENT

	Group	
	2011	2010
	HK$'000	HK$'000
Deposits for acquisition of land use rights in the PRC	**85,244**	52,966
Prepayments to property construction contractors	**5,313**	14,706
	90,557	67,672

30. AMOUNTS DUE FROM RELATED COMPANIES

Name of related companies	Directors having beneficial interests	Group		Maximum amount outstanding during the year
		2011	2010	
		HK$'000	HK$'000	**HK$'000**
Zendai Investment Development Limited	Mr. Dai	**15,289**	13,172	15,289
北京証大資源有限公司	Mr. Dai	**612**	–	612
上海喜瑪拉雅美術館	Mr. Dai	**2**	–	2
上海証大投資發展有限公司	Mr. Dai	**51**	19	51
上海証大現代藝術館	Mr. Dai	**–**	2	2
		15,954	13,193	

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

31. PLEDGED BANK DEPOSITS

Pledged bank deposits represented deposits pledged to banks to secure bank loans (Note 38) granted to the Group. At 31 December 2011, the pledged bank deposits of HK$192,643,000, HK$12,231,000, HK$4,892,000 and HK$14,983,000 carried interest at fixed rate of 0.25%, 3.50%, 3.50% and 2.79% per annum respectively. At 31 December 2010, the pledged bank deposits of HK$377,467,000, HK$11,770,000 and HK$4,708,000 carried interest at fixed rate of 0.25%, 1.92% and 1.21% per annum respectively.

32. ASSETS CLASSIFIED AS HELD FOR SALE AND ASSOCIATED LIABILITIES

On 28 October 2011, 証大置業, a wholly-owned subsidiary of the Company, entered into an agreement with 海之門, an associate with 35% equity interests held by the Group on that date, for disposal ("Disposal") of its 100% equity interests in and shareholder's loan to 上海証大外灘國際金融服務中心置業有限公司 ("証大外灘"), a wholly-owned subsidiary of 証大置業, for a total cash consideration of RMB9,570,000,000 (equivalent to approximately HK$11,675,000,000).

On 29 December 2011, 証大置業 entered into another agreement with an independent third party ("Purchaser") for disposal ("Wudaokou Disposal") of its 100% equity interests in and shareholder's loan to 上海証大五道口房地產開發有限公司 ("証大五道口"), a wholly-owned subsidiary of 証大置業, for a total cash consideration of RMB2,960,000,000 (equivalent to approximately HK$3,610,000,000). Pursuant to the agreement of Wudaokou Disposal, 証大五道口 will dispose of all of its assets (other than its equity interests in and loan to 海之門 and its shareholder's loan from 証大置業) to other companies in the Group ("Spin-off") upon 証大五道口 is transferred to the Purchaser. Pursuant to a supplemental agreement entered into by the relevant parties on 9 January 2012, the Spin-off can be completed after the 証大五道口 is transferred to the Purchaser. Further, pursuant to the terms of the agreement of Wudaokou Disposal, part of the consideration will be used for settlement of other borrowing of the Group.

Accordingly, the assets and liabilities that will be disposed to the Purchaser or settled upon completion of the Disposal and Wudaokou Disposal ("Disposal Group") were classified as assets classified as held for sale and liabilities associated with assets classified as held for sale and are presented separately as at 31 December 2011. Details of the Disposal Group are as follows:

32. ASSETS CLASSIFIED AS HELD FOR SALE AND ASSOCIATED LIABILITIES

(Continued)

	Total HK$'000
Property, plant and equipment	4,595
Interest in an associate *(note a)*	506,624
Properties under development and for sales	12,143,645
Other receivables	4,889
Amount due from an associate *(note b)*	2,789,513
Cash and cash equivalents	7,470
Assets classified as held for sale	15,456,736
Other payables	44,749
Receipt in advance from customer	1,590,020
Amount due to an associate *(note b)*	43,949
Tax payable	13
Other borrowing	1,171,722
Liabilities associated with assets classified as held for sale	2,850,453

Notes:

(a) Being interests in 40% equity interests in 海之門, which is a company established in the PRC with registered paid-up capital of RMB1,000,000,000, 海之門 has not commenced its business at 31 December 2011.

(b) The amounts were unsecured, interests-free and repayable on demand.

At the date these consolidated financial statements were authorised for issue, the Disposal and Wudaokou Disposal have not been completed.

33. TRADE, NOTES AND OTHER PAYABLES

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables *(note a)*	**513,278**	443,545	**–**	–
Notes payables *(note a)*	**92,955**	–	**–**	–
Other payables and accruals	**571,800**	354,262	**10,405**	9,768
	1,178,033	797,807	**10,405**	9,768
Less: other payables included in non-current liabilities *(note b)*	**(148,599)**	(135,878)	**–**	–
	1,029,434	661,929	**10,405**	9,768

Notes:

(a) The ageing analysis of trade and notes payables at the end of reporting period is as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Current or less than 1 month	**362,710**	18,375
1 – 3 months	**40,137**	131,213
More than 3 months but less than 12 months	**19,364**	11,684
More than 12 months	**169,950**	261,419
	592,161	422,691
Retention money	**14,072**	20,854
	606,233	443,545

The trade and notes payables mainly represent construction costs accrued and payable to contractors. The amounts will be paid upon the completion of cost verification process between the contractors and the Group.

33. TRADE, NOTES AND OTHER PAYABLES *(Continued)*

Notes (Continued):

(b) The balance represents consideration for acquisition of land use rights amounting to RMB360,000,000 (equivalent to HK$440,313,000) payable to an independent third party. The balance is repayable in 38 years by annual instalments, starting from February 2009. The carrying amount of the payable of RMB129,494,000 (equivalent to HK$158,384,000) (2010: RMB129,712,000 (equivalent to HK$152,944,000)) of which RMB8,000,000 (equivalent to HK$9,785,000) (2010: RMB8,000,000 (equivalent to HK$17,066,000)) is included in current liabilities as at 31 December 2011 represents the expected cash flows from settlement of the payable discounted at the effective interest rate of 6% per annum prevailing at the time of recognition of the payable plus unwinding discount less settlement made up to the end of the reporting period.

34. ENTRUSTED LOANS RECEIVABLES/PAYABLES

During the year ended 31 December 2011, 証大置業, entered into entrusted loans arrangements with 鄂爾多斯市証大房地產開發有限責任公司 ("鄂爾多斯"), a wholly-owned subsidiary of 証大置業, and 文廣証大, a jointly controlled entity, in the amounts of RMB60,000,000 (equivalent to HK$73,386,000) and RMB180,000,000 (equivalent to HK$220,156,000), respectively, with a bank, in which 証大置業 acts as the entrusting party, the bank acts as the lender, and 鄂爾多斯 and 文廣証大 acts as the borrowers (the "Entrusted Loans"). The Entrusted Loans receivables and Entrusted Loans payables cannot be set off and bear interests at 16% to 18% per annum and are repayable within one year. The Entrusted Loans are used to finance the operation and working capitals needs of 鄂爾多斯 and 文廣証大.

35. AMOUNTS DUE TO ASSOCIATES

The amounts were unsecured, interest-free and repayable on demand.

36. AMOUNTS DUE TO RELATED COMPANIES

The amounts were unsecured, interest-free and repayable on demand. The Company's director and shareholder, Mr. Dai, has beneficial interests in these related companies.

37. AMOUNTS DUE TO MINORITY OWNERS OF SUBSIDIARIES

The amounts were unsecured, interest-free and repayable on demand.

38. BANK LOANS

	Group	
	2011	2010
	HK$'000	HK$'000
Secured *(note)*	**2,560,831**	2,541,255

At the end of reporting period, the bank loans were repayable as follows:

Within one year	**754,648**	896,698
More than one year, but not exceeding two years	**864,403**	506,374
More than two years, but not exceeding five years	**878,180**	991,055
After five years	**63,600**	147,128
	2,560,831	2,541,255
Less: Amount repayable within one year included in current liabilities	**(754,648)**	(896,698)
Amount repayable after one year	**1,806,183**	1,644,557

Note:

The bank loans were secured by the Group's assets as detailed in note 56(a). Corporate guarantees were also given to banks for certain bank loans by a related company, which is beneficially owned by Mr. Dai, a director and shareholder of the Company.

39. SENIOR LOAN NOTES

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Carrying amount at beginning of the year	**1,073,607**	1,065,908	**1,159,095**	1,151,396
Cancellation of senior loan notes by a subsidiary	**–**	–	**(85,490)**	–
Amortisation of issue costs *(Note 12)*	**7,699**	7,699	**7,699**	7,699
Senior loan notes repurchased by a subsidiary	**(2,342)**	–	**–**	–
Carrying amount at end of the year	**1,078,964**	1,073,607	**1,081,304**	1,159,095

On 6 June 2007, the Company issued senior loan notes (the "Notes") of US$150 million with maturity date on 6 June 2012. The Notes carry interest at 10% per annum and is payable semi-annually in arrears on 6 June and 6 December of each year, beginning on 6 December 2007. The Notes are secured by the shares of certain subsidiaries incorporated in Hong Kong and British Virgin Islands, corporate guarantees of certain subsidiaries of the Company and listed on the Singapore Exchange Securities Trading Limited.

During the year ended 31 December 2011, the Group through a subsidiary partially repurchased the Notes in the principal amount of US$300,000 (equivalent to HK$2,340,000) at a total consideration of US$267,833 (equivalent to HK$2,089,000). A gain of HK$251,000 (Note 8) on repurchase was recognised in profit or loss.

During the year ended 31 December 2010, the Group did not repurchase any of the Notes.

During the year ended 31 December 2011, the Company cancelled the Notes in the principal amount of US$10,960,000 (equivalent to HK$85,490,000) which were repurchased by a subsidiary in prior years.

40. TAX PREPAYMENTS/PAYABLE

	Group	
	2011	2010
	HK$'000	HK$'000
Tax prepayments		
PRC Enterprise Income Tax prepayments	**9,143**	9,671
LAT prepayments *(note)*	**30,257**	7,139
	39,400	16,810

	Group	
	2011	2010
	HK$'000	HK$'000
Tax payable		
PRC Enterprise Income Tax payable	**73,793**	181,038
LAT provision *(note)*	**1,552,486**	1,294,564
	1,626,279	1,475,602

Note:

The Group is subject to LAT in the PRC and is required to prepay 1% to 5% (2010: 1% to 5%) of the proceeds from sale and pre-sale of the properties. However, the implementation of LAT varies amongst various PRC cities and the Group has not finalised its LAT returns with various local tax bureaus.

On 28 December 2006, the PRC State Administration of Taxation issued a circular, which took effect on 1 February 2007 to request real estate developers to settle the final LAT payments in respect of their development projects that meet certain criteria, such as when 85% of a development project has been pre-sold or sold. Since then, local tax bureaus, including the Shanghai tax bureau, have issued local implementation rules and procedures from time to time. In order to minimise the uncertainties in the accounts due to exposure to the additional LAT liabilities, the Group has provided for LAT fully in accordance with the requirements of State Administration of Taxation and the issued implementation rules and procedures.

41. OTHER BORROWING

On 8 October 2010, 証大五道口 entered into an agreement with 新華信託股份有限公司 (the "Trustee") whereby the Trustee has set up a trust fund to raise capital of RMB958 million (the "Principal") for 証大五道口 to finance its investment in 海之門, an associate included in the Disposal Group. The fund will mature in 18 months from October 2010. 証大五道口 is required to pay an annual return ranging from 8% to 13.5% of the Principal to the fund investors and a service fee at 2.3% of the Principal to the Trustee. These expenses have been recognised as finance costs in note 12.

The Principal is secured by the 10% equity interests in 海之門, the Group's 100% equity interests in a subsidiary, 上海証大西鎮房地產開發有限公司 and a corporate guarantee given by a related company which is beneficially owned by the Company's major shareholder, Mr. Dai. At 31 December 2011, the carrying amounts of the 10% equity interests in 海之門 and the 100% equity interests in the subsidiary amounted to HK$122,369,000 (2010: HK$117,818,000) and HK$482,039,000 (2010: HK$479,077,000) respectively.

As the balance will be settled by part of the consideration from Wudaokou Disposal pursuant to the terms of the agreement of Wudaokou Disposal as explained in note 32, the balance was reclassified as liabilities associated with assets classified as held for sale at 31 December 2011.

42. DEFERRED TAX LIABILITIES

Details of the deferred tax liabilities recognised and movements during the current and prior years are as follows:

	Group				
	Revaluation of property, plant and equipment and payment for leasehold land HK$'000	Revaluation of investment properties HK$'000	Revaluation of properties for sale HK$'000	Withholding tax on dividend HK$'000	Total HK$'000
At 1 January 2010	167,022	152,755	271,284	74,079	665,140
Exchange differences	6,644	5,205	5,500	3,199	20,548
Charge/(credit) to statement of comprehensive income for the year *(Note 13)*	10,821	2,633	(140,469)	80,154	(46,861)
Disposal of a subsidiary *(Note 51)*	–	–	(306)	–	(306)
At 31 December 2010	**184,487**	**160,593**	**136,009**	**157,432**	**638,521**
Exchange differences	**6,797**	**5,729**	**4,283**	**1,306**	**18,115**
Charge/(credit) to statement of comprehensive income for the year *(Note 13)*	**8,918**	**23,014**	**(10,268)**	**14,510**	**36,174**
At 31 December 2011	**200,202**	**189,336**	**130,024**	**173,248**	**692,810**

No deferred tax asset has been recognised in respect of the estimated unused tax losses due to the unpredictability of future profit streams. The tax losses of HK$8,358,000 (2010: HK$8,401,000) can be carried forward indefinitely and the tax losses of HK$200,602,000 (2010: HK$132,485,000) will expire in five years' time.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed through its operations to the following risks from its use of financial instruments:

- Market risks (Interest rate risk, Foreign exchange risk and Equity price risk)
- Liquidity risk
- Credit risk

Policy for managing these risks is set by the Board of Directors. Certain risks are managed centrally, while others are managed locally following guidelines stipulated by the central management. The policy for each of the above risks is described in more detail below.

Market risks

(a) Interest rate risk

The Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances and variable-rate bank loans.

The Group is also exposed to fair value interest rate risk which relates primarily to its fixed-rate bank loans, senior loan notes, entrusted loans receivables and payables, amount due from a jointly controlled entity and loan to a majority owner of a former associate. The Group currently does not use any derivative contracts to hedge the interest rate risk. However, the management will consider hedging significant interest rate exposure should the need arises.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the Benchmark Borrowing Rate of The People's Bank of China ("Benchmark Rate").

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

Market risks *(Continued)*

(a) Interest rate risk (Continued)

Interest rate profile

The following table details interest rates analysis that the management of the Group evaluates their interest rate risk.

	Group				Company			
	2011 Effective interest rate (%)	**HK$'000**	2010 Effective interest rate (%)	HK$'000	**2011 Effective interest rate (%)**	**HK$'000**	2010 Effective interest rate (%)	HK$'000
Financial liabilities								
Fixed rate borrowings								
– Bank loans	**8.25%**	**689,824**	6.86%	1,447,740	**–**	**–**	–	–
– Senior loan notes	**10%**	**1,078,964**	10%	1,073,607	**10%**	**1,081,304**	10%	1,159,094
– Entrusted loans payables	**16%**	**73,386**	–	–	**–**	**–**	–	–
Floating rate borrowings								
– Bank loans	**4.54%**	**1,871,007**	5.77%	1,093,515	**–**	**–**	–	–
Financial assets								
Fixed rate financial assets								
– Pledged bank deposits	**0.67%**	**224,749**	0.31%	393,945	**–**	**–**	–	–
– Amount due from a jointly controlled entity	**–**	**–**	18%	176,554	**–**	**–**	–	–
– Entrusted loan receivables	**16 – 18%**	**293,542**	–	–	**–**	**–**	–	–
– Loan to the majority owner of a former associate	**–**	**–**	9%	97,693	**–**	**–**	–	–
Floating rate financial assets								
– Cash and cash equivalents	**0.5%**	**888,224**	0.50%	1,287,852	**0.39%**	**138,513**	0.17%	36,180

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

Market risks *(Continued)*

(a) Interest rate risk (Continued)

Sensitivity analysis

At the respective end of reporting periods, if the Benchmark Rate had increased/decreased by 100 basis points and all other variables were held constant, the Group's profit would decrease/increase by approximately HK$7,371,000 (2010: increase/decrease by approximately HK$4,677,000) for the year ended 31 December 2011.

(b) Foreign exchange risk

Foreign exchange risk arises when individual company enters into transactions denominated in a currency other than their functional currency.

The Group and the Company undertake certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. The Group and the Company's certain cash and cash equivalents and the senior loan notes also expose to such foreign currency risk. The Group currently does not use any derivative contracts to hedge against its exposure to currency risk. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rate.

The carrying amounts of the Group's and the Company's foreign currency denominated monetary assets and monetary liabilities at the respective end of reporting periods are as follows:

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Assets				
HK$	**250,647**	114,610	**–**	–
United States dollars ("USD")	**6,752**	5,037	**838**	4,624
Liabilities				
HK$	**25,708**	10,123	**–**	–
USD	**1,086,496**	1,082,056	**1,088,836**	1,167,544

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

Market risks *(Continued)*

(b) Foreign exchange risk (Continued)

Sensitivity analysis

The Group through its subsidiaries operating in the PRC mainly exposes to the currency risk of HK$ against RMB while the Company mainly exposes to the currency risk of USD against HK$.

The directors estimated that the effect on the profit after tax in the next accounting period in response to reasonably possible changes in the respective exchange rates would be insignificant for the years ended 31 December 2010 and 2011.

(c) Equity price risk

The Group is exposed to equity price risk through its investments in investment funds. The management closely keeps watch of the price changes and takes appropriate action when necessary.

Sensitivity analysis

The directors estimated that the effect on the profit after tax and other component of equity in the next accounting period in response to reasonably possible changes in the prices of the respective equity instruments would be insignificant for the years ended 31 December 2010 and 2011.

Liquidity risk

Internally generated cash flows, bank loans, senior loan notes, entrusted loans payables, amounts due to related companies, minority owners of subsidiaries and associates and other borrowing are the general sources of funds to finance the operations of the Group. The Group's liquidity risk management includes making available standby banking facilities and diversifying the funding sources. The Group regularly reviews its major funding positions to ensure it has adequate financial resources in meeting its financial obligations.

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

Liquidity risk *(Continued)*

The contractual maturities of financial liabilities are shown as below:

The Group

	Carrying amount HK$'000	Total Contractual Undiscounted cash flows HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000
2011						
Non-derivatives:						
Trade, notes and other payables	**1,029,434**	**1,029,434**	**1,029,434**	**–**	**–**	**–**
Other payables (non-current)	**148,599**	**401,174**	**–**	**9,785**	**39,139**	**352,250**
Bank loans	**2,560,831**	**2,722,419**	**802,266**	**918,946**	**933,593**	**67,614**
Amounts due to related companies	**55,089**	**55,089**	**55,089**	**–**	**–**	**–**
Amounts due to minority owners of subsidiaries	**173,310**	**173,310**	**173,310**	**–**	**–**	**–**
Amounts due to associates	**10,447,186**	**10,447,186**	**10,447,186**	**–**	**–**	**–**
Senior loan notes	**1,078,964**	**1,078,964**	**1,078,964**	**–**	**–**	**–**
Entrusted loans payables	**73,386**	**73,386**	**73,386**	**–**	**–**	**–**
Other borrowing included in the Disposal Group	**1,171,722**	**1,171,722**	**1,171,722**	**–**	**–**	**–**
Financial guarantee contracts	**–**	**383,999**	**383,999**	**–**	**–**	**–**
	16,738,521	**17,536,683**	**15,215,356**	**928,731**	**972,732**	**419,864**
2010						
Non-derivatives:						
Trade, notes and other payables	661,929	661,929	661,929	–	–	–
Other payables (non-current)	135,878	395,480	–	9,416	37,665	348,399
Bank loans	2,541,255	2,701,608	953,280	538,326	1,053,590	156,412
Amounts due to related companies	50	50	50	–	–	–
Amounts due to minority owners of subsidiaries	19,203	19,203	19,203	–	–	–
Amounts due to associates	7,471,706	7,471,706	7,471,706	–	–	–
Senior loan notes	1,073,607	1,404,000	117,000	1,287,000	–	–
Other borrowing	1,127,589	1,330,270	–	1,330,270	–	–
Financial guarantee contracts	–	335,233	335,233	–	–	–
	13,031,217	14,319,479	9,558,401	3,165,012	1,091,255	504,811

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

Liquidity risk *(Continued)*

The Company

	Carrying amount HK$'000	Total Contractual Undiscounted cash flows HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000
2011						
Non-derivatives:						
Other payables	**10,405**	**10,405**	**10,405**	**–**	**–**	**–**
Amounts due to subsidiaries	**214,448**	**214,448**	**214,448**	**–**	**–**	**–**
Senior loan notes	**1,081,304**	**1,081,304**	**1,081,304**	**–**	**–**	**–**
	1,306,157	**1,306,157**	**1,306,157**	**–**	**–**	**–**
2010						
Non-derivatives:						
Other payables	9,768	9,768	9,768	–	–	–
Amounts due to subsidiaries	346,246	346,246	346,246	–	–	–
Senior loan notes	1,159,095	1,404,000	117,000	1,287,000	–	–
	1,515,109	1,760,014	473,014	1,287,000	–	–

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31 December 2011 and 2010 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position and guarantees provided by the Group as disclosed in note 53. The Group has policies in place to determine credit limits, credit approval and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk, with exposure spreading over a large number of counterparties and customers.

The credit risk on bank deposits is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies or state-owned banks in the PRC.

44. FINANCIAL INSTRUMENTS – CARRYING AMOUNT AND FAIR VALUE

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and trading on active liquid markets are determined with reference to quoted market prices; and
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

45. SHARE CAPITAL

(a) Authorised and issued share capital

	Company			
Authorised	**2011 Number**	**2011 HK$'000**	2010 Number	2010 HK$'000
Ordinary shares of HK$0.02 each	**20,000,000,000**	**400,000**	20,000,000,000	400,000

	Company			
Issued and fully paid	**2011 Number**	**2011 HK$'000**	2010 Number	2010 HK$'000
Ordinary shares of HK$0.02 each				
At beginning of the year	**12,491,906,515**	**249,838**	10,409,406,515	208,188
Placement of shares *(note (a)(i))*	**–**	**–**	1,950,000,000	39,000
Cancellation upon repurchase of shares *(note (a)(ii))*	**(28,095,000)**	**(562)**	–	–
Exercise of share options *(note (b))*	**–**	**–**	132,500,000	2,650
At end of the year	**12,463,811,515**	**249,276**	12,491,906,515	249,838

45. SHARE CAPITAL *(Continued)*

(a) Authorised and issued share capital *(Continued)*

Notes:

During the years ended 31 December 2011 and 2010, the following changes in the Company's authorised and issued share capital took place:

(i) On 7 January 2010, the Company entered into subscription agreements with China Alliance Properties Limited ("China Alliance") and Grand Link Finance Limited ("Grand Link"), whereby China Alliance and Grand Link subscribed for 1,550,000,000 and 400,000,000 new ordinary shares of the Company respectively at HK$0.31 per share raising approximately HK$604,500,000 working capital. The details of the transaction were disclosed in the Company's announcement dated 8 January 2010.

(ii) The Company was authorised to repurchase its own shares not exceeding 10% of the aggregate nominal amount of its issued share capital. The Company repurchases its shares on the Stock Exchange when the directors are of the view that the shares are significantly trading at a discount in order to enhance shareholders' value.

The details of repurchase of the Company's own ordinary shares on the Stock Exchange during the year ended 31 December 2011 are as follows:

Month/year of repurchase	**Number of ordinary shares of nominal value of HK$0.02 each repurchased**	**Consideration per share**		**Aggregate consideration paid**
		Highest	**Lowest**	
		HK$	**HK$**	**HK$'000**
November and December 2011	28,095,000	0.163	0.143	4,456

The repurchased shares were cancelled during the year ended 31 December 2011 and the issued share capital of the Company was reduced by the nominal value thereof. The premium paid and the related costs on repurchases of the shares of HK$3,912,000 were charged to share premium.

Save as disclosed above, neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the years ended 31 December 2010 and 2011.

45. SHARE CAPITAL *(Continued)*

(b) Issued share options

The Company had granted 265,833,333 share options to the subscriber of the convertible notes with exercise price of HK$0.24 per share, and each share option was convertible into one ordinary share of the Company for the period from 23 February 2008 to 22 February 2010. Details of the convertible notes were disclosed in the announcement of the Company dated 2 February 2005.

On 18 February 2010, a total of 132,500,000 share options were exercised to subscribe for 132,500,000 ordinary shares of the Company at a total consideration of HK$31,800,000 of which HK$2,650,000 was credited to share capital, and the balance of HK$29,150,000 was credited to the share premium account.

At the end of the reporting period, no such (2010: Nil) options remained outstanding.

During the year ended 31 December 2010, the Company also granted share options under its share options scheme to its employees as detailed in note 45(d).

45. SHARE CAPITAL *(Continued)*

(c) Capital management policy

The Group's primary objective when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

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

Consistent with industry practice, the Group monitors its capital structure on the basis of a net debt-to-adjusted capital ratio. For this purpose the Group defines net debts as total debt (which comprise non-current other payables, entrusted loans payables, bank loans, other borrowing and senior loan notes plus unaccrued proposed dividends, less cash and cash equivalents and pledged bank deposits). Adjusted capital comprises all components of equity less unaccrued proposed dividends.

During the year, the Group's strategy was to maintain the net debt-to-adjusted capital ratio at the lower end of the range 60% to 70%. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

45. SHARE CAPITAL *(Continued)*

(c) Capital management policy *(Continued)*

The net debt-to-adjusted capital ratio at 31 December 2011 and 2010 was calculated as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Current liabilities		
Senior loan notes	**1,078,964**	–
Entrusted loans payables	**73,386**	–
Bank loans	**754,648**	896,698
Other borrowing included in the Disposal Group	**1,171,722**	–
	3,078,720	896,698
Non-current liabilities		
Bank loans	**1,806,183**	1,644,557
Senior loan notes	**–**	1,073,607
Other borrowing	**–**	1,127,589
Other payables	**148,599**	135,878
	1,954,782	3,981,631
Total debt	**5,033,502**	4,878,329
Less: Cash and cash equivalents	**(888,224)**	(1,287,852)
Pledged bank deposits	**(224,749)**	(393,945)
Net debt	**3,920,529**	3,196,532
Total equity and adjusted capital	**5,812,925**	5,126,734
Net debt-to-adjusted capital ratio	**67%**	62%

45. SHARE CAPITAL *(Continued)*

(d) Share option scheme

The Company adopted a share option scheme on 18 July 2002 (the "Share Option Scheme"), for primary purpose of providing incentives to eligible participants. Details of the Share Option Scheme are as follows:

On 18 July 2002, the Company adopted the Share Option Scheme which will expire on 17 July 2012. Pursuant to the terms of the Share Option Scheme, the Company may grant options at a consideration of HK$1 to eligible participants (including directors, shareholders, eligible employees, suppliers and customers of the Company or its subsidiaries) to subscribe for shares in the Company. The exercise price is determined by the directors and shall not be less than the highest of (i) the closing price of the Company's share as quoted on the Stock Exchange on the date of grant, (ii) the average closing price of the Company's shares as quoted on the Stock Exchange for the five trading days immediately preceding the date of grant, and (iii) the nominal value of the Company's shares. Options granted are exercisable at any time during a period to be notified by the board of directors of the Company but limited to a maximum period of ten years after the date on which the options are granted. Options granted should be accepted within 28 days from the date of offer.

The maximum number of the Company's shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not exceed 10% of the Company's shares in issue as at the date on which the relevant share option scheme has been adopted.

The Share Option Scheme may be refreshed at any time by the approval of the shareholders in general meeting provided that the total number of the Company's shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company must not exceed 10% of the Company's shares in issue as at the date of such shareholders' approval. For the avoidance of doubt, options previously granted under the Share Option Scheme and any other share option schemes (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option schemes of the Company) will not be counted for the purpose of calculating the refreshed 10% limit.

The Company may, by the approval of the shareholders in general meeting, grant options beyond the 10% limit provided that the options in excess of the 10% limit are granted only to participants specifically identified by the Company before shareholders' approval is sought.

45. SHARE CAPITAL *(Continued)*

(d) Share option scheme *(Continued)*

Unless approved by the shareholders as set out herein, the total number of the Company's shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the Company's shares in issue. Where any further grant of options to a participant would result in the Company's shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant in aggregate exceeding 1% of the Company's shares in issue, such further grant must be separately approved by the shareholders in general meeting with such participant and his associates abstaining from voting.

However, the overall limit on the number of the Company's shares which may be issued upon exercise of all options granted under all share option schemes of the Company must not exceed 30% of the shares in issue from time to time.

During the year ended 31 December 2010, 9 options were granted to the Company's employees and directors on 30 March 2010 under the Share Option Scheme to subscribe for up to 187,000,000 ordinary shares of the Company. The estimated fair value of the options granted on that date is approximately HK$25,372,000 (Note 10).

The fair value was calculated using Binomial Option Pricing Model. The inputs into the model were as follows:

Grant date	30 March 2010
Vesting date	30 March 2010
Grant date share price	HK$0.3750
Exercise price	HK$0.3840
Expected life	4 years
Expected volatility	66.89%
Expected dividend yield	0%
Risk-free interest rate	1.61%

45. SHARE CAPITAL *(Continued)*

(d) Share option scheme *(Continued)*

Expected volatility was determined by using the historical volatility of the Company's share price over the previous one year. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioral considerations.

During the year ended 31 December 2010, the Group recognised the total expense of HK$25,372,000 which was included in staff costs for the year as set out in note 10, of which HK$4,304,000 and HK$21,068,000 related to options granted to the Group's employees and directors of the Company respectively. The expense relating to directors was included in emoluments as set out in note 11.

On 30 March 2010, the number of shares in respect of which options was granted under the Share Option Scheme was 187,000,000, representing 1.5% of the shares of the Company in issue at that date. Total consideration of HK$9 was received by the Company during the year ended 31 December 2010 on acceptance of the grants. The share options were fully vested upon issue.

Options for 50,000,000 (2010: 5,000,000) shares had lapsed during the year ended 31 December 2011. The value of lapsed options in respect of the options granted on 12 November 2009 was HK$7,264,000 (2010: HK$638,000) and was released directly to retained profits.

45. SHARE CAPITAL *(Continued)*

(d) Share option scheme *(Continued)*

The following tables disclosed the movements in such share options during the year:

Date of grant	Exercisable period	Exercise price HK$	Number of shares in respect of the options granted: Outstanding at 1 January 2011	Cancelled/ lapsed during the year	Outstanding at 31 December 2011
Options granted to directors					
12 November 2009	12 November 2010 – 11 November 2013	0.3850	42,000,000	(20,000,000)	22,000,000
12 November 2009	12 November 2011 – 11 November 2013	0.3850	29,000,000	(15,000,000)	14,000,000
12 November 2009	12 November 2012 – 11 November 2013	0.3850	24,000,000	(15,000,000)	9,000,000
30 March 2010	30 March 2011 – 29 March 2014	0.3840	73,000,000	–	73,000,000
30 March 2010	30 March 2012 – 29 March 2014	0.3840	46,000,000	–	46,000,000
30 March 2010	30 March 2013 – 29 March 2014	0.3840	36,000,000	–	36,000,000
			250,000,000	(50,000,000)	200,000,000
Options granted to employees					
12 November 2009	12 May 2010 – 11 November 2013	0.3850	8,000,000	–	8,000,000
12 November 2009	12 November 2010 – 11 November 2013	0.3850	35,000,000	–	35,000,000
12 November 2009	12 November 2011 – 11 November 2013	0.3850	15,000,000	–	15,000,000
30 March 2010	30 March 2011 – 29 March 2014	0.3840	15,000,000	–	15,000,000
30 March 2010	30 March 2012 – 29 March 2014	0.3840	11,000,000	–	11,000,000
30 March 2010	30 March 2013 – 29 March 2014	0.3840	6,000,000	–	6,000,000
			90,000,000	–	90,000,000
			340,000,000	(50,000,000)	290,000,000
Weighted average exercise price			0.3845	0.3850	0.3844

The details of share options granted to other party and the number of options outstanding at the end of the reporting period were disclosed in note 45(b).

46. RESERVES

Company	Share premium (note (a)) HK$'000	Capital redemption reserve HK$'000	Contributed surplus (note (b)) HK$'000	Special capital reserve (note (c)) HK$'000	Share option reserve (note (d)) HK$'000	(Accumulated losses)/ retained profits HK$'000	Total HK$'000
At 1 January 2010	1,283,855	1,074	157,315	68,541	21,908	128,950	1,661,643
Issuance of ordinary shares	565,500	–	–	–	–	–	565,500
Dividend approved in respect of the previous year	–	–	–	–	–	(42,472)	(42,472)
Equity settled share-based transactions	–	–	–	–	25,372	–	25,372
Exercise of share options	29,150	–	–	–	–	–	29,150
Release upon lapse of share options	–	–	–	–	(638)	638	–
Loss for the year	–	–	–	–	–	(182,644)	(182,644)
At 31 December 2010	**1,878,505**	**1,074**	**157,315**	**68,541**	**46,642**	**(95,528)**	**2,056,549**
Cancellation upon repurchases of own shares	**(3,894)**	**–**	**–**	**–**	**–**	**–**	**(3,894)**
Transaction costs attributable to repurchase of shares	**(18)**	**–**	**–**	**–**	**–**	**–**	**(18)**
Release upon lapse of share options	**–**	**–**	**–**	**–**	**(7,264)**	**7,264**	**–**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(89,087)**	**(89,087)**
At 31 December 2011	**1,874,593**	**1,074**	**157,315**	**68,541**	**39,378**	**(177,351)**	**1,963,550**

Notes:

(a) Amount subscribed for share capital in excess of nominal value.

(b) The Company's contributed surplus account represents the credit arising from the effect of share premium offset against accumulated losses in previous years.

(c) The special capital reserve of the Company represents the credit arising from the effect of reduction in share capital in previous years.

(d) Cumulative expenses were recognised on the granting of share options to the employees over the vesting periods.

47. LEASES

Operating leases – lessee

The lease payments recognised as expenses are as follows:

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Minimum lease payments	**43,932**	41,233	**1,714**	1,576

The total future minimum lease payments are due as follows:

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Not later than one year	**37,079**	36,473	**1,677**	1,618
Later than one year and not later than five years	**72,009**	117,790	**349**	1,715
Later than five years	**–**	5,673	**–**	–
	109,088	159,936	**2,026**	3,333

Operating lease payments in respect of rented premises payable by the Group relate to certain commercial properties for sub-letting and certain of its office premises. Leases are usually negotiated for an average term of two to five years. Certain operating lease agreements in respect of the commercial properties for subletting last for 10 years and they are subject to contingent rent payments charged at 50% of the excess of monthly sublet income over the base rents as determined in the respective agreements, for the latter five years.

47. LEASES *(Continued)*

Operating leases – lessor

The Group's investment properties and certain properties for sales are leased to a number of tenants for leasing period from 10 to 20 years and from 1 to 3 years respectively.

The minimum rent receivable under non-cancellable operating leases are as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Not later than one year	**85,123**	76,516
Later than one year and not later than five years	**295,068**	268,283
Later than five years	**503,813**	402,580
	884,004	747,379

48. RETIREMENT BENEFIT SCHEMES

The Group operates a mandatory provident fund (the "MPF") scheme for all eligible employees in Hong Kong. The assets of the MPF scheme are held separately from those of the Group, in funds under the control of trustees. The retirement benefit cost charged to profit or loss represents contributions payable to the MPF scheme by the Group at rates specified in rules of the MPF scheme.

The Group contributes to a local Municipal Government retirement scheme for all qualified employees in the PRC. The employer and its employees are each required to make contributions to the scheme at the rates specified in the rules. The only obligation of the Group with respect to retirement 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 PRC Municipal Government retirement scheme charged to profit or loss represent contributions paid or payable by the Group at rates specified in the rules of the scheme.

49. INTERESTS IN SUBSIDIARIES

	Company	
	2011	2010
	HK$'000	HK$'000
Amounts due from subsidiaries	**2,376,622**	2,781,606
Amounts due to subsidiaries	**(214,448)**	(346,246)
Unlisted shares, at cost	**1,002,716**	1,002,716

As at 31 December 2011 and 2010, the amounts due from/to subsidiaries were unsecured, interest free, repayable on demand and included in the Company's current assets and current liabilities respectively.

49. INTERESTS IN SUBSIDIARIES *(Continued)*

All of the Company's principal subsidiaries are limited liability companies and their particulars, as at 31 December 2011 are as follows:

Name of subsidiary	Place of incorporation/ establishment	Issued share capital/paid-up registered capital	Percentage of ownership interests directly	indirectly	Principal activities and place of operations
上海証大外灘國際金融服務中心置業有限公司^	The PRC	RMB7,000,000,000	–	100%	Property development in the PRC
証大置業*	The PRC	RMB820,000,000	–	100%	Property Development in the PRC
上海証大三角洲置業有限公司#	The PRC	RMB400,000,000	–	100%	Property development in the PRC
証大五道口^	The PRC	RMB240,000,000	–	100%	Property development in the PRC
上海天海有限責任公司^	The PRC	RMB80,000,000	–	100%	Property development in the PRC
上海証大商業旅遊投資發展有限公司^	The PRC	RMB200,000,000	–	100%	Property rental in the PRC
上海恒錦房地產發展有限公司^	The PRC	RMB210,000,000	–	100%	Property development in the PRC
長春証大置業有限公司^	The PRC	RMB60,000,000	–	95%	Property development in the PRC
揚州証大商旅發展有限公司^	The PRC	RMB30,000,000	–	80%	Property development in the PRC

49. INTERESTS IN SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ establishment	Issued share capital/paid-up registered capital	Percentage of ownership interests directly	Percentage of ownership interests indirectly	Principal activities and place of operations
吉林市証大華城房地產開發有限公司^	The PRC	RMB20,000,000	–	100%	Property development in the PRC
海南新世界發展有限公司^	The PRC	RMB120,000,000	–	100%	Property development in the PRC
成都山水置業有限公司^	The PRC	RMB8,000,000	–	100%	Property development in the PRC
Wah Kong Travel Limited	Hong Kong	HK$1,250,000	–	60%	Sales of air tickets and provision of travel related services in HK
海門証大濱江置業有限公司#	The PRC	USD49,600,000	–	100%	Property development in the PRC
上海証大西鎮房地產開發有限公司^	The PRC	RMB245,000,000	–	100%	Property development in the PRC
上海証大商業經營有限公司^	The PRC	RMB20,000,000	–	100%	Properties rental management and agency services
上海証大物業管理有限公司^	The PRC	RMB5,000,000	–	100%	Property management in the PRC

49. INTERESTS IN SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ establishment	Issued share capital/paid-up registered capital	Percentage of ownership interests directly	Percentage of ownership interests indirectly	Principal activities and place of operations
海南華意置業有限公司#	The PRC	RMB88,000,000	–	60%	Property development in the PRC
鄂爾多斯市証大房地產開發有限責任公司^	The PRC	RMB50,000,000	–	100%	Property development in the PRC
青島凱倫大拇指商業廣場發展有限公司*	The PRC	USD12,000,000	–	100%	Property development in the PRC
Victory Gateway Limited	British Virgin Islands	USD1	100%	–	Investment holding
Most Perfect International Ltd.	British Virgin Islands	USD100	100%	–	Investment holding
Auto Win Investment Ltd.	British Virgin Islands	USD1	100%	–	Properties rental in the PRC

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

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

* These subsidiaries are registered as wholly-foreign-owned enterprises under the PRC Laws.

These subsidiaries are registered as foreign equity joint venture under the PRC Laws.

^ These subsidiaries are registered as limited liability company under the PRC Laws.

50. ACQUISITION OF SUBSIDIARIES

(a) On 2 April 2011, the Group entered into an agreement with 廊坊市盛世建設投資有限公司, an independent third party to acquire an additional 11% equity interests in 廊坊市証合泰房地產開發有限公司 ("証合泰"), an associate with 40% equity interests held by the Group on that date, which is principally engaged in property development business in the PRC, at a consideration of RMB11,000,000 (approximately HK$13,068,000). Up to the date of acquisition, 証合泰 has not carried out any significant business transactions except for securing the rights to acquire a land parcel in Langfang.

The above acquisition has been accounted for by the Group as an acquisition of assets and liabilities as the entity acquired by the Group does not constitute a business.

Details of the net assets acquired by the Group in this acquisition are as follows:

	HK$'000
Property, plant and equipment	476
Deposits for property development	222,537
Interests in associates	(47,520)
Cash and cash equivalents	3,432
Other receivables	45
Other payables	(7,653)
Shareholder's loan	(100,030)
Tax payable	(7)
Non-controlling interests	(58,212)
Net assets acquired	13,068
Satisfied by cash	13,068
Net cash outflow arising on acquisition	
Cash consideration paid	13,068
Cash and cash equivalents acquired	(3,432)
	9,636

50. ACQUISITION OF SUBSIDIARIES *(Continued)*

(b) On 28 December 2011, 証大五道口 entered into an agreement with an independent third party to acquire 100% equity interests in 上海盤石投資管理有限公司 ("上海盤石投資管理") at a consideration of RMB82,114,000 (approximately HK$100,433,000). At the date of acquisition, 上海盤石投資管理 was holding 5% equity interests in 海之門. Up to the date of acquisition, 上海盤石投資管理 has not carried out any significant business transaction.

The above acquisition has been accounted for by the Group as an acquisition of assets and liabilities as the entity acquired by the Group does not constitute a business.

Details of the net assets acquired by the Group in this acquisition are as follows:

	HK$'000
Interests in an associate *(note)*	78,333
Cash and cash equivalents	1,276
Amount due from an associate	20,837
Tax payable	(13)
Net assets acquired	100,433
Satisfied by cash	100,433
Net cash outflow arising on acquisition	
Cash consideration paid	100,433
Cash and cash equivalents acquired	(1,276)
	99,157

Note:

Being interests in 5% equity interests in 海之門

51. DISPOSAL OF SUBSIDIARIES

On 28 June 2011, the Group disposed of its 100% equity interests in Howei International Investment Limited and its subsidiaries (collectively referred to as the "Howei Group") to an independent third party at a consideration of RMB218,341,000 (approximately HK$263,011,000). The net assets of Howei Group at the date of disposal were as follows:

	HK$'000
Properties under development	150,474
Cash and cash equivalents	69,828
Shareholder's loan	(195,033)
	25,269
Repayment of shareholder's loan	195,033
Reclassification adjustment of cumulative foreign exchange reserve of the subsidiaries from foreign exchange reserve to profit or loss for the year	(25,644)
Gain on disposal	68,353
Total consideration	263,011
Total consideration satisfied by:	
Cash	263,011
Net cash inflow arising on disposal:	
Cash consideration	263,011
Cash and bank balances disposed of	(69,828)
	193,183

51. DISPOSAL OF SUBSIDIARIES *(Continued)*

On 20 May 2010, the Group disposed of its entire interest in a subsidiary, 海南華僑會館有限公司, to two independent third parties at a total consideration of RMB11,562,000 (approximately HK$13,204,000).

	HK$'000
Net assets disposed of:	
Property under development	32,592
Other receivables	44
Trade and other payables	(21,792)
Deferred tax liabilities	(306)
Cash and cash equivalents	34
	10,572
Gain on disposal	2,632
	13,204
Total consideration satisfied by:	
Cash	13,204
Net cash inflow arising on disposal:	
Cash consideration	13,204
Cash and bank balances disposed of	(34)
	13,170

52. RELATED PARTY TRANSACTIONS/BALANCES

The Group had entered into the following transactions and had balances with related parties:

(a) Compensation of key management personnel

The remuneration of directors who are also members of key management during the year is as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Short-term benefits	**16,660**	13,328
Equity settled share-based payment expenses	**–**	21,068
Post-employment benefits	**413**	421
	17,073	34,817

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

(b) Balances with related parties

		Amounts owed to the Group by related parties		Amounts owed by the Group to related parties		Related interest (expenses)/income	
		As at 31 December		As at 31 December		Year ended 31 December	
		2011	2010	**2011**	2010	**2011**	2010
	Notes	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Amounts due to associates	*35*	**–**	–	**10,447,186**	7,471,706	**–**	–
Loans to associates	*23*	**660,086**	257,620	**–**	–	**–**	–
Amount due from a jointly controlled entity	*24*	**535,984**	525,962	**–**	–	**–**	3,094
Amounts due from related companies	*30*	**15,954**	13,193	**–**	–	**–**	–
Amounts due to related companies	*36*	**–**	–	**55,089**	50	**–**	–
Amounts due to minority owners of subsidiaries	*37*	**–**	–	**173,310**	19,203	**–**	–

The Group had not made any provision for bad or doubtful debts in respect of related party debtors.

52. RELATED PARTY TRANSACTIONS/BALANCES *(Continued)*

(c) On 11 May 2010, the Group entered into a sale and purchase agreement with a director, Mr. Dai, for the sale of a villa developed by the Group to Mr. Dai at a consideration of RMB37,500,000. The details of the transaction were disclosed in the Company's announcement dated 11 May 2010.

(d) As at 31 December 2011 and 2010, 上海証大投資發展有限公司, a company wholly-owned by Mr. Dai, provided corporate guarantees for certain bank loans (Note 38) and other borrowing (Note 41) of the Group, and the development project of 海之門.

(e) During the year ended 31 December 2010, the Company together with two independent third parties formed an associate with Shanghai Forte Land, one of the substantial shareholders of the Company.

(f) During the year ended 31 December 2010, the Group paid consultancy fee of HK$3,702,000 to 上海証大文化創意發展有限公司, a company beneficially owned by Mr. Dai.

(g) On 28 October 2011, 証大置業, entered into an agreement with 海之門 for disposal of its entire interests in and shareholder's loan to 証大外灘 for a total cash consideration of RMB9,570,000,000 (equivalent to approximately HK$11,675,000,000). For details, please refer to note 32.

53. CONTINGENT LIABILITIES

The Group provides guarantees to the extent of HK$383,999,000 at 31 December 2011 (2010: HK$335,233,000) for customers in favour of banks in respect of mortgage loans provided by the banks to customers for the purchase of the Group's developed properties. These guarantees provided by the Group to the banks would be released upon receiving the building ownership certificate of the respective property by the banks from the customers as a pledge for security to the mortgage loans granted.

54. NOTES SUPPORTING CONSOLIDATED STATEMENT OF CASH FLOWS

Cash and cash equivalents comprise:

	Group	
	2011	2010
	HK$'000	HK$'000
Cash and bank deposits available on demand	**888,224**	1,287,852

Significant non-cash transactions are as follows:

Properties for sales amounted to HK$720,151,000 (2010: nil) were reclassified to investment properties (Note 18).

Further, certain assets and liabilities were reclassified to assets classified as held for sale and liabilities associated with assets classified as held for sale as explained in note 32.

55. CAPITAL COMMITMENTS

	Group	
	2011	2010
	HK$'000	HK$'000
Commitments for the property development		
– contracted for but not provided	**1,801,720**	841,017

56. PLEDGE OF ASSETS

(a) At the end of reporting period, the carrying amounts of the following assets of the Group were pledged to secure bank loans (Note 38) granted to the Group.

	2011	2010
	HK$'000	HK$'000
Property, plant and equipment	**372,372**	361,581
Payment for leasehold land held for own use under operating leases	**642,794**	591,808
Investment properties	**2,226,027**	1,769,068
Properties under development and for sales	**2,344,002**	2,805,034
Pledged bank deposits	**224,749**	393,945
	5,809,944	5,921,436

(b) At 31 December 2011, the Group pledged its 10% interests in 海之門 with carrying amount of HK$122,369,000 (2010: HK$117,818,000), and a subsidiary, 上海証大西鎮房地產開發有限公司 with carrying amount of HK$482,039,000 (2010: HK$479,077,000) for other financing arrangements of the Group. Details of which are disclosed in note 41.

(c) At 31 December 2011, the Group pledged its entire interests in 証大喜瑪拉雅 with carrying amount of HK$418,598,000 (2010: HK$458,730,000) to Shanghai Forte Land Co., Ltd. ("Shanghai Forte"), a shareholder of 海之門 for securing Shanghai Forte's interests in 海之門.

57. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The following table shows the carrying amounts and fair values of the Group's financial assets and liabilities as defined in note 4(k):

	2011		2010	
	Carrying amount HK$'000	**Fair value HK$'000**	Carrying amount HK$'000	Fair value HK$'000
Financial assets				
Loans and receivables	**3,269,122**	**3,269,122**	2,829,703	2,829,703
Available-for-sale financial assets (excluding those assets carried at cost)	**1,957**	**1,957**	589	589
Financial liabilities				
Financial liabilities measured at amortised cost	**15,566,799**	**15,429,354**	13,031,217	13,009,745

Determination of fair values of financial assets and financial liabilities is set out in note 44.

57. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY *(Continued)*

The following table provides an analysis of financial instruments carried at fair value by level of fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

	Group	
	2011	2010
	Level 1	Level 1
	HK$'000	HK$'000
Available-for-sale financial assets		
– Investment funds	**1,957**	589

58. EVENTS AFTER THE REPORTING PERIOD

On 23 March 2012, an ordinary resolution was passed at a special general meeting to approve the Wudaokou Disposal.

59. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 29 March 2012.

FINANCIAL SUMMARY

FOR THE YEAR ENDED 31 DECEMBER 2011

The following table summaries the results, assets and liabilities of the Group for the last five years.

	Year ended 31 December				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Turnover	**2,796,296**	3,959,091	2,162,092	1,968,603	1,556,209
Profit before tax expenses	**953,820**	1,149,671	837,454	704,001	700,330
Tax expenses	**(505,606)**	(582,044)	(387,133)	(399,413)	(343,065)
Profit for the year	**448,214**	567,627	450,321	304,588	357,265

ASSETS AND LIABILITIES

	At 31 December				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**27,832,663**	22,619,546	9,718,013	8,243,159	6,908,396
Total liabilities	**(22,019,738)**	(17,492,812)	(5,933,790)	(4,943,117)	(4,378,871)
Non-controlling interests	**(263,495)**	(196,305)	(192,387)	(167,831)	(402,826)
Balance of shareholders' funds	**5,549,430**	4,930,429	3,591,836	3,132,211	2,126,699