SINO-OCEAN 远洋地产

# 遠洋地產控股有限公司
# Sino-Ocean Land Holdings Limited

(Incorporated in Hong Kong with limited liability under the Hong Kong Companies Ordinance)
(Stock Code:03377)

Perfect deliverables through utmost dedication

Annual Report 2011

# LEADING TO A STUNNING MASTERPIECE


A UNIQUE CREATION
27
BILLION
another record high
of contracted
sales

OF FINEST QUALITY IN THE INDUSTRY

45%
INCREASE
in revenue
for 2011


A SMILE WITH PASSION
19
CITIES
project coverage
over the PRC
regions

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SINO-OCEAN

# TOWARDS AN ENJOYABLE LIFE

## ABOUT US

Sino-Ocean Land is one of the leading property developers in Beijing and the Pan Bohai Rim Region and actively implementing our national strategic plan with a coastal and riparian focus. We focus on developing mid-to-high end residential properties, high-end office premises, retail space, serviced apartments and hotels. We have over 50 development projects in various stages of development in high growth cities across the country, including Beijing, Dalian, Tianjin, Qingdao and Qinhuangdao in the Pan Bohai Rim, Changchun, Shenyang and Fushun in the Northeast Region, Shanghai, Hangzhou, Chengdu, Chongqing, Huangshan, Wuhan and Zhenjiang in the Yangtze River Delta and along Yangtze River, Shenzhen and Zhongshan in the Pearl River Delta, and several tourist spot cities including Sanya and Haikou.

On the back of our dedication to high-quality products and professional services, Sino-Ocean Land has built up a strong brand in Beijing, the Pan Bohai Rim Region and the Pearl River Delta regions. As at 31 December 2011, we have approximately 24 million sq.m. landbank, in which projects located in Beijing and the Pan Bohai Rim accounted for about 60% of our total landbank, exhibiting our increasing presence over the PRC regions.

Up to now, our Group has been selected as a constituent of the Hang Seng Composite Index ("HSCI"), the Hang Seng Composite Industry Index - Properties and Construction, Hang Seng Mainland 100, Hang Seng Composite Mid Cap Index and Hang Seng Global Composite Index.

# FINANCIAL & OPERATION HIGHLIGHTS

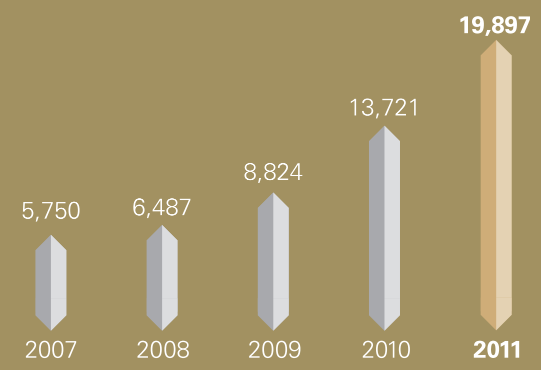
## Highlights

| (RMB million) | **2011** | 2010 | YoY (%) |
|---|---|---|---|
| Contracted sales | **27,005** | 21,603 | 25% |
| Revenue | **19,897** | 13,721 | 45% |
| Gross profit | **6,258** | 4,125 | 52% |
| Profit before income tax | **5,174** | 3,853 | 34% |
| Profit for the year | **2,621** | 2,439 | 7% |
| Profit attributable to owners of the Company | **2,571** | 2,444 | 5% |
| Earnings per share (RMB) | | | |
| - Basic | **0.352** | 0.398 | -12% |
| - Diluted | **0.351** | 0.397 | -12% |
| Dividend per share (HKD) | **0.15** | 0.13 | 15% |
| Dividend payout ratio | **27%** | 26% | 1 pt |
| Gross profit margin | **31%** | 30% | 1 pt |
| Net profit margin | **13%** | 18% | -5 pts |
| Saleable GFA sold (sq.m.) | **2,096,000** | 1,660,000 | 26% |
| Saleable GFA delivered (sq.m.) | **1,481,000** | 1,224,000 | 21% |

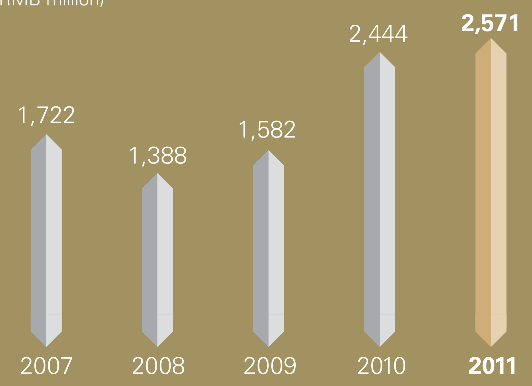
| (RMB million) | **2011** | 2010 | YoY (%) |
|---|---|---|---|
| Total assets | **110,285** | 92,730 | 19% |
| Equity attributable to owners of the Company | **35,268** | 31,071 | 14% |
| Cash resources* | **12,417** | 15,035 | -17% |
| Current ratio | **2.0** | 2.2 | -9% |
| Net gearing ratio* | **60%** | 46% | 14 pts |
| Landbank (sq.m.) | **23,989,000** | 20,608,000 | 15% |

*: Including the restricted bank deposits

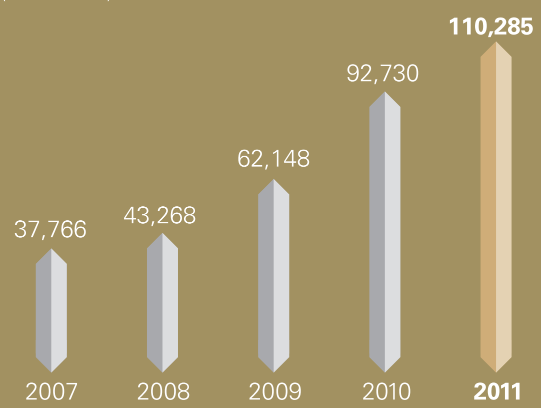
## Revenue
(RMB million)



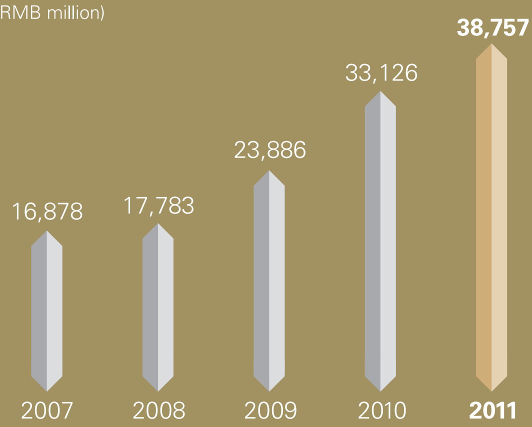

## Profit attributable to owners of the Company
(RMB million)



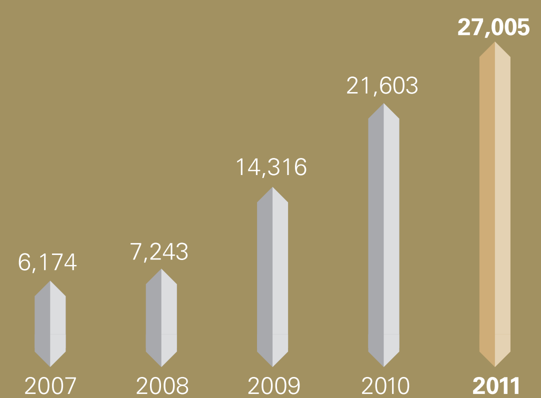

## Total assets
(RMB million)



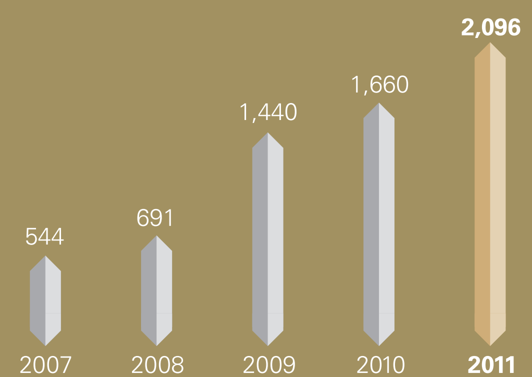

## Total equity
(RMB million)



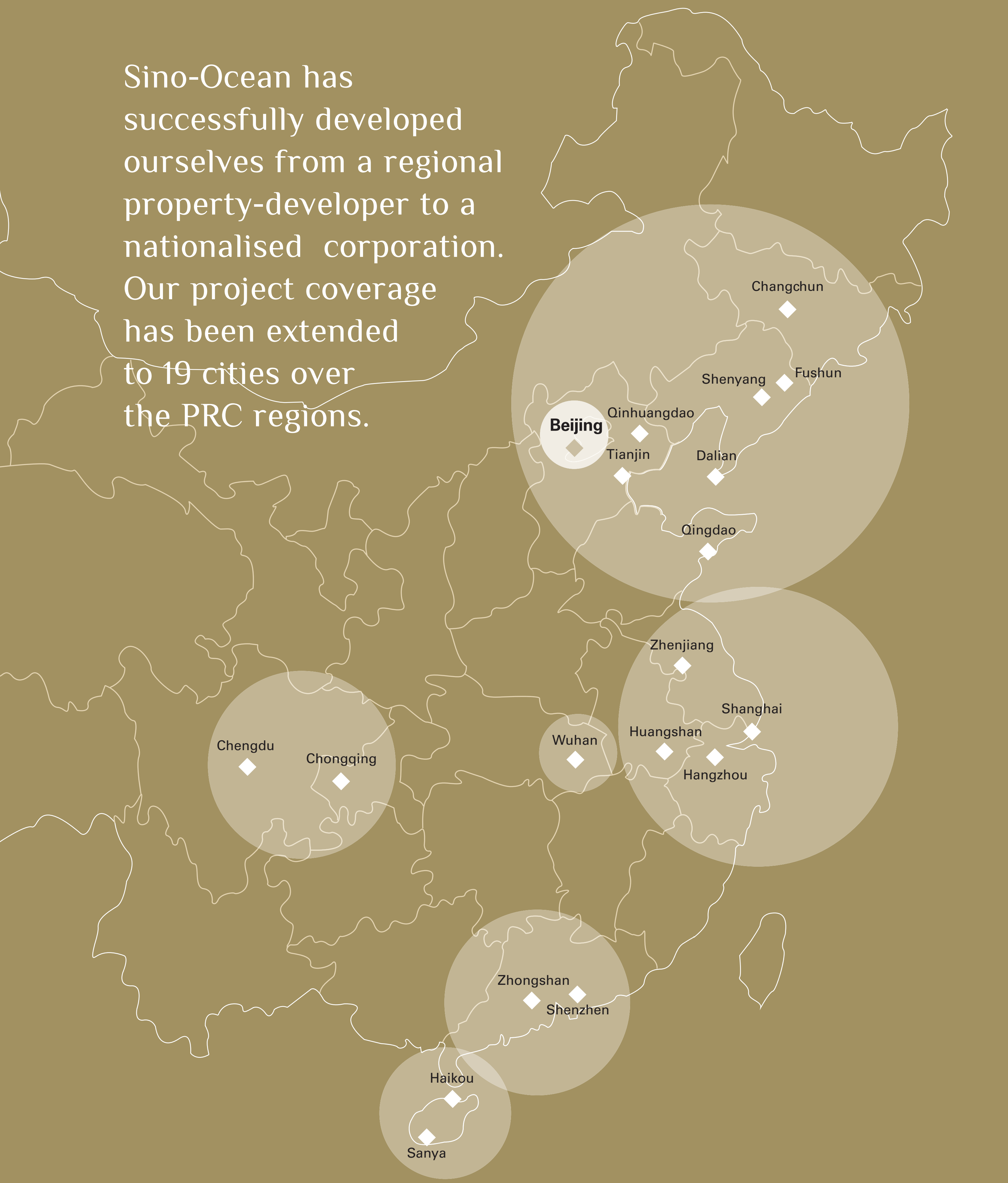

## Contracted sales
(RMB million)




## Saleable GFA sold
('000 sq.m.)



Sino-Ocean has successfully developed ourselves from a regional property-developer to a nationalised corporation. Our project coverage has been extended to 19 cities over the PRC regions.



# CHAIRMAN'S STATEMENT


## Result of 2011 and final dividend

As at the end of the period, our Group recorded RMB19,897 million in revenue and RMB6,258 million in gross profit, representing an increase of 45% and 52% respectively compared to the previous year. Profit attributable to owners of the Company reached RMB2,571 million and earnings per share was about RMB0.352.

Based on the profit attributable to owners of the Company in 2011, the Board of Directors is pleased to propose a final dividend of HK$0.10 per share for the year ended 31 December 2011. Together with the interim dividend of HK$0.05 per share, total dividend per share for 2011 was HK$0.15 (HK$0.13 in 2010), a dividend payout ratio of 27% (26% in 2010).

The Board also recommends offering to the shareholders the right to elect as an alternative, to receive the 2011 final dividend wholly or partly by allotment of new shares credited as fully paid up in lieu of cash (the "Scrip Dividend Scheme"), subject to shareholders' approval on the payment of the 2011 final dividend at the Company's annual general meeting (the "AGM") and the granting by the Listing Committee of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") of the listing of, and permission to deal in, the new shares to be issued pursuant thereto.

## Strategy review

Just as we accurately predicted at the beginning of 2011, the macro control measures on the property market in the past year were significantly tightened, producing significant results. Our Group adjusted our product mix and timing of launches accordingly so that in 2011 we realized contracted sales of RMB27 billion, an increase of 25% compared to the previous year, reaching a compound annual growth rate of 45% since listing in 2007. We decided at the beginning of the year to progress along the lines of 'speeding up development, improving operating quality, strengthening business segments and strengthening location planning'. The successful execution of this policy brought the projected result.

In terms of speeding up development, growth of our contracted sales, revenue and gross profit surpassed the general level in the country. We maintained our leading position in major markets such as Beijing, Dalian, Tianjin and Zhongshan, staying within top 5 in terms of market share. We also scored high in sales in the new entry markets of Qingdao, Qinhuangdao, Huangshan and Changchun.

To improve operating quality, our Group made material advancement in the information technology system and further refined our management process. In terms of strengthening business segments, in line with the market trend and in accordance with our strategic plan, our Group increased scale of development of commercial properties, exploring possibitity of properties for the elderly and real estate financing platform. The two commercial projects we jointly developed with Swire Properties were progressing steadily. The office building part of Indigo was available for occupation in the second half of 2011. We broke new ground in real estate financing by establishing a platform for finance, including setting up a US currency property fund and RMB currency property fund. During the year our Group positively strengthened our nationwide location planning. While reinforcing our position in the Pan-Bohai Rim region and major cities, we also successfully entered areas that were in the forefront of urbanization and economic growth, including Fushun, Zhenjiang and Shenzhen.

## Market review

In the past year, the macro measures implemented on market monitoring, currency, tax and land supply effectively curbed the over-heated property price as they were meant to do. The new 'Eight National Regulations' launched at the beginning of 2011 were the main substance of the real estate control measures. The tighter restriction on purchase suppressed demand further. Data from the State Statistics Bureau indicated that the average sales price of commodity properties was RMB5,377 per sq.m., a year-on-year increase of 6.9% but 0.6% lower than the same period last year while total area sold was 1.099 billion sq.m., rising by 4.9% but 5.6% lower than last year.

Supply, though slowed down noticeably, was still growing. In 2011 total area of new construction site was 1.9 billion sq.m., rising by 16.2% but 24.4% less compared to the same period last year; total area of work in progress was 5.08 billion sq.m., growing by 25.3% but 1.2% slower than the same period last year.

In terms of market structure, the current real estate macro measures have provided precious time and space for policy housing. In the future, commodity housing and policy housing will form a complementary housing structure. At the beginning of 2011, the Government announced in its National 12th Five-year Plan the construction of 36 million policy housing units, out of which 10 million units were finished in 2011 ahead of schedule.

Looking at the market sectors in 2011 the commercial property market out-performed the residential market in sales volume, GFA and average price. There was a visible hike in the market share of commodity properties. This could be attributed to two factors: first, the current restriction on purchase mainly applies to the commodity residential market rather than the commercial market; second, the potential for appreciation of office blocks, retail spaces and hotel in sought after areas in city centers of first-tier and some second-tier cities is accentuated and realized.

In the past year, third and fourth-tier cities performed better than second-tier cities which in turn were better than those in the first tier. According to CREIS, in 2011 GFA sold in residential commodity housing decreased by 40.7% and 7.9% year-on-year in first and second-tier cities respectively while the actual growth in third and fourth-tier cities was 10.6%. The average price of commodity housing suffered a slight drop in first-tier cities while that of second, third and fourth-tier cities rose slightly.

Worthy of note is that as a result of the tightening money market, traditional financing channels were tightened and restricted. The People's Bank of China announced that only RMB350 billion was loaned to new property developments projects nationwide (including RMB175 billion to new policy housing projects), declining by RMB270 billion year-on-year, a drop of 41%. In addition, the People's Bank of China adjusted its reserve funds upwards six times and interest rates increases three times during the year to coincide with the purchase and credit tightening policy. This was effective in the de-speculation of the property market. Under the current credit policy, major developers are in a better position to secure steady support from banks than the small and medium developers and therefore able to expand their market share.

## Market outlook

We think that the control measures and market restructuring will continue in 2012. However, such macro policy may subject to minor adjustment, depending on the market movement. There will be further consolidation of the industry with the stronger players remaining and expanding while the weaker ones fading out.

To go with the objectives of the current policy - increase supply, protect people's livelihood, restrict and curb speculative investment - supply of residential properties will remain stable in 2012 in the whole country, bringing down the price of commodity housing perceptibly. The performance and price trend will vary across different cities.

We have noted that because of real demand (first-time purchase, first-time upgrade), third and fourth-tier cities will push performance above the market in general. In addition, high-end residential and commercial properties in city centers or along major transportation hub in first-tier cities and certain second-tier cities are favored by the market for their value keeping and appreciation potential.

As a result of the pressure on the market, there will be a bigger gap in the performance in different cities, products and enterprises. Some of the small and medium companies which focus on a single location and a single product may struggle to survive. On the other hand the major, branded players who enjoy high operating efficiency and risk resistance will find new opportunities due to their business scale, their nationwide location planning, product diversification and secure cashflow. A further market concentration will be evident.

Considering the mid to long term, when the housing structure is established to satisfaction, the current restriction on purchase should be gradually released and probably withdrawn eventually. We believe that the property market and related policies will be more stable, orderly and predictable. On the other hand, customers will be more rational in purchase and require better product and services. In view that there will not be significant change in monetary policy, property developers will need to explore new financing channel in order to be prominence. Therefore, we will continue to improve our product quality and cost control, understanding the need of our customers, in order to be outstanding and further expand our market share, to support our business growth.

## Our strategy

Given the current situation we think that our Group is more likely to gain bigger market share than succumb to market pressure. The ancient master warriors would first put themselves in an invincible position from which to prance and win at the opportune moment. Since listing, our Group has adhered to the principle of safe operation and sought an optimal balance among prudence, efficiency and growth. We have raised our operating quality, planned our locations strategically, increased our product mix and timed our sales launches closely with market movements. We have achieved invincibility from within and will persevere to stay there. At the same time we will try to create opportunities with a positive mindset.

In 2012 we are going to ensure safe operation and equip ourselves better for opportunities and challenges. We will implement the following to further raise the Group's control and operating capabilities:

Stringent cost control for better margins. Our Group will set tighter control standards, flow and systems to improve cost structure with a view to reducing costs in all operating areas and imposing stringent controls on work in progress. So as to prepare the upcoming market trend and be pro-active to grasp opportunities coming out when market rebound.

Speed up turnaround for higher efficiency. At the operational stage of projects we will speed up the decision process and sales campaigns without losing sight of quality and effectiveness. We will also try to reduce the stock level through as many channels as possible.

Focus on regional development to increase market share. In 2011, we substantially completed our national presence. In 2012, we will cautiously seize investment opportunities in accordance with the principles of low risks, fast turnover, minimal investment and optimal size, while ensuring a sound financial position. We will focus on the quality projects in the regions we have presence to consolidate the existing advantages we built up and increase our market share, thereby achieving economies of scale.

Explore more new businesses to enhance return. We will continue to increase investments in investment property and real estate financing platform according to our established strategy. Capitalising on our own advantages, we will actively explore the new business models such as elderly care real estate and industrial real estate with a view to improving our revenue structure, diversifying the investment risks, smoothing the cyclic effects of the industry and enhancing our returns.

We have the capability and confidence to withstand the harsh market conditions that we are facing. We have also made preparations to ensure safe operation and to grasp opportunities arising from industry adjustments.

## Appreciation

On behalf of the Board, I would like to take this opportunity to express my sincerest gratitude to our shareholders, investors, local government authorities, business partners and customers for their great support; and to our fellow Directors, the management team and staff who have worked tirelessly with us. Their dedication and commitment has been instrumental in our achievements.

**LI Ming**
Chariman

15 March 2012, Hong Kong

## On our corporate social responsibility

Guided by the principles of sustainable development and our corporate culture and strategy, Sino-Ocean Land has developed a corporate social responsibility ("CSR") program that aims at articulating economic, social and environmental values beneficial to the community. Such a program ensures that the idea and practice of CSR permeate every aspect of our business operations like product design and development, marketing and sale services, thus realising economic, social and environmental performance. CSR does not only ensure the sustainable development of Sino-Ocean Land, but also that of our valued partners (shareholders, customers, staff, business partners, the government, communities, the environment) and ultimately society at large.

- ### Our CSR philosophy

  **Positioning:** Positioning ourselves as "a reliable partner," we are committed to managing our business to the best of our ability, growing the value of our enterprise and performing our social responsibility. Standing by our pledge of "life-long companionship for mutual growth," we create an enjoyable living environment for our stakeholders and ultimately a sustainable economy, society and environment.

  **Management:** Guided by the principles of sustainable development and our corporate culture and strategy, we effectively implemented our CSR program in 2011 in accordance with the year's emphasis on being careful and scrupulous.

**Implementation model:** In 2011, we established a CSR Centre under our Strategic Development Department to put in place a framework for carrying out our CSR. The Sino-Ocean Land Charity Foundation is a platform from which we roll out environmental protection activities and community services. A CSR ambassador is present in every department, branch and regional office of our Company to ensure the uniform and effective implementation of our CSR in every aspect of the operation.

**The economy:** We practice sophisticated and robust management to optimise our operations, be risk-resistant, assure product quality and grow the value of our enterprise. We abide by the laws and pay taxes as they are due.

**The community:** We promote urban development and build facilities for the communities. We diligently discharge the duties of a corporate citizen. We encourage our staff to take part in voluntary work.

**The environment:** Committed to going green as much as practicable, we are environmentally-minded from land acquisition, research and design, construction to maintenance. We actively engage ourselves in environmental protection programs.

## • CSR community projects

In 2011, Sino-Ocean Land and the Sino-Ocean Land Charity Foundation undertook a range of community projects that promoted basic education and green construction technology in China, and encouraged our staff to involve themselves in such projects. We were rewarded with much public goodwill and a strong brand image. These projects included:

## Promoting green construction technology

We organized the sixth "Old Community, New Green" campaign and modified a Beijing quadrangle for greater water efficiency As of end of 2011, we have undertaken environmental improvement work for 140 communities and an array of educational events for over 730 communities. The first National Sino-Ocean Environmental Award attracted 17 provinces, municipalities and autonomous regions to participate.

The second planting competition as part of the "Old Community, New Green" campaign was supported by some 9,000 households from six districts, 130 communities in Beijing. Our drive for refuse reduction resulted in 30% less garbage in the communities.


## Supporting basic education

The Sino-Ocean Charity Foundation, a platform for sponsoring the education of underprivileged students was now on-line and attracted over 100,000 visits in a single month. Working with the China Youth Development Foundation and other organizations, we collected 3,000 warm garments for Qinghe in Xinjiang and 2,000 for Yushu in Qinghai and mobilized volunteers to deliver them. We donated the construction of water collection facilities to two primary schools in Yunnan Province. Four volunteers from the Company installed solar energy equipment in a remote primary school in Qinghai and also donated some teaching materials.

Working with gongyi.sina.com.cn and tuan.sina.com.cn, we delivered free lunches to 226 students in Yunnan. Guided by a botanist we planted 600 Chinese mahoganies for a primary school in Hebei to help improve its financial situation. Our staff and volunteers from foreign-owned companies jointly organized some activities for blind children to show that the community cares. We organised some experienced Beijing teachers to run two training sessions for 110 primary school teachers in Hebei. We organised training for 140 teachers from 15 schools in Yunnan Province by trainers from the Yunnan Health and Development Research Association. We organised the Beijing Jingshan Yuanyang Branch School and the Shihe Primary School of Hebei to celebrate Children's Day on 1 June.

## Projects for tertiary students

The Sixth National Varsity Creative Environmental Protection Award attracted 1,574 entries from 180 colleges. The Third Sino-Ocean Charity Foundation Varsity Social Award was supported by 335 teams from 20 major universities. The Second Sino-Ocean Charity Foundation Varsity Forum on Education Sponsorship was organized. The above CSR initiatives encouraged active participation by many other companies. During the year 3,793 volunteers put in 4,399 hours for various community services. Our volunteers were recognized with an UN award.

For further details, please refer to Sino-Ocean Land Holdings Limited Corporate Social Responsibility Report 2011.

# MANAGEMENT DISCUSSION & ANALYSIS

## Financial Review

During 2011, Sino-Ocean Land fully implemented our nationalized strategy while maintaining as one of the leading residential property developers in Beijing and the Pan Bohai Rim Region in terms of attributable GFA sold in commodity housing, we also secured leading positions in other regions with our business presence including Huangshan and Zhongshan. Our Group recorded an increase in revenue for the year 2011 of RMB6,176 million, or 45% to around RMB19,897 million (2010:RMB13,721 million). Our profit attributable to owners of the Company amounted to RMB2,571 million (2010: RMB2,444 million), a 5% rise as compared to 2010. Basic earnings per share was RMB0.352 (2010: RMB0.398). Contracted sales amount reached a record high of RMB27,005 million (2010: RMB21,603 million) with total saleable GFA sold of approximately 2,096,000sq.m. (2010: 1,660,000 sq.m.).

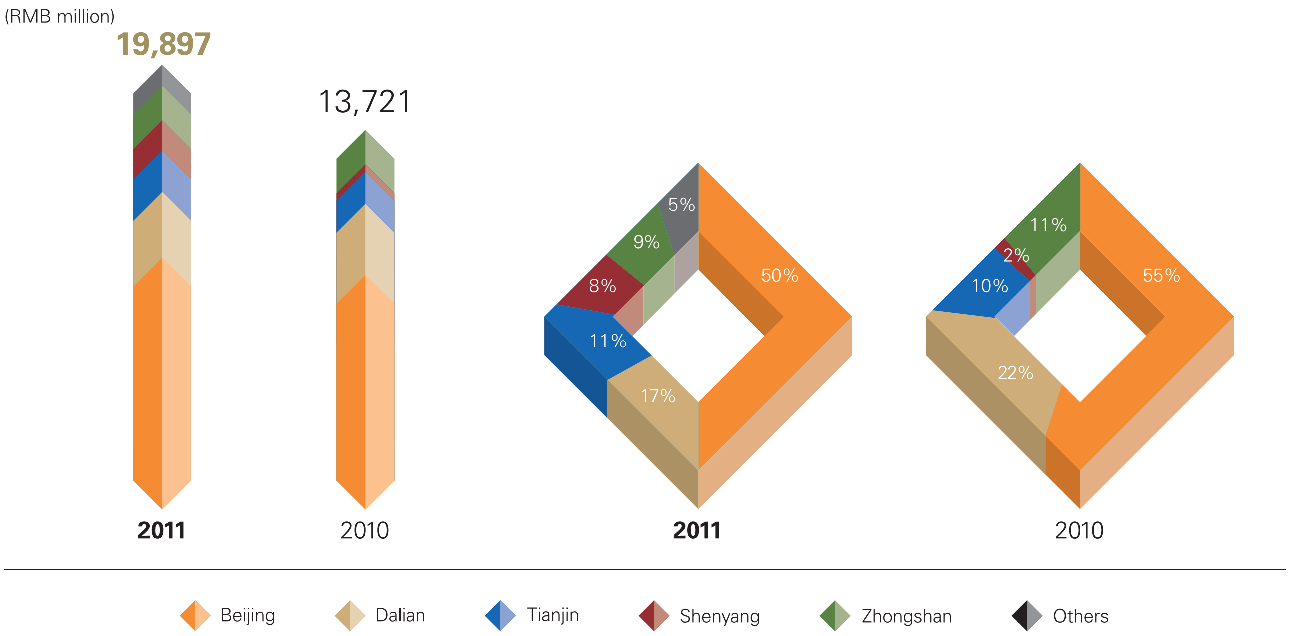
## Revenue

Our Group's revenue in 2011 grew by45% to RMB19,897million, from RMB13,721 million in 2010. The property development segment remains as the largest contributor which accounted for about 89% of total revenue.

Revenue breakdown of major business segments in 2011 and 2010 are set out below.

| (RMB million) | **2011** | 2010 | YoY (%) |
|---|---|---|---|
| Property development | **17,618** | 12,798 | 38% |
| Property investment | **340** | 212 | 60% |
| Property management | **377** | 262 | 44% |
| Other real estate related businesses (including furnishing and decoration business) | **1,562** | 449 | 248% |
| **Total** | **19,897** | 13,721 | 45% |

Revenue contributions by geographical locations.

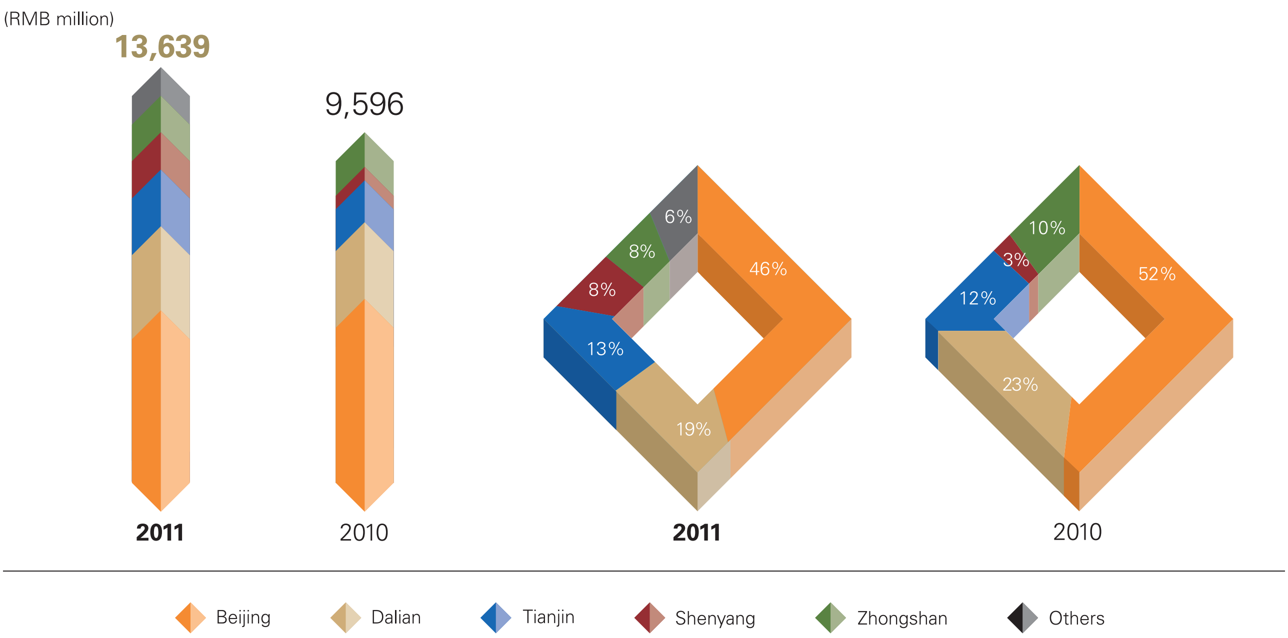


In terms of geographical locations, Beijing region as our home base remained the largest revenue contributor, accounting for about 50% of our Group's revenue in 2011 (2010: 55%) and amounted to RMB9,855 million (2010: RMB7,546 million). The rise in revenue but decline in proportion of contribution from Beijing was mainly due to areas outside Beijing recorded an increase in their significance in revenue contribution and in GFA delivered during 2011. Revenue contributed from Dalian, Shenyang, Tianjin and Zhongshan significantly increased by 46% to RMB9,009 million; This is the result of our nationalized strategy to diversify our revenue contributions from various cities to mitigate the risk from single market fluctuations. With our diversified landbank portfolio, we will see a more balanced mix of revenue contributions while Beijing maintains its leading position in this respect.

## Cost of Sales

Property development cost again made up the most significant cost of sales, accounting for approximately 84% of our Group's total cost of sales during 2011.

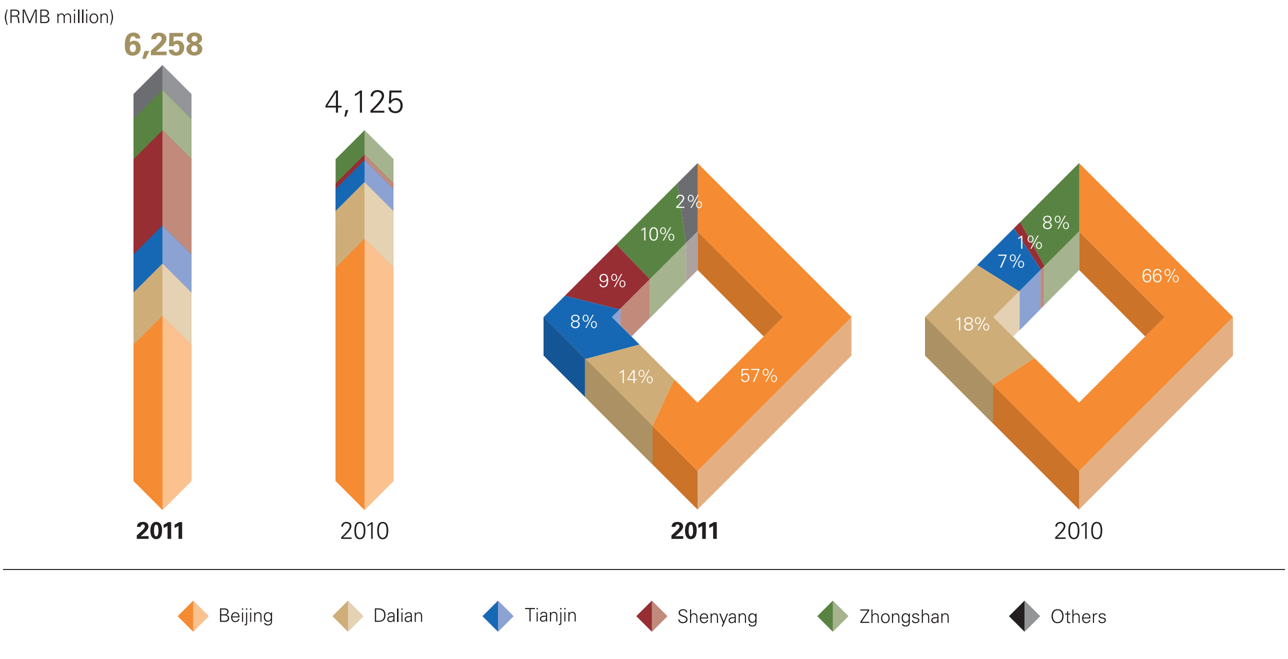
Cost of sales breakdown (business tax included) by geographical locations:




Excluding car parks, average land cost for property development business slightly dropped from RMB 2,610 per sq.m. in 2010 to RMB2,574 per sq.m. in 2011. The average land cost continued to be relatively stable mainly due to diversification of geographical location with more contributions from second and third-tier cities. As a result of increase in material and other related costs due to delivery of more GFA from mid-to-high end and high end residential projects, average construction cost (excluding car parks) for property development business in 2011 was approximately RMB4,522per sq.m., increased from RMB4,052 per sq.m. in 2010.

## Gross Profit

Gross profit by geographical locations:




Gross profit has increased by 52% from RMB4,125 million in 2010 to RMB6,258 million in 2011. Gross profit margin increased slightly to around 31% (2010: 30%). The gross profit margin in 2011 was resulted from the combined effects of: (i) higher average selling price of RMB11,900 per sq.m. (including car parks) compared to RMB 10,500 per sq.m. in 2010 on GFA delivered; (ii) part of the GFA delivered were from matured projects including Ocean Landscape Eastern Area (Beijing), Ocean Worldview (Dalian) , Ocean Paradise (Shenyang) and Ocean City (Zhongshan); thus offset the effect from the increase in construction costs and material costs.

## Other income and gains/(losses)

Other income decreased by 6% to RMB225 million in 2011 compared to RMB240 million in 2010. Such decrease was mainly due to the drop in the overall interest income.

Our Group recorded other gains (net) of RMB128 million in 2011 as compared to RMB188 million in 2010. Other gains (net) comprised the disposal gain from available-for-sale financial assets and exchange gain recognised during the year.

## Revaluation of investment properties

Our Group recognized an increase in fair value on its investment properties (before tax and minority interests) of RMB513 million for the year 2011 (2010: RMB567 million)

## Operating expenses

In line with our growth in contracted sales amount and effort in pushing up our sales and marketing force so as to promote our availability for sale projects to potential buyers in 2011, selling and marketing costs expanded to RMB776 million during the current year (2010: RMB441 million). Nevertheless, these costs only accounted for approximately 3% of the total contracted sales amount in 2011 (2010: 2%).

For administrative expenses, the amount incurred in 2011 increased to RMB820 million in 2011 (2010: RMB457 million), in line with our revenue growth and coverage of more cities. With the implementation of our integrated IT system and other efficiency enhancements, our Group managed the overall administrative expenses accounted for about 4% of total revenue for the current year, relatively same as last year. We will continue our cost control measures to keep these costs at a relatively low level.

## Finance costs

Total borrowings as at year ended 31 December 2011 was approximately RMB33,587 million (2010: RMB29,196 million). Despite the higher level of total borrowings, we have efficiently applied them to the projects. As a result, we were able to capitalize most of the interest expenses and thus leaving RMB419 million to be charged through income statement during the current period, compared to RMB287 million in 2010.

Due to increase in interest rate in the PRC, our average interest rate increased to 6.67% in 2011, (2010: 5.35%) while total interest expenses paid or accrued to RMB2,240 million (2010: RMB1,486 million).

## Taxation

The aggregate of enterprise income tax and deferred tax increased by 43% to RMB1,446 million in 2011 (2010: RMB1,011 million), with effective tax rate of 36% (2010: 29%). In addition, consistent to the increase in gross profit, land appreciation tax in 2011 increased to RMB1,108 million (2010: RMB403 million), accounted for 17.7% of gross profit in 2011 (2010: 9.8%).

## Profit attributable to owners of the Company

Profit attributable to owners of the Company swelled by 5% to RMB2,571 million in 2011, compared to RMB2,444 million in 2010. Return on average equity (excluding convertible securities and capital securities) stated at approximately 10% in 2011 (2010: 10%). Our management will continue to focus on the improvement of our shareholders' return as their on-going tasks.

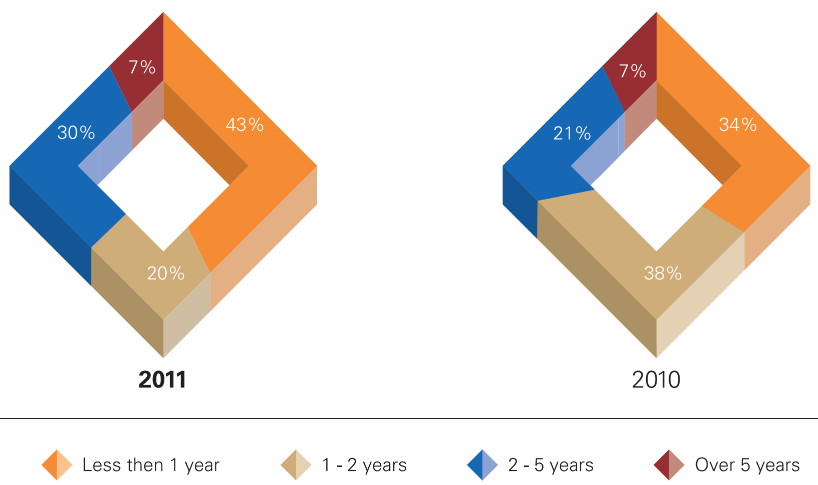
## Financial resources and liquidity

During the year, our Group further refined our funding structure while liquidity and credit policies in the financial market began to tighten and affect worldwide economic condition. We recorded a net increase in total borrowings from RMB29,196 million to RMB33,587 million as at the year end of 2011. Furthermore, the issuance of USD400 million perpetual subordinated capital securities by our Group was successfully completed in May 2011. This has further improved our long term capital structure that will definitely support our future acquisition during market consolidation.

As at 31 December 2011, our Group had total cash resources (including cash and cash equivalents and restricted bank deposits) of RMB12,417 million and a current ratio of 2.0 times. Together with the unutilized credit facilities of about RMB26,720 million, our Group is ensured to be financially sound. We have ample financial resources and an adaptable financial management policy to meet our business expansion.

The maturity profile of our Group's total borrowings was as follows:

| RMB million | **As at 31 December 2011** | As at 31 December 2010 | YoY (%) |
|---|---|---|---|
| Within 1 year | **14,482** | 9,920 | 46% |
| 1 to 2 years | **6,779** | 11,062 | -39% |
| 2 to 5 years | **10,001** | 6,184 | 62% |
| Over 5 years | **2,325** | 2,030 | 15% |
| Total | **33,587** | 29,196 | 15% |



In terms of net gearing ratio, based on the total borrowings less cash resources divided by total equity minus minority interest, our Group's net gearing ratio increased from 46% to 60% as at 31 December 2011, which is attributable mainly to the increase in our Group's net bank and other borrowings as we drawdown our credit facility earlier and apply to our projects in view of credit tightening as expected by us in early 2011. We are still comfortable with the current net gearing ratio given that we maintain RMB12,417 million cash resource on hand. Nevertheless, we don't expect the net gearing ratio to increase substantially in 2012 and will be controlled at below 80% as laid down by our Board, in order to maintain our Group's overall financial healthness.

## Financial guarantees and charge on assets

As at 31 December 2011, the value of the guarantees provided by our Group to banks for mortgages extended to property buyers before completion of their mortgage registration was RMB3,159 million (2010: RMB2,925 million).

During the year, our Group has pledged some of its land use rights, properties under development, completed properties held for sale, investment properties, etc. to secure short-term bank loans (including the current portion of long-term borrowings) of RMB879 million (2010: RMB1,800 million) and long-term bank loans of RMB12,018 million (2010: RMB2,756 million). As at 31 December 2011, total pledged assets accounted for approximately 27% of the total assets of our Group (2010: 5%).

## Capital commitments

Our Group entered into certain agreements in respect of land acquisition and property development. As at 31 December 2011, our Group had a total capital commitment of RMB33,142 million (2010: RMB18,477 million).

## Contingent liabilities

In line with the prevailing commercial practice in the PRC, our Group provides guarantees for mortgages extended to property buyers before completion of their mortgage registration. As at 31 December 2011, the total amount of the aforesaid guarantees provided by our Group was RMB3,159 million (2010: RMB2,925 million). In the past, our Group had not incurred any material loss from providing such guarantees, as the guarantees were given as a transitional arrangement that would be terminated upon the completion of the mortgage registration and were secured by the buyers' properties.

## Business Review

### Property Development

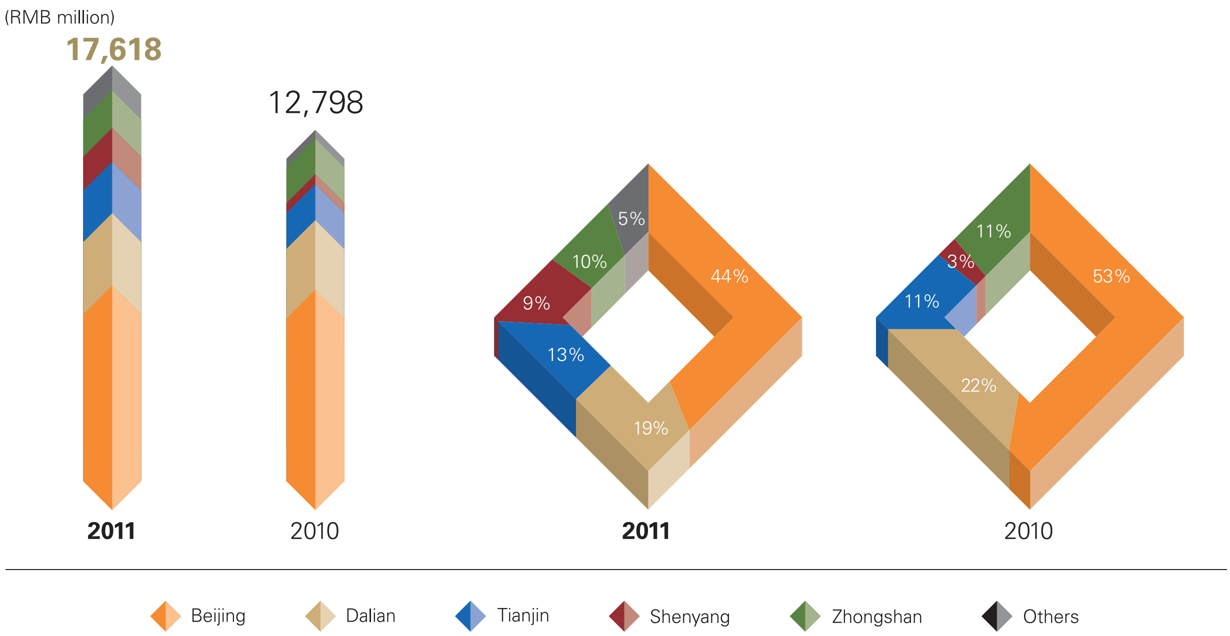
**1) Recognised sales**

Revenue from property development business grew by 38% in 2011 and amounted to RMB17,618 million (2010: RMB12,798 million). Saleable GFA delivered increased by 21% from approximately 1,224,000 sq.m. in 2010 to approximately 1,481,000 sq.m. in 2011. Excluding car parks sales, the average selling price recognized in 2011 was about RMB12,500 per sq.m. (2010: RMB11,200 per sq.m.).

The following table presents the saleable GFA delivered and relevant information of each project in 2011:

| Cities | Projects | Revenue (RMB million) | Saleable GFA delivered (sq.m.) | Average selling price recognised (RMB/sq.m.) | Interest attributable to our Group (%) |
|---|---|---|---|---|---|
| Beijing | Ocean Express | 44 | 2,491 | 17,700 | 100% |
| | Ocean Great Harmony | 382 | 12,299 | 31,100 | 100% |
| | Ocean Landscape | 21 | 1,376 | 15,300 | 100% |
| | Ocean Landscape Eastern Area | 3,044 | 136,127 | 22,400 | 100% |
| | Ocean Office Park | 27 | 15,568 | 1,700 | 100% |
| | Ocean Seasons | 125 | 18,771 | 6,700 | 70% |
| | POETRY OF RIVER | 3,844 | 267,565 | 14,400 | 100% |
| Dalian | Ocean Prospect | 391 | 25,535 | 15,300 | 100% |
| | Ocean Seasons | 850 | 73,674 | 11,500 | 100% |
| | Ocean Worldview | 1,997 | 137,445 | 14,500 | 100% |
| | Chanson Garden | 27 | 7,729 | 3,500 | 100% |
| Qinhuangdao | Wan Hai Yi Hao | 122 | 17,789 | 6,900 | 100% |
| Sanya | Ocean Mansion | 614 | 28,836 | 21,300 | 70% |
| Shenyang | Ocean Paradise | 1,535 | 174,650 | 8,800 | 100% |
| Tianjin | Ocean City | 1,128 | 131,627 | 8,600 | 100% |
| | Ocean Express | 1,110 | 104,812 | 10,600 | 97.05% |
| | Ocean Paradise | 4 | 316 | 12,700 | 96.99% |
| Wuhan | Ocean Manor | 79 | 9,457 | 8,400 | 55% |
| | Ocean World | 179 | 34,602 | 5,200 | 55% |
| Zhongshan | Ocean City | 1,614 | 169,928 | 9,500 | 100% |
| Subtotal | | 17,137 | 1,370,597 | 12,500 | |
| Car parks (various projects) | | 481 | 110,464 | 4,400 | |
| **Total** | | **17,618** | **1,481,061** | **11,900** | |

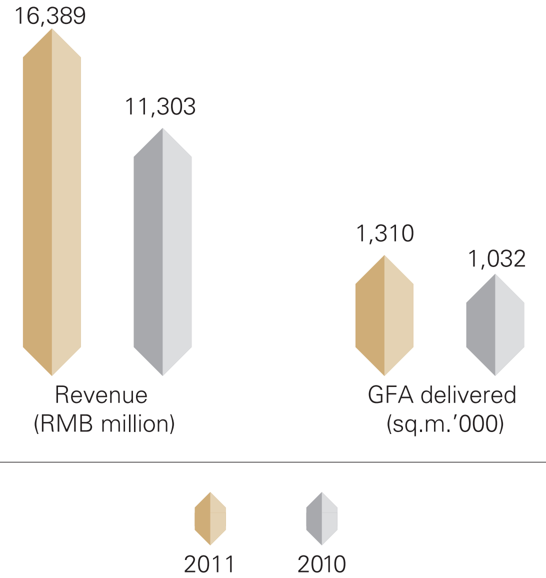
Breakdown of our Group's revenue from property development by geographical locations in 2011 and 2010 is as follows:



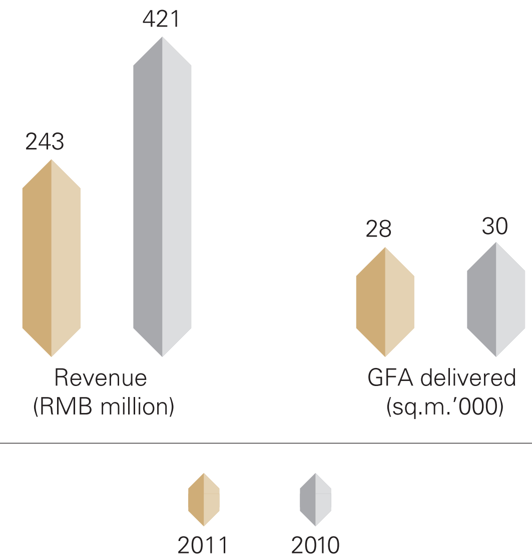

In terms of property types, residential properties continued to contribute the largest portion of property development revenue, accounting for 93% in 2011 (2010: 88%). The average selling price recognized for the revenue from residential properties in 2011 was about RMB12,500 per sq.m. (2010: RMB11,000 per sq.m.) while corresponding total saleable GFA delivered increased by 27% from approximately 1,032,000 sq.m. in 2010 to approximately 1,310,000 sq.m. in 2011.

The following graphs indicate the revenue from property development in terms of property types in 2011 and 2010:

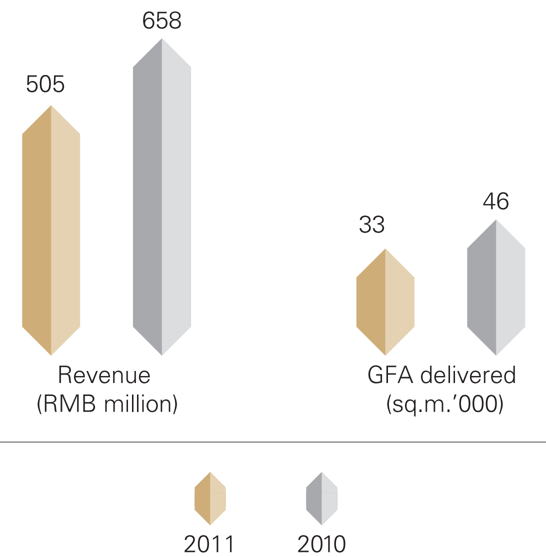
## Residential and Villa



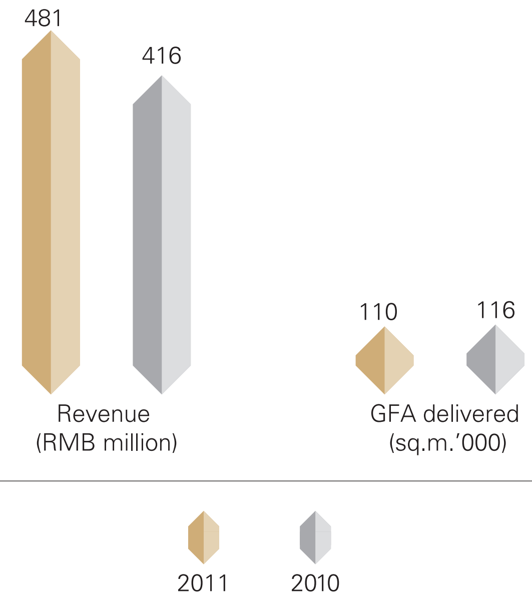

## Office premises




## Retail Space




## Car parks



2) **Contracted Sales**

Contracted sales reached a record high in 2011 to RMB27,005 million, up by 25% compared to RMB21,603 million in 2010. Total GFA sold, including car parks, increased by 26% to about 2,096,000 sq.m. (2010: 1,660,000 sq.m.). Average selling price per sq.m. in 2011 was about RMB12,900 (2010: RMB13,000) (including car parks sale) and RMB13,400 (2010: RMB13,600) (excluding car parks sale). Outstanding contracted sales to be recognized in 2012 or later amounted to RMB29,809 million, increased by 46% compared to RMB20,422 million as at the year end of 2010, promising a solid base for our Group's future revenue growth.

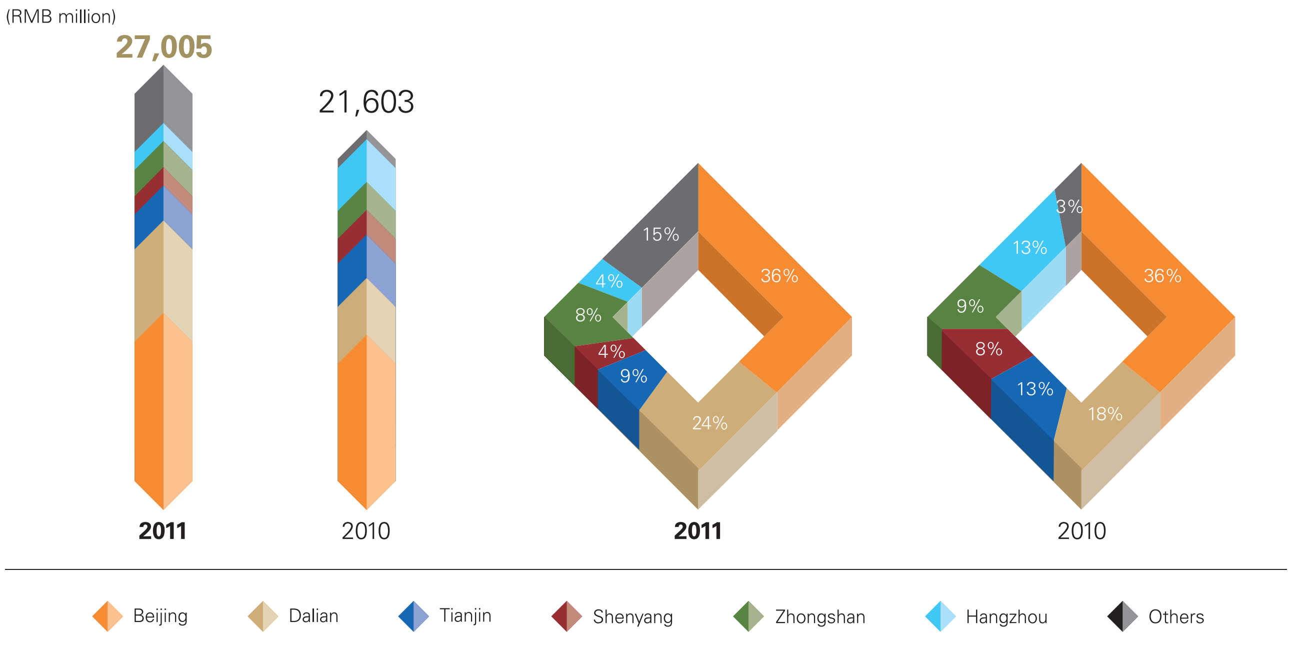
The following table lists the contracted sales amounts and GFA sold by projects in 2011:

| **Cities** | **Projects** | **Contracted sales amount (RMB million)** | **Saleable GFA sold (sq.m.)** | **Average selling price (RMB/sq.m.)** | **Interest attributable to our Group (%)** |
|---|---|---|---|---|---|
| Beijing | Ocean Express | 44 | 2,491 | 17,700 | 100% |
| | Ocean Great Harmony | 2,688 | 73,350 | 36,600 | 100% |
| | Ocean LA VIE | 1,374 | 20,350 | 67,500 | 85.72% |
| | Ocean Landscape | 14 | 1,033 | 13,600 | 100% |
| | Ocean Landscape Eastern Area | 611 | 47,849 | 12,800 | 100% |
| | Ocean Manor | 1,061 | 50,824 | 20,900 | 100% |
| | Ocean Office Park | 27 | 815 | 33,100 | 100% |
| | Ocean Oriental Mansion | 467 | 28,684 | 16,300 | 100% |
| | Ocean Palace | 248 | 9,787 | 25,300 | 100% |
| | POETRY OF RIVER | 3,007 | 148,808 | 20,200 | 100% |
| Changchun | Ocean Cannes Town | 435 | 64,558 | 6,700 | 51% |
| Chengdu | Ocean Langjun | 527 | 65,356 | 8,100 | 51% |
| Chongqing | Sino-Ocean International Golf Resort | 150 | 18,449 | 8,100 | 97.75% |
| Dalian | Ocean Plaza | 2,359 | 176,302 | 13,400 | 75.5% |
| | Ocean Prospect | 46 | 1,946 | 23,600 | 100% |
| | Ocean Seasons | 199 | 10,992 | 18,100 | 100% |
| | Ocean TIMES | 1,282 | 185,756 | 6,900 | 100% |
| | Ocean Holiday Manor | 401 | 45,383 | 8,800 | 100% |
| | Ocean Worldview | 2,034 | 176,138 | 11,500 | 100% |
| | Chanson Garden | 8 | 2,287 | 3,500 | 100% |
| Hangzhou | Ocean Mansion | 781 | 21,173 | 36,900 | 51% |
| | Grand Canal Milestone | 87 | 3,222 | 27,000 | 70% |
| Haikou | Ocean Driftwood Array | 76 | 4,123 | 18,400 | 70% |
| Huangshan | An Island Paradise | 130 | 17,219 | 7,500 | 100% |
| Qingdao | Ocean Prospect | 906 | 49,116 | 18,400 | 100% |

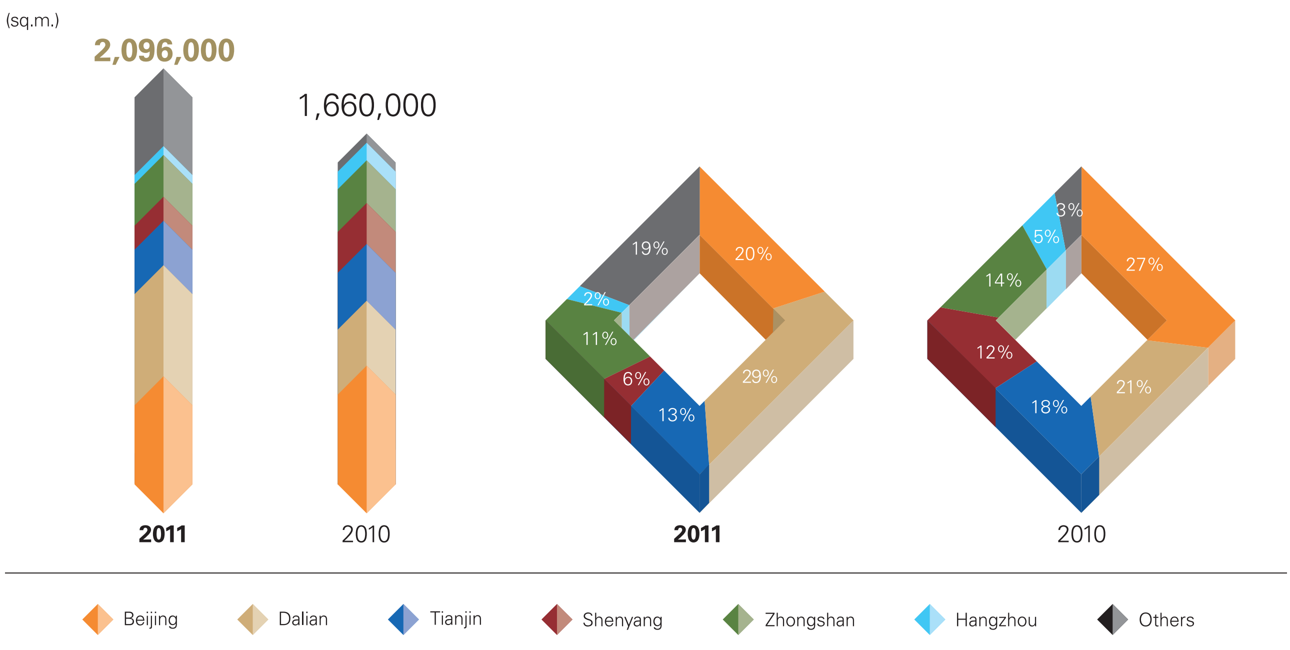
| Cities | Projects | Contracted sales amount (RMB million) | Saleable GFA sold (sq.m.) | Average selling price (RMB/sq.m.) | Interest attributable to our Group (%) |
|---|---|---|---|---|---|
| Qinhuangdao | Ocean Century | 550 | 85,399 | 6,400 | 100% |
| | Wan Hai Yi Hao | 37 | 4,951 | 7,500 | 100% |
| Sanya | Ocean Mansion | 426 | 17,312 | 24,600 | 70% |
| Shanghai | Ocean Mansion No. 7 | 163 | 10,328 | 15,800 | 100% |
| | BOND CASTLE | 245 | 3,752 | 65,300 | 100% |
| Shenyang | Ocean Paradise | 999 | 102,703 | 9,700 | 100% |
| | Ocean Residence | 33 | 4,224 | 7,800 | 100% |
| Tianjin | Ocean City | 766 | 89,674 | 8,500 | 100% |
| | Ocean Express | 691 | 63,140 | 10,900 | 97.05% |
| | Ocean Great Harmony | 405 | 34,308 | 11,800 | 100% |
| | Ocean Paradise | 4 | 316 | 12,700 | 96.99% |
| | Ocean Prospect | 656 | 65,998 | 9,900 | 100% |
| Wuhan | Ocean Manor | 224 | 23,061 | 9,700 | 55% |
| | Ocean World | 200 | 38,598 | 5,200 | 55% |
| Zhongshan | Ocean City | 1,942 | 178,376 | 10,900 | 100% |
| | Ocean New Era | 109 | 21,618 | 5,000 | 40% |
| Subtotal | | 26,412 | 1,969,769 | 13,400 | |
| Carparks (various projects) | | 593 | 126,531 | 4,700 | |
| **Total** | | **27,005** | **2,096,300** | **12,900** | |

There were altogether 41 projects available for sale in 2011 (2010: 24), of which 28 were located in the Pan-Bohai Rim Region and accounting for about 79% (2010: 75%) of total contracted sales amount (excluding car parks). Beijing was still the largest contributor in terms of contracted sales amount in 2011, accounting for approximately 36% (2010: 36%). We forsee a higher proportion of contribution from other second-tier cities in China in the coming years while maintaining a strong presence in Beijing.

The following graphs indicate the breakdown of contracted sales amount by geographical locations in 2011 and 2010:



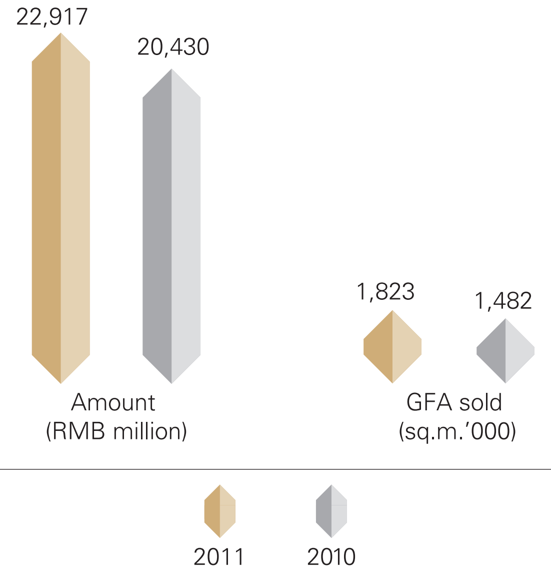

The following graphs indicate the breakdown of saleable GFA sold by geographical locations in 2011 and 2010:



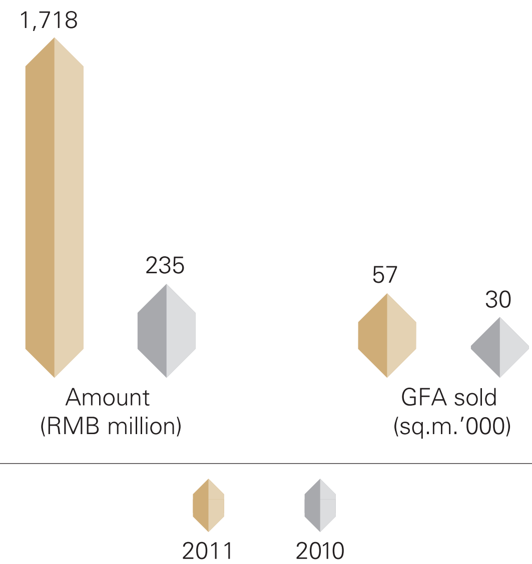
In terms of property types, residential properties continued to contribute the largest portion of contracted sales amount and accounted for 85% in 2011 (2010: 95%). The average selling price for residential properties in 2011 was about RMB12,600 per sq.m. (2010: approximately RMB13,800 per sq.m.) while the total GFA sold for residential use increased by 23% from approximately 1,482,000 sq.m. in 2010 to approximately 1,823,000 sq.m. in 2011.

The following graphs indicate the contracted sales amount in terms of major property types in 2011 and 2010.

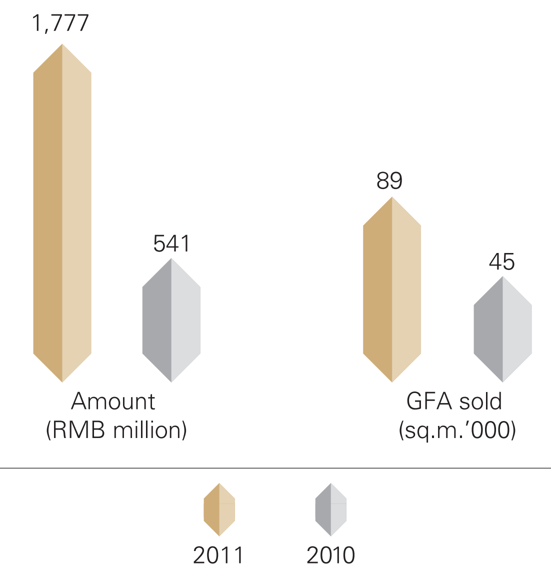
## Residential and Villa



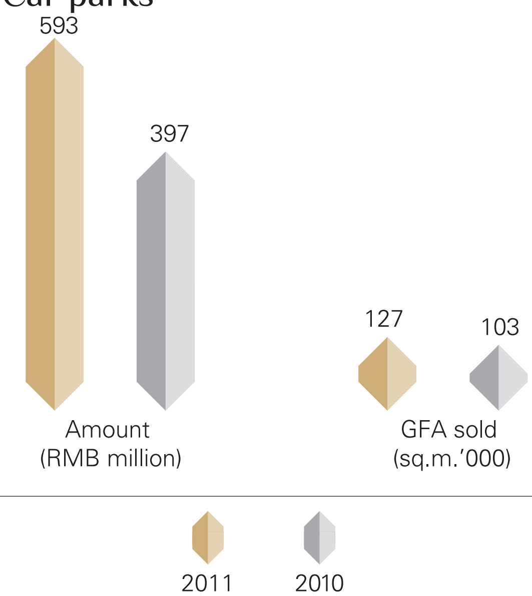

## Office premises




## Retail Space




## Car parks



### 3) Construction Progress and Developing Projects

Total GFA and total saleable GFA completed in 2011 were approximately 1,870,000 sq.m. and 1,621,000 sq.m., going up by 45% and 41% respectively compared to that in 2010. Meanwhile, we will maintain our construction scale in order to have enough GFA available for sale and for delivery to support our growth in 2012.

| Cities | Projects | GFA completed in 2011 (sq.m.) | Target GFA to be completed in 2012 (sq.m.) |
|---|---|---|---|
| Beijing | Ocean Great Harmony | — | 130,000 |
| | Ocean LA VIE | — | 54,000 |
| | Ocean Landscape Eastern Area | 175,000 | — |
| | Ocean Manor | — | 67,000 |
| | Ocean Oriental Mansion | — | 125,000 |
| | POETRY OF RIVER | 340,000 | 82,000 |
| Dalian | Ocean Holiday Manor | — | 111,000 |
| | Ocean Plaza | — | 293,000 |
| | Ocean Prospect | 30,000 | — |
| | Ocean Seasons | 116,000 | 22,000 |
| | Ocean TIMES | — | 94,000 |
| | Ocean Worldview | 246,000 | 223,000 |
| Tianjin | Ocean City | 191,000 | 312,000 |
| | Ocean Express | 171,000 | — |
| | Ocean Great Harmony | — | 59,000 |
| | Ocean Prospect | — | 118,000 |
| Changchun | Ocean Cannes Town | — | 181,000 |
| Shenyang | Ocean Paradise | 217,000 | 66,000 |
| Shanghai | Ocean Mansion No.7 | — | 47,000 |
| Wuhan | Ocean Manor | 62,000 | — |
| | Ocean World | 57,000 | — |
| Sanya | Ocean Mansion | 55,000 | — |
| Zhongshan | Ocean City | 210,000 | 283,000 |
| **Total** | | **1,870,000** | **2,267,000** |

**4) Landbank**

Our Group's landbank increased by 16% to 23,989,000 sq.m. as at 31 December 2011 (31 December 2010: 20,608,000 sq.m.); while landbank with attributable interest increased by 4% to 20,647,000 sq.m. (31 December 2010: 19,948,000 sq.m.). During 2011, we acquired 9 plots of land with total GFA of 4,220,000 sq.m. and attributable interest of approximately 2,900,000 sq.m with average acquisition cost per sq.m. of about RMB2,900. The average land cost per sq.m. of our Group's landbank as at 31 December 2011 was approximately RMB3,029 (2010: RMB3,157).

Details of the newly acquired land plots during 2011 were as follows:

| Cities | Projects | Total GFA acquired (sq.m.) | GFA attributable to our Group | Interest attributable to our Group (%) |
|---|---|---|---|---|
| Beijing | CBD Plot Z13 | 120,000 | 35,000 | 29% |
| Fushun | Ocean City | 1,325,000 | 861,000 | 65% |
| Hangzhou | Pufu Project | 171,000 | 108,000 | 63% |
| Qingdao | Ocean Seasons | 147,000 | 147,000 | 100% |
| Shanghai | Ocean Mansion No.7 | 119,000 | 119,000 | 100% |
| Shanghai | Ocean Chanson Mansion | 374,000 | 374,000 | 100% |
| Shenzhen | Ocean Express | 556,000 | 556,000 | 100% |
| Zhenjiang | Ocean Beach | 913,000 | 502,000 | 55% |
| Zhongshan | Ocean New Era | 495,000 | 198,000 | 40% |
| **Total** | | **4,220,000** | **2,900,000** | |

The following table sets forth the landbank by stages of development as at 31 December 2011:

| | Approximate Total GFA (sq.m.) | Approximate total Saleable GFA (sq.m.) | Remaining Landbank (sq.m.) |
|---|---|---|---|
| Completed properties held for sales | 4,628,000 | 4,003,000 | 583,000 |
| Properties under development | 9,862,000 | 8,444,000 | 9,686,000 |
| Properties held for future development | 13,720,000 | 11,290,000 | 13,720,000 |
| **Total** | **28,210,000** | **23,737,000** | **23,989,000** |

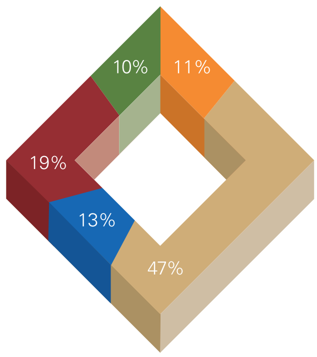
Our Group's landbank as at 31 December 2011 is as below:

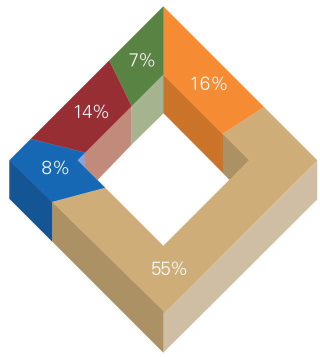
| Region | Cities | Projects | Approximate total GFA (sq.m.) | Approximate total saleable GFA (sq.m.) | Remaining Landbank (sq.m.) | Interest attributable to our Group (%) |
|---|---|---|---|---|---|---|
| Beijing | Beijing | CBD Plot Z6 | 245,000 | 190,000 | 245,000 | 80% |
| | | CBD Plot Z13 | 120,000 | 108,000 | 120,000 | 29% |
| | | INDIGO* | 295,000 | 264,000 | 119,000 | 50% |
| | | Ocean Crown | 211,000 | 148,000 | 211,000 | 100% |
| | | Ocean Great Harmony | 353,000 | 314,000 | 102,000 | 100% |
| | | Ocean LA VIE | 304,000 | 200,000 | 304,000 | 85.72% |
| | | Ocean Landscape Eastern Area | 529,000 | 462,000 | 63,000 | 100% |
| | | Ocean Landscape Eastern Area E02/03 Project | 103,000 | 103,000 | 103,000 | 100% |
| | | Ocean Manor | 268,000 | 232,000 | 268,000 | 100% |
| | | Ocean Oriental Mansion | 175,000 | 150,000 | 175,000 | 100% |
| | | Ocean Palace | 433,000 | 385,000 | 433,000 | 100% |
| | | Ocean Seasons | 383,000 | 262,000 | 9,000 | 70% |
| | | POETRY OF RIVER | 790,000 | 695,000 | 336,000 | 100% |
| | | The Place | 102,000 | 85,000 | 102,000 | 100% |
| Pan-Bohai Rim | Dalian | Ocean Diamond Bay | 2,470,000 | 1,999,000 | 2,470,000 | 90% |
| | | Ocean Holiday Manor | 407,000 | 388,000 | 407,000 | 100% |
| | | Ocean MIDTOWN | 92,000 | 81,000 | 92,000 | 100% |
| | | Ocean Plaza | 293,000 | 275,000 | 293,000 | 75.5% |
| | | Ocean Prospect | 178,000 | 159,000 | 8,000 | 100% |
| | | Ocean Seasons | 138,000 | 116,000 | 40,000 | 100% |
| | | Ocean TIMES | 565,000 | 523,000 | 565,000 | 100% |
| | | Ocean Worldview | 1,983,000 | 1,772,000 | 1,552,000 | 100% |
| | | Sino-Ocean Technopole | 922,000 | 596,000 | 922,000 | 100% |
| | | Wyndham Grand Plaza Royale Sino-Ocean | 111,000 | 52,000 | 111,000 | 100% |
| | | Xiaoyao Bay Project | 219,000 | 175,000 | 219,000 | 100% |
| | Qingdao | Ocean Honored Chateau | 136,000 | 108,000 | 136,000 | 100% |
| | | Ocean Prospect | 147,000 | 109,000 | 147,000 | 100% |
| | | Ocean Seasons | 147,000 | 111,000 | 147,000 | 100% |
| | Qinhuangdao | Ocean Century | 1,413,000 | 1,337,000 | 1,413,000 | 100% |
| | | Wan Hai Yi Hao | 38,000 | 38,000 | 10,000 | 100% |
| | Tianjin | Ocean City | 2,284,000 | 1,767,000 | 1,919,000 | 100% |
| | | Ocean Express | 337,000 | 288,000 | 88,000 | 97.05% |
| | | Ocean Great Harmony | 347,000 | 260,000 | 347,000 | 100% |
| | | Ocean International Center | 285,000 | 248,000 | 285,000 | 96.99% |
| | | Ocean Prospect | 317,000 | 261,000 | 317,000 | 100% |

| Region | Cities | Projects | Approximate total GFA (sq.m.) | Approximate total saleable GFA (sq.m.) | Remaining Landbank (sq.m.) | Interest attributable to our Group (%) |
|---|---|---|---|---|---|---|
| Northeast Region | Changchun | Ocean Cannes Town | 1,162,000 | 1,079,000 | 1,162,000 | 51% |
| | Fushun | Ocean City | 1,325,000 | 1,305,000 | 1,325,000 | 65% |
| | Shenyang | Ocean Paradise | 717,000 | 684,000 | 316,000 | 100% |
| | | Ocean Residence | 181,000 | 163,000 | 181,000 | 100% |
| Yangtze River Delta & Along Yangtze River | Chengdu | Dacisi Project | 258,000 | 166,000 | 258,000 | 50% |
| | | Ocean Langjun | 155,000 | 137,000 | 155,000 | 51% |
| | Chongqing | Sino-Ocean International Golf Resort | 581,000 | 499,000 | 581,000 | 97.75% |
| | Hangzhou | Canal Business Center Project | 865,000 | 480,000 | 865,000 | 51% |
| | | Grand Canal Milestone | 208,000 | 140,000 | 208,000 | 70% |
| | | Pufu Project | 171,000 | 107,000 | 171,000 | 63% |
| | Huangshan | An Island Paradise | 90,000 | 89,000 | 90,000 | 100% |
| | Shanghai | BOND CASTLE | 224,000 | 90,000 | 224,000 | 100% |
| | | Ocean Mansion No.7 | 119,000 | 98,000 | 119,000 | 100% |
| | | Ocean Chanson Mansion | 374,000 | 328,000 | 374,000 | 100% |
| | Wuhan | Ocean Manor | 78,000 | 72,000 | 67,000 | 55% |
| | | Ocean World | 455,000 | 410,000 | 418,000 | 55% |
| | Zhenjiang | Ocean Beach | 913,000 | 776,000 | 913,000 | 55% |
| Pan-Pearl River Delta | Haikou | Ocean Driftwood Array | 109,000 | 77,000 | 109,000 | 70% |
| | Sanya | Ocean Mansion | 55,000 | 48,000 | 22,000 | 70% |
| | | Tang Di Project | 14,000 | 12,000 | 14,000 | 52.5% |
| | Shenzhen | Ocean Express | 556,000 | 408,000 | 556,000 | 100% |
| | Zhongshan | Ocean City | 1,965,000 | 1,829,000 | 1,288,000 | 100% |
| | | Ocean New Era | 495,000 | 479,000 | 495,000 | 40% |
| | **Total** | | **28,210,000** | **23,737,000** | **23,989,000** | |

* Inclusion of part of the leasable area of 52,000 sq.m. which has been classified as investment property.

The following graphs set forth the landbank by geographical locations as at 31 December 2011 and 2010:




Beijing | Pan-Bohai Rim | Northeast Region | Yangtze River Delta & Along Yangtze River | Pan-Pearl River Delta

## Property Investment

Investment properties provide a steady and reliable income and cash flow to our Group in addition to the possible capital gains from appreciation in value. They also help us to diversify our risk from market turbulence in the property development business. In 2011, revenue from property investment increased by 60% to RMB340 million (2010: RMB212 million). As at 31 December 2011, our Group directly and indirectly held 5 investment properties and held several carparks for rental service, of which one is located in Shanghai being held by our acquired subsidiary, Gemini Investments (Holdings) Limited, a company listed on the Stock Exchange (Stock Code: 00174). Our investment properties are mainly A-grade office premises with a total leasable area of 319,000 sq.m.

List of our investment properties as at 31 December 2011 as below:

| | Approximate leasable area (sq.m.) | Office premises (sq.m.) | Retail space (sq.m.) | Others (sq.m.) | Occupancy rate as at 31 December 2011 (%) | Interest attributable to our Group (%) |
|---|---|---|---|---|---|---|
| Ocean Plaza (Beijing) | 31,000 | 26,000 | 1,000 | 4,000 | Over 95% | 72% |
| Ocean International Center | | | | | | |
| Block A (Beijing) | 101,000 | 75,000 | 9,000 | 17,000 | Over 90% | 100% |
| Ocean Office Park (Beijing) | 118,000 | 81,000 | 22,000 | 15,000 | Over 90% | 100% |
| INDIGO (Beijing) | 52,000 | 52,000 | — | — | Initial launch | 50% |
| Shui On Building (Shanghai)* | 3,000 | 3,000 | — | — | Over 75% | 70% |
| Ocean Express (Beijing) Carparks | 14,000 | — | — | 14,000 | About 40% | 100% |
| **Total** | **319,000** | **237,000** | **32,000** | **50,000** | | |

* Held by our subsidiary Gemini Investments (Holdings) Limited

### Property Management

For the year ended 31 December 2011, our Group's revenue from the provision of property management services amounted to RMB377 million, representing a 44% increase compared to RMB262 million in 2010. A total GFA of 7,214,000 sq.m. (2010: 5,819,000 sq.m.) was covered by our Group's property management services which has significantly increased by1,395,000 sq.m..

## Other information

### Risk of Exposure to Exchange Rate Fluctuations and Related Hedging

In 2011, our Group had no investments in hedging speculative derivatives. In view of the potential Renminbi exchange rate fluctuations, our Group will consider arranging for monetary and interest rate swaps at appropriate times to avoid the corresponding risks.

### Employees and Human Resources

As at 31 December 2011, our Group had 6,852 employees (31 December 2010: 5,696 employees), a 20% increase in headcount. We setup offices in several new cities which we entered or intended to enter, including Fushun, Chongqing, Huangshan, Wuhan and Zhenjiang. The higher headcount is in line with our business expansion plan to support sales growth and increasing number of properties under construction in other cities across China.

During 2011, taking into account the amortization of share options, the level of our overall staff cost was about RMB952 million (2010: RMB738 million). Besides the share option scheme adopted in previous years, we has successfully adopted and launched a restricted share award scheme. We believe that these schemes will provide long-term incentive and rewards to our staff. We will continuously review our salary and compensation schemes to make them competitive to retain our talented staff so that these talented staff can ultimately bring in higher return to our shareholders and investors.

# INVESTOR RELATIONS

## More proactive communication in a volatile market

Our Group's investor relations team is devoted to ensuring the most effective communication between the Company and the financial community and other stakeholders. We adhere to the best practice in information disclosure in terms of accuracy, transparency and consistency. We will remain sincere and honest in our exchanges with all stakeholders whatever the market conditions may be.

The effects of China's macro control measures became apparent in 2011. However, the depressed economic situation in America and Europe and anxiety over a possible hard landing in China's economy added to the uncertainties. Investors were overwhelmed by the numerous measures targeting the property sector and the varied views of their impact and related information. We took it on ourselves in 2011 to be more proactive and provide more in-depth analysis on the policies and the market, and to relay new information to the investors in the most timely manner.

I. **More frequent release of information about our operation** As the new year began we changed our quarterly newsletter to monthly and published it on the Group's website, ensuring that all interested parties will have access to the relevant information at the same time.

II. **Greater participation at investors' conferences organized by securities firms** In 2011, the Group's management and the investor relations team attended 23 such conferences (21 in the previous year) to strengthen our communication with people interested in our business operations.

III. **More initiative in talking to analysts** In addition to talking regularly with property market analysts as we have always done, we organized three meetings with them in 2011 (two last year) to update them on our operation and the market conditions, each attracting more than 20 securities firms to attend. To our gratification analysts from several firms emailed to express their appreciation of the Group's IR work.

IV. **An improved website** We have upgraded our website to make it more user-friendly and more international in design with improved contents and efficiency. With a view to enabling a quicker search for frequently sought information, there are now maps on the project list providing a clear view on the geographical distribution of our projects. We have also added 'meeting/visit application' and information subscription to the IR section. Our investors have sent compliments for these thoughtful touches.

## Communicating with institutional investors

In 2011, we had in-depth exchanges with representatives from more than 370 funds and securities firms and retail shareholders through day-to-day contact and attending major investors' conferences. More than 190 shareholders and other stakeholders attended in person and 71 online our 2010 annual results and 2011 interim results briefings. Subsequently representatives from the management and the IR team hosted the annual results roadshows in Hong Kong, Singapore, US and Europe, meeting some 120 funds and other interested parties. These activities promoted investors' understanding of the Group's operation and strategy, and provided valuable feedback for our management.

## Analyst coverage

As of end of 2011, the number of securities firms covering the Company increased to 25, including Goldman Sachs, Citi, Morgan Stanley, J.P. Morgan, China International Capital Corporation, Macquarie and BNP Paribas. As at 31 December 2011, ratings by these financial institutions were encouraging as 84% were in the categories of "buy" or "hold".

## Site visits

We entertained some 330 visitors at nearly 110 site visits in 2011. Taking advantage of the large-scale conferences organized by the securities firms, we also co-organized 5 large-scale visits in Beijing, Tianjin, Dalian and Hangzhou. These visits provided the opportunities for both investors and analysts to understand the Group's products and local market conditions better, as well as exposure of the Group's profile.

## Talking with retail shareholders

More than 100 shareholders and other stakeholders attended the Annual General Meeting in May 2011. As usual we set up a special Q&A session for management representatives to answer individual shareholders' queries as this interactive communication is mutually beneficial.

We are grateful to all stakeholders for their remarkable support and feedback. If you have questions or comments about our work, please contact us at ir@sinooceanland.com. We promise to provide answers (and post them on our website if we think they will be of interest to our shareholders and other investors) to the extent permitted by applicable laws, regulations and the Listing Rules. We take all comments and suggestions seriously and will act upon them where feasible to improve our performance.

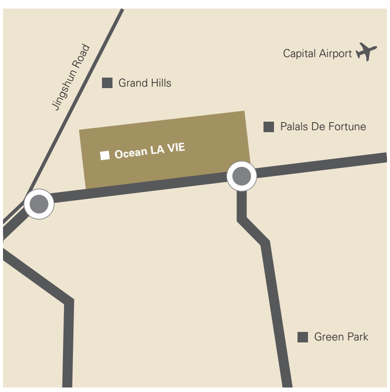

## Ocean Crown

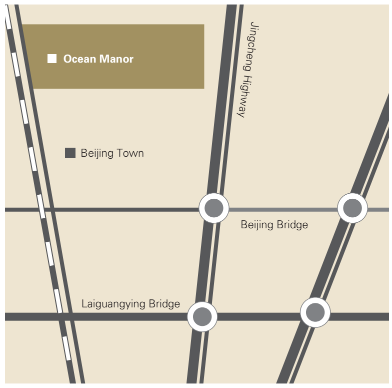
Total GFA: **211,000 sq.m.**
Total saleable GFA: **148,000 sq.m.**
Attributable interest to our Group: **100%**
Usage: **Residential and Retail Space**

# Beijing

## Ocean LA VIE

Total GFA: **304,000 sq.m.**
Total saleable GFA: **200,000 sq.m.**
Attributable interest to our Group: **85.72%**
Usage: **Residential and Villa**






## Ocean Manor

Total GFA: **268,000 sq.m.**

Total saleable GFA: **232,000 sq.m.**

Attributable interest to our Group: **100%**

Usage: **Residential and Villa**

# Beijing

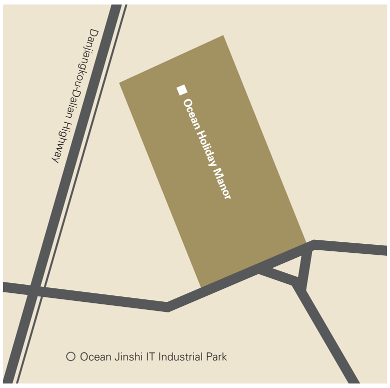
## POETRY OF RIVER

Total GFA: **790,000 sq.m.**

Total saleable GFA: **695,000 sq.m.**

Attributable interest to our Group: **100%**

Usage: **Residential and Retail Space**



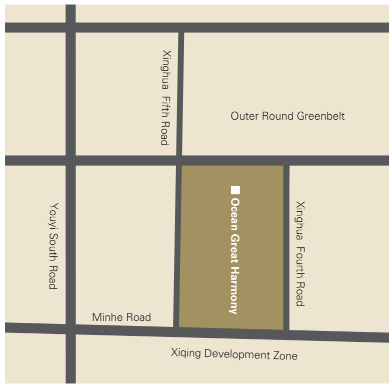

## Ocean Holiday Manor

Total GFA: **407,000 sq.m.**
Total saleable GFA: **388,000 sq.m.**
Attributable interest to our Group: **100%**
Usage: **Residential and Retail Space**

# Dalian

## Ocean Plaza

Total GFA: **293,000 sq.m.**
Total saleable GFA: **275,000 sq.m.**
Attributable interest to our Group: **75.5%**
Usage: **Residential and Retail Space**




## Ocean Great Harmony

Total GFA: **347,000 sq.m.**

Total saleable GFA: **260,000 sq.m.**

Attributable interest to our Group: **100%**

Usage: **Residential and Retail Space**

# Tianjin

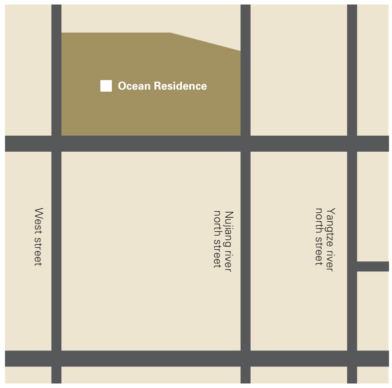
## Ocean Prospect

Total GFA: **317,000 sq.m.**

Total saleable GFA: **261,000 sq.m.**

Attributable interest to our Group: **100%**

Usage: **Residential and Retail Space**




Shenyang

## Ocean Residence

Total GFA: **181,000 sq.m.**

Total saleable GFA: **163,000 sq.m.**

Attributable interest to our Group: **100%**

Usage: **Residential and Retail Space**

Qingdao

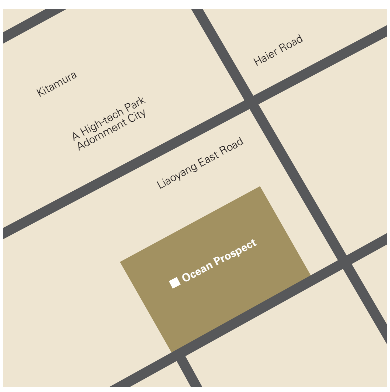
## Ocean Prospect

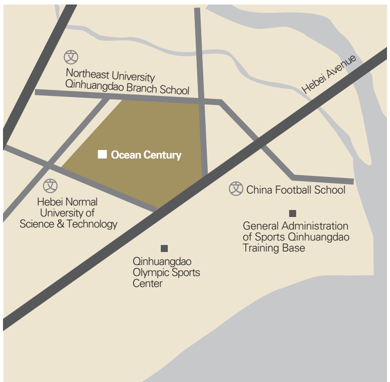
Total GFA: **147,000 sq.m.**

Total saleable GFA: **109,000 sq.m.**

Attributable interest to our Group: **100%**

Usage: **Residential and Retail Space**






## Ocean Century

Total GFA: **1,413,000 sq.m.**

Total saleable GFA: **1,337,000 sq.m.**

Attributable interest to our Group: **100%**

Usage: **Residential and Retail Space**

Qinhuangdao

Changchun

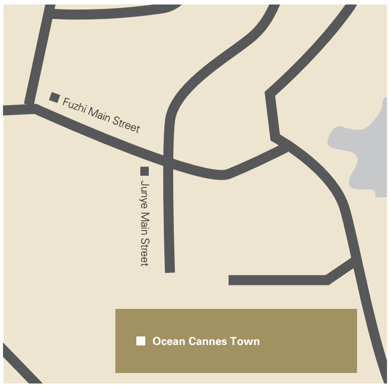
## Ocean Cannes Town

Total GFA: **1,162,000 sq.m.**

Total saleable GFA: **1,079,000 sq.m.**

Attributable interest to our Group: **51%**

Usage: **Residential and Retail Space**




## Canal Business Center Project

Total GFA: **865,000 sq.m.**

Total saleable GFA: **480,000 sq.m.**

Attributable interest to our Group: **51%**

Usage: **Residential and Retail Space, Office Premises and Hotel**

# Hangzhou

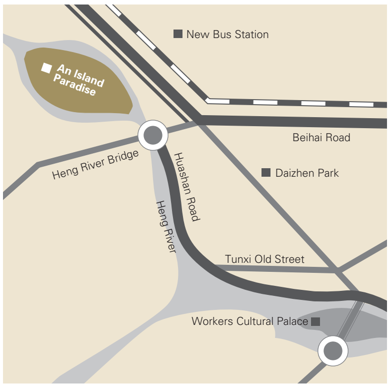
## Grand Canal Milestone

Total GFA: **208,000 sq.m.**

Total saleable GFA: **140,000 sq.m.**

Attributable interest to our Group: **70%**

Usage: **Residential and Retail Space**


## An Island Paradise

Total GFA: **90,000 sq.m.**

Total saleable GFA: **89,000 sq.m.**

Attributable interest to our Group: **100%**

Usage: **Residential and Villa**

Huangshan

Shanghai

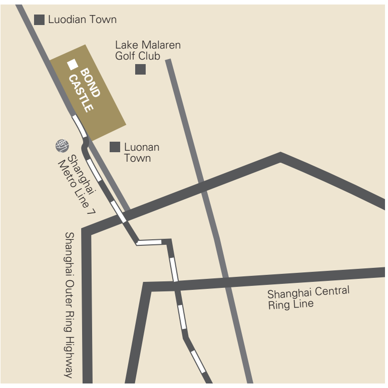
## BOND CASTLE

Total GFA: **224,000 sq.m.**

Total saleable GFA: **90,000 sq.m.**

Attributable interest to our Group: **100%**

Usage: **Residential and Villa**




## Wuhan

## Ocean Manor

Total GFA: **78,000 sq.m.**

Total saleable GFA: **72,000 sq.m.**

Attributable interest to our Group: **55%**

Usage: **Residential and Villa**

## Chongqing

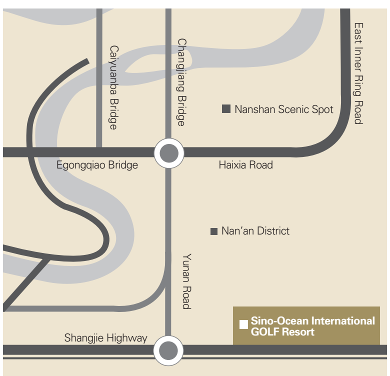
## Sino-Ocean International GOLF Resort

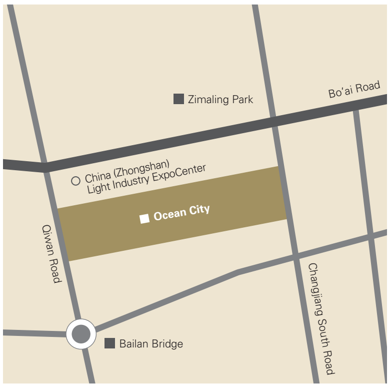
Total GFA: **581,000 sq.m.**

Total saleable GFA: **499,000 sq.m.**

Attributable interest to our Group: **97.75%**

Usage: **Residential and Retail Space**






## Ocean City

Total GFA: **1,965,000 sq.m.**

Total saleable GFA: **1,829,000 sq.m.**

Attributable interest to our Group: **100%**

Usage: **Residential and Retail Space**

Zhongshan

Haikou

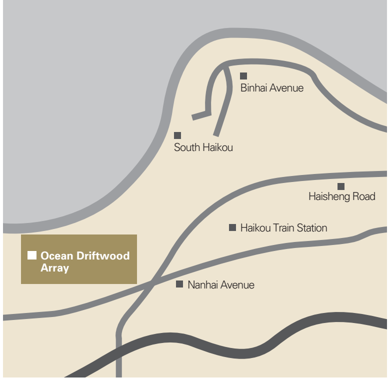
## Ocean Driftwood Array

Total GFA: **109,000 sq.m.**

Total saleable GFA: **77,000 sq.m.**

Attributable interest to our Group: **70%**

Usage: **Residential and Villa**



## EXECUTIVE DIRECTOR

**Mr. LI Ming (李明)**

Aged 48, is the Chairman of the Board and the chairman of the Investment Committee of the Board of the Company. Mr. Li joined the Group as a general manager in July 1997 and became the Chief Executive Officer in August 2006. Mr. Li also serves as the chairman, legal representative, a director or a general manager of a number of our subsidiaries and project companies. With extensive experience in corporate governance, property development and property investment, Mr. Li is primarily responsible for our Company's overall operation management and the implementation of development strategies. Mr. Li obtained a Bachelor's Degree in Motor Vehicle Transportation from the Jilin Industrial University in July 1985 and a Master's Degree in Business Administration from the China Europe International Business School in May 1998; he also obtained a senior engineer qualification. Mr. Li is currently a member of the Chinese People's Political Consultative Conference of the Beijing Municipality, a member of the People's Congress of the Chaoyang District of the Beijing Municipality, the decision-making and advisory expert of the Real Estate Market Regulation of the Ministry of Housing and Urban-Rural Development and the vice-president of the China Real Estate Association.

## EXECUTIVE DIRECTOR

**Mr. WANG Xiaoguang (王曉光)**

Aged 48, is the Chief Operating Officer of the Company. Mr. Wang joined the Group in December 2008. Mr. Wang also serves as the chairman and/or legal representative of a number of our subsidiaries and project companies. With extensive experience in property development and property investment, Mr. Wang is extensively involved in the Company's overall management, primarily responsible for the comprehensive operation management of the development business of the Group. Mr. Wang obtained a Bachelor's Degree in Machinery from the Jilin University in July 1986 and obtained a Master's Degree in Business Administration from the Dongbei University of Finance and Economics in June 2005. Mr. Wang is currently a member of the Internal and Judicial Affairs Committee of People's Congress of Dalian Municipality, the vice chairman of Dalian General Chamber of Commerce, and the vice chairman of Liaoning Province Real Estate Development Association.

## EXECUTIVE DIRECTOR

**Mr. CHEN Runfu（陳潤福）**

Aged 47, is the Vice President and a member of the Investment Committee of the Board of the Company. Mr. Chen joined the Group in 1995. Mr. Chen also serves as the director or a general manager of a number of our subsidiaries and project companies. With extensive experience in property development and property investment, Mr. Chen is primarily responsible for the Group's strategy management, investment management, equity management and branding management. Mr. Chen obtained a Bachelor's Degree in Harbour and Channel Engineering from the Dalian Institute of Technology (currently the Dalian University of Technology) in July 1986 and a Master's Degree in Business Administration from the China Europe International Business School in September 2005.

## NON-EXECUTIVE DIRECTOR

**Ms. LIU Hui（劉暉）**

Aged 42, joined the Group in March 2010. Ms. Liu has 20 years of working experience in banking and investment management fields. She held various positions including general manager and deputy general manager of China Life Insurance Asset Management Company Limited and a division head of the headquarters of China Construction Bank. She was appointed as general manager of investment management department of China Life Insurance Company Limited ("China Life") in February 2009. Ms. Liu graduated from the Renmin University of China with a Bachelor's Degree in Economics in July 1992, and obtained a Master's Degree in Business Administration from the Tsinghua University in June 2000. She is a senior economist. Ms. Liu is recommended by China Life.

## NON-EXECUTIVE DIRECTOR

**Mr. YANG Zheng（楊征）**

Aged 42, joined the Group in March 2011. Mr. Yang joined China Life as assistant to the general manager of the finance department in July 2005 and was promoted to the deputy general manager of the same department in October 2006. Mr. Yang has been the general manager of the finance department of China Life since March 2009. Prior to joining China Life, Mr. Yang worked at China North Industries Corp. from August 1993 to August 1998 and acted as a senior financial analyst position at Molex Inc. in USA from July 2000 to June 2005. Mr. Yang graduated from Beijing University of Technology in 1993. He then obtained a Master's Degree in Business Administration from Northeastern University in 2000. Mr. Yang is an economist, and a member of American Institute of Certified Public Accountants and Association of Chartered Certified Accountants. Mr. Yang is recommended by China Life.

## NON-EXECUTIVE DIRECTOR

**Mr. CHEUNG Vincent Sai Sing（張世成）**

Aged 31, joined the Group in March 2011. Mr. Cheung joined Nan Fung Development Limited（"Nan Fung Development"）in 2009. Mr. Cheung currently holds a position as director of Nan Fung Development and is responsible for leading the daily operation and the proposition, consultation, and approval of investments of Nan Fung Development and its affiliated companies. He has extensive experience in the financial sector. Before joining Nan Fung Development, Mr. Cheung was vice president of the Interest Rates Structuring at Barclays Capital Asia Limited from 2008 to 2009, where he worked with a number of institutional and retail clients in Asia. Before that, Mr. Cheung was the vice president of the Interest Rates Structuring and Medium Term Notes Trading at Citigroup Global Markets Asia Limited from 2004 to 2008. Mr. Cheung has become a Committee Member of the All-China Youth Federation and a Council Member of the Hong Kong United Youth Association since 2010. Mr. Cheung graduated from the University of California, Berkeley, graduating with honors in Molecular and Cell Biology in 2003. Mr. Cheung is recommended by Nan Fung Development.

## INDEPENDENT NON-EXECUTIVE DIRECTOR

**Mr. TSANG Hing Lun（曾慶麟）**

Aged 62, is the chairman of the Audit Committee and a member of the Investment Committee of the Board of the Company. Mr. Tsang joined the Group in June 2007. Mr. Tsang is a fellow member of the Hong Kong Institute of Directors, the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Mr. Tsang graduated from the Chinese University of Hong Kong with a Bachelor's Degree in Business Administration (Hons) in 1973. Mr. Tsang has served in a senior management capacity in several publicly listed companies operating in Hong Kong and Singapore. Mr. Tsang joined Hang Seng Bank in 1973 and served for 17 years. He acted as an assistant general manager of the planning and development division. He joined the UOB Group in Singapore in 1990 as its head of International Branches Division and its first vice president. Mr. Tsang also acted as an executive director of China Champ Group in 1994, as an alternate chief executive and a deputy general manager of the China Construction Bank, Hong Kong Branch from 1995 to 1998. Mr. Tsang currently acts as an independent non-executive director and the chairman of the audit committee of Sinotrans Shipping Limited, Beijing Media Corporation Limited and China Rongsheng Heavy Industries Group Holdings Limited, companies listed on the Stock Exchange. He is also an independent non-executive director of China GrenTech Corporation Limited, a company listed on the NASDAQ of USA.

## INDEPENDENT NON-EXECUTIVE DIRECTOR

**Mr. GU Yunchang（顧雲昌）**

Aged 67, is a member of the Audit Committee, Remuneration and Nomination Committee and the Investment Committee of the Board of the Company. Mr. Gu joined the Group in June 2007. He joined the Ministry of Construction in 1979 and has over 30 years' experience in market theory and policy research, including research and analysis of the PRC property market. Mr. Gu has participated in state level research projects such as "2000 China" and "National Xiaokang Residential Property Technological Industry Project". Mr. Gu has been awarded the First Class National Science Technology Advance Award in China twice. Mr. Gu was appointed as the vice-president and the secretary-general of the China Real Estate Association from August 1998 to March 2006, and was appointed as the vice-chairman of the China Real Estate Association Research in the PRC in 2006. Mr. Gu currently serves as an independent director of E-House (China) Holdings Limited, a company listed on the New York Stock Exchange in USA. Mr. Gu had been an independent non-executive director of Shimao Property Holdings Limited, a company listed on the Stock Exchange and retired on 12 May 2011.

## INDEPENDENT NON-EXECUTIVE DIRECTOR

**Mr. HAN Xiaojing（韓小京）**

Aged 57, is the chairman of the Remuneration and Nomination Committee and a member of the Audit Committee and the Investment Committee of the Board of the Company. He joined the Group in June 2007. Mr. Han is the founding partner of the Commerce & Finance Law Offices. He has over 24 years' practical experience in corporate and securities law in China especially in the restructuring of large-scale state-owned enterprises and private companies and offshore listing of the Chinese companies. Mr. Han obtained a Master's Degree in Law from the China University of Political Science and Law in 1985. He is currently an independent director of Shenzhen Overseas Chinese Town Holding Company, a company listed on the Shenzhen Stock Exchange in the PRC and an independent non-executive director of Far East Horizon Limited, a company listed on the Stock Exchange. Mr. Han had been a supervisor of Beijing Capital International Airport Company Limited, a company listed on the Stock Exchange and retired on 15 June 2011.

## INDEPENDENT NON-EXECUTIVE DIRECTOR

**Mr. ZHAO Kang（趙康）**

Aged 63, is a member of the Remuneration and Nomination Committee and the Investment Committee of the Board of the Company. He joined the Group in June 2007. With extensive experience in real estate industry, Mr. Zhao joined the Committee of Beijing Municipal and Rural Construction from 1978 to 1980, and was appointed the deputy general manager, general manager and chairman of Beijing Urban Development (Group) Co., Ltd. from 1980 to 2005. In 2005, Mr. Zhao was the chairman of Beijing National Olympics Investment Company Limited（北京國奧投資有限公司）which was in charge of the development of the Beijing Olympics Village and the National Gymnasium in Beijing. Mr. Zhao graduated from the Department of Construction at the Tsinghua University in 1975. Mr. Zhao is currently a member of the Eleventh Committee of the Chinese People's Political Consultative Conference of the Beijing Municipal. Mr. Zhao had been an independent director of Beijing Capital Co. Ltd., a company listed on the Shanghai Stock Exchange in the PRC.

## SENIOR MANAGEMENT

**Mr. LI Jianbo (李建波),** aged 49, is a Vice President. Mr. Li joined the Group in September 2009. With extensive experience in human resources and operation management in multi-national companies, Mr. Li is the joint secretary of the Board of the Company, primarily engaged in the overall operation management and workflow management, and responsible for administrative secretarial works and human resources management of the Company. Mr. Li obtained a Bachelor's Degree in Computer Engineering from the Tsinghua University in July 1985 and obtained a Master's Degree in Business Administration from the State University of New Jersey in August 2000. Mr. Li was the chairman and an executive director of Gemini Investments (Holdings) Limited, a subsidiary of the Company and a company listed on the Stock Exchange.

**Mr. XU Li (徐立),** aged 50, is a Vice President. Mr.Xu joined the Group in October 1997. With extensive experience in property development and property investment, Mr. Xu is primarily engaged in the overall management of the Company's operations and in charge of the daily management of the Company's Beijing regional management department and assisting the presidents in the operation management of the Group's development business. Mr. Xu obtained a Bachelor's Degree in Industrial and Residential Construction from the Liaoning Radio and Television University in December 1992 and obtained a Master's Degree in Business Administration from Cheung Kong Graduate School of Business in September 2010.

**Ms. ZHOU Tong (周彤),** aged 48, is a Vice President. Ms. Zhou joined the Group in August 2003. With extensive experience in property design, property development and property investment, Ms. Zhou is primarily engaged in the overall management of the Company's operations, investigation, design, research and development as well as overall coordination of the Group's key projects, assisting in the operation of the Group's development business. and responsible for property management business. Ms. Zhou obtained a Bachelor's Degree in Architecture from the Tongji University in July 1986 and obtained a Master's Degree in Business Administration from the China Europe International Business School in September 2009.

**Mr. SUM Pui Ying, Adrian (沈培英),** aged 50, is the Chief Financial Officer and the Company Secretary. Mr. Sum joined the Group in May 2007. Mr. Sum is a fellow member of the Hong Kong Institute of Certified Public Accountant and a member of the Institute of Chartered Accountants in England & Wales. With extensive experience in governing the companies listed on the Hong Kong Stock Exchange, Mr. Sum is primarily engaged in the overall management of the Company's operations and responsible for the Company's financial management, company secretarial and compliance affairs, real estate, financial and investor relationship affairs and assisting in corporate financing and investment management. Mr. Sum obtained a Professional Diploma in Accounting from the Hong Kong Polytechnic University in 1988, a Master's Degree in Business Administration from the University of Wales in 1991 and a Diploma in Legal Studies from the University of Hong Kong in 1996. Mr. Sum is the chairman and a non-executive director of Gemini Investments (Holdings) Limited, a subsidiary of the Company and a company listed on the Stock Exchange.

**Mr. CHEN Zuyuan (諶祖元),** aged 50, is a Vice President. Mr. Chen joined the Group in February 2003. With extensive experience in property development and planning and design, Mr. Chen is primarily engaged in the overall management of the Company's operations, investigation, design, research and development as well as overall coordination of the Group's key projects, assisting for the comprehensive operation management of the development business and in charge of the management of the operations of the project companies in Zhongshan (including Shenzhen). Mr. Chen obtained a Bachelor's Degree in Industrial and Civil Construction from the Hunan University in July 1983 and a Master's Degree in Business Administration from the China Europe International Business School in September 2006.

**Mr. LU Zhijun (陸志軍),** aged 43, is a Vice President. Mr. Lu joined the Group in January 2009. With extensive experience in property development and property investment, Mr. Lu is primarily responsible for the overall operation management of the Company, in charge of the daily management of the Company's Dailian regional management department and assisting the presidents in the operation management of the Group's development business. Mr. Lu obtained a Master's Degree in Business Administration from the Dongbei University of Finance and Economics in June 2006.

The Board is pleased to present its report and the audited financial statements of the Company and of the Group for the year ended 31 December 2011.

## Principal operations and geographical analysis of operations

The Company is an investment holding company. Its subsidiaries are mainly engaged in the real estate development, construction, reparation and decoration, property investment, property management and hotel operation businesses. The Group is one of the largest real estate companies in Beijing.

The analysis of the Group's revenue and operating results in its major operation activities is set out in note 6 to the consolidated financial statements.

## Results and appropriations

Results of the Group for the year ended 31 December 2011 are set out in the consolidated income statement on page 83.

During the year under review, an interim dividend in respect of the period ended 30 June 2011 of HKD0.05 per ordinary share and a final dividend in respect of the financial year ended 31 December 2010 of HKD0.08 per ordinary share were paid respectively.

The Directors proposed to recommend at the forthcoming annual general meeting to be held on 11 May 2012 the payment of a final dividend of HKD0.10 per ordinary share for the year ended 31 December 2011. The final dividend will be paid in cash, with a scrip dividend option offered to all shareholders excluding shareholders with registered addresses outside Hong Kong. The final dividend and the scrip dividend option are subject to the approval of the shareholders at the forthcoming annual general meeting and the granting by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the new shares. The final dividend will be paid to the shareholders whose name is standing in the register of members of ordinary shares of the Company on Thursday, 17 May 2012. In order to qualify for the proposed final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar (the "Share Registrar"), Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Thursday, 17 May 2012.

The register of members of ordinary shares of the Company will be closed from Tuesday, 8 May 2012 to Friday, 11 May 2012 (both dates inclusive), during which period, no transfer of ordinary shares will be registered. In order to qualify for attending the forthcoming annual general meeting, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Share Registrar no later than 4:30 p.m. on Monday, 7 May 2012.

## Reserves

Movements in the reserves of the Group and the Company during the year under review are set out in note 28 to the consolidated financial statements.

## Distributable reserves

The Company's total distributable reserves as at 31 December 2011 amounted to RMB1,022 million.

## Share capital

Movements in the share capital of the Company during the year under review and as at 31 December 2011 are set out in note 26 to the consolidated financial statements.

## Fixed assets

Movements in the Group's fixed assets are set out in note 7 to the consolidated financial statements.

## Borrowings and capitalization of interests

Details of borrowings are set out in note 32 to the consolidated financial statements. Details of the Group's capitalized interest expenses and other borrowing costs during the year under review are set out in note 40 to the consolidated financial statements.

## Donations

For the year ended 31 December 2011, the Group's donations to charity and other purposes were approximately RMB2.77 million (2010: RMB5.95 million).

## Remuneration policy and retirement benefits

The Group's remuneration system has been determined by reference to the corporate business performance, the efficiency and accomplishments of the staff, and the remuneration level of the same industry in the market. The Company offers share options and introduces restricted share award scheme to the competitive staff so as to provide staff salaries and benefits with market competitiveness and to ensure availability of human resources for the sustained development of the Company.

Details of the Group's the retirement benefit plans are set out in note 39 to the consolidated financial statements.

## Five-year financial summary

A five-year financial summary of the Group is set out on page 189.

## Purchase, sale or redemption of the Company's listed securities

During the year under review, the Company repurchased a total of 14,300,000 ordinary shares of the Company at an average purchase price of approximately HKD3.40 per share on the Stock Exchange. Details of the repurchases of such ordinary shares were as follows:

| Month of repurchase | Number of ordinary shares repurchased | Price per ordinary share Highest HKD | Lowest HKD | Aggregate purchase price HKD |
|---|---|---|---|---|
| June 2011 | 7,000,000 | 3.65 | 3.57 | 25,407,725 |
| August 2011 | 4,000,000 | 3.39 | 3.34 | 13,460,138 |
| September 2011 | 3,300,000 | 3.00 | 2.87 | 9,748,770 |
| | 14,300,000 | | | 48,616,633 |
| | | Expenses on share repurchased | | 90,706 |
| | | | | 48,707,339 |

During the year under review, 14,300,000 ordinary shares being repurchased were cancelled and the issued share capital of the Company was reduced by the par value thereof. The above repurchases were effected by the Directors, pursuant to the mandate granted by shareholders in the Company's Annual General Meeting held on 12 May 2011, with a view to benefit shareholders as a whole in enhancing the net assets value and the earnings per share of the Company.

Save as disclosed above and those disclosed in the paragraph headed "Restricted Share Award Scheme", neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the year under review.

## Convertible Securities

As announced by the Company on 27 July 2010, the perpetual subordinated convertible securities (the "Convertible Securities") were issued by a wholly-owned subsidiary of the Company, in an aggregate principal amount of USD900 million. The net proceeds from the issue of the Convertible Securities were applied in financing new and existing projects (including construction costs and land costs) and for general corporate purpose. Details of Convertible Securities are set out in note 30 to the consolidated financial statements.

## Capital Securities

As announced by the Company on 6 May 2011, the perpetual subordinated capital securities callable 2016 (the "Capital Securities") were issued by a wholly-owned subsidiary of the Company, in an aggregate principal amount of USD400 million, which have been fully subscribed by certain investors. The net proceeds from the issue of the Capital Securities were applied to finance new and existing projects (including construction costs, land costs and investment properties) and for general corporate purposes. Details of the Capital Securities are set out in note 31 to the consolidated financial statements.

## Restricted Share Award Scheme

As an incentive to retain and encourage the employees of the Group for the continual operation and development of the Group, the Board of the Company resolved to adopt the restricted share award scheme (the "Award Scheme") on 22 March 2010 (the "Adoption Date"). Unless early terminated by the Board of the Company, the Award Scheme shall continue in full force and effect from the Adoption Date for a term of 10 years. According to the Award Scheme, shares up to 3% of the issued share capital of the Company as at the Adoption Date will be purchased by the trustee from the market out of cash contributed by the Group and be held in trust for the relevant selected employees until such shares are vested with the relevant selected employees in accordance with the provisions of the Award Scheme. The total number of shares to be purchased under the Award Scheme cannot exceed 169,104,822 shares, representing 2.99% of the total number of shares of the Company as at 31 December 2011.

During the year under review, the trustee has acquired 12,174,318 shares, through purchase from the market and receiving scrip dividend, at an aggregate consideration of HKD45 million (including transaction costs) approximately. As at 31 December 2011, the trustee held a total of 33,702,318 shares of the Company, representing 0.60% of the issued share capital of the Company as at the Adoption Date.

During the year under review and since the Adoption Date, a total of 16,991,200 shares of the Company have been awarded to the directors and employees of the Group at no consideration, and none of them was vested.

## Share Option Scheme

A share option scheme of the Company (the "Share Option Scheme"), which was approved by the shareholders' written resolutions, is valid and effective for a period of 10 years until 27 September 2017, unless it is terminated early in accordance with the provisions of the Share Option Scheme. Under the Share Option Scheme, the Board may grant share options to eligible employees and Directors. The purpose of the Share Option Scheme is to provide an incentive for employees of the Group to work with commitment towards enhancing the value of the Company and its shares for the benefit of the shareholders and to compensate employees of the Group for their contribution based on their individual performance and that of the Company.

The total number of shares in respect of which share options may be granted under the Share Option Scheme is not permitted to exceed 424,286,000 shares, representing 7.50% of the total number of shares of the Company as at 31 December 2011. Without prior approval from the Company's shareholders, the number of shares in respect of which share options were granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time.

The share options granted under the Share Option Scheme are exercisable within five years period in which 40% of share options become exercisable after one year from the offer date, 70% of share options become exercisable after two years from the offer date, and all share options become exercisable after three years from the offer date. A consideration of HKD1.00 is payable by each grantee accepting on the grant of share options. Options are exercisable at a price that is determined by the Board of the Company, which will not be less than the higher of the closing price of the Company's shares on the offer date, and the average closing prices of the shares for the five business days immediately preceding the offer date.

During the year under review, movements of share options granted to the Directors, chief executives, and employees of the Group under the Share Option Scheme are as follows:

| | Date of share option granted | Exercise price per share (HKD) | No. of share options outstanding as at 1 January 2011 | No. of share options granted during the year | No. of share options exercised during the year (note) | No. of share options lapsed during the year | No. of share options outstanding as at 31 December 2011 |
|---|---|---|---|---|---|---|---|
| **Directors** | | | | | | | |
| Mr. LI Ming | 8 Oct 2007 | 7.70 | 4,280,000 | — | — | — | 4,280,000 |
| | 19 Sept 2008 | 2.55 | 3,000,000 | — | — | — | 3,000,000 |
| | 30 July 2009 | 8.59 | 4,280,000 | — | — | — | 4,280,000 |
| Mr. LIANG Yanfeng | 8 Oct 2007 | 7.70 | 1,430,000 | — | — | (1,430,000) | — |
| | 19 Sept 2008 | 2.55 | 500,000 | — | — | (500,000) | — |
| | 30 July 2009 | 8.59 | 1,430,000 | — | — | (1,430,000) | — |
| Mr. WANG Xiaoguang | 19 Sept 2008 | 2.55 | 500,000 | — | — | — | 500,000 |
| | 30 July 2009 | 8.59 | 800,000 | — | — | — | 800,000 |
| | 5 Oct 2009 | 7.11 | 910,000 | — | — | — | 910,000 |
| Mr. CHEN Runfu | 8 Oct 2007 | 7.70 | 1,710,000 | — | — | — | 1,710,000 |
| | 19 Sept 2008 | 2.55 | 1,000,000 | — | — | — | 1,000,000 |
| | 30 July 2009 | 8.59 | 1,710,000 | — | — | — | 1,710,000 |
| Mr. TSANG Hing Lun | 24 Jan 2008 | 7.70 | 140,000 | — | — | — | 140,000 |
| | 19 Sept 2008 | 2.55 | 60,000 | — | (30,000) | — | 30,000 |
| | 30 July 2009 | 8.59 | 200,000 | — | — | — | 200,000 |
| Mr. GU Yunchang | 24 Jan 2008 | 7.70 | 200,000 | — | — | — | 200,000 |
| | 19 Sept 2008 | 2.55 | 100,000 | — | — | — | 100,000 |
| | 30 July 2009 | 8.59 | 200,000 | — | — | — | 200,000 |
| Mr. HAN Xiaojing | 24 Jan 2008 | 7.70 | 200,000 | — | — | — | 200,000 |
| | 19 Sept 2008 | 2.55 | 100,000 | — | — | — | 100,000 |
| | 30 July 2009 | 8.59 | 200,000 | — | — | — | 200,000 |
| Mr. ZHAO Kang | 24 Jan 2008 | 7.70 | 200,000 | — | — | — | 200,000 |
| | 19 Sept 2008 | 2.55 | 100,000 | — | — | — | 100,000 |
| | 30 July 2009 | 8.59 | 200,000 | — | — | — | 200,000 |
| **Subtotal** | | | 23,450,000 | — | (30,000) | (3,360,000) | 20,060,000 |

| | Date of share option granted | Exercise price per share (HKD) | No. of share options outstanding as at 1 January 2011 | No. of share options granted during the year | No. of share options exercised during the year (note) | No. of share options lapsed during the year | No. of share options outstanding as at 31 December 2011 |
|---|---|---|---|---|---|---|---|
| **Employees** | | | | | | | |
| | 28 Sept 2007 | 7.70 | 52,175,500 | — | — | (1,970,000) | 50,205,500 |
| | 24 Jan 2008 | 7.70 | 8,190,000 | — | — | (620,000) | 7,570,000 |
| | 19 Sept 2008 | 2.55 | 22,216,000 | — | (952,500) | (429,000) | 20,834,500 |
| | 30 July 2009 | 8.59 | 17,050,000 | — | — | (375,000) | 16,675,000 |
| | 2 Sept 2009 | 7.01 | 21,750,000 | — | — | (1,859,000) | 19,891,000 |
| | 5 Oct 2009 | 7.11 | 25,730,000 | — | — | (1,095,000) | 24,635,000 |
| **Subtotal** | | | 147,111,500 | — | (952,500) | (6,348,000) | 139,811,000 |
| **Total** | | | 170,561,500 | — | (982,500) | (9,708,000) | 159,871,000 |

Note: The weighted average price of the shares immediately before the dates on which the share options were exercised was HKD4.02.

## Directors

The table below sets out certain information on the members of the Board during the year and up to the date of this report:

| Name | Position |
|---|---|
| Mr. LI Ming | Executive Director and Chairman |
| Mr. WANG Xiaoguang | Executive Director |
| Mr. CHEN Runfu | Executive Director |
| Ms. LIU Hui | Non-executive Director |
| Mr. YANG Zheng | Non-executive Director (appointed on 18 March 2011) |
| Mr. CHEUNG Vincent Sai Sing | Non-executive Director (appointed on 18 March 2011) |
| Mr. LIANG Yanfeng | Non-executive Director (resigned on 18 March 2011) |
| Mr. WANG Xiaodong | Non-executive Director (resigned on 18 March 2011) |
| Mr. TSANG Hing Lun | Independent non-executive Director |
| Mr. GU Yunchang | Independent non-executive Director |
| Mr. HAN Xiaojing | Independent non-executive Director |
| Mr. ZHAO Kang | Independent non-executive Director |

In accordance with Article 110 of the Articles of Association of the Company, Mr. WANG Xiaoguang, Ms. LIU Hui, Mr. HAN Xiaojing and Mr. ZHAO Kang shall retire by rotation and, being eligible, offer themselves for re-election pursuant to Article 112 of the Articles of Association at the forthcoming annual general meeting.

Brief biographical details of the Directors and senior management are set out on pages 55 to 60.

## Directors' service contracts

None of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with any member of the Company which is not determinable within one year without the payment of compensation other than statutory compensation.

## Directors' interests in contracts of significance

No contract of significance in relation to the Group's business to which the Company, any of its subsidiaries, fellow subsidiaries or its parent company was a party and in which any Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the financial year or at any time during the financial year under review.

## Directors' rights to purchase shares or debentures

Save for the share options granted pursuant to the Share Option Scheme as set out above, at no time during the year under review, was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18, were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

## Interests of Directors and chief executives in shares and underlying shares and debentures

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

| Name | Nature of interest | Number of ordinary shares held (long position) | Number of underlying shares comprised in share options (note i) | Restricted shares (note ii) | Total | Percentage in the Company's issued share capital |
|---|---|---|---|---|---|---|
| Mr. LI Ming | Founder of discretionary trust | 125,878,375 (note iii) | — | — | 125,878,375 | 2.224% |
| | Beneficial owner | — | 11,560,000 | 2,226,200 | 13,786,200 | 0.244% |
| Ms. LIU Hui | Beneficial owner | — | — | 60,000 | 60,000 | 0.001% |
| Mr. WANG Xiaoguang | Interest of controlled corporation | 102,355,189 (note iv) | — | — | 102,355,189 | 1.808% |
| | Beneficial owner | — | 2,210,000 | 749,200 | 2,959,200 | 0.052% |
| Mr. CHEN Runfu | Beneficial owner | — | 4,420,000 | 535,100 | 4,955,100 | 0.088% |
| Mr. TSANG Hing Lun | Beneficial owner | 70,000 | 370,000 | 60,000 | 500,000 | 0.009% |
| Mr. GU Yunchang | Beneficial owner | — | 500,000 | 60,000 | 560,000 | 0.010% |
| Mr. HAN Xiaojing | Beneficial owner | — | 500,000 | 60,000 | 560,000 | 0.010% |
| Mr. ZHAO Kang | Beneficial owner | — | 500,000 | 60,000 | 560,000 | 0.010% |

Notes:

i. The share options were granted pursuant to the share option scheme of the Company, the details of which are set out as above in the paragraph headed "Share Option Scheme" and the prospectus of the Company dated 14 September 2007.

ii. The restricted shares were granted pursuant to the restricted share award scheme of the Company, the details of which are set out as above in the paragraph headed "Restricted Share Award Scheme".

iii. The 125,878,375 shares are held by a discretionary trust of which Mr. LI Ming is the founder.

iv. The 102,355,189 shares were registered in the name of, and beneficially owned by Key Sky Group Limited. Mr. WANG Xiaoguang was interested in 50% of Key Sky Group Limited. Mr. Wang was deemed to be interested in these shares by virtue of the SFO.

Save as disclosed above, none of the directors nor the chief executives of the Company or their associates had any interest or short positions in any of the shares, underlying shares or debentures of the Company or any of its associated corporations as defined in the SFO.

## Substantial shareholders and other persons' interests and short positions in shares and underlying shares

The register of substantial shareholders required to be kept by the Company under section 336 of Part XV of the SFO shows that as at 31 December 2011, the Company had been notified of the following substantial shareholders' interests and short positions in the shares of the Company, being interests of 5% or more, in addition to those disclosed above in respect of the Directors and chief executives of the Company.

| Name of shareholders | Capacity | Long/short position | Number of ordinary shares held | Number of ordinary shares convertible under the Convertible Securities | Percentage in the Company's issued share capital |
|---|---|---|---|---|---|
| China Life Insurance (Group) Company (note i) | Interest of controlled corporation | Long | 1,384,147,850 | — | 24.45% |
| CHEN Din Hwa (note ii) ("Mr. Chen") | Interest of controlled corporation | Long | 784,417,500 | — | 13.86% |
| | Person having a security Interest in shares | Long | 214,500,000 | — | 3.79% |
| | Interest of controlled corporation | Long | — | 510,543,065 | 9.02% |
| HSBC Trustee (Guernsey) Limited (note iii) | Interest of controlled corporation | Long | 287,105,000 | — | 5.07% |

Notes:

(i) The 1,384,147,850 shares were registered in the name of, and beneficially owned by, China Life Insurance Company Limited. China Life Insurance (Group) Company was interested in 68.37% of China Life Insurance Company Limited.

(ii) Mr. Chen held a long position in aggregate of 998,917,500 shares of the Company and 510,543,065 shares convertible under the Convertible Securities comprising:

(a) 662,425,500 shares and 121,992,000 shares were beneficially owned by Spring Glory Investment Limited and Gavast Estates Limited respectively. Both Spring Glory Investment Limited and Gavast Estates Limited were wholly-owned by Keymark Associates Limited. Keymark Associates Limited was wholly-owned by Nan Fung Textiles Consolidated Limited. Nan Fung Textiles Consolidated Limited was wholly-owned by Chen's Holdings Limited. Chen's Holdings Limited was wholly-owned by Nan Fung International Holdings Limited. Nan Fung International Holdings Limited was wholly-owned by Chen's Group International Limited, which in turn was wholly-owned by Mr. Chen;

(b) 214,500,000 shares in which Nan Fung Finance Limited has a security interest. Nan Fung Finance Limited was wholly-owned by Nan Fung Textiles Consolidated Limited. Nan Fung Textiles Consolidated Limited was wholly-owned by Chen's Holdings Limited. Chen's Holdings Limited was wholly-owned by Nan Fung International Holdings Limited. Nan Fung International Holdings Limited was wholly-owned by Chen's Group International Limited, which in turn was wholly-owned by Mr. Chen;

(c) 510,543,065 shares convertible under the Convertible Securities were beneficially owned by Kind Talent Limited. Kind Talent Limited was wholly-owned by Absolute Gain Trading Ltd.. Absolute Gain Trading Ltd. was wholly-owned by Chen's Holdings Limited. Chen's Holdings Limited was wholly-owned by Nan Fung International Holdings Limited. Nan Fung International Holdings Limited was wholly-owned by Chen's Group International Limited, which in turn was wholly-owned by Mr. Chen. Details of Convertible Securities can be referred to the Company's announcement made on 13 July 2010; and

(d) Mr. Chen was no longer deemed to be interest in the shareholdings of Mrs. Chen Yang Foo Oi, which was previously reported as Mr. Chen's "spouse interest".

(iii) The 287,105,000 shares were registered in the name of, and beneficially owned by, Crystal Will Holdings Limited. Crystal Will Holdings Limited was wholly-owned by Wharf China Development Limited. Wharf China Development Limited was wholly-owned by Wharf China Holdings Limited. Wharf China Holdings Limited was wholly-owned by The Wharf (Holdings) Limited. WF Investment Partners Limited was interest in 42.98% of The Wharf (Holdings) Limited. WF Investment Partners Limited was wholly-owned by Wheelock Investments Limited. Wheelock Investments Limited was wholly-owned by Wheelock and Company Limited. HSBC Trustee (Guernsey) Limited was interest in 48.98% of Wheelock and Company Limited.

Save as disclosed above, as at 31 December 2011, no person or corporation had any interest in the share capital of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO as having an interest in 5% or more of, or any short position in, the issued share capital of the Company.

## Pre-emptive rights

There is no provision for pre-emptive rights under the articles of association of the Company and there is no restriction against such rights which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

## Competing interests

None of the Directors has interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

## Management contracts

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

## Major suppliers and customers

The Group's principal operation is in property development. During the year under review, purchase from the Group's five largest suppliers (excluding land supply) accounted for less than 30% of the total purchase for the year.

The Group's major products are principally commodity housings, and its major customers bases are general individual home buyers, involving a relatively large number of customers. During the year under review, sales to the Group's five largest customers accounted for less than 30% of the turnover for the year.

As far as the Directors are aware, neither the Directors, their associates, nor the substantial shareholders had any interest in the five largest customers and suppliers of the Group.

## Connected transactions

Pursuant to Chapter 14A of the Listing Rules, the following connected transactions are required to be disclosed in the annual report of the Company. The connected transactions which also constitute related party transactions are set out in note 49 to the consolidated financial statements.

### (i) FORMATION OF JOINT VENTURE

On 16 September 2011, Beijing Wanyang Shiji Chuangye Investment Management Limited (北京萬洋世紀創業投資管理有限公司) (an indirect wholly-owned subsidiary of the Company), China Life Investment Holdings Limited (國壽投資控股有限公司) ("China Life Investment"), China Life Insurance Asset Management Company Limited (中國人壽資產管理有限公司) ("China Life Asset Management") and Beijing Vantone Real Estate Co., Ltd. (北京萬通地產股份有限公司) entered into an articles and association of a joint venture to be established by the relevant parties for the development of a commercial property development project located on the land with a site area of approximately 7,840 square metres located at Central Business District, East Third Ring Road, Chaoyang District, Beijing, the PRC.

As at 16 September 2011, China Life Insurance Company Limited ("China Life") holds 24.08% of the then issued share capital of the Company and is a substantial shareholder of the Company. China Life Investment and China Life Asset Management are subsidiaries of China Life Insurance (Group) Company which is the holding company of China Life and thus associates of China Life. Therefore, China Life Investments and China Life Asset Management are connected persons of the Company for the purposes of Chapter 14A of the Listing Rules.

### (ii) Engagement Agreement between Sino-Ocean International Construction Limited, CCDI Limited and China Life Insurance Company Limited

On 4 November 2011, Sino-Ocean International Construction Limited (遠洋國際建設有限公司) ("SOL Construction") (an indirect wholly-owned subsidiary of the Company) and CCDI Limited (中建國際(深圳)設計顧問有限公司) ("CCDI") were notified that they have jointly won the bid for a design and construction engagement for the regional filing center of China Life located in Jinhua District, Zhejiang, the PRC. SOL Construction, CCDI and the Zhejiang branch of China Life have agreed to enter into an engagement agreement in respect of such engagement before 28 November 2011.

As at 4 November 2011, China Life holds 24.46% of the then issued share capital of the Company and is a substantial shareholder of the Company. Therefore, the Zhejiang branch of China Life is a connected person of the Company for the purpose of Chapter 14A of the Listing Rules.

## Sufficient public float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, the Company has maintained a sufficient public float of more than 25% of the Company's issued shares as required under the Listing Rules during the year.

## Corporate governance

The Company is committed to maintaining a high standard of corporate governance practices. Corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 72 to 77.

## Auditors

The consolidated financial statements for the year ended 31 December 2011 have been audited by PricewaterhouseCoopers, Certified Public Accountants, who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

**By order of the Board**

**LI Ming**
*Executive Director*

Hong Kong, 15 March 2012

The Board is pleased to present the Corporate Governance Report of the Company for the year ended 31 December 2011.

## Commitment to Corporate Governance

The Board and the management of the Group are committed to achieving and maintaining high standards of corporate governance, which they consider to be critical in safeguarding the integrity of the Company's operations and maintaining investors' trust in the Company. The management of the Group also actively observes the latest corporate governance developments in Hong Kong and overseas.

### Corporate governance practices

In the opinion of the Board, the Company has complied with the provisions of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Listing Rules throughout the year under review, except for the deviation as disclosed in this report.

### Directors' securities transactions

The Company has adopted a code of conduct regarding securities transactions by the directors (the "Code of Conduct") on terms no less exacting than the required standards set out in the Model Code in Appendix 10 of the Listing Rules. The Company has made specific enquiries with each Director and each of them confirmed that he or she had complied with all required standards under the Code of Conduct.

## THE BOARD

### Responsibilities

The Board is responsible for achieving the corporate goals, formulating the development strategy, regularly reviewing the organizational structure, and monitoring the business activities and the performance of management so as to protect and maximize the interests of the Company and its shareholders. Matters relating to the daily operations of the Group are delegated to the management. The delegated functions, power and work tasks are periodically reviewed to ensure that they remain appropriate. The Board will give clear directions to the management team as to their powers of management, and circumstances where the management team should report back. Approval has to be obtained from the Board prior to any decision being made or any commitments being entered into on behalf of the Company that are outside the scope of the operational authority delegated by the Board. Matters reserved for the Board are the overall strategy of the Group, major acquisitions and disposals, major capital investments, dividend policy, significant changes in accounting policies, material contracts, appointment and retirement of Directors, remuneration policy and other major operational and financial matters. During the year under review, the Board, among others, considered and approved the annual budget, management results and performance update against annual budget, together with business reports from the management, reviewed and approved the interim results for the period ended 30 June 2011 and the final results for the year ended 31 December 2011, approved the Group's major acquisitions and other critical business operations, assessed the internal control and the financial matters of the Group.

### Board composition

As at 31 December 2011, the Board comprises ten Directors, including three executive Directors, Mr. LI Ming, Mr. WANG Xiaoguang and Mr. CHEN Runfu; three non-executive Directors, Ms. LIU Hui, Mr. YANG Zheng and Mr. CHEUNG Vincent Sai Sing; and four independent non-executive directors ("INEDs"), Mr. TSANG Hing Lun, Mr. GU Yunchang, Mr. HAN Xiaojing and Mr. ZHAO Kang.

The members of the Board represent a wide background and rich industry experience with appropriate professional qualifications. Please refer to the section headed "Biographies of Directors and Senior Management" for the profiles of the Directors.

**(i) Chairman and Chief Executive Officer**

The roles of the chairman (the "Chairman") and the chief executive officer (the "Chief Executive Officer") of the Company have not been segregated as required under code A.2.1 of the CG Code, however, the Company considers that the combination of the roles of the Chairman and the Chief Executive Officer will involve a realignment of power and authority under the existing corporate structure and facilitate the ordinary business activities of the Company. Although the responsibilities of the Chairman and the Chief Executive Officer are vested in one person, all major decisions are made in consultation with the Board and the senior management of the Company. There are four INEDs and three non-executive Directors in the Board, The Board considers that there is sufficient balance of power and that the current arrangement maintains a strong management position and also facilities the ordinary business activities of the Company. The Board will review the current structure from time to time and will make any necessary arrangements as appropriate.

**(ii) Non-executive Directors and independent non-executive Directors**

During the year under review, the Board had four INEDs, being more than one-third of the Board and at all times met the requirements of the Listing Rules relating to the appointment of at least three INEDs with one of them possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received annual confirmations from each of the four INEDs in respect of their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all the INEDs are independent parties in accordance with the independence guidelines set out in the Listing Rules and free of any relationship that could materially interfere with the exercise of their independent judgements.

Ms. LIU Hui and Mr. YANG Zheng, the non-executive Directors, have agreed not to receive any director's emolument during the year under review.

## Appointment, re-election and removal of Directors

Pursuant to the articles of association (the "Articles") of the Company, any Director appointed by the Board to fill a casual vacancy or as an addition to the existing Board shall hold office only until the next following general meeting of the Company, and shall be eligible for re-election. Every Director, including the non-executive Director, is subject to retirement by rotation at least once every three years. One-third of the Directors must retire from office at each annual general meeting and their re-election is subject to the approval of shareholders.

In compliance with the provisions of the Articles of the Company, Mr. WANG Xiaoguang, Ms. LIU Hui, Mr. HAN Xiaojing and Mr. ZHAO Kang shall retire by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

## Board meetings

The Board conducts meeting on a regular basis and on an ad hoc basis, as required by business needs. During the year under review, the Board convened four meetings to approve interim and final results announcement, financial reports, to recommend or declare dividends and to discuss significant issues and general operation of the Company.

The number of board meetings attended by each Director during the year under review is set out in the following table:

| Directors | Meetings attended/held | Apologies given |
|---|---|---|
| Mr. LI Ming | 4/4 | — |
| Mr. WANG Xiaoguang | 4/4 | — |
| Mr. CHEN Runfu | 4/4 | — |
| Ms. LIU Hui | 2/4 | 2 |
| Mr. YANG Zheng (Appointed on 18 March 2011) | 3/4 | — |
| Mr. CHEUNG Vincent Sai Sing (Appointed on 18 March 2011) | 3/4 | — |
| Mr. LIANG Yanfeng (Resigned on 18 March 2011) | 1/4 | — |
| Mr. WANG Xioadong (Resigned on 18 March 2011) | 1/4 | — |
| Mr. TSANG Hing Lun | 4/4 | — |
| Mr. GU Yunchang | 4/4 | — |
| Mr. HAN Xiaojing | 4/4 | — |
| Mr. ZHAO Kang | 4/4 | — |

Notices of regular Board meetings were given to all Directors at least 14 days before the meetings. For other board committee meetings, reasonable notice is generally given.

The agenda accompanying board papers are given to all Directors in a timely manner. All Directors are properly briefed on issues arising at any Board meetings by the Chairman.

All Directors have full and timely access to all relevant information as well as advice and services of the company secretary of the Company (the "Company Secretary"). Upon making request to the Board, all Directors may obtain independent professional advice at the Company's expense for carrying out their functions.

Where a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter would only be dealt with by a Board meeting and only independent Directors who, and whose associates, have no material interest in the transaction would be present at such Board meeting.

## Training for Directors

For any newly appointed Director, he/she will be provided with an induction course so as to ensure that he/she has appropriate understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and the relevant regulatory requirements.

There are also arrangements in place for providing continuing briefing and professional development to Directors, whenever necessary, in order to ensure that they have a proper understanding of the Company's operations and business. To assist their continuous professional development, the Company Secretary recommends several relevant seminars and courses for the Directors to attend.

## Directors' and officers' liability insurance and indemnity

The Company has arranged appropriate liability insurance to indemnify its Directors and officers for their liabilities arising out of corporate activities. Throughout the financial year 2011, no claim has been made against the Directors and the officers of the Company.

## Company Secretary

The Company Secretary is also responsible for ensuring that board procedures comply with all applicable laws, rules and regulations and advising the Board on corporate governance matters.

The Company Secretary is responsible for taking and keeping minutes of all Board and board committee meetings. Draft version of minutes is normally circulated to the Directors for comment within a reasonable time after each meeting and the final version of which is open for the Directors' inspection.

Moreover, the Company Secretary is responsible for keeping all Directors updated on Listing Rules, regulatory requirements, as well as internal codes of conduct of the Company.

# Board Committees

The Board has set up three board committees, namely, the audit committee, the remuneration and nomination committee and the investment committee (collectively the "Board Committees"), for overseeing particular aspects of the Company's affairs.

The Board Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense.

## Audit Committee

The audit committee of the Company (the "Audit Committee") comprises three members who are all INEDs, namely Mr. TSANG Hing Lun (the chairman of the committee), Mr. GU Yunchang, and Mr. HAN Xiaojing. None of them is a member of the former or existing auditors of the Company.

The main duties of the Audit Committee are to audit and supervise the financial reporting procedures of the Group. The Audit Committee is also responsible for considering the appointment and remuneration of the auditors and any matters related to the removal and resignation of the auditors. In addition, the Audit Committee will need to examine and inspect the effectiveness of the Group's internal control, including conducting the reviews on a regular basis in respect of the internal control over various corporate structures and business procedures, and considering its potential risks and its imminence, so as to ensure the effectiveness of the Company's business operations and to achieve the corporate objectives and strategies. The scope of such reviews covers finance, operation, regulations and risk management. The Audit Committee will also make regular reports, recommendations and proposals to the Board.

The Audit Committee held two meetings during the year under review, with full attendance at both meetings. Executive Directors, senior management and the external auditor of the Company were invited to join the discussions at the meetings.

The tasks, among others, performed by the Audit Committee during the year under review were:

(i) Reviewed of the interim and annual consolidated financial statements;

(ii) Discussed with the external auditors on the issues of, including but not limited to financing structure, land appreciation tax, progress of various projects, joint venture operation, and implementation of new tax rule in the PRC;

(iii) Reviewed of the cash flow projection for 2011 and monitored of the overall financial position of the Group;

(iv) Reviewed of the adequacy and effectiveness of the internal control system and made recommendation to the Board for improvement of internal control, credit control and risk management;

(v) Reviewed of the application of the relevant General Accepted Accounting Principles and made recommendation to the Board for the adoption of accounting policies; and

(vi) Reviewed of the adequacy of the provision for material liabilities and impairment of assets.

## Remuneration and Nomination Committee

The remuneration and nomination committee of the Company (the "Remuneration and Nomination Committee") comprises three members, all being INEDs, namely Mr. HAN Xiaojing (the chairman of the committee), Mr. GU Yunchang and Mr. ZHAO Kang.

The main duties of the Remuneration and Nomination Committee are to make recommendations and proposals to the Board in respect of the remuneration policies and structures for the Directors and senior management, and to review and approve the remunerations which are determined based on the results and performance of the Company by making reference to the Company's objectives as approved from time to time by the Board. In addition, the Remuneration and Nomination Committee will nominate candidates for directorship, consider nominations for directorship and make recommendations to the Board in respect of such appointments. If necessary, the Remuneration and Nomination Committee will also convene meetings and submit reports to the Board.

The remuneration of Directors are based on the skill, knowledge, involvement in the Company's affairs and the performance of each Director, together with reference to the profitability of the Company, remuneration benchmarks in the industry, and prevailing market conditions.

No Director or senior executive or any of his associates will be involved in any discussion in connection with his or her own remuneration. The Remuneration and Nomination Committee may also consult the Chairman of the Board about their proposals relating to the remuneration of other executive Directors and has access to professional advice if necessary. The major objective of the remuneration policy is to ensure that the Company is able to attract, retain, and motivate a high-calibre team which is essential to the success of the Company.

The Remuneration and Nomination Committee has held four meetings for the year ended 31 December 2011, with full attendance at all meetings. The tasks, among others, performed by the Remuneration and Nomination Committee during the year under review were as follows:

(i) Reviewed and approved the Company's salary report for the year ended 31 December 2010 and the Company's salary budget for the year ended 31 December 2011;

(ii) Reviewed and approved the report of remuneration packages for senior management;

(iii) Reviewed and approved the proposal of restricted share purchase and granted under the Award Scheme;

(iv) Considered and recommended suitable candidates to the Board; and

(iv) Reviewed and approved the proposal of share option granted under the Share Option Scheme.

## Investment Committee

The investment committee of the Company (the "Investment Committee") comprises six members, two of whom are executive Directors and four are INEDs. Members of the Investment Committee are: Mr. LI Ming (the chairman of the committee), Mr. CHEN Runfu, Mr. TSANG Hing Lun, Mr. HAN Xiaojing, Mr. GU Yunchang, and Mr. ZHAO Kang. It will meet at the request of any member of the committee and the head of finance department will also participate in discussions. The Investment Committee is authorized, at the expense of the Group, to seek advice from external professionals or to arrange them to attend the meetings.

The main duties of the Investment Committee are to consider and review the Group's investment and risk management policies, and at the same time, to consider, evaluate and review the important project investments, acquisitions and disposals, and to make recommendations and/or proposals to the Board, and to review and consider the Company's overall development strategy and annual investment plans.

## Accountability and Audit

The Directors of the Company acknowledged their responsibility to present a balanced, clear and understandable assessment in the consolidated financial statements of the annual and interim reports, other price-sensitive announcements and other financial disclosures required under the Listing Rules, and to report to regulators as well as to disclose information required pursuant to statutory requirements. When the Directors were aware of material uncertainties relating to events or conditions that might cast significant doubt upon the Company's ability to continue as a going concern, such uncertainties would be clearly and prominently set out and discussed in detail in this Corporate Governance Report.

The statement of the independent auditor of the Company about their reporting responsibilities and opinion on the financial statements of the Company for the year ended 31 December 2011 is set out in the Independent Auditor's Report on page 79.

# Internal Control

The internal controls of the Group are designed to help the Group protecting its assets and information. The presence of internal controls empowers the Group to implement best business practices in challenging business environments. The Group's internal controls cover a number of in-house procedures and policies. The management of the Group had reviewed the Group's internal control system for the year ended 31 December 2011. The system comprises, among others, the relevant financial, operational and compliance controls and risk management procedures, the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programs and budget, and the results of the review and its recommendations and opinions has submitted to the Audit Committee and the Board for consideration.

# Independent Auditor

The Group's independent auditor is PricewaterhouseCoopers ("PwC"). PwC is responsible for auditing and forming an independent opinion on the Group's annual consolidated financial statements. Apart from the statutory audit of the annual consolidated financial statements, PwC was also engaged to perform a review of the interim consolidated financial statements of the Group for the six months ended 30 June 2011 as well as advise the Company on tax compliance and related matters.

For the year ended 31 December 2011, remunerations payable to PwC for the provision of statutory audit services and non-auditing services amounted to RMB10.25 million and RMB5.31 million respectively.

# Shareholders' Rights and Communication

As one of the measures to safeguard the shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on every substantial matters, including the election of individual directors, for shareholders' consideration and voting. Furthermore, the Company regards the annual general meeting as an important event and Directors, chairman of each board committee, senior management and external auditors make an effort to attend the annual general meeting of the Company to address the shareholders' queries. All resolutions proposed at shareholders' meetings will be voted by poll. The poll voting results will be posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.sinooceanland.com) on the same day of the relevant general meetings.

The Company adheres to high standards with respect to the disclosure of its financial statements. To foster two-way communication amongst the Company, its shareholders and potential investors, the Company has established an Investor Relations Department to respond to enquiries from shareholders and the public. In addition, the Company is committed to maximizing the use of its website as a channel to provide updated information in a timely manner and strengthen the communication with both the shareholders and the public. Further information about investor relations are set out in the section headed "Investor Relations".

# CORPORATE INFORMATION

## Directors

***Executive Directors***
Mr. LI Ming *(Chairman)*
Mr. WANG Xiaoguang
Mr. CHEN Runfu

***Non-executive Directors***
Ms. LIU Hui
Mr. YANG Zheng
Mr. CHEUNG Vincent Sai Sing

***Independent non-executive Directors***
Mr. TSANG Hing Lun
Mr. GU Yunchang
Mr. HAN Xiaojing
Mr. ZHAO Kang

## Audit Committee

Mr. TSANG Hing Lun *(Chairman)*
Mr. GU Yunchang
Mr. HAN Xiaojing

## Remuneration and Nomination Committee

Mr. HAN Xiaojing *(Chairman)*
Mr. GU Yunchang
Mr. ZHAO Kang

## Investment Committee

Mr. LI Ming *(Chairman)*
Mr. CHEN Runfu
Mr. TSANG Hing Lun
Mr. GU Yunchang
Mr. HAN Xiaojing
Mr. ZHAO Kang

## Company Secretary

Mr. SUM Pui Ying, Adrian

## Authorized Representatives

Mr. LI Ming
Mr. SUM Pui Ying, Adrian

## Registered Office

Suite 601, One Pacific Place
88 Queensway
Hong Kong

## Principal Place of Business

31-33 Floor, Block A, Ocean International Center
56 Dongsihuanzhonglu
Chaoyang District, Beijing
PRC

## Principal Bankers *(in alphabetical order)*

Agricultural Bank of China, Ltd.
Bank of Beijing Co., Ltd
Bank of China (Hong Kong) Limited
Bank of China Limited
Bank of Communications Co., Ltd.
China CITIC Bank Corporation Ltd
China Construction Bank Corporation
China Everbright Bank Company Limited
China Merchants Bank Co., Ltd.
China Minsheng Banking Corp., Ltd.
DBS Bank Limited
Hang Seng Bank Limited
Industrial and Commercial Bank of China (Asia) Ltd.
Industrial and Commercial Bank of China, Ltd.
Standard Chartered Bank (Hong Kong) Limited

## Auditor

PricewaterhouseCoopers

## Legal Advisor

Paul Hastings

## Share Registrar

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

## Listing Information

The Stock Exchange of Hong Kong Limited
Stock Code: 03377

## Company Website

www.sinooceanland.com

## Investor Relations Contact

ir@sinooceanland.com

# INDEPENDENT AUDITOR'S REPORT

**To the shareholders of Sino-Ocean Land Holdings Limited**
*(incorporated in Hong Kong with limited liability)*

We have audited the consolidated financial statements of Sino-Ocean Land Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 80 to 188, which comprise the consolidated and company balance sheets as at 31 December 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

## Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and the 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' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's 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 consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

## Opinion

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

**PricewaterhouseCoopers**
*Certified Public Accountants*

Hong Kong, 15 March 2012

# CONSOLIDATED BALANCE SHEET

| | Note | As at 31 December 2011 RMB'000 | 2010 RMB'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 7 | **225,472** | 214,895 |
| Land use rights | 8 | **9,477** | 9,723 |
| Investment properties | 9 | **5,462,375** | 4,988,572 |
| Goodwill | 10 | **630,383** | 705,572 |
| Interests in jointly controlled entities | 12 | **1,052,135** | 687,826 |
| Interests in associates | 13 | **606,013** | 397,458 |
| Available-for-sale financial assets | 16 | **244,727** | 433,886 |
| Trade and other receivables | 22 | **598,245** | 85,367 |
| Deferred income tax assets | 33 | **1,502,833** | 814,244 |
| | | **10,331,660** | 8,337,543 |
| **Current assets** | | | |
| Deposits for land use rights | 21 | **8,188,492** | 18,825,060 |
| Properties under development | 19 | **65,470,147** | 41,393,331 |
| Inventories, at cost | | **487,892** | 231,280 |
| Land development cost recoverable | 20 | **4,028,979** | 2,439,138 |
| Completed properties held for sale | 23 | **3,274,201** | 2,648,568 |
| Available-for-sale financial assets | 16 | **196,200** | 181,663 |
| Other investment | 17 | **15,580** | 43,707 |
| Financial assets at fair value through profit or loss | 18 | **412,486** | 29,101 |
| Trade and other receivables | 22 | **5,463,192** | 3,566,474 |
| Restricted bank deposits | 24 | **3,768,822** | 1,057,378 |
| Cash and cash equivalents | 25 | **8,647,794** | 13,977,211 |
| | | **99,953,785** | 84,392,911 |
| **Total assets** | | **110,285,445** | 92,730,454 |
| **EQUITY** | | | |
| **Capital and reserves attributable to owners of the Company** | | | |
| Share capital and premium | 26 | **20,231,084** | 20,121,412 |
| Shares held for Restricted Share Award Scheme | 26 | **(131,959)** | (95,986) |
| Reserves | 28 | **169,548** | (226,865) |
| Retained earnings | 27 | | |
| – Proposed final dividend | 43 | **462,059** | 379,758 |
| – Others | | **6,035,547** | 4,922,121 |
| | | **26,766,279** | 25,100,440 |
| Convertible securities | 30 | **5,969,279** | 5,970,266 |
| Capital securities | 31 | **2,532,866** | — |
| | | **35,268,424** | 31,070,706 |
| **Non-controlling interests** | | **3,488,740** | 2,055,098 |
| **Total equity** | | **38,757,164** | 33,125,804 |

| | Note | As at 31 December 2011 RMB'000 | 2010 RMB'000 |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Borrowings | 32 | **19,105,661** | 19,276,159 |
| Deferred income tax liabilities | 33 | **1,386,739** | 1,351,372 |
| | | **20,492,400** | 20,627,531 |
| **Current liabilities** | | | |
| Borrowings | 32 | **14,481,805** | 9,920,123 |
| Trade and other payables | 34 | **10,174,821** | 10,831,635 |
| Advances from customers | 35 | **22,870,209** | 16,234,852 |
| Income tax payable | | **3,509,046** | 1,990,509 |
| | | **51,035,881** | 38,977,119 |
| **Total liabilities** | | **71,528,281** | 59,604,650 |
| **Total equity and liabilities** | | **110,285,445** | 92,730,454 |
| **Net current assets** | | **48,917,904** | 45,415,792 |
| **Total assets less current liabilities** | | **59,249,564** | 53,753,335 |

Approved by the Board of Directors on 15 March 2012

**LI Ming**
*Executive Director*

**CHEN Runfu**
*Executive Director*

The notes on pages 88 to 188 are an integral part of these consolidated financial statements.

# BALANCE SHEET

| | Note | As at 31 December 2011 RMB'000 | 2010 RMB'000 |
|---|---|---|---|
| **ASSET** | | | |
| **Non-current assets** | | | |
| Investments in subsidiaries | 11 | **3,517,692** | 3,521,624 |
| **Current assets** | | | |
| Amounts due from subsidiaries | 11 | **29,794,598** | 29,204,620 |
| Other receivables | | **2,060** | 2,691 |
| Cash and cash equivalents | 25 | **386,071** | 300,338 |
| | | **30,182,729** | 29,507,649 |
| **Total assets** | | **33,700,421** | 33,029,273 |
| **EQUITY** | | | |
| Share capital and premium | 26 | **20,231,084** | 20,121,412 |
| Reserve | 28 | **358,384** | 333,340 |
| Retained earnings | 27 | | |
| – proposed final dividend | 43 | **462,059** | 379,758 |
| – others | | **560,267** | 57,423 |
| **Total equity** | | **21,611,794** | 20,891,933 |
| **LIABILITY** | | | |
| **Non-current liabilities** | | | |
| Borrowings | 32 | **–** | 3,177,008 |
| | | **–** | 3,177,008 |
| **Current liabilities** | | | |
| Borrowings | 32 | **3,558,678** | 1,258,313 |
| Amount due to subsidiaries | 11 | **8,502,145** | 5,970,266 |
| Other payables | 34 | **27,804** | 1,731,753 |
| | | **12,088,627** | 8,960,332 |
| **Total liabilities** | | **12,088,627** | 12,137,340 |
| **Total equity and liabilities** | | **33,700,421** | 33,029,273 |
| **Net current assets** | | **18,094,102** | 20,547,317 |
| **Total assets less current liabilities** | | **21,611,794** | 24,068,941 |

Approved by the Board of Directors on 15 March 2012.

| **LI Ming** | **CHEN Runfu** |
|---|---|
| *Executive Director* | *Executive Director* |

The notes on pages 88 to 188 are an integral part of these consolidated financial statements.

# CONSOLIDATED INCOME STATEMENT

| | Note | Year ended 31 December 2011 RMB'000 | 2010 RMB'000 |
|---|---|---|---|
| Revenue | 6 | **19,896,946** | 13,720,665 |
| Cost of sales | | **(13,639,195)** | (9,596,016) |
| **Gross profit** | | **6,257,751** | 4,124,649 |
| Interest and other income | 36 | **224,992** | 239,957 |
| Other gains - net | 37 | **128,258** | 187,958 |
| Fair value gains on investment properties | 9 | **512,778** | 567,350 |
| Selling and marketing costs | | **(776,087)** | (441,019) |
| Administrative expenses | | **(820,250)** | (457,233) |
| **Operating profit** | | **5,527,442** | 4,221,662 |
| Finance costs | 40 | **(419,436)** | (287,356) |
| Share of gains/(losses) of jointly controlled entities | | **68,911** | (8,859) |
| Share of losses of associates | | **(2,571)** | (72,004) |
| **Profit before income tax** | | **5,174,346** | 3,853,443 |
| Income tax expense | 41 | **(2,553,548)** | (1,414,620) |
| **Profit for the year** | | **2,620,798** | 2,438,823 |
| **Attributable to:** | | | |
| Owners of the Company | | **2,570,657** | 2,444,076 |
| Non-controlling interests | | **50,141** | (5,253) |
| | | **2,620,798** | 2,438,823 |
| **Earnings per share attributable to owners of the Company during the year** (expressed in RMB) | | | |
| **Basic earnings per share** | 42 | **0.352** | 0.398 |
| **Diluted earnings per share** | 42 | **0.351** | 0.397 |

The notes on pages 88 to 188 are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Note | 2011 RMB'000 | 2010 RMB'000 |
|---|---|---|---|
| | | Year ended 31 December | |
| **Profit for the year** | | **2,620,798** | 2,438,823 |
| **Other comprehensive income** | | | |
| Fair value losses on available-for-sale financial assets | | **(38,183)** | (38,421) |
| Reserves realized upon disposal of available-for-sale investments | | **(18,279)** | 80,089 |
| Currency translation differences | | **(13,906)** | (20,520) |
| **Other comprehensive income for the year** | | **(70,368)** | 21,148 |
| **Total comprehensive income for the year** | | **2,550,430** | 2,459,971 |
| **Total comprehensive income attributable to:** | | | |
| – Owners of the Company | | **2,500,289** | 2,465,224 |
| – Non-controlling interests | | **50,141** | (5,253) |
| | | **2,550,430** | 2,459,971 |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Note | Attributable to owners of the Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Note | Share capital RMB'000 | Share premium RMB'000 | Share held for Restricted Share Award Scheme RMB'000 | Other reserves RMB'000 | Retained earnings RMB'000 | Subtotal RMB'000 | Convertible securities RMB'000 | Capital securities RMB'000 | Total RMB'000 | Non-controlling interests RMB'000 | Total equity RMB'000 |
| **Balance at 1 January 2011** | | 4,290,394 | 15,831,018 | (95,986) | (226,865) | 5,301,879 | 25,100,440 | 5,970,266 | – | 31,070,706 | 2,055,098 | 33,125,804 |
| Profit for the year | | – | – | – | – | 2,570,657 | 2,570,657 | – | – | 2,570,657 | 50,141 | 2,620,798 |
| Other comprehensive income: | | – | – | – | – | – | – | – | – | – | – | – |
| Fair value losses on available -for-sale financial assets | | – | – | – | (38,183) | – | (38,183) | – | – | (38,183) | – | (38,183) |
| Reserves realized in consolidated income statement upon disposal of available-for-sales investments | | – | – | – | (18,279) | – | (18,279) | – | – | (18,279) | – | (18,279) |
| Currency translation differences | | – | – | – | (13,906) | – | (13,906) | – | – | (13,906) | – | (13,906) |
| **Total comprehensive income** | | – | – | – | (70,368) | 2,570,657 | 2,500,289 | – | – | 2,500,289 | 50,141 | 2,550,430 |
| **Transactions with owners of the Company** | | | | | | | | | | | | |
| Dividends relating to 2010 | | 23,102 | 93,187 | – | – | (376,076) | (259,787) | – | – | (259,787) | (99,833) | (359,620) |
| Dividends relating to 2011 | 43 | – | – | – | – | (232,173) | (232,173) | – | – | (232,173) | – | (232,173) |
| Employee share based payment | | – | – | – | 47,010 | 17,738 | 64,748 | – | – | 64,748 | – | 64,748 |
| Transfer from retained earnings | 28 | – | – | – | 153,214 | (153,214) | – | – | – | – | – | – |
| Issue of shares pursuant to exercise of employee share options | 26 | 649 | 2,212 | – | (783) | – | 2,078 | – | – | 2,078 | – | 2,078 |
| Share buyback | 26 | (9,478) | – | – | 9,478 | (40,458) | (40,458) | – | – | (40,458) | – | (40,458) |
| Issue of captial securities | 31 | – | – | – | – | – | – | – | 2,532,866 | 2,532,866 | – | 2,532,866 |
| Payment for accrued expenses on issuing convertible securities | | – | – | – | – | – | – | (987) | – | (987) | – | (987) |
| Distribution relating to convertible securities | | – | – | – | – | (460,996) | (460,996) | – | – | (460,996) | – | (460,996) |
| Distribution relating to capital securities | | – | – | – | – | (129,751) | (129,751) | – | – | (129,751) | – | (129,751) |
| Restricted share award scheme | 26 | – | – | (35,973) | – | – | (35,973) | – | – | (35,973) | – | (35,973) |
| Contribution from non-controlling interests | | – | – | – | – | – | – | – | – | – | 288,697 | 288,697 |
| **Total contributions by and distributions to owners of the Company** | | 14,273 | 95,399 | (35,973) | 208,919 | (1,374,930) | (1,092,312) | (987) | 2,532,866 | 1,439,567 | 188,864 | 1,628,431 |
| Increase in non-controlling interests as a result of disposal interests without change of control | 47 | – | – | – | 466,130 | – | 466,130 | – | – | 466,130 | 1,333,745 | 1,799,875 |
| Decrease in non-controlling interests as a result of acquisition of additional interests in subsidiaries from non-controlling shareholders | 47 | – | – | – | (208,268) | – | (208,268) | – | – | (208,268) | (126,556) | (334,824) |
| Decrease in non-controlling interests as a result of disposal of a subsidiary | 48(d) | – | – | – | – | – | – | – | – | – | (12,552) | (12,552) |
| **Total transactions with owners of the Company** | | 14,273 | 95,399 | (35,973) | 466,781 | (1,374,930) | (834,450) | (987) | 2,532,866 | 1,697,429 | 1,383,501 | 3,080,930 |
| **Balance at 31 December 2011** | | 4,304,667 | 15,926,417 | (131,959) | 169,548 | 6,497,606 | 26,766,279 | 5,969,279 | 2,532,866 | 35,268,424 | 3,488,740 | 38,757,164 |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | | Attributable to owners of the Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Note | Share capital RMB'000 | Share premium RMB'000 | Share held for Restricted Share Award Scheme RMB'000 | Other reserves RMB'000 | Retained earnings RMB'000 | Subtotal RMB'000 | Convertible securities RMB'000 | Capital securities RMB'000 | Total RMB'000 | Non-controlling interests RMB'000 | Total equity RMB'000 |
| **Balance at 1 January 2010** | | 4,289,174 | 15,828,349 | — | (485,282) | 3,735,638 | 23,367,879 | — | — | 23,367,879 | 518,535 | 23,886,414 |
| Profit for the year | | — | — | — | — | 2,444,076 | 2,444,076 | — | — | 2,444,076 | (5,253) | 2,438,823 |
| Other comprehensive income: | | | | | | | | | | | | |
| Fair value losses on available-for-sale financial assets | | — | — | — | (38,421) | — | (38,421) | — | — | (38,421) | — | (38,421) |
| Reserves realized in consolidated income statement upon disposal of available-for-sales investments through disposals of subsidiaries | | — | — | — | 80,089 | — | 80,089 | — | — | 80,089 | — | 80,089 |
| Currency translation differences | | — | — | — | (20,520) | — | (20,520) | — | — | (20,520) | — | (20,520) |
| **Total comprehensive income** | | — | — | — | 21,148 | 2,444,076 | 2,465,224 | — | — | 2,465,224 | (5,253) | 2,459,971 |
| **Transactions with owners of the Company** | | | | | | | | | | | | |
| Dividends relating to 2009 | | — | — | — | — | (247,046) | (247,046) | — | — | (247,046) | (1,150) | (248,196) |
| Dividends relating to 2010 | 43 | — | — | — | — | (246,850) | (246,850) | — | — | (246,850) | — | (246,850) |
| Employee share based payment | | — | — | — | 112,454 | — | 112,454 | — | — | 112,454 | — | 112,454 |
| Transfer from retained earnings | 28 | — | — | — | 181,616 | (181,616) | — | — | — | — | — | — |
| Issue of shares pursuant to exercise of employee share options | 26 | 1,220 | 2,669 | — | (1,694) | 1,694 | 3,889 | — | — | 3,889 | — | 3,889 |
| Issue of convertible securities | 30 | — | — | — | — | — | — | 5,970,266 | — | 5,970,266 | — | 5,970,266 |
| Distribution relating to convertible securities | | — | — | — | — | (204,017) | (204,017) | — | — | (204,017) | — | (204,017) |
| Restricted share award scheme | 26 | — | — | (95,986) | — | — | (95,986) | — | — | (95,986) | — | (95,986) |
| Contribution from non-controlling interests | | — | — | — | — | — | — | — | — | — | 1,072,679 | 1,072,679 |
| **Total contributions by and distributions to owners of the Company** | | 1,220 | 2,669 | (95,986) | 292,376 | (877,835) | (677,556) | 5,970,266 | — | 5,292,710 | 1,071,529 | 6,364,239 |
| Increase in non-controlling interests as a result of acquisition of subsidiaries | | — | — | — | — | — | — | — | — | — | 491,487 | 491,487 |
| Increase in non-controlling interests as a result of other acquisitions | | — | — | — | — | — | — | — | — | — | 147,987 | 147,987 |
| Decrease in non-controlling interests as a result of acquisition of additional interests in subsidiaries from non-controlling shareholders | | — | — | — | (55,107) | — | (55,107) | — | — | (55,107) | (169,187) | (224,294) |
| **Total transactions with owners of the Company** | | 1,220 | 2,669 | (95,986) | 237,269 | (877,835) | (732,663) | 5,970,266 | — | 5,237,603 | 1,541,816 | 6,779,419 |
| **Balance at 31 December 2010** | | 4,290,394 | 15,831,018 | (95,986) | (226,865) | 5,301,879 | 25,100,440 | 5,970,266 | — | 31,070,706 | 2,055,098 | 33,125,804 |

The notes on page 88 to 188 are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

| | Note | Year ended 31 December 2011 RMB'000 | 2010 RMB'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash used in operations | 44 | **(3,433,740)** | (13,837,929) |
| Interest paid | | **(1,994,950)** | (1,416,381) |
| Income tax paid | | **(4,072,085)** | (1,950,594) |
| Net cash used in operating activities | | **(9,500,775)** | (17,204,904) |
| **Cash flows from investing activities** | | | |
| Purchases of property, plant and equipment | 7 | **(74,078)** | (57,809) |
| Proceeds from sale of property, plant and equipment | 44 | **6,571** | 8,050 |
| Purchases of available-for-sale financial assets | | **(272,870)** | (63,425) |
| Proceeds from disposal of available-for-sale financial assets | 16 | **446,403** | — |
| Dividends received from available-for-sale financial assets | 36 | **19,362** | 15,956 |
| Purchase of subsidiaries, net of cash acquired | | **—** | (579,708) |
| Acquisition of additional interests in subsidiaries | | **(290,094)** | (50,000) |
| Prepayment for purchasing equity shares of a third party | 22 | **(51,790)** | (51,000) |
| Proceeds from disposal of subsidiaries | 48 | **347,763** | 312,296 |
| Proceeds from disposal of interests in subsidiaries without change of control | | **499,875** | — |
| Capital injection to jointly controlled entities | 12 | **(312,887)** | (25,000) |
| Capital injection to associates | 13 | **(220,547)** | (175,000) |
| Interest received | | **123,974** | 53,125 |
| Net cash used in investing activities | | **221,682** | (612,515) |
| **Cash flows from financing activities** | | | |
| Proceeds from borrowings | | **16,733,116** | 13,405,708 |
| Repayments of borrowings | | **(12,345,705)** | (7,343,925) |
| Advances received from a shareholder | 34 | **—** | 1,724,493 |
| Repayments to a shareholder | | **(1,897,846)** | — |
| Dividends paid to non-controlling interests | | **(99,833)** | (1,150) |
| Dividends paid to owners of the Company | | **(491,960)** | (493,896) |
| Capital injection from non-controlling interests | | **288,697** | 1,072,679 |
| Proceeds from issuance of convertible securities | 30 | **—** | 5,970,266 |
| Payment for accrued expenses on issuing convertible securities | | **(987)** | — |
| Proceeds from issuance of capital securities | 31 | **2,532,866** | — |
| Distribution relating to convertible securities | | **(469,875)** | — |
| Distribution relating to capital securities | | **(129,751)** | — |
| Restricted share award scheme | 26 | **(35,973)** | (95,986) |
| Issue of shares pursuant to exercise of employee share options | | **2,078** | 3,889 |
| Share buyback | 27 | **(40,458)** | — |
| Net cash generated from financing activities | | **4,044,369** | 14,242,078 |
| Net decrease in cash and cash equivalents | | **(5,234,724)** | (3,575,341) |
| Cash and cash equivalents at beginning of the year | 25 | **13,977,211** | 17,619,619 |
| Exchange losses on cash and cash equivalents | | **(94,693)** | (67,067) |
| Cash and cash equivalents at end of the year | 25 | **8,647,794** | 13,977,211 |

The notes on page 88 to 188 are an integral part of these consolidated financial statements.

## 1 General information

Sino-Ocean Land Holdings Limited (the "Company") is a limited liability company incorporated in Hong Kong on 12 March 2007. The address of its registered office is Suite 601, One Pacific Place, 88 Queensway, Hong Kong. The Company and its subsidiaries (together, the "Group") are principally engaged in investment holding, property development and property investment in the People's Republic of China (the "PRC").

These consolidated financial statements are presented in Renminbi, unless otherwise stated. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

These consolidated financial statements have been approved for issue by the Board of Directors on 15 March 2012.

## 2 Basis of preparation

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

The preparation of the consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 5.

## 3 Summary of significant accounting policies

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

### 3.1 Changes in accounting policy and disclosures

#### (a) New and amended standards adopted by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2011 that would have a material impact on the Group.

HKAS 24 (Revised), 'Related Party Disclosures' is effective for annual period beginning on or after 1 January 2011. It introduces an exemption from all of the disclosure requirements of HKAS 24 in relation to related party transactions and outstanding balance, including commitments, with:

(i) a government that has control, joint control or significant influence over the reporting entity; and

(ii) another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity.

If a reporting entity applies the exemption, those disclosures are replaced with a requirement to disclose the following about the transactions and related outstanding balances:

1. The name of the government and the nature of their relationship with the reporting entity;
2. The nature and amount of any individually significant transactions; and
3. For other transactions that are collectively, but not individually, significant, a qualitative or quantitative indication of their extent.

It also clarifies and simplifies the definition of what constitute a related party. Upon the adoption of HKAS 24 (Revised), no additional party or transaction has been identified as related party or transaction by the Group.

HKFRS 7, 'Financial instruments: Disclosures' is effective for annual period beginning on or after 1 January 2011. It clarifies seven disclosure requirements for financial instruments, with a particular focus on the qualitative disclosures and credit risk disclosures. The Group applied the revised standards to the disclosures of financial instruments.

# 3 Summary of significant accounting policies *(Continued)*

## 3.1 Changes in accounting policy and disclosures *(Continued)*

**(b) New and amended standards, and interpretations mandatory for the financial year beginning 1 January 2011 but not currently relevant to the Group (although they may effect the accounting for future transactions and events)**

HKFRS 3, 'Business combinations', effective on or after 1 July 2010. This interpretation clarifies that entities should apply the rules in HKFRS 3 (not HKFRS 7, HKAS 32 or HKAS 39) to contingent consideration that arose from business combinations with acquisition dates that precede the application of HKFRS 3. It also clarifies that only entities with present ownership instruments that entitle their holders to a pro rata share of the entity's net assets in the event of liquidation can choose to measure the non-controlling interest at fair value or the non-controlling interest's proportionate share of the acquiree's identifiable net assets. The application guidance in HKFRS 3 applies to all share based payment transactions that are part of a business combination, including un-replaced and voluntarily replaced share-based payment awards.

**(c) New and amended standards relevant to the Group that have been issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted**

The Group's assessment of the impact of these new and amended standards is set out below.

HKFRS 9, 'Financial instruments' addresses the classification, measurement and recognition of financial assets and financial liabilities. HKFRS 9 was issued in November 2009 and October 2010. It replaces the parts of HKAS 39 that relate to the classification and measurement of financial instruments. HKFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the HKAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess HKFRS 9's full impact and intends to adopt HKFRS 9 upon its effective date, which is for the accounting period beginning on or after 1 January 2013.

HKFRS 10 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group is yet to assess HKFRS 10's full impact and intends to adopt HKFRS 10 no later than the accounting period beginning on or after 1 January 2013.

HKFRS 12 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group is yet to assess HKFRS 12's full impact and intends to adopt HKFRS 12 no later than the accounting period beginning on or after 1 January 2013.

HKFRS 13 'Fair value measurement' aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs. The Group is yet to assess HKFRS 13's full impact and intends to adopt HKFRS 13 no later than the accounting period beginning on or after 1 January 2013.

# 3 Summary of significant accounting policies *(Continued)*

## 3.1 Changes in accounting policy and disclosures *(Continued)*

### (c) New and amended standards relevant to the Group that have been issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted *(Continued)*

HKAS 12, 'Deferred tax: Recovery of underlying assets', currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in HKAS 40, 'Investment property'. This amendment therefore introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, HK(SIC) 21, 'Income taxes – recovery of revalued non-depreciable assets', will no longer apply to investment properties carried at fair value. The amendments also incorporate into HKAS 12 the remaining guidance previously contained in HK(SIC) 21, which is withdrawn.

There are no other HKFRSs or IFRIC/HK(IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

## 3.2 Consolidation

### (a) Subsidiaries

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

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

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend and receivable.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

## 3 Summary of significant accounting policies *(Continued)*

### 3.2 Consolidation *(Continued)*

#### (b) Transactions with non-controlling interests

The Group treats transactions with non-controlling interest as transactions with owners. For purchases from non-controlling interest, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interest are also recorded in equity.

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

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

#### (c) Jointly controlled entities

A jointly controlled entity is an entity jointly controlled by the Group and other parties and none of the participating parties has unilateral control over the entity. Investments in jointly controlled entities are accounted for using the equity method of accounting and are initially recognized at cost. The Group's share of its jointly controlled entities' post-acquisition profits or losses is recognized in the consolidated income statement, and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Unrealized gains on transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interest in the jointly controlled entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of jointly controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

# 3 Summary of significant accounting policies *(Continued)*

## 3.2 Consolidation *(Continued)*

### (d) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss (Note 3.7).

The Group's share of its associates' post-acquisition profits or losses is recognized in the consolidated income statement, and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other long-term interests and unsecured receivables that, in substance, form part of the investment in the associate, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

## 3.3 Segment reporting

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

## 3.4 Foreign currency translation

### (a) Functional and presentation currency

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

# 3 Summary of significant accounting policies *(Continued)*

## 3.4 Foreign currency translation *(Continued)*

### (b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or cost'. All other foreign exchange gains and losses are presented in the income statement within 'other (losses)/gains – net'.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortized cost are recognized in profit or loss, and other changes in carrying amount are recognized in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities, such as equity instruments held at fair value through profit or loss, are recognized in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary items such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

### (c) Group entities

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

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

(ii) income and expenses for each income statement are translated at average exchange rates; and

(iii) all resulting exchange differences are recognized as a separate component of equity.

## 3 Summary of significant accounting policies *(Continued)*

### 3.5 Properties

#### (a) Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the entities in the Group, is classified as investment property. Investment property comprises land held under operating leases and buildings owned by the Group. Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is initially accounted for as if it were a finance lease.

Investment property is measured initially at cost, including related transaction costs.

After initial recognition, investment property is carried at fair value, assessed annually by a professional independent valuer. Fair value is based on active market prices, adjusted, if necessary, for any differences in the nature, location or condition of the specific asset. If such information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

Property that is being constructed or developed as investment property is carried at fair value. Where fair value is not reliably determinable, such investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier).

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

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

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is completed, at which time it is reclassified and subsequently accounted for as investment property.

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

# 3 Summary of significant accounting policies *(Continued)*

## 3.5 Properties *(Continued)*

### (b) Land use rights

All lands in China mainland are state-owned and no individual land ownership right exists. The Group acquired the rights to certain lands, and the premiums paid for such rights are recorded as land use rights. Land use rights are classified and accounted for in accordance to the intended use of respective properties as erected on the lands.

For properties that are held for own use, corresponding land use rights are separately stated in the balance sheet, and are stated at cost and amortized over the use terms of 40 to 70 years using the straight-line method.

For properties that are held for development and subsequent sale, corresponding land use rights are accounted for as part of the development costs, and are accounted for under Note 3.12.

## 3.6 Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

| | |
|---|---|
| Buildings and leasehold improvements | 5-50 years |
| Hotel property | 50 years |
| Machinery | 8 years |
| Vehicles | 8 years |
| Office equipment | 5 years |
| Electronic equipment | 3 years |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 3.8).

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are recognized within 'other gains - net', in the consolidated income statement.

## 3 Summary of significant accounting policies *(Continued)*

### 3.7 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiaries, jointly controlled entities and associates at the date of acquisition. Goodwill on acquisitions of jointly controlled entities or associates is included in investments in jointly controlled entities or associates and is tested for impairment as part of the overall balance. Separately recognized goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The Group allocates goodwill to each business segment in which it operates.

### 3.8 Impairment of non-financial assets

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

# 3 Summary of significant accounting policies *(Continued)*

## 3.9 Financial assets

### 3.9.1 Classification

The Group classifies its financial assets into financial assets at fair value through profit or loss, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

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

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

***(b) Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets. Loans and receivables are classified as "trade and other receivables", 'restricted bank deposit' and 'cash and cash equivalents' in the balance sheet (Notes 3.14 and 3.15).

***(c) Available-for-sale financial assets***

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

# 3 Summary of significant accounting policies *(Continued)*

## 3.9 Financial assets *(Continued)*

### 3.9.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value, unless in situation where fair value cannot be reliably measured, in which respective available-for-sale financial assets are subsequently carried at cost. Loans and receivables are subsequently carried at amortized cost using the effective interest method. Unrealized gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognized in equity. When securities classified as available-for-sale are sold, the accumulated fair value adjustments are included in the consolidated income statement as gains or losses from investment securities.

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

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognized in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in equity are include in the income statement as 'gains and losses from investment securities'.

Interest on available-for-sale securities calculated using the effective interest method is recognized in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognized in the income statement as part of other income when the Group's right to receive payments is established.

## 3.10 Derivative financial instruments

Derivative financial instruments of the Group represent conversion options in relation to notes receivables and convertible bonds. Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value.

# 3 Summary of significant accounting policies *(Continued)*

## 3.11 Impairment of financial assets

### (a) Assets carried at amortized cost

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

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

  (i) adverse changes in the payment status of borrowers in the portfolio;

  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

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

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

## 3 Summary of significant accounting policies *(Continued)*

### 3.11 Impairment of financial assets *(Continued)*

#### (b) Assets classified as available-for-sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria refer to (a) above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in the separate consolidated income statement. Impairment losses recognised in the separate consolidated income statement on equity instruments are not reversed through the separate consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the separate consolidated income statement.

### 3.12 Land development cost recoverable

These costs refer to costs capitalized on primary land development projects, in preparation for such lands to undergo the process of open market bidding. Primary land development works included demolitions and relocations, ground levelings, as well as establishments of elementary public facilities. A fixed amount of compensation is usually agreed with respective governmental authorities for such works. Costs recoverable are recognized at cost, less provision for impairment.

# 3 Summary of significant accounting policies *(Continued)*

## 3.13 Inventories

### (a) Properties under development

Properties under development are stated at the lower of cost and net realizable value. Net realizable value is determined by reference to estimated sales proceeds of the properties sold in the ordinary course of business less costs to complete development and estimated selling expenses.

Development costs of properties comprises land use rights, construction costs, borrowing costs and professional fees as incurred during the development period. On completion, all development costs of the properties are transferred to completed properties held for sale.

### (b) Completed properties held for sale

Completed properties held for sale are completed properties remaining unsold at year end and are stated at the lower of cost and net realizable values. Cost comprises development costs attributable to the unsold properties. Net realizable values is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing marketing conditions.

### (c) Other inventories

Other inventories mainly comprise raw materials for upfitting, food and beverages and hotel consumables. Goods are valued at the lower of cost and net realizable value. Cost, calculated on the weighted average basis, comprises invoiced price, delivery and other direct costs relating to purchases. Net realizable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

## 3.14 Trade and other receivables

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

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

## 3.15 Cash and cash equivalents

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

## 3 Summary of significant accounting policies *(Continued)*

### 3.16 Share capital

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

### 3.17 Convertible and Capital securities

Convertible and Capital securities with no contracted obligation to repay its principal nor to pay any distribution are classified as part of equity. Respective distributions if and when declared are treated as equity dividends.

### 3.18 Trade payables

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

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

### 3.19 Financial liabilities

#### (a) Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

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

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are included in the cost of that asset. Such borrowing costs are capitalized as part of the cost of the asset when it is probable that they will result in future economic benefits to the entity and the costs can be measured reliably. Other borrowing costs are recognized as an expense in the year in which they are incurred.

#### (b) Convertible bonds

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortized cost basis until extinguished on conversion or maturity of the bonds. The fair value of the conversion option is initially recognized at fair value and is subsequently premeasured at its fair value at each balance sheet date. Changes in the fair value of the conversion option are recognized in the consolidated income statement.

# 3 Summary of significant accounting policies *(Continued)*

## 3.20 Current and deferred income tax

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

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

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

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

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

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

# 3 Summary of significant accounting policies *(Continued)*

## 3.21 Employee benefits

### (a) Employee leave entitlements

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employee up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

### (b) Bonus entitlements

Expected costs of bonus payments are recognized as liabilities when constructive obligations are present, as a result of services rendered by employees and reliable estimations of the obligations can be made.

### (c) Retirement benefits

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

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

The Group also participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme") for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of the lower of 5% of eligible employees' relevant aggregate income and HKD1,000. The assets of this pension scheme are held separately from those of the Group in independently administered funds.

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

## 3 Summary of significant accounting policies *(Continued)*

### 3.22 Share-based payments

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

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognizes the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The cash subscribed for the shares issued when the options are exercised is credited to share capital (nominal value) and share premium, net of any directly attributable transaction costs.

The social security contributions payable in connection with the grant of the share options is considered an integral part of the grant itself, and the charge will be treated as a cash-settled transaction.

### 3.23 Provisions

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

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

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

### 3.24 Financial guarantee liabilities

Financial guarantee liabilities are recognized in respect of the financial guarantee provided by the Group to the property purchasers.

Financial guarantee liabilities are recognized initially at fair value plus transaction costs that are directly attributable to the issue of the financial guarantee liabilities. After initial recognition, such contracts are measured at the higher of the present value of the best estimate of the expenditure required to settle the present obligation and the amount initially recognized less cumulative amortization.

Financial guarantee liabilities are derecognized from the balance sheet when, and only when, the obligation specified in the contract is discharged or cancelled or expired.

## 3 Summary of significant accounting policies *(Continued)*

### 3.25 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown, net of returns, discounts and after eliminating sales within the Group.

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

#### (a) Sale of properties

Revenue from sales of properties is recognized when the risks and rewards of the properties transferred to the purchaser, which is when the construction of the relevant properties have been completed and properties have been delivered to the purchaser pursuant to the sale agreements, and collectability of related receivables is reasonably assured. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in current liabilities, and are separately stated in the balance sheet as 'advances from customers'.

#### (b) Rental income

Rental income is recognized on a straight-line basis over the lease terms.

#### (c) Interest income

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

#### (d) Dividend income

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

#### (e) Property management and agency fee income

Property management and agency fee income is recognized in the accounting period in which the services are rendered.

#### (f) Hotel operating income

Hotel operating income is recognized upon the provision of services.

# 3 Summary of significant accounting policies *(Continued)*

## 3.25 Revenue recognition *(Continued)*

### (g) Revenue from upfitting and construction contracts

Revenue from individual upfitting and construction contract is recognized, over the period of the contracts, when the outcome of these contracts can be estimated reliably and it is probable that these contracts will be profitable.

When the outcome of a contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable.

The Group uses the 'percentage of completion method' to determine the appropriate amount to be recognized in a given period. Depending on the nature of contracts, the stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date to estimated total contract costs.

## 3.26 Operating leases

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

### (a) The Group is the lessee

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

### (b) The Group is the lessor

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

## 3.27 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's and Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

# 4 Financial risk management

## 4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow interest rate risk, and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The board of directors reviewed and approved policies for managing each of these risks and they are summarized below.

### (a) Market risk

#### *(i) Foreign exchange risk*

The Group and the Company are exposed to foreign exchange risk arising from future commercial transactions and recognized assets and liabilities which are not denominated in the Group and the Company's functional currency. Majority of the Group and the Company's foreign currency transactions and balances are denominated in Hong Kong dollars ("HKD") and United States dollars ("USD"). The Group and the Company currently do not have a foreign currency hedging policy. However, the management of the Group and the Company monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Conversion of RMB into foreign currencies is subjected to the rules and regulations of the foreign exchange control, as promulgated by the PRC government.

As at 31 December 2011, if RMB had strengthened by 5% against HKD and USD with all other variable held constant, post-tax gain for the year of the Group would have been RMB79,010,000 higher (2010: RMB118,852,000 higher), mainly as the result of foreign exchange gain on translation of HKD/USD dominated cash and cash equivalents, net of foreign exchange gains on translation of HKD/USD dominated derivative financial instruments and borrowings.

#### *(ii) Cash flow and fair value interest rate risk*

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from long-term borrowings with prevailing market interest rates. Such risk is partly offset by cash held at prevailing market interest rates. During 2011 and 2010, the Group's borrowings at prevailing market interest rates were denominated in RMB, HKD and USD.

The Group's fair value interest rate risk relates primarily to its fixed rate and other payables. The Group currently does not utilize any derivative contracts to hedge its exposure to interest rate risk. However, management will consider hedging significant interest rate exposure should the need arise.

As at 31 December 2011, if interest rates had been increased/decreased by 50 basis points with all other variables held constant, the Group's post-tax profit, after taking into account the impact of interest capitalization, would decrease/increase by approximately RMB4,121,000 (2010: RMB2,024,000).

# 4 Financial risk management *(Continued)*

## 4.1 Financial risk factors *(Continued)*

### (b) Credit risk

Credit risk arises from restricted bank deposits, cash and cash equivalents, trade and other receivables and available-for-sale financial assets. The carrying amount of restricted bank deposits, cash and cash equivalents, trade and other receivables and available-for-sales financial assets, represent the Group's maximum exposure to credit risk in relation to its financial assets.

To manage such exposure, the Group has policies in place to ensure that sales are made to purchasers with appropriate financial strengths and credit history, at the same time appropriate percentages of down payments are made. Deposits are placed with banks with appropriate credit ratings. Monitoring procedures are also in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews and assess the recoverable amount of each individual trade receivables on a regular basis to ensure that adequate impairment losses are made for irrecoverable amounts. The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

Credit risk arises from restricted bank deposits is limited, as all counterparties are banks with appropriate credit rankings.

The Group has provided guarantees to certain customers to secure their repayment obligations to the bank, for their purchases of property units. If a customer defaults on the payment of its mortgage during the term of the guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount together with any accrued interest. Under such circumstances, the Group is able to sell the property to recover any amounts paid by the Group to the bank. The directors of the Company consider that the Group's exposure to credit risk in this regard is minimal.

### (c) Liquidity risk

Cash flow forecasting is performed in the operating entities of the Group in and aggregated by Group Finance. Group Finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (Note 32), and currency restrictions regulations at all times so that the Group does not breach borrowing limits on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets.

# 4 Financial risk management *(Continued)*

## 4.1 Financial risk factors *(Continued)*

### (c) Liquidity risk *(Continued)*

The table below analyzes the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amount disclosed in the table are the contractual undiscounted cash flows. Comparative information has been restated as permitted by the amendments to HKFRS7 for the liquidity risk discloses.

| | Less than 1 year RMB'000 | Between1 and 2 years RMB'000 | Between 2 and 5 years RMB'000 | Over 5 years RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| Group | | | | | |
| At 31 December 2011 | | | | | |
| Borrowings | **16,430,561** | **7,843,876** | **10,986,597** | **2,828,815** | **38,089,849** |
| Trade and other payables excluding statutory liabilities | **9,732,193** | — | — | — | **9,732,193** |
| | **26,162,754** | **7,843,876** | **10,986,597** | **2,828,815** | **47,822,042** |
| At 31 December 2010 | | | | | |
| Borrowings | 11,125,389 | 11,653,108 | 6,572,924 | 2,350,250 | 31,701,671 |
| Trade and other payables excluding statutory liabilities | 10,380,028 | — | — | — | 10,380,028 |
| | 21,505,417 | 11,653,108 | 6,572,924 | 2,350,250 | 42,081,699 |
| Company | | | | | |
| At 31 December 2011 | | | | | |
| Borrowings | **3,699,006** | — | — | — | **3,699,006** |
| Trade and other payables excluding statutory liabilities | **27,804** | — | — | — | **27,804** |
| | **3,726,810** | — | — | — | **3,726,810** |
| Company | | | | | |
| At 31 December 2010 | | | | | |
| Borrowings | 1,453,573 | 3,288,215 | — | — | 4,741,788 |
| Trade and other payables excluding statutory liabilities | 1,731,753 | — | — | — | 1,731,753 |
| | 3,185,326 | 3,288,215 | — | — | 6,473,541 |

# 4 Financial risk management *(Continued)*

## 4.2 Capital risk management

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

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

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated balance sheet plus net debt.

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

| | As at 31 December | |
|---|---|---|
| | **2011**<br>**RMB'000** | 2010<br>RMB'000 |
| Total borrowings (Note 32) | **33,587,466** | 29,196,282 |
| Less: cash and cash equivalents (Note 25) | **(8,647,794)** | (13,977,211) |
| Net debt | **24,939,672** | 15,219,071 |
| Total equity | **37,507,033** | 33,125,804 |
| Total capital | **62,446,705** | 48,344,875 |
| Gearing ratio | **40%** | 31% |

The increase in the gearing ratio during 2011 resulted primarily from the increase in total borrowings and decrease of cash and cash equivalents, as a result of increase in investments or construction projects (See Note 19).

## 4.3 Fair value estimation

The table below analyses financial instatements carried at fair value, by valuation method, the different levels have been defined as follow:

(a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

(b) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

(c) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

# 4 Financial risk management *(Continued)*

## 4.3 Fair value estimation *(Continued)*

The following table presents the Group's assets that are measured at fair value at 31 December 2011 and 2010.

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Group | | | | |
| At 31 December 2011 | | | | |
| Other investment (Note 17) | **15,580** | — | — | **15,580** |
| Financial assets at fair value through profit or loss (Note 18) | **412,486** | — | — | **412,486** |
| Available-for-sale financial assets: equity securities (Note 16) | **218,973** | — | **221,954** | **440,927** |
| | **647,039** | — | **221,954** | **868,993** |
| Group | | | | |
| At 31 December 2010 | | | | |
| Other investment (Note 17) | 43,707 | — | — | 43,707 |
| Financial assets at fair value through profit or loss (Note 18) | 29,101 | — | — | 29,101 |
| Available-for-sale financial assets: equity securities (Note 16) | 433,886 | — | 181,663 | 615,549 |
| | 506,694 | — | 181,663 | 688,357 |

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily HKSE equity investments classified as available-for-sale.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

## 5 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### 5.1 Critical accounting estimates and judgements

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

**(a) Estimate of fair value of investment properties**

The Group carries its investment properties at fair value with changes in the fair values recognised in profit or loss. It obtains independent valuations from independent qualified valuers, DTZ Debenham Tie Leunthe Group, BMI Appraisals Limited, at least annually. At the end of each reporting period, the management updates their assessment of the fair value of each property, taking into account the most recent independent valuations. The key assumptions used in this determination and the sensitivity of the directors' estimates of these assumptions to the carrying amount of the investment properties are set out in Note 9.

**(b) Estimate of fair value of employee share options**

Up till 31 December 2011, fair value of employee share options issued by the Group is assessed by an independent qualified valuer, DTZ Debenham Tie Leunthe Group at their respective issuance dates. The valuation is performed on the basis of open market value of the Group's listed shares, as well as estimations for the realization rates in the future. The assumptions used are mainly based on market conditions existing at each balance sheet date, as well as prior years' records of the Group's resignation rates.

**(c) Income taxes and land appreciation tax ("LAT")**

The Group is primarily subjected to various PRC taxes, as it is principally engaged in property development in the PRC. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The implementation and settlement of LAT varies among various tax jurisdictions in cities of the PRC. LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including land use rights, borrowing costs, business taxes, property development and other related expenditures. These taxes are incurred upon transfer of property ownership.

Significant judgment is required in determining the extent of land appreciation and its related taxes. The Group recognized LAT based on management's best estimates according to the understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the consolidated income statement in the periods in which such taxes are finalized with local tax authorities.

# 5 Critical accounting estimates and judgements *(Continued)*

## 5.1 Critical accounting estimates and judgements *(Continued)*

### (d) Deferred tax

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

## 5.2 Critical judgements

### (a) Revenue recognition

The Group has recognized revenue from the sale of properties held for sale as disclosed in Note 3.25. The assessment of when an entity has transferred the significant risks and rewards of ownership to buyers requires the examination of the circumstances of the transaction. In most cases, the transfer of risks and rewards of ownership coincides with the date when the equitable interest in the property vests to the buyer, upon release of the respective property to the purchaser.

As disclosed in Note 45, the Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. These guarantees will expire when relevant property ownership certificates are lodged with the banks by the purchasers. In order to obtain mortgages, the purchasers would have settled certain percentage of the total contract amount in accordance with related PRC regulations upon delivery of the properties. The directors of the Company are of the opinion that such settlements provide sufficient evidence of the purchasers' commitment to honour contractual obligation of the bank loans. In addition, based on past experiences, there were no significant defaults of mortgage facilities by the purchasers resulted in the bank guarantees were called upon. Accordingly, the directors believe that significant risks and rewards associated to the ownership of the properties have been transferred to the purchasers.

### (b) Estimated impairment of assets

The Group tests at least annually whether assets have suffered any impairment in accordance with the accounting policies stated in Note 3.8. Assets are also reviewed for impairment, whenever events or changes in circumstances are noted, that may potentially causes the carrying amount of the assets to exceed its recoverable amount. The recoverable amount of an asset or a cash generating units is determined based on value-in-use calculations which require the use of assumptions and estimates. In 2011, based on such reviews, it was determined that the Group's investments in notes receivable (Note 22(d)), receivable for disposals of subsidiaries (Note 22(e)), as well as certain properties under development (Note 19) to be impaired, and relevant provision had been made as set out in the relevant notes to the financial statements.

# 5 Critical accounting estimates and judgements *(Continued)*

## 5.2 Critical judgements *(Continued)*

### (c) Estimations for total properties construction cost

The Group makes estimations on properties construction cost upon recognition of respective costs of sales. Such estimates are substantiated by detail budgetary information as developed by the management, and will be assessed periodically, as the constructions progresses. Should these estimates depart from their actual finalized costs, such differences would affect the accuracy of costs of sales recognized.

# 6 Segment information

Management has determined the operating segments based on the reports reviewed by the chief operating committee (the "Committee") that are used to make strategic decisions.

The Committee considers the business from both a geographic and product perspective. From the product perspective, management considers the performance of property development and property investment. Property development businesses are further segregated geographically into Beijing, Tianjin, North-east as well as all other territories.

Other operations as carried out by the Group mainly include property management services, hotel operation, property sales agency services, as well as upfitting services. These are not included within the reportable operating segments, as they are not included in the reports provided to the Committee. The results of these operations are included in the "All other segments" column.

The Committee assesses the performance of the operating segments based on a measure of operating profit. This measurement basis excludes the effects of non-recurring expenditure from the operating segments. Finance costs and income are not included in the result for each operating segment that is reviewed by the Committee, as they are driven by activities of the central treasury function, which manages the cash position of the Group. The measure also excludes the effects of any unrealized gains/losses from investments in jointly controlled entities and associates as well as fair value gains/losses from investment properties. Other information provided to the Committee, except as noted below, is measured in a manner consistent with that in the financial statements.

Total assets exclude corporate cash and cash equivalents, investments in a jointly controlled entity and associates, deferred tax, available-for-sale financial assets, financial assets at fair value through profit or loss and other investment, all of which are managed on a central basis. These are part of the reconciliation to total balance sheet assets.

Transactions between segments are carried out at arm's length. The revenue from external parties reported to the Committee is measured in a manner consistent with that in the condensed consolidated interim statement of comprehensive income.

Revenue consists of sales from the property development segment, which mainly represent property sales income, and rental income as derived from the investment property segment, which are RMB 17,618,075,000 and RMB 340,062,000 for the year ended 31 December 2011 and RMB12,797,982,000 and RMB211,564,000 for the year ended 31 December 2010 respectively.

In prior year, risks and rewards of the Group's properties held for sales are passed on the actual date of delivery of the relevant properties to customers. Commencing 1 January 2011, the delivery of property sales and transfer of ownership of the properties to the customers are deemed to be the earlier of the actual date of delivery or the first day after the expiry of the delivery period as stipulated in the property delivery notice.

## 6 Segment information *(Continued)*

The segment information provided to the Committee for the reportable segments for the year ended 31 December 2011 and 2010 is as follows:

| | Property development | | | | Investment | All other | | Inter-Company | |
|---|---|---|---|---|---|---|---|---|---|
| | Beijing RMB'000 | Tianjin RMB'000 | North-east RMB'000 | Others RMB'000 | property RMB'000 | segments RMB'000 | Total RMB'000 | elimination RMB'000 | Group total RMB'000 |
| **Year ended 31 December 2011** | | | | | | | | | |
| Total revenue | 7,823,397 | 2,253,284 | 4,962,671 | 2,708,583 | 344,101 | 4,569,410 | 22,661,446 | – | 22,661,446 |
| Inter-segment revenue | (129,860) | – | – | – | (4,039) | (2,630,601) | (2,764,500) | – | (2,764,500) |
| **Revenue (from external customers)** | 7,693,537 | 2,253,284 | 4,962,671 | 2,708,583 | 340,062 | 1,938,809 | 19,896,946 | – | 19,896,946 |
| **Segment operating profit** | 3,189,170 | 440,591 | 1,520,132 | 947,392 | 272,670 | 361,476 | 6,731,431 | (1,382,063) | 5,349,368 |
| Depreciation and amortization (Note 38) | (918) | (1,683) | (7,039) | (8,224) | (814) | (30,290) | (48,968) | – | (48,968) |
| Goodwill disposed for sales of properties (Note 10) | – | (7,140) | – | (68,049) | – | – | (75,189) | – | (75,189) |
| Income tax expense (Note 41) | (1,310,489) | (189,201) | (512,114) | (304,818) | (48,558) | (188,368) | (2,553,548) | – | (2,553,548) |
| Finance income | 123,930 | 92,295 | 279,452 | 107,248 | 30,895 | 81,995 | 715,815 | (691,482) | 24,333 |
| **Year ended 31 December 2010** | | | | | | | | | |
| Total revenue | 6,764,924 | 1,414,170 | 3,183,473 | 1,435,415 | 217,079 | 1,877,719 | 14,892,780 | — | 14,892,780 |
| Inter-segment revenue | — | — | — | — | (5,515) | (1,166,600) | (1,172,115) | — | (1,172,115) |
| **Revenue (from external customers)** | 6,764,924 | 1,414,170 | 3,183,473 | 1,435,415 | 211,564 | 711,119 | 13,720,665 | — | 13,720,665 |
| **Segment operating profit** | 2,601,814 | 250,320 | 825,999 | 100,161 | 98,015 | 500,568 | 4,376,877 | (410,899) | 3,965,978 |
| Depreciation and amortization (Note 38) | (1,565) | (1,342) | (6,836) | (7,170) | (684) | (14,358) | (31,955) | — | (31,955) |
| Goodwill disposed for sales of properties (Note 10) | — | (8,838) | — | (75,064) | — | — | (83,902) | — | (83,902) |
| Income tax expense (Note 41) | (276,473) | (59,520) | (243,165) | (157,670) | (43,606) | (634,186) | (1,414,620) | — | (1,414,620) |
| Finance income | 134,465 | 45,632 | 154,426 | 58,569 | 3,384 | 493,544 | 890,020 | (782,206) | 107,814 |

## 6 Segment information *(Continued)*

| | Property development | | | | Investment | All other | | Inter-Company | |
|---|---|---|---|---|---|---|---|---|---|
| | Beijing RMB'000 | Tianjin RMB'000 | North-east RMB'000 | Others RMB'000 | property RMB'000 | segments RMB'000 | Total RMB'000 | elimination RMB'000 | Group total RMB'000 |
| **As at 31 December 2011** | | | | | | | | | |
| **Total segment assets** | **36,627,577** | **11,357,343** | **35,575,631** | **34,987,901** | **6,187,329** | **28,146,919** | **152,882,700** | **(51,185,920)** | **101,696,780** |
| Additions to non-current assets (other than financial instruments and deferred tax assets) | **1,422** | **2,594** | **3,903** | **11,344** | **564** | **54,251** | **74,078** | **–** | **74,078** |
| **Total segment liabilities** | **14,852,035** | **4,515,462** | **11,476,473** | **16,217,060** | **1,037,273** | **22,586,169** | **70,684,472** | **(34,325,534)** | **36,358,938** |
| **As at 31 December 2010** | | | | | | | | | |
| **Total segment assets** | 33,940,037 | 9,569,868 | 25,535,994 | 20,616,400 | 5,274,465 | 19,395,793 | 114,332,557 | (34,540,220) | 79,792,337 |
| Additions to non-current assets (other than financial instruments and deferred tax assets) | 140,124 | 3,101 | 10,381 | 42,715 | 299,298 | 37,707 | 533,326 | — | 533,326 |
| **Total segment liabilities** | 16,232,942 | 3,661,878 | 7,428,596 | 9,087,159 | 1,202,665 | 15,198,662 | 52,811,902 | (23,958,923) | 28,852,979 |

## 6 Segment information *(Continued)*

A reconciliation of segment operating profit to profit before income tax is provided as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2011** | 2010 |
| | **RMB'000** | RMB'000 |
| Segment operating profit | **5,349,368** | 3,965,978 |
| Corporate finance income | **38,097** | 72,687 |
| Corporate overheads | **(372,801)** | (384,353) |
| Finance costs (Note 40) | **(419,436)** | (287,356) |
| Fair value gain on investment properties (Note 9) | **512,778** | 567,350 |
| Share of gains/(losses) of jointly controlled entities | **68,911** | (8,859) |
| Share of loss of associates | **(2,571)** | (72,004) |
| **Profit before income tax** | **5,174,346** | 3,853,443 |

Reportable and other segments' assets and liabilities are reconciled to total assets and liabilities as follows:

| | As at 31 December | |
|---|---|---|
| | **2011** | 2010 |
| | **RMB'000** | RMB'000 |
| Total segment assets | **101,696,780** | 79,792,337 |
| Corporate cash and cash equivalents | **4,558,691** | 10,350,232 |
| Investment in jointly controlled entities (Note 12) | **1,052,135** | 687,826 |
| Investment in associates (Note13) | **606,013** | 397,458 |
| Available-for-sale financial assets (Note 16) | **440,927** | 615,549 |
| Other investment (Note 17) | **15,580** | 43,707 |
| Financial assets at fair value through profit or loss (Note 18) | **412,486** | 29,101 |
| Deferred income tax assets (Note 33) | **1,502,833** | 814,244 |
| **Total assets per consolidated balance sheet** | **110,285,445** | 92,730,454 |
| Total segment liabilities | **36,358,938** | 28,852,979 |
| Deferred income tax liabilities (Note 33) | **1,386,739** | 1,351,372 |
| Current borrowings (Note 32) | **14,481,805** | 9,920,123 |
| Non-current borrowings (Note 32) | **19,105,661** | 19,276,159 |
| Distribution payable (Note 34) | **195,138** | 204,017 |
| **Total liabilities per consolidated balance sheet** | **71,528,281** | 59,604,650 |

The Company is incorporated in Hong Kong, with most of its major subsidiaries domiciled in the PRC. All revenues from external customers of the Group are derived in the PRC for the years ended 31 December 2011 and 2010.

As at 31 December 2011, the total of non-current assets other than financial instruments and deferred tax assets located in the PRC is RMB7,859,984,000 (2010: RMB6,873,008,000), and the total of these non-current assets located in Hong Kong is RMB125,871,000 (2010: RMB131,038,000).

For the year ended 31 December 2011 and 2010, the Group does not have any single significant customer with the transaction value above 10% of the external sales.

## 7 Property, plant and equipment

| | Buildings and leasehold improvements RMB'000 | Hotel property RMB'000 | Machinery RMB'000 | Vehicles RMB'000 | Office equipment RMB'000 | Electronic equipment RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|
| **Year ended 31 December 2011** | | | | | | | |
| Opening net book amount | **116,772** | **–** | **6,865** | **56,528** | **19,769** | **14,961** | **214,895** |
| Additions | **30,118** | **–** | **1,333** | **11,271** | **14,303** | **17,053** | **74,078** |
| Disposals | **–** | **–** | **(170)** | **(5,280)** | **(855)** | **(670)** | **(6,975)** |
| Depreciation charge (Note 38) | **(19,119)** | **–** | **(2,086)** | **(12,438)** | **(5,410)** | **(9,669)** | **(48,722)** |
| Disposals of subsidiaries (Note 48) | **(5,830)** | **–** | **(420)** | **(1,222)** | **(255)** | **(77)** | **(7,804)** |
| Closing net book amount | **121,941** | **–** | **5,522** | **48,859** | **27,552** | **21,598** | **225,472** |
| At 31 December 2011 | | | | | | | |
| Cost | **149,016** | **–** | **9,575** | **88,026** | **56,886** | **49,877** | **353,380** |
| Accumulated depreciation | **(27,075)** | **–** | **(4,053)** | **(39,167)** | **(29,334)** | **(28,279)** | **(127,908)** |
| Net book amount | **121,941** | **–** | **5,522** | **48,859** | **27,552** | **21,598** | **225,472** |
| **Year ended 31 December 2010** | | | | | | | |
| Opening net book amount | 89,898 | 170,189 | 5,423 | 38,966 | 8,626 | 11,765 | 324,867 |
| Additions | 12,388 | — | 2,385 | 33,515 | 10,669 | 8,623 | 67,580 |
| Acquisition of subsidiaries | 16,820 | — | 1,546 | 5,321 | 6,822 | 865 | 31,374 |
| Disposals | — | — | (972) | (6,683) | (69) | (147) | (7,871) |
| Depreciation charge (Note 38) | (2,334) | (562) | (1,517) | (14,591) | (6,279) | (6,145) | (31,428) |
| Disposals of a subsidiary | — | (169,627) | — | — | — | — | (169,627) |
| Closing net book amount | 116,772 | — | 6,865 | 56,528 | 19,769 | 14,961 | 214,895 |
| At 31 December 2010 | | | | | | | |
| Cost | 125,751 | — | 12,184 | 106,444 | 45,236 | 37,341 | 326,956 |
| Accumulated depreciation | (8,979) | — | (5,319) | (49,916) | (25,467) | (22,380) | (112,061) |
| Net book amount | 116,772 | — | 6,865 | 56,528 | 19,769 | 14,961 | 214,895 |

Depreciation expense of RMB36,196,000 (2010: RMB22,650,000) has been charged in 'cost of sales', and RMB 12,526,000 (2010: RMB8,778,000) in 'administrative expenses'.

As at 31 December 2011 and 2010, buildings with the carrying values of RMB71,265,000 and RMB73,341,000 respectively were pledged as collateral for the Group's borrowings (Note 32) as at 31 December 2011 and 2010.

## 8 Land use rights

The Group's interests in land use rights represent prepaid operating lease payments in the PRC which are held on leases of less than 50 years. The movements are as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2011** | 2010 |
| | **RMB'000** | RMB'000 |
| **At beginning of the year** | **9,723** | 38,964 |
| Amortization charge (Note 38) | **(246)** | (527) |
| Disposal of a subsidiary | **—** | (28,714) |
| **At end of the year** | **9,477** | 9,723 |

As at 31 December 2011 and 2010, land use rights of the Group with carrying values of RMB6,186,000 and RMB6,329,000 respectively were pledged as collateral for the Group's borrowings (Note 32).

## 9 Investment properties

| | Year ended 31 December | |
|---|---|---|
| | **2011** | 2010 |
| | **RMB'000** | RMB'000 |
| **At fair value** | | |
| At beginning of the year | **4,988,572** | 3,984,000 |
| Acquisition of subsidiaries | **—** | 296,500 |
| Disposal of subsidiary (Note 48(d)) | **(150,000)** | — |
| Transfer from completed properties held for sale | **111,025** | 140,722 |
| Fair value gains | **512,778** | 567,350 |
| At end of the year | **5,462,375** | 4,988,572 |

## 9 Investment properties *(Continued)*

### (a) Amounts recognized in profit and loss for investment properties

| | Year ended 31 December | |
|---|---|---|
| | **2011** **RMB'000** | 2010 RMB'000 |
| Rental income (Note 6) | **340,062** | 211,564 |
| Direct operating expenses arising from investment properties that generate rental income | **73,181** | 90,624 |
| Direct operating expenses that did not generate rental income | **10,901** | 8,784 |

### (b) Valuation basis

The fair value of the Group's investment properties at 31 December 2011 and 2010 were valued by DTZ Debenham Tie Leunthe Group and BMI Appraisals Limited, independent and professionally qualified valuers, respectively. Valuations were based on either capitalization of net rental income derived from the existing tenancies with allowance for the reversionary income potential of the properties or on direct comparison approach assuming sale of each of these properties in its existing state with the benefit of vacant possession by making reference to comparable sales transactions as available in the relevant market.

### (c) Non-current assets pledged as security

As at 31 December 2011 and 2010, investment properties of the Group with carrying values of RMB4,396,840,000 and RMB2,906,425,000 respectively were pledged as collateral for the Group's borrowings (Note 32).

## 9 Investment properties *(Continued)*

### (d) Leasing arrangements

Minimum lease payments under non-cancellable operating leases of investment properties not recognised in the financial statements are receivable as follows:

| | As at 31 December | |
|---|---|---|
| | **2011** | 2010 |
| | **RMB'000** | RMB'000 |
| Within 1 year | **350,533** | 303,634 |
| Between 1 to 5 years | **570,641** | 534,711 |
| After 5 years | **54,724** | 98,048 |
| | **975,898** | 936,393 |

The Group's interests in investment properties at their net book values are analysed as follows:

| | **2011** | 2010 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| In PRC, held on: | | |
| Leases of less than 50 years | **5,462,375** | 4,988,572 |

## 10 Goodwill

| | RMB'000 |
|---|---|
| Year ended 31 December 2011 | |
| Opening net book amount | **705,572** |
| Goodwill disposed of for sales of properties, charged to cost of sales | **(75,189)** |
| Closing net book amount | **630,383** |
| At 31 December 2011 | |
| Cost | **883,668** |
| Goodwill disposed of for sales of properties, charged to cost of sales | **(253,285)** |
| Net book amount | **630,383** |
| Year ended 31 December 2010 | |
| Opening net book amount | 662,602 |
| Acquisition of subsidiaries | 137,872 |
| Disposal of a subsidiary | (11,000) |
| Goodwill disposed for sales of properties, charged to cost of sales | (83,902) |
| Closing net book amount | 705,572 |
| At 31 December 2010 | |
| Cost | 883,668 |
| Goodwill disposed for sales of properties, charged to cost of sales | (178,096) |
| Net book amount | 705,572 |

Goodwill is allocated to the Group's cash generating units identified according to operating segment. An operating segment level summary of the goodwill allocation is presented below.

| | As at 31 December | |
|---|---|---|
| | **2011** | 2010 |
| | **RMB'000** | RMB'000 |
| Property development | **502,521** | 577,710 |
| Investment property | **125,527** | 125,527 |
| Others | **2,335** | 2,335 |
| | **630,383** | 705,572 |

## 10 Goodwill *(Continued)*

The recoverable amount of a cash-generating unit is determined based on fair value less cost to sell calculations. These calculations use observable market prices for the units.

## 11 Investments in subsidiaries - Company

| | As at 31 December | |
|---|---|---|
| | **2011 RMB'000** | 2010 RMB'000 |
| Unlisted investments, at cost | **3,407,371** | 3,407,371 |
| Contribution to the Restricted Share Award Scheme Trust | **110,321** | 114,253 |
| | **3,517,692** | 3,521,624 |
| Amounts due from subsidiaries | **29,794,598** | 29,204,620 |
| Amounts due to subsidiaries | **(8,502,145)** | (5,970,266) |
| | **24,810,145** | 26,755,978 |

Amounts due from and to subsidiaries are unsecured, interest free and repayable on demand.

The directors are of the opinion that the following is a list of the subsidiaries at 31 December 2011 which materially affect the results or assets of the Group:

| | Name | Country/ place of incorporation and operation | Legal status | Issue/paid in capital (In thousand) | Effective interest held as at 31 December 2011 | Principal activities |
|---|---|---|---|---|---|---|
| (1) | Sino-Ocean Land Limited 遠洋地產有限公司 | PRC | Limited liability company | RMB 6,368,240 | 100% | Property development |
| (2) | 遠洋國際建設有限公司 | PRC | Limited liability company | RMB 600,000 | 100% | Renovation service |
| (3) | Beijing Zhong Lian Land Development Company, Limited 北京中聯置地房地產開發有限公司 | PRC | Limited liability company | RMB 560,000 | 100% | Property development |
| (4) | Beijing Yuankun Real Estate Development Company, Limited 北京遠坤房地產開發有限公司 | PRC | Limited liability company | RMB 500,000 | 100% | Property development |

## 11 Investments in subsidiaries - Company *(Continued)*

| | Name | Country/ place of incorporation and operation | Legal status | Issue/paid in capital (In thousand) | Effective interest held as at 31 December 2011 | Principal activities |
|---|---|---|---|---|---|---|
| (5) | 北京萬洋世紀創業投資管理有限公司 | PRC | Limited liability company | RMB 341,000 | 100% | Consultant service |
| (6) | 北京碧城創業投資管理有限公司 | PRC | Limited liability company | RMB 336,000 | 100% | Consultant service |
| (7) | Beijing Yuan Yang Building Co., Ltd. 北京遠洋大廈有限公司 | PRC | Limited liability company | USD 30,000 | 72% | Investment property |
| (8) | Beijing Linda Huaxia Real Estate Development Company, Limited 北京林達華夏房地產開發有限公司 | PRC | Limited liability company | RMB 219,000 | 100% | Property development |
| (9) | 北京遠洋園林工程有限公司 | PRC | Limited liability company | RMB 200,000 | 100% | Renovation service |
| (10) | Beijing Wuhe Real Estate Development Company, Limited 北京五河房地產開發有限公司 | PRC | Limited liability company | RMB 100,000 | 75% | Land development |
| (11) | Qinhuangdao Ocean Land Development Company, Limited 秦皇島海洋置業房地產開發有限公司 | PRC | Limited liability company | RMB 100,000 | 100% | Property development |
| (12) | Beijing Yuan Sheng Land Deveopment Company, Limited 北京遠盛置業有限公司 | PRC | Limited liability company | RMB 100,000 | 100% | Property development |
| (13) | Beijing De Jun Land Development Company Limited 北京德俊置業有限公司 | PRC | Limited liability company | RMB 90,000 | 100% | Property development |
| (14) | Beijing Dong Rong Real Estate Development Co., Ltd. 北京東隆房地產開發有限公司 | PRC | Limited liability company | USD 12,370 | 85.72% | Property development |
| (15) | Beijing Jin He Wan Sheng Real Estate Development Company Limited 北京金和萬盛房地產開發有限公司 | PRC | Limited liability company | RMB 75,000 | 100% | Land development |

## 11 Investments in subsidiaries - Company *(Continued)*

| | Name | Country/ place of incorporation and operation | Legal status | Issue/paid in capital (In thousand) | Effective interest held as at 31 December 2011 | Principal activities |
|---|---|---|---|---|---|---|
| (16) | Beijing Yuan Hao Land Development Company, Limited 北京遠豪置業有限公司 | PRC | Limited liability company | RMB 60,000 | 100% | Property development |
| (17) | Beijing Yuan-lin Land Development Company, Limited 北京遠麟置業有限公司 | PRC | Limited liability company | RMB 50,000 | 100% | Property development |
| (18) | Beijing Yuanqian Property Co., Ltd. 北京遠乾置業有限公司 | PRC | Limited liability company | RMB 300,000 | 100% | Investment holdings |
| (19) | Beijing Sino-Ocean Grand Architectural Decoration Engineering Co. Ltd. 遠洋裝飾工程有限公司 | PRC | Limited liability company | RMB 60,625 | 80% | Renovation services |
| (20) | Beijing Yuan He Real Estate Development Company Limited 北京遠河房地產開發有限公司 | PRC | Limited liability company | RMB 30,000 | 100% | Property development |
| (21) | Beijing Tianlin Real Estate Development Company, Limited 北京市天麟房地產開發有限公司 | PRC | Limited liability company | RMB 30,000 | 100% | Property development |
| (22) | Beijing Yin Gang Real Estate Development Company Limited 北京銀港房地產開發有限公司 | PRC | Limited liability company | RMB 10,000 | 100% | Investment holdings |
| (23) | Beijing Yuan-lian Real Estate Development Company, Limited 北京遠聯置地房地產開發有限公司 | PRC | Limited liability company | RMB 10,000 | 100% | Property development |
| (24) | Tianjin Yuan-bin Real Estate Development Company, Limited 天津遠濱房地產開發有限公司 | PRC | Limited liability company | RMB 600,000 | 97.05% | Property development |
| (25) | Tianjin Pulida Real Estate Construction and Development Company Limited 天津普利達房地產開發有限公司 | PRC | Limited liability company | RMB 420,000 | 100% | Property development |
| (26) | Tianjin Yuan-Chi Real Estate Development Company, Limited 天津市遠馳房地產開發有限公司 | PRC | Limited liability company | RMB 400,000 | 96.99% | Property development |

## 11 Investments in subsidiaries - Company *(Continued)*

| | Name | Country/ place of incorporation and operation | Legal status | Issue/paid in capital (In thousand) | Effective interest held as at 31 December 2011 | Principal activities |
|---|---|---|---|---|---|---|
| (27) | 天津宇華房地產開發有限公司 | PRC | Limited liability company | RMB 100,000 | 100% | Property development |
| (28) | Sino-Ocean Real Estate (Tianjin) Co., Ltd.<br>遠洋地產(天津)有限公司 | PRC | Limited liability company | RMB 170,000 | 94.1% | Investment holding |
| (29) | Tianjin Yuanying Real Estate Development Company, Limited<br>天津市遠贏房地產開發有限公司 | PRC | Limited liability company | RMB 30,000 | 100% | Property development |
| (30) | 大連新悅置業有限公司 | PRC | Limited liability company | USD 168,700 | 90% | Property development |
| (31) | 大連廣宇置業有限公司 | PRC | Limited liability company | USD 149,260 | 90% | Property development |
| (32) | 大連匯洋置業有限公司 | PRC | Limited liability company | USD 150,000 | 51% | Property development |
| (33) | 大連聖基置業有限公司 | PRC | Limited liability company | USD 114,545 | 90% | Property development |
| (34) | 大連世甲置業有限公司 | PRC | Limited liability company | USD 97,850 | 100% | Property development |
| (35) | Wanxiang Zhiye (Shenyang) Co., Ltd.<br>萬祥置業(瀋陽)有限公司 | PRC | Limited liability company | RMB 582,830 | 100% | Property development |
| (36) | Liaoning Wanxiang Property Co., Ltd.<br>遼寧萬祥置業有限公司 | PRC | Limited liability company | RMB 459,240 | 100% | Property development |
| (37) | Dalian Sunny-Ocean Property Limited<br>大連明遠置業有限公司 | PRC | Limited liability company | USD 80,000 | 100% | Property development |

## 11 Investments in subsidiaries - Company *(Continued)*

| | Name | Country/ place of incorporation and operation | Legal status | Issue/paid in capital (In thousand) | Effective interest held as at 31 December 2011 | Principal activities |
|---|---|---|---|---|---|---|
| (38) | 大連永圖置業有限公司 | PRC | Limited liability company | USD 79,500 | 90% | Property development |
| (39) | Dalian Sky-Upright Property Limited 大連正乾置業有限公司 | PRC | Limited liability company | USD 76,860 | 100% | Property development |
| (40) | 大連至遠置業有限公司 | PRC | Limited liability company | USD 69,754 | 90% | Property development |
| (41) | 大連潤峰置業有限公司 | PRC | Limited liability company | USD 64,560 | 90% | Property development |
| (42) | 大連宏澤置業有限公司 | PRC | Limited liability company | USD 105,000 | 100% | Property development |
| (43) | 大連源豐置業有限公司 | PRC | Limited liability company | USD 50,700 | 100% | Property development |
| (44) | 長春東方聯合置業有限公司 | PRC | Limited liability company | RMB 200,000 | 51% | Property development |
| (45) | Dalian Qianhao Real Estate Co., Ltd. 大連凱盟房地產開發有限公司 | PRC | Limited liability company | RMB 150,000 | 100% | Property development |
| (46) | 大連通遠房地產開發有限公司 | PRC | Limited liability company | RMB 8,000 | 100% | Land development |
| (47) | 遠洋地產(中山)開發有限公司 | PRC | Limited liability company | RMB 720,000 | 100% | Property development |
| (48) | 杭州遠洋天祺置業有限公司 | PRC | Limited liability company | USD 147,760 | 51% | Property development |
| (49) | 杭州遠洋運河商務區開發有限公司 | PRC | Limited liability company | USD 143,210 | 51% | Property development |
| (50) | 廣州市德逸房地產開發有限公司 | PRC | Limited liability company | RMB 600,000 | 100% | Property development |
| (51) | 杭州德洋投資管理有限公司 | PRC | Limited liability company | USD 29,600 | 100% | Consultant service |

## 11 Investments in subsidiaries - Company *(Continued)*

| | Name | Country/ place of incorporation and operation | Legal status | Issue/paid in capital (In thousand) | Effective interest held as at 31 December 2011 | Principal activities |
|---|---|---|---|---|---|---|
| (52) | Hang Zhou Yuan Yang Lai Fu Real Estate Development Company Limited 杭州遠洋萊福房地產開發有限公司 | PRC | Limited liability company | RMB 500,000 | 70% | Property development |
| (53) | 成都市同益房地產開發有限公司 | PRC | Limited liability company | RMB 10,000 | 51% | Property development |
| (54) | 重慶高爾夫國際俱樂部有限公司 | PRC | Limited liability company | RMB 96,290 | 85% | Land development |
| (55) | 三亞南國奧林匹克花園有限公司 | PRC | Limited liability company | RMB 64,100 | 70% | Property development |
| (56) | 三亞棠棣莊園投資有限公司 | PRC | Limited liability company | RMB 64,000 | 52.5% | Property development |
| (57) | 武漢弘福置業有限公司 | PRC | Limited liability company | RMB 45,000 | 55% | Property development |
| (58) | 杭州遠洋新河酒店置業有限公司 | PRC | Limited liability company | USD 83,620 | 51% | Property development |
| (59) | 青島遠豪置業有限公司 | PRC | Limited liability company | RMB 182,093 | 100% | Property developemt |
| (60) | 上海遠鑫置業有限公司 | PRC | Limited liability company | RMB 20,000 | 100% | Property development |
| (61) | 海南浙江椰香村建設開發有限公司 | PRC | Limited liability company | RMB 15,000 | 70% | Property development |
| (62) | Gemini Investments (Holdings) Limited 盛洋投資(控股)有限公司 | Hong Kong | HK Listed company | HKD22,275 | 70.15% | Investment holding |
| (63) | Tak Shing International Investment Limited 德盛國際投資有限公司 | Hong Kong | Limited liability company | HKD 10 | 100% | Investment holding |
| (64) | Sino-Ocean Land (Zhong Shan) Limited 遠洋地產(中山)有限公司 | Hong Kong | Limited liability company | HKD 10 | 100% | Investment holding |

## 11 Investments in subsidiaries - Company *(Continued)*

| | Name | Country/ place of incorporation and operation | Legal status | Issue/paid in capital (In thousand) | Effective interest held as at 31 December 2011 | Principal activities |
|---|---|---|---|---|---|---|
| (65) | Sino-Ocean Land (Hong Kong) Limited 遠洋地產(香港)有限公司 | Hong Kong | Limited liability company | HKD 10 | 100% | Investment holding |
| (66) | Mission Success Limited 穎博有限公司 | Hong Kong | Limited liability company | HKD — | 100% | Investment holding |
| (67) | Dynamic Class Limited 昇能有限公司 | Hong Kong | Limited liability company | HKD — | 100% | Investment holding |
| (68) | Moral Wealth International Limited 德發國際有限公司 | Hong Kong | Limited liability company | HKD — | 51% | Investment holding |
| (69) | Shine Wind Development Limited 耀勝發展有限公司 | BVI | Limited liability company | USD 10 | 100% | Investment holding |
| (70) | Mega Precise Profits Limited | BVI | Limited liability company | USD - | 100% | Investment holding |
| (71) | Smart State Properties Limited | BVI | Limited liability company | USD - | 100% | Investment holding |
| (72) | Moral Known Limited 德曉有限公司 | BVI | Limited liability company | USD - | 100% | Investment holding |
| (73) | Tak Chun Int'l Inv Ltd 德津國際投資有限公司 | Hong Kong | Limited liability company | HKD — | 100% | Investment holding |
| (74) | Tak Chung Int'l Inv Ltd 德中國際投資有限公司 | Hong Kong | Limited liability company | HKD — | 100% | Investment holding |
| (75) | Keen Moral Ltd 德鋒有限公司 | Hong Kong | Limited liability company | HKD — | 51% | Investment holding |
| (76) | Moral (HK) Investment Ltd 德佳(香港)投資有限公司 | Hong Kong | Limited liability company | HKD — | 100% | Investment holding |
| (77) | Sky Charter Development Ltd 天澤發展有限公司 | Hong Kong | Limited liability company | HKD 692 | 51% | Investment holding |

## 11 Investments in subsidiaries - Company *(Continued)*

| | Name | Country/ place of incorporation and operation | Legal status | Issue/paid in capital (In thousand) | Effective interest held as at 31 December 2011 | Principal activities |
|---|---|---|---|---|---|---|
| (78) | Enter Wealth Inv Ltd<br>碧城投資有限公司 | Hong Kong | Limited liability company | HKD — | 100% | Investment holding |
| (79) | Gain Element Limited<br>盈河有限公司 | Hong Kong | Limited liability company | HKD — | 100% | Investment holding |
| (80) | Always Win Holdings Ltd<br>長盈集團有限公司 | Hong Kong | Limited liability company | HKD — | 85.71% | Investment holding |
| (81) | Champion Central Inv Ltd<br>冠中投資有限公司 | Hong Kong | Limited liability company | HKD — | 85.71% | Investment holding |
| (82) | Leader United Holdings Ltd<br>創盛控股有限公司 | Hong Kong | Limited liability company | HKD — | 90% | Investment holding |
| (83) | Stay Smart Limited<br>商邦有限公司 | Hong Kong | Limited liability company | HKD — | 90% | Investment holding |
| (84) | Sino-Ocean Land Capital Inv Ltd<br>遠洋地產資本投資有限公司 | BVI | Limited liability company | USD 50 | 100% | Investment holding |
| (85) | Faith Ocean Int'l Ltd<br>信洋國際有限公司 | BVI | Limited liability company | USD - | 100% | Investment holding |
| (86) | Grand Beauty Mgt Ltd<br>盛美管理有限公司 | BVI | Limited liability company | USD - | 100% | Investment holding |
| (87) | Thousand Smart Int'l Ltd<br>卓萬國際有限公司 | BVI | Limited liability company | USD - | 100% | Investment holding |

## 11 Investments in subsidiaries - Company *(Continued)*

| | Name | Country/ place of incorporation and operation | Legal status | Issue/paid in capital (In thousand) | Effective interest held as at 31 December 2011 | Principal activities |
|---|---|---|---|---|---|---|
| (88) | Midtalent Inv. Ltd 萬力投資有限公司 | BVI | Limited liability company | USD - | 100% | Investment holding |
| (89) | Shining Grand Limited 灝輝有限公司 | BVI | Limited liability company | USD - | 100% | Investment holding |
| (90) | 北京遠東新地置業有限公司 | PRC | Limited liability company | RMB 30,000 | 100% | Property development |
| (91) | 遠洋地產(遼寧)有限公司 | PRC | Limited liability company | RMB 20,000 | 100% | Property development |
| (92) | 瀋陽萬洋投資管理諮詢有限公司 | PRC | Limited liability company | HKD 367,500 | 100% | Consultant service |
| (93) | 瀋陽碧城投資管理諮詢有限公司 | PRC | Limited liability company | USD 47,000 | 100% | Consultant service |
| (94) | 中山市遠見房地產開發有限公司 | PRC | Limited liability company | RMB 30,000 | 40% | Property development |
| (95) | 杭州濤力投資管理有限公司 | PRC | Limited liability company | HKD 225,800 | 100% | Consultant service |
| (96) | 遠洋地產(上海)有限公司 | PRC | Limited liability company | RMB 20,000 | 100% | Property development |
| (97) | 上海遠望置業有限公司 | PRC | Limited liability company | RMB 20,000 | 100% | Property development |
| (98) | 上海遠正置業有限公司 | PRC | Limited liability company | RMB 20,000 | 100% | Property development |
| (99) | 遠洋地產(鎮江)有限公司 | PRC | Limited liability company | RMB 50,000 | 55% | Property development |

## 12 Interests in jointly controlled entities

| | Year ended 31 December 2011 RMB'000 | 2010 RMB'000 |
|---|---|---|
| At beginning of the year | **687,826** | 671,685 |
| Capital injection (c) | **312,887** | 25,000 |
| Addition from acquisition of a subsidiary | **—** | 5,000 |
| Disposals | **—** | (5,000) |
| Share of results of jointly controlled entities | **51,422** | (8,859) |
| At end of the year | **1,052,135** | 687,826 |

(a) Following are the details of the jointly controlled entities of the Group as at 31 December 2011 and 2010, all of which are unlisted:

| Name | Country of incorporation and operation | Legal status | Issue/paid in capital (In thousand) | Effective interest held as at 31 December 2011 | 2010 | Principal activities |
|---|---|---|---|---|---|---|
| Beijing Linlian Property Company Limited 北京麟聯置業有限公司 | PRC | Limited liability Company | RMB 400,000 | **50%** | 50% | Land and property development |
| Chengdu Qiansong Construction Development Company Limited. 成都乾松城市建設開發有限公司 | PRC | Limited liability Company | RMB 50,000 | **50%** | 50% | Land and property development |
| Chengdu Qianhao Real Estate Company Limited 成都乾豪置業有限公司 | PRC | Limited liability Company | RMB 635,267 | **50%** | — | Land and property development |
| Chengdu Yingang Real Estate Company Limited 成都銀港置業有限公司 | PRC | Limited liability Company | RMB 8,000 | **50%** | — | Land and property development |
| Sino Prosperity Real Estate Fund L.P. (c)(i) | Cayman island | Exempted limited partnership | USD 66,000 | **50%** | — | Investment Management |
| Sino Prosperity Real Estate G.P. L.P. (c)(i) | Cayman island | Exempted limited partnership | USD 706 | **50%** | — | Investment Management |
| Sino Prosperity Real Estate Limited (c)(i) | Cayman island | Exempted limited liability company | USD 806 | **50%** | — | Investment Management |
| Sino Prosperity Real Estate Advisor Limited (c)(i) | Cayman island | Exempted limited liability company | USD 100 | **50%** | — | Investment Management |
| Tianjin Yuanjinluzhou Investment Fund Management Company Limited (c)(ii) 天津遠津綠洲股權投資基金管理有限公司 | PRC | Limited liability Company | RMB 10,000 | **50%** | — | Investment Management |

## 12 Interests in jointly controlled entities *(Continued)*

(b) The Group's share of the assets and liabilities, revenues and results of the jointly controlled entities are set out as follows:

| Name | Assets RMB'000 | Liabilities RMB'000 | Revenues RMB'000 | Results RMB'000 | % interest held |
|---|---|---|---|---|---|
| **2011** | | | | | |
| Beijing Linlian Property Company Limited | 2,131,405 | 1,316,373 | 1,535 | 94,532 | 50% |
| Chengdu Qiansong Construction Development Company Limited. | 45,670 | 25,242 | — | (4,583) | 50% |
| Chengdu Qianhao Real Estate Company Limited | 1,014,325 | 710,564 | — | (13,872) | 50% |
| Chengdu Yingang Real Estate Company Limited | 97,262 | 5,692 | — | (200) | 50% |
| Sino Prosperity Real Estate Fund L.P. | 257,368 | 54,034 | — | (4,100) | 50% |
| Sino Prosperity Real Estate (G.P) L.P. | 2,936 | 713 | — | (1) | 50% |
| Sino Prosperity Real Estate Limited | 315 | 15 | — | (12) | 50% |
| Sino Prosperity Real Estate Adviser Limited | 1,304 | 115 | 915 | 875 | 50% |
| Tianjin Yuanjinluzhou Investment Fund Management Company Limited | 3,114 | 1,841 | — | (3,728) | 50% |
| | 3,553,699 | 2,114,589 | 2,450 | 68,911 | |
| **2010** | | | | | |
| Beijing Linlian Property Company Limited | 1,025,484 | 362,668 | — | (8,869) | 50% |
| Chengdu Qiansong construction development Company Limited. | 25,029 | 19 | — | 10 | 50% |
| | 1,050,513 | 362,687 | — | (8,859) | |

As at 31 December 2011, the Group's share of capital commitments of these jointly controlled entities amounted to RMB239,434,000 (2010: RMB401,351,000) from these interests in jointly controlled entities. There were no contingent liabilities shared from these interests in jointly controlled entities as at 31 December 2011.

## 12 Interests in jointly controlled entities *(Continued)*

### (c) Capital injection

During the year, the Group contributed capital injections to the following jointly controlled entities:

| | As at 31 December | |
|---|---|---|
| | **2011** | 2010 |
| | **RMB'000** | RMB'000 |
| Chengdu Qianhao Real Estate Company Limited | **6,366** | — |
| Chengdu Yingang Real Estate Company Limited | **91,770** | — |
| Chengdu Qiansong Construction Development Company Limited | **—** | 25,000 |
| The KKR fund (i) | **209,751** | — |
| Tianjin Yuanjinluzhou Investment Fund Management Company Limited (ii) | **5,000** | — |
| | **312,887** | 25,000 |

(i) On 5 September 2011, Chance Bright Limited, a subsidiary of the Group, entered into a framework cooperation agreement (the "agreement") with KKR SPRE Holdings L.P. ("KKR"), a third party, based on which a series of limited companies and limited partnerships were established, and jointly controlled by both parties, to collectively act as the general partner of Sino Prosperity Real Estate Fund L.P. (the "KKR fund"). Pursuant to the agreement, targeted capital of the KKR fund is amounted to USD 200,000,000.

As at 31 December 2011, approximately USD 64,000,000 (equivalent to RMB403,000,000) was injected into the KKR fund by both parties. The entrie proceeds were then injected into Great Wise Limited, a subsidiary of the Group, and as a result, the KKR fund became a 49% non-controlling interest of Great wise Limited.

(ii) On 1 August 2011, Beijing Yuankun Real Estate Limited, a subsidiary of the Group, entered into an investment cooperation agreement (the "agreement") with Guoneng Greenland Investment Management Limited, a third party, based on which Tianjin Yuanjinluzhou Investment Fund Management Company Limited was established, and jointly controlled by both parties, to act as the general partner of Yuanjin Fengde and Yuanjin Ruide (the "Yuanjin funds").

As at 31 December 2011, approximately RMB 230,000,000 was injected into the Yuanjin funds. Such proceeds were then injected into Zhongshan Yuanjian Real Estate Company Limited ("Zhongshan Yuanjian"), a subsidiary of the Group, and as a result, Yuanjin fund became a 50% non-controlling interests of Zhougshan Yuanjian.

## 13 Interests in associates

| | Year ended 31 December | |
|---|---|---|
| | **2011** | 2010 |
| | **RMB'000** | RMB'000 |
| At beginning of the year | **397,458** | 294,462 |
| Capital injection | **220,547** | 175,000 |
| Share of results of associates | **(11,992)** | (72,004) |
| At end of the year | **606,013** | 397,458 |

(a) Following are the details of the associates of the Group at 31 December 2011 and 2010, all of which are unlisted:

| Name | Country of incorporation and operation | Legal status | Issue/paid in capital (In thousand) | Effective interest held as at 31 December | | Principal activities |
|---|---|---|---|---|---|---|
| | | | | **2011** | 2010 | |
| Beijing Central Business District Development and Construction Company Limited 北京商務中心區開發建設有限責任公司 | PRC | Limited liability company | RMB 680,850 | **47%** | 47% | Land development |
| Beijing Shengyong Property Development and investment Company Limited 北京盛永置業投資有限公司 | PRC | Limited liability company | RMB 500,000 | **35%** | 35% | Property development and investment services |
| Beijing Kunlian Xinhe Business Management Company Limited 北京坤聯信和商業管理有限責任公司 | PRC | Limited liability company | RMB 5,000 | **40%** | 40% | Consulting management |
| Guoshou Yuantong Real Estate Company Limited 國壽遠通置業有限公司 | PRC | Limited liability company | RMB 600,000 | **29%** | — | Property development and investment services |
| CIGIS (China) Limited 建設綜合勘察研究設計院有限公司 | PRC | Limited liability company | RMB 50,000 | **35%** | — | Survey and design |

## 13 Interests in associates *(Continued)*

(a) The Group's share of the assets and liabilities, revenues and results of the associates is set out as follows:

| Name | Assets RMB'000 | Liabilities RMB'000 | Revenues RMB'000 | Results RMB'000 | % interest held |
|---|---|---|---|---|---|
| **2011** | | | | | |
| Beijing Central Business District Development and Construction Company Limited | **745,566** | **432,105** | **—** | **(2,501)** | **47%** |
| Beijing Shengyong Property Development and Investment Company Limited | **247,129** | **86,903** | **—** | **(1,955)** | **35%** |
| Beijing Kunlian Xinhe Business Management Company Limited | **1,990** | **—** | **—** | **—** | **40%** |
| Guoshou Yuantong Real Estate Company Limited | **429,381** | **255,320** | **—** | **62** | **29%** |
| CIGIS (China) Limited | **92,354** | **63,573** | **132,861** | **1,823** | **35%** |
| | **1,516,420** | **837,901** | **132,861** | **(2,571)** | |
| 2010 | | | | | |
| Beijing Central Business District Development and Construction Company Limited | 708,584 | 402,346 | — | (13,064) | 47% |
| Beijing Shengyong Property Development and Investment Company Limited | 150,498 | 61,276 | — | (58,940) | 35% |
| Beijing Kunlian Xinhe Business Management Company Limited | 1,998 | — | — | — | 40% |
| | 861,080 | 463,622 | — | (72,004) | |

There were no other contingent liabilities or capital commitments relating to the Group's interests in the associates.

## 14 Financial instruments by category

### (a) Group

| | Loans and receivables RMB'000 | Assets at fair value through profit and loss RMB'000 | Available-for-sale financial assets RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| **Assets** | | | | |
| **As at 31 December 2011** | | | | |
| Available-for-sale financial assets (Note 16) | — | — | 440,927 | 440,927 |
| Financial assets at fair value through profit or loss (Note 18) | — | 412,486 | — | 412,486 |
| Trade and other receivables excluding prepayments | 3,327,716 | — | — | 3,327,716 |
| Restricted bank deposits (Note 24) | 3,768,822 | — | — | 3,768,822 |
| Cash and cash equivalents (Note 25) | 8,647,794 | — | — | 8,647,794 |
| | 15,744,332 | 412,486 | 440,927 | 16,597,745 |
| **As at 31 December 2010** | | | | |
| Available-for-sale financial assets (Note 16) | — | — | 615,549 | 615,549 |
| Financial assets at fair value through profit or loss (Note 18) | — | 29,101 | — | 29,101 |
| Trade and other receivables excluding prepayments | 1,972,934 | — | — | 1,972,934 |
| Restricted bank deposits (Note 24) | 1,057,378 | — | — | 1,057,378 |
| Cash and cash equivalents (Note 25) | 13,977,211 | — | — | 13,977,211 |
| | 17,007,523 | 29,101 | 615,549 | 17,652,173 |

## 14 Financial instruments by category *(Continued)*

### (a) Group *(Continued)*

| | Other Financial liabilities RMB'000 |
|---|---|
| **Liabilities** | |
| **As at 31 December 2011** | |
| Borrowings (Note 32) | **33,587,466** |
| Trade and other payables excluding tax payable | **9,732,193** |
| | **43,319,659** |
| **As at 31 December 2010** | |
| Borrowings (Note 32) | 29,196,282 |
| Trade and other payables excluding tax payable | 10,380,028 |
| | 39,576,310 |

### (b) Company

| | Loans and receivables RMB'000 |
|---|---|
| **Assets** | |
| **As at 31 December 2011** | |
| Amounts due from subsidiaries (Note 11) | **29,794,598** |
| Trade and other receivables excluding prepayments | **2,060** |
| Cash and cash equivalents (Note 25) | **386,071** |
| | **30,182,729** |
| **As at 31 December 2010** | |
| Amounts due from subsidiaries (Note 11) | 29,204,620 |
| Trade and other receivables excluding prepayments | 630 |
| Cash and cash equivalents (Note 25) | 300,338 |
| | 29,507,649 |

## 14 Financial instruments by category *(Continued)*

### (b) Company *(Continued)*

| | Other Financial liabilities RMB'000 |
|---|---|
| **Liabilities** | |
| **As at 31 December 2011** | |
| Borrowings (Note 32) | **3,558,678** |
| Amount due to subsidiaries (Note 11) | **8,502,145** |
| Trade and other payables excluding tax payable | **27,804** |
| | **12,088,627** |
| **As at 31 December 2010** | |
| Borrowings (Note 32) | 4,435,321 |
| Amount due to subsidiaries (Note 11) | 5,970,266 |
| Trade and other payables excluding tax payable | 1,731,753 |
| | 12,137,340 |

## 15 Credit quality of financial assets

### (a) Group

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates:

| | As at 31 December | |
|---|---|---|
| | **2011 RMB'000** | 2010 RMB'000 |
| Trade receivables | | |
| Counterparties without external credit rating | **927,378** | 104,954 |
| Trade receivables that are neither past due nor impaired | **881,272** | 90,774 |

All bank deposits are with reputable corporate banks. None of the bank deposits is considered as exposed to major credit risk.

None of the financial assets that are fully performing has been renegotiated in 2011 and 2010.

## 15 Credit quality of financial assets *(Continued)*

### (b) Company

All bank deposits are with reputable banks. None of the bank deposits is considered as exposure to major credit risk.

## 16 Available-for-sale financial assets

| | As at 31 December | |
|---|---|---|
| | **2011** | 2010 |
| | **RMB'000** | RMB'000 |
| Investment in listed securities held in the SOL Fund (a) | **218,973** | 433,886 |
| Investment in other unlisted equity securities (b) | **221,954** | 181,663 |
| | **440,927** | 615,549 |
| Less: non-current portion | **(244,727)** | (433,886) |
| Current portion | **196,200** | 181,663 |

(a) On 31 March 2008, SOL Investment Fund Limited ("SOL"), a special purpose entity of the Group, was incorporated in and under the laws of the Cayman Islands, with the purpose to carry out investment activities for the Group. The sole underlying investment in SOL is SOL Fund, representing a portfolio of investments in listed shares, and its fair value as at 31 December 2011 was based on the respective quoted closing prices.

(b) Available-for-sale financial assets of the Group include certain unlisted equity securities, mainly denominated in RMB. The fair values of unlisted securities approximates the net asset values of respective securities.

## 16 Available-for-sale financial assets *(Continued)*

Available-for-sale financial assets include the following:

| | As at 31 December | |
|---|---|---|
| | **2011** | 2010 |
| | **RMB'000** | RMB'000 |
| Fair value: | | |
| - listed | **218,973** | 433,886 |
| - unlisted | **221,954** | 181,663 |
| | **440,927** | 615,549 |
| Market value of listed securities | **218,973** | 433,886 |

Available-for-sale financial assets are denominated in the following currencies:

| | As at 31 December | |
|---|---|---|
| | **2011** | 2010 |
| | **RMB'000** | RMB'000 |
| - HKD | **218,973** | 433,886 |
| - RMB | **216,901** | 181,663 |
| - USD | **5,053** | — |
| | **440,927** | 615,549 |

There were no impairment provisions on available-for-sale financial assets as at 31 December 2011 and 2010.

## 17 Other investment

Other investment represents gold bullions stated at fair values less costs to sell. The fair values are determined by reference to the quoted market price. Loss arising on measurement amounting to RMB118,000 recognized in profit or loss (Note 37).

## 18 Financial assets at fair value through profit or loss - Group

| | Year ended 31 December | |
|---|---|---|
| | **2011** | 2010 |
| | **RMB'000** | RMB'000 |
| Listed securities – held-for-trading | | |
| Equity securities listed in Hong Kong | **43,975** | 6,054 |
| Equity securities listed elsewhere | **368,511** | 23,047 |
| Market value of listed securities | **412,486** | 29,101 |

Financial assets at fair value through profit or loss are presented within 'operating activities' as part of changes in working capital in the statement of cash flows (Note 44).

Changes in fair values of financial assets at fair value through profit or loss are recorded in 'other gains – net' in the income statement (Note 37).

The fair value of all equity securities is based on their current bid prices in an active market.

## 19 Properties under development

| | Year ended 31 December | |
|---|---|---|
| | **2011** | 2010 |
| | **RMB'000** | RMB'000 |
| At beginning of the year | **41,393,331** | 22,254,218 |
| Additions | **24,351,562** | 22,912,229 |
| Transfer from land development cost recoverable | **87,702** | 65,336 |
| Transfer from deposits for land use rights | **11,564,701** | 2,559,575 |
| Acquisition of a subsidiary | **—** | 1,125,162 |
| Disposal of a subsidiary | **—** | (458,438) |
| Disposals | **(769,230)** | — |
| Provision for impairment | **(170,354)** | — |
| Transfer to completed properties held for sale | **(10,987,565)** | (7,064,751) |
| At end of the year | **65,470,147** | 41,393,331 |
| Properties under development comprises: | | |
| Land use rights | **36,175,616** | 20,997,958 |
| Construction costs and capitalized expenditure | **26,098,993** | 18,632,258 |
| Interest capitalized | **3,195,538** | 1,763,115 |
| | **65,470,147** | 41,393,331 |

## 19 Properties under development *(Continued)*

Land use rights are analyzed as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2011** | 2010 |
| | **RMB'000** | RMB'000 |
| In the PRC held on: | | |
| Leases of over 50 years | **30,114,028** | 16,187,930 |
| Leases within 50 years | **6,061,588** | 4,810,028 |
| At end of the year | **36,175,616** | 20,997,958 |

Properties under development are all located in the PRC.

As at 31 December 2011 and 2010, properties under development of approximately RMB24,934,788,000 and RMB1,485,192,000 respectively were pledged as collateral for the Group's borrowings (Note 32).

All properties under development are expected to be completed within the normal operating cycle of the Group, in which RMB38,237,926,000 (2010: RMB31,316,688,000) is expected to be completed and available for sale more than twelve months after the balance sheet date.

## 20 Land development cost recoverable

Land development cost recoverable refers to capitalized costs on primary land development projects. The land use right certificates belong to the government for these projects, and the Group subsequently receives at least the costs incurred as compensation from the government after work has been completed. Main activities for primary land development projects included dismantling and land leveling works.

## 21 Deposits for land use rights

| | As at 31 December | |
|---|---|---|
| | **2011** | 2010 |
| | **RMB'000** | RMB'000 |
| Deposits to local land authorities (a) | **7,653,214** | 15,382,824 |
| Deposits to third parties (b) | **535,278** | 3,442,236 |
| | **8,188,492** | 18,825,060 |

(a) Deposits of approximately RMB7,653,214,000 and RMB15,382,824,000 were paid to local land authorities for open market bidding of land use rights as at 31 December 2011 and 2010 respectively.

(b) Deposits of approximately RMB535,278,000 and RMB3,442,236,000 are paid to third parties for the transfers of land use rights as at 31 December 2011 and 2010 respectively. Such lands are acquired with the intention of project developments.

## 22 Trade and other receivables

| | As at 31 December | |
|---|---|---|
| | **2011** | 2010 |
| | **RMB'000** | RMB'000 |
| Trade receivables | **84,774** | 71,562 |
| Amounts due from customers for contract work | **842,604** | 33,392 |
| Less: provision for impairment of receivables | **(31,749)** | (6,051) |
| Trade receivables - net (a) | **895,629** | 98,903 |
| Prepayments for acquisition | **51,790** | 51,000 |
| Tax prepayments for advances from customers | **2,298,024** | 1,454,750 |
| Entrusted loan to third parties (b) | **475,000** | 427,000 |
| Entrusted loan to a jointly controlled entity | **25,000** | — |
| Entrusted loan to an associate (c) | **365,771** | 337,239 |
| Notes receivables (d) | **46,147** | 202,543 |
| Receivable from disposals of subsidiaries (e) | **50,199** | 199,828 |
| Amounts due from jointly controlled entities (f) | **624,756** | 285,356 |
| Amounts due from an associate (g) | **113,453** | — |
| Amounts due from non-controlling interests | **112,127** | — |
| Cooperation deposits (h) | **127,350** | — |
| Other prepayments | **383,907** | 173,157 |
| Other receivables | **492,284** | 422,065 |
| | **6,061,437** | 3,651,841 |
| Less: non-current portion | **(598,245)** | (85,367) |
| Current portion | **5,463,192** | 3,566,474 |

The carrying amounts of trade and other receivables approximated to their respective fair values as at 31 December 2011 and 2010.

## 22 Trade and other receivables *(Continued)*

(a) Trade receivables

Ageing analysis of trade receivables and amounts due from customers for contract work at the respective balance sheet dates is as follows:

| | As at 31 December | |
|---|---|---|
| | **2011** | 2010 |
| | **RMB'000** | RMB'000 |
| Within 6 months | **872,704** | 71,230 |
| Between 6 months to 1 year | **35,770** | 19,544 |
| Between 1 year to 2 years | **15,080** | 5,697 |
| Between 2 years to 3 years | **1,593** | 3,294 |
| Over 3 years | **2,231** | 5,189 |
| | **927,378** | 104,954 |

(i) As at 31 December 2011, trade receivables of RMB13,937,000 (2010: RMB5,894,000) were past due but not impaired. These related to a number of independent customers from upfitting services, for whom there is no significant financial difficulty and no recent history of default. Based on past experience, the overdue amounts can be recovered. All of these receivables are aged for less than one year.

(ii) As at 31 December 2011, trade receivables of RMB32,169,000 (2010: RMB8,286,000) were impaired. The amount of the provision was RMB31,749,000 as at 31 December 2011 (2010: RMB6,051,000). The individually impaired receivables mainly relate to receivables of property management fees and construction service. It was assessed that a portion of the receivables is expected to be recovered.

Movements on the provision for impairment of trade receivables are as follows:

| | As at 31 December | |
|---|---|---|
| | **2011** | 2010 |
| | **RMB'000** | RMB'000 |
| At 1 January | **(6,051)** | (5,388) |
| Provision for receivable impairment | **(28,469)** | (663) |
| Unused amounts reversed | **2,771** | — |
| At 31 December | **(31,749)** | (6,051) |

(b) As at 31 December 2011, entrusted loans amounting to RMB475,000,000 (2010: RMB427,000,000) represent amounts lent to certain third parties. These balances are secured by respective share capital of the third parties, interest bearing from 5.31% to 12% (2010: from 4.86% to 12%).Within the balance, RMB 150,000,000 are payable in 2013, has been reclassified as non-current assets, and where the rest of the balance are repayable on demand.

## 22 Trade and other receivables *(Continued)*

(c) Entrusted loans to an associate are unsecured, interest bearing at rate 5.31% (2010: 5.31%) and are repayable before 2014 (Note 49(f)).

(d) On 8 January 2008, the Group subscribed notes receivables with an aggregate principal amount of USD30 million (the "Notes") from an independent third party.

As at 31 December 2011, the Group, together with other subscribers (the "investors") of the Notes, was in arrangement with the issuer for repayments of the principal of the Notes, as well as respective interests. On 20 January 2012, a payment deed was signed between the investors and the issuer of the Notes, with principal and respective interests committed to be fully settled by 2014. The Group reassessed the impairment risk of such receivable and a provision for impairment has been made as at 31 December 2011.

(e) As at 31 December 2011 and 2010, balance represents considerations receivable from the disposal of ordinary shares of Glorious Property Holding Limited ("Glorious") through disposals of subsidiaries.

In October 2009, Moral King International Limited ("Moral King"), a wholly owned subsidiary, acquired 52,840,000 ordinary shares of Glorious, a company incorporated in the Cayman Islands on 27 July 2007, and whose shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited, at price of HKD4.4 per share, totalling RMB206,872,000.

On 31 December 2010, the Group disposed of its entire investment in Glorious through disposals of subsidiaries to Win Powerful Investment Limited, an independent third party company incorporated in the British Virgin Islands, at a consideration approximated to the original cost of investment by the Group. The Group reassessed the impairment risk of such receivable and a provision for impairment has been made as at 31 December 2011.

(f) Amounts due from jointly controlled entities is interest-free, and repayable on demand (Note 49(f)).

(g) Amounts due from an associate is interest-free and repayable on demand (Note 49(f)).

(h) Balance represents amounts paid to certain third parties, with the intention of future cooperation in real estate project development. As at 31 December 2011, such cooperation is still in negotiation stage, and it is expected to close in 2012.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The carrying amounts of the Group's trade and other receivables are mainly denominated in RMB.

## 23 Completed properties held for sale

All completed properties held for sale are located in the PRC on lease between 40 to 70 years, and are stated at cost less accumulated amortization of land use rights for the years ended 2011 and 2010 respectively.

| | As at 31 December | |
|---|---|---|
| | **2011** | 2010 |
| | **RMB'000** | RMB'000 |
| Completed properties held for sale comprised: | | |
| Land use rights | **474,910** | 556,605 |
| Construction costs and capitalized expenditure | **2,627,776** | 1,967,816 |
| Interest capitalized | **171,515** | 124,147 |
| | **3,274,201** | 2,648,568 |

As at 31 December 2011, RMB204,826,000 completed properties held for sale were pledged as collateral for the Group's borrowings (2010: nil) (Note 32).

Land use rights are analyzed as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2011** | 2010 |
| | **RMB'000** | RMB'000 |
| In the PRC held on: | | |
| Leases of over 50 years | **249,900** | 152,221 |
| Leases within 50 years | **225,010** | 404,384 |
| At end of the year | **474,910** | 556,605 |

## 24 Restricted bank deposits

Restricted bank deposits mainly represent guaranteed deposits for the mortgage loan facilities granted by the banks to the purchasers of the Group's properties, as well as for projects co-developed with third parties. The balance also includes guaranteed deposits placed in the banks, as guaranteed funds of construction projects to meet certain local authorities' requirements.

## 25 Cash and cash equivalents

| | As at 31 December | | | |
|---|---|---|---|---|
| | Group | | Company | |
| | **2011 RMB'000** | 2010 RMB'000 | **2011 RMB'000** | 2010 RMB'000 |
| Cash at bank and in hand | **6,895,995** | 11,934,507 | **36,064** | 124,929 |
| Short-term bank deposits | **1,751,799** | 2,042,704 | **350,007** | 175,409 |
| Cash and cash equivalents | **8,647,794** | 13,977,211 | **386,071** | 300,338 |
| Denominated in: | | | | |
| - RMB | **6,771,457** | 11,867,219 | **53** | — |
| - HKD | **783,320** | 1,574,725 | **267,592** | 139,398 |
| - USD | **1,093,006** | 523,839 | **118,415** | 160,928 |
| - other currencies | **11** | 11,428 | **11** | 12 |
| | **8,647,794** | 13,977,211 | **386,071** | 300,338 |

The effective interest rates on short-term bank deposits ranged from 0.5% to 3.55% for the year ended 31 December 2011 (2010: 0.36% to 2.25%).

The Group's cash and cash equivalents denominated are deposited with banks in the PRC and Hong Kong, respectively. The conversion of the RMB denominated balances into foreign currencies, which are placed within the PRC, is subject to the rules and regulations of foreign exchange control promulgated by the PRC Government.

## 26 Share capital and premium

| | Number of ordinary shares of HKD 0.8 each | Nominal value of ordinary shares HK $'000 | Equivalent nominal value of ordinary shares RMB'000 | Share premium RMB'000 | Share held for Restricted Share Award Scheme RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|
| Opening balance 1 January 2011 | **5,638,374,432** | **4,510,699** | **4,290,394** | **15,831,018** | **—** | **20,121,412** |
| Issue of shares pursuant to exercise of employee share options | **982,500** | **786** | **649** | **2,212** | **—** | **2,861** |
| Issue of scrip dividends | **35,200,700** | **28,161** | **23,102** | **93,187** | **—** | **116,289** |
| Share buyback | **(14,300,000)** | **(11,440)** | **(9,478)** | **—** | **—** | **(9,478)** |
| | **5,660,257,632** | **4,528,206** | **4,304,667** | **15,926,417** | **—** | **20,231,084** |
| Restricted share award scheme (a) | | | | | | |
| Opening balance 1 January 2011 | **(21,528,000)** | **—** | **—** | **—** | **(95,986)** | **(95,986)** |
| Shares purchased during the year | **(12,174,318)** | **—** | **—** | **—** | **(35,973)** | **(35,973)** |
| At 31 December 2011 | **(33,702,318)** | **—** | **—** | **—** | **(131,959)** | **(131,959)** |
| At 31 December 2011 | **5,626,555,314** | **4,528,206** | **4,304,667** | **15,926,417** | **(131,959)** | **20,099,125** |
| Opening balance 1 January 2010 | 5,636,626,432 | 4,509,301 | 4,289,174 | 15,828,349 | — | 20,117,523 |
| Issue of shares pursuant to exercise of employee share options | 1,748,000 | 1,398 | 1,220 | 2,669 | — | 3,889 |
| | 5,638,374,432 | 4,510,699 | 4,290,394 | 15,831,018 | — | 20,121,412 |
| Restricted share award scheme (a) | (21,528,000) | — | — | — | (95,986) | (95,986) |
| At 31 December 2010 | 5,616,846,432 | 4,510,699 | 4,290,394 | 15,831,018 | (95,986) | 20,025,426 |

(a) On 22 March 2010, the board of the Company resolved to adopt a restricted share award scheme, pursuant to which existing shares are purchased from the market and be held in trust for the relevant selected employees, until such shares are vested in accordance with the provision of the scheme. As at 31 December 2011, 16,991,200 shares were granted but not yet vested to employees under the scheme.

## 27 Retained earnings

| | Group | | Company | |
|---|---|---|---|---|
| | **2011 RMB'000** | 2010 RMB'000 | **2011 RMB'000** | 2010 RMB'000 |
| At 1 January | **5,301,879** | 3,735,638 | **437,181** | 454,870 |
| Profit for the year | **2,570,657** | 2,444,076 | **1,216,114** | 474,513 |
| Dividends relating to 2009 | **—** | (247,046) | **—** | (247,046) |
| Dividends relating to 2010 | **(376,076)** | (246,850) | **(376,076)** | (246,850) |
| Dividends relating to 2011 (Note 43) | **(232,173)** | — | **(232,173)** | — |
| Distribution relating to convertible securities (Note 30) | **(460,996)** | (204,017) | **—** | — |
| Distribution relating to capital securities (Note 31) | **(129,751)** | — | **—** | — |
| Share buyback | **(40,458)** | — | **(40,458)** | — |
| Issue of shares pursuant to exercise of employee share option | **—** | 1,694 | **—** | 1,694 |
| Transfer from employee share option reserve for forfeited options | **17,738** | — | **17,738** | — |
| Transfer to statutory reserve fund | **(153,214)** | (181,616) | **—** | — |
| At 31 December | **6,497,606** | 5,301,879 | **1,022,326** | 437,181 |

# 28 Reserves

## (a) Group

| | Capital redemption reserve RMB'000 | Merger reserve RMB'000 | Statutory reserve RMB'000 | Translation reserve RMB'000 | Investment revaluation reserve RMB'000 | Employee share option RMB'000 | Restricted share award scheme RMB'000 | Other reserve RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|---|---|
| At 1 January 2011 | 4,898 | (763,427) | 672,116 | (25,191) | 22,973 | 328,442 | – | (466,676) | (226,865) |
| Fair value loss on available-for-sale financial assets | – | – | – | – | (38,183) | – | – | – | (38,183) |
| Reserves realized in consolidated income statement upon disposal of available-for-sale investments | – | – | – | – | (18,279) | – | – | – | (18,279) |
| Currency translation differences | – | – | – | (13,906) | – | – | – | – | (13,906) |
| Employee share option | – | – | – | – | – | 16,349 | – | – | 16,349 |
| Restricted share award scheme | – | – | – | – | – | – | 30,661 | – | 30,661 |
| Share buyback | 9,478 | – | – | – | – | – | – | – | 9,478 |
| Issue of shares pursuant to exercise of employee share options | – | – | – | – | – | (783) | – | – | (783) |
| Transfer from retained earnings | – | – | 153,214 | – | – | – | – | – | 153,214 |
| Disposal of interests in subsidiaries to non-controlling interests without change of control (Note 47) | – | – | – | – | – | – | – | 466,130 | 466,130 |
| Acquisition of additional interests in subsidiaries from non-controlling interests (Note 47) | – | – | – | – | – | – | – | (208,268) | (208,268) |
| At 31 December 2011 | 14,376 | (763,427) | 825,330 | (39,097) | (33,489) | 344,008 | 30,661 | (208,814) | 169,548 |

## 28 Reserves *(Continued)*

### (a) Group *(Continued)*

| | Capital redemption reserve RMB'000 | Merger reserve RMB'000 | Statutory reserve RMB'000 | Translation reserve RMB'000 | Investment revaluation reserve RMB'000 | Employee share option RMB'000 | Restricted share award scheme RMB'000 | Other reserve RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|---|---|
| At 1 January 2010 | 4,898 | (763,427) | 490,500 | (9,138) | (14,228) | 217,682 | — | (411,569) | (485,282) |
| Fair value loss on available-for-sale financial assets | — | — | — | — | (38,421) | — | — | — | (38,421) |
| Reserves realized in consolidated income statement upon disposal of available-for-sales investments through disposals of subsidiaries | — | — | — | 4,467 | 75,622 | — | — | — | 80,089 |
| Currency translation differences | — | — | — | (20,520) | — | — | — | — | (20,520) |
| Employee share option | — | — | — | — | — | 112,454 | — | — | 112,454 |
| Issue of shares pursuant to exercise of employee share options | — | — | — | — | — | (1,694) | — | — | (1,694) |
| Transfer from retained earnings | — | — | 181,616 | — | — | — | — | — | 181,616 |
| Acquisition of additional interests in subsidiaries from non-controlling interests | — | — | — | — | — | — | — | (55,107) | (55,107) |
| At 31 December 2010 | 4,898 | (763,427) | 672,116 | (25,191) | 22,973 | 328,442 | — | (466,676) | (226,865) |

## 28 Reserves *(Continued)*

### (a) Group *(Continued)*

Statutory reserves represent reserves of the PRC incorporated companies which are set aside for future development purposes in accordance with the regulations in the PRC. The allocation is based on certain percentages of the companies' profit of the year, which is allocated on an annual basis.

### (b) Company

| | RMB'000 |
|---|---|
| At 1 January 2011 | **333,340** |
| Employee share option | **16,349** |
| Issue of shares pursuant to exercise of employee share options | **(783)** |
| Share buyback | **9,478** |
| At 31 December 2011 | **358,384** |
| At 1 January 2010 | 222,580 |
| Employee share options | 112,454 |
| Issue of shares pursuant to exercise of employee share options | (1,694) |
| At 31 December 2010 | 333,340 |

## 29 Share option

Share options are granted to several directors and to selected employees, in which 40% of the options are exercisable 1 year from the grant date; 70% of the options are exercisable 2 years from the grant date, and all options are exercisable 3 years from the grant date. The options have a contractual option term of 5 years. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

| | Average exercise price in HK dollar per share HKD | Shares (thousands) |
|---|---|---|
| At 1 January 2011 | **6.82** | **170,561** |
| Lapsed during the year | **7.17** | **(9,708)** |
| Exercised during the year | **2.55** | **(982)** |
| At 31 December 2011 | **6.82** | **159,871** |

Out of the 159,871,000 outstanding options (2010: 170,561,000), 97,855,000(2010: 116,818,000) were exercisable as at 31 December 2011.

## 29 Share option *(Continued)*

Share options outstanding at the end of the year have the following expiry date and exercise prices:

| Expiry date | Exercise price in HK dollar per share | Shares (thousands) |
|---|---|---|
| 27 September 2012 | 7.7 | 56,196 |
| 24 January 2013 | 7.7 | 8,310 |
| 19 September 2013 | 2.55 | 25,664 |
| 30 July 2014 | 8.59 | 24,265 |
| 2 September 2014 | 7.01 | 19,891 |
| 5 October 2014 | 7.11 | 25,545 |
| | | 159,871 |

No options were granted for the years ended 31 December 2011 and 31 December 2010. The weighted average fair value of options granted during the year 2009 determined using the binomial lattice model was 2.99 HK dollars per option. Significant inputs into the model included weighted average share prices, volatility assumptions, dividend yields as well as annual risk-free interest rate estimations.

## 30 Convertible securities

On 27 July 2010, Sino-ocean Land Capital Finance Limited, a wholly owned subsidiary, issued a perpetual subordinated convertible securities (the "convertible securities") callable in 2015, with an initial aggregate principal amount of USD900,000,000.

Such convertible securities are guaranteed by and convertible into shares of the Company, at the same time bear distribution at a rate of 8% per annum, payable semi-annually. The issuer of the convertible securities may elect to defer distribution, and is not subject to any limits as to the number of times distribution can be deferred.

Holders of the convertible securities have the right to convert such convertible securities into shares of the Company at any time, commencing from 12 months after the issue date, at a fixed price of HKD6.85 per share.

As the convertible securities have no contracted obligation to repay its principal nor to pay any distributions, they do not meet the definition for classification of a financial liabilities under HKAS 32. As a result, the whole instrument is classified as part of equity, and respective distributions if and when declared are treated as equity dividends.

The Group had not elected to defer distribution payments for the semi-annual period ended 27 January 2012, and such distribution had been fully settled as at the date of the approval of these financial statements.

## 31 Capital Securities

On 13 May 2011, Sino-Ocean Land (Perpetual Finance) Limited, a wholly owned subsidiary, issued a perpetual subordinated capital securities (the "capital securities") callable in 2016, with an initial aggregate principal amount of USD400,000,000.

Such capital securities are guaranteed by the Company, at the same time bear distribution at a rate of 10.25% per annum, payable semi-annually. The issuer of the capital securities may elect to defer distribution, and is not subject to any limits as to the number of times distribution can be deferred.

As the Group have no contracted obligation to repay its principal nor to pay any distributions, the capital securities do not meet the definition as financial liabilities under HKAS 32 under the term of the capital securities. As a result, the whole instrument is classified as equity, and respective distributions if and when declared are treated as equity dividends.

## 32 Borrowings

| | As at 31 December | | | |
|---|---|---|---|---|
| | Group | | Company | |
| | **2011 RMB'000** | 2010 RMB'000 | **2011 RMB'000** | 2010 RMB'000 |
| **Non-current** | | | | |
| Bank borrowings (a) | **12,335,692** | 12,613,522 | **—** | 3,177,008 |
| Other borrowings (b) | **6,769,969** | 6,662,637 | **—** | — |
| Total non-current borrowings | **19,105,661** | 19,276,159 | **—** | 3,177,008 |
| **Current** | | | | |
| Current portion of long-term bank borrowings (a) | **8,130,239** | 8,368,989 | **3,056,444** | 927,178 |
| Current portion of long-term other borrowings (b) | **4,080,000** | — | **—** | — |
| Short-term bank borrowings (a) | **1,500,034** | 1,551,134 | **502,234** | 331,135 |
| Other (c) | **771,532** | — | **—** | — |
| Total current borrowings | **14,481,805** | 9,920,123 | **3,558,678** | 1,258,313 |
| **Total borrowings** | **33,587,466** | 29,196,282 | **3,558,678** | 4,435,321 |

(a) As at 31 December 2011 and 2010, bank borrowings amounting to RMB12,897,292,000 and RMB4,556,000,000 were secured by properties under development (Note 19), completed properties held for sale (Note 23), land use rights (Note 8), property, plant and equipment (Note 7) and investment properties (Note 9) of the Group.

## 32 Borrowings *(Continued)*

(b) Other borrowings

| | As at 31 December | |
|---|---|---|
| | **2011** **RMB'000** | 2010 RMB'000 |
| Bond issuance (i) | **2,586,411** | 2,582,637 |
| Loans from trust companies (ii) | **7,679,800** | 4,080,000 |
| Loans from jointly controlled entities (iii) | **583,758** | — |
| | **10,849,969** | 6,662,637 |
| Less: non-current portion | **(6,769,969)** | — |
| Current portion | **4,080,000** | 6,662,637 |

(i) On 23 June 2009, Sino-Ocean Land Limited, a wholly owned subsidiary of the Company, issued bonds with an aggregate principal amount of RMB2,600,000,000 and a maturity period of 6 years. The net proceeds were RMB2,576,900,000 (net of issuance costs of RMB23,100,000). The bond carries a fixed annual interest rate of 4.40% for the first three years and the Group has the option to increase such interest rate from 0 to 100 basis points at the end of the third year. Interests are payable annually, with the principal fully repayable on 22 June 2015. Bond holders have the right to sell all or part of the bond at its face value to the issuer from the interest payment date of the third year.

(ii) Such loans bear interests rate from 7% to 13% per annum, and are repayable after 25 months from the inception date of the loan.

(iii) This represented the shareholders' loans from the two of our jointly controlled entities (Note 12(c)(i) and Note 12(c)(ii)) to the Group's subsidiaries proportional to the shareholdings. Such shareholders' loan bears interests at floating rates, and are repayable from 2013 to 2016.

(c) Balance represents borrowings from certain individual third parties, bear interests rate from 12% to 15%, and is repayable before April 2012.

(d) The maturities of the Group's total borrowings at respective balance sheet dates are set out as follows:

| | As at 31 December | |
|---|---|---|
| | **2011** **Bank and other borrowings** **RMB'000** | 2010 Bank and other borrowings RMB'000 |
| Total borrowings | | |
| – Within 1 year | **14,481,805** | 9,920,123 |
| – Between 1 and 2 years | **6,779,214** | 11,062,008 |
| – Between 2 and 5 years | **10,001,447** | 6,184,151 |
| – Over 5 years | **2,325,000** | 2,030,000 |
| | **33,587,466** | 29,196,282 |

## 32 Borrowings *(Continued)*

(e) The Group's borrowings denominated in RMB, USD and HKD respectively are set out as follows:

| | As at 31 December | |
|---|---|---|
| | **2011** | 2010 |
| | **RMB'000** | RMB'000 |
| Denominated in: | | |
| – RMB | **26,631,880** | 22,178,325 |
| – HKD | **405,350** | — |
| – USD | **6,550,236** | 7,017,957 |
| | **33,587,466** | 29,196,282 |

(f) The weighted average effective interest rates at the respective balance sheet dates are set out as follows:

| | As at 31 December | |
|---|---|---|
| | **2011** | 2010 |
| | **RMB'000** | RMB'000 |
| Bank borrowings | **6.40%** | 5.27% |
| Other borrowings | **8.13%** | 5.75% |

(g) The exposure of the Group's borrowings to interest-rate changes and the contractual repricing dates are as follows:

| | As at 31 December | |
|---|---|---|
| | **2011** | 2010 |
| | **RMB'000** | RMB'000 |
| Within 6 months | **18,840,573** | 18,066,426 |
| Between 6 and 12 months | **430,000** | 4,417,219 |
| Between 1 and 5 years | **14,316,893** | 6,712,637 |
| | **33,587,466** | 29,196,282 |

(h) The carrying amounts of non-current borrowings approximated to their respective fair values as at 31 December 2011 and 2010.

Fair values of non-current borrowings as at 31 December 2011 are based on cash flows discounted using borrowing rates of 8.22% (2010: 5.85%).

## 33 Deferred income tax

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

| | As at 31 December | |
|---|---|---|
| | **2011** | 2010 |
| | **RMB'000** | RMB'000 |
| Deferred tax assets: | | |
| – to be recovered after more than 12 months | **480,237** | 283,415 |
| – to be recovered within 12 months | **1,022,596** | 530,829 |
| | **1,502,833** | 814,244 |
| Deferred tax liabilities: | | |
| – to be recovered after more than 12 months | **(1,380,256)** | (1,342,414) |
| – to be recovered within 12 months | **(6,483)** | (8,958) |
| | **(1,386,739)** | (1,351,372) |
| Deferred tax assets/(liabilities), net | **116,094** | (537,128) |

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

| | Year ended 31 December | |
|---|---|---|
| | **2011** | 2010 |
| | **RMB'000** | RMB'000 |
| At beginning of the year | **537,128** | 693,643 |
| Recognized in the income statement (Note 41) | **(653,222)** | (431,184) |
| Acquisition of subsidiaries | **—** | 274,669 |
| At end of the year | **(116,094)** | 537,128 |

## 33 Deferred income tax *(Continued)*

The movement in deferred income tax assets and liabilities during the years ended 31 December 2011 and 2010, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

### Deferred income tax assets

| | Recognition of expenses RMB'000 | Recognition of financial guarantee liabilities RMB'000 | Unrealized gain RMB'000 | Tax losses RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| At 1 January 2011 | **429,695** | **11,307** | **324,856** | **48,386** | **814,244** |
| Credit to income statement | **383,693** | **7,179** | **210,128** | **87,589** | **688,589** |
| At 31 December 2011 | **813,388** | **18,486** | **534,984** | **135,975** | **1,502,833** |
| At 1 January 2010 | 142,389 | 15,859 | 156,086 | — | 314,334 |
| Credit/(charged) to income statement | 287,306 | (4,552) | 168,770 | 48,386 | 499,910 |
| At 31 December 2010 | 429,695 | 11,307 | 324,856 | 48,386 | 814,244 |

## 33 Deferred income tax *(Continued)*

### Deferred income tax liabilities

| | Depreciation difference RMB'000 | Investment properties revaluation RMB'000 | Property revaluation RMB'000 | Others RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| At 1 January 2011 | **(60,094)** | **(596,674)** | **(689,484)** | **(5,120)** | **(1,351,372)** |
| Credited/ (Charged) to income statement | **8,899** | **(140,002)** | **95,736** | **—** | **(35,367)** |
| At 31 December 2011 | **(51,195)** | **(736,676)** | **(593,748)** | **(5,120)** | **(1,386,739)** |
| At 1 January 2010 | (46,368) | (421,629) | (534,860) | (5,120) | (1,007,977) |
| Credited/ (Charged) to income statement | (13,726) | (175,045) | 120,045 | — | (68,726) |
| Acquisition of subsidiaries | — | — | (274,669) | — | (274,669) |
| At 31 December 2010 | (60,094) | (596,674) | (689,484) | (5,120) | (1,351,372) |

Deferred income tax assets are recognized for tax losses carry-forwards to the extent that the realization of the related benefit through the future profits is probable. These tax losses are going to expire within five years.

Deferred income tax liabilities of RMB283,243,000 (2010: RMB232,582,000) have not been recognized for the withholding tax that would be payable on the undistributed earnings of certain subsidiaries. Such amounts are permanently reinvested. Undistributed earnings totaled RMB5,300,847,000 at 31 December 2011 (2010: RMB3,448,749,000).

## 34 Trade and other payables

### (a) Group

| | As at 31 December | |
|---|---|---|
| | **2011** | 2010 |
| | **RMB'000** | RMB'000 |
| Trade payables | **5,687,484** | 3,612,571 |
| Accrued expenses | **1,699,263** | 597,312 |
| Distribution payable (Note 30) | **195,138** | 204,017 |
| Advances received from a shareholder (i) | **—** | 1,724,493 |
| Considerations received in respect of partial disposal of equity interests in subsidiaries (ii) | **—** | 1,300,000 |
| Amounts due to non-controlling interests (iii) | **503,828** | — |
| Consideration payable (iv) | **120,000** | 455,800 |
| Other taxes payable | **442,628** | 451,607 |
| Provision for financial guarantee liabilities (v) | **64,134** | 58,989 |
| Other payables | **1,462,346** | 2,426,846 |
| | **10,174,821** | 10,831,635 |

The carrying amounts of trade payables and other payables approximate their fair values.

(i) On 21 November 2010, the Group entered into a co-operation agreement with Nan Fung, a major shareholder of the Company, in respect of the establishment of a series of joint ventures for the development of certain commercial property projects. As at 31 December 2010, the Group received approximately USD400,000,000 from Nan Fung, in which USD142,000,000 had been used as capital injection, in respect of repaying the remaining advance of USD 258,000,000, with interest of USD 38,000,000 to Nan Fung. As at 31 December 2011, the entire advance and the interest to Nan Fung had been repaid.

(ii) On 31 December 2010, Sino-Ocean Land (Hong Kong) Limited ("SOLHK"), a wholly owned subsidiary of the Group, entered into a co-operation Agreement (the "agreement") with Greentown China Holdings Limited ("Greentown") and Zhejiang Railway Investment Group Limited ("Railway"), both independent third parties.

Pursuant to the agreement, SOLHK agreed to dispose of a 24.5% equity interest of Poly Link Management Limited ("Poly Link"), a wholly owned subsidiary of the Group, to Greentown and Railway each. Total consideration receivable for the disposal amounted to RMB 1,623,704,000. Such disposal is completed in 2011 (Note 47(b)).

## 34 Trade and other payables *(Continued)*

### (a) Group *(Continued)*

(iii) Amounts due to non-controlling interests are unsecured, interest free, and repayable on demand.

(iv) Consideration payable as at 31 December 2011 and 2010 represents amounts payable to certain third party for the acquisition of land use right.

(v) The provision for financial guarantee liabilities given to purchasers of the Group's properties as set out in Note 45 is as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2011** | 2010 |
| | **RMB'000** | RMB'000 |
| At beginning of the year | **58,989** | 60,627 |
| Addition | **53,766** | 59,502 |
| Reversal | **(48,621)** | (61,140) |
| At end of the year | **64,134** | 58,989 |

(vi) Ageing analysis of the trade payables is as follows:

| | As at 31 December | |
|---|---|---|
| | **2011** | 2010 |
| | **RMB'000** | RMB'000 |
| Within 6 months | **4,621,569** | 2,802,237 |
| Between 6 months to 12 months | **635,849** | 530,425 |
| Between 1 year to 2 years | **383,132** | 233,748 |
| Between 2 years to 3 years | **25,339** | 30,860 |
| Over 3 years | **21,595** | 15,301 |
| | **5,687,484** | 3,612,571 |

### (b) Company

| | As at 31 December | |
|---|---|---|
| | **2011** | 2010 |
| | **RMB'000** | RMB'000 |
| Amount due to a shareholder (Note 34(a)) | **—** | 1,724,493 |
| Other payables | **27,804** | 7,260 |
| | **27,804** | 1,731,753 |

## 35 Advances from customers

Advances from customers represent amounts received from sale of properties, where the risks and rewards of the properties sold had not yet been transferred as at year-end.

## 36 Interest and other income

| | Year ended 31 December | |
|---|---|---|
| | **2011** | 2010 |
| | **RMB'000** | RMB'000 |
| Dividend income from available-for-sale financial assets | **19,362** | 15,956 |
| Interest income | **160,708** | 180,501 |
| Others | **44,922** | 43,500 |
| | **224,992** | 239,957 |

## 37 Other gains - net

| | Year ended 31 December | |
|---|---|---|
| | **2011** | 2010 |
| | **RMB'000** | RMB'000 |
| Gain on disposal of available-for-sale financial assets | **18,279** | — |
| (Loss)/gain on disposal of subsidiaries, net (Note 48) | **(1,910)** | 297,048 |
| De-recognition of derivative financial instrument | **—** | (8,331) |
| Fair value (loss)/gain of other investment | **(118)** | 1,165 |
| Gain/(loss) on revaluation of financial assets at fair value through profit or loss | **6,670** | (3,703) |
| Gain on disposal of financial assets at fair value through profit or loss | **—** | 2,551 |
| Negative goodwill from acquisition of a subsidiary | **—** | 2,512 |
| (Loss)/gain on disposal of property, plant and equipment | **(404)** | 179 |
| Exchange gain/(loss) | **120,706** | (103,463) |
| Other losses | **(14,965)** | — |
| | **128,258** | 187,958 |

## 38 Expenses by nature

Expenses by nature comprised cost of sales, selling and marketing costs and administrative expenses as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2011** | 2010 |
| | **RMB'000** | RMB'000 |
| Cost of properties and land use rights sold: | | |
| - Land use rights | **1,225,321** | 1,127,017 |
| - Capitalized interest | **679,579** | 252,252 |
| - Construction related cost | **8,580,960** | 6,884,007 |
| Cost of upfitting services rendered | **1,322,546** | 174,289 |
| Direct investment property expenses | **84,082** | 99,408 |
| Employee benefit expense (Note 39) | **467,753** | 363,863 |
| Consultancy fee | **154,308** | 102,551 |
| Auditor's remuneration | **15,250** | 10,650 |
| Depreciation (Note 7) | **48,722** | 31,428 |
| Amortization of land use rights (Note 8) | **246** | 527 |
| Advertising and marketing | **706,619** | 388,543 |
| Business taxes and other levies | **1,170,680** | 763,229 |
| Impairment loss | **397,824** | 663 |
| Office expenditure | **96,532** | 85,151 |
| Properties maintenance expenses | **124,178** | 86,526 |
| Energy expenses | **57,692** | 41,943 |
| Others | **103,240** | 82,221 |
| | **15,235,532** | 10,494,268 |

## 39 Employee benefits expense

The employee benefits expense of the Group, including its directors' emoluments is as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2011** | 2010 |
| | **RMB'000** | RMB'000 |
| Salaries, wages and bonuses | **721,837** | 504,140 |
| Retirement benefits contribution | **53,165** | 34,525 |
| Share options granted to directors and employees | **30,121** | 112,454 |
| Other allowances and benefits | **146,379** | 87,070 |
| | **951,502** | 738,189 |
| Less: capitalized in properties under development | **(483,749)** | (374,326) |
| | **467,753** | 363,863 |

The Group's employees participate in various retirement benefit plans organized by the relevant municipal and provincial government in the PRC under which the Group was required to make monthly contributions at rates ranging from 10% to 20%, depending on the applicable local regulations, of the employees' basic salary for the years ended 31 December 2011 and 2010.

In addition, the Group participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme for all employees in Hong Kong. The contributions to the Mandatory Provident Fund Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income (with a cap of HKD20,000).

During the year, a subsidiary of the Group issued share options to its key management, in which such key management is entitled subscrible 10,625,000 shares of the subsidiary at the price of RMB2.9978 per share. The options granted were exercised in the same year.

# 39 Employee benefits expense *(Continued)*

## (a) Directors' emoluments

The remunerations of every director for the years are set out below:

| | Year ended 31 December | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2011 | | | | | 2010 | | | | |
| | Fees RMB'000 | Salary and bonus RMB'000 | Employer's contribution to retirement benefit scheme RMB'000 | Other long-term welfare RMB'000 | Total RMB'000 | Fees RMB'000 | Salary and bonus RMB'000 | Employer's contribution to retirement benefit scheme RMB'000 | Other long-term welfare RMB'000 | Total RMB'000 |
| Mr. Li Ming | – | 5,500 | 4,030 | 3,066 | 12,596 | — | 3,830 | 1,733 | 63 | 5,626 |
| Mr. Chen Runfu | – | 3,630 | 226 | – | 3,856 | — | 2,680 | 219 | — | 2,899 |
| Mr. Wang Xiaoguang | – | 7,430 | 258 | – | 7,688 | — | 3,530 | 136 | — | 3,666 |
| Ms. Liu Hui | – | – | – | – | – | — | — | — | — | — |
| Mr. Yaug Zheng | – | – | – | – | – | — | — | — | — | — |
| Mr. Cheung Sai Sing | 170 | – | – | – | 170 | — | — | — | — | — |
| Mr. Tsang Hing Lun | 203 | – | – | – | 203 | 213 | — | — | — | 213 |
| Mr. Gu Yunchang | 203 | – | – | – | 203 | 213 | — | — | — | 213 |
| Mr. Han Xiaojing | 203 | – | – | – | 203 | 213 | — | — | — | 213 |
| Mr. Zhao Kang | 203 | – | – | – | 203 | 213 | — | — | — | 213 |
| Mr. Wang Xiaodong | – | – | – | – | – | — | — | — | — | — |
| | 982 | 16,560 | 4,514 | 3,066 | 25,122 | 852 | 10,040 | 2,088 | 63 | 13,043 |

## 39 Employee benefits expense *(Continued)*

### (b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2010: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2010: two) highest paid individuals during the year are as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2011** | 2010 |
| | **RMB'000** | RMB'000 |
| Basic salaries and allowance | **10,120** | 10,010 |
| Bonuses | **19,963** | 10,688 |
| Retirement scheme contributions | **4,788** | 2,352 |
| Other long-term welfare | **3,066** | 63 |
| | **37,937** | 23,113 |

The emoluments fell within the following bands:

| | Year ended 31 December | |
|---|---|---|
| | **2011** | 2010 |
| RMB 1,500,000 to RMB 3,000,000 | **—** | 1 |
| RMB 3,000,000 to RMB 4,500,000 | **1** | 1 |
| RMB 4,500,000 to RMB 6,000,000 | **1** | 3 |
| RMB 6,000,000 to RMB 7,500,000 | **2** | — |
| Over RMB 7,500,000 | **1** | — |
| | **5** | 5 |

(c) During the years ended 31 December 2011 and 2010, no emoluments were paid by the the Group to any of the above directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

## 40 Finance costs

| | Year ended 31 December | |
|---|---|---|
| | **2011** | 2010 |
| | **RMB'000** | RMB'000 |
| Interest expense: | | |
| - Bank borrowings | **1,269,986** | 1,143,434 |
| - Other borrowings | **970,161** | 342,423 |
| Less: interest at the rate of 6.67% (2010: 5.35%) per annum capitalized | **(1,820,711)** | (1,198,501) |
| | **419,436** | 287,356 |

## 41 Income tax expense

Majority of the group entities are subjected to PRC enterprise income tax, which has been provided based on the statutory income tax rate of 25% of the assessable income of each of these group entities for the years ended 31 December 2011 and 2010. Other companies are mainly subjected to Hong Kong profits tax.

The amount of income tax expense charged to the income statement represents:

| | Year ended 31 December | |
|---|---|---|
| | **2011** | 2010 |
| | **RMB'000** | RMB'000 |
| Current income tax: | | |
| - PRC enterprise income tax | **2,099,207** | 1,442,655 |
| - PRC land appreciation tax | **1,107,563** | 403,149 |
| Deferred income tax (Note 33) | **(653,222)** | (431,184) |
| | **2,553,548** | 1,414,620 |

Taxation on the Group's profit before tax differs from the theoretical amount that would arise using the enacted tax rate of the home country of the Group as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2011** | 2010 |
| | **RMB'000** | RMB'000 |
| Profit before income tax | **5,174,346** | 3,853,443 |
| Add: Share of (gains)/losses of jointly controlled entities | **(68,911)** | 8,859 |
| Share of losses of associates | **2,571** | 72,004 |
| | **5,108,006** | 3,934,306 |
| Tax calculated at a tax rate of 25% | **1,277,002** | 983,577 |
| Effect of higher tax rate for the appreciation of land in the PRC | **830,672** | 302,362 |
| Income not subject to tax | **(21,544)** | (17,219) |
| Expenses not deductible for tax purposes | **415,361** | 124,297 |
| Tax losses not recognized | **59,064** | 48,386 |
| Utilization of previously unrecognized tax losses | **(7,007)** | (26,783) |
| Tax expense | **2,553,548** | 1,414,620 |

## 42 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 excluding ordinary shares purchased by the Company and held as Share held for Restricted Share Award Scheme (Note 26).

| | Year ended 31 December | |
|---|---|---|
| | **2011** | 2010 |
| Profit attributable to owners of the Company (RMB'000) | **2,570,657** | 2,444,076 |
| Distribution relating to convertible and capital securities (RMB'000) (Note 30&31) | **(590,747)** | (204,017) |
| Profit used to determine basic earnings per share (RMB'000) | **1,979,910** | 2,240,059 |
| Weighted average number of ordinary shares in issue (thousands) | **5,622,327** | 5,632,962 |
| Basic earnings per share (RMB per share) | **0.352** | 0.398 |

## 42 Earnings per share *(Continued)*

### (b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: share options and convertible and capital securities. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options. Convertible securities of 374,278,000 shares (Note 30), when calculated on a weighted average basis, were not included in the calculation of dilutive earnings per share because of their anti-diluted effect.

| | Year ended 31 December | |
|---|---|---|
| | **2011** | 2010 |
| Profit attributable to owners of the Company (RMB'000) | **2,570,657** | 2,444,076 |
| Distribution relating to convertible and capital securities (RMB'000) (Note 30&31) | **(590,747)** | (204,017) |
| Profit used to determine diluted earnings per share (RMB'000) | **1,979,910** | 2,240,059 |
| Weighted average number of ordinary shares in issue (thousands) | **5,622,327** | 5,632,962 |
| Adjustment for: | | |
| - share options (thousands) | **10,550** | 15,982 |
| Weighted average number of ordinary shares for diluted earnings per share (thousands) | **5,632,877** | 5,648,944 |
| Diluted earnings per share (RMB per share) | **0.351** | 0.397 |

## 43 Dividends

| | Year ended 31 December | |
|---|---|---|
| | **2011** **RMB'000** | 2010 RMB'000 |
| Interim dividend paid | **232,173** | 246,850 |
| Final dividend proposed (a) | **462,059** | 379,758 |

(a) On 15 March 2012, the Company proposed a final dividend of RMB462,059,000.

## 44 Cash used in operations

| | Year ended 31 December | |
|---|---|---|
| | **2011** | 2010 |
| | **RMB'000** | RMB'000 |
| Profit for the year | **2,620,798** | 2,438,823 |
| Adjustments for: | | |
| - Tax expense (Note 41) | **2,553,548** | 1,414,620 |
| - Depreciation (Note 7) | **48,722** | 31,428 |
| - Amortization of land use rights (Note 8) | **246** | 527 |
| - Goodwill disposed for sales of properties charged to cost of sales (Note 10) | **75,189** | 83,902 |
| - Net impairment (Note 38) | **397,824** | 663 |
| - (Gain)/loss on sale of property, plant and equipment (Note 37) | **404** | (179) |
| - Finance cost (Note 40) | **419,436** | 287,356 |
| - Interest income | **(123,974)** | (59,125) |
| - Share of loss of jointly controlled entities (Note 12) | **(51,422)** | 8,859 |
| - Share of loss of associates (Note 13) | **11,992** | 72,004 |
| - Valuation gain on investment properties (Note 9) | **(512,778)** | (567,350) |
| - De-recognition of derivative financial statements (Note 37) | **—** | 8,331 |
| - Fair value loss/(gain) from other investment (Note 37) | **118** | (1,165) |
| - Fair value (gain)/loss on financial assets at fair value through profit or loss (Note 37) | **(6,670)** | 3,703 |
| - Gain on disposal of available-for-sale financial assets (Note 37) | **(18,279)** | — |
| - Gain on acquisition of a subsidiary (Note 37) | **—** | (2,512) |
| - Loss/(Gain) on disposal of subsidiaries (Note 37) | **1,910** | (297,048) |
| - Investment income from available-for-sale financial assets (Note 36) | **(19,362)** | (15,956) |
| - Exchange losses | **94,693** | 67,067 |
| - Employee share option | **53,661** | 78,408 |
| | **5,546,056** | 3,552,356 |

## 44 Cash used in operations *(Continued)*

| | Year ended 31 December | |
|---|---|---|
| | **2011** | 2010 |
| | **RMB'000** | RMB'000 |
| Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation): | | |
| - Completed properties held for sale | **(692,550)** | 880,260 |
| - Inventories, at cost | **(258,765)** | (129,503) |
| - Trade and other receivables | **(2,498,699)** | (928,918) |
| - Land development cost recoverable | **(1,272,869)** | (561,120) |
| - Deposits for land use rights | **10,636,568** | (11,212,615) |
| - Cooperation deposit | **(127,350)** | — |
| - Trade and other payables | **4,465,572** | 2,819,482 |
| - Other investment | **28,009** | (3,203) |
| - Financial assets at fair value through profit or loss | **(376,715)** | (32,196) |
| - Prepayments | **(200,810)** | (155,559) |
| - Advanced proceeds received from customers | **6,635,357** | 6,658,041 |
| - Properties under development | **(22,606,100)** | (14,564,018) |
| - Restricted cash | **(2,711,444)** | (160,936) |
| Cash (used in)/generated from operations | **(3,433,740)** | (13,837,929) |

In the consolidated cash flow statement, proceeds from sale of property, plant and equipment comprise:

| | Year ended 31 December | |
|---|---|---|
| | **2011** | 2010 |
| | **RMB'000** | RMB'000 |
| Net book amount (Note 7) | **6,975** | 7,871 |
| (Losses)/Gains on disposal of property, plant and equipment (Note 37) | **(404)** | 179 |
| Proceeds from disposal of property, plant and equipment | **6,571** | 8,050 |

## 45 Financial guarantees

### (a) Group

The Group had the following financial guarantees as at the end of the years ended 31 December 2011 and 2010:

| | As at 31 December | |
|---|---|---|
| | **2011**<br>**RMB'000** | 2010<br>RMB'000 |
| Guarantees in respect of mortgage facilities for certain purchasers | **3,158,916** | 2,925,285 |

As at 31 December 2011 and 2010, the Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends when the property purchasers obtain the "property title certificate" which is then pledged with the banks.

### (b) Company

As at year end 31 December 2011 and 2010, the Company provided financial guarantees to certain subsidiaries for their borrowings, as well as for the issuance of convertible securities (Note 30) and capital securities (Note 31).

## 46 Commitments

### (a) Capital commitments

(i) Capital commitments – Group

Capital expenditures contracted for at the balance sheet date but not yet incurred are as follows:

| | As at 31 December | |
|---|---|---|
| | **2011 RMB'000** | 2010 RMB'000 |
| Land use rights | **8,520,809** | 9,167,037 |
| Properties under development | **24,621,426** | 9,309,635 |
| Contracted but not provided for | **33,142,235** | 18,476,672 |

(ii) Capital commitments – Company

There are no capital commitments relating to the Company for the year ended 2011 and 2010.

### (b) Operating lease rental receivables

(i) Operating lease rental receivables – Group

The future aggregate minimum lease rental receivables under non-cancellable operating leases in respect of land and buildings are as follows:

| | As at 31 December | |
|---|---|---|
| | **2011 RMB'000** | 2010 RMB'000 |
| Within 1 year | **353,929** | 312,301 |
| Between 1 to 5 years | **592,388** | 563,930 |
| Over 5 years | **66,754** | 98,048 |
| | **1,013,071** | 974,279 |

(ii) Operating lease rental receivables – Company

There are no operating lease rental receivables relating to the Company for the year ended 2011 and 2010.

## 47 Transaction with non-controlling interests

### (a) Acquisition of additional interest in subsidiaries

(i) On 17 January 2011, the Group acquired an additional 30% equity interest of Chongqing Golf Club Company Limited ("Chongqing Golf") at consideration of RMB200,000,000. The carrying amount of the non-controlling interests in Chongqing Golf on the date of acquisition was RMB30,378,000. The Group recognized a decrease in non-controlling interests of RMB20,252,000 and a decrease in equity attributable to owners of the Company of RMB179,748,000. The effect of changes in the ownership interest of Chongqing Golf on the equity attributable to owners of the Company during the period is summarized as follows:

| | As at 31 December 2011 RMB'000 |
|---|---|
| Carrying amount of non-controlling interests acquired | 20,252 |
| Consideration paid to non-controlling interests | (200,000) |
| Excess of consideration paid recognized within equity | (179,748) |

(ii) On 14 March 2011, the Group acquired an additional 10% equity interest of Tianjin Yuhua Real Estate Development Company Limited ("Tianjin Yuhua") at consideration of RMB10,824,000. The carrying amount of the non-controlling interests in Tianjin Yuhua on the date of acquisition was RMB9,926,000. The Group recognized a decrease in non-controlling interests of RMB9,926,000 and a decrease in equity attributable to owners of the Company of RMB898,000. The effect of changes in the ownership interest of Tianjin Yuhua on the equity attributable to owners of the Company during the period is summarized as follows:

| | As at 31 December 2011 RMB'000 |
|---|---|
| Carrying amount of non-controlling interests acquired | 9,926 |
| Consideration paid to non-controlling interests | (10,824) |
| Excess of consideration paid recognized within equity | (898) |

## 47 Transaction with non-controlling interests *(Continued)*

### (a) Acquisition of additional interest in subsidiaries *(Continued)*

(iii) On 31 July 2011, the Group acquired an additional 9% equity interest of Beijing Yuanhui Land Development Company Limited ("Beijing Yuanhui") at consideration of RMB25,000,000. The carrying amount of the non-controlling interests in Beijing Yuanhui on the date of acquisition was RMB2,695,000. The Group recognized a decrease in non-controlling interests of RMB2,695,000 and a decrease in equity attributable to owners of the Company of RMB22,305,000. The effect of changes in the ownership interest of Beijing Yuanhui on the equity attributable to owners of the Company during the period is summarized as follows:

| | As at 31 December 2011 RMB'000 |
|---|---|
| Carrying amount of non-controlling interests acquired | 2,695 |
| Consideration paid to non-controlling interests | (25,000) |
| Excess of consideration paid recognized within equity | (22,305) |

(iv) On 31 July 2011, the Group acquired an additional 10% equity interest of Dalian Shijia Land Development Company Limited and Dalian Yuanfeng Land Development Company Limited ("Dalian Shijia, Dalian Yuanfeng") at consideration of RMB99,000,000. The carrying amount of the non-controlling interests in Dalian Shijia, Dalian Yuanfeng on the date of acquisition was RMB93,683,000. The Group recognized a decrease in non-controlling interests of RMB93,683,000 and a decrease in equity attributable to owners of the Company of RMB5,317,000. The effect of changes in the ownership interest of Dalian Shijia, Dalian Yuanfeng on the equity attributable to owners of the Company during the period is summarized as follows:

| | As at 31 December 2011 RMB'000 |
|---|---|
| Carrying amount of non-controlling interests acquired | 93,683 |
| Consideration paid to non-controlling interests | (99,000) |
| Excess of consideration paid recognized within equity | (5,317) |

## 47 Transaction with non-controlling interests *(Continued)*

### (b) Disposal of interest in subsidiaries without change of control

(i) On 8 April 2011, the Group disposed of 49% of interest in a wholly owned subsidiary, Poly Link Management Limited ("Poly Link"), at consideration of RMB1,623,705,000. The Group recognized a decrease in non-controlling interests of RMB 1,220,294,000 and an increase in equity attributable to owners of the Company of RMB 403,411,000. The effect of changes in the ownership interest of Poly Link on the equity attributable to owners of the Company during the period is summarized as follows:

| | As at 31 December 2011 RMB'000 |
|---|---|
| Carrying amount of non-controlling interests disposed of | (1,220,294) |
| Consideration received from non-controlling interests | 1,623,705 |
| Gain on disposal charged against equity | 403,411 |

(ii) On 7 May 2011, the Group disposed of 49% of interest in a wholly owned subsidiary, Chengdu Tongyi Real Estate Company Limited ("Chengdu Tongyi"), at a consideration of RMB100,170,000. The Group recognized an increase in non-controlling interests of RMB96,791,000 and an increase in equity attributable to owners of the Company of RMB3,379,000. The effect of changes in the ownership interest of Chengdu Tongyi on the equity attributable to owners of the Company during the period is summarized as follows:

| | As at 31 December 2011 RMB'000 |
|---|---|
| Carrying amount of non-controlling interests disposed of | (96,791) |
| Consideration received from non-controlling interests | 100,170 |
| Gain on disposal charged against equity | 3,379 |

## 47 Transaction with non-controlling interests *(Continued)*

### (b) Disposal of interest in subsidiaries without change of control *(Continued)*

(iii) On 1 November 2011, the Group disposed of 20% of interest in a wholly owned subsidiary, Zhongshan Yuanjian Real Estate Company Limited ("Zhongshan Yuanjian"), at a consideration of RMB16,000,000. The Group recognized an increase in non-controlling interests of RMB5,867,000 and an increase in equity attributable to owners of the Company of RMB10,133,000. The effect of changes in the ownership interest of Zhongshan Yuanjian on the equity attributable to owners of the Company during the period is summarized as follows:

| | As at 31 December 2011 RMB'000 |
|---|---|
| Carrying amount of non-controlling interests disposed of | (5,867) |
| Consideration received from non-controlling interests | 16,000 |
| Gain on disposal charged against equity | 10,133 |

(iv) On 22 December 2011, the Group disposed of 40% of interest in a subsidiary, Zhongshan Yuanjian Real Estate Company Limited ("Zhongshan Yuanjian"), at a consideration of RMB60,000,000. The Group recognized an increase in non-controlling interests of RMB10,793,000 and an increase in equity attributable to owners of the Company of RMB49,207,000. The effect of changes in the ownership interest of Zhongshan Yuanjian on the equity attributable to owners of the Company during the period is summarized as follows:

| | As at 31 December 2011 RMB'000 |
|---|---|
| Carrying amount of non-controlling interests disposed of | (10,793) |
| Consideration received from non-controlling interests | 60,000 |
| Gain on disposal within equity | 49,207 |

## 47 Transaction with non-controlling interests *(Continued)*

### (c) Effects of transactions with non-controlling interests on the equity attributable to owners of the Company for the year ended 31 December 2011

| | As at 31 December 2011 RMB'000 |
|---|---|
| Total comprehensive income for the period attributable to owners of the Company | 2,500,289 |
| Changes in equity attributable to owners of the Company arising from : | |
| - Acquisition of additional interests in subsidiaries | (208,268) |
| - Disposal of interests in subsidiaries without change of control | 466,130 |
| Net effect for transactions with non-controlling interests on equity attributable to owners of the Company | 257,862 |
| | 2,758,151 |

## 48 Disposal of subsidiaries

(a) On 1 July 2011, the Group disposed of the entire equity interest in Beijing Taoli Investment Limited, a 100% owned subsidiary of the Group, to Beijing Guotonggaosheng Investment Limited, a third party, at cash consideration of RMB227,736,000.

| | **2011** |
|---|---|
| | **RMB'000** |
| Proceeds on disposal of the subsidiary (including in other receivables as at 31 December 2011) | **227,736** |
| Net book value of the subsidiary disposed - show as below | **(207,686)** |
| Gain on disposal of the subsidiary | **20,050** |

The assets and liabilities arising from the disposal are as follows:

| | **Carrying value** |
|---|---|
| | RMB'000 |
| Other receivables | 207,682 |
| Cash and cash equivalents | 4 |
| Net book value of Company's net assets disposed | 207,686 |
| **Inflow of cash to dispose business, net of cash disposed** | |
| Cash consideration | 227,736 |
| Cash and cash equivalents in subsidiary disposed of | (4) |
| Cash inflow on disposal in year 2011 | 227,732 |

## 48 Disposal of subsidiaries *(Continued)*

(b) On 18 June 2011, the Group disposed of Dalian Jiye Concrete Manufacture Company Limited, a 100% owned subsidiary of the Group, to Dalian Fusheng Construction Material Limited, a third party at cash consideration of RMB12,110,000.

| | **2011**<br>**RMB'000** |
|---|---|
| Proceeds on disposal of subsidiary | **12,110** |
| Net book value of the subsidiary disposed - show as below | **(11,806)** |
| Gain on disposal of the subsidiary | **304** |

The assets and liabilities arising from the disposal are as follows:

| | **Carrying value**<br>RMB'000 |
|---|---|
| Property, plant and equipment | 7,552 |
| Inventory | 2,046 |
| Prepayments | 62 |
| Trade and other receivables | 2,159 |
| Cash and cash equivalents | 194 |
| Trade and other payables | (207) |
| Net book value of Company's net assets disposed | 11,806 |
| **Inflow of cash to dispose business, net of cash disposed** | |
| Cash consideration | 12,110 |
| Cash and cash equivalents in subsidiary disposed of | (194) |
| Cash inflow on disposal in year 2011 | 11,916 |

## 48 Disposal of subsidiaries *(Continued)*

(c) On 20 October 2011, the Group entered into an agreement with Shanghai Hanting Hotel Management Company Limited to dispose of Dalian Sikelai Hotel Company Limited, a 100% owned subsidiary of the Group. The subsidiary was sold on 25 October 2011 for cash consideration of RMB500,000.

| | **2011** **RMB'000** |
|---|---|
| Proceeds on disposal of subsidiary | **500** |
| Net book value of the subsidiary disposed - show as below | **3,109** |
| Gain on disposal of the subsidiary | **3,609** |

The assets and liabilities arising from the disposal are as follows:

| | **Carrying value** RMB'000 |
|---|---|
| Property, plant and equipment | 252 |
| Inventory | 107 |
| Trade and other receivables | 7,107 |
| Cash and cash equivalents | 1,050 |
| Trade and other payables | (11,559) |
| Income tax payable | (66) |
| Net book value of Company's net assets disposed | (3,109) |
| **Outflow of cash to dispose business, net of cash disposed** | |
| Cash consideration | 500 |
| Cash and cash equivalents in subsidiary disposed of | (1,050) |
| Cash outflow on disposal in year 2011 | (550) |

## 48 Disposal of subsidiaries *(Continued)*

(d) During the year ended 31 December 2011, the Company entered into an agreement to dispose the entire equity interest of the Company in Klendo Limited, a non-wholly owned subsidiary of the Company. The disposal was completed on 13 July 2011. For the period ended 30 June 2011, a provision for impairment losses on disposal of HKD27,994,000 was made. The net assets of Klendo Limited at the date of disposal were as follows:

| | 2011<br>RMB'000 |
|---|---|
| Proceeds on disposal of subsidiary | 113,932 |
| Net book value of the subsidiary disposed - show as below | (139,805) |
| Loss on disposal of the subsidiary | (25,873) |

| | As at<br>31 December 2011<br>RMB'000 |
|---|---|
| Investment property | 150,000 |
| Deposits and prepayments | 1,057 |
| Amount due from a fellow subsidiary | 4,388 |
| Cash and cash equivalents | 5,267 |
| Deposit received | (5,267) |
| Deferred tax liabilities | (3,088) |
| Net book value of Company's net assets disposed | 152,357 |
| Less: Non-controlling interests | (12,552) |
| Net assets disposed | 139,805 |
| **inflow of cash to dispose business, net of cash disposed** | |
| Cash consideration | 113,932 |
| Cash and cash equivalents in subsidiary disposed of | (5,267) |
| Cash inflow on disposal in year 2011 | 108,665 |

## 49 Related party transactions

The following is a summary of significant related party balances and transactions entered into in the ordinary course of business between the Group and its related parties during the years ended 31 December 2011 and 2010:

### (a) Sales of properties and services

| | Year ended 31 December | |
|---|---|---|
| | **2011** | 2010 |
| | **RMB'000** | RMB'000 |
| Sales of properties: | | |
| - An associate | **—** | 3,963 |
| Provision of services: | | |
| - COSCO Group | **—** | 5,100 |
| - A jointly controlled entity | **242,245** | 3,472 |
| - An associate | **1,439** | 30,000 |
| - A jointly controlled entity of COSCO Group | **—** | 2,811 |
| | **243,684** | 41,383 |
| | **243,684** | 45,346 |

### (b) Key management compensation

| | Year ended 31 December | |
|---|---|---|
| | **2011** | 2010 |
| | **RMB'000** | RMB'000 |
| Salaries and other short-term employee benefits | **69,699** | 37,276 |
| Post-employment benefits | **7,131** | 4,109 |
| Other long-term welfare | **3,066** | 63 |
| Share-based payments | **7,837** | 23,225 |
| | **87,733** | 64,673 |

## 49 Related party transactions *(Continued)*

### (c) Year-end balances arising from sales of properties and services

| | As at 31 December | |
|---|---|---|
| | **2011** **RMB'000** | 2010 RMB'000 |
| Receivables from related parties: | | |
| - An associate | **6,547** | 275 |
| - A jointly controlled entity | **20,294** | — |
| | **26,841** | 275 |
| Advance from related parties: | | |
| - An associate | **190** | — |
| - A jointly controlled entity | **11,399** | 4,753 |
| | **11,589** | 4,753 |

### (d) Interest income

| | Year ended 31 December | |
|---|---|---|
| | **2011** **RMB'000** | 2010 RMB'000 |
| Interest received: | | |
| - An associate | **18,767** | 38,999 |
| - A jointly controlled entity | **533** | — |
| | **19,300** | 38,999 |

### (e) Gain on disposal of a subsidiary

| | Year ended 31 December | |
|---|---|---|
| | **2011** **RMB'000** | 2010 RMB'000 |
| Gain from related parties: | | |
| Gain on disposal of a subsidiary to a jointly controlled entity | **—** | 109,880 |
| | **—** | 109,880 |

## 49 Related party transactions *(Continued)*

### (f) Loans to related parties

| | Year ended 31 December | |
|---|---|---|
| | **2011** | 2010 |
| | **RMB'000** | RMB'000 |
| Jointly controlled entities: | | |
| At 1 January | **817,356** | 532,000 |
| Loans advanced during year | **389,400** | 285,356 |
| Loans repayments received | **(25,000)** | — |
| Interest charged | **(533)** | — |
| Interest received | **533** | — |
| At 31 December | **1,181,756** | 817,356 |
| An associate: | | |
| At 1 January | **337,239** | 307,770 |
| Loans advanced during year | **484,344** | 1,218,025 |
| Loans repayments received | **(342,359)** | (1,188,556) |
| Interest charged | **(18,767)** | 38,999 |
| Interest received | **18,767** | (38,999) |
| At 31 December | **479,224** | 337,239 |

### (g) Advances from related parties

| | Year ended 31 December | |
|---|---|---|
| | **2011** | 2010 |
| | **RMB'000** | RMB'000 |
| A shareholder: | | |
| At 1 January | **1,724,493** | — |
| Loans advanced during year (Note 34(a)) | **—** | 1,724,493 |
| Interest charged | **247,545** | — |
| Interest payments | **(247,545)** | — |
| Loans repayments | **(1,724,493)** | — |
| At 31 December | **—** | 1,724,493 |

## 49 Related party transactions *(Continued)*

### (h) Capital injection from related parties

| | Year ended 31 December | |
|---|---|---|
| | **2011** | 2010 |
| | **RMB'000** | RMB'000 |
| Increase in non-controlling interests from shareholder | **—** | 942,479 |
| | **—** | 942,479 |

## 50 Events after the balance sheet date

On 6 January 2012, Neo Origin Limited ("Neo Origin") and Sino-Ocean Land Limited ("SOL"), subsidiaries of the Company, entered into a Subscription Agreement with Swire Properties (Chengdu) Limited ("Swire Chengdu"), Swire Properties Limited ("Swire") and Great City China Holdings Limited ("the Joint Venture"), within which Swire Chengdu has agreed to provide funding in the total sum of USD230,000,000 to the Joint Venture, and the Joint Venture has agreed to allot new shares to Swire Chengdu and Neo Origin.

At the same time, a Call Option has been granted to Neo Origin and the Put Option has been granted to Swire Chengdu, where SOL and Swire will, among other things, guarantee the performance by Neo Origin and Swire Chengdu, respectively, of all of its obligations, subject to the terms and conditions under the Subscription Agreement. Pursuant to the Subscription Agreement, Neo Origin can buy back from Swire Chengdu, all of the Option Shares, as well as 50% of the funding provided. Such provision of funding and the allotment of shares are completed on 9 January 2012.

# FIVE-YEAR FINANCIAL SUMMARY

| RMB million | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|
| Revenue | **19,897** | 13,721 | 8,824 | 6,487 | 5,750 |
| Gross profit | **6,258** | 4,125 | 2,657 | 2,820 | 1,907 |
| Profit attributable to owners of the Company | **2,571** | 2,444 | 1,582 | 1,388 | 1,722 |
| Total assets | **110,285** | 92,730 | 62,148 | 43,268 | 37,766 |
| Total liabilities | **71,528** | 59,605 | 38,262 | 25,485 | 20,888 |
| Shareholders' equity | **35,268** | 31,071 | 23,368 | 16,653 | 15,824 |
| Total equity | **38,757** | 33,126 | 23,886 | 17,783 | 16,878 |

Note: Shareholders' equity = Total equity less non-controlling interests

# APPENDIX: LIST OF PROJECT NAMES

| | Cities | Project names (Chinese) | Project names (English) | Project names used before (Chinese) | Project names used before (English) |
|---|---|---|---|---|---|
| 1 | Beijing | 遠洋山水(北京) | Ocean Landscape (Beijing) | | |
| 2 | | 遠洋•沁山水(北京) | Ocean Landscape Eastern Area (Beijing) | | |
| 3 | | 遠洋•沁山水E02/03項目(北京) | Ocean Landscape Eastern Area E02/03 Project (Beijing) | | |
| 4 | | 遠洋天地(北京) | Ocean Paradise (Beijing) | | |
| 5 | | 遠洋•萬和城(北京) | Ocean Great Harmony (Beijing) | | |
| 6 | | 遠洋•萬和城C區項目(北京) | Ocean Great Harmony Plot C Project (Beijing) | | |
| 7 | | 遠洋國際中心(北京) | Ocean International Center (Beijing) | | |
| 8 | | 遠洋都市網景(北京) | Ocean Cityscape (Beijing) | | |
| 9 | | 遠洋風景(北京) | Ocean Prospect (Beijing) | | |
| 10 | | 遠洋自然(北京) | Ocean Seasons (Beijing) | | |
| 11 | | 遠洋•光華國際(北京) | Ocean Office Park (Beijing) | | |
| 12 | | 遠洋新幹線(北京) | Ocean Express (Beijing) | | |
| 13 | | 遠洋公館(北京) | Ocean Honored Chateau (Beijing) | | |
| 14 | | 遠洋•LA VIE(北京) | Ocean LA VIE (Beijing) | | |
| 15 | | 遠洋一方(北京) | POETRY OF RIVER (Beijing) | | |
| 16 | | 遠洋•新悦(北京) | The Place (Beijing) | 遠洋一方東區 | Poetry of River Eastern Area |
| 17 | | 遠洋•傲北(北京) | Ocean Manor (Beijing) | 北七家 | Beiqijia Project |
| 18 | | 頤堤港(北京) | INDIGO (Beijing) | 將台商務中心 | Jiangtai Business Center |
| 19 | | 遠洋•東方公館(北京) | Ocean Oriental Mansion (Beijing) | 通州玉橋項目 | Tongzhou Yuqiao Project |
| 20 | | 京棉項目(北京) | Jingmian Project (Beijing) | | |
| 21 | | 遠洋•天著(北京) | Ocean Palace (Beijing) | 亦庄三羊項目 | Yizhuang Sanyang Project |
| 22 | | 遠洋•萬和公館(北京) | Ocean Crown (Beijing) | 大望京項目 | Dawangjing Project |
| 23 | | 遠洋大廈(北京) | Ocean Plaza (Beijing) | | |
| 24 | | CBD Z6地塊(北京) | CBD Plot Z6 (Beijing) | | |
| 25 | | CBD Z13地塊(北京) | CBD Plot Z13 (Beijing) | | |
| 26 | Tianjin | 遠洋城(天津) | Ocean City (Tianjin) | | |
| 27 | | 遠洋天地(天津) | Ocean Paradise (Tianjin) | 海河新天地 | Ocean Paradise |
| 28 | | 遠洋國際中心(天津) | Ocean InternationalCenter (Tianjin) | | |
| 29 | | 遠洋新幹線(天津) | Ocean Express (Tianjin) | | |
| 30 | | 遠洋•萬和城(天津) | Ocean Great Harmony (Tianjin) | 倪黃莊項目 | Nihuangzhuang Project |
| 31 | | 遠洋風景(天津) | Ocean Prospect (Tianjin) | | |

| | Cities | Project names (Chinese) | Project names (English) | Project names used before (Chinese) | Project names used before (English) |
|---|---|---|---|---|---|
| 32 | Zhongshan | 遠洋城(中山) | Ocean City (Zhongshan) | | |
| 33 | | 遠洋啟宸(中山) | Ocean New Era (Zhongshan) | 橫欄項目 | Henglan Project |
| 34 | Dalian | 遠洋風景(大連) | Ocean Prospect (Dalian) | | |
| 35 | | 遠洋自然(大連) | Ocean Seasons (Dalian) | | |
| 36 | | 紅星海世界觀(大連) | Ocean Worldview (Dalian) | | |
| 37 | | 香頌花城(大連) | Chanson Garden (Dalian) | | |
| 38 | | 遠洋MIDTOWN(大連) | Ocean MIDTOWN (Dalian) | 西山項目 | Xishan Project |
| 39 | | 遠洋時代城(大連) | Ocean TIMES (Dalian) | 大學城項目 | University Zone |
| 40 | | 遠洋假日養生莊園(大連) | Ocean Holiday Manor (Dalian) | 遠洋·拉斐莊園 | Ocean Valley Lafite |
| 41 | | 遠洋創智高地(大連) | Sino-Ocean Technopole (Dalian) | IT產業園-工業部分 | IT Zone--Industrial |
| 42 | | 遠洋廣場(大連) | Ocean Plaza (Dalian) | | |
| 43 | | 遠洋溫德姆至尊豪庭大酒店(大連) | Wyndham Grand Plaza Royale Sino-Ocean (Dalian) | | |
| 44 | | 遠洋•鑽石灣(大連) | Ocean Diamond Bay (Dalian) | | |
| 45 | | 小窑灣項目(大連) | Xiaoyao Bay Project (Dalian) | | |
| 46 | Shenyang | 遠洋天地(瀋陽) | Ocean Paradise (Shenyang) | | |
| 47 | | 遠洋公館(瀋陽) | Ocean Residence (Shenyang) | | |
| 48 | Hangzhou | 遠洋•大河宸章(杭州) | Grand Canal Milestone (Hangzhou) | 大河宸章 | Hang Yimian |
| 49 | | 遠洋公館(杭州) | Ocean Mansion (Hangzhou) | 遠洋公館 | Canal Commercial District |
| 50 | | 杭州大運河商務區項目(杭州) | Canal Business Center Project (Hangzhou) | | |
| 51 | | 普福項目(杭州) | Pufu Project (Hangzhou) | | |
| 52 | Huangshan | 遠洋桃花島(黃山) | An Island Paradise (Huangshan) | 桃花島項目 | Taohuadao Project |
| 53 | Chongqing | 遠洋高爾夫國際社區(重慶) | Sino-Ocean International GOLF Resort (Chongqing) | 國際高爾夫項目 | Golf Club Project |
| 54 | Sanya | 遠洋公館(三亞) | Ocean Mansion (Sanya) | 遠洋奧林匹克公館 | Ocean Olympics |
| 55 | | 棠棣項目一期(三亞) | Tang Di Project (Sanya) | | |
| 56 | Haikou | 遠洋浮木陣(海口) | Ocean Driftwood Array (Haikou) | 盈濱半島 | Yexiang Village Project |
| 57 | Qingdao | 遠洋公館(青島) | Ocean Honored Chateau (Qingdao) | | |
| 58 | | 遠洋風景(青島) | Ocean Prospect (Qingdao) | | |
| 59 | | 遠洋自然(青島) | Ocean Seasons (Qingdao) | | |

| | Cities | Project names (Chinese) | Project names (English) | Project names used before (Chinese) | Project names used before (English) |
|---|---|---|---|---|---|
| 60 | Shanghai | 遠洋•博堡(上海) | BOND CASTLE (Shanghai)_ | | |
| 61 | | 遠洋7號(上海) | Ocean Mansion No.7 (Shanghai) | | |
| 62 | | 遠洋•香奈印象(上海) | Ocean Chanson Mansion (Shanghai) | 楊行鎮項目 | Yanghangzhen Project |
| 63 | Wuhan | 遠洋莊園(武漢) | Ocean Manor (Wuhan) | 有座莊園 | Tangchen Project |
| 64 | | 遠洋•世界(武漢) | Ocean World (Wuhan) | | |
| 65 | Qinghuangdao | 遠洋•海世紀(秦皇島) | Ocean Century (Qinhuangdao) | | |
| 66 | | 灣海1號(秦皇島) | Wan Hai Yi Hao (Qinhuangdao) | 灣海一號 | Wan Hai Yi Hao |
| 67 | Changchun | 遠洋•戛納小鎮(長春) | Ocean Cannes Town (Changchun) | 長春淨月項目 | Jingyue Project |
| 68 | Chengdu | 遠洋•朗郡(成都) | Ocean Langjun (Chengdu) | | |
| 69 | | 大慈寺項目(成都) | Dacisi Project (Chengdu) | | |
| 70 | Zhenjiang | 遠洋•香奈河畔(鎮江) | Ocean Beach (Zhenjiang) | | |
| 71 | Fushun | 遠洋城(撫順) | Ocean City (Fushun) | 將軍溝項目 | Jiangjungou Project |
| 72 | Shenzhen | 遠洋新幹線(深圳) | Ocean Express (Shenzhen)_ | 南聯項目 | Nanlian Project |