上海實業城市開發集團有限公司
SHANGHAI INDUSTRIAL URBAN DEVELOPMENT GROUP LIMITED

ANNUAL REPORT 2011

ASTUTE VISION DRIVES EXCELLENCE

(Incorporated in Bermuda with limited liability)
Stock Code: 563

Artist's Impression

Shanghai Industrial Urban Development Group Limited ("SIUD") currently has 25 real estate projects in 13 major cities in China, namely Beijing, Sanhe, Shenyang, Tianjin, Shanghai, Kunshan, Wuxi, Xi'an, Chengdu, Chongqing, Changsha, Shenzhen and Zhuhai. Most of the projects are mid- to high-end residential projects most under construction at full steam, presenting the Group with a more than 17 million-square-meter land bank an excellent foundation for long term development.

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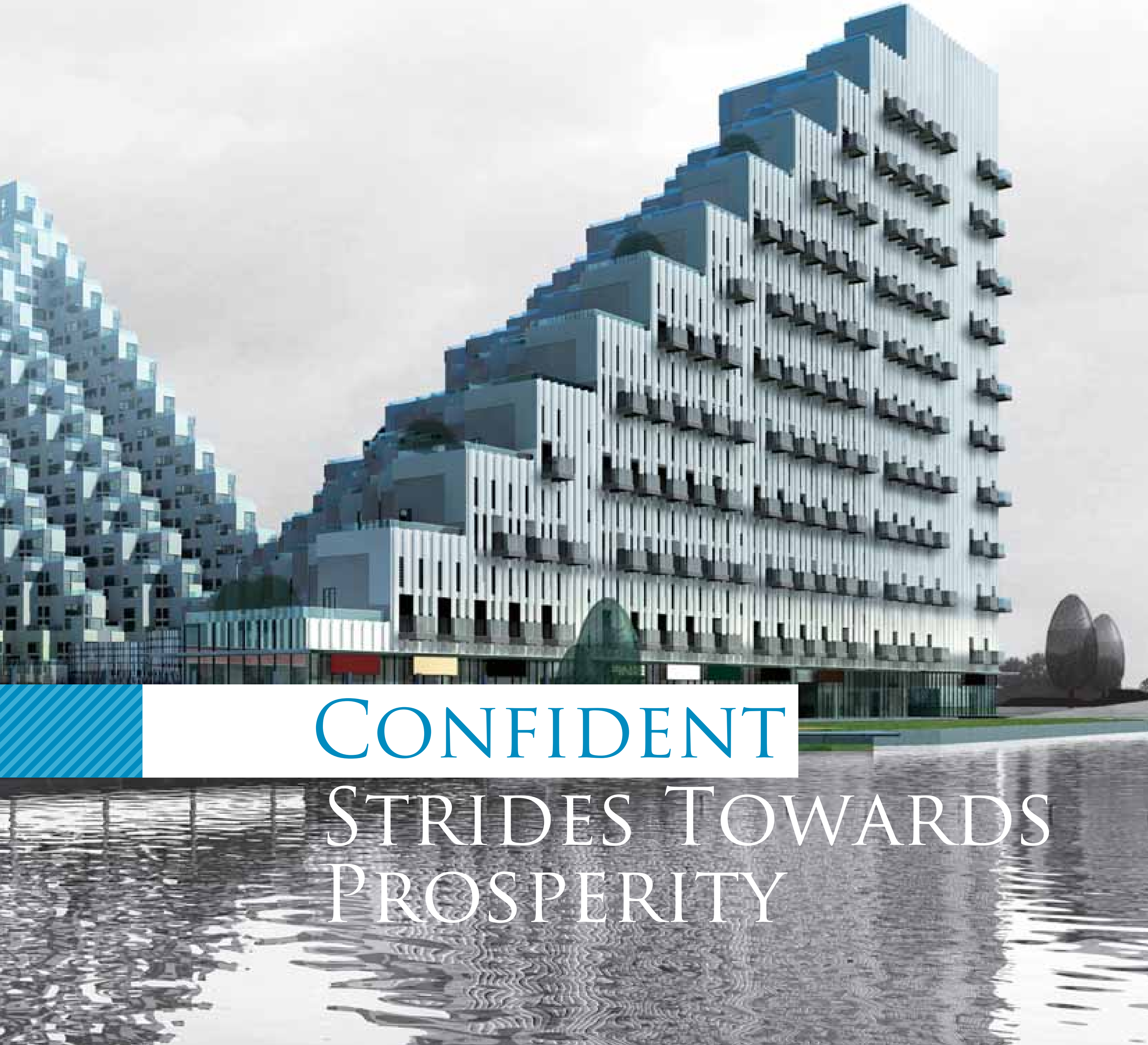


CONFIDENT STRIDES TOWARDS PROSPERITY

CORPORATE INFORMATION

DIRECTORS

Executive Directors
Mr. Cai Yu Tian *(Chairman)*
Mr. Ni Jianda
Mr. Qian Shizheng
Mr. Zhou Jun
Mr. Yang Biao
Mr. Chen Anmin
Mr. Jia Bowei *

Independent Non-Executive Directors
Mr. Doo Wai Hoi, William, J.P.
Dr. Wong Ying Ho, Kennedy, BBS, J.P.
Mr. Fan Ren Da, Anthony
Mr. Li Ka Fai, David

AUTHORIZED REPRESENTATIVES

Mr. Ni Jianda
Mr. Chan Kin Chu, Harry

BOARD COMMITTEES

Audit Committee
Mr. Li Ka Fai, David *(Committee Chairman)*
Mr. Doo Wai Hoi, William, J.P.
Dr. Wong Ying Ho, Kennedy, BBS, J.P.
Mr. Fan Ren Da, Anthony

Remuneration Committee
Mr. Doo Wai Hoi, William, J.P. *(Committee Chairman)*
Mr. Fan Ren Da, Anthony
Mr. Ye Wei Qi

Nomination Committee
Dr. Wong Ying Ho, Kennedy, BBS, J.P. *(Committee Chairman)*
Mr. Fan Ren Da, Anthony
Mr. Ni Jianda

Investment Appraisal Committee
Mr. Fan Ren Da, Anthony *(Committee Chairman)*
Mr. Zhou Jun
Mr. Ye Wei Qi

COMPANY SECRETARY

Mr. Chan Kin Chu, Harry

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

HSBC Securities Services (Bermuda) Limited
6 Front Street
Hamilton HM11
Bermuda

* Mr. Jia Bowei resigned as Executive Director and ceased to be Authorised Representative with effect from 1 March 2012.

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

LEGAL ADVISERS

As to Hong Kong Law
Ashurst Hong Kong

As to Bermuda Law
Conyers Dill & Pearman

COMPLIANCE ADVISER

Somerley Limited

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Suites 3003-3007
30th Floor, Great Eagle Centre
23 Harbour Road
Wanchai
Hong Kong
Tel : (852) 2544 8000
Fax : (852) 2544 8004

WEBSITE

http://www.siud.com

PRINCIPAL BANKER

The Hongkong and Shanghai Banking Corporation Limited

AUDITORS

Deloitte Touche Tohmatsu
35/F., One Pacific Place
88 Queensway
Hong Kong

LISTING INFORMATION

The Stock Exchange of Hong Kong Limited
Ordinary Shares
(Stock Code: 563)

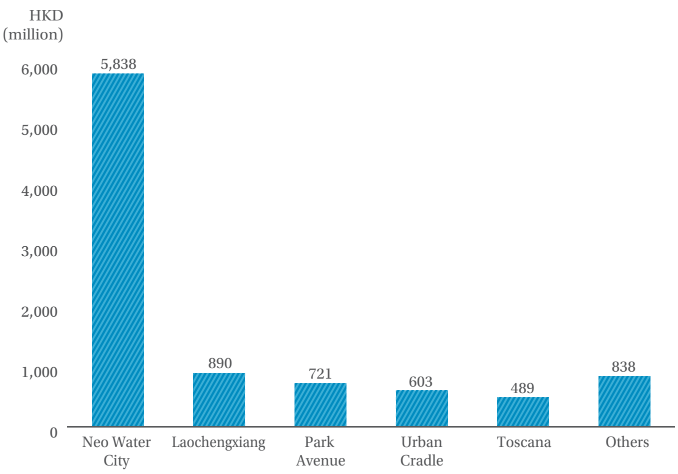
FINANCIAL HIGHLIGHTS

	For the year ended 31 December 2011	For the year ended 31 December 2010 (Restated)	Change %
Financial Highlights (HK$'000)			
Turnover	**4,433,476**	4,881,135	(9.2)
Loss attributable to equity owners of the Company	**(477,650)**	(740,523)	35.5
Financial Information per share (HK cents)			
Loss			
– Basic	**(9.93)**	(21.49)	Improved
– Diluted	**(9.93)**	(21.49)	Improved

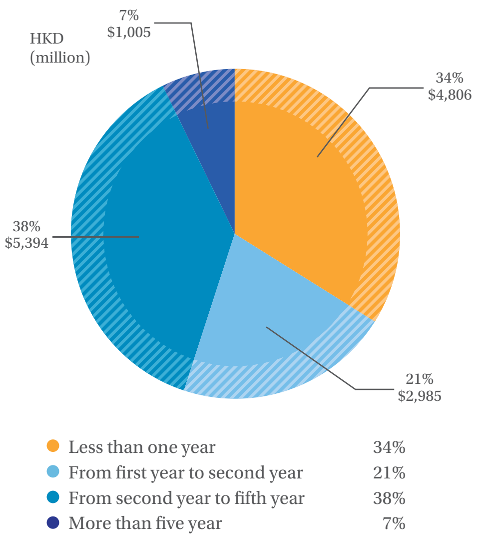
	As at 31 December 2011	As at 31 December 2010 (Restated)
Pre-sale receipts from customers (HK$'000)	**9,378,864**	9,831,780
Financial Ratios		
Net debt to total equity (%)	**53.1%**	27.3%
Current ratio	**1.99**	2.03

Notes: Net debt = total borrowings (including bank and other borrowings, senior notes and convertible loan notes) – cash and cash equivalents and restricted and pledged bank deposits.

Analysis on Accumulated Pre-Sale Receipts from Customers



Debt Maturity Profile



Artist's Impression

Trusted Brand Quality Property in China

The Group only presents projects of extraordinary quality. It makes no compromise be it on design, materials, construction and even aftersales service, living up to the fine tradition that the "Shanghai Industrial" brand represents.

Chairman's Statement

Shanghai Industrial Urban Development Group Limited ("SIUD" or the "Group") strengthened its foundation in 2011. For seven months, we had worked industriously to complete the acquisition of 59% stake in Shanghai Urban Development (Holdings) Co., Ltd. ("SUD"), a subsidiary of Shanghai Industrial Holdings Limited ("SIHL"), and became SIHL's property business flagship, bracing the Group's business for accelerated growth in the future.

In the past year, many countries have had their credit ratings down-graded. Some developed economies are subjected to higher fiscal and financial risks because of sovereignty debt crises, and that has complicated and added uncertainty to the global economic environment. As for the Chinese economy, although it has continued to see steady growth, growth pace has been slower and the emphasis is on achieving advancements in quality. In addition, at the macroeconomic control measures of the Government to regulate long-term growth of the real estate industry, overall sales volume and average sales price of properties have been affected. Against this backdrop, the industry has entered the stage of consolidation with the less competent players at risk of being ousted.

In the past year, the macro factors also affected the Group's business, causing it to return revenue lower than that of the previous year. However, the Group was able to improve its gross profit margin, as well as loss after tax. This evidences the success of our restructuring efforts after the change of controlling shareholder and speaks volume to the hard work of the management and our entire staff in the past year.

To complement the real estate operation of our parent company SIHL, SIUD completed the acquisition of SUD under SIHL in November 2011. Well-known in the property sector in China, SUD has a prolific project portfolio comprising mid- and high-end residential buildings, commercial premises, hotels, offices and integrated properties. Stronger now, SIUD owns 25 projects with total planned G.F.A. spanning 17 million sq. m. in 13 mainland cities along the Yangtze River and in cities in coastal regions of Eastern China. The Group now boasts an enriched asset portfolio of quality residential projects and commercial investment properties.

A strong and robust foundation

The strategic acquisition of SUD is an important development for SIHL to consolidate its property development operation. And, for SIUD, the transaction has boosted its assets and catapulted it to the forefront of the industry, and also given it economies of scale. Building on the premium "Shanghai Industrial" brand and the company's seasoned management team, SIUD has seen gradual improvement of its financial situation and its competitiveness markedly elevated, winning widespread recognition for its business outlook. Furthermore, its credit rating has been upgraded pointing to capital market confidence in the Group. All these favorable factors together have given the Group a much strengthened and robust foundation for development.

Coping with the poor market environment last year, apart from completing the SUD acquisition, the Group also perfected its management system, strictly controlled costs, improved corporate transparency and communication with shareholders and investors. These efforts have helped lay a strong financing platform for future development of the Group.

Looking forward, aiming for healthy and sustainable growth, the Central Government will help the real estate industry advance on a healthy track. The management expects 2012 to continue to be challenging, but that will give strong and competent players the ideal opportunity to adjust their strategies. SIUD will focus on optimizing its asset structure and improving product quality and profitability, hence create company value.

Adversity is the true test of strength

There is the Chinese maxim which says *"It is in the depth of winter that one sees the resilience of the evergreens（歲寒，而後知松柏之後凋也！）." Currently, property developers in China are feeling the pressure from the tight capital chain and securing funds for pursuing new projects has become harder and harder. However, it is in adverse conditions that one can see how resilient a corporation is. Boasting a premium land bank, a stable financial stance, an experienced management team and the backing of its parent company SIHL, the Group has full confidence in its future.

On behalf of the Board, I would like to express my deepest gratitude to all employees and our business partners for their hard work in the past year, and also to shareholders for their support. The management will continue to work diligently, fearless in the face of challenges, with the aim of becoming a leading property developer in China and creating greater value for shareholders.

Cai Yu Tian
Chairman
28 March 2012

* *The evergreen thrives. It is in the wintery month of December that one can see the evergreen thrives. The metaphor tells of how severe times can bring into the spotlight a person's best qualities.*

CHAT WITH PRESIDENT

Short term difficulties will not affect overall development of the industry too much, thus the future continues to look bright. It is high time for the strong industry players to integrate resources and hone their competitive edges.

PRESIDENT
Ni Jianda

Q: What improvement has the Group made in its results compared with 2010?

A: Affected mainly by the overall operating environment and late delivery of flats because the management was keen in refining them and raising their quality, revenue of the Group dropped slightly. However, during the year, the Group managed to boost the average selling price of products and effectively control costs, thus saw its gross profit margin improved, which among others factored into the narrowing of loss after taxation.

Although the macroeconomic environment has been unfavorable, the Group saw it as an opportune time for its business integration initiative. By integrating SUD into its operation, the Group has expanded its operation, improved its financial clout, increased the proportion of investment properties in its asset portfolio, boosted the quality of its land bank in Shanghai, and affirmed its focus on development along the Yangtze River and coastal regions in Eastern China. On this strengthened foundation, the Group remains optimistic on its mid- and long-term business outlook.

Q: Shanghai Industrial Urban Development Group Limited is smaller in scale than the giant property enterprises. What are its competitive advantages?

A: Its emphasis is on turning out projects of extraordinary quality instead of merely aiming for sales volume. It does not compromise be it on design, materials, construction engineering and even aftersales service, which is why some of its products are sold at a premium to market price and bring a higher margin than those of its peers. The management is actively enhancing the quality of existing SIUD products in a bid to lift their standards as well as profit margins.

In addition, the Group boasts generous land banks in first- and second-tier cities. Most of them are at transportation hubs and possess tremendous development potentials. Also, the Group, which is on a solid financial stance with most of the land paid for and very little borrowings, is poised to expand operation.

And, what's more is with the backing of SIHL, the Hong Kong-listed flagship enterprise under the Shanghai Municipal Government, the Group is well-buttressed in terms of financing, acquisition of land and human resources. It enjoys obvious advantages unmatched by its peers in the Yangtze River Delta region.

Q: What major projects will the Group pursue in 2012?

A: Sales of Urban Cradle in Shanghai, Neo Water City in Xi'an and Urban Development International Centre in Wuxi will be our main focus this year. The Urban Cradle units of contemporary chic designs and décor have one to three rooms tailored specifically for the newly-wed and small families hoping to improve the quality of living. As for the Neo Water City project, it is right in the heart of the Chan-Ba Ecological District where the Chan River and Ba River meet, hence offers the most delightful of natural landscape and scenery and serves as a benchmark for other development projects in the same area. Then, there is the Urban Development International Centre, which is an integrated property project comprising a 5-star hotel, grade A office premises, and multifunctional and commercial properties, all less than 5 kilometers away from Wuxi city and all needed amenities within easy access.

Q: What measures does the Group have to tackle challenges facing the real estate industry?

A: The management believes the macro-measures enforced by the Government on the industry are necessary for bringing it back onto healthy track. Although the market is still gloomy, the Group does not intend to push sales by cutting price because that will hurt the value of its brand. The Group led the industry in launching an electronic-sale platform last year, which has been a tremendous success. In just several minutes of the platform's debut, 180 units of the Yoooou.net project in Kunshan were sold. It also started at the end of the year to invite bids for property units and very warm responses were received, which translated into commendable sales returns.

At the same time, in spite of the grim market situation, knowing the importance of seizing market opportunities, the Group began construction of several large scale projects at the end of 2011, including the final phase of Urban Cradle and U Center (formerly known as Mei Long Nanfang Shangcheng) in Shanghai. This is to make sure it will have sufficient supply to meet demands when the market warms up.

Furthermore, the Group has optimized its management system, allowing it to integrate resources and trim sales related expenses.

Q: What is the development strategy of SIUD?

A: In the short run, the Group will focus on improving its financial situation and the quality and sales of its projects, whereas in the long run, it will embark on development in major cities along the Yangtze River and the coastal regions of Eastern China, and also increase the contribution from investment properties to its overall turnover to assure stable cashflow. U Center, which construction has just begun, is a flagship of such projects of the Group.

Q: What prospects do you see for the property development industry in the long run?

A: The industry will continue to face many challenges in 2012 including drop in sales and financing hurdles. The management believes it will be a critical time during which only the fittest will survive. With urbanization continuing in the country, demand for quality housing especially for units in busy districts in first-tier cities will keep rising steadily. This means short term difficulties will not affect overall development of the industry too much, thus the future continues to look bright. It is high time for the strong industry players to integrate resources and hone their competitive edges. The management has full confidence that SIUD will be able to capitalize on the opportunity and grow in leaps and bounds to ultimately become a leader in the mainland property market.

Innovation Born of Ambition and Experience

The management, astute in its grasp of market trends, uses the electronic platform to sell properties and advocates no reserve price bidding, realizing remarkable returns for the Group.

Artist's Impression

DETAILS OF PROPERTIES

The Group has 25 projects in 13 cities, comprising mid- to high-end residential units, serviced apartments, hotels, commercial and office buildings. As at 31 December 2011, the total planned G.F.A. of the Group was approximately 17 million sq.m.

The Group has restructured its land bank and will adopt prudent strategies in future land acquisition.

As at 31 December 2011

Project	City	Site Area (sq.m.)	G.F.A. (sq.m.)	Saleable G.F.A. (sq.m.)	FY2011 G.F.A. pre-sold (sq.m.)	Accumulated G.F.A. Sold (sq.m.)	Under development (sq.m.)	Future development (sq.m.)	Expected Completion Date	Ownership (%)
Urban Cradle	Shanghai	943,000	1,124,245	824,586	35,191	496,196	373,716		2007-2015, in phases	53.1%
Xujiahui Centre	Shanghai	132,000	629,000	629,000	–			592,300	Planning	35.4%
Jiujiu Youth City	Shanghai	57,944	212,126	164,688	2,407	121,375	20,868	–	2009-2012, in phases	100%
U Center	Shanghai	87,327	517,500	322,680	–			322,680	2014-2016, in phases	69.3%
Shanghai Jing City	Shanghai	259,182	602,400	471,996	–		434,471	37,525	Planning	59.0%
Shanghai Jingjie	Shanghai	49,764	125,143	95,594	–		95,594		2010-2012, in phases	59.0%
Xinzhuang Metro Superstructure Project	Shanghai	117,825	405,000	405,000	–			405,000	Planning	20.7%
American Rock	Beijing	121,499	523,833	454,610	6,348	446,779	–	–	Completed	100%
Youngman Point	Beijing	112,700	348,664	295,114	1,459	240,280	33,461	–	2007-2014, in phases	100%
West Diaoyutai	Beijing	42,541	250,930	230,801	405	160,874	–	49,288	2007-2014, in phases	90%
Yanjiao	Sanhe	333,333	666,600	666,600	–	–	–	666,600	2014-2016, in phases	100%
Laochengxiang	Tianjin	244,252	752,883	646,281	3,404	517,023	62,434	46,880	2006-2013, in phases	100%
Beichen	Tianjin	1,115,476	2,042,750	1,893,684	–	–	–	1,893,684	2012-2014, in phases	40%
Yoooou.net	Kunshan	34,223	129,498	112,812	13,292	13,292	112,812		2012-2013, in phases	30.7%
Royal Villa	Kunshan	205,017	267,350	214,212	6,160	92,766	26,240	54,071	2007-2014, in phases	53.1%
Urban Development International Centre	Wuxi	24,041	193,368	145,363	1,361	1,361	145,363		2011-2013, in phases	59.0%
Neo Water City	Xi'an	2,101,675	4,012,093	3,357,596	57,077	1,521,815	1,123,371	1,449,122	2008-2017, in phases	71.50%
Tai Yuan Street	Shenyang	22,651	239,651	198,551	–	–	198,551	–	2012-2014, in phases	80%
Top City	Chongqing	120,014	785,225	707,969	24,827	275,177	173,105	–	2008-2014, in phases	100%
Ivy Aroma Town	Chongqing	289,812	194,697	188,236	2,278	39,237	34,521	109,132	2009-2014, in phases	32.5%
Park Avenue	Chengdu	228,107	909,855	828,050	15,840	206,721	130,733	572,003	2011-2015, in phases	100%
Toscana	Changsha	180,541	211,075	186,492	27,372	165,796			2006-2012, in phases	32.5%
Forest Garden	Changsha	667,749	903,174	864,787	39,117	208,858	20,785	620,623	2007-2017, in phases	67%
Qi Ao Island	Zhuhai	2,215,516	1,090,000	770,000	–	–	–	770,000	Planning	100%
Phoenix Tower	Shenzhen	11,038	106,190	79,391	–	78,343	–	–	Completed	91%
Total		**9,717,227**	**17,243,249**	**14,754,016**	**236,538**	**4,585,893**	**2,986,026**	**7,588,831**		

MAJOR INVESTMENT PROPERTY

Project	City	Type	Lease term	Ownership (%)	G.F.A. (sq.m.)
Laochengxiang	Tianjin	Residential/ Commercial/Office	Medium term	100%	35,553 [1]
Jiujiu Youth City	Shanghai	Commercial	Medium term	100%	16,349 [1]
Top City	Chongqing	Commercial	Medium term	100%	158,583 [1]
Phoenix Tower	Shenzhen	Office	Medium term	91%	1,048 [1]
Urban Development International Tower[2]	Shanghai	Office	Medium term	59%	45,239
Huimin Commercial Tower[3]	Shanghai	Commercial	Medium term	59%	14,235
Others	Shanghai	Commercial/Office	Medium term	59%	9,249
Total					**280,256**

Note:

1. Included in the table on page 12 of this annual report

2. Address: No. 355, Hongqiao Road, Xuhui District, Shanghai

3. Address: No. 123, Tianyaoqiao Road, Xuhui District, Shanghai


SHANGHAI
Urban Cradle


SHANGHAI
Xujiahui Centre


SHANGHAI
Jiujiu Youth City


SHANGHAI
U Center


SHANGHAI
Shanghai Jing City


SHANGHAI
Shanghai Jingjie


SHANGHAI
Xinzhuang Metro Superstructure Project

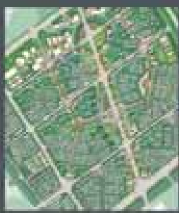

BEIJING
American Rock


BEIJING
Youngman Point


BEIJING
West Diaoyutai


SANHE
Yanjiao


TIANJIN
Laochengxiang


TIANJIN
Beichen

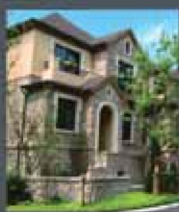

KUNSHAN
Yoooou.net


KUNSHAN
Royal Villa


WUXI
Urban Development International Centre

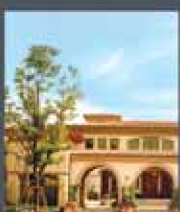

XI'AN
Neo Water City


CHONGQING
Top City


CHONGQING
Ivy Aroma Town


CHENGDU
Park Avenue

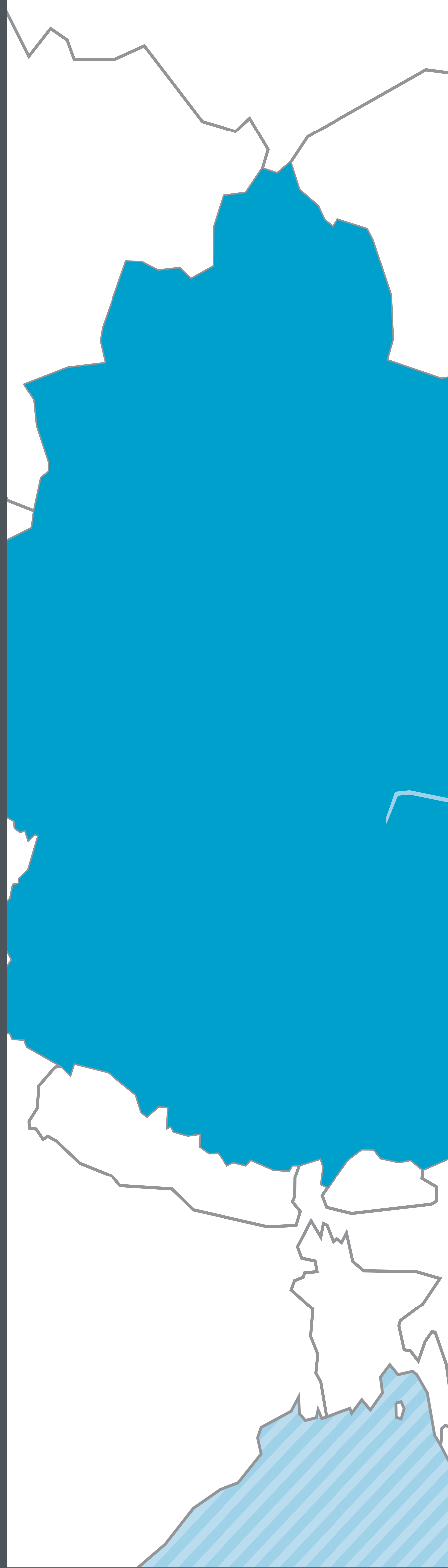

SHENYANG
Tai Yuan Street


CHANGSHA
Toscana


CHANGSHA
Forest Garden


SHENZHEN
Phoenix Tower


ZHUHAI
Qi Ao Island

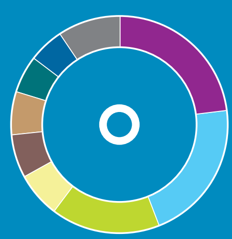


Land Bank Breadown

(As at 31 December 2011)

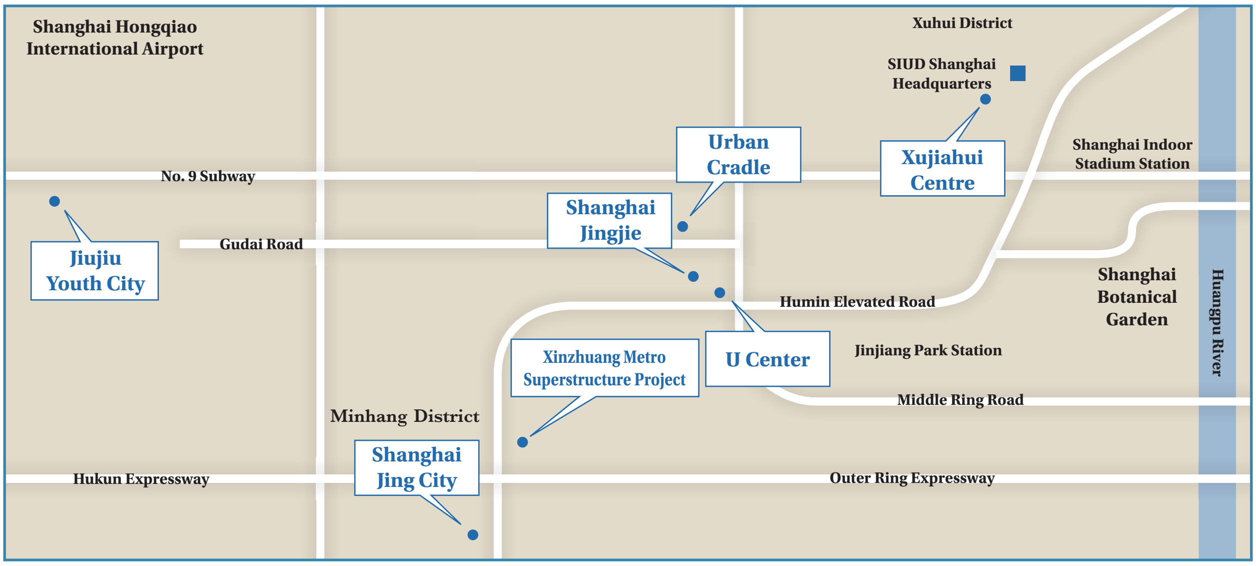
By locaton

Xi'an	23.3%	Zhuhai	6.3%
Shanghai	21.0%	Chongqing	5.7%
Tianjin	16.2%	Chengdu	5.3%
Beijing	6.5%	Others	9.3%
Changsha	6.4%		



PROJECT PORTFOLIO

SHANGHAI



Urban Cradle

Address

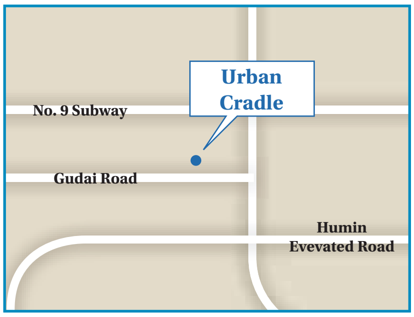
No. 869 Wan Yuan Road, Min Hang District, Shanghai

Type

Residential/Commercial

Characteristics

The project is located in Gumei Area, Minhang District in Shanghai. It is planned to be developed into a modern and comprehensive urban high-standard living centre, with a business club, retail properties, a kindergarten, a school and a cultural and sports centre. Divided into six phases, Urban Cradle primarily consists of high-rise apartments and some detached villas.



Artist's Impression

Xujiahui Centre

Address

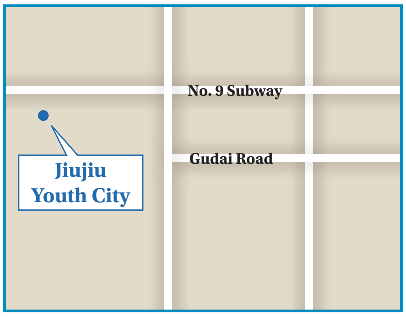
Xujiahui Area, Shanghai

Type

Commercial/Hotel

Characteristics

The project is located in Xuhui District of Shanghai. The area is well developed and readily accessible by public transportation. This project consists of six land plots, amongst which three land plots are intended to be developed into three super high-rise buildings. The ground and lower floors will be developed into commercial properties and serviced apartments. The mid-floors will be developed into offices and the upper floors will accommodate a five-star hotel. The remaining three land plots will be developed into serviced apartments, LOFT style and multi-purpose properties and other commercial properties.



Jiujiu Youth City

Address

No. 1519 Husong Road,
Jiuting Town, Songjiang District, Shanghai

Type

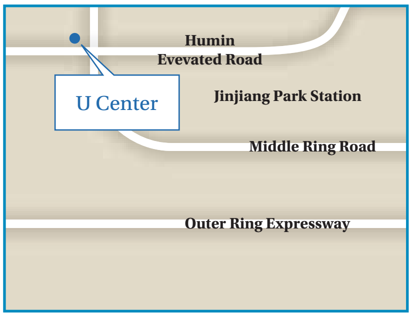
Residential/Commercial

Characteristics

The project is 40-km away from downtown Shanghai, and is located at the transportation hub of southwestern part of Shanghai. The project is located on the top of Jiuting Station of metroline no. 9, which is the first station upon entering Songjiang from downtown area. The project comprises of eight blocks of small LOFT apartments, a block of office building, a block of mini residences and shops, possessing the characteristics of comprehensive hub of transportation exchange, pedestrian traffic and commercial and business complex. The project is divided into three phases for sale, of which Phase I and Phase II have been sold out, while Phase III has been for sale in the second half of 2011.

Project Portfolio


Artist's Impression



U Center

Address

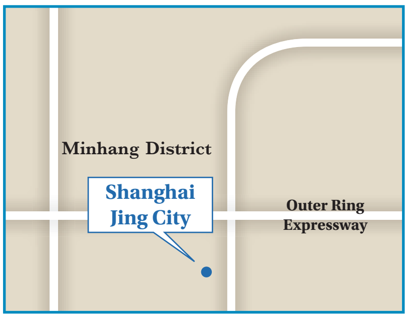
Meilong Town, Minhang District, Shanghai

Type

Commercial/Hotel/Office

Characteristics

With close proximity with Humin Elevated Road, the project is situated in the major transportation access, and is planned to develop into a large comprehensive commercial property targeting the rapidly growing enterprises surrounding Minhang District. The foundation was laid at the end of 2011.



Shanghai Jing City

Address

Meilong Town, Minhang District, Shanghai

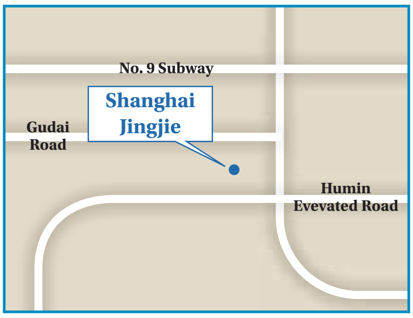
Type

Residential/Commercial

Characteristics

The project constitutes affordable houses and covers a middle school, a primary school, two kindergartens and other supporting facilities, such as sports facilities, medical facilities and markets. The whole project is planned to be developed in four phases. All the affordable houses will be sold under uniform management and direction of the local housing support agencies and all the affordable houses unsold within one year after the initial registration of house ownership will be purchased by the local housing support agencies.

Artist's Impression



Shanghai Jingjie

Address

Gumei West Road, Minhang District, Shanghai

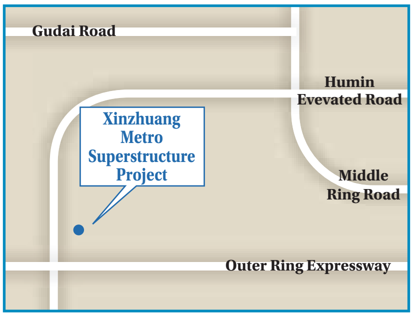
Type

Residential/Commercial

Characteristics

The area is well developed and readily accessible to supporting facilities including supermarkets, hotels, post offices, banks, hospitals and schools as well as public transportation. Shanghai Jingjie is part of the development project of Minhang District and is designed to provide housing for reallocated residents. It consists of commodity apartments, underground car parks and supporting facilities (including a market and an elderly house).

Artist's Impression



Xinzhuang Metro Superstructure Project

Address

No. 222, Xinzhuang Town, Minhang District, Shanghai

Type

Commercial/Hotel/Office

Characteristics

The surrounding area of this project is well developed and readily accessible by public transportation. It is the starting station of railway transportation lines 1 and 5. This project is intended to be developed for composite use, including offices, hotel, residential properties, LOFT style and multi-purpose properties and a shopping mall.

PROJECT PORTFOLIO

BEIJING

American Rock

Address

No. 16 Baiziwan Road, Chaoyang District, Beijing

Type

Residential/Commercial

Characteristics

The project is situated in close proximity to the central business district. Phase I mainly targets at white-collar customer group in the central business district with various new elements added to the designs, highlighting the sense of modern style and avant-garde of the properties. Phase II mainly consists of offices and is designed specifically for growth companies highly concentrated in the eastern district. The entire development project is divided into five phases for which the development and sales are all completed.

Youngman Point

Address

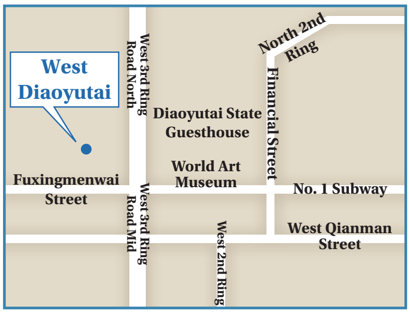
No. 2 Gan Lu Yuan Zhong Li, Qingnian Road, Chaoyang District, Beijing

Type

Residential/Commercial

Characteristics

The project is situated in the junction of Qingnian Road, Chaoyang District and Chaoyang North Road, being close to the metroline no. 6 which is under construction. It is opposite to the Chaobei Dayuecheng (朝北大悦城), a large-scale commercial complex in Chaoyang, only 3.8 km from the core of the central business district. The three sides of the project are greenbelts while the remaining side is next to a river, establishing a unique landscape. The entire development project is divided into three phases, of which Phase I and II completed and sold out, while Phase III has entered into the development stage.



West Diaoyutai

Address

Lot No. 1, 2, West Diaoyutai Village, Haidian District, Beijing

Type

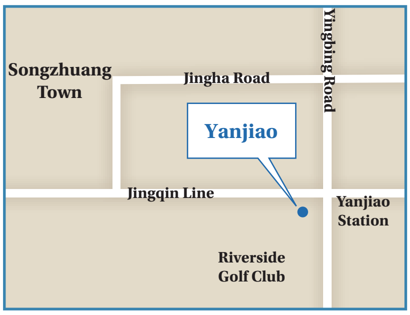
Residential/Serviced apartment

Characteristics

The project is situated in the Western Third Ring (西三環), with Diaoyutai in the east and Kunyu River in the west, and its northern side is in proximity of the 137-hectare Yuyuan Pool (玉淵潭), enjoying the largest watery area in Beijing of 67 hectares. In respect of the scarcity of watery area in Beijing, such rare riverside landscape contributes to the excellence of the project. With the selling point of riverside luxury apartment, the project's target customer group is wealthy people. The entire project is divided into three phases, of which Phase I and Phase II have completed development and sales, while Phase III will be developed soon.

SANHE


Artist's Impression



Yanjiao

Address

Yanjiao Economic Technology Development Zone, Hebei Province

Type

Residential/Commercial/Hotel

Characteristics

Yanjiao Economic Technology Development Zone is situated in the eastern part of Beijing, with Tiananmen located only approximately 30-km away. The Zone is connected by two expressways, Jingtong Expressway and Jingha Expressway, and the actual driving distance could be maintained to less than 40 minutes. Meanwhile, Hebei Province has reached an agreement with Beijing on extending the eastern part of Batong Line to Yanjiao, thereby creating a favorable condition for the integration of the real estate markets of these two places leveraging on convenient transportation. It is planned to develop the project into a large commercial and residential property with hotels, commercial buildings and residences.

PROJECT PORTFOLIO

TIANJIN

Laochengxiang

Address

Lao Cheng Xiang Area, Nankai District, Tianjin

Type

Residential/Commercial/Office/Hotel

Characteristics

The project is situated in the core area of Tianjin with excellent location, and has become the landmark construction in the center of Tianjin. Being a large comprehensive community with residences, commercial buildings and hotels, the residential project includes villas, LOFT apartments and high-rise residences, etc.

Artist's Impression

Beichen

Address

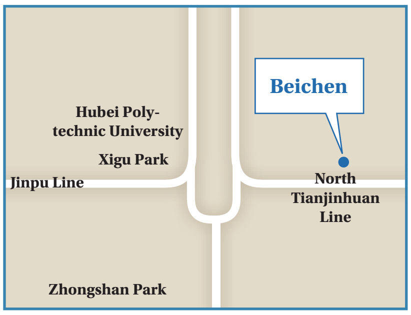
Yixingfu Old Village, Tianjin

Type

Residential/Commercial/Apartment/Hotel

Characteristics

The project is a reconstruction plan of an old village, which is close to Beijing-Tianjin Intercity Railway and is situated in the transportation hub. It is planned to construct a comprehensive residential and commercial area with various types of properties. This large scale project is jointly developed by the Group and Wukuang Zhiye Company (五礦置業公司). The demolishment and removal work for Phase I has been completed.



KUNSHAN

Artist's Impression

Yoooou.net

Address

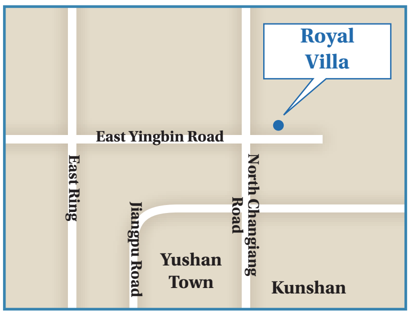
No. 258 Lv Di Avenue, Huaqiao Town, Kunshan City

Type

Residential/Commercial/Hotel

Characteristics

The project is in the heart of Huaqiao International Commercial District of Jiangsu Development Zone and is within a radius of 25 kilometres from Shanghai. Yoooou.net is designed to be developed as a commercial and residential complex, including commercial properties, LOFT style and multi-purpose properties and a mini hotel.



Royal Villa

Address

No. 859 East Ying Bin Road, Kunshan City

Type

Residential

Characteristics

The project is located in Zhoushi Town of Kunshan City in Jiangsu Province. It is situated in the heart of the administrative centre in the north of Kunshan and is adjacent to Kunshan Ecological and Sports Park. This project comprises of 18 high-rise apartment buildings and 92 detached villas.

PROJECT PORTFOLIO

WUXI

Artist's Impression

Urban Development International Centre

Address

Intersection of Tai Hu Avenue and Yin Xiu Road, Bing Hu District, Wu Xi City, Jiangsu Province

Type

Commercial/Hotel

Characteristics

The project is located less than five kilometres from downtown Wuxi and is close to a number of scenic areas, including Li Lake Scenic Area, Li Lake Central Park and Bogong Island. The area is well developed with various supporting facilities, such as fitness clubs, coffee shops and commercial clubs. There are also a number of banks, hotels, hospitals and supermarkets in the surrounding areas. Urban Development International Centre is positioned to be a comprehensive property, consisting of an international five-star hotel, a Class A office building, multi-purpose units and commercial properties.

XI'AN

Neo Water City

Address

Chan-Ba Avenue, Chan-Ba Ecological District, Xi'an

Type

Residential/Commercial/Hotel

Characteristics

Situated in the junction of Chan-Ba Avenue and Chan River in the core Chan-Ba Ecological District, Xi'an (西安滻灞生態區), the project is in a northeastern ecology zone with a site area of over 3,000 mu, and is settled in the delta area within Chan River and Ba River. From the perspective of regional construction and development, the well developed road network with operation of public transport, as well as the 20,000-mu national wetland park and the International Horticultural Exposition 2011 (2011世界園藝博覽會) establish the project's leading position in the real estate industry in Xi'an.

12 parcels of land in Neo Water City have been planned, including the permanent site of Euro-Asia Economic Forum, the Kempinski Hotel, its corresponding ancillaries such as requisite facilities for daily life in respect of commerce, education, medication as well as shopping mall, are gradually completed.

CHONGQING

Top City

Address

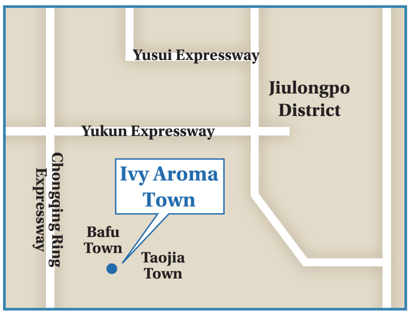
No. 1 Olympic Road, Yuanjiagang, Jiulongpo District, Chongqing

Type

Residential/Commercial/Office/Hotel

Characteristics

Situated in the center of downtown Chongqing, the project is settled in the premium area, which is the junction between Jiulongpo District and Yuzhong District, and is in close proximity to the monorail line no. 2, the transportation vein of the city and Chongqing Olympics Sports Center (重慶奧體中心). With the combination of large commercial buildings, five-star hotel, offices and residences, the project is currently one of the largest complex property projects in downtown Chongqing. The project is designed by a renowned Canadian company with the integration of spacious concept embracing diversification, openness and internationalization, bringing the HOPSCA international lifestyle from the West into full play and making it a scarce urban complex with vivid characteristics in Chongqing.



Ivy Aroma Town

Address

No. 1 Wen Feng Road, Taojia Town, Jiulongpo District, Chongqing City

Type

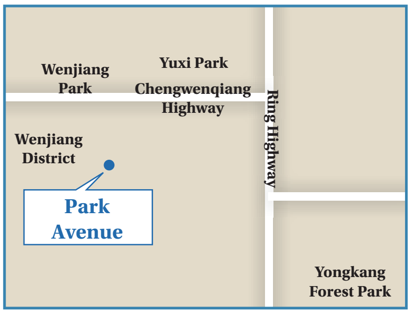
Residential/Commercial

Characteristics

The project is only one kilometre from the central commercial centre and central park of Chongqing City. It is in close proximity to a number of scenic spots, including Cursory Peach Blossom Garden and Huayan Temple Scenic Area. The area is well developed and readily accessible by public transportation. It is planned to be developed into a large-scale high-end community. Divided into two phases, Ivy Aroma Town primarily consists of high-end residential properties and detached villas, together with supporting facilities such as kindergartens, elderly centres, theme parks, banks and hospitals.

PROJECT PORTFOLIO

CHENGDU



Park Avenue

Address

No. 66, Qingquan North Street, Yongquan Town, Wenjiang District, Chengdu

Type

Residential/Commercial

Characteristics

Situated in the northern side of Guanghua Avenue in Chengdu with Jiangan River in the north, the project is only a few minutes away from downtown Chengdu. In general, the project adopts a layout with boundary formed by different groups, creating an ultra-wide interval among buildings with board view on all sides. Transportation network is also well developed with the access by metroline no. 4, monorail and bus. The project is divided into two phases, of which Phase I is under construction.

SHENYANG

Artist's Impression

Tai Yuan Street

Address

Taiyuan Business Avenue, Heping District, Shenyang

Type

Hotel/Commercial/Serviced Apartment

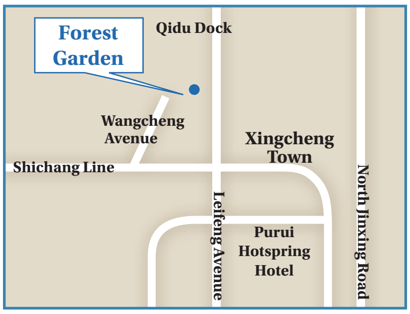
Characteristics

With Taiyuan Street as its center, "Taiyuan Commercial Area" is the most prosperous commercial street area in the downtown Shenyang. The historical and prolonged commercial activities along the street makes it titled "Number 1 Street in Northeastern China". Combining shopping, catering, leisure, entertainment, office and high-end serviced apartment, the project is a landmark and comprehensive commercial complex within the city. Upon completion, it will formulate a complete "Taiyuan Core Commercial Area" with the existing commercial streets, namely Taiyuan North Street and Zhonghua Road.

CHANGSHA

Toscana

Address
No. 28 East Xiang Fu Road, Section 2, Yuhua District, Changsha City
Type
Residential/Commercial
Characteristics
The project is adjacent to the downtown of Changsha City. It is located in the traditional high-end residential area in the new southern district of Changsha City. Toscana primarily consists of apartments and retail properties. This project also includes supporting facilities such as kindergartens, in-door swimming pools, basketball playgrounds, coffee shops and club houses.



Forest Garden

Address
No. 140, Guoliang North Road, Gaotang Ling Town, Wangcheng District, Changsha
Type
Residential/Commercial
Characteristics
Situated in the core area of Binshui New Town of Wangcheng District where tremendous investment has been contributed by the municipality government, the project approaches the Modern Ecological and Technological Industrial Park (現代生態科技產業園區) in the south, where large renowned brand discount shopping outlets of Global Outlets is under construction. The western side of the project is next to the prosperous area of Wangcheng, while Banma Lake is located at its northern side and Xiangjiang Landscape Avenue (Xiao Xiang Avenue) is located at its eastern side. With innovative design concepts and comprehensive ancillary facilities, the project is entirely positioned as the "million-square-meter ecological new town" of an overall greenery ratio of over 40%. Properties mainly include multi-storey houses, houses with elevator and garden, townhouses and semi-detached houses, which belong to the neo-classical architecture style, creating a low-density scenic community with high level of comfort.

PROJECT PORTFOLIO

SHENZHEN

Phoenix Tower

Address

No. 2008, Shennan Road, Futian District, Shenzhen

Type

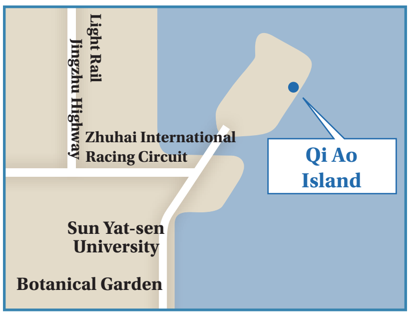
Office/Commercial/Apartment

Characteristics

Situated in the core area of Futian District, the project is in close proximity to the main transportation highway of Shenzhen, Shennan Boulevard. The Group jointly develops the project with another shareholder, Phoenix Satellite Television Holdings Limited. The project is comprised of a block of office building and a shopping mall and has entirely been developed and sold.

ZHUHAI

Artist's Impression



Qi Ao Island

Address

Qi Ao Island, Tang Jia Gaoxin District, Zhuhai

Type

Tourist resort/Commercial/High-end residential properties

Characteristics

The project is located at the eastern side of the planned main road of Qi Ao Island, Qi Ao Eastern Line Road (淇澳東線道路), and is approximately 20-km away from the city center. It is planned to develop the project as a large commercial and residential property with a group of hotels and high-end residential buildings. The project is now in the preliminary preparation stage.


Artist's Impression

Management Discussion and Analysis

Looking back at 2011, the Group completed the integration of SUD into its operation. The transaction is a major step forward for the Group in serving as the property development platform of SIHL. It also hastened the expansion of the Group's land bank in first- and second-tier cities to a total gross floor area of over 17 million sq. m., contributing to the long-term competitiveness of the Group. Furthermore, the mid- to high-end properties of SUD have significantly enhanced the asset portfolio of the Company allowing it to beef up gross profit.

Business Review

During the year ended 31 December 2011, the Group recorded revenue of HK$4.433 billion (31 December 2010: HK$4.881 billion), a 9.2% decrease year-on-year. Revenue for the year comprised mainly the sales revenues of four projects, namely Urban Cradle in Shanghai, Neo Water City in Xi'an, Laochengxiang in Tianjin and Park Avenue in Chengdu, which accounted for approximately 28.53%, 19.93%, 8.51% and 8.24% respectively of the Group's total revenue.

Loss attributable to shareholders of the Company amounted to HK$478 million, an improvement against HK$741 million in the previous year thanks to boosted gross profit and fair value gains on investment properties (including the gain on transfer of inventories to investment properties). Basic loss per share for 2011 was HK9.93 cents and the diluted loss per share was HK9.93 cents (31 December 2010: Basic loss per share was HK21.49 cents; diluted loss per share was HK21.49 cents).

On 23 November 2011, the Group completed the acquisition of SUD through issuance of shares. After the transaction, the holding in the Group by its parent company SIHL has increased from 45% to 70%. The Group's total assets also increased in value from HK$49.855 billion at the beginning of the year to HK$54.052 billion at year-end, and its net assets rose from HK$19.191 billion to HK$19.877 billion at year-end.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity risk of the Company eased during the year after it secured an extended loan of HK$2.2 billion from Shanghai Industrial Holdings Limited. As at 31 December 2011, gearing ratio of the Group (equivalent to the net debt to total equity ratio as calculated in the section headed "Financial Highlights" in this annual report) was 53.1% (31 December 2010: 27.3%) with cash and cash equivalents valued at HK$3.49 billion (31 December 2010: HK$6.93 billion). Current ratio was approximately 1.99 (31 December 2010: 2.03).

The Board believes the Group's liquid assets, funds and future revenue will be sufficient for supporting future expansion and working capital requirement of the Group.

DIVIDEND

The Board does not recommend distribution of any final dividend for the year ended 31 December 2011 (31 December 2010: Nil)

CONTRACT SALES REVENUE

In 2011, the Group made contract sales revenue of HK$3.32 billion (for the year ended 31 December 2011: HK$4.75 billion), a 30.1% decrease year-on-year. The total contract sales G.F.A. was 236,000 sq. m. (31 December 2010: 631,000 sq. m.), mainly of units of Urban Cradle in Shanghai, Neo Water City in Xi'an, Toscana in Changsha and Top City in Chongqing. The four projects accounted for about 42.11%, 16.56%, 9.08% and 6.11% respectively of the total contract sales revenue of the Group for the year.

PROJECT PROGRESS

As at 31 December 2011, the Group had total G.F.A. under development of approximately 2,986,000 sq. m., of which 391,000 sq. m. were of new projects. The total G.F.A. delivered during the year was 511,800 sq. m.

HUMAN RESOURCES AND REMUNERATION POLICIES

As at 31 December 2011, the Group had 1,158 employees (Hong Kong and PRC offices inclusive). The Group's staff remuneration policies were drawn up based on the performance, qualification and experience, and competence of employees. The emolument of directors is determined by the Remuneration Committee with regard to the Company's operating results, individual performance and comparable market statistics. Staff benefits included contributions to the Mandatory Provident Fund Schemes and discretionary bonus payments that are linked to the profitability of the Group and individual performances.

The Group has adopted a share options scheme as an incentive to directors and eligible employees. During the year under review, it also provided job-related training programs to employees and regularly organized activities to foster team spirit among employees with the aim of raising the quality of its human capital and employees' sense of belonging.

FOREIGN EXCHANGE EXPOSURE

Details of exposure to currency risk are set out in note 39(b) to the consolidated financial statements.

CONTINGENT LIABILITIES

Details of contingent liabilities are set out in note 45 to the consolidated financial statements.

MATERIAL ACQUISITIONS AND DISPOSALS

Details of material acquisitions and disposals of the Company are set out in notes 40 and 41 to the consolidated financial statements respectively.

CHARGE ON GROUP'S ASSETS

As at 31 December 2011, certain bank deposits of approximately HK$66 million (31 December 2010: HK$86 million) were pledged to banks to secure mortgage loans granted by banks to the purchasers of pre-sold properties. These pledged deposits will be released upon the transfer of the property title certificates to the respective purchasers.

As at 31 December 2011, certain inventories, certain investment properties of the Group located in the PRC, with total carrying amounts of approximately HK$7.743 billion (31 December 2010: HK$3.598 billion) and HK$3.773 billion (31 December 2010: HK$5.157 billion) respectively, were pledged as collateral for the Group's bank borrowings, details of which are set out in note 33 to the consolidated financial statements.

As at 31 December 2011, the net asset value of approximately HK$541 million (31 December 2010: HK$595 million) of a group entity is pledged to a bank to secure a bank borrowing granted to the Group, details of which are set in note 33 to the consolidated financial statements.

OUTLOOK

The market is cautiously optimistic about the development of China's real estate industry in 2012. Players are expected to continue to face many challenges in the short run including government regulatory measures, fierce competition and consistently high costs, etc. However, the Group is confident of the mid- and long-term prospects of the industry in China. With urbanization continuing in full steam and the quality of living of the Chinese people improving, the industry still boasts tremendous room for growth.

After the merger with SUD, the Group's gross sales profit has seen constant improvement. The superb quality assets and professional human resources of SUD will contribute significantly to the development of the Group in the future.

Looking ahead, the Group will actively seize business opportunities and focus on fortifying its foothold in the Yangtze River Delta while keeping its eye on major coastal cities across the nation. The Group will continue to optimize its asset structure and improve product quality and profitability. It is determined to make the league of leading property developers in China.

Directors' Report

The Board of Directors of the Company (the "Board") presents its annual report and the audited financial statements of the Company and its subsidiaries (collectively "the Group") for the year ended 31 December 2011.

Principal Activities

The Company is an investment holding company. The activities of its principal subsidiaries and an associate are set out in notes 47 and 19 respectively to the consolidated financial statements.

Results and Appropriations

The results of the Group for the year ended 31 December 2011 are set out in the consolidated statement of comprehensive income on page 63 respectively.

The Board does not recommend the payment of any final dividend for the year ended 31 December 2011 (for the year ended 31 December 2010: Nil).

Closure of Register of Members

Entitlement to attend and vote at the 2011 AGM

The forthcoming annual general meeting of the Company is scheduled to be held on Friday, 18 May 2012 (the "2012 AGM"). For determining the entitlement to attend and vote at the 2012 AGM, the register of members of the Company will be closed from Wednesday, 16 May 2012 to Friday, 18 May 2012, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the 2012 AGM, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 15 May 2012.

Investment Properties

Details of movements during the year ended 31 December 2011 in investment properties of the Group are set out in note 15 to the consolidated financial statements.

Property, Plant and Equipment

Details of movements during the year ended 31 December 2011 in other property, plant and equipment of the Group are set out in note 16 to the consolidated financial statements.

Issue of Equity Securities

On 23 November 2011, the Company allotted and issued 2,182,191,000 shares of the Company (the "Consideration Shares") to SIHL, a substantial shareholders of the Company, to satisfy the aggregate consideration for the acquisition of the entire issued share capital of the target company, which indirectly owns 59% equity interest in SUD from SIHL (the "Transactions"), the particulars of the Transactions are contained in the joint announcement of the Company and SIHL dated 14 April 2011 (the "Announcement"). The issue price for each Consideration Share is HK$2.80, which represents a discount of approximately 3.8% to the closing price of the shares of the Company (the "Shares") of HK$2.910 per Share as quoted on the Stock Exchange on 13 April 2011, being the last full trading day for the Shares before the date of the Announcement (the "Last Trading Day"); a discount of approximately 3.6% to the average of the closing price of the Shares as quoted on the Stock Exchange for the five consecutive trading days up to and including Last Trading Day of approximately HK$2.906 per share; and a premium of approximately 0.2% to the average of the closing price of the Shares as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day of approximately HK$2.795 per share.

Share Capital and Convertible Loan Notes

Details of movements in the share capital and the convertible loan notes of the Company during the year ended 31 December 2011 are set out in notes 36 and 34 to the consolidated financial statements respectively.

Senior Notes/Warrant

Details of senior notes/warrant of the Company during the year ended 31 December 2011 are set out in note 35 to the consolidated financial statements.

Foreign Exchange Exposure

Details of exposure to currency risk are set out in note 39(b) to the consolidated financial statements.

Contingent Liabilities

Details of contingent liabilities are set out in note 45 to the consolidated financial statements.

Material Acquisitions and Disposals

Details of material acquisitions and disposals of the Company are set out in notes 40 and 41 to the consolidated financial statements respectively.

Directors' Report

Charge on Group's Assets

As at 31 December 2011, certain bank deposits of approximately HK$66 million (31 December 2010: HK$86 million) were pledged to banks to secure mortgage loans granted by banks to the purchasers of pre-sold properties. These pledged deposits will be released upon the transfer of the property title certificates to the respective purchasers.

As at 31 December 2011, certain inventories, certain investment properties of the Group located in the PRC, with total carrying amounts of approximately HK$7.743 billion (31 December 2010: HK$3.598 billion) and HK$3.773 billion (31 December 2010: HK$5.157 billion) respectively, were pledged as collateral for the Group's bank borrowings, details of which are set out in note 33 to the consolidated financial statements.

As at 31 December 2011, the net asset value of approximately HK$541 million (31 December 2010: HK$595 million) of a group entity is pledged to a bank to secure a bank borrowing granted to the Group, details of which are set in note 33 to the consolidated financial statements.

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in the consolidated statement of changes in equity.

Distributable Reserves of the Company

The Company had no distributable reserve as at 31 December 2011.

Under the Companies Act 1981 of Bermuda (as amended), the Company cannot declare or pay a dividend, or make a distribution out of the contributed surplus if:

(a) it is, or would after the payment be unable to pay its liabilities as they become due; or

(b) the realizable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

Under the Companies Act 1981 of Bermuda (as amended), the Company's share premium account of HK$10,325,453,000 (31 December 2010: HK$7,073,988,000) may be distributed in the form of fully paid bonus shares.

Directors

The directors of the Company during the year ended 31 December 2011 and up to the date of this report were:

Executive Directors

Mr. Cai Yu Tian
Mr. Ni Jianda
Mr. Qian Shizheng
Mr. Zhou Jun
Mr. Yang Biao
Mr. Chen Anmin
Mr. Jia Bowei (resigned on 1 March 2012)

Independent Non-executive Directors

Mr. Doo Wai-Hoi, William, J.P.
Dr. Wong Ying Ho, Kennedy, BBS, J.P.
Mr. Fan Ren Da, Anthony
Mr. Li Ka Fai, David

In accordance with clause 87 of the Company's Bye-laws, Mr. Ni Jianda, Mr. Yang Biao, Mr. Chen Anmin and Mr. Fan Ren Da, Anthony will retire by rotation at the forthcoming annual general meeting of the Company and, being eligible, has offered themselves for re-election.

All of the remaining Directors, including the Independent Non-Executive Directors, are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the aforementioned clause.

Independence Confirmation

The Company has received from each of the Independent Non-Executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong (the "Stock Exchange"). The Company considers they are independent.

Directors' Service Contracts

No director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

There is no service contract entered into between the Company and any of Mr. Cai Yu Tian, Mr. Qian Shizheng and Mr. Zhou Jun and they have not been appointed for any specified term during the year.

Mr. Ni Jianda, Mr. Yang Biao, Mr. Chen Anmin, Mr. Doo Wai-Hoi, William, J.P., Dr. Wong Ying Ho, Kennedy, BBS, J.P., Mr. Fan Ren Da, Anthony and Mr. Li Ka Fai, David have entered into service contracts with the Company, all with a term of 3 years.

Directors' Interests in Contracts of Significance

Save as disclosed in note 46 to the consolidated financial statements, no contract of significance, to which the Company, its holding company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at 31 December 2011 or at any time during the year ended 31 December 2011.

Directors' Report

Directors' Interests in Competing Businesses

None of the Directors of the Company or any of their respective associates have any interests in any businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group that are required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

Biographical Details of Directors and Senior Management

Biographical details of Directors and Senior Management of the Group are set out on pages 46 to 52 of this report.

Directors' and Senior Management's Emoluments

A summary of the directors' and senior management's remuneration is set out in notes 11 and 46(a) to the financial statements respectively.

Directors' and Chief Executive's Interests in Shares and Underlying Shares

As at 31 December 2011, the interests of the Directors and chief executive of the Company in the shares and underlying shares of the Company or any of its associated companies (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which they are taken or deemed to have under such provisions of the SFO) and required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in the Listing Rules (the "Model Code"), to be notified to the Company and the Stock Exchange, were as follows:

Long position

Name of director	Capacity	Number of issued ordinary shares held	Number of underlying shares subject to options granted[1]	Percentage of the issued share capital of the Company
Cai Yu Tian	Beneficial owner	–	9,000,000	0.19%
Ni Jianda	Beneficial owner	–	8,000,000	0.17%
Qian Shizheng	Beneficial owner	–	7,000,000	0.15%
Zhou Jun	Beneficial owner	–	7,000,000	0.15%
Yang Biao	Beneficial owner	–	7,000,000	0.15%
Chen Anmin	Beneficial owner	–	7,000,000	0.15%
Jia Bowei[2]	Beneficial owner	–	7,000,000	0.15%
Doo Wai-Hoi, William	Beneficial owner	–	1,000,000	0.02%
Wong Ying Ho, Kennedy	Beneficial owner	–	1,000,000	0.02%
Fan Ren Da, Anthony	Beneficial owner	–	1,000,000	0.02%
Li Ka Fai, David	Beneficial owner	–	1,000,000	0.02%

Note:
1. These interests represented the interests in the underlying shares in respect of share options granted by the Company to these directors as beneficial owners, details of which are set out in the section headed "Share Options Scheme", of this Report.

2. Mr. Jia Bowei resigned as Executive Director of the Company on 1 March 2012.

Save as the disclosed above, as at 31 December 2011, none of the Directors or chief executives of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) and which were required to be entered into the register required to be kept under section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Share Option Scheme

Pursuant to ordinary resolutions passed by shareholders of the Company at its special general meeting held on 12 December 2002, the Company adopted a share option scheme (the "Share Option Scheme").

As at 31 December 2011, the Company granted 91,000,000 shares options to subscribe for up to total of 91,000,000 ordinary shares of nominal value of HK$0.04 each in the capital of the Company under the Share Option Scheme, representing 1.89% of the issued share capital of the Company as at 31 December 2011. Particulars of such share options and their movements during the year ended on 31 December 2011 were as follows:

Name of category	Date of Grant	Exercise price per share HK$	Exercise Period[1]	Outstanding at 1.1.2011	Granted during the year	Exercised during the year	Cancelled during the year	Outstanding at 31.12.2011
Directors								
Mr. Cai Yu Tian	24 September 2010	HK$2.98	24 September 2010 to 23 September 2020	9,000,000	–	–	–	9,000,000
Mr. Ni Jianda	24 September 2010	HK$2.98	24 September 2010 to 23 September 2020	8,000,000	–	–	–	8,000,000
Mr. Qian Shizheng	24 September 2010	HK$2.98	24 September 2010 to 23 September 2020	7,000,000	–	–	–	7,000,000
Mr. Zhou Jun	24 September 2010	HK$2.98	24 September 2010 to 23 September 2020	7,000,000	–	–	–	7,000,000
Mr. Yang Biao	24 September 2010	HK$2.98	24 September 2010 to 23 September 2020	7,000,000	–	–	–	7,000,000
Mr. Chen Anmin	24 September 2010	HK$2.98	24 September 2010 to 23 September 2020	7,000,000	–	–	–	7,000,000
Mr. Jia Bowei[2]	24 September 2010	HK$2.98	24 September 2010 to 23 September 2020	7,000,000	–	–	–	7,000,000
Mr. Doo Wai-Hoi, William	24 September 2010	HK$2.98	24 September 2010 to 23 September 2020	1,000,000	–	–	–	1,000,000

DIRECTORS' REPORT

Name of category	Date of Grant	Exercise price per share HK$	Exercise Period[1]	Outstanding at 1.1.2011	Granted during the year	Exercised during the year	Cancelled during the year	Outstanding at 31.12.2011
Dr. Wong Ying Ho, Kennedy	24 September 2010	HK$2.98	24 September 2010 to 23 September 2020	1,000,000	–	–	–	1,000,000
Mr. Fan Ren Da, Anthony	24 September 2010	HK$2.98	24 September 2010 to 23 September 2020	1,000,000	–	–	–	1,000,000
Mr. Li Ka Fai, David	24 September 2010	HK$2.98	24 September 2010 to 23 September 2020	1,000,000	–	–	–	1,000,000
Senior Management and Employees	24 September 2010	HK$2.98	24 September 2010 to 23 September 2020	55,500,000	–	–	20,500,000	35,500,000
Total				**111,500,000**	**–**	**–**	**20,500,000**	**91,000,000**

Note:

1. Grantees can exercise (i) 40% of the total number of share option granted to them from the date of grant; (ii) 70% of the total number of share option granted to them (including those mentioned in (i) above) after the first anniversary of the date of grant; and (iii) all of the share options granted after second anniversary of the date of grant.

2. Mr. Jia Bowei resigned as Executive Director of the Company on 1 March 2012.

Save as disclosed above, the Company had not granted for the year ended 31 December 2011 any share options to any persons as required to be disclosed under Rule 17.07 of the Listing Rules.

ARRANGEMENTS FOR DIRECTORS TO PURCHASE SHARES OR DEBENTURES

Other than the share option scheme detailed in note 37 to the consolidated financial statements, at no time during the year ended 31 December 2011 was the Company, its holding company or any of its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the section headed "Corporate Governance Report" in this annual report.

AUDIT COMMITTEE

The Audit Committee of the Company, which comprises the four independent non-executive directors of the Company, namely, Mr. Doo Wai-Hoi, William, Dr. Wong Ying Ho, Kennedy, Mr. Fan Ren Da, Anthony and Mr. Li Ka Fai, David (Chairman of the Committee), has reviewed the audited financial statements of the Company for the year ended 31 December 2011 and discussed with the management and the auditors of the Company on the accounting principles and practices adopted by the Group and internal controls and financial reporting matters.

Connected and Continuing Connected Transactions

Other than the related party transactions as set out in note 46 to the consolidated financial statements, during the year ended 31 December 2011, upon completion of the Transactions (as defined in the paragraph headed "Issue of Equity Securities" of this Directors' Report), the following transactions also constitute and/or would constitute connected or continuing connected transactions of the Company and are subject to the requirements set out in the Chapter 14A of the Listing Rules.

Connected Transactions

1. *The Entrusted Loan Agreement*

   On 26 September 2011, 上海寰宇城市投資發展有限公司 (Shanghai Huanyu Urban Investment Development Co., Ltd.) ("Shanghai Huanyu") (as lender) entered into the Entrusted Loan Agreement with 上海徐匯土地發展有限公司 (Shanghai Xuhui Land Development Co., Ltd.) ("Xuhui Land Development") (as borrower) and Agricultural Bank of China (as entrusted lender), pursuant to which Shanghai Huanyu has advanced a loan in the principal amount of RMB89,700,880 (equivalent to approximately HK$106.6 million) to Xuhui Land Development through Agricultural Bank of China for a term of one year ending on 25 September 2012. As at the date of this report, an aggregate loan amount of RMB89,700,880 together with the interest accrued thereon is outstanding.

   Upon Completion, the transaction pursuant to the Entrusted Loan Agreement will constitute a connected transaction of the Company and is subject to the requirements set out in Chapter 14A of the Listing Rules. As all the applicable percentage ratios under Rule 14.07 of the Listing Rules are less than 5%, the provision of the Entrusted Loan by Shanghai Huanyu to Xuhui Land Development through Agricultural Bank of China pursuant to the Entrusted Loan Agreement is exempt from the independent shareholders' approval requirement but subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

2. *Put and Call Options*

   On 7 April 2011, Shanghai Urban Development, being one of the two limited liability partners of 城開綠碳(天津)股權投資基金合夥企業(有限合夥)(Urban Development Green Carbon (Tianjin) Equity Investment Fund (Limited Partnership) ("Green Carbon Fund"), entered into an equity interest transfer agreement with China Railway, the other limited partner of Green Carbon Fund, and 喜神(天津)股權投資基金管理有限公司 (Xishen (Tianjin) Equity Investment Fund Management Co., Ltd.), the general partner of Green Carbon Fund. Pursuant to the agreement, 中鐵信託有限責任公司 (China Railway Trust Co., Ltd.) ("China Railway") has the right to require Shanghai Urban Development to acquire all of its interest in Green Carbon Fund at any time after 22 months from 16 February 2011 (the "Put Option") and Shanghai Urban Development has the right to require China Railway to transfer the interest at any time after 24 months from 16 February 2011 (the "Call Option") at a consideration equals to the sum of the investment injected by China Railway plus an interest calculated at a rate of 9.55% per annum from the date of the investment injection, after deducting all the dividend declared and paid to China Railway during the period. The total investment of China Railway in Green Carbon Fund is RMB396.9 million.

   Upon Completion, China Railway has become a connected person of the Company by virtue of its being a substantial shareholder of Green Carbon Fund, and the exercise of the rights mentioned above after Completion will constitute a connected transaction of the Company and is subject to the requirements set out in Chapter 14A of the Listing Rules.

DIRECTORS' REPORT

Continuing Connected Transactions

Cross Guarantee

As disclosed in the circular of SIHL dated 28 December 2009, 上海城開(集團)有限公司 (Shanghai Urban Development (Holdings) Co., Ltd.) ("Shanghai Urban Development") and 上海徐匯國有資產投資經營有限公司 (Shanghai Xuhui State-owned Assets Management Co., Ltd.) ("State-owned Management Company") entered into the Cross Guarantee Agreement on 26 December 2002, whereby Shanghai Urban Development and State-owned Management Company have agreed to guarantee each other's obligation in respect of the loans and credit facilities which they may respectively obtain from financial institutions from time to time to the extent of not more than RMB700 million (equivalent to approximately HK$832 million). On 15 December 2009, Shanghai Urban Development and State-owned Management Company entered into the Cross Guarantee Supplemental Agreement to amend the terms of the Cross Guarantee Agreement whereby the parties agreed to increase the guarantee limit from RMB700 million (equivalent to approximately HK$832 million) to RMB1,200 million (equivalent to approximately HK$1,426 million). The Cross Guarantee Agreement as amended by the Cross Guarantee Supplemental Agreement is for a term of three years from 1 January 2010 to 31 December 2012 (both dates inclusive). In respect of those guarantees which have already been entered into by State-owned Management Company and Shanghai Urban Development pursuant to the Gross Guarantee Agreement, they will continue until the underlying loans/liabilities mature/expire and all amounts owned are fully repaid.

As at 31 December 2011, (i) the total amount of loans and credit facilities obtained by Shanghai Urban Development in respect of which guarantees were provided by State-owned Management Company was approximately RMB584 million (equivalent to approximately HK$720 million) (31.12.2010: RMB596 million (equivalent to approximately HK$702 million)); and (ii) the total amount of loans and credit facilities obtained by State-owned Management Company in respect of which guarantees were provided by Shanghai Urban Development was approximately RMB216 million (equivalent to approximately HK$266 million) (31.12.2010: RMB466 million (equivalent to approximately HK$550 million)).

No security over the assets of Shanghai Urban Development or the Company is or will be granted in respect of guarantees provided by State-owned Management Company pursuant to the Cross Guarantee Agreement. The Directors (including all the independent non-executive Directors) are of the view that the guarantees provided by State-owned Management Company are on normal commercial terms.

The aggregate amount of loans and credit facilities obtained by State-owned Management Company in respect of which Shanghai Urban Development would provide guarantees pursuant to the Cross Guarantee Agreement for each of the three years ending 31 December 2012 is subject to a cap of RMB1,200 million (equivalent to approximately HK$1,426 million).

The Independent Non-executive Directors of the Company have reviewed the above continuing connected transaction and confirmed that the continuing connected transaction has been entered into (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditor of the Company has performed procedures in respect of the continuing connected transaction in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and reference to Practice Note 740 "Auditor's Letter on continuing connected transaction under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants and has confirmed that the continuing connected transactions (a) was approved by the Board; (b) was, on a sample basis, in accordance with the pricing policies of the Group; (c) was, on a sample basis, in accordance with the relevant agreements governing the transactions; and (d) did not exceed the cap as disclosed in the relevant announcement of the Company.

Substantial Shareholder's and Other Persons' Interests in Shares and Underlying Shares

As at 31 December 2011, substantial shareholder and other persons (other than the Directors and chief executive of the Company) who had interests or short positions in the shares and underlying shares of the Company which were notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO and entered in the register required to be kept by the Company pursuant to Section 336 of the SFO, or otherwise notified to the Company were as follows:

Ordinary shares of HK$0.04 each of the Company

Name of substantial shareholder	Long/short position	Capacity	No. of shares of the Company interested	Percentage of the Company's issued share capital
SIHL (Note 1)	Long	Held by controlled corporation	3,415,883,000 (Notes 2 & 3)	70.99%
Shanghai Industrial Investment (Holdings) Company Limited ("SIIC") (Note 2)	Long	Held by controlled corporation	3,415,883,000 (Notes 2 & 3)	70.99%

Notes:

1. These shares are beneficially held by Novel Good Limited, a wholly owned subsidiary of SIHL.

2. These interests include 2,182,191,000 Consideration Shares issued and allotted to SIHL to settle the consideration for the Transactions (as defined in the paragraph headed "Issue of Equity Securities" of this Directors' Report), the completion of which took place on 23 November 2011.

3. These interests include 50,000,000 Shares (short position) held by Invest Gain Limited (a company beneficially and wholly owned by Mr. Li Song Xiao who ceased to be a substantial shareholder of the Company during the year ended 31 December 2011) which was pledged to Novel Good Limited. Therefore, SIHL and SIIC are deemed or taken to be interested in these 50,000,000 Shares.

4. SIIC through its subsidiaries, namely Shanghai Investment Holdings Ltd., SIIC Capital (B.V.I.) Ltd., SIIC Treasury (B.V.I.) Ltd., Shanghai Industrial Financial (Holdings) Co. Ltd., South Pacific International Trading Ltd., The Tien Chu Ve-Tsin (Hong Kong) Co. Ltd., SIIC Trading Co. Ltd., SIIC CM Development Funds Ltd., Billion More Investments Ltd. and SIIC CM Development Ltd. held approximately 56.74% of the shares of SIHL. Therefore, SIIC is deemed or taken to be interested in the 3,415,883,000 shares held by SIHL for the purpose of the SFO.

DIRECTORS' REPORT

Save as disclosed above, as at 31 December 2011, the Company had not been notified by any persons (other than the Directors and chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of SFO.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's five largest customers comprised approximately 5.57% of the Group's total revenue for the year ended 31 December 2011 and the sales attributable to the Group's largest customer were approximately 2.75% of the Group's total revenue for the year ended 31 December 2011.

The aggregate purchases attributable to the Group's five largest suppliers comprised approximately 48.25% of the Group's total purchases and the purchases of the year ended 31 December 2011 attributable to the Group's largest supplier were approximately 36.91% of the Group's total purchases for the year ended 31 December 2011.

None of the directors, their associates or any shareholder of the Company which, to the knowledge of the directors, owned more than 5% of the Company's issued share capital, had any interest in the share capital of any of the five largest customers and suppliers of the Group.

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this announcement, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Company's directors.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended 31 December 2011, the Company repaid all the remaining convertible notes of total principal amount of HK$2,000,000 for a total payment of HK$2,714,000 which included principal and accrued interest. Save for the above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2011.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years, is set out on page 144 of this report.

NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

No non-adjusting event after the reporting period has occurred.

Auditors

Following the resignation of Messrs. CCIF CPA Limited due to its merger of business with PCP CPA Limited, Crowe Horwath (HK) CPA Limited was appointed as the auditor of the Company to fill the casual vacancy on 18 January 2010. Messrs. Crowe Horwath (HK) CPA Limited resigned as the auditor of the Company on 18 November 2010 while Messrs. Deloitte Touche Tohmatsu was appointed by the Board to fill the casual vacancy on 19 November 2010.

The financial statements for the year ended 31 December 2011 have been audited by Deloitte Touche Tohmatsu who will retire and being eligible, has offered itself for re-appointment. A resolution for the reappointment of Deloitte Touche Tohmatsu as auditor of the Company will be proposed at the 2012 AGM.

Save as disclosed above, there were no change in the Company's auditors in the preceding three years.

Changes in Directors' Information

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in the information of the directors are as follows:

(a) Mr. Jia Bowei be appointed as an Executive Director of Enterprise Development Holdings Limited (Stock Code: 1808) on 23 November 2011, this company listed on the Stock Exchange. He resigned as an Executive Director of the Company with effect from 1 March 2012.

(b) Mr. Fan Ren Da, Anthony be appointed as an Independent Non-Executive Director, Chairman of the Audit Committee and Members of both of the Nomination Committee and Remuneration Committee of Technovator International Limited (Stock Code: 1206) on 8 September 2011 and be appointed as an Independent Non-Executive Director and Chairman of the Audit Committee of Guodian Technology & Environment Group Corporation Limited (Stock Code: 1296) on 21 September 2011, all companies listed on the Stock Exchange. In June 2011, he resigned as an independent non-executive director of Chinney Alliance Group Limited (Stock Code: 385) listed on the Main Board of the Stock Exchange.

Non-Compete Undertaking

In order to address any future competition between the respective development businesses of SIIC, SIHL and the Group, SIIC and SIHL have entered into a deed of non-competition (the "Non-compete Undertaking") dated 28 October 2011 in favor of the Company for itself and on behalf of the subsidiaries, pursuant to which each of SIIC and SIHL has undertaken to the Company that, conditional upon completion of the Transactions (as defined in the paragraph headed "Issue of Equity Securities" of this Directors' Report) and during the Non-Compete Period (as defined in the Circular of the Company issued on 31 October 2011 (the "Circular"), other than the SIH Excluded Business and the SIIC Excluded Business (both as defined in the Circular), each of them will not carry on, engage, invest, participate or otherwise be interested in any business of property development in the PRC which is in competition, directly or indirectly, with the restricted business of the Group. The details and particulars of the Non-compete Undertaking are set out in the Circular.

The Group has received from both SIIC and SIHL annual declarations that both of them have complied with the undertakings under the Non-Compete Undertaking. The Company's independent non-executive Directors have reviewed each of SIIC and SIHL's compliance as aforesaid.

Directors' Report

Management Contract

During the year ended 31 December 2011, 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.

Donation

During the year ended 31 December 2011, the Group made charitable donations of HK$4,907,000.

Appreciation

I would like to express my sincere gratitude to the Board, our management and to all our staff for their dedicated efforts during this year, as well as to our customers, suppliers, business partners and shareholders for their continued enthusiastic support of our Group.

By Order of the Board
Shanghai Industrial Urban Development Group Limited

Cai Yu Tian
Chairman

Hong Kong, 28 March 2012

Biographical Details of Directors and Senior Management

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

CAI Yu Tian
Executive Director and Chairman

Ni Jianda
Executive Director, President and Member of Nomination Committee

Executive Directors

Mr. Cai Yu Tian

Mr. Cai, aged 62, is the chairman of the Board and an executive Director. He was appointed on 5 July 2010. Mr. Cai is also the vice-chairman, chief executive officer and an executive director of Shanghai Industrial Holdings Limited ("SIH") (Stock Code: 363) and the president and a director of Shanghai Industrial Investment (Holdings) Company Limited. He was appointed as a director and deputy chairman of 上海城開(集團)有限公司 (Shanghai Urban Development (Holdings) Co., Ltd.) ("Shanghai Urban Development") on 9 July 2007, and subsequently he became the chairman of Shanghai Urban Development on 7 December 2007. He is also the chairman of General Water of China Co., Ltd., and the non-executive chairman of Asia Water Technology Ltd. (a company listed in Singapore). Mr. Cai holds a master's degree from East China Normal University, majoring in world economics. Mr. Cai was the chief executive officer of Zhong Hua Enterprises Co. During the period from September 1987 to November 2005, he was the deputy director and the director of the Shanghai Municipal Housing Administration Bureau, the director of the Shanghai Municipal Housing and Land Administration Bureau and the director of the Shanghai Municipal Housing, Land and Resources Administration Bureau. Mr. Cai has more than 20 years of experience in real estate development and general management. As announced by the Company on 31 October 2011, Mr. Cai was fined HK$4,000 and ordeal to pay amount of HK$19,714 for late filing of disclosures of the interests under Part XV of the SFO in respect of his acquisition of an aggregate of 100,000 shares in SIHL, which took place on 5 May 2010 and 12 May 2010.

Mr. Ni Jianda

Mr. Ni, aged 48, is an executive Director of the Company and was appointed on 5 July 2010. He is a member of Nomination Committee of the Company. He is a deputy chief executive officer of Shanghai Industrial Holdings Limited (Stock Code: 363). He has been a director of 上海城開(集團)有限公司 (Shanghai Urban Development (Holdings) Co., Ltd.) ("Shanghai Urban Development") since 18 July 2007. He is also the president of Shanghai Urban Development. He graduated from Shanghai University, and La Trobe University of Australia with a master's degree in business administration in 1997. Mr. Ni was the general manager of Shanghai Xuhui Real Estate Management Co., Ltd., a deputy general manager of Shanghai Urban Development and the general manager of the real estate department of China Huayuan Group Ltd. (which is primarily in the business of property development textile, financial services and pharmaceuticals) from October 1997 to July 1998. He has more than 20 years of professional experience in real estate development and general management. Mr. Ni was elected a member of the Shanghai Municipal People's Congress in 2003, and honoured as one of the 25 Chinese Entrepreneurs with Most Reforming Ideas, among the Top Ten Persons of the Year elected by the 2006 China International Real Estate and Architech Fair, one of the 2007 Boao Forum-Most Influential Persons in China's Real Estate Industry in 20 Years and one of the Top Ten Entrepreneurs in the Shanghai Real Estate Sector in 18 Years in 2005. He was a vice chairman of Shanghai Youth Federation and is currently the chairman of Shanghai Young Entrepreneurs Association and a vice chairman of the Shanghai Real Estate Association.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Qian Shizheng
Executive Director

Zhou Jun
Executive Director and Member of Investment Appraisal Committee

Mr. Qian Shizheng

Mr. Qian, aged 59, is an executive Director of the Company and was appointed on 5 July 2010. Mr. Qian is an executive director and a deputy chief executive officer of Shanghai Industrial Holdings Limited (Stock Code: 363). He is also a vice president of Shanghai Industrial Investment (Holdings) Company Limited ("SIIC"). He has been a director of 上海城開(集團)有限公司 (Shanghai Urban Development (Holdings) Co., Ltd.) ("Shanghai Urban Development") since 9 July 2007. He graduated from Fudan University with a bachelor's degree in economics in 1983 and a doctorate degree in management in 2001. He taught at Fudan University during 1983 to 1997 before he joined SIIC in March 1998. Currently, he is the vice chairman of Haitong Securities Co., Ltd. (a company listed on the Shanghai Stock Exchange with a stock code of 600837) and an independent non-executive director of Lonking Holdings Limited (stock code: 3339) and Changsha Zoomlion Heavy Industry Science and Technology Development Co., Ltd. (stock code: 1157). He has over 20 years of experience in finance and accounting.

Mr. Zhou Jun

Mr. Zhou, aged 43, is an executive Director of the Company and was appointed on 5 July 2010. He is a member of Investment Appraisal Committee of the Company. Mr. Zhou is an executive director and a deputy chief executive officer of Shanghai Industrial Holdings Limited (Stock Code: 363). He has been a director of 上海城開(集團)有限公司 (Shanghai Urban Development (Holdings) Co., Ltd.) since 9 July 2007. He is also a vice president of Shanghai Industrial Investment (Holdings) Company Limited ("SIIC") and the chairman of Shanghai Galaxy Investment Co., Ltd., Shanghai Hu-Ning Expressway (Shanghai Section) Co., Ltd., Shanghai Luqiao Development Co., Ltd., Shanghai Industrial Management (Shanghai) Limited, United Run Tong Water Company Limited and Shanghai Shen-Yu Development Co., Ltd., and a non-executive director of Asia Water Technology Ltd. (a company listed in Singapore). He graduated from Nanjing University with a bachelor's degree in economics in 1991 and from Fudan University with a master's degree in economics (international finance) in 1994. He worked for Guotai Securities Co., Ltd. (now Guotai Junan Securities Co.) before joining SIIC in April 1996. He held the positions of a deputy general manager of SIIC Real Estate Holdings (Shanghai) Co., Ltd., deputy general manager of Shanghai United Industrial Co., Ltd. (now Shanghai Pharmaceutical Co., Ltd.) and general manager of the strategic department of SIIC. He is a member of the Shanghai Municipal People's Congress. Mr. Zhou has nearly 20 years of professional experience in securities, finance, real estate and project planning.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Yang Biao
Executive Director

Chen Anmin
Executive Director and Executive Vice President

Mr. Yang Biao

Mr. Yang, aged 48, is an executive Director of the Company and was appointed on 5 July 2010. He is based in the Group's office in Shanghai. Mr. Yang is responsible for overseeing various property development projects of the Group. He takes part in the management's project selection process, project positioning and planning and setting sales and marketing strategies for individual projects. Further, Mr. Yang oversees the execution of the Group's projects and ensures that the development progress of the projects is carried out in accordance with the approved plans. He is also responsible for public relations (including maintaining relationship with various government authorities) in his day-to-day management of the Group. He is the legal representative of a number of the Group's project companies, including 成都中新錦泰房地產開發有限公司 (Chengdu Zhongxin Jintai Real Estate Development Co., Ltd.) and 重慶中華企業房地產發展有限公司 (Chongqing Chinese Enterprises Real Estate Development Co., Ltd.), and a director of 湖南淺水灣湘雅溫泉花園有限公司 (Hunan Qianshuiwan Xiangya Garden Co., Ltd.). Mr. Yang has been a director of 上海城開(集團)有限公司 (Shanghai Urban Development (Holdings) Co., Ltd.) ("Shanghai Urban Development") since 18 July 2007. He is also the vice-chairman of Shanghai Urban Development. Since he joined Shanghai Urban Development, he has participated in the development of various projects, such as Urban Cradle, Ivy Aroma Town and Toscana. He was also a director of SUD Chongqing Depu and Changsha Chengpu in 2008. Mr. Yang taught at Shanghai Normal University from July 1986 to March 2000. He was a deputy director of the Audit Bureau of Xuhui District in Shanghai from March 2000 to September 2005 and a director of the Xuhui District State-owned Assets Administrative Committee with primary responsibilities in the decision making and operation of its property investment from September 2005 to June 2010. He also participated in the decision making and operation of other property development project companies under the Xuhui District State-owned Assets Administrative Committee, including 上海匯城集團 (Shanghai Huicheng Group) and 上海徐房(集團)有限公司 (Shanghai Xufang (Group) Co., Ltd.) in 2006. He was the deputy municipal secretary of the Xinjiang Aksu from July 2002 to July 2005. He has over five years of experience in real estate and he also has extensive experience in general management and finance and accounting. He is a qualified auditor.

Mr. Chen Anmin

Mr. Chen, aged 61, is an executive Director and was appointed on 5 July 2010. He is also the executive vice president of the Group. He is mainly responsible for the Group's overall financial and auditing affairs, including the Group's financial reporting, budgeting, financial planning and financial compliance. Mr. Chen has been a director of 上海城開(集團)有限公司 (Shanghai Urban Development (Holdings) Co., Ltd.) ("Shanghai Urban Development") since 18 July 2007 and he is an executive vice president of Shanghai Urban Development. He is a director of China Haisum Engineering Co., Ltd. (a company listed in the Shenzhen Stock Exchange with a stock code of 2116). He was the vice general manager of Shanghai Cement Group and a director of Ningbo Fubang Precision Industry Group Stock Co., Ltd. (a company listed on the Shanghai Stock Exchange with a stock code of 600768). He was also the factory director of Shanghai Yaohua Glass Factory. He has over 30 years of experience in the construction and property development industry.

Doo Wai Hoi, William, JP
Independent Non-executive Director,
Chairman of the Remuneration Committee
and Member of the Audit Committee

Wong Ying Ho, Kendy, BBS, JP
Independent Non-executive Director,
Chairman of the Nomination Committee
and Member of Audit Committee

Independent Non-Executive Directors

Mr. Doo Wai-Hoi, William, J.P.

Mr. Doo, aged 67, is an independent non-executive Director. He is the member of the Audit Committee and the Chairman of the Remuneration Committee of the Company. He was appointed on 5 July 2010. He is a director of New World Hotels (Holdings) Limited and Fung Seng Diamond Company Limited. Mr. Doo has served as a Governor of the Canadian Chamber of Commerce in Hong Kong since 1995. In addition, he is a Member of the Standing Committee of the Eleventh Chinese People's Political Consultative Conference in Shanghai, and the Convener of the Shanghai Committee in Hong Kong and Macau. In June 2005, he was appointed as the Honorary Consul of the Kingdom of Morocco in Hong Kong. He has over 11 years of experience in the property industry. He is also a director of the following publicly listed companies:

Listed Company	Role
Hong Kong main board listed companies	
• New World China Land Limited (stock code: 917)	Non-executive director and the vice-chairman
• NWS Holdings Limited (stock code: 659)	Non-executive director and the deputy chairman
• Lifestyle International Holdings Limited (stock code: 1212)	Executive director
• The Bank of East Asia, Limited (stock code: 23)	Independent non-executive director

Mr. Doo was also an executive director of Taifook Securities Group Limited (now known as "Haitong International Securities Group Limited") until 13 January 2010 (stock code: 665).

Chow Tai Fook Enterprises Limited is a controlling shareholder of NewWorld China Land Limited. Both companies are ultimately controlled by Dato' Dr. Cheng Yu-tung and his family members. Dato' Dr. Cheng Yu-tung is Mr. Doo's father-in-law.

Dr. Wong Ying Ho, Kennedy, BBS, J.P.

Dr. Wong, aged 49, is an independent non-executive Director. He was appointed on 5 July 2010. He is the Chairman of Nomination Committee and a member of Audit Committee of the Company. He is a solicitor, a China Appointed Attesting Officer and a director of the China Law Society. He obtained his doctorate in Civil Law from the University of Kent in 2007. He is the managing partner of Philip K.H. Wong, Kennedy Y.H. Wong & Co., Solicitors & Notaries. He is a director of Bohai Industrial Investment Fund Management Company Limited and Hong Kong Airlines Limited. Dr. Wong is a National Committee Member of the Chinese People's Political Consultative Conference. He is also a member of the Election Committee of Hong Kong which is responsible for the election of Hong Kong's Chief Executive and a deputy convener of the New Century Forum. He is also a co-founder of the Hong Kong Legal Forum. Dr. Wong served on Hong Kong's legislature from 1996 to 1998 and was selected as one of the Ten Outstanding Young Persons of Hong Kong awarded by Junior Chamber International Hong Kong (formerly known as Hong Kong Junior Chamber) in 1998. He was also one of the recipients of the Ten Outstanding Young Persons of the World awards awarded by the Junior Chamber International in 2003. Dr. Wong has over seven years of experience in the property industry. He is a director of the following listed companies:

Listed Company	Role
Hong Kong main board listed companies	
• Hong Kong Resources Holdings Company Limited (stock code: 2882)	Executive director
• Asia Cement (China) Holdings Corporation (stock code: 743)	Independent non-executive director
• China Overseas Land & Investment Limited (stock code: 688)	Independent non-executive director
• Goldlion Holdings Limited (stock code: 533)	Independent non-executive director
London AIM listed company	
• Pacific Alliance Asia Opportunity Fund Limited (AIM: PAX)	Director

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Fan Ren Da, Anthony
Independent Non-executive Director, Chairman of the Investment Appraisal Committee and Members of the Audit, Remuneration and Nomination Committees

Dr. Wong was also an non-executive director of International Financial Network Holdings Limited (now known as "First China Financial Network Holdings Limited") (stock code: 8123) until 11 July 2008 and Qin Jia Yuan Media Services Company Limited (stock code: 2366) until 29 November 2010; and an independent non-executive director of Great Wall Technology Company Limited (stock code: 74) until 18 June 2010, Director of Pacific Alliance Asia Opportunity Fund Limited (AIM: PAX) until 31 December 2011.

In or around June/July 2011, Dr. Wong was requested by the Independent Commission Against Corruption to assist them in investigations in relation to the acquisition of shares in Ocean Grand Chemicals Holdings Limited, which has been since renamed as Hong Kong Resources Holdings Company Limited (stock code: 2882). Dr. Wong acquired interest in Hong Kong Resources Holdings Company Limited during its restructuring in October 2008. As announced by Hong Kong Resources Holdings Company Limited ("HKRH") on 13 July 2011, the board of HKRH received confirmation that the investigations were initiated against Dr. Wong and another person in their own personal capacity, and no charges had been laid by the Independent Commission Against Corruption ("ICAC") against Dr. Wong. As further announced by HKRH on 21 February 2012, Dr. Wong has been requested by ICAC to assist in the investigations which are essentially an extension of the aforesaid investigation conducted by ICAC in July 2011.

Mr. Fan Ren Da, Anthony

Mr. Fan Ren Da, Anthony, aged 51, joined in 5 July 2010 as an independent non-executive director of the Company. He is the member of all of the audit committee, remuneration committee and nomination committee of the Company; and also the chairman of investment appraisal committee of the Company. He has over three years of experience in the property industry. Mr. Fan holds a Master's Degree in Business Administration from the United States of America. He is the chairman and managing director of AsiaLink Capital Limited. He is also an independent non-executive director of Technovator International Limited (Stock Code: 1206), Raymond Industrial Limited (Stock Code: 229), Uni-President China Holdings Ltd. (Stock Code: 220), Renhe Commercial Holdings Company Limited (Stock Code: 1387), Tenfu (Cayman) Holdings Company Limited (Stock Code: 6868), Citic Resources Limited (Stock Code: 1205), Guodian Technology & Environment Group Corporation Limited (Stock Code: 1296) and Hong Kong Resources Holdings Company Limited (Stock Code: 2882), all listed on the Main Board of the Stock Exchange. Mr Fan is also the independent non-executive director of Shenzhen World Union Properties Consultancy Co., Ltd. (Stock Code : 2285) listed on the Shenzhen Stock Exchange. In June 2011, he resigned as an independent non-executive director of Chinney Alliance Group Limited (Stock Code: 385) listed on the Main Board of the Stock Exchange.

Li Ka Fai, David
Independent Non-executive Director and Chairman of the Audit Committee

Mr. Li Ka Fai, David
Mr. Li, aged 57, is an independent non-executive Director. He was appointed on 5 July 2010. He is the chairman of audit committee of the Company. He is currently the deputy managing partner of Li, Tang, Chen & Co. CPA (Practising). He is also a fellow of the Hong Kong Institute of Certified Public Accountants and a fellow of The Association of Chartered Certified Accountants, United Kingdom as well as a fellow of The Institute of Chartered Secretaries and Administrators, United Kingdom and an associate member of The Institute of Chartered Accountants in England and Wales. He is the advisor and former independent director and chairman of the audit committee of China Vanke Co., Ltd. (a company listed on the Shenzhen Stock Exchange with a stock code of 2). Mr. Li has over five years of experience in the property industry. He is an independent non-executive director of the following listed companies:

Listed Company	Role
Hong Kong main board listed companies	
• Goldlion Holdings Limited (stock code: 533)	Independent non-executive director, chairman of the audit committee and member of both the remuneration committee and nomination committee
• China-Hongkong Photo Products Holdings Limited (stock code: 1123)	Independent non-executive director and chairman of the audit committee
• Cosmopolitan International Holdings Limited (stock code: 120)	Independent non-executive director and chairman of the audit committee and member of the remuneration committee
• AVIC International Holding (HK) Limited (formerly known as CATIC International Holdings Limited) (stock code: 232)	Independent non-executive director, member of the audit committee and member of the remuneration committee
• China Merchants Holdings (International) Company Limited (stock code: 144)	Independent non-executive director, member of the audit committee and chairman of the remuneration committee

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Senior Management


Ms. HUANG Fei

Ms. Huang Fei
Vice President
Ms. Huang, aged 47, is a vice president of the Company. Ms. Huang was awarded a master's degree in business administration and European integration by Technische Universität Dresden in 2003. She was the league secretary of the Third Tramway Company of the Public Transport Corporation, the chairman of the labour union of Xuhui Urban Construction Corporation, the manager of sales division of 上海城開(集團)有限公司 (Shanghai Urban Development (Holdings) Co., Ltd.) ("Shanghai Urban Development"), the general manager of Shanghai Urban Development (Group) Real Property Agent Company prior to her employment with the Group. She is currently a party committee member and vice-president of Shanghai Urban Development and deputy general manager (finance) of Shanghai Wan Yuan.


Mr. YE Wei Qi

Mr. Ye Wei Qi
Vice President and Member of Investment Appraisal Committee
Mr. Ye, aged 48, is a vice president of the Company. He is the member of investment appraisal committee of the Company. Mr. Ye has a master's degree in business administration from EIPOS Europäisches Institut für postgraduate Bildung an der Technischen Universität Dresden in 2002. He was the manager of finance department of Shanghai Far East Aviation Technology Import and Export Company, the manager of budget finance department of Shanghai Great World Plaza Company Limited, the deputy manager of budget finance department Shanghai Great World (Group) Company prior to his employment with the Group. He was also the director of the auditing office, manager of investment and development department and assistant to the general manager of 上海城開(集團)有限公司 (Shanghai Urban Development (Holdings) Co., Ltd.) ("Shanghai Urban Development"). He is currently the vice president of Shanghai Urban Development and general manager of Shanghai Huanyu Investment Co., Ltd.


Mr. ZHONG Tao

Mr. Zhong Tao
Vice President
Mr. Zhong, aged 39, is the vice president of the Company. Mr. Zhong obtained a master's degree in business management from Shanghai Fudan University in 1998. He was a project manager of Shanghai Industrial Real Property Group (Shanghai) Company Limited, an assistant to the general manager of Shanghai Xinghe Digital Investment Company Limited, and the chief planning officer of Shanghai Industrial Management (Shanghai) Company Limited prior to his employment with the Group. He is also currently the vice president of 上海城開(集團)有限公司.


Ms. BAO Jing Tao

Ms. Bao Jing Tao
Chief Financial Officer
Ms. Bao, aged 36, is the Chief Financial Officer of the Company. She has over ten years of experience in accounting and financial management. She obtained her master's degree in finance from South West University of Finance and Economics in 2001. She was an executive Director of the Company from 24 January 2008 to 27 July 2010.


Mr. CHAN Kin Chu, Harry

Mr. Chan Kin Chu, Harry
Company Secretary
Mr. Chan, aged 42, has been the company secretary of the Company since 1 June 2011. Mr. Chan graduated from The University of Hong Kong in 1992 with a bachelor of laws degree. He also obtained a master of laws degree from The University of London, U.K. in 1998 and a bachelor of laws degree from Tsinghua University, the PRC in 2005. He was admitted to the High Court of Hong Kong Special Administrative Region as a solicitor. Mr. Chan has over ten years of working experience in legal, compliance and corporate governance matters. Before joining the Group, Mr. Chan worked for a sizable property developer as in-house counsel.

Corporate Governance Report

Corporate Governance Code and Corporate Governance Practices

The Board strives to attain and maintain high standards of corporate governance to enhance shareholders' value and safeguard shareholders' interests.

The Company recognises the importance of high standards of corporate governance to sustain healthy growth and has taken a proactive approach in strengthening corporate governance practices in accordance with the needs of its business.

The Company's corporate governance practices are based on the principles, code provisions and certain recommended best practices as set out in the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Throughout the year ended 31 December 2011, the Company has complied with the code provisions as set out in the Code.

The Company will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review its corporate governance practices from time to time to ensure they comply with the Code and align with the latest developments.

Board of Directors

The Board is collectively responsible for formulating of the Group's overall strategy, reviewing and monitoring the business operations and performance of the Group, preparing and approving financial statements, considering and approving material contracts and transactions as well as other significant policy and financial matters. The Board also gives clear directions as to the powers delegated to senior management for the day-to-day operation and administrative functions of the Group.

All Directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring the Board procedures and all applicable rules and regulations are followed.

Upon making request to the Board, each Director is able to seek independent professional advice at the Company's expense, when necessary.

As at 31 December 2011, the Board comprised eleven members*, including seven executive Directors* and four independent non-executive Directors. At least one of the independent non-executive directors has relevant financial management expertise required by the Listing Rules. The brief biographical details of each Director are set out in the section headed "Biographical Details of Directors and Senior Management" in pages 46 to 52 of this report. The Board reviews regularly its composition to ensure a balance of skills and experience appropriate for the requirements of the business of the Company.

Corporate Governance Report

In accordance with the Bye-laws of the Company, the Board is empowered to appoint any person as a Director either to fill a casual vacancy on the Board or, subject to authorisation by the members at the general meeting, as an additional member of the Board. Any Director so appointed by the Board shall hold office only until the first general meeting of the Company after his/her appointment and shall then be eligible for re-election at that meeting. Moreover, at each annual general meeting one-third of the Directors for the time being (or, if the number is not three or a multiple of three, then the number nearest to but not less than one-third) shall retire from office by rotation, provided that every Director (including those appointed for a specific term or holding office as the Chairman of the Board or the Managing Director or the chief executive of the Company) shall be subject to rotation at least once every three years. All four Independent non-executive Directors were appointed for a specific term of 3 years but subject to retirement by rotation as aforesaid.

The Company has arranged appropriate insurance coverage for Directors' liabilities in respect of legal actions against its directors and senior management arising out of corporate activities.

* *Mr. Jia Bowei resigned as Executive Director of the Company on 1 March 2012.*

The Chairman and the President

Mr. Cai Yu Tian is the Chairman of the Board. Mr. Ni Jianda is the President of the Company. The roles of the Chairman and the President are two distinctively separate positions. The Chairman is responsible for providing leadership for the Board and ensuring that the Board works effectively. The President, who also assumes the responsibility of the Chief Executive Officer, is responsible for the Group's daily operations, overall business development and management.

Practices and Conduct of Meetings

Annual meeting schedules and agenda of each meeting are normally made available to the Directors in advance.

Notices of regular Board meetings are served to all Directors at least 14 days before the meetings and reasonable notice is generally given for other Board meetings. For committee meetings, notice is served in accordance with the required notice period stated in the relevant terms of reference.

Board papers together with all appropriate, complete and reliable information are sent to all Directors/committee members at least 3 days before each Board meeting or committee meeting to keep the Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management whenever necessary.

The senior management, the Chief Financial Officer or the Company Secretary will attend regular Board meetings and when necessary, other Board and committee meetings to advise on business developments, financial and accounting matters, statutory compliance, corporate governance and other major aspects of the Company.

The Company Secretary/secretary of the committees is responsible to take and keep minutes of all Board meetings and committee meetings. Draft minutes are circulated to directors for comments within a reasonable period of time after each meeting and the executed copies are open for inspection by directors.

The Company's Bye-laws contain provisions requiring directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest. According to current Board practice, any material transaction, which involves a conflict of interests for a substantial shareholder or a director, will be considered and dealt with by the Board at a duly convened Board meeting.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules of the Stock Exchange. The Company had made specific enquiry of all directors regarding any non-compliance with the Model Code during the year ended 31 December 2011, and each of them confirmed that he/she has complied with the required standards as set out in the Model Code and its code of conduct regarding directors' securities transactions.

Directors' Attendance Records

The attendance records of each director at the meetings of the Board, Audit Committee, Remuneration Committee, Nomination Committee and Investment Appraisal Committee during the year ended 31 December 2011 are set out below:

	Attendance/Number of Meetings				
Name of Directors	Board	Audit Committee	Remuneration Committee	Nomination Committee	Investment Appraisal Committee
Executive Directors					
Mr. Cai Yu Tian	4/4				
Mr. Ni Jianda	4/4			1/1	
Mr. Qian Shizheng	3/4				
Mr. Zhou Jun	4/4				1/1
Mr. Yang Biao	4/4				
Mr. Chan Anmin	4/4				
Mr. Jia Bowei *	4/4				
Independent Non-executive Directors					
Mr. Doo Wai-Hoi, William, J.P.	4/4	2/2	1/1		
Dr. Wong Ying Ho, Kennedy, BBS, J.P.	4/4	2/2		1/1	
Mr. Fan Ren Da, Anthony	4/4	2/2	1/1	1/1	1/1
Mr. Li Ka Fai, David	4/4	2/2			

* Resigned on 1 March 2012

The Company has received the annual confirmation of independence from independent non-executive directors and the Company considers them independent.

Corporate Governance Report

Board Committees

The Board has established four Board Committees, namely, the Audit Committee, the Remuneration Committee, the Nomination Committee and the Investment Appraisal Committee, for overseeing particular aspects of the Company's affairs. All the Board Committees should report to the Board on their decisions or recommendations made.

A. *Audit Committee*

The Audit Committee currently consists of four independent non-executive directors, namely Mr. Doo Wai-Hoi, William, Dr. Wong Ying Ho, Kennedy, Mr. Fan Ren Da, Anthony and Mr. Li Ka Fai, David (Chairman of the Committee).

The main responsibilities of the Audit Committee are:

1. to review the accounting principles and practices adopted by the Group;

2. to review the financial reporting process and internal control system of the Group; and

3. to review the independence and objectivity of the external auditors, the scope of audit services and related audit fees payable to the external auditors.

There were two Audit Committee meetings held for the year ended 31 December 2011. The Chairman of the Audit Committee, Mr. Li Ka Fai, David, possesses relevant financial management expertise and meets the requirements of Rule 3.21 of the Listing Rules.

During the year ended 31 December 2011, the Audit Committee reviewed the independence and objectivity of the external auditors, the scope of audit services and related audit fees payable to the external auditors for the Board's approval. The Audit Committee has reviewed with the management of the Company its internal control system, the accounting principles and practices adopted by the Group and the financial statements for the year ended 31 December 2011.

B. *Remuneration Committee*

The Remuneration Committee currently consists of two independent non-executive directors namely Mr. Doo Wai-Hoi, William (Chairman of the Committee), Mr. Fan Ren Da, Anthony and one vice president of the Company, Mr. Ye Wei Qi.

The major responsibilities of the Remuneration Committee are:

1. to make recommendations to the Board on the Company's policy and structure for the remuneration of Directors and senior management;

2. to have the delegated responsibility to determine the specific remuneration packages of all executive directors and senior management for submission to the Board for approval;

3. to review and approve above performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;

4. to review and approve the compensation payable to executive directors and senior management in connection with any loss or termination of their office;

5. to review and approve compensation arrangements relating to dismissal or removal of directors; and

6. to ensure that no director or any of his associates is involved in deciding his own remuneration.

During the year ended 31 December 2011, one Remuneration Committee meeting was held to review the remuneration packages of all Directors and senior management of the Company.

C. *Nomination Committee*

A nomination committee (the "Nomination Committee") was established during the year ended 31 December 2011. It currently consists of two independent non-executive directors of the Company, namely Dr. Wong Ying Ho, Kennedy (Chairman of the Committee), Mr. Fan Ren Da, Anthony; and one executive director, Mr. Ni Jianda. The primary function of the Nomination Committee is to make recommendations to the Board on potential candidates to fill vacancies or additional appointment on the Board and senior management. All appointments of directors were nominated by the Nomination Committee based on considerations including vacancy available, competence and experience, possession of requisite skills and qualifications, independence and integrity.

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

D. *Investment Appraisal Committee*

An investment appraisal committee currently consists of one independent non-executive Director, Mr. Fan Ren Da, Anthony, who is the chairman of the Investment Appraisal Committee; one executive Director, Mr. Zhou Jun and Mr. Ye Wei Qi (Vice President).

The main responsibilities of the Investment Appraisal Committee are:

1. researches and advises on the long-term development strategy of the Company;

2. researches and advises on material investment projects of the Company;

3. researches and advises on material capital operation and asset operation projects of the Company;

4. researches and advises on material events which affect the development of the Company;

5. makes subsequent assessment on investment projects; and

6. reviews on the above matters.

During the year ended 31 December 2011, one Investment Appraisal Committee meeting was held to consider and advise on the Transactions (as defined in the paragraph headed "Issue of Equity Securities" of the Directors' Report).

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY

The Directors are responsible for overseeing the preparation of accounts of each financial period, which give a true and fair view of the state of affairs of the Company and the Group and of the Group's results and cash flow for the period. In preparing the financial statements for the year ended 31 December 2011, appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants which are pertinent to its operations and relevant to the financial statements on the going concern basis were adopted. The Company has received acknowledgements from all Directors of their responsibilities for preparing the financial statements. It is the responsibility of the auditors to form an independent opinion, based on their audit, of these financial statements and to report their opinion to the members of the Company, as a body, and for no other purpose. The auditors do not assume responsibilities toward or accept liability to any other person for the contents of their report.

INTERNAL CONTROLS

As disclosed in the 2011 Interim Report of the Company (the "Interim Report"), the Board has announced the status of seven other areas of internal control weaknesses of the Company as referred to in the Follow-Up Report (as defined in the paragraph headed "Internal Controls" in the Interim Report). Other than the two areas of weaknesses, namely "Compliance and disclosure under the Listing Rules and accounting standard", and "Staff code of conduct", which have been remediated and reported in the Interim Report, the Board gives a further update on the remediating progress as follows:

1. ***Access to the control system for financial reporting***

   Control has been further tightened over privileged user accounts in the accounting system; excessive access rights and incompatible functions have been removed; and access rights to delete posted journal entries have been deleted.

2. ***Anti-fraud policies and procedures***

   The internal policy for anti-fraud system has been put in place but we are in the progress of revising and enhancing its specific contents, the areas of which include the definition of fraud, the internal institution to be responsible for the monitoring the system, the reporting, investigation and handling of complaints, and actions to be taken for substantiated cases.

3. ***Internal Audit and Risk Management***

   The Audit and Legal Department of the Group has periodically conducted internal audit on its project companies; and in co-ordination with the external auditor, the department appraised of the major area of risks that the Group is facing. A new Internal Audit Department has been set up in monitoring the internal audit and risk management functions of the Group, with its work directly reporting and accountable to the Audit Committee.

4. ***Job description, responsibilities and reporting line of key functional departments and management positions***

   The job descriptions, responsibilities and reporting lines of respective general managers responsible for operational management of the key functional departments have been finalised.

The Board has reviewed the effectiveness of the internal control system of the Group. The Company is always committed to maintaining a high standard of corporate governance and to continue strengthening the control systems of the Group in the interests of shareholders of the Company. To monitor the effectiveness of the internal controls systems, in addition to the internal audit function of the Group, if necessary, the Board will appoint an independent professional firm to conduct internal control reviews of selected areas of the Group.

External Auditor and Auditors' Remuneration

The statement of the external auditor of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditor's Report" on pages 61 and 62.

During the year ended 31 December 2011, the remuneration paid to the Company's auditor, Deloitte Touche Tohmatsu, are set out below:

	HK$'000
For audit service	
– audit fee paid for the year ended 31 December 2011	4,300
– other audit-related services	6,100
For non-audit service	1,930

Communication With Shareholders and Investors

The Board recognizes the importance of quality communication with all shareholders. Extensive information on the Company's activities is provided in the annual and interim reports, which are despatched to shareholders. The Board will make use of the general meetings as a valuable platform to communicate with shareholders and answer their enquiries. Details of some transactions undertaken by the Group are also disclosed in a timely manner to shareholders through announcements to facilitate shareholders' understanding of the Group's activities.

The Company continues to enhance communication with its investors since the change of controlling shareholders during mid-2011. Designated senior management maintains regular dialogue with institutional investors and analysts to keep them abreast of the Company's developments. Enquires from investors are dealt with in an informative and timely manner.

In the previous year, the Group appointed senior management to meet analysts and fund managers to report on the latest development of the Company at appropriate times. Throughout the year, the Group joined six large investor conferences and three non-deal roadshows, had meetings with 74 individual investors, held 20 teleconferences, and arranged eight project visits and a large visiting mission for investors in order to enhance their understanding of the Group's various projects. The Group met more than 170 investors during the year to let them better understand the potential investment value of the Group.

As a channel to promote effective communication, the Company maintains a website at www.siud.com, where up-to-date information including updates on the Company's business development and operations, financial information, corporate governance practices and other information are available for public access. Shareholders and investors may write directly to the Company at its principal place of business in Hong Kong or via facsimile at (852) 2544 8004 for any inquiries. On the other hand, the Group also established an investor database in order to dispatch timely information to investors interested in the Group.

Corporate Governance Report

Shareholders' Rights

To safeguard the shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors.

The rights of shareholders and the procedures for demanding a poll on resolutions at shareholders' meetings at which voting is taken on a poll are contained in the Company's Bye-laws.

Independent Auditor's Report

Deloitte.
德勤

TO THE MEMBERS OF
SHANGHAI INDUSTRIAL URBAN DEVELOPMENT GROUP LIMITED
上海實業城市開發集團有限公司
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Shanghai Industrial Urban Development Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 63 to 143, which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Independent Auditor's Report

Opinion

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

28 March 2012

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	NOTES	2011 HK$'000	2010 HK$'000 (restated)
Revenue	6	**4,433,476**	4,881,135
Cost of sales		**(3,307,014)**	(4,035,707)
Gross profit		**1,126,462**	845,428
Other income	7(a)	**182,192**	114,729
Other expenses, gains and losses	7(b)	**(139,369)**	91,690
Fair value changes on investment properties	15	**453,791**	7,130
Fair value gain on transfer of inventories to investment properties	15	**152,212**	–
Allowance for inventories		**(56,675)**	(178,326)
Distribution and selling expenses		**(302,552)**	(446,826)
General and administrative expenses		**(576,264)**	(625,911)
Finance costs	8	**(673,058)**	(464,256)
Share of losses of associates	19	**(297)**	(442)
Profit (loss) before tax		**166,442**	(656,784)
Income tax	10	**(594,552)**	(161,375)
Loss for the year	9	**(428,110)**	(818,159)
Other comprehensive income (expense) for the year:			
Exchange differences on translation into presentation currency		**673,517**	591,442
Reclassification adjustment for realisation of revaluation gains transferred to profit or loss upon sale of completed properties held for sale		**(562)**	(17)
Other comprehensive income for the year		**672,955**	591,425
Total comprehensive income (expense) for the year		**244,845**	(226,734)
(Loss) profit for the year attributable to:			
Owners of the Company		**(477,650)**	(740,523)
Non-controlling interests		**49,540**	(77,636)
		(428,110)	(818,159)
Total comprehensive income (expense) attributable to:			
Owners of the Company		**(125,884)**	(398,806)
Non-controlling interests		**370,729**	172,072
		244,845	(226,734)
Loss per share			
Basic (HK cents)	14	**(9.93)**	(21.49)
Diluted (HK cents)	14	**(9.93)**	(21.49)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	NOTES	31.12.2011 HK$'000	31.12.2010 HK$'000 (restated)	1.1.2010 HK$'000
Non-current Assets				
Investment properties	15	**6,168,963**	5,221,079	2,949,328
Property, plant and equipment	16	**1,182,210**	897,194	740,362
Prepaid lease payments	17	**94,031**	90,378	85,238
Intangible assets	18	**62,870**	60,156	–
Interests in associates	19	**1,588,071**	357,667	328,380
Amount due from a related company	29	**80,436**	–	–
Amount due from an associate	20	**83,915**	80,292	–
Available-for-sale investments	21	**37,761**	34,951	–
Derivatives financial instruments				
– redemption right of the issuer	34	**–**	–	600
Restricted and pledged bank deposits	22	**121,619**	125,760	55,023
Deferred tax assets	32	**245,383**	9,465	24,142
		9,665,259	6,876,942	4,183,073
Current Assets				
Inventories	23	**39,517,770**	33,164,199	14,462,055
Trade and other receivables	24	**830,921**	2,210,864	1,196,552
Amounts due from related companies	29	**123,969**	114,579	–
Amount due from an associate	20	**–**	–	77,602
Prepaid lease payments	17	**2,545**	2,498	2,300
Consideration receivables for disposal of assets	26	**22,007**	21,381	1,370,386
Prepaid income tax and land appreciation tax		**359,527**	482,212	339,673
Financial assets at fair value through profit or loss	25	**14,638**	12,640	–
Pledged bank deposits	22	**24,521**	36,590	–
Bank balances and cash	27	**3,490,568**	6,932,712	1,627,196
		44,386,466	42,977,675	19,075,764
Assets classified as held for sale	42	**–**	–	2,732,943
		44,386,466	42,977,675	21,808,707

Consolidated Statement of Financial Position

At 31 December 2011

	NOTES	**31.12.2011 HK$'000**	31.12.2010 HK$'000 (restated)	1.1.2010 HK$'000
Current Liabilities				
Trade and other payables	28	**4,398,642**	3,188,136	1,918,894
Amounts due to related companies	29	**700,300**	709,307	50,521
Amounts due to associates	20	**83,913**	57,579	–
Consideration payables for acquisition of subsidiaries	30	**387,200**	350,262	443,592
Pre-sale proceeds received on sales of properties	31	**9,378,864**	9,831,780	8,763,402
Bank and other borrowings	33	**4,805,875**	5,120,536	2,104,440
Derivative financial instrument – warrants	35	**3**	16,600	29,600
Income tax and land appreciation tax payables		**2,131,516**	1,903,861	1,238,927
Dividend payable		**6,423**	6,423	6,473
Dividend payable to non-controlling shareholders		**418,846**	–	–
Convertible loan notes	34	**–**	2,607	–
		22,311,582	21,187,091	14,555,849
Liabilities associated with assets classified as held for sale	42	**–**	–	835
		22,311,582	21,187,091	14,556,684
Net Current Assets		**22,074,884**	21,790,584	7,252,023
Total Assets less Current Liabilities		**31,740,143**	28,667,526	11,435,096
Non-current Liabilities				
Bank and other borrowings	33	**6,374,383**	4,227,165	768,064
Convertible loan notes	34	**–**	–	62,136
Senior notes	35	**3,009,479**	2,974,260	2,942,803
Deferred tax liabilities	32	**2,479,675**	2,275,215	1,002,111
		11,863,537	9,476,640	4,775,114
		19,876,606	19,190,886	6,659,982
Capital and Reserves				
Share capital	36	**192,461**	105,173	77,826
Reserves		**12,825,209**	12,351,322	5,995,603
Equity attributable to owners of the Company		**13,017,670**	12,456,495	6,073,429
Non-controlling interests		**6,858,936**	6,734,391	586,553
		19,876,606	19,190,886	6,659,982

The consolidated financial statements on pages 63 to 143 were approved and authorised for issue by the Board of Directors on 28 March 2012 and are signed on its behalf by:

NI Jian Da
DIRECTOR

QIAN Shi Zheng
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

	Attributable to owners of the Company											
	Share capital HK$'000	Share premium HK$'000	Convertible loan notes equity reserve HK$'000	Share options reserve HK$'000	Other revaluation reserve HK$'000 (note (a))	Statutory reserve HK$'000	Shareholder's contribution/ merger reserve HK$'000 (note (b))	Exchange reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2010	77,826	5,515,551	2,580	221,460	45,959	–	–	627,625	(417,572)	6,073,429	586,553	6,659,982
Loss for the year (restated)	–	–	–	–	–	–	–	–	(740,523)	(740,523)	(77,636)	(818,159)
Other comprehensive income for the year:												
Exchange differences on translation into presentation currency	–	–	–	–	–	–	–	341,734	–	341,734	249,708	591,442
Reclassification adjustment for realisation of fair value gains transferred to profit or loss upon sales of completed properties held for sale	–	–	–	–	(17)	–	–	–	–	(17)	–	(17)
Total comprehensive (expense) income for the year	–	–	–	–	(17)	–	–	341,734	(740,523)	(398,806)	172,072	(226,734)
Issue of shares	27,347	1,558,437	–	–	–	–	–	–	–	1,585,784	–	1,585,784
Acquisition of subsidiaries arising from merger accounting (note 2)	–	–	–	–	–	–	5,124,601	–	–	5,124,601	6,002,941	11,127,542
Transfer	–	–	–	–	–	5,899	–	–	(5,899)	–	–	–
Transfer to accumulated losses upon the redemption of convertible loan notes	–	–	(2,560)	–	–	–	–	–	4,681	2,121	–	2,121
Recognition of equity-settled share-based payments	–	–	–	69,366	–	–	–	–	–	69,366	–	69,366
Capital contribution by non-controlling interest	–	–	–	–	–	–	–	–	–	–	26,095	26,095
Liquidation of a subsidiary	–	–	–	–	–	–	–	–	–	–	(53,270)	(53,270)
Transfer to accumulated losses upon cancellation of share options	–	–	–	(227,083)	–	–	–	–	227,083	–	–	–
At 31 December 2010	105,173	7,073,988	20	63,743	45,942	5,899	5,124,601	969,359	(932,230)	12,456,495	6,734,391	19,190,886
Loss for the year	–	–	–	–	–	–	–	–	(477,650)	(477,650)	49,540	(428,110)
Other comprehensive income for the year:												
Exchange differences on translation into presentation currency	–	–	–	–	–	–	–	352,328	–	352,328	321,189	673,517
Reclassification adjustment for realisation of fair value gains transferred to profit or loss upon sales of completed properties held for sale	–	–	–	–	(562)	–	–	–	–	(562)	–	(562)
Total comprehensive (expense) income for the year	–	–	–	–	(562)	–	–	352,328	(477,650)	(125,884)	370,729	244,845

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

	Attributable to owners of the Company											
	Share capital HK$'000	Share premium HK$'000	Convertible loan notes equity reserve HK$'000	Share options reserve HK$'000	Other revaluation reserve HK$'000 (note (a))	Statutory reserve HK$'000	Shareholder's contribution/ merger reserve HK$'000 (note (b))	Exchange reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Issue of shares for acquisition of subsidiaries (note 40)	87,288	3,251,465	–	–	–	–	(3,338,753)	–	–	–	–	–
Capital contribution from parent company (note 40) (note (c))	–	–	–	–	–	–	493,029	–	–	493,029	–	493,029
Capital contribution by non-controlling interests (note (c))	–	–	–	–	–	–	–	–	–	–	342,613	342,613
Dividend to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(433,004)	(433,004)
Transfer	–	–	–	–	–	38,412	–	–	(38,412)	–	–	–
Acquisition of additional interest in a subsidiary	–	–	–	–	8,895	–	–	1,015	–	9,910	(12,671)	(2,761)
Disposal of a subsidiary (note 41)	–	–	–	–	–	–	143,122	–	–	143,122	(143,122)	–
Transfer to accumulated losses upon the redemption of convertible loan notes	–	–	(20)	–	–	–	–	–	20	–	–	–
Recognition of equity-settled share-based payments	–	–	–	40,998	–	–	–	–	–	40,998	–	40,998
Transfer to accumulated losses upon cancellation of share options	–	–	–	(11,720)	–	–	–	–	11,720	–	–	–
At 31 December 2011	192,461	10,325,453	–	93,021	54,275	44,311	2,421,999	1,322,702	(1,436,552)	13,017,670	6,858,936	19,876,606

Notes:

(a) The other revaluation reserve comprises the difference between the fair value, net of deferred tax, and the carrying amount of additional interest in associates being acquired and become subsidiaries of the Company. This reserve will be recognised in the profit and loss upon the earlier of the disposal of the subsidiaries or the disposal by the subsidiaries of the assets to which it relates.

(b) Merger reserve represents the difference in the fair value of the consideration paid to the parent company, Shanghai Industrial Holdings Limited ("SIHL") for the acquisition of subsidiaries controlled by SIHL and the acquired carrying amount of the subsidiaries at the date of the Group and the subsidiaries acquired became under common control.

(c) Capital contribution from parent company and non-controlling interests represents capital injection from SIHL and 上海市徐匯區國有資產監督管理委員會 Xuhui District Stated-owned Assets Administrative Committee ("Xuhui SAAC") of RMB409.5 million (approximately HK$493,029,000) and RMB284.5 million (approximately HK$342,613,000) respectively (based on their respective percentage of equity interest) to 上海城開（集團）有限公司 ("SUD") as paid-in capital in April 2011.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

	2011 HK$'000	2010 HK$'000 (restated)
OPERATING ACTIVITIES		
Profit (loss) before tax	166,442	(656,784)
Adjustments for:		
Fair value changes on investment properties	(453,791)	(7,130)
Fair value gain on transfer of inventories to investment properties	(152,212)	–
Depreciation on property, plant and equipment	55,208	45,013
Amortisation of prepaid lease payments	2,545	2,477
Loss on disposal of property, plant and equipment	53	73
Finance costs	673,058	464,256
Interest income	(74,782)	(67,720)
Changes in fair values of derivative financial instruments	(16,597)	(12,400)
Changes in fair values of financial assets at fair value through profit or loss	(625)	(2,387)
Dividend income from available-for-sale investments	(1,580)	–
Loss on disposal of available-for-sale investments	41	–
Allowance for inventories	56,675	178,326
Loss on disposal of a subsidiary	38,512	–
Gain on disposal of an associate	(1,872)	–
Share of losses of associates	297	442
Transfer from equity on sales of completed properties held for sale	(562)	(17)
Equity-settled share-based payment expenses	40,998	69,366
Loss on redemption of convertible loan notes	–	3,163
Unrealised foreign exchange gain	(160,706)	(104,521)
Operating cash flows before movements in working capital	171,102	(87,843)
Increase in inventories	(5,606,663)	(647,083)
Decrease in financial assets at fair value through profit or loss	–	306
Decrease in trade and other receivables	147,065	43,003
Increase in trade and other payables	1,486,917	82,134
Increase (decrease) in amounts due to associates	23,184	(22,273)
Decrease in proceeds received on sales of properties	(875,675)	(213,612)
Cash used in operations	(4,654,070)	(845,368)
The People's Republic of China (the "PRC") income tax paid	(345,267)	(554,557)
Net cash used in operating activities	(4,999,337)	(1,399,925)

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	NOTES	2011 HK$'000	2010 HK$'000 (restated)
INVESTING ACTIVITIES			
Refund from (deposit for) land auction		**812,844**	(782,959)
Repayment of advance to the vendor of an investment project in the PRC		**445,515**	266,759
Proceeds from disposal of subsidiaries	41	**281,467**	836,154
Proceeds from disposal of investment properties		**116,575**	54,334
Interest received		**74,782**	67,720
Decrease (increase) in restricted and pledged bank deposits		**22,989**	(28,566)
Dividend income from associates		**5,900**	–
Proceeds from disposal of interests in associates		**5,527**	518,966
Dividend income received from available-for-sale investments		**1,580**	–
Proceeds from disposal of property, plant and equipment		**965**	918
Proceeds from disposal of available-for-sale investments		**418**	–
Contribution to an associate		**(1,201,084)**	–
Payments for purchases of property, plant and equipment and investment properties		**(146,678)**	(136,273)
Advance to related companies		**(82,690)**	–
Payment for consideration payable for acquisition of subsidiaries		**(24,082)**	(107,150)
Purchase of available-for-sales investments		**(1,663)**	(28,996)
Acquisition of subsidiaries	40	**–**	3,575,565
Repayment of loan receivables		**–**	422,176
Repayment from an associate		**–**	5,846
Net cash from investing activities		**312,365**	4,664,494
FINANCING ACTIVITIES			
Proceeds from new bank and other borrowings		**4,393,227**	5,050,145
Capital contribution from parent company		**493,029**	–
Contribution from non-controlling interests		**342,613**	–
Repayments of bank and other borrowings		**(2,905,911)**	(4,099,567)
Interest paid		**(1,151,964)**	(684,119)
Repayment to related companies		**(82,192)**	–
Dividend paid to non-controlling interests		**(35,216)**	–
Acquisition of non-controlling interests		**(2,761)**	–
Payment for redemption of convertible loan notes		**(2,714)**	(65,408)
Proceeds from issue of shares		**–**	1,586,165
Loan advances from related companies		**–**	28,919
Expenses on issue of shares		**–**	(381)
Dividend paid		**–**	(50)
Net cash from financing activities		**1,048,111**	1,815,704

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	2011 HK$'000	2010 HK$'000 (restated)
Net (decrease) increase in cash and cash equivalents	**(3,638,861)**	5,080,273
Cash and cash equivalents at the beginning of the year	**6,932,712**	1,662,692
Effect of foreign exchange rate changes	**196,717**	189,747
Cash and cash equivalents at the end of the year, represented by bank balances and cash	**3,490,568**	6,932,712

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

1. General

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its parent is Shanghai Industrial Holdings Limited ("SIHL") (incorporated in Hong Kong and listed on the Stock Exchange) and its ultimate holding company is Shanghai Industrial Investment (Holdings) Company Limited ("SIIC") (a private limited company also incorporated in Hong Kong).

The principle activities of the Group are property development and property investment in the PRC.

The consolidated financial statements are presented in Hong Kong dollars (HK$) as the Company is listed on the Stock Exchange, where most of its investors are located in Hong Kong. The functional currency of the Company is Renminbi ("RMB").

2. Merger Accounting and Restatements

The Group accounts for all its business combinations involving entities under common control under the principles of merger accounting. In current year, the Group acquired Silvery Champ Limited ("Silvery Champ") together with its subsidiaries, including Joy Century Investment Limited ("Joy Century"), 上海城開(集團)有限公司 ("SUD") and its subsidiaries (collectively with Silvery Champ as the "SUD Group") from its parent, SIHL, and accordingly, the Group has applied the principles of merger accounting to the acquisition.

Silvery Champ and Joy Century were incorporated on 19 January 2011 and 22 February 2011 respectively. SUD and its subsidiaries first came under common control with the Company when the Company was acquired by SIHL on 24 June 2010.

The consolidated statement of financial position of the Group as at 31 December 2010 has been restated to include the assets and liabilities of SUD Group as if they were within the Group on that date (see below for the financial impact). The consolidated statement of comprehensive income for the year ended 31 December 2010 have also been restated to include the results of SUD Group since SUD Group and the Group were under common control by SIHL from 24 June 2010 (see below for the financial impact). The consolidated statement of cash flows for the year ended 31 December 2010 has been restated to include the cash flows of SUD Group since SUD Group and the Group were under common control by SIHL from 24 June 2010.

Details of acquisition of SUD Group are disclosed in note 40.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

2. Merger Accounting and Restatements (continued)

The effects of the application of merger accounting on the consolidated statement of comprehensive income for the year ended 31 December 2010 are as follows:

	HK$'000 (originally stated)	Adjustments on merger accounting HK$'000 (note i)	HK$'000 (restated)
Revenue	4,110,291	770,844	4,881,135
Cost of sales	(3,476,750)	(558,957)	(4,035,707)
Gross profit	633,541	211,887	845,428
Other income	30,841	83,888	114,729
Other expenses, gains and losses	89,303	2,387	91,690
Fair value gain on investment properties	7,130	–	7,130
Allowance for inventories	(178,326)	–	(178,326)
Distribution and selling expenses	(401,945)	(44,881)	(446,826)
General and administrative expenses	(524,769)	(101,142)	(625,911)
Finance costs	(359,661)	(104,595)	(464,256)
Share of (losses) profits of associates	(3,244)	2,802	(442)
(Loss) profit before tax	(707,130)	50,346	(656,784)
Income tax	(128,778)	(32,597)	(161,375)
(Loss) profit for the year	(835,908)	17,749	(818,159)
Other comprehensive income (expense) for the year:			
Exchange difference on translation into presentation currency	160,954	430,488	591,442
Reclassification adjustment for realisation of revaluation gains transferred to profit or loss upon sale of completed properties held for sale	(17)	–	(17)
Other comprehensive income for the year	160,937	430,488	591,425
Total comprehensive (expense) income	(674,971)	448,237	(226,734)
(Loss) profit for the year attributable to:			
Owners of the Company	(749,649)	9,126	(740,523)
Non-controlling interests	(86,259)	8,623	(77,636)
	(835,908)	17,749	(818,159)
Total comprehensive (expense) income attributable to:			
Owners of the Company	(607,721)	208,915	(398,806)
Non-controlling interests	(67,250)	239,322	172,072
	(674,971)	448,237	(226,734)
(Loss) earnings per share			
Basic (HK cents)	(32.55)	11.06	(21.49)
Diluted (HK cents)	(32.55)	11.06	(21.49)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

2. Merger Accounting and Restatements (continued)

The effects of the application of merger accounting on the consolidated statement of financial position as at 31 December 2010 are summarised below:

	HK$'000 (originally stated)	Adjustments on merger accounting HK$'000 (note i)	HK$'000 (restated)
ASSETS			
Investment properties	3,003,575	2,217,504	5,221,079
Property, plant and equipment	857,660	39,534	897,194
Prepaid lease payments	88,195	4,681	92,876
Intangible assets	–	60,156	60,156
Interests in associates	330,401	27,266	357,667
Amount due from an associate	80,292	–	80,292
Available-for-sale investments	–	34,951	34,951
Restricted and pledged bank deposits	54,191	108,159	162,350
Deferred tax assets	–	9,465	9,465
Inventories	18,042,959	15,121,240	33,164,199
Trade and other receivables	702,770	1,508,094	2,210,864
Amounts due from related companies	–	114,579	114,579
Consideration receivable for disposal of assets	21,381	–	21,381
Prepaid income tax and land appreciation tax	362,895	119,317	482,212
Financial assets at fair value through profit or loss	–	12,640	12,640
Bank balances and cash	2,381,542	4,551,170	6,932,712
	25,925,861	23,928,756	49,854,617
LIABILITIES			
Trade and other payables	2,358,019	830,117	3,188,136
Amounts due to related companies	54,813	712,073	766,886
Consideration payables for acquisition of subsidiaries	350,262	–	350,262
Pre-sale proceeds received on sales of properties	8,417,661	1,414,119	9,831,780
Bank and other borrowings	2,107,119	7,240,582	9,347,701
Derivative financial instruments – warrants	16,600	–	16,600
Income tax and land appreciation tax payables	998,891	904,970	1,903,861
Dividend payable	6,423	–	6,423
Convertible loan notes	2,607	–	2,607
Senior notes	2,974,260	–	2,974,260
Deferred tax liabilities	996,924	1,278,291	2,275,215
	18,283,579	12,380,152	30,663,731
NET ASSETS	7,642,282	11,548,604	19,190,886
CAPITAL AND RESERVES			
Share capital and reserves	7,122,979	5,333,516	12,456,495
Non-controlling interests	519,303	6,215,088	6,734,391
	7,642,282	11,548,604	19,190,886

Note:

(i) The adjustments are to include the assets and liabilities of SUD and its subsidiaries as at 31 December 2010 and their relevant results during the period from 24 June 2010 to 31 December 2010.

Silvery Champ and Joy Century are newly set up after 1 January 2011. The application of merger accounting does not have any effect on the Group's equity as at 1 January 2010.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK(IFRIC) – Int 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

Except as described below, the application of these new and revised HKFRSs has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures sets out in these consolidated financial statements.

HKAS 24 Related Party Disclosures (as revised in 2009)

The application of HKAS 24 (as revised in 2009) has resulted in changes in related party disclosures on the following two aspects:

(a) The Group is a government-related entity as defined in HKAS 24 (as revised in 2009). HKAS 24 (as revised in 2009) provides a partial exemption from the disclosure requirements for government-related entities whilst the previous version of HKAS 24 did not contain specific exemption for government-related entities. Under HKAS 24 (as revised in 2009), the Group has been exempted from making the disclosures required by paragraph 18 of HKAS 24 (as revised in 2009) in relation to related party transactions and outstanding balances (including commitment) with (a) the government that has control, joint control or significant influence over the Group and (b) other entities that are controlled, jointly controlled, significantly influenced by the same government. Rather, in respect of these transactions and balances, HKAS 24 (as revised in 2009) requires the Group to disclose (a) the nature and amount of each individually significant transaction, and (b) a qualitative or quantitative indication of the extent of transactions that are collectively, but not individually, significant.

(b) In addition, HKAS 24 (as revised in 2009) has revised the definition of a related party.

HKAS 24 (as revised in 2009) requires retrospective application. The application of HKAS 24 (as revised in 2009) has had no effect on the amounts recognised or recorded in the consolidated financial statements for the current and prior years.

The application of the other new and revised HKFRSs in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosure set out in these consolidated financial statements.

3. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

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

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

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent reporting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

HKFRS 9 Financial Instruments (continued)

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Currently, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

The directors anticipate that HKFRS 9, which will be adopted in the Group's consolidated financial statements for financial year ending 31 December 2015. Based on an analysis of the Group's financial assets and financial liabilities as at 31 December 2011, the application of HKFRS 9 will affect the classification and measurement of the Group's available-for-sale investments but not on the Group's other financial assets and financial liabilities.

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below:

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and HK(SIC)-Int 12 *Consolidation – Special Purpose Entities*. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaced HKAS 31 Interests in Joint Venture and HK(SIC)-Int 13 *Joint Controlled Entities – Non-Monetary Contributions by Venturers*. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

3. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

New and revised standards on consolidation, joint arrangements, associates and disclosures (continued)

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The application of these five standards may have significant impact on amounts reported in the consolidated financial statements. However, the directors have not yet performed a detailed analysis of the impact of the application of these Standards and hence have not yet quantified the extent of the impact.

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 *Financial Instruments: Disclosures* will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new standard may affect the amounts reported in the consolidated financial statements, including investment properties, available-for-sale investments, financial assets at fair value through profit-or-loss and derivative financial instruments, and result in more extensive disclosures in the consolidated financial statements.

Amendments to HKFRS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

3. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

Amendments to HKAS 12 Deferred Tax – Recovery of Underling Assets

The amendments to HKAS 12 provide an exception to the general principles in HKAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Specifically, under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 *Investment Property* are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The amendments to HKAS 12 are effective for annual periods beginning on or after 1 January 2012. The directors anticipate that the application of the amendments to HKAS 12 in future reporting periods may result in adjustments to the amounts of deferred tax liabilities recognised in prior years regarding the Group's investment properties. However, the directors have not yet performed a detailed analysis of the impact of the application of the amendments and hence have not yet quantified the extent of the impact.

Except above, the directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the financial performance and financial position of the Group.

4. Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments and investment properties, which are measured at fair values as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies are set out below.

Basis of consolidation

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

4. Significant Accounting Policies (continued)

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance (effective from 1 January 2010 onwards).

Changes in the Group's ownership interests in existing subsidiaries

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

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiaries of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognizes the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any residual interest, with any resulting difference being recognise as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Merger Accounting for business combination involving entities under common control

Business combination involving entities under common control includes acquisition of subsidiaries/businesses controlled by SIHL.

The consolidated financial statements incorporate the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the end of previous reporting period or when they first came under common control, whichever is shorter.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

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

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

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

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

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

4. Significant Accounting Policies (continued)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

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

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

Property, plant and equipment

Property, plant and equipment including leasehold land (classified as finance leases) and buildings held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below) are stated, in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment, (other than properties under construction) less their residual values over their useful lives, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Intangible assets

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at fair value at the acquisition date (which is regards as their cost).

Subsequent to initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortization and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimate useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. In addition, intangible assets with indefinite useful lives are tested for impairment annually, and whenever there is an indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

4. Significant Accounting Policies (continued)

Inventories

Properties held for sale and properties under development held for sale

Properties held for sale and properties under development held for sale are stated at the lower of cost and net realisable value on an individual basis. Cost comprises the acquisition cost and other direct costs attributable to such properties.

Others

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

Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and the costs necessary to make the sale.

Transfer from inventories to investment properties carried at fair value

The Group transfers a property from inventories to investment property when there is a change of intention to hold the property to earn rentals or/and for capital appreciation rather than for sale in the ordinary course of business, which is evidenced by the commencement of an operating lease to another party. Any difference between the fair value of the property at the date of transfer and its previous carrying amount is recognised in profit or loss.

Leasing

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

The Group as lessor

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

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss ("FVTPL") are recognised immediately in profit or loss.

4. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets

The Group's financial assets are classified into one of the three categories including financial assets at FVTPL, loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments.

Financial assets at fair value through profit or loss

Financial assets at FVTPL include financial assets held for trading.

A financial asset is classified as held for trading if:

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

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from an associate and related companies, consideration receivables for disposal of assets, restricted and pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment on financial assets below).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

4. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Available-for-sale financial assets

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

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

Impairment of financial assets

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

For the loans and receivables, objective evidence of impairment could include:

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

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

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

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

4. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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

For financial assets measured at amortised cost, 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, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs. Equity instruments issued by the Group for acquisition of subsidiaries are recognised at fair value on the date of acquisition.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities including trade and other payables, dividend payables, amounts due to associates and related companies, consideration payables for acquisition of subsidiaries, bank and other borrowings and senior notes are subsequently measured at amortised cost, using the effective interest method.

Convertible loan notes

Convertible loan notes issued by the Group that contain both the liability and conversion option components are classified separately into respective items on initial recognition in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Convertible loan notes (continued)

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible loan notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the loan notes into equity, is included in equity (convertible loan notes equity reserve).

In subsequent periods, the liability component of the convertible loan notes is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible loan notes equity reserve until the embedded option is exercised. Where the option remains unexercised at the expiry date, the balance stated in convertible loan notes equity reserve will be released to the retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible loan notes using the effective interest method.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expires, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Retirement benefit costs

Payments to Mandatory Provident Fund Scheme (the "MPF Scheme") and defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

4. Significant Accounting Policies (continued)

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

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

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained earnings.

Taxation

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2011

4. Significant Accounting Policies (continued)

Taxation (continued)

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively. Where current tax on deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Specifically, revenue from sales of properties in the ordinary course of business is recognised when the respective properties have been completed and delivered to the buyers. Deposits and instalments received from purchasers prior to meeting the above criteria for revenue recognition are included in the consolidated statement of financial position under current liabilities.

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

Revenue from hotel operations which includes room rental, food and beverage sales and other ancillary services is recognised when the services are rendered.

Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

4. Significant Accounting Policies (continued)

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchanges prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group are translated into the presentation currency of the Company (i.e. Hong Kong dollars ("HK$")) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve (attributable to the non-controlling interests as appropriate).

5. Key Sources of Estimates

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

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

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

Impairment of trade and other receivables

The Group estimates impairment losses for trade and other receivables, consideration receivable for disposal of assets and amount due from an associate and related companies resulting from the inability of the debtors to make the required payments. The Group bases the estimates on the aging of the trade and other receivables balance, debtor credit-worthiness, and historical write-off experience. If the financial condition of the debtors were to deteriorate, actual write-offs would be higher than estimated.

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2011, the carrying amount of trade and other receivables, consideration receivable for disposal of assets and amounts due from an associate and related companies are HK$1,141,248,000 (2010: HK$2,427,116,000 (restated)).

People's Republic of China ("PRC") Land Appreciation Tax

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

The Group is subject to LAT in the PRC which has been included in income tax of the Group. However, the Group has not finalised its land appreciation tax returns with the tax authorities for certain of its property development projects. Accordingly, significant judgement is required in determining the amount of land appreciation and its related taxes. The ultimate tax determination is uncertain during the ordinary course of business. The Group recognises these liabilities based on management's best estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made. As at 31 December 2011, the carrying amount of LAT provision is HK$1,392,831,000 (31.12.2010: HK$1,154,297,000 (restated)).

5. Key Sources of Estimates (continued)

Write-down of properties under development and properties held for sale

The Group's properties under development and properties held for sale are stated at the lower of cost and net realisable value. Based on the Group's recent experience and the nature of the subject properties, the Group makes estimates of the selling prices, the costs of completion in case for properties under development, and the costs to be incurred in selling the properties based on prevailing market conditions.

If there is an increase in costs to completion or a decrease in net sales value, the net realisable value will decrease and this may result in write-down of properties under development and completed properties held for sale. Such write-down requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying amount and write-down of properties in the periods in which such estimate is changed will be adjusted accordingly.

In addition, given the volatility of the PRC property market and the unique nature of individual properties, the actual outcomes in terms of costs and revenue may be higher or lower than estimated at the end of the reporting period. Any increase or decrease in the write-down of properties would affect profit or loss in future years. As at 31 December 2011, the carrying amount of properties under development and properties held for sales are HK$35,244,688,000 (31.12.2010: HK$29,413,252,000 (restated)) and HK$4,264,990,000 (31.12.2010: HK$3,746,011,000 (restated)), respectively.

Recognition and allocation of construction cost on properties under development

Development costs of properties are recorded as properties under development during the construction stage and will be transferred to profit or loss upon the recognition of the sale of the properties. Before the final settlement of the development costs and other costs relating to the sale of the properties, these costs are accrued by the Group based on management's best estimate.

When developing properties, the Group typically divides the development projects into phases. Specific costs directly related to the development of a phase are recorded as the cost of such phase. Costs that are common to phases are allocated to individual phases based on the estimated cost of each phase as a percentage of the total estimated cost of the entire project, or if the above is not practicable, the common costs are allocated to individual phases based on saleable area or estimated selling price.

Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect the profit or loss in future years.

As at 31 December 2011, the carrying amount of properties under development and properties held for sales are HK$35,244,688,000 (31.12.2010: HK$29,413,252,000 (restated)) and HK$4,264,990,000 (31.12.2010: HK$3,746,011,000 (restated)), respectively.

5. KEY SOURCES OF ESTIMATES (continued)

Impairment for property, plant and equipment

If circumstances indicate that the carrying amounts of property, plant and equipment may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised. The carrying amounts of property, plant and equipment are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The recoverable amount is the greater of the fair value less cost to sale and the value in use. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to the level of selling price and the amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of selling price and the amount of operating costs. Changes in these estimates could have a significant impact on the carrying amount of the assets and could result in additional impairment charge or reversal of impairment in future periods. As at 31 December 2011, the carrying amount of property, plant and equipment is HK$1,182,210,000 (31.12.2010: HK$897,194,000 (restated)).

Estimation of fair value of investment properties

The valuations of investment properties were arrived at by reference to comparable sales transactions available in the relevant market or by reference to net rental income allowing revisionary income potential prices for similar properties in the similar locations and conditions, where appropriate.

For investment properties that fair value is assessed by reference to comparable sales transaction, which mainly being those investment properties held for capital appreciation or currently without an existing lease contract, if the current prices in an active market for similar properties are not available for the purpose of estimation of fair value of investment properties, the Group considers information from a variety of sources, including:

(a) Current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;

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

The carrying amount of investment properties at 31 December 2011 was approximately HK$6,168,963,000 (31.12.2010: HK$5,221,079,000 (restated)). Notwithstanding that the management employs independent professionally qualified valuers to perform fair value assessments based on these assumptions, the fair value of these investment properties may be higher or lower depending on the future market conditions.

6. Revenue and Segment Information

Revenue represents the net amounts received and receivable for goods sold by the Group in the normal course of business to outside customers, net of sales related taxes for the year. The Group is engaged in the property development, property investment activities, property management and hotel operation.

Information reported to the executive directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of performance focuses only on revenue analysis. As no other discrete financial information is available for the assessment of different business activities, no segment information is presented other than entity-wide disclosures.

Entity-wide disclosures

Revenue from major business services

The following is an analysis of the Group's revenue from its major business services:

	2011 **HK$'000**	2010 HK$'000 (restated)
Revenue from sales of properties	**3,997,663**	4,686,094
Rental income from leasing of properties	**234,571**	90,004
Property management service income	**77,759**	45,403
Revenue from hotel operations	**123,483**	59,634
	4,433,476	4,881,135

Geographical information

The Group's operations are located in the PRC. All revenue and non-current assets of the Group are generated from and located in the PRC. No revenue from a single customer or a group of customers under common control contributed 10% or more of the Group's revenue for the years ended 31 December 2011 and 2010.

7(a). Other Income

	2011 **HK$'000**	2010 HK$'000 (restated)
Government unconditional subsidies (note)	**34,077**	16,186
Interest income on bank deposits	**63,092**	26,833
Other interest income	**11,690**	40,887
Rental income from property, plant and equipment	**14,644**	13,046
Dividend income from available-for-sale investments	**1,580**	–
Others	**57,109**	17,777
	182,192	114,729

Note: The government subsidies mainly represent business and other taxes refund from local tax authorities.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

7(b). Other Expenses, Gains and Losses

	2011 HK$'000	2010 HK$'000 (restated)
Exchange gain on senior notes	**134,194**	102,026
Exchange gain on interest on other borrowing from SIHL Finance Limited	**44,070**	–
Other net exchange (loss) gain	**(17,558)**	20,071
Costs associated with acquisition of subsidiaries	**(58,856)**	–
Costs associated with change in terms of senior notes	**(42,102)**	–
Change in fair values of derivative financial instruments	**16,597**	12,400
Change in fair values of financial assets at FVTPL	**625**	2,387
Loss on disposal of available-for-sale investments	**(41)**	–
Compensation to customers in respect of late delivery of properties	**(132,832)**	(42,031)
Loss on disposal of property, plant and equipment	**(53)**	(73)
Loss on disposal of a subsidiary (note 41)	**(38,512)**	–
Gain on disposal of an associate	**1,872**	–
Loss on redemption of convertible loan notes	**–**	(3,163)
Settlement of litigation loss	**(44,267)**	–
Others	**(2,506)**	73
	(139,369)	91,690

8. Finance Costs

	2011 HK$'000	2010 HK$'000 (restated)
Interest on:		
Bank and other borrowings wholly repayable within five years	**758,738**	461,817
Bank and other borrowings not wholly repayable within five years	**67,817**	78,951
Convertible loan notes	**107**	4,634
Senior notes	**339,419**	335,657
Total borrowing costs	**1,166,081**	881,059
Less: amount capitalised under properties under development	**(493,023)**	(416,803)
	673,058	464,256

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 10.9% (2010: 10.8%) per annum to expenditure on qualifying assets.

9. Loss for the Year

	2011 HK$'000	2010 HK$'000 (restated)
Loss for the year has been arrived at after charging (crediting):		
Depreciation on property, plant and equipment	60,240	47,708
Less: depreciation capitalised into properties under development	(5,032)	(2,695)
	55,208	45,013
Amortisation of prepaid lease payments	2,545	2,477
Auditors' remuneration	5,601	4,599
Gross rental income from investment properties (note)	(234,571)	(90,004)
Less: operating expenses	11,807	9,291
	(222,764)	(80,713)
Directors' remuneration (note 11)	46,927	50,203
Other staff costs		
Retirement benefit scheme contributions	22,130	13,709
Equity-settled share-based payment expenses	15,765	37,349
Salaries, wages and other benefits	184,541	149,391
Total staff costs	269,363	250,652
Less: staff costs capitalised into properties under development	(92,554)	(29,781)
	176,809	220,871
Cost of properties held for sale recognised as an expense	3,098,545	3,924,107
Cost of inventories for hotel operations recognised as an expense	17,694	10,592
Share of tax of associates (included in share of results of associates)	1,076	1,017

Note: Including contingent rental income of nil (2010: HK$8,327,000) from investment properties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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10. INCOME TAX

	2011 HK$'000	2010 HK$'000 (restated)
Current tax:		
PRC enterprise income tax ("EIT")	**400,262**	92,412
PRC land appreciation tax ("LAT")	**301,265**	160,661
	701,527	253,073
Under (over) provision in prior years:		
PRC EIT	**23,589**	26,458
PRC LAT	**–**	(74,878)
	23,589	(48,420)
Deferred tax (note 32)	**(130,564)**	(43,278)
	594,552	161,375

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

Under the Provisional Regulations of LAT (《中華人民共和國土地增值稅暫行條例》) effective on 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT (《中華人民共和國土地增值稅暫行條例實施細則》) effective from 27 January 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, being the proceeds of sales of properties less deductible expenditures including borrowing costs and property development expenditures in relation to the gains arising from sales of properties in the PRC effective from 1 January 2004, with an exemption provided for property sales of ordinary residential properties (普通標準住宅) if their appreciation values do not exceed 20% of the sum of the total deductible items.

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

Pursuant to the rules and regulations of Bermuda and the British Virgin Islands, the Group is not subject to any income tax in Bermuda and the British Virgin Islands in respect of the year ended 31 December 2011 (2010: Nil).

10. INCOME TAX (continued)

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

	2011 HK$'000	2010 HK$'000 (restated)
Profit (loss) before tax	**166,442**	(656,784)
Tax at PRC EIT rate of 25%	**41,611**	(164,196)
Tax effect of share of losses of associates	**74**	111
Tax effect of expenses not deductible for tax purposes	**48,753**	147,155
Tax effect of income not taxable for tax purposes	**(47,497)**	(42,084)
Tax effect of tax losses not recognised	**205,830**	120,699
Utilisation of tax losses previously not recognised	**(8,771)**	(31,491)
Tax effect of deductible temporary differences not recognised	**53,798**	24,561
Provision for LAT for the year	**301,265**	160,661
Overprovision of LAT in prior years	**–**	(74,878)
Tax effect of LAT deductible for PRC EIT	**(75,316)**	(21,446)
Over provision of EIT in prior years	**23,589**	26,458
Effect of different tax rates of subsidiaries operating in other jurisdictions	**47,719**	19,309
Deferred tax charge on dividend withholding tax	**5,258**	–
Others	**(1,761)**	(3,484)
Income tax for the year	**594,552**	161,375

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For the year ended 31 December 2011

11. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the 11 (2010: 21) directors were as follows:

For the year ended 31 December 2011

		Other emoluments			
	Fees HK$'000	Salaries and other benefits HK$'000	Retirement benefit scheme contributions HK$'000	Share-based payments HK$'000 (note i)	Total emoluments HK$'000
Executive director:					
Cai Yu Tian	–	–	–	4,055	4,055
Chen An Min	–	5,710	–	3,154	8,864
Jia Bo Wei	–	2,874	–	3,154	6,028
Ni Jian Da	–	6,560	–	3,604	10,164
Qian Shi Zheng	–	–	–	3,154	3,154
Yang Biao	–	5,030	–	3,154	8,184
Zhou Jun	–	–	–	3,154	3,154
Independent non-executive director:					
Doo Wai Hoi, William	380	–	–	451	831
Fan Ren Da, Anthony	380	–	–	451	831
Li Kai Fai, David	380	–	–	451	831
Wong Ying Ho, Kennedy	380	–	–	451	831
Total	1,520	20,174	–	25,233	46,927

11. Directors' Emoluments (continued)

For the year ended 31 December 2010 (restated)

		Other emoluments			
	Fees HK$'000	Salaries and other benefits HK$'000	Retirement benefit scheme contributions HK$'000	Share-based payments HK$'000 (note i)	Total emoluments HK$'000
Executive director:					
Liu Yi (note ii)	–	1,795	–	–	1,795
Niu Xiao Rong (note ii)	–	1,860	–	–	1,860
Yuan Kun (note ii)	–	1,980	–	–	1,980
Liu Yan (note ii)	–	1,556	–	–	1,556
Jia Bo Wei	–	2,835	–	4,002	6,837
Bao Jing Tao (note ii)	–	693	–	–	693
Lam Kwan Sing (note ii)	–	1,505	8	–	1,513
Cai Yu Tian (note iii)	–	–	–	5,145	5,145
Chen An Min (note iii)	–	1,602	–	4,002	5,604
Ni Jian Da (note iii)	–	1,899	–	4,574	6,473
Qian Shi Zheng (note iii)	–	–	–	4,002	4,002
Yang Biao (note iii)	–	1,693	–	4,002	5,695
Zhou Jun (note iii)	–	–	–	4,002	4,002
Non-executive directors:					
Lai Leong (note ii)	–	–	–	–	–
Independent non-executive director:					
Doo Wai Hoi, William (note iii)	190	–	–	572	762
Fan Ren Da, Anthony (note iii)	190	–	–	572	762
Li Kai Fai, David (note iii)	190	–	–	572	762
Wong Ying Ho, Kennedy (note iii)	190	–	–	572	762
Nie Mei Sheng (note ii)	–	–	–	–	–
Gao Ling (note ii)	–	–	–	–	–
Zhang Qing Lin (note iv)	–	–	–	–	–
Total	760	17,418	8	32,017	50,203

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For the year ended 31 December 2011

11. DIRECTORS' EMOLUMENTS (continued)

Notes:

i. Share-based payments represent the fair value of share options granted to the directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payments.

   Details of share options granted to directors and other employees, including the principal terms and number of options granted, are set out in note 37.

ii. These directors, except for Bao Jing Tao, resigned on 26 July 2010. Bao Jing Tao resigned on 27 July 2010 as director.

iii. These directors were appointed on 5 July 2010.

iv. The director passed away on 19 February 2010.

During the years ended 31 December 2011 and 2010, no emoluments have been paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during the year (2010: nil).

12. EMPLOYEES' EMOLUMENTS

The five highest paid individuals in the Group in 2010 were all directors of the Company and details of their emoluments are included in note 11.

Of the five individuals with the highest emoluments in the Group, for the year ended 31 December 2011, three were directors of the Company whose emoluments are included in the disclosures in note 11. The emoluments of the remaining two (2010: nil) individuals are as follows:

	2011 **HK$'000**	2010 HK$'000 (restated)
Salaries and other benefits	**9,944**	–
Share-based payments	**5,406**	–
Contributions to retirement benefits schemes	**–**	–
	15,350	–

Their emoluments were both within the HK$7,500,001 to HK$8,000,000 band.

13. Employee Retirement Benefits

The Group operates a MPF Scheme for those employees who are eligible to participate in the MPF Scheme in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of the employee's relevant income to the MPF Scheme subject to a cap to monthly relevant income of HK$20,000, which contribution is matched by employees.

Pursuant to the relevant labour rules and regulations in the PRC, the Group participates in defined contribution retirement schemes (the "Schemes") organised by the relevant local government authorities whereby the Group is required to make contributions to the Schemes at rates ranging from 18% to 22% of the eligible employees' salaries. The local government authorities are responsible for the entire pension obligations payable to retired employees.

The Group has no other obligation for the payment of post-retirement benefits beyond the contributions described above.

14. Loss Per Share

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	2011 **HK$'000**	2010 HK$'000 (restated)
Losses		
Loss for the purposes of basic and diluted loss per share:		
Loss for the year attributable to owners of the Company	**(477,650)**	(740,523)

	2011 **'000**	2010 '000 (restated)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**4,811,523**	3,445,321

For the purpose of calculating loss per share for all periods prior to the acquisition of the SUD Group, the 2,182,191,000 ordinary shares issued pursuant to the acquisition, which is accounted for using merger accounting, are included in the calculation of the weighted average number of shares for all periods presented from the date when the Group and SUD Group were under common control by SIHL, which is 24 June 2010.

The computation of diluted loss per share does not assume:

(i) the conversion of the Company's outstanding convertible loan notes since their exercise would result in a decrease in loss per share for the years ended 31 December 2011 and 2010; and

(ii) the exercise of the Company's options/warrants because the exercise price of these options/warrants was higher than the average market price for the years ended 31 December 2011 and 2010.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

15. INVESTMENT PROPERTIES

	2011 **HK$'000**	2010 HK$'000 (restated)
FAIR VALUE		
At 1 January	**5,221,079**	2,949,328
Subsequent expenditures	**4,975**	–
Acquisitions of subsidiaries arising from merger accounting (note 40)	**–**	2,135,393
Transfer from inventories	**352,402**	–
Fair value gain on investment properties	**453,791**	7,130
Disposals	**(116,575)**	(54,334)
Exchange realignment	**253,291**	183,562
At 31 December	**6,168,963**	5,221,079

During the year ended 31 December 2011, inventories with carrying amount of approximately HK$200,190,000 were transferred to investment properties as the management had changed the intention use of the properties upon entering into various operating leases with tenants. The properties were fair-valued by external valuers, DTZ Debenham Tie Leung Limited ("DTZ"), at the date of transfer by reference to net rental income allowing for reversionary income potential. The resulting increase in fair value of approximately HK$152,212,000 has been recognised directly in profit or loss.

The fair value of the Group's investment properties at 31 December 2011 have been arrived at on the basis of a valuation carried out on that date by DTZ, an independent qualified professional valuers not connected with the Group. DTZ is a member of the institute of valuer and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuations were arrived at by reference to comparable sales transactions available in the relevant market or by reference to net rental income allowing revisionary income potential prices for similar properties in the similar locations and conditions, where appropriate.

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

During the year, the Group disposed of certain investment properties, for cash proceeds of HK$116,575,000 (2010: HK$54,334,000 (restated)).

The carrying value of investment properties shown above comprises:

	31.12.2011 **HK$'000**	31.12.2010 HK$'000 (restated)	1.1.2010 HK$'000
Land in PRC			
Medium-term lease	**6,168,963**	5,221,079	2,949,328

Notes to the Consolidated Financial Statements

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16. Property, Plant and Equipment

	Hotel buildings and improvements HK$'000	Hotel furniture and equipment HK$'000	Other leasehold land and buildings HK$'000	Plant and machinery HK$'000	Leasehold improvements HK$'000	Other furniture and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
COST									
At 1 January 2010	470,645	19,380	–	–	3,372	23,355	46,248	263,029	826,029
Additions	5,351	10,904	–	–	980	3,521	4,343	111,174	136,273
Disposals	–	–	(545)	–	(677)	(1,763)	(1,114)	–	(4,099)
Acquisition of subsidiaries arising from merger accounting (note 40)	–	–	9,899	10,010	24,016	23,869	36,142	–	103,936
Transfer upon completion	40,360	40,995	–	–	–	–	–	(81,355)	–
Transfer from assets classified as held for sale	–	–	–	–	–	730	637	–	1,367
Exchange realignment	8,964	10,238	371	385	983	1,626	2,780	8,563	33,910
At 31 December 2010 and 1 January 2011 (restated)	525,320	81,517	9,725	10,395	28,674	51,338	89,036	301,411	1,097,416
Additions	536	527	–	–	10,443	16,274	6,267	107,656	141,703
Disposals	(75)	(7)	(9,927)	(3,123)	(4,208)	(1,530)	(6,967)	–	(25,837)
Disposal of a subsidiary	–	–	–	–	(1,804)	(840)	(1,573)	–	(4,217)
Transfer upon completion	81,970	–	–	–	–	–	–	(81,970)	–
Transfer from inventories	–	–	167,454	–	–	–	–	–	167,454
Exchange realignment	26,201	3,775	4,186	395	1,295	2,440	3,592	13,439	55,323
At 31 December 2011	633,952	85,812	171,438	7,667	34,400	67,682	90,355	340,536	1,431,842
DEPRECIATION									
At 1 January 2010	44,486	2,026	–	–	2,096	15,063	21,996	–	85,667
Provided for the year	24,736	5,782	43	136	1,356	5,966	9,689	–	47,708
Eliminated on disposal	–	–	(176)	–	(677)	(1,232)	(1,023)	–	(3,108)
Acquisition of subsidiaries arising from merger accounting (note 40)	–	–	2,635	4,998	22,742	13,803	19,420	–	63,598
Transfer from assets classified as held for sale	–	–	–	–	–	234	212	–	446
Exchange realignment	906	1,227	99	194	950	1,016	1,519	–	5,911
At 31 December 2010 and 1 January 2011 (restated)	70,128	9,035	2,601	5,328	26,467	34,850	51,813	–	200,222
Provided for the year	27,476	8,681	1,317	298	2,293	8,921	11,254	–	60,240
Eliminated on disposals	(24)	(2)	(2,655)	(2,779)	(4,208)	(1,319)	(5,941)	–	(16,928)
Disposal of a subsidiary	–	–	–	–	(1,804)	(510)	(1,258)	–	(3,572)
Exchange realignment	4,028	598	69	181	1,062	1,539	2,193	–	9,670
At 31 December 2011	101,608	18,312	1,332	3,028	23,810	43,481	58,061	–	249,632
CARRYING VALUES									
At 31 December 2011	532,344	67,500	170,106	4,639	10,590	24,201	32,294	340,536	1,182,210
At 31 December 2010 (restated)	455,192	72,482	7,124	5,067	2,207	16,488	37,223	301,411	897,194
At 1 January 2010	426,159	17,354	–	–	1,276	8,292	24,252	263,029	740,362

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16. Property, Plant and Equipment (continued)

The above property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis at the following rates per annum:

Hotel buildings and improvements	25 years
Hotel furniture and equipment	5–15 years
Other leasehold land and buildings	Over the lease term
Plant and machinery	5–20 years
Leasehold improvements	5 years
Other furniture and equipment	3–5 years
Motor vehicles	5–8 years

The Group has pledged interest in leasehold land held for own use under operating leases and hotel buildings and improvements to secure general banking facilities granted to the Group, details of which are set out in note 33.

Except for the buildings of HK$170,106,000 (2010: nil) are erected on land in the PRC under long lease, the Group's remaining buildings are erected on land held under medium-term land use rights in the PRC.

17. Prepaid Lease Payments

	31.12.2011 HK$'000	31.12.2010 HK$'000 (restated)	1.1.2010 HK$'000
Medium-term leasehold land in PRC analysed for reporting purposes as:			
Current asset	**2,545**	2,498	2,300
Non-current asset	**94,031**	90,378	85,238
	96,576	92,876	87,538

18. Intangible Assets

	Trademark HK$'000
COST	
At 1 January 2010	–
Acquisition of subsidiaries arising from merger accounting (note 40)	57,928
Exchange realignment	2,228
At 31 December 2010 and 1 January 2011 (restated)	60,156
Exchange realignment	2,714
At 31 December 2011	62,870

18. Intangible Assets (continued)

Intangible assets of the Group represent trademarks acquired, which have legal life of 10 years from September 2001 to September 2011 but are renewable upon expiry. During the year, the trademarks were renewed for 10 years to September 2021. The directors of the Company are of the opinion that the Group would renew the trademarks continuously and has the ability to do so at minimal cost. Various studies including product life cycle studies, market, competitive and environment trends, and brand extension opportunities have been performed by management of the Group, which supports that the trademarks have no foreseeable limit to the period over which the trademarked products are expected to generate net cash flows for the Group.

As a result, the trademarks are considered by the management of the Group as having an indefinite useful life because they are expected to contribute to net cash inflows indefinitely. The trademarks will not be amortised until their useful lives are determined to be finite. Instead they will be tested for impairment annually and whenever there is an indication that it may be impaired.

For the purpose of impairment testing, trademarks with indefinite useful life set out above have been allocated to cash generating unit ("CGU") of property development and investment. During the year ended 31 December 2011, management of the Group determines that there is no impairment (2010: Nil) of the CGU containing trademarks by reference to the recoverable amount of CGU, which has been determined based on a value in use calculation.

19. Interests in Associates

	31.12.2011 HK$'000	31.12.2010 HK$'000 (restated)	1.1.2010 HK$'000
Unlisted shares, at cost less impairment loss recognised	**1,592,881**	347,297	330,170
Share of post-acquisition profits and other comprehensive income, net of dividends received	**(4,810)**	10,370	(1,790)
	1,588,071	357,667	328,380

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19. Interests in Associates (continued)

The following list contains only the particulars of associates, which are unlisted corporates, in the opinion of the directors of the Company, principally affected the results or assets of the Group:

Name of associate	Form of entity	Place of incorporation/ registration and operation	Issued and fully paid share capital/ registration capital	Proportion of ownership interest: Group's effective interest 31.12.2011	Group's effective interest 31.12.2010 (restated)	Held by subsidiary 31.12.2011	Held by subsidiary 31.12.2010 (restated)	Principal activity
天津市億嘉合置業有限公司 ("Tianjin Yijiahe") (note (a))	Limited company	The PRC	RMB38,000,000	**40.0%**	40.0%	**40.0%**	40.0%	Property development
上海城開派特金屬有限公司 ("Shanghai Paite") (note (b))	Limited company	The PRC	RMB20,000,000	**–**	27.1%	**–**	45.9%	Trading of precious metals
上海城開房地產經紀有限公司	Sino-foreign joint venture	The PRC	RMB20,000,000	**28.9%**	28.9%	**49.0%**	49.0%	Provision of property agency services
上海城大水處理科技有限公司	Limited company	The PRC	RMB1,000,000	**14.8%**	14.8%	**25.0%**	25.0%	Provision of water sewage
上海莘天置業有限公司 ("Shanghai Shentian") (note (c))	Sino-foreign joint venture	The PRC	RMB2,850,000,000	**20.7%**	–	**35.0%**	–	Property development

Note:

(a) The Group agreed to pledge of the Group's shareholdings in Tianjin Yijiahe after the disposal in 2009 of 40% interest of Tianjin Yijiahe to Wukuang Zhiye Company ("Wukuang"), the major shareholder of Tianjin Yijiahe in 2009, who owns 60% of the equity interest in Tianjin Yijiahe, as security for any possible breach of the responsibilities of the Group under the supplemental agreement in relation to the disposal. The main responsibilities of the Group are as follows:

(i) The Group is responsible for undertaking the preliminary development works of the property development project in respect of the piece of land situated at Tianjin Beichen Qu Yi Xing Bu Project (the "Project") including demolishment and re-settlement and obtaining planning approval and land clearance;

(ii) Wukuang is responsible for contributing a total amount of funds of RMB1,584,000,000 (equivalent to approximately HK$1,953,000,000) ("Wukuang's Contribution") for the demolishment and re-settlement expenses of the land lot nos. 7 and 8 with a gross construction area of 800,000 square meters of the land of the Project, whilst the Group is responsible for payment of any excess amount of the actual amount of the demolishment and re-settlement expenses over Wukuang's Contribution; and

(iii) In the event that there is any change in the shareholding of the Project, the affected outgoing shareholder shall provide complete and full disclosure to the new shareholder of the Project of all relevant matters and legal documents, and agreed terms of co-operation among the parties with respect to the Project.

(b) Shanghai Paite was disposed of to an independent third party in 2011 for a consideration of approximately HK$5,527,000, resulting a gain on disposal of HK$1,827,000.

(c) Shanghai Shentian is newly set up in 2011.

19. Interests in Associates (continued)

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

	31.12.2011 HK$'000	31.12.2010 HK$'000 (restated)	1.1.2010 HK$'000
Total assets	5,562,208	1,791,413	1,466,818
Total liabilities	(1,956,083)	(1,680,359)	(1,391,675)
Net assets	3,606,125	111,054	75,143
Group's share of net assets of associates	1,270,684	48,990	30,057
Add: land premium paid upon acquisition	317,387	308,677	298,323
	1,588,071	357,667	328,380

	2011 HK$'000	2010 HK$'000 (restated)
Revenue	46,320	1,974
Loss for the year	(2,191)	(3,432)
Group's share of losses of associates for the year	(297)	(442)

20. Amounts Due From (to) Associates

The amount due from an associate is non-trade in nature, unsecured, interest free and repayable on demand. The directors of the Company consider that the amount will not be repaid within twelve months. Accordingly, the amount due from an associate is classified as non-current assets as at 31 December 2011 and 2010.

The amounts due to associates are trade in nature, unsecured, interest free and have an average credit period of 30 days.

21. Available-for-Sale Investments

	31.12.2011 HK$'000	31.12.2010 HK$'000 (restated)	1.1.2010 HK$'000
Unlisted equity securities	37,761	34,951	–

The above unlisted equity investments represent investments in unlisted equity securities issued by private entities incorporated in the PRC. They are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

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22. RESTRICTED AND PLEDGED BANK DEPOSITS

Included in restricted bank deposits an amount of approximately HK$80,322,000 at 31 December 2011 (31.12.2010: HK$76,474,000 (restated)) represent deposits under restriction for use by the Group as a result of a commercial court case of a non-controlling shareholder of a subsidiary and the bank deposits were frozen accordingly. The restricted bank deposits carry variable interest at a rate of 0.5% per annum as at 31 December 2011 (31.12.2010: 0.4% (restated)) respectively. As the deposits are frozen and are not expected to be released within one year, the restricted deposits are classified as non-current.

The Group has entered into agreements with certain banks with respect to mortgage loans provided to the buyers of the Group's property units. The Group made deposits as security for the settlement of the mortgage instalments by the mortgagors under these agreements. Should the mortgagors fail to pay the mortgage instalments, the banks can draw down the security deposits up to the amount of outstanding mortgage instalments and demand the Group to pay the outstanding balance to the extent that the deposit balance is insufficient. These pledged bank deposits amounting to HK$41,297,000 at 31 December 2011 (31.12.2010: HK$49,286,000 (restated)) will be released when the property title deeds are pledged to banks as security for respective mortgage loans, which generally take place within one year after the property title deeds are passed to the buyers. Thus, the above restricted bank deposits are not expected to be released within one year and carry variable interest rate of 0.5% per annum pledged at 31 December 2011 (31.12.2010: 2.3% to 4.6% (restated)), which will usually take place after two to three years from the mortgage loans were drawn.

Pledged bank deposits with maturity of less than six months represent deposits pledged to banks to secure general banking facilities granted to the Group. Deposits amounting to HK$24,521,000 (31.12.2010: HK$36,590,000 (restated)) have been pledged to secure general banking facilities as at 31 December 2011, and are therefore classified as current assets. The pledged bank deposits carry interest at fixed interest rates ranging from 2.9% to 3.3% per annum (31.12.2010: 2.3% to 2.8% (restated)). The pledged bank deposits will be released upon the settlement of relevant bank borrowings.

23. INVENTORIES

	31.12.2011 HK$'000	31.12.2010 HK$'000 (restated)	1.1.2010 HK$'000
Property development			
Properties under development	**35,244,688**	29,413,252	13,677,143
Properties held for sale	**4,264,990**	3,746,011	780,952
	39,509,678	33,159,263	14,458,095
Hotel operations			
Food and beverage and others	**8,092**	4,936	3,960
	39,517,770	33,164,199	14,462,055

All of the properties under development and completed properties held for sale are located in the PRC.

At 31 December 2011, properties under development of approximately HK$3,162,344,000 (31.12.2010: HK$3,423,909,000) and properties held for sale of approximately HK$433,601,000 (31.12.2010: HK$212,000,000) were carried at net realisable value.

As at 31 December 2011, property under development of HK$16,520,602,000 (31.12.2010: HK$10,430,836,000 (restated)) are not expected to be realised within one year.

24. Trade and Other Receivables

	31.12.2011 HK$'000	31.12.2010 HK$'000 (restated)	1.1.2010 HK$'000
Trade receivables	35,718	15,179	39,495
Less: allowance for doubtful debts	(822)	(787)	–
	34,896	14,392	39,495
Loan receivables	–	–	412,626
Other receivables	162,112	187,159	60,811
Advance payments to contractors	55,619	78,937	42,377
Sales commission deposits	105,208	156,302	155,354
Prepaid other taxes	438,655	480,101	441,461
Advance to the vendor of an investment project in the PRC (note (a))	–	436,424	–
Guarantee deposits for land auction in the PRC (note (b))	–	796,257	–
Other deposits and prepayments	34,431	61,292	44,428
	830,921	2,210,864	1,196,552

Notes:

(a) The amount was advanced to the vendor of an investment project in the PRC, which was secured by the equity interests of the vendor held in the investment project, and interest-bearing at a fixed rate of 8.0% per annum as at 31 December 2010. The amount was fully settled in 2011.

(b) The amounts represented guarantee deposits paid for land auction in the PRC. The amount was fully refunded in 2011.

The Group allows an average credit period of 90 days to its corporate hotel customers and generally grants no credit period to property buyers and tenants. The following is an aged analysis of trade receivables, mainly included outstanding corporate hotel customers' receivables and management fees billed to tenants, net of allowance for doubtful debts, presented based on the date of billing at the end of the reporting period.

	31.12.2011 HK$'000	31.12.2010 HK$'000 (restated)	1.1.2010 HK$'000
Within 0–90 days	26,577	7,536	16,442
Within 91–180 days	475	–	6,284
Over 180 days	7,844	6,856	16,769
	34,896	14,392	39,495

Majority of the trade receivables that are neither past due nor impair has no default payment history.

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24. TRADE AND OTHER RECEIVABLES (continued)

Ageing of trade receivables which are past due but not impaired

	31.12.2011 HK$'000	31.12.2010 HK$'000 (restated)	1.1.2010 HK$'000
Within 91–180 days	**475**	–	6,284
Over 180 days	**7,844**	6,856	16,769
	8,319	6,856	23,053

Trade receivables that were past due but not provided for impairment loss relate to a number of independent customers. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Movement in the allowance of doubtful debts

	31.12.2011 HK$'000	31.12.2010 HK$'000 (restated)
At 1 January	**787**	–
Acquisition of subsidiaries	**–**	693
Exchange realignment	**35**	94
At 31 December	**822**	787

Included in allowance of doubtful debts are individually impairment trade receivables with an aggregate balance of HK$822,000 (31.12.2010: HK$787,000 (restated)) which have been outstanding for more than 365 days.

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31.12.2011 HK$'000	31.12.2010 HK$'000 (restated)	1.1.2010 HK$'000
Investment held-for-trading			
Equity securities listed outside Hong Kong	**14,638**	12,640	–

The fair value measurement of the investments held-for-trading are derived from quoted market bid prices (unadjusted) in active market for identical assets.

26. Consideration Receivables for Disposal of Assets

	31.12.2011 HK$'000	31.12.2010 HK$'000 (restated)	1.1.2010 HK$'000
Consideration receivables for disposal of:			
An investment property	**22,007**	21,381	21,232
An associate	**–**	–	513,000
Subsidiaries	**–**	–	836,154
	22,007	21,381	1,370,386

At 31 December 2011, the amount is unsecured, interest-free and overdue for more than two years. Based on management assessment, no impairment allowance is necessary of the balance as there has not been a significant change in credit quality and the balance is still considered fully recoverable.

27. Bank Balances and Cash

Bank balances carry interest at market rates which range from 0.0% to 0.5% (31.12.2010: 0.0% to 0.4%) per annum.

28. Trade and Other Payables

	31.12.2011 HK$'000	31.12.2010 HK$'000 (restated)	1.1.2010 HK$'000
Trade payables	**701,915**	740,312	–
Accrued expenditure on properties under development	**2,551,053**	1,390,361	1,055,963
Amounts due to former shareholders of the Company's former subsidiaries (note (a))	**146,408**	141,032	137,039
Receipts from customers for payment of expenses on their behalf	**111,936**	99,799	98,168
Interest payable	**186,337**	153,723	199,085
Accrued charges and other payables	**684,893**	639,755	393,225
Other taxes payables (note (b))	**16,100**	23,154	35,414
	4,398,642	3,188,136	1,918,894

Notes:

(a) The amounts are non-trade in nature, interest free and repayable on demand.

(b) Other taxes payables comprise urban real estate tax payable, city maintenance and construction tax payable and business tax payable.

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28. TRADE AND OTHER PAYABLES (continued)

The following is an aged analysis of the Group's trade payables presented based on the invoice date at the end of the reporting period.

	31.12.2011 HK$'000	31.12.2010 HK$'000 (restated)	1.1.2010 HK$'000
Within 30 days	**173,056**	448,094	–
Within 31–180 days	**103,807**	63,498	–
Within 181–365 days	**193,664**	36,676	–
Over 365 days	**231,388**	192,044	–
	701,915	740,312	–

29. AMOUNTS DUE FROM (TO) RELATED COMPANIES

The Group had the following balances with related parties:

		31.12.2011 HK$'000	31.12.2010 HK$'000 (restated)	1.1.2010 HK$'000
Amounts due from related companies:				
– Entities controlled by Xuhui SAAC	note (i)	**122,681**	114,579	–
– An entity controlled by a former controlling shareholder	note (ii)	**336**	–	–
– Non-controlling shareholders	note (iii)	**81,388**	–	–
		204,405	114,579	–
Analysed for reporting purpose as:				
Current assets		**123,969**	114,579	–
Non-current assets		**80,436**	–	–
		204,405	114,579	–

29. Amounts Due From (to) Related Companies (continued)

		31.12.2011 HK$'000	31.12.2010 HK$'000 (restated)	1.1.2010 HK$'000
Amounts due to related companies				
– Entities controlled by Xuhui SAAC	note (iv)	**359,289**	654,494	–
– An entity controlled by a former controlling shareholder	note (ii)	**2,466**	2,466	2,466
– Non-controlling shareholders	note (iii)	**235,849**	52,347	48,055
– SIHL	note (v)	**102,696**	–	–
		700,300	709,307	50,521

Note:

(i) Xuhui SAAC owns 41% equity interests in SUD and therefore a non-controlling shareholder of the Group. Xuhui SAAC is a government authority authorised by and established directly under the Shanghai Xuhui District People's Government for supervising and managing state-owned assets in the Xuhui District, the PRC.

The amounts due from Xuhui SAAC and entities controlled by Xuhui SAAC are unsecured. An amount of approximately HK$110,578,000 as at 31 December 2011 (31.12.2010: HK$105,804,000) represents loan advanced to an entity controlled by Xuhui SAAC through an entrusted loan agreement administrated by a bank, which carries interest at 5.8% (2010: 5.8% (restated)) per annum, and is unsecured and repayable within one year. The remaining balances are fixed, non-interest bearing and repayable on demand.

(ii) The entity is controlled by Mr. Li Song Xiao, the former controlling shareholder of the Company. Mr. Li Song Xiao was a substantial shareholder of the Company at 31 December 2010. The amount is unsecured, non-interest bearing and repayable on demand.

(iii) The amounts are due from (to) non-controlling shareholders of the Group. Included in the amounts due from non-controlling shareholders at 31 December 2011 of approximately HK$80,436,000 (2010: nil), which are non-trade in nature, unsecured, non-interest bearing and fully repayable on 7 July 2013 according to the agreement with the non-controlling shareholder. The remaining amounts are non-trade in nature, unsecured, non-interest bearing and repayable on demand.

(iv) The amounts due to Xuhui SAAC and entities controlled by Xuhui SAAC are unsecured. An amount of approximately HK$206,298,000 (31.12.2010: HK$10,580,000 (restated)) included in the balances as at 31 December 2011 represents loan advanced from an entity controlled by Xuhui SAAC through an entrusted loan agreement administrated by a bank, which carries fixed interest at 5.8% per annum (31.12.2010: 5.8% per annum (restated)) and are repayable within one year. The remaining balances are non-interest bearing and repayable on demand.

(v) The amount is unsecured, non-interest bearing and repayable on demand.

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30. CONSIDERATION PAYABLES FOR ACQUISITION OF SUBSIDIARIES AND ASSOCIATES

In November 2007, the Group entered into purchase agreements with independent third parties to acquire in aggregate a 80% equity interest in 瀋陽向明陽益置業有限公司 ("Shenyang Xiangming"), a company established in the PRC to carry out a property development project in Shenyang, the PRC, for a total cash consideration of approximately HK$609,800,000. At 31 December 2011, a consideration payable of HK$73,964,000 (31.12.2010: HK$70,771,000) is not yet settled.

In November 2007, the Group entered into purchase agreements with independent third parties to acquire a 100% equity interest in 珠海市淇州島影視城有限公司 ("Qi Zhou Island Movie Town"), a company established in the PRC to carry out a property development project in Zhuhai, the PRC, for a total cash consideration of approximately HK$3,076,232,000. At 31 December 2011, a consideration payable of HK$157,911,000 (31.12.2010: HK$151,094,000) is not yet settled.

In December 2007, the Group entered into purchase agreements with independent third parties to acquire a 90% equity interest in 中歐城開有限公司 ("Zhong Ou Cheng Kai"), a company established in the PRC to carry out a property development project in Hebei Province, the PRC, for a total cash consideration of approximately HK$547,260,000. Zhong Ou Cheng Kai became a wholly-owned subsidiary of the Company in 2009. At 31 December 2011, a consideration payable of HK$81,361,000 (31.12.2010: HK$101,439,000) is not yet settled.

On 30 June 2008, the Group acquired a 12% equity interest in 北京君合百年房地產開發有限公司 ("Jun He Bai Nian"), a company established in the PRC and engaged in property development in Beijing, the PRC, for a total consideration of RMB82,090,000 (equivalent to approximately HK$93,369,000). Prior to the acquisition, the Group held 43.95% interest in Jun He Bai Nian and this has been accounted for as interest in an associate. Jun He Bai Nian then became a 55.95% owned subsidiary of the Group subsequent to the acquisition. The Group has disposed of Jun He Bai Nian in 2009. At 31 December 2011, a consideration payable of HK$73,964,000 (31.12.2010: HK$26,958,000) is not yet settled.

The consideration payables are not yet paid as certain conditions of the respective sales and purchase agreements are not yet fulfilled as at the end of the reporting period.

31. PRE-SALE PROCEEDS RECEIVED ON SALES OF PROPERTIES

Pre-sale proceeds received on sales of properties represent proceeds received on property unit sales that have not been recognised as revenue in accordance with the Group's revenue recognition policy. An amount of HK$2,606,854,000 (31.12.2010: HK$2,392,022,000 (restated)) is expected to be recognised as revenue after more than one year.

32. DEFERRED TAXATION

The following are the major deferred tax liabilities and assets recognised and movements thereon during the current and prior years:

	Fair value adjustment on revaluation of inventories HK$'000	Revaluation of investment properties HK$'000	Fair value adjustment on hotel properties HK$'000	Impairment on property, plant and equipment HK$'000	Convertible loan notes HK$'000	Accrued expenses HK$'000	LAT deferred tax HK$'000	Undistributed earnings of PRC entities HK$'000	Others HK$'000	Total HK$'000
At 1 January 2010	(515,234)	(466,602)	(19,837)	24,142	(438)	-	-	-	-	(977,969)
Acquisition of subsidiaries arising from merger accounting (note 40)	(609,660)	(382,945)	-	-	-	8,260	(214,146)	(60,128)	6,356	(1,252,263)
Redemption of convertible loan notes	-	-	-	-	203	-	-	-	-	203
(Charge) credit to profit or loss	51,122	(1,783)	209	(24,561)	230	765	-	-	17,296	43,278
Exchange alignment	(40,298)	(31,070)	(684)	419	-	331	(8,234)	-	537	(78,999)
At 31 December 2010 and 1 January 2011 (restated)	(1,114,070)	(882,400)	(20,312)	-	(5)	9,356	(222,380)	(60,128)	24,189	(2,265,750)
(Charge) credit to profit or loss	103,473	(172,440)	217	-	-	230,131	(76)	(5,258)	(25,483)	130,564
Redemption of convertible loan notes	-	-	-	-	5	-	-	-	-	5
Exchange realignment	(47,671)	(44,048)	(912)	-	-	5,896	(10,035)	(2,828)	487	(99,111)
At 31 December 2011	(1,058,268)	(1,098,888)	(21,007)	-	-	245,383	(232,491)	(68,214)	(807)	(2,234,292)

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	31.12.2011 HK$'000	31.12.2010 HK$'000 (restated)	1.1.2010 HK$'000
Deferred tax assets	**245,383**	9,465	24,142
Deferred tax liabilities	**(2,479,675)**	(2,275,215)	(1,002,111)
	(2,234,292)	(2,265,750)	(977,969)

At the end of the reporting period, the Group has unused tax losses of approximately HK$2,575,133,000 (31.12.2010: HK$1,720,526,000 (restated)) and deductible temporary difference of HK313,436,000 (31.12.2010: HK$98,244,000 (restated)) available for offset against future profits, which are subject to the confirmation from Hong Kong Inland Revenue Department and the PRC Tax Bureau. At 31 December 2010, deferred tax assets of HK$18,174,000 in respect of tax loss had been recognised and included as others. At 31 December 2011, no deferred tax asset has been recognised in respect of the remaining unused tax losses and deductible temporary difference due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses approximately of HK$1,815,649,000 (31.12.2010: HK$1,232,194,000 (restated)) that will expire in 2016. Other losses may be carried forward indefinitely.

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33. BANK AND OTHER BORROWINGS

	31.12.2011 HK$'000	31.12.2010 HK$'000 (restated)	1.1.2010 HK$'000
Bank borrowings (Note (i))	**8,453,310**	4,915,693	1,470,304
Other borrowings (Note (ii))	**2,726,948**	4,432,008	1,402,200
	11,180,258	9,347,701	2,872,504
Analysed as:			
Secured	**7,758,044**	3,566,319	2,838,304
Unsecured	**3,422,214**	5,781,382	34,200
	11,180,258	9,347,701	2,872,504
Carrying amount repayable:			
Within one year	**4,805,875**	5,120,536	2,104,440
More than one year, but not exceeding two years	**2,984,836**	1,580,563	116,850
More than two years, but not exceeding five years	**2,384,554**	1,907,041	321,754
Over five years	**1,004,993**	739,561	329,460
	11,180,258	9,347,701	2,872,504
Less: amount due within one year shown under current liabilities	**(4,805,875)**	(5,120,536)	(2,104,440)
Amount due after one year (note (iii))	**6,374,383**	4,227,165	768,064

33. Bank and Other Borrowings (continued)

	31.12.2011 HK$'000	31.12.2010 HK$'000 (restated)	1.1.2010 HK$'000
Floating rate			
– expiring within one year	4,805,874	5,120,536	702,240
– expiring beyond one year	5,880,178	4,227,165	768,064
Fixed rate			
– expiring within one year	–	–	1,402,200
– expiring beyond one year	494,206	–	–
	11,180,258	9,347,701	2,872,504

Notes:

(i) Assets that have been pledged as collateral to secure bank borrowings are as follows:

	2011 HK$'000	2010 HK$'000 (restated)
Properties under development	7,712,800	3,559,618
Properties held for sales	30,545	38,536
Investment properties	3,772,806	5,156,877
Pledged bank deposits	65,818	85,876
	11,581,969	8,840,907

In addition, the net asset value of a group entity is pledged to a bank to secure a bank borrowing granted to the Group. The net asset value of that group entity at 31 December 2011 is approximately HK$541,109,000 (31.12.2010: HK$595,175,500).

As at 31 December 2011, corporate guarantees of nil (2010: HK$319,048,000) were given by an entity controlled by Mr. Li Song Xiao, a former controlling shareholder of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

33. BANK AND OTHER BORROWINGS (continued)

Notes: (continued)

(ii) The Group's other borrowings are analysed as follows:

	31.12.2011 HK$'000	31.12.2010 HK$'000 (restated)	1.1.2010 HK$'000
Borrowings from SIHL Finance Limited (note (a))	**1,000,000**	1,000,000	–
Borrowings from SIIC (note (b))	**1,232,742**	1,179,523	–
	2,232,742	2,179,523	–
Other borrowings (note (c))	**494,206**	2,252,485	1,402,200
	2,726,948	4,432,008	1,402,200

(a) On 29 December 2010, the Company and SIHL Finance Limited, a wholly-owned subsidiary of SIHL, entered into a loan agreement pursuant to which SIHL Finance Limited agreed to grant a principal amount denominated in Hong Kong dollars of HK$1,000,000,000 to the Company, which was unsecured and bearing variable interest at 5.5% per annum and repayable on 30 December 2011. Repayment of the loan was extended in January 2012 with revised variable interest rate at 6.1% per annum and repayable on 30 June 2012.

(b) The balance is an unsecured loan of approximately HK$1,232,742,000 (2010: HK$1,179,523,000(restated)) advanced from SIIC through an entrusted loan agreement administered by bank. Such loan bore variable interest ranging from 5.3% to 9.1% (2010: 5.3% to 5.8% (restated)) per annum and was due within one year.

(c) At 31 December 2011, the balance represents unsecured loans of approximately HK$494,206,000 advanced from non-controlling shareholders, which bear interest at an annual effective rate of 9.6% per annum and are repayable in 2013. (see note 46(b))

At 31 December 2010, the other borrowings represented entrusted loans from independent third parties. The loans bore variable interest rate from 4.9% to 10.0% per annum.

33. Bank and Other Borrowings (continued)

Notes: (continued)

(iii) Included in the Group's balance are other borrowings of approximately HK$494,206,000 (2010: HK$70,366,000 (restated)) due after one year.

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	31.12.2011 HK$'000	31.12.2010 HK$'000 (restated)	1.1.2010 HK$'000
Effective interest rate:			
Fixed-rate borrowings	**5.5-12.7%**	5.5-12.7%	7.0-20.0%
Variable-rate borrowings	**5.3–9.1%**	4.9–10.0%	5.4–6.4%

34. Convertible Loan Notes

The Group repaid all the remaining convertible loan notes of total principal amount of HK$2,000,000 for a total payment of HK$2,714,000 which included principal and accrued interest on 12 June 2011, the maturity date.

The convertible loan notes contain two components, liability and equity elements. The equity element was presented in equity heading "convertible loan note equity reserve". The effective interest rate of the liability component was 9.4% per annum.

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35. Senior Notes/Warrants

On 23 July 2007, the Company issued 4,000 units of senior notes at a par value of US$400,000,000, (equivalent to approximately HK$3,120,000,000) ("Senior Notes 2014") and 264,000,000 warrants ("Warrants 2012"). The Senior Notes 2014 bear interest at 9.8% per annum and will mature on 23 July 2014 ("Notes Maturity Date"). The Senior Notes 2014 are guaranteed by all of the Company's existing subsidiaries at the date of issue other than those established under the laws of the PRC.

The Senior Notes 2014 and Warrants 2012 are separated immediately upon their issuance and the Warrants 2012 are detachable from the Senior Notes 2014.

The Warrants 2012 are exercisable at any time from the date of issue to 23 July 2012 at an exercise price of HK$1.68 per share, subject to anti-dilutive adjustments, to subscribe for shares of the Company. The Warrants 2012 are denominated in HK$ and settlement of the warrant is structured at a net share settlement basis. As the Warrants 2012 may be settled other than by exchange of a fixed amount of cash for a fixed number of the Company's shares, the Warrants 2012 is classified as a derivative financial liability and measured at fair value with changes in fair value recognised in the profit or loss.

The fair value of Warrants 2012 at 31 December 2011 was HK$3,000 (31.12.2010: HK$16,600,000). Accordingly, a change in fair value of warrants of HK$16,597,000 (31.12.2010: HK$13,000,000) was charged to the profit or loss for the year.

Pursuant to the terms and conditions of Warrants 2012, on 29 October 2007, the subscription price of Warrants 2012 was adjusted following the consolidation on a 4 to 1 basis of the Company's shares. Warrants 2012 holders were entitled to subscribe in cash for fully paid shares at the adjusted subscription price of HK$6.72 per share. The number of shares issuable on the exercise of the Warrants 2012 was reduced to one-fourth of the outstanding number of shares issuable under Warrants 2012 as at 29 October 2007.

As at 31 December 2011, 66,000,000 (31.12.2010: 66,000,000) of Warrants 2012 were outstanding. Exercise in full of the outstanding Warrants 2012 would result in the issue of 66,000,000 (31.12.2010: 66,000,000) additional shares with an aggregate subscription value of HK$443,520,000 (31.12.2010: HK$443,520,000).

At any time prior to the Notes Maturity Date, the Company may redeem the Senior Notes 2014, in whole or in part, at a redemption price equal to 100% of the principal amount plus the greater of (1) 1% of the principal amount of Senior Notes 2014 being redeemed and (2) the excess of (A) the present value at such redemption date of (i) 100% of the principal amount of the Senior Notes 2014 plus (ii) all required remaining scheduled interest payments due on Senior Notes 2014 through to the Notes Maturity Date, computed using a discount rate equal to the comparable treasury issue plus 100 basis points, over (B) the principal amount of Senior Notes 2014 on such redemption date ("100% Redemption Right of the Issuer – Senior Notes 2014"). As the economic characteristics and risks of the 100% Redemption Right of the Issuer – Senior Notes 2014 are not closely related to the host contract, the 100% Redemption Right of the Issuer – Senior Notes 2014 is separately accounted for at fair value at each reporting date as a derivative financial instrument. The fair value of the 100% Redemption Right of the Issuer – Senior Notes 2014 was insignificant as at 31 December 2011 and 2010.

35. Senior Notes/Warrants (continued)

At any time prior to 23 July 2011, the Company may redeem up to 35% of the principal amount of the Senior Notes 2014 with the net cash proceeds of one or more sales of common stock of the Company in an equity offering at a redemption price of 109.8% of the principal amount of the Senior Notes 2014 ("35% Redemption Right of the Issuer – Senior Note 2014"). As the economic characteristics and risk of the 35% Redemption Right of the Issuer – Senior Notes 2014 are not closely related to the host contract, the 35% Redemption Right of the Issuer – Senior Notes 2014 is separately accounted for at fair value at each reporting date as a derivative financial instrument. The fair value of the 35% Redemption Right of the Issuer – Senior Notes 2014 was insignificant as at 31 December 2010. The Company did not exercise its right to early redeem the Senior Notes 2014 and therefore, the 35% Redemption Right of the Issuer – Senior Note 2014 lapsed in 2011.

The Senior Notes 2014 contain a liability element, Warrants 2012, 100% Redemption Right of the Issuer – Senior Notes 2014 and 35% Redemption Right of the Issuer – Senior Notes 2014. The effective interest rate of the liability element is 11.4% (31.12.2010: 11.4%).

36. Share Capital

	Number of shares '000	Amount HK$'000
Ordinary shares of HK$0.04 each		
Authorised:		
At 1 January 2010, 31 December 2010 and 31 December 2011	10,000,000	400,000
Issued and fully paid:		
At 1 January 2010	1,945,640	77,826
Issue of shares for private placement	683,692	27,347
At 31 December 2010	2,629,332	105,173
Issue of shares for acquisition of SUD Group	2,182,191	87,288
At 31 December 2011	4,811,523	192,461

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36. Share Capital (continued)

On 24 June 2010, 683,692,000 ordinary shares of HK$0.04 each were issued to Novel Good Limited, a wholly-owned subsidiary of SIHL, at a price of HK$2.32 per share for a total consideration of approximately HK$1,585,784,000. The proceeds were used to reduce the Group's borrowings and for future development of the Group when investment opportunities arise. These new shares rank pari passu with other shares in issue in all respects.

On 23 November 2011, 2,182,191,000 ordinary shares at par value of HK$0.04 each were issued to Novel Good Limited, a wholly-owned subsidiary of SIHL, as the consideration to acquire 59% of SUD Group, the shareholder's loan amounting to HK$5,640,545,824 and all the right, title, benefits and advantage of and interest in the dividend receivable from SUD. The fair value of the share of the Company at 23 November 2011 is HK$1.53 per share. These new shares rank pari passu with other shares in issue in all respects.

37. Share Options

Pursuant to a special general meeting of the Company held on 12 December 2002, the Company adopted a share option scheme (the "Scheme"). Pursuant to the Scheme, the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and options granted and yet to be exercised under any other schemes shall not exceed 30% of the issued share capital of the Company from time to time. The maximum number of shares issued and to be issued upon exercise of the options granted to each participant in any 12-month period must not exceed 1% of the issued share capital of the Company at any time. The offer of a grant of options may be accepted within 21 days from the date of the offer with signed acceptance letter comprising consideration of HK$1.00 received by the Company. The exercise period of the share options granted is determinable by the directors, but no later than 10 years from the date of the offer. The subscription price for the shares in respect of which options are granted is determinable by the directors of the Company, but in any case must be the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of the grant; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

At 31 December 2011, the number of shares of the Company in respect of which options had been granted and remained outstanding under the Scheme of the Company was 91,000,000 (31.12.2010: 111,500,000), representing 1.9% (31.12.2010: 4.2%) of the shares of the Company in issue at that date.

The following tables disclose movements of the Company's share options during the year.

Grantees	Date of grant	Outstanding at 1.1.2011	Granted during year	Exercised during year	Cancelled/ forfeited during year	Outstanding at 31.12.2011	Exercisable period	Exercised price per share (subject to anti-dilutive adjustment)
Directors of the Company	24 September 2010	56,000,000	–	–	–	56,000,000	24 September 2010 – 23 September 2020	2.98
Employees	24 September 2010	55,500,000	–	–	(20,500,000)	35,000,000	24 September 2010 – 23 September 2020	2.98
Exercisable at the end of the year						63,700,000		
Weighted average exercise price		2.98	2.98	–	2.98	2.98		

37. Share Options (continued)

Grantees	Date of grant	Outstanding at 1.1.2010	Granted during year	Exercised during year	Cancelled forfeited during year	Outstanding at 31.12.2010	Exercisable period	Exercised price per share (subject to anti-dilutive adjustment)
Directors of the Company	4 April 2006	8,625,000	–	–	(8,625,000)	–	4 April 2006 – 3 April 2016	3.6
	17 November 2006	21,950,000	–	–	(21,950,000)	–	17 November 2006 – 22 October 2016	3.72
	14 March 2007	7,500,000	–	–	(7,500,000)	–	14 March 2007 – 6 March 2017	3.92
	24 September 2010	–	56,000,000	–	–	56,000,000	24 September 2010 – 23 September 2020	2.98
		38,075,000	56,000,000	–	(38,075,000)	56,000,000		
Employees	4 April 2006	4,500,000	–	–	(4,500,000)	–	4 April 2006 – 3 April 2016	3.6
	17 November 2006	43,050,000	–	–	(43,050,000)	–	17 November 2006 – 22 October 2016	3.72
	14 March 2007	40,000,000	–	–	(40,000,000)	–	14 March 2007 – 6 March 2017	3.92
	24 September 2010	–	55,500,000	–	–	55,500,000	24 September 2010 – 23 September 2020	2.98
		87,550,000	55,500,000	–	(87,550,000)	55,500,000		
Exercisable at the end of the period						44,600,000		
Weighted average exercise price		3.78	2.98	–	3.78	2.98		

No share option was granted in 2011. Share options granted in 2010 are vested in three tranches over two years, with 40% of the options granted were vested on the date of grant, 30% vested on the first anniversary of the date of grant and the remaining 30% vested on two years from the date of grant. The fair values were determined using the Binominal model. The inputs into the model were as follows:

	2010
Closing share price at the date of offer	HK$2.98
Exercise price	HK$2.98
Expected volatility	50.0%
Expected life	4.6 years
Risk-free rate	2.2%
Expected dividend yield	0%

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

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37. Share Options (continued)

The Group recognised the total expense of HK$40,998,000 for the year ended 31 December 2011 (2010: HK$69,366,000) in relation to share options granted by the Company.

The Binomial model has been used to estimate the fair value of the share options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of share option varies with different variables of certain subjective assumptions.

38. Capital Risk Management

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

The capital structure of the Group consists of net debt, which includes the bank and other borrowings, senior notes and convertible loan notes, cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company actively and regularly review the capital structure. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. The Group has a target gearing ratio of not more than 100% determined as the proportion net debt (which includes senior notes, convertible loan notes and bank and other borrowings less bank balances and cash and restricted and pledged bank deposits) to equity. As at 31 December 2011, the gearing ratio of the Group was 53.1% (31.12.2010: 27.3%). Based on recommendations of the directors, the Group will balance its overall capital structure through new shares issued, and share buy-backs as well as the issue of new debt or the redemption of exiting debts.

39. Financial Instruments

39a. Categories of financial instruments

	31.12.2011 HK$'000	31.12.2010 HK$'000 (restated)
Financial assets		
Available-for-sale investments	**37,761**	34,951
Financial assets at FVTPL	**14,638**	12,640
Loans and receivables (including cash and cash equivalents)	**4,249,250**	8,901,848
Financial liabilities		
Derivative financial instruments – warrants	**3**	16,600
Other financial liabilities	**16,821,079**	14,483,206

39. Financial Instruments (continued)

39b. Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investments, financial assets at FVTPL, derivative financial instrument – warrants, restricted and pledged bank deposits, bank balances and cash, trade and other receivables, trade and other payables, amounts due from an associate and related companies, amounts due to associates and related companies, consideration receivables for disposal of assets, consideration payables for acquisition of subsidiaries, bank and other borrowings, convertible loan notes and senior notes. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The Group actively and regularly reviews and manages its capital structure to strictly control the debt level. The Group maintains a strategy on acquiring land only if the project development can commence within a short period of time so as to minimise the time period between acquisition and development of the acquired land, thus the Group's capital can be efficiently deployed.

Market risk

(i) Currency risk

All the revenue-generating operations of the Group are transacted in RMB. The Group is exposed to foreign currency risk on financing transactions denominated in currencies other than RMB. Depreciation or appreciation of the RMB against foreign currencies can affect the Group's results. The Group did not hedge its currency exposure.

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

	Liabilities		Assets	
	31.12.2011	31.12.2010	**31.12.2011**	31.12.2010
	HK$'000	HK$'000 (restated)	**HK$'000**	HK$'000 (restated)
United States dollar ("US$")	**(3,143,244)**	(3,108,019)	**443,664**	480,932
HK$	**(1,049,417)**	(1,016,526)	**116,274**	1,116,199

Sensitivity analysis

The Group is mainly exposed to the currency of US$ and HK$ against RMB, the functional currency of relevant group entities.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

39. Financial Instruments (continued)

39b. Financial risk management objectives and policies (continued)

Market risk (continued)

(i) Currency risk (continued)

Sensitivity analysis (continued)

The following table details the Group's sensitivity to a 5% (2010: 5%) increase and decrease in RMB against the relevant foreign currencies. 5% (2010: 5%) are the sensitivity rate used when reporting foreign currency risk internally and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items. A positive/negative number below indicates a decrease/increase in post-tax loss where RMB strengthen 5% (2010: 5%) against US$ and HK$ respectively. For a 5% (2010: 5%) weakening of RMB against US$ and HK$ respectively, there would be an equal and opposite impact on the loss.

	US$		HK$	
	31.12.2011 HK$'000	31.12.2010 HK$'000 (restated)	**31.12.2011 HK$'000**	31.12.2010 HK$'000 (restated)
Loss for the year	**134,979**	131,355(i)	**46,657**	(4,984)(ii)

(i) This is mainly attributable to the exposure outstanding on senior note denominated in US$ at the year end.

(ii) This is mainly attributable to the exposure to outstanding other borrowings due to SIHL denominated in HK$ at 31 December 2011, bank balances and other borrowings due to SIHL denominated in HK$ at 31 December 2010.

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank and other borrowings (see note 33 for details of these borrowings), restricted and pledged bank deposits and bank balances and cash. It is the Group's policy to keep its bank borrowings at floating rate of interests so as to minimise the fair value interest rate risks.

The Group is also exposed to fair value interest rate risk in relation to fixed-rate borrowings, convertible loan notes, senior notes and pledged bank deposits. The Group currently do not enter into any hedging instrument for fair value interest rate risks.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group cash flow interest rate risk is mainly concentrated on the fluctuation of the Benchmark Lending Rate of the People's Bank of China arising from the Group's Renminbi and HK$ denominated borrowings.

Sensitivity analysis

The Group does not anticipate there is any significant impact on its interest-bearing assets resulting from the changes in interest rates as the interest rate of bank deposits are not expected to change significantly.

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis point (2010: 100 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

39. Financial Instruments (continued)

39b. Financial risk management objectives and policies (continued)

Market risk (continued)

(ii) Interest rate risk (continued)

Sensitivity analysis (continued)

If interest rates had been 100 basis points (2010: 100 basis points) higher/lower and all other variables were held constant, the Group's post-tax loss for the year ended 31 December 2011 would increase/decrease by HK$45,621,000 (2010: decrease/increase by HK$54,321,000 (restated)), assuming HK$35,840,000 (2010: HK$17,327,000 (restated)) interest are capitalised into qualifying assets.

The Group's sensitivity to interest rates has decreased during the current year mainly due to the increase in specific variable rate debt instruments are utilised for development of qualifying assets.

(iii) Other price risk

The Group is exposed to equity price risk arising from changes in the Company's own share price to the extent that the Company's own equity instruments underlie the fair values of financial derivatives of the Group and the fair value of its financial assets at FVTPL. At the end of the reporting period, the Group is exposed to this risk through redemption rights attached to the senior notes issued by the Company, the Warrants 2012 and the financial assets at FVTPL.

No sensitivity analysis on other price risk is presented as the directors of the Company consider a reasonable possible change to the Company's own share price and the fair value of the financial assets at FVTPL will not have a significant effect to the profit and loss.

Credit risk

As at 31 December 2011, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position; and

- the amount of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in note 45.

The Group's credit risk is primarily attributable to its trade and other receivables, amounts due from related companies and associates. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

With respect to the credit risk of the Group's treasury operations, management has established internal procedures to monitor the Group's bank balances and cash, securities investments to be placed and entered into with financial institution of good reputation. These internal procedures also impose limitation on the amount outstanding and to manage the credit ratings on equity investments to be held, so as to minimise the Group's credit risk exposure.

The credit risk on bank balances and restricted and pledged bank deposits is limited because the counterparties are banks with high credit ratings.

The Group's concentration of credit risk by geographical locations is mainly in PRC, which accounted for 100% (31.12.2010: 100%) of the total trade receivable as at 31 December 2011.

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39. FINANCIAL INSTRUMENTS (continued)

39b. Financial risk management objectives and policies (continued)

Credit risk (continued)

In relation to the Group providing guarantees to secure obligations of the buyers of the property units for the repayment of their mortgage loans, if there is a default in repayment by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with any accrued interests and penalties owed by the defaulted purchasers to banks. Under such circumstances, the Group is able to retain the customer's deposits, take over the ownership of the relevant properties and sell the properties to recover any amounts paid by the Group to banks. In this regard, the directors of the Company consider that the Group's credit risk on such guarantees is significantly reduced. Detailed disclosure of these guarantees has been made in note 45.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, the Group had no significant concentrations of credit risk within the property development business segment and hotel operations segment.

The Group's credit risk position on other receivables, amounts due from related companies and associates are closely monitored by management.

Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As at 31 December 2011, the Group has available unutilised overdraft and short-term bank loan facilities of approximately HK$1,378,914,000 (2010: HK$1,321,066,000 (restated)).

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash (inflows) and outflows on derivative instruments that settle on a net basis, and the undiscounted gross (inflows) and outflows on those derivatives that require gross settlement. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

39. FINANCIAL INSTRUMENTS (continued)

39b. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

	Weighted average interest rate %	Less than 1 year HK$'000	1-2 years HK$'000	2-5 years HK$'000	More than 5 years HK$'000	Total undiscounted cashflows HK$'000	Carrying amount HK$'000
At 31 December 2011							
Non-derivative financial liabilities							
Trade and other payables	N/A	1,034,660	–	–	–	1,034,660	1,034,660
Amounts due to related companies	N/A	700,300	–	–	–	700,300	700,300
Amounts due to associates	N/A	83,913	–	–	–	83,913	83,913
Consideration payables for acquisition of subsidiaries	N/A	387,200	–	–	–	387,200	387,200
Bank and other borrowings	5.5–12.7	5,366,582	3,199,582	2,556,059	1,076,858	12,199,081	11,180,258
Dividend payable	N/A	6,423	–	–	–	6,423	6,423
Dividend payable to non-controlling shareholders	N/A	418,846	–	–	–	418,846	418,846
Senior notes	11.4	304,569	303,831	3,424,200	–	4,032,600	3,009,479
Financial guarantee contracts issued:							
Maximum amount guaranteed (note 45)	N/A	3,282,564	–	–	–	3,282,564	–
		11,585,057	3,503,413	5,980,259	1,076,858	22,145,587	16,821,079
2010 (restated)							
Non-derivative financial liabilities							
Trade and other payables	N/A	1,035,067	–	–	–	1,035,067	1,035,067
Amounts due to related companies	N/A	709,307	–	–	–	709,307	709,307
Amounts due to associates	N/A	57,579	–	–	–	57,579	57,579
Consideration payables for acquisition of subsidiaries	N/A	350,262	–	–	–	350,262	350,262
Bank and other borrowings	4.9–12.7	7,534,923	1,702,686	1,686,338	1,165,779	12,089,726	9,347,701
Dividend payable	N/A	6,423	–	–	–	6,423	6,423
Dividend payable to non-controlling shareholders	N/A	–	–	–	–	–	–
Convertible loan notes	9.4	2,714	–	–	–	2,714	2,607
Senior notes	11.4	304,200	305,033	3,728,400	–	4,337,633	2,974,260
Financial guarantee contracts issued:							
Maximum amount guaranteed (note 45)	N/A	3,813,640	–	–	–	3,813,640	–
		13,814,115	2,007,719	5,414,738	1,165,779	22,402,351	14,483,206

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

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For the year ended 31 December 2011

39. Financial Instruments (continued)

39b. Financial risk management objectives and policies (continued)

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

39c. Fair value

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

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices;

- the fair value of derivative instruments is calculated using discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives; and

- the fair value of financial guarantee contracts is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantee not been available, where reliable estimates of such information can be made;

- the fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values:

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

39. Financial Instruments (continued)

39c. Fair value (continued)

	Level 1 HK$'000	Level 2 HK$'000	Total HK$'000
2011			
Financial assets			
Financial assets at FVTPL	**14,638**	**–**	**14,638**
Financial liabilities			
Derivative financial instrument			
– warrants	**–**	**3**	**3**
2010			
Financial assets			
Financial assets at FVTPL	12,640	–	12,640
Financial liabilities			
Derivative financial instrument			
– warrants	–	16,600	16,600

There were no transfer between instruments in level 1 and level 2 in both years.

40. Acquisition of Subsidiaries

On 23 November 2011, the Group acquired the SUD Group by issuing 2,182,191,000 ordinary shares of HK$0.04 each to Novel Good Limited, a wholly-owned subsidiary of SIHL. As stated in note 2, SUD Group was under common control of SIHL with the Company when the Company was acquired by SIHL on 24 June 2010. The Group applied the principles of merger accounting to the acquisition. The fair value of the ordinary shares of the Company is determined using the published price available at the date of acquisition, amounting to HK$3,338,753,000.

Silvery Champ Limited and Joy Century Limited are incorporated in the British Virgin Islands and Hong Kong respectively and they are investment holding companies. SUD is established in the PRC and engaged in property development in the PRC.

Acquisition-related costs amounting to HK$58,856,000 have been recognised as an expense in 2011 within other expenses, gains and losses in the consolidated statement of comprehensive income.

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For the year ended 31 December 2011

40. ACQUISITION OF SUBSIDIARIES (continued)

Details of the assets acquired and liabilities recognised in respect of the acquisition of SUD Group at 24 June 2010, being the date of the Company and SUD Group first under common control of SIHL, are summarised as follows:

	2010 Carrying amount HK$'000
Investment properties	2,135,393
Property, plant and equipment	40,338
Prepaid lease payments	4,584
Intangible assets	57,928
Interests in associates	23,511
Available-for-sale investments	5,261
Restricted and pledged bank deposits	73,506
Deferred tax assets	122,557
Inventories	14,007,367
Trade and other receivables	1,050,613
Amounts due from related companies	116,055
Prepaid income tax and land appreciation tax	16,556
Financial assets at fair value through profit or loss	10,135
Bank balances and cash	3,575,565
Trade and other payables	(974,287)
Amounts due to related companies	(626,066)
Pre-sale proceeds received on sales of properties	(940,423)
Bank and other borrowings	(5,365,063)
Income tax and land appreciation tax payables	(831,168)
Deferred tax liabilities	(1,374,820)
	11,127,542
Non-controlling interests	(6,002,941)
	5,124,601
Capital contribution from SIHL	493,029
Merger reserve	(2,421,999)
Non-controlling interests from disposal of a subsidiary (note 41)	143,122
	3,338,753
Satisfy by:	
Equity instruments of the Company	3,338,753
Net cash inflow on acquisition of SUD Group	
Cash and cash equivalent balances acquired	3,575,565

41. Disposal of a Subsidiary

In March 2011, the Company disposed of its equity interest in 上海城開集團合肥置業有限公司 ("Shanghai Hefei"), a 59% owned subsidiary of the Group, to an independent third party at a consideration of RMB261,000,000 (approximately HK$310,566,000).

	2011 HK$'000
Consideration:	
Cash received	310,566
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	645
Inventories	843,852
Trade and other receivables	25,434
Bank balances and cash	29,099
Trade and other payables	(478,536)
Bank and other borrowings	(71,396)
Non-controlling interests	(143,122)
Net assets disposed of attributable to owners of the Company	205,956
Loss on disposal:	
Consideration	310,566
Net assets disposed of attributable to owners of the Company	(205,956)
Non-controlling interests	(143,122)
Loss on disposal	(38,512)
Net cash inflow arising on disposal:	
Cash consideration received	310,566
Less: bank balances and cash disposed of	(29,099)
	281,467

The subsidiary disposed of during the year ended 31 December 2011 did not have any significant contribution to the results and cash flows of the Group during the period prior to the disposal.

42. Disposal Group Classified as Held for Sale

The directors resolved to dispose of a parcel of land, which is located at Qiao Island, Zhuhai, the PRC, through the disposal of Qi Zhou Island Movie Town, a subsidiary of the Company, as at 1 January 2010. Negotiations with several interested parties had taken place as at 1 January 2010.

On 19 January 2010, the Group entered into an agreement with Turbo Wise Limited ("Turbo Wise"), a company wholly owned by Mr. Li Song Xiao, the then controlling shareholder of the Company, subject to certain conditions, to sell Qi Zhou Island Movie Town at a consideration of HK$2,500,000,000 ("Disposal Agreement").

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42. Disposal Group Classified as Held for Sale (continued)

Therefore, the directors of the Company considered the disposal of Qi Zhou Island Movie Town as highly probable and the assets and liabilities attributable to Qi Zhou Island Movie Town, which was expected to be sold within twelve months, were classified as assets held for sale and presented separately in the consolidated statement of financial position at 1 January 2010.

In addition, the completion of i) the sale and purchase agreement between Novel Good Limited ("Novel Good"), a wholly owned subsidiary of SIHL, and Invest Gain Limited ("Invest Gain"), a company controlled by Mr. Li Song Xiao, which Novel Good will acquire 500,000,000 ordinary shares of the Company from Mr. Li Song Xiao ("Sale and Purchase Agreement") and ii) the subscription agreement between Novel Good and the Company for the subscription of 683,692,000 shares of the Company ("Subscription Agreement") is subject to, among others, the completion of the disposal of Qi Zhou Island Movie Town.

As at 1 January 2010, the major classes of assets and liabilities of Qi Zhou Island Movie Town classified as held for sale were as follows:

	HK$'000
Properties under development, at cost	4,486,145
Less: impairment loss	(1,790,000)
Properties under development, at fair value less costs to sell	2,696,145
Property, plant and equipment	921
Trade and other receivables	381
Cash and cash equivalents	35,496
Total assets classified as held for sale	2,732,943
Trade and other payables	285
Income tax payable	550
Total liabilities classified as held for sale	835

On 11 May 2010, Novel Good, Invest Gain and the Company entered into a supplemental agreement to waive the disposal of Qi Zhou Island Movie Town as a condition of the Sale and Purchase Agreement and the Subscription Agreement. At the same time, the Company entered into a termination agreement with Turbo Wise to terminate the Disposal Agreement. Accordingly, the disposal of Qi Zhou Island Movie Town is not considered as highly probable and the assets and liabilities of Qi Zhou Island Movie Town ceased to be classified as held for sale.

43. Capital Commitments

Capital expenditure in respect of the acquisition of properties under development:

	31.12.2011 HK$'000	31.12.2010 HK$'000 (restated)
Capital expenditure contracted for but not provided in the financial statements		
– investment in an associate	–	1,156,924
– additions in properties under development	4,681,867	9,061,031

The Group is responsible for payment of any excess amount of the actual amount of the demolishment and re-settlement expenses over Wukuang's Contribution. As the demolishment and re-settlement of the property project is still in an early stage, in the opinion of the directors of the Company, the capital commitment cannot be quantified as at 31 December 2011 and 2010.

44. Operating Leases

The Group as lessee

Minimum lease payments paid under operating leases during the year in respect of office premises are HK$42,438,000 (2010: HK$36,826,000 (restated)).

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

	31.12.2011 HK$'000	31.12.2010 HK$'000 (restated)
Within one year	47,000	44,056
In the second to fifth years inclusive	34,836	38,596
	81,836	82,652

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for a term ranging from three months to three years.

The Group as lessor

Property rental income earned during the year was HK$234,571,000 (2010: HK$90,004,000 (restated)). Certain of the Group's properties have committed tenants for the next 2 to 20 years with an option to renew the lease after that date at which time all terms are renegotiated.

Contingent rental income was calculated based on the higher of a fixed monthly rental or a certain percentage of the turnover of the relevant operation that occupied the premise.

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44. OPERATING LEASES (continued)

The Group as lessor (continued)

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

	31.12.2011 HK$'000	31.12.2010 HK$'000 (restated)
Within one year	268,132	186,239
In the second to fifth year inclusive	629,221	388,438
After five years	1,118,817	87,613
	2,016,170	662,290

45. CONTINGENT LIABILITIES

(a) Corporate guarantees

	31.12.2011 HK$'000	31.12.2010 HK$'000 (restated)
Guarantee given to banks in respect of banking facilities utilised by:		
– property buyers	2,954,655	3,263,982
– an entity controlled by Xuhui SAAC	266,272	549,658
– former subsidiaries	61,637	–
	3,282,564	3,813,640

In the opinion of the directors of the Company, the fair values of the financial guarantee contracts of the Group are insignificant at initial recognition, and the directors of the Company consider that the possibility of default by the relevant buyers is remote and, in case of default in payments, the net realisable value of the related properties can recover the repayment of the outstanding mortgage principals together with the accrued interest and penalty. Accordingly, no provision has been made in the consolidated financial statements for these guarantees.

(b) Warranties against defects of properties

Properties purchased by buyers are provided with various warranties with terms ranging from one to two years against certain specified defects as stipulated in the PRC laws and regulations which are covered by back-to-back warranties provided by the relevant contractors of the projects.

(c) Legal proceedings initiated by third parties against the Company

From time to time, the Group may become involved in various lawsuits and legal proceedings which arise in the ordinary course of business. However, litigation is subject to inherent uncertainties and an adverse result in these or other matters may arise from time to time that may harm the Group's business. The directors of the Company are currently not aware of any such legal proceedings or claims that they believe will have, individually or in the aggregate, a material adverse effect the Group's business, financial condition or operating results of the Group.

46. Related Party Transactions

(a) *Transactions with key management personnel*

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 11, is as follows:

	2011 HK$'000	2010 HK$'000 (restated)
Short-term employee benefits	21,694	18,178
Post-employment benefits	–	8
Equity compensation benefits	25,233	32,017
	46,927	50,203

Total remuneration is included in "staff costs" (see note 9).

(b) *Balances with related parties*

Details of the balances with related parties as at 31 December 2011 and 2010 are set out in notes 20, 29 and 33.

(c) *Transactions with related parties*

The Group entered into the following significant transactions with related parties during the year:

Related company	Nature of transactions	2011 HK$'000	2010 HK$'000 (restated)
Entities controlled by SIHL	Interest expenses	55,030	301
Ultimate holding company	Interest expenses	71,523	168
Entity controlled by an independent non-executive director of SIHL	Rental expense and management fee	3,471	2,081
Associates	Property agency fees	34,692	3,063
	Rental income	(2,310)	–
Entities controlled by Xuhui SAAC	Interest income	6,396	2,332
	Interest expenses	655	141
Non-controlling shareholder of a subsidiary	Interest expenses	4,512	–
	Management fee expense	2,447	–

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46. RELATED PARTY TRANSACTIONS (continued)

(c) Transactions with related parties (continued)

Except for the above transactions, the Group has entered the following guarantees and loans arrangement during the year:

(i) The Group entered into the loan agreements with SIIC and a subsidiary of SIHL and set out in the note 33.

(ii) The Group also granted financial guarantees to an entity controlled by Xuhui SAAC. Details of which are set out in note 45.

(d) Government-related entities

The Group itself is part of a larger group of companies under Shanghai Industrial Investment (Holdings) Company Limited ("SIIC") (SIIC and its subsidiaries are referred to as the "SIIC Group") which is controlled by the PRC government. The directors consider that the Company is ultimately controlled by the PRC government and the Group operates in an economic environment currently predenominated by entities controlled, jointly controlled or significantly influenced by the PRC government ("PRC government-related entities"). Apart from the transactions with the SIIC Group and Xuhui SAAC which have been disclosed above and in other notes to the consolidated financial statements, the Group also conducts businesses with other PRC government-related entities in the ordinary course of business. The Group's deposits placements, borrowings and other general banking facilities are entered into with certain banks which are PRC-government related entities in its ordinary course of business. In view of the nature of those banking transactions, the directors are of the opinion that separate disclosures would not be meaningful.

In addition, the Group has entered into various transactions, including sales, purchases and other operating expenses with other PRC government-related entities. In the opinion of the directors, these transactions are considered as individually and collectively insignificant to the operation of the Group during the years ended 31 December 2011 and 2010.

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47. Particulars of Principal Subsidiaries of the Company

Name of subsidiary	Place of incorporation/ registration and operation	Particulars of issued and paid-up share capital/registered capital	Percentage of issued share capital/ and paid-up registered capital held 2011 Directly	2011 Indirectly	2010 (restated) Directly	2010 (restated) Indirectly	Principal activities
深圳鳳凰置業有限公司 (note (a))	The PRC	US$10,000,000	–	82.0%	–	82.0%	Property investment
中置(北京)企業管理有限公司 (note (b))	The PRC	HK$200,000,000	–	100.0%	–	100.0%	Investment holding
北京金馬文華園房地產開發有限公司 (note (a))	The PRC	US$12,000,000	–	100.0%	–	100.0%	Property development
北京新松房地產開發有限公司 (note (a))	The PRC	RMB190,000,000	–	100.0%	–	100.0%	Property development
北京市御水苑房地產開發有限責任公司 (note (c))	The PRC	RMB20,000,000	–	90.0%	–	90.0%	Property development
北京新松置地投資顧問有限公司 (note (c))	The PRC	RMB30,000,000	–	100.0%	–	100.0%	Investment holding
成都中新錦泰房地產開發有限公司 (note (a))	The PRC	RMB200,000,000	–	100.0%	–	100.0%	Property development
西安滻灞建設開發有限公司 (note (a))	The PRC	US$86,880,000	–	71.5%	–	71.5%	Property development
西安中新滻灞歐亞酒店發展有限公司 (note (c))	The PRC	RMB50,000,000	–	71.5%	–	71.5%	Hotel operations
西安中新永榮房地產開發有限公司 (note (c))	The PRC	RMB10,000,000	–	71.5%	–	71.5%	Property development
西安中新佳園房地產開發有限公司 (note (c))	The PRC	RMB10,000,000	–	71.5%	–	71.5%	Property development
西安中新永佳房地產開發有限公司 (note (c))	The PRC	RMB10,000,000	–	71.5%	–	71.5%	Property development
西安中新沁園房地產開發有限公司 (note (c))	The PRC	RMB10,000,000	–	71.5%	–	71.5%	Property development

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47. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Name of subsidiary	Place of incorporation/ registration and operation	Particulars of issued and paid-up share capital/registered capital	Percentage of issued share capital/ and paid-up registered capital held 2011 Directly	2011 Indirectly	2010 (restated) Directly	2010 (restated) Indirectly	Principal activities
西安中新柳域房地產開發有限公司 (note (c))	The PRC	RMB10,000,000	–	71.5%	–	71.5%	Property development
西安中新華勝房地產開發有限公司 (note (c))	The PRC	RMB10,000,000	–	71.5%	–	71.5%	Property development
西安中新榮景房地產開發有限公司 (note (c))	The PRC	RMB10,000,000	–	71.5%	–	71.5%	Property development
西安中新濱河房地產開發有限公司 (note (c))	The PRC	RMB10,000,000	–	71.5%	–	71.5%	Property development
西安中新永景房地產開發有限公司 (note (c))	The PRC	RMB10,000,000	–	71.5%	–	71.5%	Property development
湖南淺水灣湘雅溫泉花園有限公司 (note (c))	The PRC	RMB30,000,000	–	67.0%	–	67.0%	Property development
重慶中華企業房地產發展有限公司 (note (c))	The PRC	RMB200,000,000	–	100.0%	–	100.0%	Investment holding and property development
天津中新濱海房地產開發有限公司 (note (b))	The PRC	HK$100,000,000	–	100.0%	–	100.0%	Property development
天津中新華安房地產開發有限公司 (note (b))	The PRC	RMB240,000,000	–	100.0%	–	100.0%	Property development
天津中新華城房地產開發有限公司 (note (b))	The PRC	RMB80,000,000	–	100.0%	–	100.0%	Property investment
天津中新嘉業房地產開發有限公司 (note (b))	The PRC	RMB120,000,000	–	100.0%	–	100.0%	Property development
天津中新信捷房地產開發有限公司 (note (b))	The PRC	RMB240,000,000	–	100.0%	–	100.0%	Property development

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Name of subsidiary	Place of incorporation/ registration and operation	Particulars of issued and paid-up share capital/registered capital	Percentage of issued share capital/ and paid-up registered capital held 2011 Directly	2011 Indirectly	2010 (restated) Directly	2010 (restated) Indirectly	Principal activities
天津凱津房地產開發有限公司 (note (c))	The PRC	RMB210,000,000	–	100.0%	–	100.0%	Property development
上海九久廣場投資開發有限公司 (note (c))	The PRC	RMB226,160,000	–	100.0%	–	100.0%	Investment holding and property development
瀋陽向明長益置業有限公司 (note (a))	The PRC	USD63,750,000	–	80.0%	–	80.0%	Property development
珠海市淇洲島影視城有限公司 (note (a))	The PRC	RMB90,000,000	–	100.0%	–	100.0%	Property development
中歐城開有限公司 (note (c))	The PRC	RMB100,000,000	–	100.0%	–	100.0%	Property development
北京盈通房地產開發有限公司 (note (a))	The PRC	USD6,000,000	–	90%	–	67.5%	Primary land development
上海城開（集團）有限公司 (note (a))	The PRC	RMB3,200,000,000	–	59.0%	–	59.0%	Investment holding and property development
上海城開商用物業發展有限公司 (note (c))	The PRC	RMB5,000,000	–	59.0%	–	59.0%	Property management
上海申大物業有限公司 (note (c))	The PRC	RMB5,000,000	–	59.0%	–	59.0%	Property management
上海萬源房地產開發有限公司 (note (c))	The PRC	RMB300,000,000	–	53.1%	–	53.1%	Property development
上海石龍工業區聯合發展有限公司 (note (c))	The PRC	RMB20,000,000	–	59.0%	–	59.0%	Property development

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

47. Particulars of Principal Subsidiaries of the Company (continued)

Name of subsidiary	Place of incorporation/ registration and operation	Particulars of issued and paid-up share capital/registered capital	Percentage of issued share capital/ and paid-up registered capital held 2011 Directly	2011 Indirectly	2010 (restated) Directly	2010 (restated) Indirectly	Principal activities
上海城開集團晶杰置業有限公司 (note (c))	The PRC	RMB150,000,000	–	59.0%	–	59.0%	Property development
上海城開（集團）無錫置業有限公司 (note (c))	The PRC	RMB500,000,000	–	59.0%	–	59.0%	Property development
上海城開集團晶實置業有限公司 (note (c))	The PRC	RMB300,000,000	–	59.0%	–	59.0%	Property development
上海城開集團龍城置業有限公司 (note (a))	The PRC	RMB2,100,000,000	–	69.0%	–	69.0%	Property development
昆山城開房地產開發有限公司 (note (c))	The PRC	RMB167,000,000	–	53.1%	–	53.1%	Property development
合肥申大物業服務有限公司 (note (c))	The PRC	RMB2,000,000	–	59.0%	–	59.0%	Property management
城開綠碳（天津）股權投資基金合夥企業 ("SUDG JV") (note (d))	The PRC	RMB1,135,900,000	–	59.0%	–	–	Investment holding

Notes:

(a) These companies were established in the PRC in the form of sino-foreign equity joint venture.

(b) These companies were established in the PRC in the form of wholly-owned foreign enterprise.

(c) These companies were established in the PRC in the form of limited liability company.

(d) SUDG JV was established in the PRC in the form of joint venture enterprise. 64.7% of the paid-in capital of SUDG JV was contributed by the Group. Investor of SUDG JV, other than the Group, which contributed the remaining 35.3% of the paid-in capital of SUDG JV, are entitled to annual return of 9.6% per annum on their paid-in capital. One of the other investors which contributed 34.9% of the paid-in capital of SUDG JV has an option to dispose its equity interests in SUDG JV to the Group after 22 months from February 2011 (the "Option"). The Group has an obligation to acquire such equity interests in SUDG JV from that investor at the end of the second year from February 2011 (if the Option has not been exercised) at an annual effective interest rate of 9.6% per annum net of any result previously distributed. This arrangement is accounted for as a financing activity and SUDG JV is thus accounted for as a wholly-owned subsidiary of the Group. The remaining 0.4% of paid-in capital of SUDG JV contributed by a fund management company which only entitled a fixed return of 9.6% per annum.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

48. Statement of Financial Position of the Company

	2011 HK$'000	2010 HK$'000
Non-current Assets		
Property, plant and equipment	3,088	3,826
Investments in subsidiaries	2,499,760	–
Amounts due from subsidiaries	15,763,438	12,051,307
	18,266,286	12,055,133
Current Assets		
Other receivables	–	313,990
Deposits and prepayments	107,240	182,568
Dividend receivables	469,589	–
Bank balances and cash	262,982	1,429,860
	839,811	1,926,418
Current Liabilities		
Other payables and accruals	726,645	1,055,468
Amount due to immediate holding company	102,696	–
Amounts due to subsidiaries	1,326,951	1,301,624
Amount due to a related company	2,466	2,466
Dividend payable	6,423	6,423
Derivative financial instrument	3	16,600
Convertible loan notes	–	2,607
Other borrowings	1,000,000	1,000,000
	3,165,184	3,385,188
Net Current Liabilities	(2,325,373)	(1,458,770)
Total Assets less Current Liabilities	15,940,913	10,596,363
Non-current Liabilities		
Deferred tax liability	–	5
Senior notes	3,009,479	2,974,260
	3,009,479	2,974,265
Total Assets less Total Liabilities	12,931,434	7,622,098
Capital and Reserves		
Share capital	192,461	105,173
Reserves	12,738,973	7,516,925
	12,931,434	7,622,098

FINANCIAL SUMMARY

	Year ended 30 April 2008 HK$'000	Year ended 30 April 2009 HK$'000	8 months ended 31 December 2009 HK$'000	Year ended 31 December 2010 HK$'000 (restated)	**Year ended 31 December 2011 HK$'000**
Revenue	5,029,260	2,534,580	513,086	4,881,135	**4,433,476**
Profit (loss) before taxation	2,375,514	338,698	(2,034,501)	(656,784)	**166,442**
Income tax expense	(808,990)	(249,142)	(149,798)	(161,375)	**(594,552)**
Profit (loss) for the year	1,566,524	89,556	(2,184,299)	(818,159)	**(428,110)**
Attributable to:					
Owners of the Company	1,550,486	126,567	(2,106,392)	(740,523)	**(477,650)**
Non-controlling interests	16,038	(37,011)	(77,907)	(77,636)	**49,540**
Profit (loss) for the year	1,566,524	89,556	(2,184,299)	(818,519)	**(428,110)**

	As at 30 April 2008 HK$'000	As at 30 April 2009 HK$'000	As at 31 December 2009 HK$'000	As at 31 December 2010 HK$'000 (restated)	**As at 31 December 2011 HK$'000**
Assets and liabilities					
Total assets	27,563,524	29,295,748	25,991,780	49,854,617	**54,051,725**
Total liabilities	(18,484,201)	(20,223,605)	(19,331,798)	(30,663,731)	**(34,175,119)**
	9,079,323	9,072,143	6,659,982	19,190,886	**19,876,606**
Equity					
Owners of the Company	8,374,052	8,316,384	6,073,429	12,456,495	**13,017,670**
Non-controlling interests	705,271	755,759	586,553	6,734,391	**6,858,936**
	9,079,323	9,072,143	6,659,982	19,190,886	**19,876,606**

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