IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE ADDRESSEES OUTSIDE OF THE UNITED STATES.

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached offering circular. You are advised to read this disclaimer carefully before accessing, reading or making any other use of the attached offering circular. In accessing the attached offering circular, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access.

Confirmation of Your Representation: This offering circular is being sent to you at your request and by accepting the e-mail and accessing the attached offering circular, you shall be deemed to represent to The Hongkong and Shanghai Banking Corporation Limited (the "**Lead Manager**") that the e-mail address that you gave us and to which this e-mail has been delivered is not located in the United States, its territories or possessions, and you consent to delivery of the attached offering circular and any amendments or supplements thereto by electronic transmission.

The attached offering circular has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently none of the Lead Manager, the Trustee or the Agents (as defined in the attached offering circular) or any of their respective affiliates, directors, officers, employees, representatives, agents and each person who controls the Lead Manager accepts any liability or responsibility whatsoever in respect of any discrepancies between the document distributed to you in electronic format and the hard copy version. We will provide a hard copy version to you upon request.

Restrictions: The attached document is being furnished in connection with an offering exempt from registration under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") solely for the purpose of enabling a prospective investor to consider the purchase of securities described in the attached offering circular. You are reminded that the information in the attached preliminary offering circular is not complete and may be changed.

THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

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You are reminded that you have accessed the attached offering circular on the basis that you are a person into whose possession this offering circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorised to deliver this document, electronically or otherwise, to any other person. If you have gained access to this transmission contrary to the foregoing restrictions, you are not allowed to purchase any of the securities described in the attached.

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GEMDALE INTERNATIONAL HOLDING LIMITED

(incorporated with limited liability in Hong Kong)

CNY1,200,000,000 9.15 per cent. Guaranteed Bonds due 2015

Issue Price: 100.00 per cent.

The 9.15 per cent. Guaranteed Bonds due 2015 in the aggregate principal amount of CNY1,200,000,000 (the "**Bonds**") will be issued by Gemdale International Holding Limited (the "**Issuer**") and will be unconditionally and irrevocably guaranteed (the "**Guarantee**") by Famous Commercial Limited ("**Famous**"), Kudos International Company Limited, Dignity Commercial Company Limited, Gemdale Laureate Limited, Evergreen Commercial Company Limited and Jade Commercial Company Limited (collectively and together with "**Famous**", the "**Subsidiary Guarantors**"). The Issuer and the Subsidiary Guarantors are wholly-owned subsidiaries of Gemdale Corporation which is listed on the Shanghai Stock Exchange (the "**Company**").

Interest on the Bonds is payable semi-annually in arrear on the Interest Payment Date (as defined in the ***Terms and Conditions of the Bonds***) falling on or nearest to 26 January and 26 July in each year. The Bonds will be direct, unconditional, unsubordinated and secured obligations of the Issuer, at all times ranking *pari passu* without any preference or priority among themselves and ranking at least equally with all other present and future unsecured and unsubordinated obligations of the Issuer. Payments on the Bonds will be made without deduction for or on account of taxes of Hong Kong and the PRC (as defined herein) to the extent described in "***Terms and Conditions of the Bonds — Taxation***".

The Bonds will have the benefit of the Security (as defined in "***Terms and Conditions of the Bonds***") over the Interest Reserve Account (as defined in "***Terms and Conditions of the Bonds***"). See "***Terms and Conditions of the Bonds — Status, Guarantee and Security — Security***".

The Company and Famous will enter into a keepwell deed with The Hongkong and Shanghai Banking Corporation Limited (the "**Trustee**") as trustee of the Bonds (the "**Keepwell Deed**") as more fully described in "***Description of the Keepwell Deed***".

The Company will enter into a deed of equity interest purchase undertaking (the "**Deed of Equity Interest Purchase Undertaking**") with the Trustee, as more fully described in "***Description of the Deed of Equity Interest Purchase Undertaking***".

The Bonds mature on the Interest Payment Date falling on or nearest to 26 July 2015 at their principal amount. The Bonds are subject to redemption, in whole but not in part, at their principal amount, together with accrued interest, at the option of the Issuer at any time in the event of certain changes affecting taxes of Hong Kong or the PRC. The Bonds also contain a provision for redemption at the option of the Bondholders at 101 per cent. of the principal amount of each Bond, together with interest accrued to the date for redemption, upon the occurrence of a Relevant Event (as defined in the ***Terms and Conditions of the Bonds***) with respect to the Company. See "***Terms and Conditions of the Bonds — Redemption and Purchase***".

The Bonds have been assigned a rating of "Ba3" by Moody's Investors Service ("**Moody's**") and a rating of "BB-" by Standard & Poor's Rating Services, a division of the McGraw-Hill Companies, Inc. ("**S&P**"). These ratings do not constitute a recommendation to buy, sell or hold the Bonds and may be subject to suspension, reduction or withdrawal at any time by Moody's or S&P. In addition, the Company has been assigned a corporate family rating of "Ba1" by Moody's and a long-term corporate credit rating of "BB+" by S&P.

Investing in the Bonds involves certain risks. See "Risk Factors" beginning on page 21 for a discussion of certain factors to be considered in connection with an investment in the Bonds.

The Bonds and the Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") and, subject to certain exceptions, may not be offered or sold within the United States. The Bonds are being offered only outside the United States in reliance on Regulation S under the Securities Act.

For a description of these and certain further restrictions on offers and sales of the Bonds and the distribution of this Offering Circular, see "***Subscription and Sale***".

The denomination of the Bonds shall be CNY1,000,000 each and integral multiples of CNY10,000 in excess thereof.

Approval in-principle has been received for the listing of the Bonds on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Offering Circular. Admission of the Bonds to the Official List of the SGX-ST is not to be taken as an indication of the merits of the Issuer, the Subsidiary Guarantors or the Bonds.

The Bonds will be issued in registered form and represented by a global certificate (the "**Global Certificate**") deposited on or about 26 July 2012 (the "**Issue Date**") with a sub-custodian for the Central Moneymarkets Unit Service (the "**CMU**"), the book-entry clearing system operated by the Hong Kong Monetary Authority (the "**HKMA**"). Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by the CMU.

Sole Lead Manager and Sole Bookrunner

HSBC

Offering Circular dated 19 July 2012

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IMPORTANT NOTICE

Each of the Issuer, the Subsidiary Guarantors and the Company, having made all reasonable enquiries, confirms that (i) this Offering Circular contains all information with respect to the Issuer, the Subsidiary Guarantors, the Company, the Company and its subsidiaries (the "**Group**"), the Bonds, the Guarantee, the Deed of Equity Interest Purchase Undertaking and the Keepwell Deed, which is material in the context of the issue and offering of the Bonds; (ii) the statements contained in it relating to the Issuer, the Subsidiary Guarantors, the Company and the Group are in every material respect true and accurate and not misleading; (iii) the opinions and intentions expressed in this Offering Circular with regard to the Issuer, the Subsidiary Guarantors, the Company and the Group are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; (iv) there are no other facts in relation to the Issuer, the Subsidiary Guarantors, the Company, the Group, the Bonds, the Guarantee, the Deed of Equity Interest Purchase Undertaking or the Keepwell Deed, the omission of which would, in the context of the issue and offering of the Bonds, the Guarantee, the Deed of Equity Interest Purchase Undertaking and the Keepwell Deed, make any statement in this Offering Circular misleading in any material respect; and (v) all reasonable enquiries have been made by the Issuer, the Subsidiary Guarantors and the Company to ascertain such facts and to verify the accuracy of all such information and statements. In addition, each of the Issuer, the Subsidiary Guarantors and the Company accepts full responsibility for the accuracy of the information contained in this Offering Circular.

This Offering Circular has been prepared by the Issuer, the Subsidiary Guarantors and the Company solely for use in connection with the proposed offering of the Bonds described in this Offering Circular. The distribution of this Offering Circular and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Subsidiary Guarantors, the Company and The Hongkong and Shanghai Banking Corporation Limited (the "**Lead Manager**") to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Bonds or the distribution of this Offering Circular in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Bonds and the circulation of documents relating thereto, in certain jurisdictions including the United States, the United Kingdom, the People's Republic of China, Hong Kong and Singapore, and to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of the Bonds and distribution of this Offering Circular, see "***Subscription and Sale***".

No person has been or is authorised to give any information or to make any representation concerning the Issuer, the Subsidiary Guarantors, the Company, the Group, the Bonds, the Guarantee, the Deed of Equity Interest Purchase Undertaking or the Keepwell Deed other than as contained herein and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Issuer, the Subsidiary Guarantors, the Company, the Lead Manager, the Trustee or the Agents (as defined herein). Neither the delivery of this Offering Circular nor any offering, sale or delivery made in connection with the issue of the Bonds shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer, the Subsidiary Guarantors, the Company, the Group or any of them since the date hereof or create any implication that the information contained herein is correct as at any date subsequent to the date hereof. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Subsidiary Guarantors, the Company, the Lead Manager, the Trustee or the Agents to subscribe for or purchase any of the Bonds and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful.

The Issuer has submitted this Offering Circular confidentially to a limited number of institutional investors so that they can consider a purchase of the Bonds. The Issuer has not authorised its use for any other purpose. This Offering Circular may not be copied or reproduced in whole or in part. It may be distributed only to and its contents may be disclosed only to the prospective investors to whom it is provided. By accepting delivery of this Offering Circular each investor agrees to these restrictions.

No representation or warranty, express or implied, is made or given by the Lead Manager, the Trustee or the Agents as to the accuracy, completeness or sufficiency of the information contained in this Offering Circular, and nothing contained in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty by the Lead Manager, the Trustee or the Agents. The Lead Manager, the Trustee and the Agents have not independently verified any of the information contained in this Offering Circular and can give no assurance that this information is accurate, truthful or complete. This Offering Circular is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by any of the Issuer, the Subsidiary Guarantors, the Company, the Lead Manager, the Trustee or the Agents that any recipient of this Offering Circular should purchase the Bonds. Each potential purchaser of the Bonds should determine for itself the relevance of the information contained in this Offering Circular and its purchase of the Bonds should be based upon such investigations with its own tax, legal and business advisers as it deems necessary.

IN CONNECTION WITH THE ISSUE OF THE BONDS, THE LEAD MANAGER AS THE STABILISING MANAGER (OR PERSONS ACTING ON ITS BEHALF) MAY, SUBJECT TO ALL APPLICABLE LAWS AND DIRECTIVES, OVER-ALLOT AND EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE BONDS AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER (OR PERSONS ACTING ON ITS BEHALF) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE BONDS IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE BONDS AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE BONDS.

In making an investment decision, investors must rely on their own examination of the Issuer, the Subsidiary Guarantors, the Company, the Group and the terms of the offering, including the merits and risks involved. See "***Risk Factors***" for a discussion of certain factors to be considered in connection with an investment in the Bonds.

Each person receiving this Offering Circular acknowledges that such person has not relied on the Lead Manager, the Trustee or the Agents or any person affiliated with the Lead Manager, the Trustee or the Agents in connection with its investigation of the accuracy of such information or its investment decision.

The Company has prepared audited consolidated financial statements as at and for the years ended 31 December 2009, 2010 and 2011. These financial statements and financial information were prepared in accordance with Generally Accepted Accounting Principles in the People's Republic of China (the "**PRC GAAP**").

Famous has prepared audited consolidated financial statements as at and for the years ended 31 December 2009, 2010 and 2011. These financial statements and financial information were prepared in accordance with IFRS.

All references in this Offering Circular to the "**Group**" are to the Company and its consolidated subsidiaries.

Unless otherwise indicated, all references in this Offering Circular to "**China**" or the "**PRC**" are to the People's Republic of China and, for the purpose of this Offering Circular only, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan, and all references to "**Hong Kong**" are to the Hong Kong Special Administrative Region of China.

Unless otherwise specified or the context requires, references herein to "**Renminbi**", "**RMB**" or "**CNY**" are to the lawful currency of the PRC, references herein to "**Hong Kong dollars**", "**HK dollars**", "**HK$**" or "**HKD**" are to the lawful currency of Hong Kong and references herein to "**US dollars**", "**US$**" or "**USD**" are to the lawful currency of the United States of America.

Market data and certain industry forecasts and statistics in this Offering Circular have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although this information is believed to be reliable, it has not been independently verified by the Issuer, the Subsidiary Guarantors, the Company, or the Lead Manager or their respective directors and advisors, and none of the Issuer, the Subsidiary Guarantors, the Company, the Lead Manager nor their respective directors and advisors make any representation as to the accuracy or completeness of that information. Such information may not be consistent with other information compiled within or outside the PRC. In addition, third party information providers may have obtained information from market participants and such information may not have been independently verified.

The English names of the PRC nationals, entities, departments, facilities, laws, regulations, certificates, titles and the like are translations of their Chinese names and are included for identification purposes only.

FORWARD-LOOKING STATEMENTS

The Issuer, the Subsidiary Guarantors and the Company have made forward-looking statements in this Offering Circular regarding, among other things, the Group's financial condition, future expansion plans and business strategies. These forward-looking statements are based on the Group's current expectations about future events. Although the Issuer, the Subsidiary Guarantors and the Company believe that these expectations and projections are reasonable, such forward-looking statements are inherently subject to risks, uncertainties and assumptions, including, among other things:

- risks associated with business activities;
- general economic and political conditions in the PRC and globally;
- the business strategy and plan of operation;
- fluctuations in foreign currency exchange rates;
- supplier issues, including, but not limited to, variations in price, available quantity or delivery; and
- those other risks identified in the "***Risk Factors***" section of this Offering Circular.

The words "**anticipate**", "**believe**", "**estimate**", "**expect**", "**intend**", "**plan**" and similar expressions are intended to identify a number of these forward-looking statements. The Issuer, the Subsidiary Guarantors and the Company undertake no obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Offering Circular might not occur and the Issuer's, the Subsidiary Guarantors' and the Company's actual results could differ materially from those anticipated in these forward-looking statements.

In this Offering Circular, where information has been presented in thousands or millions of units, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding. References to information in billions of units are to the equivalent of a thousand million units.

These forward-looking statements speak only as at the date of this Offering Circular. The Issuer, the Subsidiary Guarantors and the Company expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Group's expectations with regard thereto or any change of events, conditions or circumstances, on which any such statement was based.

SUMMARY

The summary below is only intended to provide a limited overview of detailed information described elsewhere in this Offering Circular. As it is a summary, it does not contain all of the information that may be important to investors and terms defined elsewhere in this Offering Circular shall have the same meanings when used in this Summary. Prospective investors should therefore read this Offering Circular in its entirety.

OVERVIEW

The Group is one of the leading large-scale integrated residential property developers in China. Established in 1988, the Group commenced its real estate business in China in 1993. The Company was listed on the Shanghai Stock Exchange in April 2001 (code: SH.600383), and as at 13 July 2012, it was the third largest A-Share listed property developer with a market capitalisation of approximately CNY30.8 billion. As at 31 March 2012, the Group's total assets were CNY92.8 billion and its shareholders' equity was CNY26.0 billion. The Group's main sources of revenue include property development and sales, property investment and property management. The Group's revenue was approximately CNY12,098.2 million, CNY19,592.5 million, CNY23,918.5 million, CNY2,144.3 million and CNY1,743.2 million for the years ended 31 December 2009, 2010 and 2011 and the three months ended 31 March, 2011 and 2012, respectively.

The Group is headquartered in Shenzhen, Guangdong province, China. Leveraging on its well-recognised brand and management capabilities, as at 31 March 2012, the Group had successfully developed over 30 million sq.m. of GFA since it commenced its real estate operations. The Group has successfully expanded its operations, with a land bank of 17.1 million sq.m.[1] of GFA across 20 cities in China as at 31 March 2012, including four first-tier cities and 16 second-tier and third-tier cities. The Group's land bank includes its completed projects that are not sold, projects under development, projects held for future development and properties held for investment purpose. The Group has won numerous awards for its strong brand recognition and high-quality property developments, such as "Comprehensive Strength Top 10", "Enterprise Scale Top 10" and "Financing Ability Top 10" (among China's top 100 real estate developers), "The Third China Creditable Enterprises List — Creditable Brand Award", "2011 Most Valuable Listed Property Developer Award", "2011 Most Influential China Property Developer Award", "2012 Real Estate Finance Innovation Award" and "2012 Most Valuable Listed Company Award".

The Group is supported by Shenzhen Futian Investment and Development Company ("**Futian Investment**"), which is the largest shareholder of the Company as at the date of this Offering Circular. Futian Investment intends to maintain its current shareholding ownership and remain the largest shareholder of the Company. Futian Investment holds approximately 7.85 per cent. of the outstanding shares of the Company. Futian Investment is a state-owned enterprise that is wholly-owned by the central State-owned Assets Supervision and Administration Commission ("**SASAC**").

The Group is managed by a team of experienced professionals. The Group's senior management team consists of 11 professional managers with an average of over 16 years of industry experience and an average of over 13 years of relationship with the Group.

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(1) This includes approximately 2.0 million sq.m. in Xi'an which the Group has signed a cooperative development agreement and a compensation and resettlement agreement for house demolition. However, as at the date of this Offering Circular, the Group has not entered into the relevant land use right grant contracts.

The Group has made significant investments in, and has interests in property development projects in, first-tier cities in China, such as Beijing, Shanghai, Shenzhen and Guangzhou, where the property market has experienced significant growth in recent years. It has also invested in a number of projects in second-tier cities such as Tianjin, Ningbo, Nanjing, Hangzhou, Zhuhai, Changsha, Changzhou, Dalian, Wuhan, Xi'an and Shenyang, which cities it expects will have significant growth potential, as well as some third-tier cities such as Dongguan and Shaoxing. The Group's strategies include continuing to enhance its market leading position, building upon its land bank in a selective and prudent manner and maintaining its prudent financial management.

COMPETITIVE STRENGTHS

The Group believes that it has the following strengths:

- Proven Track Record and Strong Execution Capabilities
- Prudent Financial Management and Access to Diversified Funding Sources
- Strong Liquidity and Debt Structure
- Large, Diversified and Low Cost Land Bank
- Experienced Management Team, Strong Corporate Governance and Support from Futian Investment
- High Brand Recognition and Range of Product Offerings

STRATEGIES

The Group intends to implement the following strategies:

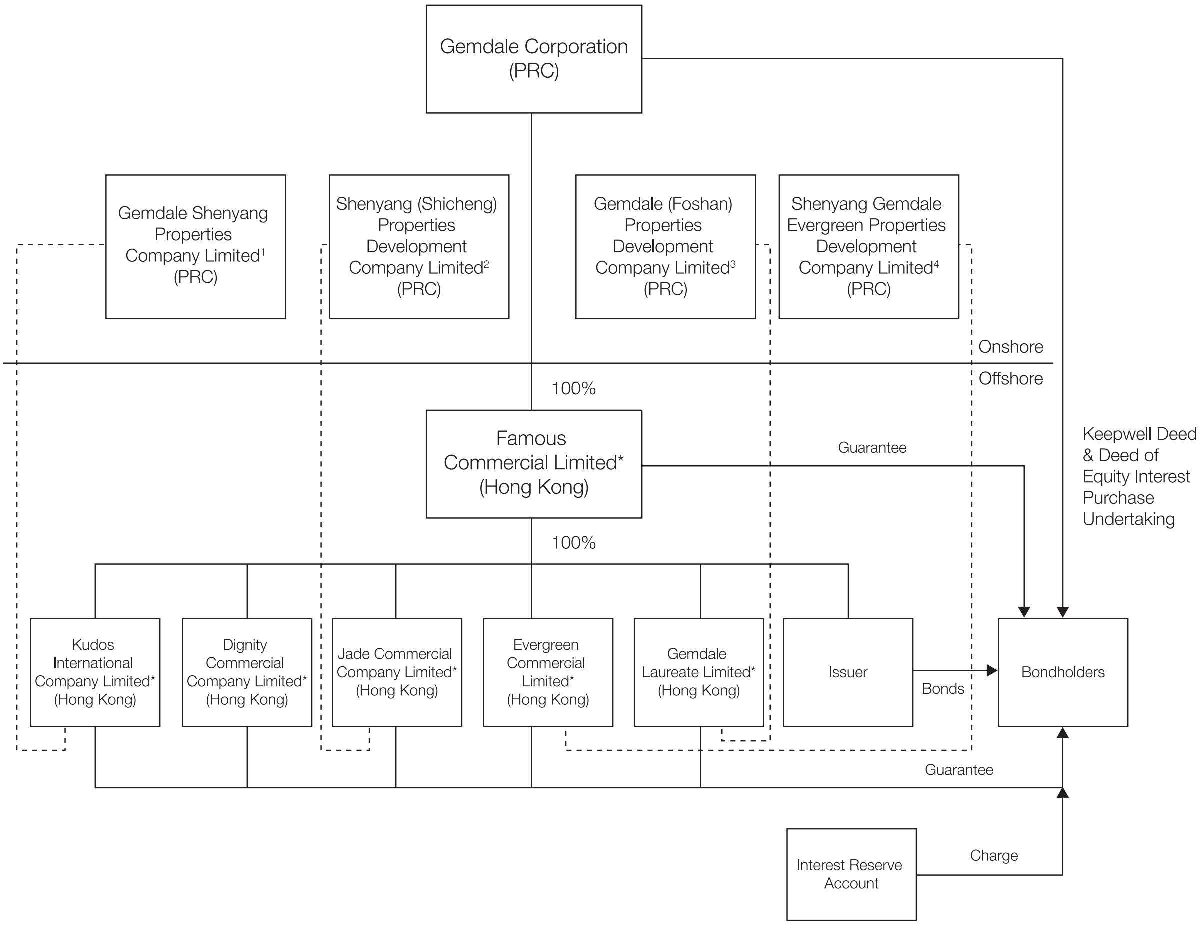
- Continue to Enhance its Leading Position
- Build Land Bank in a Selective Manner together with Prudent Expansion
- Maintain Prudent Financial Management
- Explore New Markets and Business

RECENT DEVELOPMENT

The Hongkong and Shanghai Banking Corporation Limited, which is acting as the Sole Lead Manager and Sole Bookrunner of the issuance of the Bonds, has agreed in a separate capacity, subject to certain conditions precedent, to provide an unsecured term loan facility of up to US$32,000,000 to Famous. It is anticipated that the unsecured term loan facility will be on a *pari passu* basis with the Bonds.

OFFER STRUCTURE

*The following is a description of the structure of the offering, which should be read in conjunction with the sections entitled "**Risk Factors**", "**Terms and Conditions of the Bonds**", "**Description of the Keepwell Deed**" and "**Description of the Deed of Equity Interest Purchase Undertaking**". The following chart illustrates the structure of the offering as at the Issue Date.*



Notes:

1. The project company for the development and sale of Gemdale International Garden (Shenyang) (Phases I–III).

2. The project company for the development and sale of Shenyang Tanjun.

3. The project company for the development and sale of Gemdale Kow Loon Jade.

4. The project company for the development and sale of Gemdale Laurel Bay.

* Subsidiary Guarantors

THE BONDS AND THE GUARANTEE

The Bonds will be issued by the Issuer. Subject to the Conditions, the Bonds will constitute direct, unsubordinated, unconditional and secured obligations of the Issuer and the payment obligations of the Issuer under the Bonds will at all times rank at least equal with all the Issuer's other present and future unsecured and unsubordinated obligations.

On the Issue Date, the Bonds will have the benefit of a Guarantee by the Subsidiary Guarantors. Pursuant to the Guarantee, the Subsidiary Guarantors will unconditionally and irrevocably guarantee, on a joint and several basis, the due payment of all sums expressed to be payable by the Issuer under the Bonds and the Trust Deed. Pursuant to the Conditions and the Trust Deed, a Subsidiary Guarantor (other than Famous) shall be released from its obligations under the Guarantee in certain circumstances specified under Condition 3(c) including, upon a sale of more than 50 per cent. of the capital stock of that Subsidiary Guarantor for fair market value, at least 75 per cent. of the proceeds received from that sale consists of cash and the proceeds received is transferred or otherwise vested in the other Subsidiary Guarantors or the other Subsidiary Guarantors' subsidiaries.

Each of the Issuer, Famous and the other Subsidiary Guarantors is incorporated in Hong Kong and is a direct or indirect wholly-owned subsidiary of the Company. Each of the Subsidiary Guarantors is in turn the direct or indirect holding company of a PRC-incorporated subsidiary which carries on certain property development business in the PRC. Certain of the Subsidiary Guarantors may have insufficient or no assets or revenue, the PRC subsidiaries of the Company and certain subsidiaries of Famous incorporated outside of the PRC are not guarantors in respect of the Bonds. See "***Risk Factors — Each of the Subsidiary Guarantors has limited material assets and revenue, and obligations of the Subsidiary Guarantors under the Guarantee are structurally subordinated to the liabilities and obligations of their respective subsidiaries.***"

THE KEEPWELL DEED

The Company and Famous will execute the Keepwell Deed in favour of the Trustee on or before the Issue Date in the form or substantially in the form as set out in Appendix A — The Keepwell Deed. Pursuant to the Keepwell Deed, the Company will undertake to:

- own or hold, directly or indirectly, all the outstanding shares of Famous;
- cause Famous to have a total equity of at least HK$100,000,000 at all times and to have sufficient liquidity to ensure timely payment by Famous of any amounts payable in respect of the Bonds and the Guarantee in accordance with the Terms and Conditions of the Bonds;
- make available to Famous funds sufficient to meet the payment obligations under the Bonds;
- not create or have any Relevant Indebtedness which is issued outside the PRC unless the Company at the same time provides an unsubordinated guarantee or indemnity in respect of the Bonds in a form and substance satisfactory to the Trustee;
- not, and to procure that its Subsidiaries will not, create or permit to subsist any mortgage, charge, lien, pledge or other security interest, upon the whole or any part of their respective present or future undertaking, assets or revenues (including any

uncalled capital) to secure any Relevant Indebtedness which is issued outside the PRC without at the same time or prior thereto securing the Bonds equally and rateably therewith except for any security over any interest reserve account which is substantially the same or otherwise no more favourable (in the opinion of the Trustee) than those set forth in the Terms and Conditions of the Bonds;

- not create or have outstanding any guarantee or indemnity in respect of any Relevant Indebtedness which is issued outside the PRC without at the same time or prior thereto according to the Bonds the same guarantee or indemnity;
- procure that the articles of association of Famous shall not be amended in a manner that is, directly or indirectly, adverse to any holders of the Bonds;
- cause Famous to remain in full compliance with the Trust Deed and all applicable rules and regulations in Hong Kong;
- promptly take any and all action necessary to comply with its obligations under the Keepwell Deed; and
- cause Famous to take all action necessary in a timely manner to comply with the Company's and Famous's obligations under the Keepwell Deed.

If Famous determines that there is insufficient liquidity for the Issuer or the Subsidiary Guarantors to meet their respective payment obligations as they fall due, Famous will promptly notify the Company of the shortfall and the Company will make available to Famous, funds sufficient to enable that payment obligation to be met in full as they fall due.

The Keepwell Deed is not a guarantee or a legal obligation of the Company to pay any amount due under the Bonds. The performance by the Company of its obligations under the Keepwell Deed may be subject to the approval or clearance or require governmental or regulatory approvals, permits and filings of the relevant PRC regulatory authorities and the Company undertakes to use all reasonable efforts to obtain the same. See "***Risk Factors — The Keepwell Deed is not a guarantee of the payment obligations under the Bonds and the Guarantee***."

THE DEED OF EQUITY INTEREST PURCHASE UNDERTAKING

The Company will execute the Deed of Equity Interest Purchase Undertaking in favour of the Trustee on or before the Issue Date in the form or substantially in the form set out in Appendix B — The Deed of Equity Interest Purchase Undertaking. While the Keepwell Deed contains a general obligation requiring the Company to ensure that Famous has sufficient liquidity to meet any payment obligations under the Bonds, the Deed of Equity Interest Purchase Undertaking provides a specified means by which the Company could assist the Issuer and the Subsidiary Guarantors to meet any outstanding debt obligations under the Bonds upon the occurrence of an Event of Default.

Under the Deed of Equity Interest Purchase Undertaking, the Company will undertake to the Trustee that, upon receipt of a written notice from the Trustee following the occurrence of an Event of Default under the Bonds, the Company will, subject to obtaining all necessary consents and approvals from the relevant PRC authorities, purchase certain onshore equity interests held by the Relevant Trasferor(s) (as defined in the Deed of Equity Interest Purchase Undertaking). The purchase price for any proposed acquisition will be determined by the

Company provided that the relevant purchase price must be sufficient for the Issuer and the Subsidiary Guarantors to discharge their respective obligations under the Bonds, the Trust Deed and the Agency Agreement.

Upon receipt of the written notice from the Trustee, the Company is required to acquire all or any equity interests of any onshore project company or companies, the capital stock of which is held by the Relevant Transferor(s) (as defined in the Deed of Equity Interest Purchase Undertaking), being offshore subsidiaries of Famous. See "***Risk Factors — Performance by the Company of its undertaking under the Deed of Equity Interest Purchase Undertaking is subject to approvals of the PRC government authorities***."

The Issuer and the Company have been advised by PRC counsel that any proposed acquisition to be made by the Company under the Deed of Equity Interest Purchase Undertaking will be an onshore intra-group transfer which does not require the approval by the NDRC and the Company will only need to obtain the approval of the MOFCOM and SAFE and registration with the State Administration for Industry and Commerce (AIC) and other necessary tax clearance from the applicable PRC tax authorities prior to the completion of the acquisition. The Company undertakes to use all reasonable efforts to obtain all applicable PRC regulatory approvals, authorisation or consents. However, there is no assurance that such approvals can be obtained. In the event that the Company is unable to obtain the relevant PRC regulatory approvals, authorisations or consents, the Company may be unable to complete the relevant equity interest acquisition as required under the Deed of Equity Interest Purchase Undertaking. See "***Risk Factors — Performance by the Company of its undertaking under the Deed of Equity Interest Purchase Undertaking is subject to approvals of the PRC government authorities***."

INTEREST RESERVE AND SECURITY

On the Issue Date, the Issuer shall deposit a minimum balance, being an amount equal to the aggregate interest for two Interest Periods payable under the Bonds (the "**Minimum Balance**"), into the Interest Reserve Account. The Issuer is obliged to maintain the Minimum Balance in the Interest Reserve Account at all times prior to Interest Payment Date falling immediately before the Maturity Date of the Bonds. In the absence of a Potential Event of Default or Event of Default, the Issuer may withdraw from the Interest Reserve Account for payment to the Bondholders the interest payment due on each of: (i) the Interest Payment Date falling immediately before the Maturity Date and (ii) on the Maturity Date.

Further, the obligations of the Issuer under the Bonds and the Trust Deed are to be secured by a first priority fixed charge given by the Issuer over the Interest Reserve Account in favour of the Trustee for the benefit of the Bondholders.

Upon the occurrence of an Event of Default, the amount standing to the credit of the Interest Reserve Account will be held solely to the order of the Trustee and such funds shall be released at the direction of the Trustee and applied in accordance with the provisions of the Trust Deed towards payments of any amounts due under the Bonds and Trust Deed.

THE ISSUE

*The following contains some summary information about the Bonds. Some of the terms described below are subject to important limitations and exceptions. Words and expressions defined in "**Terms and Conditions of the Bonds**" and "**Summary of Provisions Relating to the Bonds in Global Form**" shall have the same meanings in this summary. For a comprehensive description of the terms of the Bonds, see the section entitled "**Terms and Conditions of the Bonds**" of this Offering Circular.*

Issuer	Gemdale International Holding Limited.
Guarantee	Each Subsidiary Guarantor has unconditionally and irrevocably guaranteed, on a joint and several basis, the due payment of all sums expressed to be payable by the Issuer under the Bonds and the Trust Deed, as further described in Condition 3 of the Terms and Conditions of the Bonds. The Subsidiary Guarantors are Famous Commercial Limited ("**Famous**"), Kudos International Company Limited, Dignity Commercial Company Limited, Gemdale Laureate Limited, Evergreen Commercial Company Limited and Jade Commercial Company Limited (the "**Subsidiary Guarantors**" and each a "**Subsidiary Guarantor**"). Each Subsidiary Guarantor's obligations in respect of the Bonds and the Trust Deed are contained in the Trust Deed (and any supplement thereto). A Subsidiary Guarantor may be released from the Guarantee on the occurrence of certain events. See "***Terms and Conditions of the Bonds — Status, Guarantee and Security — Release***".
Issue	CNY1,200,000,000 in aggregate principal amount of 9.15 per cent. Guaranteed Bonds due 2015.
Issue Price	100.00 per cent.
Form and Denomination	The Bonds will be issued in registered form in the specified denomination of CNY1,000,000 each and integral multiples of CNY10,000 in excess thereof.
Interest.	The Bonds will bear interest from and including 26 July 2012 at the rate of 9.15 per cent. per annum, payable semi-annually in arrear on the Interest Payment Date falling on or nearest to 26 January and 26 July in each year.

Interest Reserve	On the Issue Date, the Issuer shall deposit or procure that there shall be deposited into the Interest Reserve Account CNY109,800,000, or the amount which is equal to the amount of interest due in respect of the Bonds for the first two Interest Periods after the Issue Date, as the initial Minimum Balance. The Interest Reserve Account will be established with the Account Bank. Prior to the Interest Payment Date falling immediately before the Maturity Date, the Issuer shall, unless otherwise permitted under the Terms and Conditions of the Bonds, maintain the Minimum Balance in the Interest Reserve Account. So long as no Potential Event of Default or Event of Default has occurred, the Issuer may by written notice to the Account Bank direct the Account Bank to pay such amount of the Reserve Fund standing to the credit of the Interest Reserve Account to the Principal Paying Agent as is equal to any interest due and payable under the Bonds on the Interest Payment Date falling immediately before the Maturity Date, and on the Maturity Date for payment to the Bondholders in accordance with the Terms and Conditions of the Bonds and the Agency Agreement. See "***Terms and Conditions of the Bonds — Covenants — Interest Reserve***".
Issue Date	26 July 2012.
Status of the Bonds	The Bonds constitute direct, unsubordinated, unconditional and, subject to Conditions 3(d) and 4 of the Terms and Conditions of the Bonds, secured obligations of the Issuer and shall at all times rank *pari passu* and without any preference or priority among themselves, as further described in Condition 3 of the Terms and Conditions of the Bonds.
Status of the Guarantee	The obligations of each Subsidiary Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4 of the Terms and Conditions of the Bonds, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.
Negative Pledge and Financial Covenants	The Bonds contain a negative pledge provision and Financial Covenants, each as further described in Condition 4 of the Terms and Conditions of the Bonds.
Events of Default	The Bonds contain certain events of default provisions as further described in Condition 9 of the Terms and Conditions of the Bonds.

Taxation	All payments of principal, premium and interest by or on behalf of the Issuer or the Subsidiary Guarantors in respect of the Bonds or under the Guarantee shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Hong Kong or the PRC or any jurisdiction of incorporation or residence for tax purposes of any of the Subsidiary Guarantors or any political subdivision or authority therein or thereof having power to tax, unless such withholding or deduction is required by law, as further described in Condition 8 of the Terms and Conditions of the Bonds. In such event, the Issuer or, as the case may be, the Subsidiary Guarantors shall, subject to the limited exceptions specified in the Terms and Conditions of the Bonds pay such additional amounts as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required.
Final Redemption	Unless previously redeemed or purchased and cancelled, the Bonds will be redeemed at their principal amount on the Interest Payment Date falling on or nearest to 26 July 2015.
Redemption for Taxation Reasons	The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at their principal amount, together with accrued interest, at any time in the event of certain changes affecting taxes of Hong Kong or the PRC or the jurisdiction of incorporation or residence for tax purposes of the relevant Subsidiary Guarantor or any political subdivision or any authority thereof or therein having power to tax, as further described in Condition 6(b) of the Terms and Conditions of the Bonds.
Redemption for Change of Control or Rating Withdrawal (a "Relevant Event")	At any time following the occurrence of a Relevant Event, the holder of any Bond will have the right, at such holder's option, to require the Issuer to redeem all, but not some only, of such holder's Bonds, at 101 per cent. of their principal amount, together with accrued interest, as further described in Condition 6(c) of the Terms and Conditions of the Bonds.
Clearing Systems	The Bonds will be issued in registered form and represented by a Global Certificate deposited with a sub-custodian for the CMU, the book-entry clearing system operated by the HKMA. Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by the CMU.

	For persons seeking to hold a beneficial interest in the Bonds through Euroclear Bank S.A./N.V. ("**Euroclear**"), or Clearstream Banking, *société anonyme* ("**Clearstream**"), such persons will hold their interests through an account opened and held by Euroclear or Clearstream (as the case may be) with the CMU operator.
Governing Law	Hong Kong law.
Trustee	The Hongkong and Shanghai Banking Corporation Limited.
Principal Paying Agent, Registrar, CMU Lodging Agent and Transfer Agent . .	The Hongkong and Shanghai Banking Corporation Limited.
Listing	Approval in-principle has been received for the listing of the Bonds on the SGX-ST. The Bonds will be traded on the SGX-ST in a minimum board lot size of Singapore dollars 200,000 or its equivalent in other currencies so long as any of the Bonds remain listed on the SGX-ST.
Further Issues	The Issuer may from time to time, without the consent of the Bondholders, create and issue further bonds having the same terms and conditions as the Bonds in all respects (or in all respects except for the first payment of interest on them) so as to form a single series with the Bonds, as further described in Condition 15 of the Terms and Conditions of the Bonds.
Use of Proceeds	See section entitled "***Use of Proceeds***".
Keepwell Deed	The Company and Famous will enter into a keepwell deed with the Trustee as more fully described in "***Description of the Keepwell Deed***".
Deed of Equity Interest Purchase Undertaking	The Company will enter into a deed of equity interest purchase undertaking with the Trustee as more fully described in "***Description of the Deed of Equity Interest Purchase Undertaking***".

SUMMARY FINANCIAL INFORMATION OF THE COMPANY

The following tables set forth the Company's summary consolidated financials as at and for the periods indicated. The Company's selected audited financial information as at and for the years ended 31 December 2009, 2010 and 2011 set forth below has been derived from the Company's audited consolidated financial statements for the years ended 31 December 2009, 2010 and 2011. The summary unaudited consolidated financial information as at and for the three months ended 31 March 2012 set forth below has been derived from the Company's unaudited interim consolidated financial statements for the three months ended 31 March 2012. The information set forth below should be read in conjunction with, and is qualified in its entirety by reference to, the Company's relevant financial year end audited financial statements, including the notes thereto, included elsewhere in this Offering Circular. The Company's consolidated financial statements and unaudited interim consolidated financial statements are prepared and presented in accordance with PRC GAAP.

Consolidated Statement of Comprehensive Income

	For the year ended 31 December			For the three months ended 31 March	
	2009	2010	2011	2011	2012
	CNY'000	CNY'000	CNY'000	CNY'000 (unaudited)	CNY'000 (unaudited)
Total operating income	12,098,172.2	19,592,529.8	23,918,506.2	2,144,324.9	1,743,229.3
Including: Operating income	12,098,172.2	19,592,529.8	23,918,506.2	2,144,324.9	1,743,229.3
Interest income	—	—	—	—	—
Earned premium	—	—	—	—	—
Handling charges and commissions income	—	—	—	—	—
Total operating costs	9,645,636.1	15,471,303.1	18,951,599.4	1,907,753.4	1,485,877.7
Including: Operating costs	7,656,955.2	12,133,692.0	14,655,653.8	1,378,058.3	1,045,694.0
Interest expense	—	—	—	—	—
Handling charges and commissions expenses	—	—	—	—	—
Refund of insurance premiums	—	—	—	—	—
Net payments for insurance claims	—	—	—	—	—
Net provision for insurance contracts	—	—	—	—	—
Commissions on insurance policies	—	—	—	—	—
Cession charges	—	—	—	—	—
Taxes and surcharges on operations	1,175,407.9	2,015,941.9	2,418,344.3	200,019.9	198,758.7
Selling and distribution expenses	411,540.9	514,350.9	949,722.7	140,024.9	115,695.5
Administrative expenses	495,589.2	824,491.6	902,102.4	182,268.3	127,829.4
Financial expenses	180,236.7	32,141.2	21,259.1	6,986.5	(1,268.9)
Impairment loss in respect of assets	(274,093.8)	(49,314.5)	4,517.1	395.5	(831.0)

	For the year ended 31 December			For the three months ended 31 March	
	2009	2010	2011	2011	2012
	CNY'000	CNY'000	CNY'000	CNY'000	CNY'000
				(unaudited)	
Add: Gains from changes in fair values .	—	—	—	—	—
Investment income	18,616.0	84,676.5	11,602.5	4,031.7	18,248.0
Including: Income from investment in associates and joint ventures	17,024.4	84,542.3	8,285.1	3,787.4	(1,070.6)
Gain or loss on foreign exchange transactions	—	—	—	—	—
Operating profit	2,471,152.1	4,205,903.2	4,978,509.3	240,603.2	275,599.6
Add: Non-operating income	34,262.5	24,923.6	30,344.4	2,569.8	4,574.3
Less: Non-operating expenses	7,321.7	4,585.5	14,525.4	896.7	2,426.8
Including: Losses from disposal of non-current assets	1,261.9	281.4	284.8	90.4	61.7
Total profit.	2,498,092.9	4,226,241.3	4,994,328.3	242,276.3	277,747.1
Less: Income tax expenses.	564,688.8	1,093,405.8	1,253,453.7	76,849.6	82,842.2
Net profit.	1,933,404.0	3,132,835.5	3,740,874.6	165,426.7	194,904.9
Net profit attributable to shareholders of the parent	1,776,233.2	2,694,043.6	3,017,226.8	162,251.2	156,441.3
Profit or loss attributable to minority interests	157,170.8	438,791.9	723,647.8	3,175.5	38,463.6
Earnings per share:					
Basic earnings per share	0.43	0.60	0.67	0.04	0.03
Diluted earnings per share	—	—	—	—	—
Other comprehensive income	648.6	99,762.4	181,402.8	7,690.0	379.4
Total comprehensive income.	1,934,052.6	3,232,597.9	3,922,277.4	173,116.7	195,284.3
Total comprehensive income attributable to shareholders of the parent	1,776,648.9	2,782,210.7	3,163,855.3	163,742.4	167,775.6
Total comprehensive income attributable to minority interests	157,403.7	450,387.2	758,422.1	9,374.3	27,508.7

Consolidated Statement of Financial Position

	As at 31 December			As at 31 March
	2009	2010	2011	2012
	CNY'000	CNY'000	CNY'000	CNY'000 (unaudited)
CURRENT ASSETS:				
Currency funds	9,638,644.2	13,631,399.8	18,638,387.6	17,446,173.0
Provision of settlement fund	—	—	—	—
Funds lent	—	—	—	—
Held-for-trading financial assets	—	—	—	—
Notes receivable	—	—	—	—
Accounts receivable	11,369.7	12,394.0	3,252.1	1,641.2
Advances to suppliers	1,750,867.2	8,882,056.6	795,979.3	648,820.3
Insurance premiums receivable	—	—	—	—
Cession premiums receivable	—	—	—	—
Provision of cession receivable	—	—	—	—
Interest receivable	—	—	—	—
Dividends receivable	—	—	—	—
Other receivables	1,463,332.7	1,437,019.5	2,043,933.7	2,191,491.3
Recoursable financial assets acquired	—	—	—	—
Inventories	40,544,265.0	45,455,498.0	64,135,243.8	65,960,915.3
Non-current assets due within one year	—	—	—	—
Other current assets	898,543.2	1,454,799.0	2,621,369.4	4,227,923.3
Total current assets	54,307,022.0	70,873,166.9	88,238,165.9	90,476,964.4
NON-CURRENT ASSETS:				
Loans and payments on behalf	—	—	—	—
Available-for-sale financial assets	—	—	—	—
Held-to-maturity investments	—	—	—	—
Long-term receivables	—	—	—	—
Long-term equity investments	748,040.7	143,873.9	157,752.5	156,992.7
Investment properties	75,868.6	1,344,969.3	1,283,150.5	1,288,983.1
Fixed assets	73,588.9	80,920.5	124,276.2	132,945.6
Construction in progress	807.5	2,553.4	67,770.2	71,425.6
Construction materials	—	—	—	—
Fixed assets held for disposal	—	—	—	—
Bearer biological assets	—	—	—	—
Oil and natural gas assets	—	—	—	—
Intangible assets	—	—	—	—
Development expenditure	—	—	—	—
Goodwill	7,643.9	7,643.9	7,643.9	7,643.9
Long-term prepayments	8,451.5	11,353.2	10,221.8	9,861.7
Deferred tax assets	296,391.0	352,056.4	611,073.2	632,314.0
Other non-current assets	—	—	—	—
Total non-current assets	1,210,792.1	1,943,370.6	2,261,888.3	2,300,166.6
TOTAL ASSETS	55,517,814.1	72,816,537.5	90,500,054.2	92,777,131.0

	As at 31 December			As at 31 March
	2009	2010	2011	2012
	CNY'000	CNY'000	CNY'000	CNY'000 (unaudited)
CURRENT LIABILITIES:				
Short-term borrowings	853,275.0	200,000.0	2,279,446.5	3,078,912.4
Borrowings from central bank	—	—	—	—
Deposits from customers and interbank	—	—	—	—
Deposit funds	—	—	—	—
Held-for-trading financial liabilities	—	—	—	—
Notes payable	—	—	—	—
Accounts payable	2,879,036.2	2,953,289.6	5,785,707.4	4,213,958.3
Advances from customers	12,360,340.0	18,869,965.1	23,213,776.3	26,573,535.7
Funds from sales of financial assets with repurchasement agreement	—	—	—	—
Handling charges and commissions payable	—	—	—	—
Employee benefits payable	462,952.4	661,724.0	765,528.3	550,950.9
Tax payable	261,192.6	571,000.4	613,324.7	444,585.8
Interest payable	74,002.3	65,362.5	76,283.6	26,447.9
Dividends payable	43,440.0	43,440.0	32,189.5	24,689.5
Other payables	5,217,059.9	4,334,434.3	4,331,203.1	4,251,410.1
Cession premiums payable	—	—	—	—
Provision for insurance contracts	—	—	—	—
Receivings from vicariously traded securities	—	—	—	—
Receivings from vicariously sold securities	—	—	—	—
Non-current liabilities due within one year	2,400,000.0	4,847,000.0	11,879,826.9	10,023,362.1
Other current liabilities	3,052.3	3,052.2	3,052.4	3,052.4
Total current liabilities	24,554,350.7	32,549,268.1	48,980,338.7	49,190,905.1
NON-CURRENT LIABILITIES:				
Long-term borrowings	12,916,964.1	18,063,609.4	14,171,764.6	16,346,210.6
Bonds payable	1,188,295.3	1,190,146.9	1,192,104.3	1,192,600.3
Long-term payables	—	—	—	—
Special payables	—	—	—	—
Provisions	—	—	—	—
Deferred tax liabilities	7,643.9	7,912.6	14,067.9	13,581.0
Other non-current liabilities	—	—	—	—
Total non-current liabilities	14,112,903.3	19,261,668.9	15,377,936.8	17,552,391.9
TOTAL LIABILITIES	38,667,254.0	51,810,937.0	64,358,275.5	66,743,297.0
SHAREHOLDERS' EQUITY				
Share capital	2,484,171.4	4,471,508.6	4,471,508.6	4,471,508.6
Capital reserve	7,995,226.1	6,145,335.4	6,216,486.6	6,241,365.1
Less: Treasury shares	—	—	—	—
Special reserve	—	—	—	—
Additional reserve	500,160.8	711,139.3	830,464.0	830,464.0
Unappropriated profit	3,922,649.5	6,157,297.4	8,786,909.1	8,943,350.3
Translation differences arising on translation of financial statements denominated in foreign currencies	106,737.5	194,904.6	341,533.1	352,867.5
Total shareholders' equity attributable to equity holders of the parent	15,008,945.3	17,680,185.3	20,646,901.4	20,839,555.5
Minority interests	1,841,614.8	3,325,415.2	5,494,877.3	5,194,278.5
TOTAL SHAREHOLDERS' EQUITY	16,850,560.1	21,005,600.5	26,141,778.7	26,033,834.0
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	55,517,814.1	72,816,537.5	90,500,054.2	92,777,131.0

SUMMARY FINANCIAL INFORMATION OF FAMOUS

The following tables set forth the summary consolidated financials of Famous as at the dates and for the years indicated. The selected audited financial information of Famous as at and for the years ended 31 December 2009, 2010 and 2011 has been derived from the audited consolidated financial statements of Famous for the years ended 31 December 2009, 2010 and 2011. The information set forth below should be read in conjunction with, and is qualified in its entirety by reference to, the relevant consolidated financial statements of Famous, including the notes thereto, included elsewhere in this Offering Circular. Famous' consolidated financial statements are prepared and presented in accordance with IFRS.

Consolidated Statement of Comprehensive Income

	For the year ended 31 December		
	2009	2010	2011
	HK$'000	HK$'000	HK$'000
Turnover	1,608,458	959,930	3,317,326
Costs of sales	(1,403,887)	(721,193)	(2,274,053)
Gross profit	204,571	238,737	1,043,273
Other income	3,822	24,608	67,351
Other gains and losses	(2,107)	(19,764)	(3,564)
Other expenses	(91)	(521)	(8,806)
Selling and distribution costs	(52,943)	(40,687)	(94,040)
Administrative expenses	(48,221)	(91,797)	(142,946)
	105,031	110,576	861,268
Share of profits less losses of associates	18,839	43,566	64,979
Finance costs	(4,707)	(37,409)	(82,781)
Profit before tax	119,163	116,733	843,466
Income tax expense	(36,744)	(81,405)	(381,130)
Profit for the year	82,419	35,328	462,336
Other comprehensive income for the year:			
Exchange differences on translation or foreign operations	5,263	89,053	153,438
Total comprehensive income for the year	87,682	124,381	615,774
Profit for the year attributable to:			
Owners of the Company	26,639	14,075	305,177
Non-controlling interests	55,780	21,253	157,159
	82,419	35,328	462,336
Total comprehensive income attributable to:			
Owners of the Company	31,637	89,406	415,721
Non-controlling interests	56,045	34,975	200,053
	87,682	124,381	615,774

Consolidated Statement of Financial Position

	As at 31 December		
	2009	2010	2011
	HK$'000	HK$'000	HK$'000
Non-current assets			
Property, plant and equipment	3,574	1,261	5,137
Interests in associates	67,678	939,246	1,060,465
Goodwill	3,450	3,450	3,450
Deferred tax assets	15,170	11,558	56,713
	89,872	955,515	1,125,765
Current assets			
Stock of properties	3,723,023	2,855,194	4,985,357
Other receivables	72,959	124,647	119,842
Deposits and prepayments	271,812	11,271	34,999
Amount due from ultimate holding company	508,087	842,594	2,074,151
Amount due from a fellow subsidiary	—	1,187,877	800,642
Amount due from an associate	—	6,361	—
Amount due from a jointly controlled entity	9,526	8,408	—
Tax prepaid	50,053	90,026	20,004
Pledged bank deposits	298	299	299
Bank balances and cash	519,967	2,470,373	3,574,562
	5,155,725	7,597,050	11,609,856
Current liabilities			
Trade and other payables	419,254	290,380	741,574
Pre-sales deposits	1,353,545	2,235,818	1,495,148
Amount due to ultimate holding company	334,856	561,451	1,443,197
Amounts due to fellow subsidiaries	4,874	789	2,864
Tax payables	726	8,370	154,600
Amounts due to non-controlling interests	315,005	300,989	—
Borrowings — due within one year	2,405,481	4,494,781	7,306,402
	4,833,741	7,892,578	11,143,785
Net current assets	321,984	(295,528)	466,071
	411,856	659,987	1,591,836
Capital reserves			
Share capital	1,000	1,000	1,000
Reserves	242,097	305,877	754,941
Equity attributable to owners of the Company	243,097	306,877	755,941
Non-controlling interests	50,093	337,868	785,577
Total equity	293,190	644,745	1,541,518
Non-current liabilities			
Borrowing — due after one year	93,059	—	—
Deferred tax liabilities	25,607	15,242	50,318
	118,666	15,242	50,318
	411,856	659,987	1,591,836

RISK FACTORS

An investment in the Bonds is subject to significant risks. Investors should carefully consider all of the information in this Offering Circular and, in particular, the risks described below, before deciding to invest in the Bonds. The following describes some of the significant risks that could affect the Group and the value of the Bonds. Some risks may be unknown to the Group and other risks, currently believed to be immaterial, could in fact be material. Any of these could materially and adversely affect the business, financial condition, results of operations and prospects of the Group. The market price of the Bonds could decline due to any of these risks, and investors may lose part or all of their investment. This Offering Circular also contains forward-looking statements that involve risks and uncertainties. The actual results of the Group could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks described below and elsewhere in this Offering Circular. The Group is affected materially by requirements and restrictions that arise under PRC laws, regulations and government policies in nearly all aspects of its business in the PRC. Investors are urged to read the information under the "PRC Regulation" section in this Offering Circular for more detailed information concerning PRC laws, regulations and policies that may have a material adverse effect on the business, operations, financial condition and results of operations of the Group. Sub-headings are for convenience only and risk factors that appear under a particular subheading may also apply to one or more other sub-headings.

RISKS RELATING TO THE BUSINESS OF THE GROUP

The business of the Group is subject to extensive governmental regulations and macro-economic control measures implemented by the PRC government from time to time, particularly in the real estate sector.

As with other PRC property developers, the Group must comply with various requirements mandated by PRC laws and regulations, including the policies and procedures established by local authorities designated to implement such laws and regulations. In particular, the PRC government exerts considerable direct and indirect influence on the development of the PRC property sector by imposing industry policies and other economic measures, such as control over the supply of land for property development, property financing, taxation, foreign exchange and foreign investment. Through these policies and measures, the PRC government may restrict or reduce the land available for property development, raise the benchmark interest rates of commercial banks, place additional limitations on the ability of commercial banks to make loans to property developers and property purchasers, impose additional taxes, such as property tax, impose levies on property sales and restrict foreign investment in the PRC property sector.

Over the past few years, the PRC government has announced a series of measures designed to stabilise the PRC economy and cool down the property market. For a more detailed description of the PRC government's measures to curtail the overheating of the PRC property market, see the section entitled "PRC Regulation". For example, on 19 May 2010, the PRC government issued policies to enhance the enforcement of the Land Appreciation Tax (the "**LAT**"). On 29 September 2010, The People's Bank of China (中國人民銀行) (the "**PBOC**") and China Banking Regulatory Commission (中國銀行業監督管理委員會) (the "**CBRC**") jointly issued the Notice on Relevant Issues Regarding the Improvement of Differential Mortgage Loan Policies, which (i) raised the minimum down payment to 30 per cent. for all first residential property purchases with mortgage loans and; (ii) required commercial banks in China to suspend mortgage loans to customers for their third and subsequent residential property purchases or to non-local residents who cannot provide documentation certifying payment of local tax or social security for longer than a one-year period. On 26 January 2011, the General

Office of the State Council (中華人民共和國國務院辦公廳) issued a new notice to further regulate the property market, which among other measures increased the minimum down payment for second residential property purchases from 50 per cent. to 60 per cent. and levied business tax on ordinary residential properties transferred within five years from the purchase date. On 6 April 2011, the PBOC further raised the benchmark one-year deposit and lending rates by an additional 0.25 per cent. to 3.25 per cent. and 6.31 per cent., respectively. The reserve requirement ratio for commercial banks was raised six times and reduced once in 2011, with the ratio ranging from 17.5 per cent. to 21 per cent., effective from 5 December 2011. On 8 June 2012 and 6 July 2012, the PBOC reduced the benchmark one-year lending rate twice in one month. As at the date of this Offering Circular, the benchmark one-year lending rate is 6.00 per cent. The reserve requirement ratio for commercial banks was also reduced twice in 2012, with the ratio ranging from 16.5 per cent. to 20.0 per cent., effective from 18 May 2012. In addition, local governments in certain cities, such as Beijing, Shanghai, Suzhou, Wuxi, Haikou, Tianjin, Chengdu and Wuhan, have promulgated policies to limit the maximum number of residential properties which may be purchased by a family. The PRC government has also launched new property tax schemes on a trial basis in Shanghai and Chongqing.

Many of the property industry policies implemented by the PRC government are new and are expected to be amended and revised over time. Other political, economic and social factors may also lead to further adjustments and changes of such policies. If the Group fails to adjust its operations to new policies, regulations and measures that may come into effect from time to time with respect to the real property industry, or if such policy changes disrupt its business, reduce its sales or average selling prices, or cause it to incur additional costs, its business prospects, results of operations and financial condition may be materially and adversely affected.

The PRC property market is cyclical, and the Group's property development activities are susceptible to significant fluctuations.

The PRC property market is, and is expected to continue to be, cyclical. The rapid expansion of the property market in certain major cities in the PRC, including Guangzhou, Beijing and Shanghai, in the early 1990s culminated in an oversupply in the mid-1990s and a corresponding fall in property prices and rents in the second half of that decade. In addition, there was also a fall in property prices and rental yields during the economic downturn in 2008. Since the late 1990s, the number and price of residential property development projects have increased in major cities as a result of an increase in demand driven by domestic economic growth. In particular, prices of residential properties in major PRC cities such as Shanghai and Beijing have experienced rapid and significant growth. However, there can be no assurance that oversupply and falling property prices will not recur in the PRC property market. Any recurrence of such problems could adversely affect the Group's business and financial condition.

The cyclical property market in the PRC affects the timing for both the Group's acquisition of sites and the Group's sale of completed development properties. This cyclicality, combined with the lead time required for the completion of projects and the sale of properties, means that the results of operations of the Group relating to property development activities may be susceptible to significant fluctuations from year to year.

To the extent that supply in the overall property market significantly exceeds demand, the Group may be subject to significant market downturns and disruptions. Alternatively, if a serious downturn in regional or global market conditions should occur, this may materially and adversely affect and disrupt the property market in the PRC. If any of these events were to occur, the financial condition and results of operations of the Group would be materially and adversely affected.

PRC government regulations and policies may impair the Group's ability to obtain a sufficient number of sites or retain sites suitable for property developments.

The Group derives the majority of its revenue from the sale of properties it developed in China. This revenue stream is dependent on the Group's ability to complete and sell its property developments. To grow or maintain its business in the future, the Group will be required to replenish its land reserve with suitable sites for developments. The Group's ability to identify and acquire a sufficient number of suitable sites is subject to a number of factors that are beyond its control.

The PRC government controls substantially all of the country's land supply, and regulates the means by which property developers, including the Group, obtain land sites for property developments. As a result, the PRC government's land supply policies affect the Group's ability to acquire land use rights for sites that the Group identifies and the costs of land acquisition. Although these regulations do not prevent privately held land use rights from being traded in the secondary market, the PRC government's policy to grant state-owned land use rights through a bidding system has caused an increase in the acquisition cost of land reserves in the PRC. If the Group fails to acquire sufficient land reserves in a timely manner and at acceptable prices, or at all, its business prospects, financial condition and results of operations may be materially and adversely affected.

The PRC government has adopted a number of initiatives to control the growth of China's residential property sector and to promote the development of affordable housing. For example:

- one of these initiatives requires local governments, when approving new residential projects after 1 June 2006, to ensure that at least 70 per cent. of their annual land supply (in terms of estimated GFA) consists of units that are smaller than 90 sq.m.;

- in an announcement made on 30 May 2006, The Ministry of Land and Resources of the People's Republic of China (中華人民共和國國土資源部) (the "**MLR**") stated that land supply priority shall be given to ordinary commodity houses at middle to low prices and of medium to small sizes (including affordable housing);

- pursuant to the "Catalogue of Restricted Use of Land (2006 Version Supplement)" and the "Catalogue of Prohibited Use of Land (2006 Version Supplement)" issued by the MLR on 10 November 2009, the area of a parcel of land granted for commodity housing development shall not exceed seven hectares in small cities and towns, 14 hectares in medium-sized cities or 20 hectares in large cities; and

- pursuant to the Notice on Further Strengthening the Administration and Control of Real Estate Land and Construction jointly issued by the MLR and The Ministry of Housing and Urban-Rural Development of the People's Republic of China (中華人民共和國住房和城鄉建設部) (the "**MOHURD**") in September 2010, the development and construction of large low-density residential properties should be strictly restricted, and the plot ratio for residential land is required to be more than 1.0.

In addition, the PRC central and local governments have implemented various measures to regulate the means by which property developers obtain land use rights for property development. The PRC government also controls land supply through zoning, land usage regulations and other means.

All of these measures further intensify the competition for land in China among property developers. These policy initiatives and other measures adopted by the PRC government from time to time may limit the Group's ability to acquire suitable land for its development or increase land acquisition costs significantly, which may have a material adverse effect on its business, financial condition and results of operations.

Increasing competition and consolidation in the PRC property market may adversely affect the Group's profitability.

The Group's property development operations face competition from both international and local property developers with respect to factors such as location, facilities and supporting infrastructure, services and pricing. In recent years, a large number of property developers have begun to undertake property development and investment projects in the PRC. These include overseas property developers (including a number of leading Hong Kong property developers) and local property developers in the PRC. The existing and potential competitors of the Group include major domestic state-owned and private property developers in the PRC, and, to a lesser extent, property developers from Hong Kong and elsewhere in Asia. The Group's competitors may have greater financial and other capital resources, marketing and other capabilities and/or brand recognition than the Group. In addition, as a result of consolidation in the PRC property market, the Group's competitors have expanded their operations and have been able to capitalise upon the extensive local knowledge, business relationships and longer operational track records of their newly acquired local subsidiaries. The combination of multiple operations through mergers and acquisitions has also enabled some of the Group's competitors to enjoy greater economies of scale, further enhancing their competitiveness.

Intensified competition between property developers may result in increased costs for land acquisition and construction, oversupply of properties and a slowdown in the approval process for new property developments by the relevant government authorities, all of which may adversely affect the Group's business. There can be no assurance that the Group will be able to compete successfully in the future against its existing or potential competitors or that increased competition with respect to its activities may not have a material adverse effect on its financial condition and results of operations.

In addition, the property markets in the PRC are rapidly changing. If the Group cannot respond to changes in market conditions or changes in customer preferences more swiftly or more effectively than its competitors, its business, results of operations and financial condition could be materially and adversely affected.

The results of operations of the Group may be materially and adversely affected if it fails to obtain or renew requisite governmental approvals for the Group or its property developments on a timely basis or at all.

A PRC property developer must hold a valid qualification certificate to develop property. In addition, at various stages of project development, a PRC property developer must also obtain or renew various licenses, certificates, permits and approvals from the relevant PRC administrative authorities, including land use right certificates, planning permits, construction permits, pre-sale permits and certificates or confirmation of completion.

According to the Provisions on Administration of Qualifications of Real Estate Developers (房地產開發企業資質管理規定) issued by the MOHURD, a newly established property developer must first apply for a provisional qualification certificate with a one-year validity, which can be renewed annually for not more than two consecutive years. If, however, the newly established property developer fails to commence a property development project within the one-year period following the issue of the provisional qualification certificate, it will not be allowed to extend the term of its provisional qualification certificate. Developers with longer operating histories must submit their qualification certificates to relevant construction administration authorities for review annually. Government regulations require developers to fulfil all statutory requirements before they may obtain or renew their qualification certificates.

The Group conducts its property developments through project companies. These project companies must hold valid qualification certificates to conduct their businesses. There can be no assurance that the Group's project companies will continue to be able to obtain or renew the necessary qualification certificates in a timely manner, or at all. If any of the Group's project companies do not obtain or renew the necessary qualification certificates in a timely manner, or at all, the Group's prospects, business, results of operations and financial condition may be materially and adversely affected.

Pursuant to the Measures for the Administration of Qualifications of Property Service Enterprises (物業服務企業資質管理辦法), entities engaged in property management are required to obtain qualification certificates before they commence their business operations. The Group's property management subsidiaries are primarily engaged in the management of the residential and commercial properties that the Group has developed. If any property management companies are unable to meet the relevant requirements and therefore unable to obtain or maintain the qualification certificates, the business and financial condition of the Group could be materially and adversely affected.

In addition to the above, there can be no assurance that the Group will not encounter significant problems in satisfying the conditions to, or delays in, the issuance of other necessary licenses, certificates, permits or approvals. There may also be delays on the part of the administrative bodies in reviewing and processing the Group's applications and granting licenses, certificates, permits or approvals. If the Group fails to obtain the necessary governmental licenses, certificates, permits or approvals for any of its major property projects, or a delay occurs in the government's examination and review process, its development schedule and its sales could be substantially delayed, resulting in a material and adverse effect on the Group's business, results of operations and financial condition.

The land use rights in respect of the Group's land reserves will not be formally vested in the Group until it has received the relevant formal land use right certificates and failure to obtain or comply with land use rights could lead to confiscation of its land by the PRC government.

Under current PRC land grant policies, the relevant authorities generally will not issue formal land use right certificates until the developer (i) has paid the land premium in full; and (ii) is in compliance with other land grant conditions. The land use rights in respect of the projects and the land that the Group may acquire in the future will not be formally vested in it until it has received the corresponding formal land use right certificates.

If a developer fails to develop the project according to the terms of the land grant contract, the relevant government authorities may issue a warning to, or impose a penalty on, the developer or confiscate the land use rights. Any violation of the land grant contract may also restrict a developer's ability to participate, or prevent it from participating, in future land bidding. Specifically, if a developer fails to commence development for more than one year from the commencement date stipulated in the land grant contract, the relevant PRC land bureau may serve a warning notice on such developer and impose an idle land fee of up to 20 per cent. of the land premium. If a developer fails to commence the development for more than two years from the commencement date stipulated in the land grant contract, the land use rights are subject to forfeiture to the PRC government unless the delay in development is caused by government actions or force majeure. On 29 September 2010, the PBOC and the CBRC jointly issued the Notice on Relevant Issues Regarding the Improvement of Differential Mortgage Loan Policies (關於完善差別化住房信貸政策有關問題的通知), which required commercial banks to cease to grant loans for new development projects and renewal of loans to property developers that have records of violation of laws and regulations as a result of, among other things, rendering the land idle, changing the use and nature of land, delaying the construction commencement and completion and refusing to sell the properties. On 26 January 2011, the General Office of the State Council promulgated the Notice on Further Improving the Real Estate Market Regulation and Work-related Issues (關於進一步做好房地產市場調控工作有關問題的通知), which stipulates that the PRC government will confiscate land use rights and impose an idle land fee of up to 20 per cent. of the land premium if a developer fails to obtain the construction permit and commence development for more than two years from the commencement date stipulated in the land grant contract.

There can be no assurance that there will not be delays in the authorities' issuance of the land use right certificates or the construction permits in respect of the Group's projects. There can also be no assurance that there will not be delays in commencing development as stipulated in the land grant contract. Any failure or delay in obtaining land use right certificates or in commencing property development as stipulated in the land grant contract could lead to the imposition of an idle land fee on the Group, confiscation of the relevant land use rights or cause delays in the completion of the associated property developments. Any such incident related to the Group's failure to obtain the formal land use right certificate or the confiscation of its land will materially and adversely affect its ability to borrow money or to deliver its properties to its customers and may have a material adverse effect on its operations. Also, if the land use rights are confiscated, the Group will not be able to continue its property development on the confiscated land or recover the costs incurred for the initial acquisition of the confiscated land or recover development costs incurred up to the date of confiscation.

The property development business is capital intensive; measures intended to cool the PRC property market could impair the Group's ability to finance the acquisition and development of its properties.

The Group finances its property developments primarily through a combination of pre-sales and sales proceeds, borrowings and equity contributions from shareholders. The Group's ability to maintain adequate working capital and external financing for land acquisitions or property developments on commercially acceptable terms depends on a number of factors that are beyond the Group's control. The PRC government has in the past taken a number of policy initiatives to tighten financing to property developers. The PBOC issued the Circular on Further Strengthening the Management of Loans for Property Business (關於進一步加強房地產信貸業務管理的通知) on 5 June 2003 to specify the requirements for banks providing loans for the purposes of property development. These requirements include:

- that loans from commercial banks to real estate enterprises may be granted only as property development loans and it is strictly forbidden to extend such loans as current capital loans for property development projects or other purposes. No lending shall be granted to enterprises which have not obtained the relevant land use right certificates, construction land permits, construction planning permit and construction work permits; and

- that commercial banks may not grant loans to property developers to finance land premium payments.

The PBOC determines the benchmark lending rates for CNY-denominated loans in China. In 2010 and 2011, the PRC government tightened bank credit, imposing limits on loans for fixed assets and restrictions on state bank lending, in an effort to combat inflation and control China's overheated economy. The PBOC repeatedly raised interest rates in 2010 and 2011. Although the POBC lowered interest rates in June 2012 and July 2012, any future increase in the PBOC's benchmark interest rates would likely slow economic activity in the PRC, which could, in turn, materially increase the costs of the business operation and also reduce demand for the services and products of the Group, leading to a material adverse effect on the Group's business.

The fiscal and other measures adopted by the PRC government from time to time may limit the flexibility and ability of the Group to use bank loans to finance its property developments and therefore may require the Group to maintain a relatively high level of internally-sourced cash. In November 2009, the PRC government raised the minimum down payment on land premium to 50 per cent. of the total premium and requires the land premium to be fully paid within one year after the signing of a land grant contract, subject to limited exceptions. In March 2010, the PRC government further tightened this requirement by setting the minimum price for land granted to be equal to at least 70 per cent. of the benchmark price for land in the surrounding locality and the bidding deposit to be equal to at least 20 per cent. of the applicable minimum land grant price. Additionally, a land grant contract is required to be entered into within ten working days after the land grant deal is closed and the down payment of 50 per cent. of the land premium (including any deposits previously paid) is required to be paid within one month of signing the land grant contract, with the remaining amount to be paid in full within one year of the date of the land grant contract in accordance with provisions of such land grant contract. These new requirements increase the Group's need for cash to facilitate land acquisitions and construction.

The Group's practice of intra-group lending may not be in compliance with PRC regulations and the Group may be subject to penalties.

Currently, the Group adopts a centralised capital raising and lending policy, which means that the Company obtains loans from financial institutions and distributes such loans to its project-level subsidiaries. According to Section 61 of the General Principals of Loans (貸款通則) promulgated by the PBOC in 1996, lending and capital raising among non-financial institutions is prohibited. There is a risk that the intra-group lending of the Group may be deemed not in compliance with the General Principals of Loans, and the PBOC could cancel the Group's intra-group loans and impose a fine on the Group equal to one to five times of its interest income accrued from such loans. However, since the interest collected by the Group from its project-level subsidiaries has not exceeded the interest accrued from the bank loans, and the Group has obtained an approval from the State Administration of Taxation (國家稅務總局) (the "**SAT**"), Shenzhen Bureau regarding the waiver of business tax of the intra-loan operation of the Group, the risk that the Group may be subject to penalties is comparatively low.

The Group faces a number of operational risks associated with the development of properties. The Group's properties may not be completed according to planned schedules or be completed at all and may not generate the levels of expected revenue or contemplated investment returns.

There are a number of financing, operating and other risks associated with property developments. The projects the Group undertakes typically require substantial capital expenditures during construction and usually take many months, and sometimes years, to generate proceeds in cash. The time required and the costs involved in completing construction can be affected by many factors, including shortages of construction materials, equipment or labour, adverse weather conditions, natural disasters, delays or failures in performance by the Group's contractors, labour disputes, disputes with contractors and subcontractors, accidents, changes in governmental priorities and other circumstances.

Construction delays may result in significant losses of revenue and increase in costs. Under pre-sale contracts, the Group is liable to the purchasers for default payments if the Group fails to deliver the completed properties in accordance with the delivery schedule in these contracts, and in the case of a prolonged delay, the purchasers will be entitled to terminate the pre-sale contracts and require a refund of the purchase prices in addition to the default payments. In addition, the failure to complete construction according to its specifications may result in liabilities and lower financial returns. There can be no assurance that the Group's existing or future projects will be completed on time, or at all, and generate satisfactory returns.

Sales and pre-sales of the Group will be affected if mortgage financing for the Group's purchasers becomes more costly or otherwise less attractive or available.

A majority of purchasers of the Group's residential properties rely on mortgages to fund their purchases. An increase in interest rates may significantly increase the cost of mortgage financing, thus reducing the attractiveness of mortgages as a source of financing for property purchases and adversely affecting the affordability of residential properties. In line with macroeconomic policies and policies intended to regulate and cool the property market in the PRC, the PRC government has taken a number of measures that regulate the availability, terms and pricing of mortgage financing for property purchasers. There can be no assurance that the PRC government and commercial banks will not further increase down payment requirements, impose other conditions or otherwise change the regulatory framework in a manner that would make mortgage financing unavailable or unattractive to potential property purchasers. Such regulatory changes could materially and adversely affect the Group's business, financial condition and results of operations.

The Group has provided mortgage guarantees to secure obligations of purchasers of its properties for repayment. A default by a significant number of purchasers would materially and adversely affect its financial condition.

A majority of purchasers of the Group's residential properties rely on mortgages to fund their purchases. The Group arranges for various banks to provide mortgage services to the purchasers of its properties. In certain cases, domestic banks may require the Group to provide guarantees for these mortgages. The majority of these guarantees are short-term guarantees in connection with pre-sales which are released upon the earlier of the issuance of the individual property ownership certificate to the owner of the property or the certificate of other rights of property to the mortgage bank by the relevant housing authority, which typically takes place within three months after the Group delivers the relevant property to the purchasers or the full settlement of the mortgaged loans by the purchasers, which occurs earlier. In line with industry practice, the Group does not conduct independent credit checks on its customers but relies instead on the credit checks conducted by the mortgage banks. Under the terms of the guarantees, if, during the term of the guarantee, a borrower defaults, the Group will be responsible for the payment of such loan and will be able to take possession of and re-sell such mortgaged property.

In addition, if there are changes in laws, regulations, policies and practices, it may become more difficult for property purchasers to obtain mortgages from banks. Such difficulties in financing could result in a substantially lower rate of sales and pre-sales of the Group's properties, which could materially and adversely affect the Group's cash flow, sales revenues, financial condition and results of operations.

The Group faces contractual and legal risks relating to the pre-sale of properties, including the risk that property developments may not be completed and the risk that changes in laws and regulations in relation to the pre-sales of properties may materially and adversely affect its business, cash flow, financial condition and results of operations.

The Group faces contractual risks relating to the pre-sales of properties. For example, if the Group fails to meet the completion time as stated in the pre-sale contracts, purchasers of pre-sold units have the right to claim damages under the pre-sale contracts. If the Group still fails to deliver the properties to the purchasers within the grace period stipulated in the pre-sale contracts, the purchasers have the right of termination. If the actual GFA of a completed property delivered to purchasers deviates by more than 3 per cent. from the GFA originally stated in the pre-sale contracts, purchasers have the right of termination or the right to claim damages. There can be no assurance that the Group will not experience delays in the completion and delivery of its projects, nor that the GFA for a delivered unit will not deviate more than 3 per cent. from the GFA set out in the relevant contract. Any termination of the purchase contract as a result of the Group's late delivery of properties will have a material and adverse effect on its business, financial condition and results of operations.

Proceeds from the pre-sales of the Group's properties are an important source of funds for the Group's property developments and have an impact on its liquidity position. On 5 August 2005, the PBOC recommended in a report entitled "2004 Real Estate Financing Report" that the practice of pre-selling uncompleted properties be discontinued, on the ground that it creates significant market risks and generates transactional irregularities. On 24 July 2007, an economic research group under the NDRC proposed to change the existing system for sale of forward delivery housing into one for sale of completed housing. Such recommendation has not been adopted by any PRC governmental authority and has no mandatory effect. In April 2010, the MOHURD issued the Notice on Further Strengthening the Supervision of Real Estate Market and Improving the Pre-Sale System of Commodity Housing (關於進一步加強房地產市場監管完善商品住房預售制度有關問題的通知). The notice urged local governments to enact regulations on the sale of completed residential properties in light of local conditions and encouraged property developers to sell residential properties when they are completed. There can be no assurance that the PRC governmental authorities will not ban or impose material limitations on the practice of pre-selling uncompleted properties in the future. Future implementation of any restrictions on the Group's ability to pre-sell its properties, including any requirements to increase the amount of up-front expenditure the Group must incur prior to obtaining the pre-sale permit, would extend the time required for recovery of its capital outlay and would force it to seek alternative means to finance the various stages of its property developments. This, in turn, could have a material and adverse effect on the business, cash flow, financial condition and results of operations of the Group.

Deterioration of the Group's brand image could adversely affect its business.

The Group has obtained numerous awards in recognition of its design, landscape and environmental design, product innovation and sales of its property projects. See "***Description of the Group — Overview***" for details. The Group places great emphasis on managing and maintaining its brand image which represents the quality of its property projects. However, brand value is based largely on consumer perceptions with a variety of subjective qualities and can be damaged even by isolated business incidents that degrade consumer trust. Consumer demand for the Group's products and its brand value could diminish significantly if the Group fails to preserve the quality of its products, or fails to deliver a consistently positive consumer experience in each of its commercial complexes, or if the Group is perceived to act in an unethical or socially irresponsible manner. Any deterioration of the Group's brand image could materially and adversely affect its business, financial condition, results of operations and prospects.

The PRC tax authorities may increase the LAT prepayment rate, settle the full amount of LAT or challenge the basis on which the Group calculates its LAT obligations.

Under PRC tax laws and regulations, the Group's properties developed for sale are subject to LAT, which is collectible by the local tax authorities. All income from the sale or transfer of state-owned land use rights, buildings and their ancillary facilities in the PRC is subject to LAT at progressive rates ranging from 30 per cent. to 60 per cent. on the appreciation of land value, which is calculated based on the proceeds from the sale of properties less deductible expenditures as provided in the relevant tax laws. Certain exemptions may be available for the sale of ordinary residential properties if the appreciation of land value does not exceed 20 per cent. of the total deductible items as provided in the relevant tax laws. However, sales of commercial properties are not eligible for this exemption. Real estate developers are required to prepay LAT monthly at rates set by local tax authorities after commencement of pre-sales or sales. In 2009, 2010 and 2011 and the three months ended 31 March 2012, the Group prepaid LAT at the rate ranging from 1 per cent. to 5 per cent. of its proceeds from pre-sales or sales of apartments, villas and commercial properties. In May 2010, the SAT issued the Notice on Strengthening the Collection of Land Appreciation Tax (關於加強土地增值稅徵管工作的通知) that requires that the minimum LAT prepayment rate must be no less than 2 per cent. for provinces in eastern China, 1.5 per cent. for provinces in central and northeastern China and 1 per cent. for provinces in western China. If the LAT is calculated based on the authorised taxation method (核定徵收), the minimum taxation rate shall be 5 per cent. in principle. There can be no assurance that the local tax authorities will not further increase LAT prepayment rates in the future. In the event that the prepayment rates applicable to the Group increase, its cash flow and financial position will be adversely affected.

The SAT's Notice on the Administration of the Settlement of Land Appreciation Tax of Property Development Enterprises (關於房地產開發企業土地增值稅清算管理有關問題的通知) requires real estate developers to settle the final LAT payable in respect of their development projects that meet certain criteria, such as 85 per cent. of a development project having been pre-sold or sold. Local provincial tax authorities are entitled to formulate detailed implementation rules in accordance with this notice in consideration of local conditions. The Group cannot predict when the PRC tax authorities will require it to settle the full amount of LAT applicable to the Group. If the implementation rules promulgated in the cities in which the Group's projects are located require the Group to settle all unpaid LAT or if any or all of its LAT provisions are collected by the PRC tax authorities, its business, financial condition, results of operations and prospects could be materially and adversely affected.

In addition, there can be no assurance that the tax authorities will agree with the Group's estimation or the basis on which the Group calculates its LAT obligations. In the event that the tax authorities assess the Group with LAT in excess of the provisions the Group has made for the LAT and the Group is unable to successfully challenge such assessments, the Group's net profits after tax may be adversely affected. There can be no assurance that the LAT obligations it is to assess and provide for in respect of the properties that it develops will be sufficient to cover the LAT obligations which the local tax authorities ultimately impose on it.

The Group may not successfully manage its growth.

The Group has been rapidly expanding its operations in recent years. As it continues to grow, the Group must continue to improve its managerial, technical and operational knowledge and allocation of resources, and to implement an effective management information system. In addition, the Group plans to strengthen its management control of its subsidiaries and associated companies. In order to fund its on-going operations and its future growth, the Group needs to have sufficient internal sources of liquidity or access to additional financing from external sources. Further, the Group will be required to manage relationships with a greater number of customers, suppliers, contractors, service providers, lenders and other third parties. The Group will need to further strengthen its internal control and compliance functions to ensure that it will be able to comply with its legal and contractual obligations and minimise its operational and compliance risks. There can be no assurance that the Group will not experience issues such as capital constraints, construction delays, operational difficulties at new operational locations or difficulties in expanding existing business and operations and training an increasing number of personnel to manage and operate the expanded business. There can be no assurance that the Group will be able to successfully manage its growth or that its expansion plans will not adversely affect its existing operations and thereby have a material adverse effect on its business, financial condition, results of operations and future prospects.

The Group has recorded, and may continue to record, negative operating cash flows.

The Group has recorded negative operating cash flows of CNY2,862.9 million, CNY3,038.8 million and CNY1,203.2 million for the years ended 31 December 2009 and 2010 and the three months ended 31 March 2012. For details, please see the section headed "***Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Cash Flows From Operating Activities***" in this Offering Circular. If the Group continues to experience significant negative operating cash flows in the future, its working capital may be constrained which may materially and adversely affect the Group's business, financial condition, results of operations and growth prospects.

The Group may not be successful in expanding into new cities that it targets or in exploring new markets.

When opportunities arise, the Group expects to continue to expand its operations throughout the PRC. These new markets may differ from the Group's existing markets in terms of the level of economic development, topography, culture, regulatory practices, the Group's familiarity with contractors and business practices and customs, customer tastes, behaviour and preferences. In addition, when the Group enters into new markets, it will likely compete with developers, who may have an established local presence, be more familiar with local regulatory and business practices and have stronger relationships with local contractors, all of which may give them a competitive advantage over the Group. There can be no assurance that it will be able to enter into or operate in new markets successfully. The Group's expansion and the need to integrate operations arising from its expansions particularly into other fast growing cities in the PRC, may place a significant strain on the Group's managerial, operational and financial resources and further contribute to an increase in its financing requirements.

The actual development of some of the Group's property developments may differ from the approved development plan, and the total GFA of some of the Group's property developments may be different from the original authorised area.

When the PRC government grants the land use rights for a parcel of land, it will specify in the land grant contract the permitted use of the land and the total GFA that the developer may develop on this land. However, the actual plan adopted for a property development project may differ from the approved development plan, and the actual GFA constructed may be different to the total GFA authorised in the land grant contract or construction permit due to factors such as subsequent planning and design adjustments. The adjusted planning and design of a property development project and the actual GFA may be subject to approval when the relevant authorities inspect the properties after completion. The developer may be required to pay additional land premium and/or administrative fines or take corrective actions in respect of the adjusted land use and excess GFA before a Construction of Properties and Municipal Infrastructure Completed Construction Works Certified Report can be issued to the property development. The methodology for calculating the additional land premium is generally the same as the original land grant contract.

In the past, the Group has diverted from the original approved development plans in some of its property developments and the GFA of certain of its property developments have exceeded the total GFA originally granted in the land grant contracts, which have not had any material and adverse impact on its business, results of operations or financial condition. However, there can be no assurance that the government will not take any administrative actions preventing it from continuing the development of its projects or selling and delivering its projects to purchasers or imposing fines or other penalties on it if it diverts from the original approved development plans in any of the projects or the total GFA of any of the projects exceeding the original GFA granted in the relevant land grant contract in the future. Moreover, there can be no assurance that the Group would have sufficient funding to pay any additional land premium or administrative fines or to pay for any corrective action that may be required by the government in a timely manner, or at all. Any of these circumstances may materially and adversely affect the reputation, business, results of operations and financial condition of the Group.

Land clearance procedures may delay the Group's property development process.

The Group purchases land use rights from both the PRC government and private entities. If the Group obtains the land use rights from the PRC government, any land clearance costs are usually included in the land use rights premium. The compensation payable by government authorities cannot be lower than the market value of similar properties at the time of an expropriation. If the compensation paid by government authorities were to increase significantly due to increases in the property market prices, land premiums payable by the Group may be subject to substantial increases, which could adversely affect the business and financial condition of the Group.

Furthermore, any delay or difficulty in the land clearance may consequently cause a delay in the transfer of the land use rights to the Group. There can be no assurance that the Group will be able to complete the land clearance procedures on time or at all, which could materially and adversely affect the Group's business, results of operations and financial condition.

The Group is dependent on key management.

The Group depends to a large degree on the services provided by the Directors and its senior management, the particulars of whom are set out under the section "Directors and Senior Management" of this Offering Circular. The demand for such experienced staff may become intense in the future as the property market in the PRC develops. There can be no assurance that the Group will be able to secure or retain the services of adequate qualified and experienced staff, or do so at reasonable cost and assimilate them into its business. If any key management team member leaves and the Group fails to find suitable substitutes, the business of the Group may be materially and adversely affected.

If the Group's joint venture partners act contrary to its interests, the Group's business may be materially and adversely affected.

Some of the Group's investments are in equity joint venture companies formed to develop, own and/or manage property in the PRC. Although the Group has control over the day-to-day operations of most of its joint ventures and has the ability to make business decisions that are in the ordinary course of its business, the passing of certain important shareholders' or board resolutions of some of these joint ventures requires the unanimous resolution of all the shareholders or directors (as applicable) of the joint ventures. The request for a unanimous resolution allows the joint venture partners to block actions that the Group believes to be in the Group's or joint ventures' best interest. In addition, although the Group has not experienced any significant problems with respect to its joint venture partners to date, should significant problems occur in the future they could have a material adverse effect on its business and the prospects of the Group. Furthermore, the Group and its joint venture partners may have different views and if the Group's joint venture partners act contrary to the Group's interests or if the Group's joint venture partners have serious disputes with the Group, this may materially and adversely affect the business and financial condition of the Group.

The Group relies on third-party contractors to provide it with various services.

The Group engages third-party contractors to provide various services in connection with its property development, including construction, piling and foundation, building and property fitting-out work, interior decoration, installation of air-conditioning units and elevators, gardening and landscaping work. There can be no assurance of the availability of qualified independent contractors in the market at the time of the Group's intended outsourcing, nor can there be any assurance that the services rendered by the Group's independent contractors will always be satisfactory or meet the Group's quality requirements. While the Group endeavours to monitor the quality of its independent contractors' work, there can be no assurance that such issues will not arise in the future or that its business, financial condition, results of operations and reputation will not be materially and adversely affected as a result. As a developer, the Group may be liable for administrative penalties if its contractors fail to comply with construction laws and regulations. The Group is also exposed to the risk that a contractor may charge more than the price originally tendered to complete a project and the Group may have to bear such additional amounts in order to provide them with sufficient incentives to complete its projects. Furthermore, there is a risk that major contractors may experience financial or other difficulties which may affect their ability to carry out construction works, thus delaying the completion of the Group's development projects or resulting in additional costs for the Group. All of these factors could materially and adversely affect the business, reputation, financial condition and results of operations of the Group.

The Group's business and property sales may be affected if it fails to obtain records of acceptance examination for its completed projects.

According to the Regulations on Administration of Development of Urban Real Estate (城市房地產開發經營管理條例) enacted by the State Council and effective on 20 July 1998, the Regulation on the Quality Management of Construction Projects enacted and enforced by the State Council on 30 January 2000, the Administrative Measures for Reporting Details Regarding Acceptance Examination Upon Completion of Buildings and Municipal Infrastructure (房屋建築工程和市政基礎設施工程竣工驗收備案管理辦法) enacted by the Ministry of Construction on 7 April 2000 and amended on 19 October 2009 and the Interim Provisions on Acceptance Examination Upon Completion of Buildings and Municipal Infrastructure (房屋建築工程和市政基礎設施工程竣工驗收暫行規定) enacted by the Ministry of Construction and effective on 30 June 2000, after completion of work for a project, a real estate developer shall apply to the government property development authority at or above the county level for a record of acceptance examination upon project completion. For a housing estate or other building complex project, an acceptance examination is required to be conducted upon completion of the whole project, and where such a project is developed in phases, separate acceptance examinations may be carried out for each completed phase. A property developer will not be allowed to deliver its development property to the purchasers without the relevant record of acceptance examination.

There can be no assurance that the Group will be able to obtain records of acceptance examination for its completed projects in a timely manner, or at all. In such event, the business, property sales and financial condition of the Group may be materially and adversely affected.

The Group may be liable to its customers for damages if it fails to deliver individual property ownership certificates in a timely manner.

Under PRC law, property developers are required to deliver to purchasers the relevant individual property ownership certificates within 90 days after delivery of the property or within a time frame set out in the relevant sale agreement. Property developers, including the Group, generally elect to specify a deadline for the delivery of the individual property ownership certificates in the sale agreements to allow sufficient time for the application and approval processes.

Under current regulations, the Group is required to submit the requisite governmental approvals in connection with its property developments, including land use rights documents and planning and construction permits, to the local bureau of land resources and housing administration for the relevant properties and apply for the general property ownership certificate in respect of these properties. The Group is then required to submit, within a stipulated period after delivery of the properties, the relevant property sale agreements, identification documents of the purchasers, proof of payment of deed tax, together with the general property ownership certificate, for the bureau's review and the issuance of the individual property ownership certificates in respect of the properties purchased by the purchasers. Delays by the various administrative authorities in reviewing the application and granting approval and certain other factors may affect timely delivery of the general and individual property ownership certificates. Therefore, the Group may not be able to deliver individual property ownership certificates to purchasers on time as a result of delays in the administrative approval processes or for any other reason beyond its control, which may result in it having to pay default payments and, in the case of a prolonged delay, the purchaser terminating the sales agreement. If the Group becomes liable to a significant number of purchasers for late delivery of the individual property ownership certificates, its business, financial condition and results of operations may be materially and adversely affected.

No material claim has been brought against the Group by any purchasers for late application of the individual property ownership certificates on behalf of its customers as at the date of this Offering Circular. However, there can be no assurance that the Group will not become liable to purchasers in the future for the late application of the individual property ownership certificates on behalf of its customers due to its own fault or for any other reasons beyond its control.

The Group has limited insurance coverage.

The Group carries third-party liability and fire insurance on certain completed developments in which it has interests. The Group generally maintains public liability and assets insurance policies for its properties, the common facilities and the operating areas of its properties. In addition, the Group's property management subsidiaries also maintain property management liability insurance coverage in connection with their business operations. The Group generally assesses the need for maintaining insurance policies based on the specific circumstances of each project under development and the premium is borne by the contractors. However, the Group may purchase additional insurance as required by its creditors in respect of properties pledged to them. In addition, there are certain types of losses, such as losses from forces of nature, that are generally not insured because they are either uninsurable or because insurance cannot be obtained on commercially reasonable terms. This practice is consistent with what the Group believes to be the industry practice in the PRC. Certain types of losses caused by war, civil disorder, acts of terrorism, earthquakes, typhoons, flooding and other natural disasters are not covered. Should an uninsured loss or a loss in excess of insured limits occur, the Group could lose capital invested in such property and anticipated future revenue therefrom while the Group remains liable for any mortgage indebtedness or other financial obligations relating to the relevant property. Any such loss could materially and adversely affect the financial condition and results of operations of the Group.

The profit margin and operating results of the Group may be adversely affected by inflation and increases in the cost of construction materials.

The Group's cost of sales includes the cost of its construction materials. The Group usually enters into supply contracts with its construction materials suppliers. However, some of these contracts only provide the Group with limited certainty and stability of its supply as they only provide for a short contractual period, typically one year. The Group may need to negotiate the purchase price and sign new supply contracts with construction materials suppliers on an annual basis. The price of the Group's construction materials may fluctuate according to the prevailing market price. Until recently, inflation rates within the PRC had been on a sharp uptrend. The PRC government has taken numerous monetary tightening measures, including raising interest rates and reserve requirement ratios, and curbing bank lending, to slow down economic growth and control price rises. Increasing inflationary rates are due to many factors beyond the Group's control, such as rising food prices, rising production and labour costs, rising borrowing costs, PRC and foreign governmental policy and regulations, and movements in exchange rates and interest rates. It is impossible to accurately predict future inflationary trends. If inflation rates rise beyond the Group's expectations, the costs of construction materials may become significantly higher than originally anticipated, and the Group may be unable to pass on such higher costs to its customers in amounts that are sufficient to cover the increasing cost of construction materials. As a result, further inflationary pressures within the PRC may have a material adverse effect on the Group's business, financial condition and results of operations. The profit margin and operating results of the Group have not been materially and adversely affected by inflation or increases in the cost of construction materials in the past. There can be no assurance that the profit margin and operating results of the Group will not be adversely affected by inflation or increases in the cost of construction materials in the future.

Potential liability for environmental problems could result in substantial costs and delay in the development of the Group's projects.

The Group is subject to a variety of laws and regulations concerning environmental protection. The local environmental laws and regulations applicable to any development site vary greatly according to the site's location and environmental condition, the present and former uses of the site and the nature of the adjoining properties. Compliance with environmental laws and conditions may result in delays in development schedules, may cause the Group to incur substantial compliance and other costs and may prohibit or severely restrict project development activity in environmentally-sensitive regions or areas.

The PRC environmental regulations provide that each project developed by a property developer is required to undergo an environmental assessment. Unless otherwise provided by the relevant laws, a property developer is required to submit an environmental impact report, an environmental impact analysis table or an environmental impact registration form to the relevant government authorities for approval before commencement of construction. If the Group fails to comply with these requirements, the local environmental authority may order it to suspend construction of the project until the development environmental impact assessment report is submitted to and approved by the local environmental authority. The local environmental authority may also impose on the Group a fine of CNY50,000 to CNY200,000 in respect of a project if the Group commences construction prior to obtaining such approval from the local environmental authority. There can be no assurance that the Group will be able to complete environmental assessment procedures for its future projects and that the relevant environmental authorities will not order it to suspend construction of these projects or will not impose a fine on it. In the event that there is a suspension of construction or imposition of a fine, this may adversely affect the business and financial condition of the Group.

In addition, PRC regulations require environmental protection facilities included in a property development to pass the inspection by the environmental authorities in order to obtain completion approval before commencing operations. The residential and commercial property projects of the Group have environmental protection facilities that are subject to this requirement. If the Group fails to comply with this requirement, the local environmental authorities may order it to suspend construction or prohibit the use of the facilities, which may disrupt its operations and adversely affect its business. Environmental authorities may also impose a fine of up to CNY100,000 on the Group in respect of a project which is required to have environmental protection facilities but fails to do so. The Group is currently applying for the completion approval of environmental protection facilities for some projects. There can be no assurance that the Group can obtain such approvals in a timely manner or at all. In the event that such completion approvals cannot be obtained or if a fine is imposed on the Group, its business and financial condition may be materially and adversely affected.

Although the environmental investigations conducted by local environmental authorities to date have not revealed any environmental liability that the Group believes would have a material adverse effect on its business, financial condition or results of operations, it is possible that these investigations did not reveal all environmental liabilities and that there are material environmental liabilities of which the Group is unaware. There can be no assurance that (i) a future environmental investigation will not reveal any material environmental liability; (ii) the PRC government will not change the existing laws and regulations or impose additional or stricter laws or regulations, the compliance with which may cause the Group to incur significant capital expenditure; and (iii) the Group would be able to comply with any such laws and regulations.

The Group may be involved in legal and other proceedings arising out of its operations from time to time and may face significant liabilities as a result.

The Group may be involved in disputes arising out of the ordinary course of its business with various parties involved in the development, sale and leasing of its properties, including contractors, suppliers, partners, purchasers and lessees. For example, as most of the Group's projects consist of multiple phases, purchasers of its properties in earlier phases may file legal actions against the Group if its subsequent planning and development of the projects are perceived to be inconsistent with its representations and warranties made to such purchasers. The Group may also be involved in disputes with various parties relating to its property management business, including personal injury claims. These disputes may lead to legal or other proceedings, which may in turn result in substantial costs and diversion of resources and management's attention and may have a material adverse effect on the Group's reputation and its ability to market and sell its properties.

There can be no assurance that the Group will not be involved in proceedings or that the outcome of such proceedings will not have a materially adverse effect on its business, financial condition and results of operations or have a negative impact on its reputation or its brand. Further, the Group may have disagreements with regulatory bodies in the course of its operations, which may subject it to administrative proceedings and may cause delays to its property developments.

There may be less publicly available information about the Group than is available for companies in certain other jurisdictions.

There may be less publicly available information about companies listed on the Shanghai Stock Exchange than is regularly made available by public companies in certain other countries. In addition, the financial information of the Company in this Offering Circular has been prepared in accordance with PRC GAAP which differs in certain respects from generally accepted accounting principles in other jurisdictions, or other GAAPs, which might be material to the financial information contained in this Offering Circular. The Group has not prepared a reconciliation of its consolidated financial statements and related footnotes between PRC GAAP and other GAAPs. In making an investment decision, investors must rely upon their own examination of the Group, the terms of the offering and its financial information. Investors should consult their own professional advisers for an understanding of the differences between PRC GAAP and other GAAPs and how those differences might affect the financial information contained in this Offering Circular.

RISKS RELATING TO THE SUBSIDIARY GUARANTORS

A substantial portion of the Group's business is carried out by the Company and its PRC Subsidiaries and neither the Company nor its PRC Subsidiaries will guarantee the Bonds.

A substantial portion of the Group's business is carried out by the Company and its subsidiaries (including the Subsidiary Guarantors' subsidiaries) that are organised under the laws of the PRC (each a "**PRC Subsidiary**" and together the "**PRC Subsidiaries**"). The Bonds will not be guaranteed by the Company or its PRC Subsidiaries. No future subsidiary, whether organised under the laws of the PRC or otherwise, will provide a guarantee in relation to the Bonds at any time in the future. As a result, the obligations of each Subsidiary Guarantor under the Guarantee will be effectively subordinated to all the debt and other obligations, including contingent obligations and trade payables, of the Subsidiary Guarantors' PRC Subsidiaries and the Subsidiary Guarantors' offshore subsidiaries that are not guaranteeing the Bonds.

Each of the Subsidiary Guarantors has limited material assets and revenue, and obligations of the Subsidiary Guarantors under the Guarantee are structurally subordinated to the liabilities and obligations of their respective subsidiaries.

Famous owns the entire issued share capital of the Issuer and intends for it to serve solely as a finance subsidiary. Each of the Subsidiary Guarantors is, directly or indirectly, a wholly-owned offshore subsidiary of the Company. Each of the Subsidiary Guarantors is a holding company that conducts its business through its subsidiaries, jointly-controlled entities and associates, and does not have material operations of its own. Further, not all of the Company's wholly-owned offshore subsidiaries are guarantors for this offering. The terms and conditions of the Bonds provide that a Subsidiary Guarantor, other than Famous Commercial Limited, may, in accordance with the terms and conditions of the Bonds, be released from its obligations under the Guarantee upon the sale of more than 50 per cent. of capital stock of such Subsidiary Guarantor. The terms and conditions of the Bonds do not provide for a guarantee to be given by any additional guarantors.

The Issuer is a special purpose vehicle established for the purposes of issue of the Bonds and has no previous operating history and will rely on Famous as its parent to provide funding in order for the Issuer to meet its obligations under the Bonds. The Subsidiary Guarantors (including Famous), in turn, are dependent upon the earnings of, and distribution by, their respective operating subsidiaries in order to perform their respective obligations under the Guarantee. A substantial part of the business of the Subsidiary Guarantors' subsidiaries is to act as a platform to market and sell properties situated in the PRC to customers in Hong Kong and overseas. The revenues generated by the Subsidiary Guarantors' subsidiaries and cash flows, together with any cash secured by the Subsidiary Guarantors as a result of the utilisation of any credit facility or funding channel that is available to them, constitute the sources of funds for the Subsidiary Guarantors to satisfy their obligations under the Guarantee.

The obligations of each Subsidiary Guarantor under the Guarantee will be effectively subordinated to all existing and future obligations of its respective existing or future subsidiaries, and all claims of creditors of its existing or future subsidiaries and rights of holders of preferred shares of such subsidiaries (if any) will have priority as to the assets of such subsidiaries over the claims of such Subsidiary Guarantor and those of such Subsidiary Guarantor's creditors, including the holders of the Bonds. As a result, all of the existing and future liabilities of a Subsidiary Guarantor's subsidiaries (excluding the Issuer), including any claims of trade creditors and preferred stockholders, will be effectively senior to the Bonds and the Guarantee. In addition, even if a Subsidiary Guarantor were a creditor of any subsidiary, its rights as a creditor would be subordinated to any security interest in the assets of such subsidiary and any indebtedness of the subsidiary senior to that held by that Subsidiary Guarantor.

The Company, Famous and their respective subsidiaries have substantial indebtedness and may incur substantial additional indebtedness in the future.

The Company, Famous and their respective subsidiaries now have, and will continue to have after the offering of the Bonds, a substantial amount of indebtedness. The total interest-bearing bank and other borrowings of the Group as at 31 March 2012 was CNY30,641.1 million in total. The substantial indebtedness of the Company and Famous and incurrence of substantial indebtedness in the future could have significant consequences to the business and financial condition of the Group, including making it more difficult to satisfy the obligations under the Bonds, the Guarantee and other debt; increasing its vulnerability to adverse general economic and industry conditions and requiring it to dedicate a substantial portion of its cash flow to servicing and repaying its indebtedness.

In the future, the Company, Famous and their respective subsidiaries may from time to time incur additional indebtedness and contingent liabilities. If the Company, Famous and their respective subsidiaries incur substantial additional debts, the risks that the Group faces as a result of its already substantial indebtedness and leverage could intensify. The ability of the Company and Famous to generate sufficient cash to satisfy outstanding and future debt obligations will depend upon the future operating performance of its subsidiaries, jointly-controlled entities and associates, which will be affected by prevailing economic conditions and financial, business and other factors, many of which are beyond the control of the Company and Famous.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

PRC economic, political and social conditions, as well as government policies, could affect the Group's business.

Substantially all of the Group's assets are located in the PRC, and all of its revenue is derived from within the PRC. Accordingly, the Group's results of operations, financial position and prospects are significantly subject to the economic, political and legal developments of the PRC. The economy of the PRC differs from the economies of most developed countries in many respects, including but not limited to:

- structure;
- level of government involvement;
- level of development;
- growth rate;
- control of foreign exchange; and
- allocation of resources.

While the PRC economy has grown significantly in the past 30 years, growth has been uneven, both geographically and across the various sectors of the economy. The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures benefit the overall PRC economy, but may also negatively affect the Group's operations.

For example, the financial condition and results of operations of the Group may be materially and adversely affected by the PRC government's control over capital investments and changes in tax regulations or foreign exchange controls that are applicable to it.

The PRC economy has transitioned from a planned economy to a market-oriented economy. For the past three decades, the PRC government has implemented economic reform measures emphasising the utilisation of market forces in the development of the PRC economy. Although the Group believes these reforms will have a positive effect on its overall and long-term development, it cannot predict whether changes in the PRC's economic, political and social conditions, laws, regulations and government policies will have any material and adverse effect on its current or future business, results of operations or financial condition.

Property development in the PRC is still at an early stage of development and lacks adequate infrastructural support.

Private ownership of property in the PRC is still in a relatively early stage of development. Although demand for private residential property in the PRC has been growing rapidly in recent years, such growth is often coupled with volatility in market conditions and fluctuation in property prices. It is extremely difficult to predict how much and when demand will develop as many social, political, economic, legal and other factors, most of which are beyond the Group's control, may affect the development of the market. The level of uncertainty is increased by limited availability of accurate financial and market information as well as the overall low level of transparency in the PRC.

In addition, the limited amounts and types of mortgage financing available to individuals, together with the lack of long-term security of legal title and enforceability of property rights, may also inhibit demand for residential property.

Furthermore, the risk of property over-supply is increasing in some regions of the PRC, where property investment, trading and speculation have become overly active. In the event of actual or perceived over-supply, property prices may fall significantly and the revenue and results of operations of the Group will be materially and adversely affected.

If demand for residential and commercial property or market prices decline significantly, the business, results of operations and financial condition of the Group may be materially and adversely affected.

The Group may be unable to obtain and remit foreign currency.

The Subsidiary Guarantors' ability to satisfy their obligations under the Bonds and the Guarantee mainly depends upon the ability of the Subsidiary Guarantors' PRC subsidiaries to obtain and remit sufficient foreign currency to pay dividends to them and, if applicable, to repay shareholder loans. The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency to jurisdictions outside China. Under existing PRC foreign exchange regulations, payments of certain current account items can be made in foreign currencies without prior approval from the local branch of the State Administration of Foreign Exchange (國家外匯管理局) (the "**SAFE**"), by complying with certain procedural requirements. However, approval from the appropriate government authorities is required where Renminbi is to be converted into foreign currency and remitted to a jurisdiction outside China to pay capital expenses such as the repayment of bank loans denominated in foreign currencies. The PRC government may also, at its discretion, restrict access to foreign currencies for current account transactions in the future. The Subsidiary Guarantors' PRC subsidiaries must present certain documents to the SAFE, its authorised branch, or the designated foreign exchange bank, for approval before they can obtain and remit foreign currencies out of China, including, in the case of dividends, evidence that the relevant PRC taxes have been paid and, in the case of shareholder loans, evidence of the registration of the loan with the SAFE. Prior to payment of interest and principal on any shareholder loan that any of the Subsidiary Guarantors makes to its PRC subsidiaries, the relevant PRC subsidiary must also present evidence of payment of the 10 per cent. withholding tax or lower tax treaty rate on the interest payable in respect of such shareholder loan. If the PRC foreign exchange control system prevents the Group from obtaining sufficient foreign currency, or if any of the Subsidiary Guarantors' PRC subsidiaries for any reason fails to satisfy any of the PRC legal requirements for remitting foreign currency payments, such PRC subsidiary will be unable to pay the Subsidiary Guarantors dividends or interest and principal on shareholder loans, which may affect the Subsidiary Guarantors' ability to satisfy their obligations under the Bonds and the Guarantee.

Fluctuations of the Renminbi could affect the Group's financial condition and results of operations.

Most of the Group's revenues are generated by its subsidiaries in the PRC and are denominated in Renminbi. A portion of such revenues must be converted into other currencies to meet the relevant subsidiary's own foreign currency obligation. The value of the Renminbi against other currencies may fluctuate and is affected by, among other things, changes in China's political and economic conditions. On 21 July 2005, the PRC government reformed its exchange rate regime by adopting a managed floating exchange rate regime based on market supply and demand. Under this regime, the Renminbi is no longer pegged to the US dollar but is permitted to fluctuate within a narrow and managed band with reference to a portfolio of currencies. There can be no assurance as to how and to what extent the exchange rate of the Renminbi will fluctuate against the Hong Kong dollar or any other foreign currency in the future. The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future. However, there can be no assurance if or when these further reforms will occur. Depreciation of the Renminbi against the Hong Kong dollar or any such other relevant foreign currencies could have a material adverse effect on the Group's business, financial condition and results of operations. Furthermore, the Group is also subject to translation risks as its consolidated financial statements are denominated in Renminbi while the financial statements of its subsidiaries are measured and presented in the currency of the primary economic environment in which the entity operates.

Under the EIT Law, the Issuer or any of the Subsidiary Guarantors may be classified as a "resident enterprise" of China. Such classification could result in unfavourable tax consequences to its and its non-PRC Bondholders.

Under the EIT Law, an enterprise established outside of China with a "de facto management organisation" located within China will be considered a "resident enterprise," and consequently will be treated in a manner similar to a Chinese enterprise for EIT purposes. The implementing rules of the EIT Law define "de facto management" as "substantial and overall management and control over the production and operations, personnel, accounting, and properties" of the enterprise. However, it is still unclear how the PRC tax authorities will determine whether an entity will be classified as a "resident enterprise." If the PRC tax authorities determine that either the Issuer or any of the Subsidiary Guarantors is a "resident enterprise" for PRC enterprise income tax purposes, a number of unfavourable PRC tax consequences could follow. The Issuer or the relevant Subsidiary Guarantor may be subject to EIT at a rate of 25 per cent. on its worldwide taxable income as well as PRC EIT reporting obligations. In the present case, this would mean that income such as interest from any investment of any portion of the offering proceeds and other income sourced from outside the PRC would be subject to PRC EIT at a rate of 25 per cent.. As described in "***Taxation — PRC***" if the Issuer or any of the Subsidiary Guarantors is considered a "resident enterprise", interest payable to certain "non-resident enterprise" holders of the Bonds may be treated as income derived from sources within China and be subject to PRC withholding tax at a rate of 10 per cent., or a lower rate for holders who qualify for the benefits of a double-taxation treaty with China, and capital gains realised by holders of the Bonds may be treated as income derived from sources within China and be subject to a 10 per cent. PRC withholding tax. If the Issuer or any of the Subsidiary Guarantors is required under the EIT Law to withhold PRC tax on its interest payable to its Bondholders who are "non-resident enterprises" it will be required to pay such additional amounts as will result in receipt by a holder of the Bonds of such amounts as would have been received by the holder had no such withholding been required. The requirement to pay additional amounts will increase the cost of servicing interest payments on the Bonds, and could have a material adverse effect on the Issuer's or the relevant Subsidiary Guarantor's ability to pay interest on, and repay the principal amount of, the Bonds, as well as their profitability and cash flow. The requirement to pay such additional amounts will also give rise to a right of the Issuer to redeem all the Bonds at 100 per cent. of their principal amount plus accrued and unpaid interest to the date of redemption.

In addition to the uncertainty as to the application of the "resident enterprise" classification, the PRC government could amend or revise the taxation laws, rules and regulations to impose stricter tax requirements, higher tax rates or apply the EIT Law, or any subsequent changes in PRC tax laws, rules or regulations retroactively. If such changes occur or are applied retroactively, they could materially and adversely affect the Group's results of operations and financial condition.

There are significant uncertainties under the EIT Law relating to the withholding tax liabilities of the Group's PRC subsidiaries.

Under the EIT Law, the profits of a foreign invested enterprise generated in 2008 and onwards which are distributed to its immediate holding company outside the PRC will be subject to a withholding tax rate of 10.0 per cent. or a lower treaty rate as contained in any income tax treaty or agreement to which China is a party. Pursuant to a special arrangement between Hong Kong and the PRC, such rate is lowered to 5.0 per cent. if a Hong Kong resident enterprise owns 25 per cent. or more equity interest in a PRC company. Some of the Group's PRC subsidiaries are currently wholly-owned by Hong Kong subsidiaries. However, according to the Circular of the SAT on Printing and Issuing the Administrative Measures for Non-resident Individuals and Enterprises to Enjoy the Treatment Under Taxation Treaties (非居民享受稅收協定待遇管理辦法), which became effective on 1 October 2009, the 5 per cent. withholding tax rate does not automatically apply and approvals from competent local tax authorities are required before an enterprise can enjoy any benefits under the relevant taxation treaties. Moreover, according to a tax circular issued by the SAT in February 2009, if the main purpose of an offshore arrangement is to obtain a preferential tax treatment, the PRC tax authorities have the discretion to adjust the preferential tax rate for which an offshore entity would otherwise be eligible. The PRC tax authorities might not grant approvals on the 5 per cent. withholding tax rate on dividends received by the Company's subsidiaries in Hong Kong from the Company's PRC subsidiaries.

The legal system in the PRC is less developed than in certain other countries and uncertainty with respect to the PRC legal system could affect the Group's operations.

As substantially all of the Group's businesses are conducted, and substantially all of its assets are located, in the PRC, the Group's operations are governed principally by PRC laws and regulations. The PRC legal system is based on written statutes, and prior court decisions can only be cited as reference. Since 1979, the PRC government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organisation and governance, commerce, taxation, foreign exchange and trade, with a view to developing a comprehensive system of commercial law. However, China has not developed a fully integrated legal system and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in China. In particular, because these laws and regulations are relatively new, and because of the limited volume of published decisions and their non-binding nature, the interpretation and enforcement of these laws and regulations involve uncertainties. In addition, the PRC legal system is based in part on government policies and internal rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. As a result, the Group may not be aware of its violation of these policies and rules until sometime after the violation. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention.

The national and regional economies in the PRC and the Group's prospects may be materially and adversely affected by natural disasters, acts of God and the occurrence of epidemics.

The Group's business is subject to general economic and social conditions in the PRC. Natural disasters, epidemics and other acts of God which are beyond the Group's control may adversely affect the economy, infrastructure and livelihood of the people in the PRC. Some regions in the PRC, including the cities in which the Group operates, are under the threat of flood, earthquake, sandstorm, snowstorm, fire, drought, or epidemics such as Severe Acute Respiratory Syndrome ("**SARS**"), H5N1 avian flu or the human swine flu, also known as Influenza A (H1N1). For instance, a serious earthquake and its successive aftershocks hit Sichuan province in May 2008 and resulted in tremendous loss of lives and destruction of assets in the region. Past occurrences of epidemics, depending on their scale, have caused different degrees of damage to the national and local economies in the PRC.

In addition, the outbreak of SARS or other virulent contagious diseases, such as the H5N1 avian flu or the human swine flu, could potentially disrupt the Group's operations if any buyers or sellers in its markets is suspected to have contracted such diseases, and the Group's markets are identified as a possible source of spreading the contagious disease infection. The Group may be required to quarantine tenants who are suspected of being infected. The Group may also suffer a temporary suspension of operations. Any quarantine or closure of the Group's offices or suspension of operations at any one of its markets or the sickness or death of the Group's key officers and employees is likely to materially and adversely affect the business, financial condition and results of operations of the Group.

It may be difficult to enforce any judgments obtained from non-PRC courts against the Company, its directors or its senior management in the PRC.

Substantially all of the Group's assets are located within the PRC. China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with many countries, including Japan, the United States and the United Kingdom. Therefore, it may be difficult for investors to enforce any judgments obtained from non-PRC courts against the Company, any of its directors or its senior management in the PRC.

The Group cannot guarantee the accuracy of facts, forecasts and other statistics derived from official government publications with respect to the PRC, the PRC economy and the PRC industries that affect its business, which are contained in this Offering Circular.

Facts, forecasts and other statistics in this Offering Circular relating to the PRC, the PRC economy and the PRC industries that affect the business of the Group have been derived from various official government publications generally believed to be reliable. However, the Group cannot guarantee the quality or reliability of such source materials. They have not been prepared or independently verified by the Group, the Lead Manager or any of the Group's or their affiliates or advisors and, therefore, none of them makes any representation as to the accuracy of such facts, forecasts and statistics, which may not be consistent with other information compiled within or outside the PRC. Due to possibly flawed or ineffective collection methods or discrepancies between official government publications and market practice and other problems, the statistics herein may be inaccurate or may not be comparable to statistics produced for other economies and should not be unduly relied upon. Further, they might not be stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere.

In all cases, investors should give consideration as to how much weight or importance they should attach to or place on such facts, forecasts or statistics.

Under PRC regulations, the Issuer and the Subsidiary Guarantors may not be able to transfer to the Company's PRC subsidiaries proceeds from this offering, which could impair their respective ability to make timely payments of interest and principal under the Bonds and the Guarantee.

Under PRC rules and regulations relating to supervision of foreign debt, including policies of the SAFE, restrictions on the incurrence of foreign debt (including intercompany debt that would be owed to the Issuer or any Subsidiary Guarantor by the Company's PRC subsidiaries) will require that the proceeds of this offering and other funding the Issuer or the Subsidiary Guarantors provide to the Company's PRC subsidiaries that will be used for land acquisitions and developments in China may only be transferred to the Company's PRC subsidiaries as equity investments and not as loans. Equity contributions by the Issuer or the Subsidiary Guarantors or their respective non-PRC subsidiaries to the Company's PRC subsidiaries will require approvals from the PRC governmental authorities, such as the approvals from the commerce department of the local government and filing with The Ministry of Commerce of the People's Republic of China (中華人民共和國商務部) (the "**MOFCOM**") and the local branch of the SAFE, which may take considerable time and delay the actual contribution to the PRC subsidiaries. This may adversely affect the financial condition of the PRC subsidiaries and may cause delays to the development undertaken by such PRC subsidiaries. There can be no assurance that the Group has obtained or will obtain in a timely manner or at all relevant necessary approval certificates or filings for all its operating subsidiaries in the PRC to comply with this regulation.

Further, there can be no assurance that the PRC government will not introduce new policies that further restrict the Group's ability to deploy in the PRC, or that prevent it from deploying in the PRC, the funds raised outside China. Therefore, the Group may not be able to use all or any of the capital that the Issuer may raise outside China to finance its projects in a timely manner or at all.

RISKS RELATING TO THE BONDS, THE GUARANTEE, THE DEED OF EQUITY INTEREST PURCHASE UNDERTAKING AND THE KEEPWELL DEED

The Bonds are secured on a limited basis and the Guarantee is an unsecured obligation.

The obligations of the Issuer under the Bonds are secured on a limited basis by a first priority fixed charge given by the Issuer over the Interest Reserve Account in favour of the Trustee for the benefit of Bondholders. The Guarantee is an unsecured obligation. The repayment of the Bonds and payment under the Guarantee may be adversely affected if:

- the Issuer or any of the Subsidiary Guarantors enters into bankruptcy, liquidation, reorganisation or other winding-up proceedings;
- there is a default in payment under the Issuer's or any Subsidiary Guarantor's future secured indebtedness or other unsecured indebtedness; or

- there is an acceleration of any of the Issuer's or any Subsidiary Guarantor's indebtedness.

If any of these events were to occur, the Issuer's or the Subsidiary Guarantor's assets may not be sufficient to pay amounts due on the Bonds.

The Keepwell Deed is not a guarantee of the payment obligations under the Bonds and the Guarantee.

The Company will enter into the Keepwell Deed in connection with the offering. See "***Description of the Keepwell Deed***". Upon the occurrence of an event of default as set out in Condition 9 in the Terms and Conditions of the Bonds, the Trustee may take action against the Company to enforce the provisions of the Keepwell Deed. However, neither the Keepwell Deed nor any actions taken by the Company thereunder can be deemed as a guarantee by the Company for the payment obligation of the Issuer under the Bonds or Famous under the Guarantee. Accordingly, the Company will only be obliged to make sufficient funds available to Famous, rather than assume the payment obligation as in the case of a guarantee. Furthermore, even if the Company intends to perform its obligations under the Keepwell Deed, depending on the manner in which the Company performs its obligations under the Keepwell Deed in arranging for sufficient funds to enable Famous to meet its obligations under the Guarantee, such performance may be subject to obtaining prior consent or approvals from relevant PRC governmental authorities, including the NDRC, MOFCOM and SAFE.

In addition, under the Keepwell Deed, the Company will undertake with Famous and the Trustee, among other things, to cause Famous to have sufficient liquidity to ensure timely payment of any amounts payable in respect of the Bonds and the Guarantee. However, any claim by Famous and/or the Trustee against the Company in relation to the Keepwell Deed will be effectively subordinated to all existing and future obligations of the Company's subsidiaries (which do not guarantee the Bonds), particularly the onshore operating subsidiaries of the Company, and all claims by creditors of such subsidiaries (which do not guarantee the Bonds) will have priority to the assets of such entities over the claims of Famous and the Trustee under the Keepwell Deed.

Performance by the Company of its undertaking under the Deed of Equity Interest Purchase Undertaking is subject to approvals of the PRC governmental authorities.

The Company intends to assist Famous to meet its obligations by entering into a Deed of Equity Interest Purchase Undertaking (the "**Undertaking**") on or about 26 July 2012. Under the Undertaking, the Company agrees to purchase from any offshore subsidiary of Famous (each, a "**Relevant Transferor**") the equity interest in certain of their PRC-incorporated subsidiaries at a purchase price not lower than the amount sufficient to enable the Issuer and the Subsidiary Guarantors to discharge their respective obligations under the Bonds and the Trust Deed.

Performance by the Company of this Undertaking is subject to the approval of:

- the MOFCOM in respect of the transfer of the equity interest in the PRC-incorporated subsidiaries from the Relevant Transferor to the Company;

- the PRC State Administration for Industry and Commerce in respect of the transfer of the equity interest in the PRC-incorporated subsidiaries from the Relevant Transferor to the Company;

- the relevant PRC tax authorities in respect of withholding tax for the Relevant Transferor; and

- SAFE in respect of (i) changing the SAFE registration of the PRC-incorporated companies being sold and (ii) the remittance of the purchase price, denominated in Renminbi, from the Company in the PRC to Famous in Hong Kong.

As the approval process is beyond the control of the Company, there can be no assurance that the Company will successfully obtain either of the requisite approvals in time, or at all. In the event that the Company fails to obtain the requisite approvals, the Issuer and the Subsidiary Guarantors may still have insufficient funds to discharge their outstanding payment obligations to the holders of the Bonds.

Further, in the event of an insolvency of a Relevant Transferor, any sale proceeds received by that Relevant Transferor may be subject to the insolvency claims of third parties. The Trustee's claim against the sale proceeds will be an unsecured claim and may rank lower in priority to any claims by secured third party creditors of such Relevant Transferor where it is a Subsidiary Guarantor. Where a Relevant Transferor is not a Subsidiary Guarantor, the Trustee will not have a direct claim against the sale proceeds received by such Relevant Transferor.

If the Issuer or any of the Subsidiary Guarantors is unable to comply with the restrictions and covenants in their respective debt agreements (if any), or the Bonds, there could be a default under the terms of these agreements, or the Bonds, which could cause repayment of the Issuer or the relevant Subsidiary Guarantor's debt to be accelerated.

If the Issuer or any of the Subsidiary Guarantors is unable to comply with the restrictions and covenants in the Bonds, or current or future debt obligations and other agreements (if any), there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to the Issuer or the relevant Subsidiary Guarantor, accelerate repayment of the debt, declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Furthermore, some of the debt agreements of the Subsidiary Guarantors, contain cross-acceleration or cross-default provisions. As a result, the default by any Subsidiary Guarantor under one debt agreement may cause the acceleration of repayment of debt, including the Bonds, or result in a default under its other debt agreements, including the Bonds. If any of these events occur, there can be no assurance that the Group's assets and cash flows would be sufficient to repay in full all of the Issuer's or the relevant Subsidiary Guarantor's indebtedness, or that it would be able to find alternative financing. Even if the Issuer or the relevant Subsidiary Guarantor could obtain alternative financing, there can be no assurance that it would be on terms that are favourable or acceptable to the Issuer or the relevant Subsidiary Guarantor.

The liquidity and price of the Bonds following this offering may be volatile.

The price and trading volume of the Bonds may be highly volatile. Factors such as variations in the revenues, earnings and cash flows of the Group and proposals of new investments, strategic alliances and/or acquisitions, interest rates and fluctuations in prices for comparable companies could cause the price of the Bonds to change. Any such developments may result in large and sudden changes in the volume and price at which the Bonds will trade. There can be no assurance that these developments will not occur in the future.

Developments in other markets may adversely affect the market price of the Bonds.

The market price of the Bonds may be adversely affected by declines in the international financial markets and world economic conditions. The market for the Bonds is, to varying degrees, influenced by economic and market conditions in other markets, especially those in Asia. Although economic conditions are different in each country, investors' reactions to developments in one country can affect the securities markets and the securities of issuers in other countries, including China. Since the sub-prime mortgage crisis in 2008, the international financial markets have experienced significant volatility. If similar developments occur in the international financial markets in the future, the market price of the Bonds could be adversely affected.

A trading market for the Bonds may not develop.

The Bonds are a new issue of securities for which there is currently no trading market. However, there can be no assurance as to the liquidity of the Bonds or that an active trading market will develop. If such a market were to develop, the Bonds could trade at prices that may be higher or lower than the initial issue price depending on many factors, including prevailing interest rates, the Group's operations and the market for similar securities. The Lead Manager is not obligated to make a market in the Bonds and any such market making, if commenced, may be discontinued at any time at the sole discretion of the Lead Manager.

The ratings of the Bonds may be downgraded or withdrawn.

The Bonds have been assigned a rating of "Ba3" by Moody's and a rating of "BB-" by S&P. The ratings represent the opinions of the rating agencies and their assessment of the ability of the Issuer and the Subsidiary Guarantors to perform their respective obligations under the Bonds and the Guarantee and credit risks in determining the likelihood that payments will be made when due under the Bonds. A rating is not a recommendation to buy, sell or hold the Bonds and may be subject to suspension, reduction or withdrawn at any time. Neither the Issuer nor any of the Subsidiary Guarantors is obligated to inform holders of the Bonds if the ratings are lowered or withdrawn. A reduction or withdrawal of the ratings may adversely affect the market price of the Bonds and the Issuer's ability to access the debt capital markets.

The insolvency laws of Hong Kong and other local insolvency laws may differ from those of another jurisdiction with which the holders of the Bonds are familiar.

As the Subsidiary Guarantors are incorporated under the laws of Hong Kong, any insolvency proceeding relating to the Subsidiary Guarantors would likely involve Hong Kong insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the holders of the Bonds are familiar.

There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of the Bonds and the Group's ability to source Renminbi outside the PRC to service the Bonds.

As a result of the restrictions by the PRC government on cross-border Renminbi fund flows, the availability of Renminbi outside of the PRC is limited. Since February 2004, in accordance with arrangements between the PRC central government and the Hong Kong government, licensed banks in Hong Kong may offer limited Renminbi-denominated banking services to Hong Kong residents and specified business customers. The PBOC, the central bank of China, has also established a Renminbi clearing and settlement system for participating banks in Hong Kong. On 19 July 2010, further amendments were made to the Settlement Agreement on the Clearing of Renminbi Business (the "**Settlement Agreement**") between the PBOC and Bank of China (Hong Kong) Limited (the "**Renminbi Clearing Bank**") to further expand the scope of Renminbi business for participating banks in Hong Kong. Pursuant to the revised arrangements, all corporations are allowed to open Renminbi accounts in Hong Kong; there is no longer any limit on the ability of corporations to convert Renminbi; and there will no longer be any restriction on the transfer of Renminbi funds between different accounts in Hong Kong. As a result of the restrictions by the PRC government on cross-border Renminbi fund flows, the availability of Renminbi outside of China is limited.

However, the current size of Renminbi-denominated financial assets outside the PRC is limited. As at 31 May 2012, the total amount of Renminbi deposits held by institutions authorised to engage in Renminbi banking business in Hong Kong amounted to approximately CNY553.9 billion. In addition, participating banks are also required by The Hong Kong Monetary Association (香港金融管理局) (the "**HKMA**") to maintain a total amount of Renminbi (in the form of cash and its settlement account balance with the Renminbi Clearing Bank) of no less than 25.0 per cent. of their Renminbi deposits, which further limits the availability of Renminbi that participating banks can utilise for conversion services for their customers. Renminbi business participating banks do not have direct Renminbi liquidity support from PBOC. The Renminbi Clearing Bank only has access to onshore liquidity support from PBOC to square open positions of participating banks for limited types of transactions, including open positions resulting from conversion services for corporations relating to cross-border trade settlement and for individual customers of up to CNY20,000 per person per day. The Renminbi Clearing Bank is not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services and the participating banks will need to source Renminbi from the offshore market to square such open positions.

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the Settlement Agreement will not be terminated or amended in the future which will have the effect of restricting availability of Renminbi offshore. The limited availability of Renminbi outside the PRC may affect the liquidity of the Bonds. To the extent the Group is required to source Renminbi in the offshore market to service the Bonds, there is no assurance that it will be able to source such Renminbi on satisfactory terms, if at all.

Investment in the Bonds may subject investors to foreign exchange rate risks.

The value of the Renminbi against the Hong Kong dollar and other foreign currencies fluctuates and is affected by changes in the PRC and international political and economic conditions and by many other factors. The Bonds are denominated and payable in Renminbi. If an investor measures its investment returns by reference to a currency other than Renminbi, an investment in the Bonds entails foreign exchange related risks, including possible significant changes in the value of Renminbi relative to the currency by reference to which an investor measures its investment returns. Depreciation of the Renminbi against such currency could cause a decrease in the effective yield of the Bonds below their stated coupon rates and could result in a loss when the return on the Bonds is translated into such currency. In addition, there may be tax consequences for investors as a result of any foreign currency gains resulting from any investment in the Bonds.

The investment in the Bonds is subject to interest rate risks.

The PRC government has gradually liberalised the regulation of interest rates in recent years. Further liberation may increase interest rate volatility. As the Bonds will carry a fixed interest rate, the trading price of the Bonds will vary with the fluctuations in the Renminbi interest rates. If a holder of the Bonds tries to sell such Bonds before their maturity, he may receive an offer that is less than the holder's investment.

Payments in respect of the Bonds will only be made in the manner specified in the Bonds.

All payments in respect of the Bonds will be made solely by (i) when the Bonds are represented by a global certificate, transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing CMU rules and procedures; or (ii) when the Bonds are in definitive form, transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing rules and regulations. The Group cannot be required to make payment by any other means (including in any other currency or by transfer to a bank account in the PRC).

The Trustee may request holders of the Bonds to provide an indemnity and/or security and/or prefunding to its satisfaction.

In certain circumstances, including without limitation giving of notice to the Issuer pursuant to Condition 9 and taking enforcement steps pursuant to Condition 13, the Trustee may, at its sole discretion, request holders of the Bonds to provide an indemnity and/or security and/or prefunding to its satisfaction before it takes actions on behalf of holders of the Bonds. The Trustee shall not be obliged to take any such actions if not indemnified and/or secured and/or prefunded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or prefunding can be a lengthy process and may impact on when such actions can be taken. The Trustee may not be able to take actions, notwithstanding the provision of an indemnity or security or prefunding to it, in breach of the terms of the Trust Deed (as defined in the Terms and Conditions of the Bonds) or the Terms and Conditions of the Bonds and in circumstances where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the agreements and the applicable law, it will be for the holders of the Bonds to take such actions directly.

Decisions that may be made on behalf of all holders of the Bonds may be adverse to the interests of individual holders of the Bonds

The Terms and Conditions of the Bonds contain provisions for calling meetings of holders of the Bonds to consider matters affecting their interests generally. These provisions permit defined majorities to bind all holders of the Bonds including holders who did not attend and vote at the relevant meeting and holders who voted in a manner contrary to the majority. Furthermore, there is a risk that the decision of the majority of holders of the Bonds may be adverse to the interests of the individuals.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with "Selected Consolidated Financial and Other Data" and the consolidated financial statements of the Group, including the notes thereto, included elsewhere in this Offering Circular. All significant intra-group transactions, balances and unrealised gains on intra-group transactions have been eliminated.

The consolidated financial statements of the Group were prepared in accordance with PRC GAAP. As such, the Group's consolidated financial statements differ in certain material respects from GAAP in other jurisdictions. In this section of the Offering Circular, references to "2009", "2010" and "2011" refer to the fiscal years of the Group ended 31 December 2009, 2010 and 2011, respectively, and the three months ended 31 March 2011 and the three months ended 31 March 2012 refer to the fiscal quarters of the Group ended 31 March 2011 and 2012, respectively.

OVERVIEW

The Group is one of the leading large-scale integrated residential property developers in China. Established in 1988, the Group commenced its real estate business in China in 1993. The Company was listed on the Shanghai Stock Exchange in April 2001 (code: SH.600383). The Group is headquartered in Shenzhen, Guangdong province, China.

The Group has made significant investments in, and has interests in property development projects in, first-tier cities in China, such as Beijing, Shanghai, Shenzhen and Guangzhou, where the property market has experienced significant growth in recent years. It has also invested in a number of projects in second-tier cities such as Tianjin, Ningbo, Nanjing, Hangzhou, Zhuhai, Changsha, Changzhou, Dalian, Wuhan, Xi'an and Shenyang, which cities it expects will have significant growth potential, as well as some third-tier cities such as Dongguan and Shaoxing. The Group's strategies include continuing to enhance its market leading position, building upon its land bank in a selective and prudent manner and maintaining its prudent financial management.

Under the Group's experienced management team, the Group has grown its business substantially. For 2009, 2010, 2011, the three months ended 31 March 2011 and the three months ended 31 March 2012, the Group's operating income was CNY12,098 million, CNY19,593 million, CNY23,919 million, CNY2,144 million and CNY1,743 million, respectively. For 2009, 2010, 2011, the three months ended 31 March 2011 and the three months ended 31 March 2012 net profit attributable to shareholders of the Group was CNY1,776 million, CNY2,694 million, CNY3,017 million, CNY162 million and CNY156 million, respectively.

The Group has successfully expanded its operations, with a land bank of 17.1 million sq.m. of GFA across 20 cities in China as at 31 March 2012, including four first-tier cities and 16 second-tier and third-tier cities. This includes approximately 2.0 million sq.m. in Xi'an which the Group has signed a cooperative development agreement and a compensation and resettlement agreement for house demolition. However, as at the date of this Offering Circular, the Group has not entered into the relevant land use right grant contracts.

FACTORS AFFECTING THE GROUP'S PERFORMANCE

Economic Growth of the PRC and the Property Market in the PRC

The Group believes that demand for its properties is driven in large part by the overall economic development, rising wages and the standard of living in the PRC.

The PRC property market is, and is expected to continue to be, cyclical. The rapid expansion of the property market in certain major cities in the PRC, including Guangzhou, Beijing and Shanghai, in the early 1990s culminated in an oversupply in the mid-1990s and a corresponding fall in property prices and rents in the second half of that decade. In addition, there was also a fall in property prices and rental yields during the economic downturn in 2008. Since the late 1990s, the number and price of residential property development projects have increased in major cities as a result of an increase in demand driven by domestic economic growth. In particular, prices of residential properties in major PRC cities such as Shanghai and Beijing have experienced rapid and significant growth. However, there can be no assurance that oversupply and falling property prices will not recur in the PRC property market. Any recurrence of such problems could adversely affect the Group's business and financial condition.

The cyclical property market in the PRC affects the timing for both the Group's acquisition of sites and the Group's sale of completed development properties. This cyclicality, combined with the lead time required for the completion of projects and the sales of properties, means that the results of operations of the Group relating to property development activities may be susceptible to significant fluctuations from year to year.

To the extent that supply in the overall property market significantly exceeds demand, the Group may be subject to significant market downturns and disruptions. Alternatively, if a serious downturn in regional or global market conditions should occur, this might materially and adversely affect and disrupt the property market in the PRC.

Regulatory Environment

PRC government policies and measures on property development and related industries have a direct impact on the Group's business and results of operations.

As with other PRC property developers, the Group must comply with various requirements mandated by PRC laws and regulations, including the policies and procedures established by local authorities designated to implement such laws and regulations. In particular, the PRC government exerts considerable direct and indirect influence on the development of the PRC property sector by imposing industry policies and other economic measures, such as control over the supply of land for property development, property financing, taxation, foreign exchange and foreign investment. Through these policies and measures, the PRC government may restrict or reduce the land available for property development, raise the benchmark interest rates of commercial banks, place additional limitations on the ability of commercial banks to make loans to property developers and property purchasers, impose additional taxes, such as property tax, impose levies on property sales and restrict foreign investment in the PRC property sector.

Over the course of the last few years, the PRC government has announced a series of measures designed to stabilise the PRC economy and cool down the property market. For a more detailed description of the PRC government's measures to curtail the overheating of the PRC property market, see the section entitled "***PRC Regulations***". For example, on 19 May

2010, the PRC government issued policies to enhance the enforcement of the LAT. On 29 September 2010, The PBOC and CBRC jointly issued the Notice on Relevant Issues Regarding the Improvement of Differential Mortgage Loan Policies, which (i) raised the minimum down payment to 30 per cent. for all first residential property purchases with mortgage loans and; (ii) required commercial banks in China to suspend mortgage loans to customers for their third and subsequent residential property purchases or to non-local residents who cannot provide documentation certifying payment of local tax or social security for longer than a one-year period. On 26 January 2011, the General Office of the State Council (中華人民共和國國務院辦公廳) issued a new notice to further regulate the property market, which among other measures increased the minimum down payment for second residential property purchases from 50 per cent. to 60 per cent. and levied business tax on ordinary residential properties transferred within five years from the purchase date. On 6 April 2011, the PBOC further raised the benchmark one-year deposit and lending rates by an additional 0.25 per cent. to 3.25 per cent. and 6.31 per cent., respectively. The reserve requirement ratio for commercial banks was raised six times and reduced once in 2011, with the ratio ranging from 17.5 per cent. to 21 per cent., effective from 5 December 2011. In addition, local governments in certain cities, such as Beijing, Shanghai, Suzhou, Wuxi, Haikou, Tianjin, Chengdu and Wuhan, have promulgated policies to limit the maximum number of residential properties which may be purchased by a family. The PRC government has also launched new property tax schemes on a trial basis in Shanghai and Chongqing.

On 8 Jun 2012 and 6 Jul 2012, the PBOC cut one-year lending rate twice in one month. As at the date of this Offering Circular, the benchmark one-year lending rate is 6.00 per cent. The reserve requirement ratio for commercial banks was reduced twice in 2012, with the ratio ranging from 16.5 per cent. to 20.0 per cent., effective from 18 May 2012.

Many of the property industry policies implemented by the PRC government are new and are expected to be amended and revised over time. Other political, economic and social factors may also lead to further adjustments and changes of such policies.

Ability to Acquire Land Use Rights

The PRC government controls all new land supply in the PRC and regulates land sales in the secondary market. As a result, the policies of the PRC government towards land supply affect the Group's ability and costs of acquiring land use rights.

The Group derives the majority of its revenue from the sales of properties developed by itself in China. This revenue stream is dependent on the Group's ability to complete and sell its property developments. To grow or maintain its business in the future, the Group will be required to replenish its land reserve with suitable sites for developments. The Group's ability to identify and acquire a sufficient number of suitable sites is subject to a number of factors that are beyond its control.

The PRC government controls substantially all of the country's land supply, and regulates the means by which property developers, including the Group, to obtain land sites for property developments. As a result, the PRC government's land supply policies affect the Group's ability to acquire land use rights for sites that the Group identifies and the costs of land acquisition. Although these regulations do not prevent privately held land use rights from being traded in the secondary market, the PRC government's policy to grant state-owned land use rights through a bidding system has caused an increase in the acquisition cost of land reserves in the PRC.

In addition, the PRC central and local governments have implemented various measures to regulate the means by which property developers obtain land use rights for property development. The PRC government also controls land supply through zoning, land usage regulations and other means.

PRC Regulations on Financing

The Group finances its property developments primarily through a combination of pre-sales and sales proceeds, borrowings and equity contributions from shareholders. The Group's ability to maintain adequate working capital and external financing for land acquisitions or property developments on commercially acceptable terms depends on a number of factors that are beyond the Group's control. The PRC government has in the past taken a number of policy initiatives to tighten financing to property developers.

The fiscal and other measures adopted by the PRC government from time to time may limit the flexibility and ability of the Group to use bank loans to finance its property developments and therefore may require the Group to maintain a relatively high level of internally-sourced cash, and increased the Group's need for cash to facilitate land acquisition and construction.

Timing of Property Development

The projects the Group undertakes typically require substantial capital expenditures during the construction and usually take many months, and sometimes years, to generate proceeds in cash. The time required and the costs involved in completing construction can be affected by many factors, including shortages of construction materials, equipment or labour, adverse weather conditions, natural disasters, delays or failures in performance by the Group's contractors, labour disputes, disputes with contractors and subcontractors, accidents, changes in governmental priorities and other circumstances.

Construction delays may result in significant losses of revenue and increase in costs. Under the pre-sale contracts, the Group is liable to the purchasers for default payments if the Group fails to deliver the completed properties in accordance with the delivery schedule in these contracts, and in the case of a prolonged delay, the purchasers will be entitled to terminate the pre-sale contracts and require a refund of the purchase prices in addition to the default payments. In addition, the failure to complete construction according to its specifications may result in liabilities and lower financial returns. There can be no assurance that the Group's existing or future projects will be completed on time, or at all, and generate satisfactory returns.

CRITICAL ACCOUNTING POLICIES

The Group has adopted the Accounting Standards for Business Enterprises issued by the Ministry of Finance (MOF) on 15 February 2006. In addition, the Company has disclosed relevant financial information in accordance with Information Disclosure and Presentation Rules for Companies Offering Securities to the Public No. 15 — General Provisions on Financial Reporting (Revised in 2010).

The Group has adopted the calendar year as its accounting year, i.e. from January 1 to December 31. Renminbi ("CNY") is the currency of the primary economic environment in which the Group and its domestic subsidiaries operate. The Group and its domestic subsidiaries choose CNY as their functional currency. The Group's foreign subsidiaries choose Hong Kong dollars ("HK$") as their functional currency on the basis of the primary economic environment in which they operate. The Group adopts CNY to prepare its financial statements.

The Group has adopted the accrual basis of accounting. Except for certain financial instruments which are measured at fair value, the Group adopts the historical cost as the principle of measurement of the financial statements. Where assets are impaired, provisions for asset impairment are made in accordance with relevant requirements.

The scope of consolidation in the consolidated financial statements is determined on the basis of control. Control is the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its operating activities.

Cash comprises cash on hand and deposits that can be readily withdrawn on demand. Cash equivalents are the Group's short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. For financial assets and financial liabilities at fair value through profit or loss, transaction costs are immediately recognised in profit or loss. For other financial assets and financial liabilities, transaction costs are included in their initial recognised amounts.

Basis of determining significant accounting policies and key assumptions and uncertainties in accounting estimates

In the application of its accounting policies the Group is required to make judgments, estimates and assumptions about the carrying amounts of items in the financial statements that cannot be measured accurately, due to the internal uncertainty of the operating activities. These judgments, estimates and assumptions are based on historical experiences of the Group's management as well as other factors that are considered to be relevant. Actual results may differ from these estimates.

The aforementioned judgments, estimates and assumptions are reviewed regularly on a going concern basis. The effect of a change in accounting estimate is recognised in the period of the change, if the change affects that period only; or recognised in the period of the change and future periods, if the change affects both.

The following are the key assumptions and uncertainties in accounting estimates at the balance sheet date, which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in future periods.

The Group records inventories as lower of cost and net realisable value. Net realisable value of inventory is the amount calculated as the estimated selling price of ordinary activities, minus estimated cost to happen until work is completed, estimated selling expenses and related taxes. The Group will increase the provision for a decline in the value of inventories if its management revises any of the estimated selling price, cost to happen until work completed, estimated selling expenses or related taxes, and (1) the revised estimated selling price is less than current adopted estimated selling price, or (2) the revised estimated cost to happen until work completed, estimated selling expenses and related taxes is larger than current adopted estimated amount. On the contrary, the Group will reverse the provision for an increase in value of inventories if its management revises any of the estimated selling price, cost to happen until work completed, estimated selling expenses or related taxes, and (1) the revised estimated selling price is higher than current adopted estimated selling price, or (2) the revised estimated cost to happen until work completed, estimated selling expenses and related taxes is less than current adopted estimated amount.

If the actual selling price, estimated cost to happen until work completed, estimated selling expenses and related taxes is larger or less than the management's estimation, the Group recognises the relevant influences in the corresponding accounting period.

Classification of inventories

Inventories mainly include properties under construction, completed projects, goods on hand, construction materials and others. Inventories are initially measured at cost. Cost of goods on hand and construction materials comprise purchase, freights, insurances, taxes and other related expenses. Cost of property development comprises land acquisition fees, expenditure on infrastructure development, expenditure on construction and installation, borrowing costs incurred before the completion of construction, and other related expenses.

Construction in progress

Construction in progress is measured at its actual costs. The actual costs include various construction expenditures during the construction period, borrowing costs capitalised before it is ready for intended use and other relevant costs. Construction in progress is not depreciated. Construction in progress is transferred to a fixed asset when it is ready for intended use.

The Group assesses at the balance sheet date whether there is any indication that construction in progress may be impaired. If there is any indication that such assets may be impaired, the recoverable amounts are estimated for such assets. The recoverable amount is estimated on an individual basis. If it is not practical to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group to which the asset belongs will be estimated. If the recoverable amount of an asset or an asset group is less than its carrying amount, the deficit is accounted for as an impairment loss and is recognised in profit or loss.

Once the impairment loss of construction in progress is recognised, it is not be reversed in any subsequent period.

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

Investment Properties

Investment property is property held to earn rentals or for capital appreciation or both. It includes a land use right that is leased out; a land use right held for transfer upon capital appreciation; and a building that is leased out.

An investment property is measured initially at cost. Subsequent expenditures incurred for such investment property are included in the cost of the investment property if it is probable that economic benefits associated with an investment property will flow to the Group and the subsequent expenditures can be measured reliably, other subsequent expenditures are recognised in profit or loss in the period in which they are incurred.

The Group uses the cost model for subsequent measurement of investment property, and adopt a depreciation/amortisation policy for the investment property which is consistent with that for buildings/land use rights.

The Group reviews the investment properties at each balance sheet date to determine whether there is any indication that they have suffered an impairment loss. If an impairment indication exists, the recoverable amounts are estimated. The recoverable amount is estimated on an individual basis. If it is not practical to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group to which the asset belongs will be estimated. If such a recoverable amount is less than its carrying amount, a provision for impairment losses in respect of the deficit is recognised in profit or loss for the period.

Once an impairment loss is recognised for an investment property, it will not be reversed in any subsequent period.

When an investment property is sold, transferred, retired or damaged, the Group recognises the amount of any proceeds on disposal net of the carrying amount and related taxes in profit or loss for the period.

As at 31 December 2011, these investment properties were recorded on the balance sheet using the cost model at CNY1,283 million. An appraisal has been conducted by an independent third party property valuer, which has valued the Group's investment properties at CNY7,888 million as at 30 November 2011.

Estimated liabilities

An obligation related to a contingency is recognised as a provision when all of the following conditions are satisfied: (1) the obligation is a present obligation of the Group; (2) it is probable that an outflow of economic benefits will be required to settle the obligation; and (3) the amount of the obligation can be measured reliably.

At the balance sheet date, a provision is measured at the best estimate of the expenditure required to settle the related present obligation, taking into account the factors pertaining to a contingency such as the risks, uncertainties and time value of money.

Where all or some of the expenditure required to be settled a provision is expected to be reimbursed by a third party, the reimbursement is recognised as a separate asset only when it is virtually certain that reimbursement will be received. The amount recognised for the reimbursement does not exceed the carrying amount of the provision.

Revenue

Revenue from the sale of goods is recognised when (1) the enterprise has transferred to the buyer the significant risks and rewards of ownership of the goods; (2) the enterprise retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; (3) the amount of income can be measured reliably; (4) it is probable that the associated economic benefits will flow to the enterprise; and (5) the associated costs incurred or to be incurred can be measured reliably.

Revenue from sales of property is recognised when all the following conditions are successfully satisfied: (1) a sales contact is entered into between the buyer and a Group member and filed with Land and Resources Bureau; (2) the development of the property is completed and arrives at the condition for its intended use, and successfully passes the examination by the relevant authorities with the relevant registration procedures well finished; and (3) the buyer makes payment for the property subject to the terms in sales contract and obtains the occupation permit. In another words, revenue from sales is recognised when the Group receives or obtains the right to receive the full amount of the property sold, and all the relevant economic benefit can flow to the Group.

Revenue from rendering of services is recognised when (1) the amount of revenue can be measured reliably; (2) it is probable that the associated economic benefits will flow to the enterprise; (3) the stage of completion of the transaction can be determined reliably; and (4) the associated costs incurred or to be incurred can be measured reliably. Revenue from rendering of services is recognised using the percentage of completion method at the balance sheet date. The stage of completion of a transaction is determined based on services performed to date as a percentage of total services to be performed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the costs incurred that will be recoverable, and the costs incurred are recognised as expenses for the period. When it is not probable that the costs incurred will be recovered, revenue is not recognised.

Where the outcome of a construction contract can be estimated reliably, the revenue and operating costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable. Where the outcome of a construction contract cannot be estimated reliably, contract income is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract income, the expected loss is recognised as an expense immediately.

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

Rental income from lessee per contract or agreement is recognised as revenue on a straight-line basis over the lease term.

Income tax expenses

At the balance sheet date, current income tax liabilities (or assets) for the current and prior periods are measured at the amount expected to be paid (or recovered) according to the requirements of tax laws.

Deferred tax assets and deferred tax liabilities

For temporary differences between the carrying amounts of certain assets or liabilities and their tax base, or between the nil carrying amount of those items that are not recognised as assets or liabilities and their tax base that can be determined according to tax laws, deferred tax assets and liabilities are recognised using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets for deductible temporary differences are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised. However, for temporary differences associated with the initial recognition of goodwill and the initial recognition of an asset or liability arising from a transaction (not a business combination) that affects neither the accounting profit nor taxable profits or deductible losses at the time of transaction, no deferred tax asset or liability is recognised.

For deductible losses and tax credits that can be carried forward, deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible losses and tax credits can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the timing of 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 taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates, according to tax laws, that are expected to apply in the period in which the asset is realised or the liability is settled.

Current and deferred tax expenses or income are recognised in profit or loss for the period, except when they arise from transactions or events that are directly recognised in other comprehensive income or in equity, in which case they are recognised in other comprehensive income or in equity, and when they arise from business combinations, in which case they adjust the carrying amount of goodwill.

At the balance sheet date, the carrying amount of deferred tax assets is reviewed and reduced if it is no longer probable that sufficient taxable profits will be available in the future to allow the benefit of deferred tax assets to be utilised. Any such reduction in amount is reversed when it becomes probable that sufficient taxable profits will be available.

When the Company has a legal right to settle on a net basis and intends either to settle on a net basis or to realise the assets and settle the liabilities simultaneously, current tax assets and current tax liabilities are offset and presented on a net basis.

When the Company has a legal right to settle current tax assets and liabilities on a net basis, and deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax assets and liabilities on a net basis or to realise the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be reversed, deferred tax assets and deferred tax liabilities are offset and presented on a net basis.

CERTAIN INCOME STATEMENT ITEMS

Operating income

The Group's operating income represents (i) gross proceeds from the sales of properties, (ii) gross rental income received and receivable from investment properties, (iii) gross proceeds from property management and, (iv) gross proceeds from all other operations. The Group's operating income is categorised into four segments: sales of properties, property lease, property management and others, respectively.

The following table sets forth the operating income of the Group in each operating segment and the percentage of operating income represented by each segment for the periods indicated.

	Year Ended 31 December						Three Months Ended 31 March			
	2009		2010		2011		2011		2012	
	CNY (audited) (millions)		CNY (audited) (millions)		CNY (audited) (millions)		CNY (unaudited) (millions)		CNY (unaudited) (millions)	
Sales of properties	11,663	96.4%	19,035	97.2%	23,214	97.1%	–	–	–	–
Property lease	123	1.0%	148	0.8%	216	0.9%	–	–	–	–
Property management	270	2.3%	340	1.7%	431	1.8%	–	–	–	–
Others	30	0.2%	63	0.3%	51	0.2%	–	–	–	–
Principal operating income	**12,086**	**99.9%**	**19,586**	**100%**	**23,912**	**100%**	**–**	**–**	**–**	**–**
Other operating activities income	12	0.1%	7	0.0%	7	0.0%	–	–	–	–
Total operating income	**12,098**	**100%**	**19,593**	**100%**	**23,919**	**100%**	**2,144**	**100%**	**1,743**	**100%**

Sales of properties

Operating income from sales of properties consist of proceeds from the sale of the Group's development properties. Because the Group derives substantially all of its total operating income from the sales of properties segment, its results of operations for a given period are dependent upon the GFA of properties the Group has available for sale during that period, the market demand for those properties and the price the Group is able to obtain for such properties. Conditions of the property markets in which the Group operates change from period to period and are affected significantly by the general economic, political and regulatory environment in the PRC as well as in the cities and regions where its property developments are located.

Consistent with industry practice, the Group typically enters into purchase contracts with customers while the properties are still under development, after satisfying the conditions for pre-sales according to PRC laws and regulations. See "***Description of the Group — Property development and sales — Properly development process — Pre-sales.***" Generally there is a time difference, typically ranging from 6 to 18 months between the time the Group commences pre-selling properties under development and the completion of the development. Revenue from sales is recognized when the Group receives or obtains the right to receive the full amount of property sold, and all the relevant economic benefit can flow to the Group. Before the delivery of a pre-sold property upon the completion of development, payments received from the Group's customers are recorded as current liabilities under "Advances from customers" on the Group's balance sheet and reflected in the cash flow statements as part of the increase in "Cash receipts from the sale of goods and rendering of services".

The following table sets forth, for the periods indicated, the average selling price per square meter for the Group's recognised GFA (calculated by dividing operating income for property development by the aggregate GFA sold in the relevant years).

	Year Ended 31 December		
	2009	2010	2011
	CNY (audited)	CNY (audited)	CNY (audited)
Beijing	16,081	18,453	20,675
Dongguan	5,935	7,168	7,593
Foshan	9,965	11,723	18,215
Guangzhou	5,539	6,322	7,805
Hangzhou	21,077	18,937	19,668
Nanjing	12,607	9,858	10,863
Ningbo	—	—	20,932
Shanghai	16,690	22,622	20,711
Shaoxing	—	—	10,222
Shenyang	6,334	8,294	9,050
Shenzhen	12,812	17,341	22,878
Tianjin	6,793	10,591	13,531
Wuhan	6,645	6,945	8,203
Xi'an	12,214	18,090	17,522
Zhuhai	—	14,036	10,527
Others	4,809	13,183	14,954

Property lease

Operating income from the Group's property lease segment represents recurring income from the Group's investment properties and is recognised in the year in which the services are provided. For 2009, 2010 and 2011, the Group recognised operating income for property leasing of CNY123 million, CNY148 million and CNY216 million, respectively.

Property management

Operating income from the Group's property management segment are recognised in the year in which the services are provided. For 2009, 2010 and 2011, the Group recognised operating income for property management of CNY270 million, CNY340 million and CNY431 million, respectively.

Others

For 2009, 2010 and 2011, the Group recognised operating income for others of CNY30 million, CNY63 million and CNY51 million, respectively.

Operating costs

Operating costs represents primarily the costs the Group incurs directly for its property development activities, principally, the costs associated with its properties sold, property lease, property management and others segments, respectively.

The following table sets forth the Group's operating costs in each operating segment and the percentage of operating income represented by each segment for the periods indicated.

	Year Ended 31 December						Three Months Ended 31 March			
	2009		2010		2011		2011		2012	
	CNY (audited) (millions)		CNY (audited) (millions)		CNY (audited) (millions)		CNY (unaudited) (millions)		CNY (unaudited) (millions)	
Sales of properties	7,333	95.8%	11,684	96.3%	14,089	96.1%	–	–	–	–
Property lease	10	0.1%	20	0.2%	41	0.3%	–	–	–	–
Property management	282	3.7%	361	3.0%	486	3.3%	–	–	–	–
Others	32	0.4%	68	0.5%	36	0.2%	–	–	–	–
Total	**7,657**	**100%**	**12,133**	**100%**	**14,652**	**99.9%**	**–**	**–**	**–**	**–**
Other operating activities cost	0	0.0%	1	0.0%	4	0.1%	–	–	–	–
Total operating costs	**7,657**	**100%**	**12,134**	**100%**	**14,656**	**100%**	**1,378**	**100%**	**1,046**	**100%**

Taxes and surcharges on operations

The Group is subject to a business tax of 5% on its contracted sales. In addition, the Group is also subject to urban construction and municipal maintenance tax of 1%–7%, education surcharge of 3%–4% and other tax and surcharges.

The Group is also subject to LAT with respect to the appreciated value of land. For 2009, 2010 and 2011, the Group recorded LAT of CNY520 million, CNY986 million and CNY1,094 million, respectively.

Selling and distribution expenses

Selling and marketing costs expenses include marketing service fee, payroll and salaries, and other related fees. The Group expects its selling and distribution expenses to continue to increase, as the Group has multiple projects which it expects to be released to the market on a rolling basis in the near future. However, as a percentage of turnover, the Group expects its selling and distribution expenses to remain at a steady level.

Administrative expenses

The Group expects its administrative expenses to continue to increase, as it has multiple projects which is expected to be released to the market on a rolling basis in the near future. However, as a percentage of turnover, the Group expects its administrative expenses to remain at a steady level.

Financial expenses

Financial expenses consist primarily of interest expense on bank loans and corporate note net of capitalised interest. Finance expenses fluctuate from period to period due primarily to fluctuations in the Group's level of outstanding borrowings and the interest rates on such borrowings.

Impairment loss in respect of assets

Impairment loss in respect of assets primarily includes bad debt losses and write-down of inventories. No inventories were written down by the Group for the three months ended 31 March 2012.

Investment income

Investment income mainly includes income from investment in associates and joint ventures recognised under the equity method and gains on disposal of held-to-maturity investments. The Group has recorded income from investment in joint ventures of CNY8.3 million in 2011, and recorded a loss of CNY1 million for the three months ended 31 March 2012.

Income tax expenses

The Group is subject to income tax expenses of 16.5% for Hong Kong based subsidiaries, and 25% for the Group and its major PRC based subsidiaries from January 2012.

CONSOLIDATED RESULTS OF OPERATIONS

The following table sets forth, for the periods indicated, certain items derived from the Company's consolidated income statements.

	Year Ended 31 December			Three Months Ended 31 March	
	2009	2010	2011	2011	2012
	CNY (audited) (thousands)	CNY (audited) (thousands)	CNY (audited) (thousands)	CNY (unaudited) (thousands)	CNY (unaudited) (thousands)
I. Total operating income	12,098,172	19,592,530	23,918,506	2,144,325	1,743,229
Including: Operating income	12,098,172	19,592,530	23,918,506	2,144,325	1,743,229
II. Total operating costs	9,645,636	15,471,304	18,951,600	1,907,754	1,485,877
Including: Operating costs	7,656,955	12,133,692	14,655,654	1,378,058	1,045,694
Taxes and surcharges on operations	1,175,408	2,015,942	2,418,344	200,020	198,759
Selling and distribution expenses	411,541	514,351	949,723	140,025	115,695
Administrative expenses	495,589	824,492	902,103	182,268	127,829
Financial expenses	180,237	32,141	21,259	6,987	(1,269)
Impairment loss in respect of assets	(274,094)	(49,314)	4,517	396	(831)
Add: Gains from changes in fair values	—	—	—	—	—
Investment income	18,616	84,677	11,603	4,032	18,248
Including: Income from investment in associates and joint ventures	17,024	84,542	8,285	3,787	(1,071)
III. Operating profit	2,471,152	4,205,903	4,978,509	240,603	275,600
Add: Non-operating income	34,263	24,924	30,344	2,570	4,574
Less: Non-operating expenses	7,322	4,586	14,525	897	2,427
Including: Losses from disposal of non-current assets	1,262	281	285	90	62
IV. Total profit	2,498,093	4,226,241	4,994,328	242,276	277,747
Less: Income tax expenses	564,689	1,093,405	1,253,453	76,849	82,842
V. Net profit	1,933,404	3,132,836	3,740,875	165,427	194,905
Net profit attributable to shareholders of the parent	1,776,233	2,694,044	3,017,227	162,252	156,441
Profit or loss attributable to minority interests	157,171	438,792	723,648	3,175	38,464
VI. Earnings per share:					
(I) Basic earnings per share	0.43	0.60	0.67	0.04	0.03
(II) Diluted earnings per share	n/a	n/a	n/a	0.04	0.03
VII. Other comprehensive income	649	99,762	181,402	7,690	379
VIII. Total comprehensive income	1,934,053	3,232,598	3,922,277	173,117	195,284
Total comprehensive income attributable to shareholders of the parent	1,776,649	2,782,211	3,163,855	163,742	167,776
Total comprehensive income attributable to minority interests	157,404	450,387	758,422	9,375	27,508

THE THREE MONTHS ENDED 31 MARCH 2011 COMPARED TO THE THREE MONTHS ENDED 31 MARCH 2012

Operating income. The Group's operating income decreased by 19% to CNY1,743 million for the three months ended 31 March 2012 from CNY2,144 million for the three months ended 31 March 2011, primarily due to fewer completed projects in the three months ended 31 March 2012 compared with the three months ended 31 March 2011, which resulted in a decrease in delivered GFA.

Operating costs. Operating costs decreased by 24% to CNY1,046 million for the three months ended 31 March 2012 from CNY1,378 million for the same period in 2011, primarily due to fewer completed projects in the three months ended 31 March 2012 compared with the three months ended 31 March 2011, which resulted in a decrease in delivered GFA.

Taxes and surcharge on operations. Taxes and surcharge on operations decreased by 1% to CNY199 million for the three months ended 31 March 2012 from CNY200 million for the same period in 2011.

Selling and distribution expenses. Selling and distribution expenses decreased by 17% to CNY116 million for the three months ended 31 March 2012 from CNY140 million for the same period in 2011, primarily due to improved cost control measures implemented by the Group as well as fewer new launches of projects in the three months ended 31 March 2012 compared with the three months ended 2011, which resulted in the reduction in GFA commenced for pre-sale.

Administrative expenses. Administrative expenses decreased by 30% to CNY128 million for the three months ended 31 March 2012 from CNY182 million for the same period in 2011, primarily due to the Group's improved cost control measures.

Financial expenses. The Group booked net finance income of CNY1 million for the three months ended 31 March 2012 and the finance expenses were CNY7 million for the same period in 2011.

Investment income. Investment income increased by 353% to CNY18 million for the three months ended 31 March 2012 from CNY4 million for the same period in 2011, in which the Group recorded a loss from investment in associates and joint ventures of CNY 1 million for the three months ended 31 March 2012 and income of CNY4 million for the same period in 2011. To increase the return from currency funds, the Group made investments to short term and low risk financial products which caused the increase in investment income.

Operating Profit. Operating profit increased by 15% to CNY276 million for the three months ended 31 March 2012 from CNY241million for the same period in 2011. The Group's operating profit margin increased to 16% in the three months ended 31 March 2012 from 11% for the same period in 2011.

Total profit. Total profit increased by 15% to CNY278 million for the three months ended 31 March 2012 from CNY242 million for the same period in 2011.

Income tax expenses. Income tax expenses increased by 8% to CNY83 million for the three months ended 31 March 2012 from CNY77 million for the same period in 2011, primarily due to an increase in total profit.

Net profit. Net profit increased by 18% to CNY195 million for the three months ended 31 March 2012 from CNY165 million for the same period in 2011.

2011 COMPARED TO 2010

Operating income. The Group's operating income increased by 22% to CNY23,919 million in 2011 from CNY19,593 million in 2010, for the following reasons:

- **Sales of properties.** Operating income generated from the Group's property development increased by 22% to CNY23,214 million in 2011 from CNY19,035 million in 2010, primarily due to an increase in delivered GFA.

- **Property lease**. Operating income generated from the Group's property investment operations increased by 46% to CNY216 million in 2011 from CNY148 million in 2010, primarily due to increases in occupancy rates and average rents.

- **Property management.** Operating income generated from the Group's property management operations increased by 27% to CNY431 million in 2011 from CNY340 million in 2010, primarily due to an increase in GFA under management.

- **Others.** Operating income generated from other operations decreased by 18% to CNY51 million in 2011 from CNY63 million in 2010.

Operating costs. Operating costs increased by 21% to CNY14,656 million in 2011 from CNY12,134 million in 2010, primarily due to an increase in delivered GFA.

Taxes and surcharge on operations. Taxes and surcharge on operations increased by 20% to CNY2,418 million in 2011 from CNY2,016 million in 2010, in which business tax increased by 26% to CNY1,207 million from CNY959 million, urban construction and maintenance tax increased by 59% to CNY58 million from CNY37 million, education surcharge increased by 76% to CNY43 million from CNY24 million and LAT increased by 11% to CNY1,094 million from CNY986 million. The increase in taxes and surcharge on operations was primarily caused by an increase in operating income.

Selling and distribution expenses. Selling and distribution expenses increased by 85% to CNY950 million in 2011 from CNY514 million in 2010. Two main reasons were an increase in size of GFA under development and an increase in the number of projects commenced for pre-sale.

Administrative expenses. Administrative expenses increased by 9% to CNY902 million in 2011 from CNY824 million in 2010, primarily due to an increasing scale of the Group's business.

Financial expenses. Financial expenses decreased by 34% to CNY21 million in 2011 from CNY32 million for the same period in 2010, primarily due to changes in two main components: an increase in capitalised interest to CNY1,474 million from CNY1,010 million and an increase in interest expense to CNY1,602 million from CNY1,106 million, both caused by the Group's increasing business scale and increased borrowings. The increase in capitalised interest was relatively stronger than that of interest expense, which contributed to the decrease in financial expenses.

Investment income. Investment income decreased by 86% to CNY12 million in 2011 from CNY85 million in 2010, primarily due to a decline in income from associate and joint ventures. Income from investment in associates decreased by 90% to CNY8 million in 2011 from CNY85 million in 2010.

Operating Profit. Operating profit increased by 18% to CNY4,979 million in 2011 from CNY4,206 million in 2010. The Group's operating profit margin decreased to 20.8% in 2011 from 21.5% in 2010.

Total profit. Total profit increased by 18% to CNY4,994 million in 2011 from CNY4,226 million in 2010.

Income tax expenses. Income tax expenses increased by 15% to CNY1,253 million in 2011 from CNY1,093 million in 2010, primarily due to an increase in total profit.

Net profit. Net profit increased by 19% to CNY3,741 million in 2011 from CNY3,133 million in 2010.

2010 COMPARED TO 2009

Operating income. The Group's operating income decreased by 62% to CNY19,593 million in 2010 from CNY12,098 million in 2009, for the following reasons:

- **Sales of properties.** Operating income generated from the Group's property development increased by 63% to CNY19,035 million in 2010 from CNY11,663 million in 2009, primarily due to an increase in delivered GFA.

- **Property lease**. Operating income generated from the Group's property investment operations increased by 20% to CNY148 million in 2010 from CNY123 million in 2009, primarily due to increases in occupancy rates and average rents.

- **Property management.** Operating income generated from the Group's property management operations increased by 26% to CNY340 million in 2010 from CNY270 million in 2009, primarily due to an increase in GFA under management.

- **Others.** Operating income generated from other operations increased by 109% to CNY62 million in 2010 from CNY30 million in 2009.

Operating costs. Operating costs increased by 58% to CNY12,134 million in 2010 from CNY7657 million in 2009, primarily due to an increase in delivered GFA.

Taxes and surcharge on operations. Taxes and surcharge on operations increased by 72% to CNY2,016 million in 2010 from CNY1,175 million in 2009, primarily due to an increase in operating income, in which business tax increased by 56% to CNY959 million from CNY616 million, urban construction and maintenance tax increased by 139% to CNY37 million from CNY15 million, education surcharge increased by 52% to CNY24 million from CNY16 million and LAT increased by 90% to CNY986 million from CNY520 million.

Selling and distribution expenses. Selling and distribution expenses increased by 25% to CNY514 million in 2010 from CNY412 million in 2009. Two main reasons are increasing in size of GFA under development and more projects commenced for pre-sale.

Administrative expenses. Administrative expenses increased by 66% to CNY824 million in 2010 from CNY496 million in 2009, primarily due to an increasing scale of the Group's business.

Financial expenses. Financial expenses decreased by 82% to CNY32 million in 2010 from CNY180 million for the same period in 2009, primarily due to changes in two main components: an increase in capitalised interest to CNY1,010 million from CNY641 million and an increase in interest expense to CNY1,106 million from CNY816 million. both caused by the Group's increasing business scale and increasing borrowings. The increase in capitalised interest was relatively stronger than that of interest expense, which contributed to the decrease in financial expenses.

Investment income. Investment income increased by 355% to CNY85 million in 2010 from CNY19 million in 2009, primarily due to an increase in income from associate and joint ventures. Income from investment in associates and joint ventures increased by 397% to CNY85 million in 2010 from CNY17 million in 2009.

Operating Profit. Operating profit increased by 70% to CNY4,206 million in 2010 from CNY2,471 million in 2009. The Group's operating profit margin decreased to 21.5% in 2010 from 20.4% in 2009.

Total profit. Total profit increased by 69% to CNY4,226 million in 2010 from CNY2,498 million in 2009.

Income tax expenses. Income tax expenses increased by 94% to CNY1,093 million in 2010 from CNY565 million in 2009, primarily due to an increase in total profit.

Net profit. Net profit increased by 62% to CNY3,133 million in 2010 from CNY1,933 million in 2009.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

The following table presents selected cash flow data from the Group's consolidated cash flow statements for 2009, 2010, 2011, the three months ended 31 March 2011 and the three months ended 31 March 2012.

	Year Ended 31 December			Three Months Ended 31 March	
	2009	2010	2011	2011	2012
	CNY (audited) (thousands)	CNY (audited) (thousands)	CNY (audited) (thousands)	CNY (unaudited) (thousands)	CNY (unaudited) (thousands)
Cash Flows from Operating Activities	(2,862,902)	(3,038,766)	1,530,261	(1,454,510)	(1,203,178)
Cash Flows from Investing Activities	(494,633)	17,600	(1,115,824)	46,157	(542,904)
Cash Flows from Financing Activities	8,333,561	6,635,683	2,859,895	1,850,080	226,503
Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents	113	18,686	75,909	(7,444)	(1,480)
Net Increase in Cash and Cash Equivalents	4,976,139	3,633,203	3,350,241	434,283	(1,521,059)
Closing Balance of Cash and Cash Equivalents	9,249,518	12,882,720	16,232,962	13,317,004	14,711,903

Cash Flows From Operating Activities

	Year Ended 31 December			Three Months Ended 31 March	
	2009	2010	2011	2011	2012
	CNY (audited) (thousands)	CNY (audited) (thousands)	CNY (audited) (thousands)	CNY (unaudited) (thousands)	CNY (unaudited) (thousands)
Cash receipts from the sale of goods and the rendering of services	19,057,615	26,058,765	28,271,940	5,657,115	5,050,017
Other cash receipts relating to operating activities	491,806	261,822	233,261	544,413	148,819
Sub-total of cash inflows	19,549,421	26,320,587	28,505,201	6,201,528	5,198,836
Cash payments for goods purchased and services received	18,449,727	23,170,659	19,420,584	5,501,741	3,816,548
Cash payments to and on behalf of employees	393,350	530,711	769,840	300,407	272,417
Payments of all types of taxes	2,488,183	3,324,540	4,522,541	1,509,174	1,269,167
Other cash payments relating to operating activities	1,081,063	2,333,444	2,261,975	344,716	1,043,882
Sub-total of cash outflows	22,412,323	29,359,353	26,974,940	7,656,038	6,402,014
Net Cash Flows from Operating Activities	(2,862,902)	(3,038,766)	1,530,261	(1,454,510)	(1,203,178)

The three months ended 31 March 2012. The Group had net cash outflow used in operating activities of CNY 1,203 million for the three months ended 31 March 2012. This net cash outflow was primarily due to (i) cash payments for goods purchased and services received of CNY3,817 million, (ii) payments of all types of taxes of CNY1,269 million, (iii) other cash payments relating to operating activities of CNY1,044 million, and was primarily offset by cash receipts from the sale of goods and the rendering of services of CNY5,050 million.

The three months ended 31 March 2011. The Group had net cash outflow used in operating activities of CNY 1,455 million for the three months ended 31 March 2011. This net cash outflow was primarily due to (i) cash payments for goods purchased and services received of CNY5,502 million, (ii) payments of all types of taxes of CNY1,509 million, (iii) other cash payments relating to operating activities of CNY345 million, and was primarily offset by cash receipts from the sale of goods and the rendering of services of CNY5,657 million.

2011. The Group had net cash inflow from operating activities of CNY1,530 million 2011. This net cash inflow was primarily due to cash receipts from the sale of goods and the rendering of services of CNY28,272 million, and was primarily offset by (i) cash payments for goods purchased and services received of CNY19,421 million, (ii) payments of all types of taxes of CNY4,523 million, (iii) other cash payments relating to operating activities of CNY2,262 million.

2010. The Group had net cash outflow used in operating activities of CNY 3,039 million for 2010. This net cash outflow was primarily due to (i) cash payments for goods purchased and services received of CNY23,171 million, (ii) payments of all types of taxes of CNY3,325 million, (iii) other cash payments relating to operating activities of CNY2,333 million and was primarily offset by cash receipts from the sale of goods and the rendering of services of CNY26,059 million.

2009. The Group had net cash outflow used in operating activities of CNY 2,863 million for 2009. This net cash outflow was primarily due to (i) cash payments for goods purchased and services received of CNY18,450 million, (ii) payments of all types of taxes of CNY2,488 million, (iii) other cash payments relating to operating activities of CNY1,081 million, and was primarily offset by cash receipts from the sale of goods and the rendering of services of CNY19,058 million.

Cash Flows From Investing Activities

	Year Ended 31 December			Three Months Ended 31 March	
	2009	**2010**	**2011**	**2011**	**2012**
	CNY (audited) (thousands)	**CNY (audited) (thousands)**	**CNY (audited) (thousands)**	**CNY (unaudited) (thousands)**	**CNY (unaudited) (thousands)**
Cash receipts from disposals and returns of investments	211,067	200,134	1,622,236	103,275	3,465,000
Cash receipts from returns on investments	—	85,419	3,317	244	16,360
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets	3,432	374	488	6	50
Net cash receipts from disposals of subsidiaries and other business units	690	—	—	—	—
Sub-total of cash inflows	215,189	285,927	1,626,041	103,525	3,481,410
Cash payments to acquire and construct fixed assets, intangible assets and other long-term assets	17,522	39,614	89,360	7,368	19,314
Cash payments to acquire investments	692,300	228,713	2,652,463	50,000	4,005,000
Other cash payments relating to investing activities	—	—	42	—	—
Sub-total of cash outflows	709,822	268,327	2,741,865	57,368	4,024,314
Net Cash Flows from Investing Activities	(494,633)	17,600	(1,115,824)	46,157	(542,904)

The three months ended 31 March 2012. The Group had net cash outflow used in investing activities of CNY 543 million for the three months ended 31 March 2012. This net cash outflow was primarily due to cash payments to acquire investments of CNY4,005 million, and was primarily offset by cash receipts from disposals and returns of investments of CNY3,465 million. Cash receipts from disposals and returns of investments and cash payments to acquire investments consisted of the disposals and returns, and purchase of financial products, respectively.

The three months ended 31 March 2011. The Group had net cash inflow from investing activities of CNY46 million for the three months ended 31 March 2011. This net cash inflow was primarily due to cash receipts from disposals and returns of investments of CNY103 million, and was primarily offset by cash payments to acquire investments of CNY50 million.

2011. The Group had net cash outflow used in investing activities of CNY 1,116 million for 2011. This net cash outflow was primarily due to cash payments to acquire investments of CNY2,652 million and was primarily offset by cash receipts from disposals and returns of investments of CNY1,622 million. Cash receipts from disposals and returns of investments and cash payments to acquire investments consisted of the disposals and returns, and purchase of financial products, respectively.

2010. The Group had net cash inflow from investing activities of CNY18 million for 2010. This net cash inflow was primarily due to cash receipts from disposals and returns of investments of CNY200 million, and was primarily offset by cash payments to acquire investments of CNY229 million.

2009. The Group had net cash outflow used in investing activities of CNY 495 million for 2009. This net cash outflow was primarily due to cash payments to acquire investments of CNY692 million, and was primarily offset by cash receipts from disposals and returns of investments of CNY211 million.

Cash Flows From Financing Activities

	Year Ended 31 December			Three Months Ended 31 March	
	2009	**2010**	**2011**	**2011**	**2012**
	CNY (audited) (thousands)	**CNY (audited) (thousands)**	**CNY (audited) (thousands)**	**CNY (unaudited) (thousands)**	**CNY (unaudited) (thousands)**
Cash receipts from investors making investment in the enterprise	4,894,484	1,161,215	1,548,507	342,600	—
Including: cash receipts from minorities making investment in subsidiaries	797,099	1,161,215	1,507,910	342,600	—
Cash receipts from borrowings	12,428,966	10,943,626	11,431,170	4,125,000	4,911,000
Other cash receipts relating to financing activities	—	—	—	—	—
Sub-total of cash inflows	17,323,450	12,104,841	12,979,677	4,467,600	4,911,000
Cash repayments of amounts borrowed	7,943,356	3,961,077	6,102,472	2,230,000	3,789,850
Cash payments for distribution of dividends or profit or interest expenses	1,007,891	1,475,301	2,246,714	360,455	565,803
Including: payments for distribution of dividends or profit to minorities of subsidiaries	40,000	132,366	354,615	—	97,500
Other cash payments relating to financing activities	38,642	32,780	1,770,596	27,065	328,844
Sub-total of cash outflows	8,989,889	5,469,158	10,119,782	2,617,520	4,684,497
Net Cash Flows from Financing Activities	8,333,561	6,635,683	2,859,895	1,850,080	226,503

The three months ended 31 March 2012. The Group had net cash inflow from financing activities of CNY 227 million for the three months ended 31 March 2012. The primary factor affecting net cash inflow from financing activities were (i) cash receipts from borrowings of CNY4,911 million. Cash flow from financing activities were primarily offset by (i) cash repayments of amounts borrowed of CNY3,790 million, (ii) cash payments for distribution of dividends or profit or interest expenses of CNY566 million.

The three months ended 31 March 2011. The Group had net cash inflow from financing activities of CNY1,850 million for the three months ended 31 March 2011. The primary factor affecting net cash inflow from financing activities in were (i) cash receipts from investors making investment in the enterprise of CNY343 million, (ii) cash receipts from borrowings of CNY4,125 million. Cash flow from financing activities were primarily offset by (i) cash repayments of amounts borrowed of CNY2,230 million, (ii) cash payments for distribution of dividends or profit or interest expenses of CNY360 million. Cash receipts from investors making investment in the enterprise mainly represents cash from investments made by minorities.

2011. The Group had net cash inflow from financing activities of CNY2,860 million for 2011. The primary factor affecting net cash inflow from financing activities were (i) cash receipts from investors making investment in the enterprise of CNY1,549 million, (ii) cash receipts from borrowings of CNY11,431 million. Cash flow from financing activities were primarily offset in 2011 by (i) cash repayments of amounts borrowed of CNY6,102 million, (ii) cash payments for distribution of dividends or profit or interest expenses of CNY2,247 million. Cash receipts from investors making investment in the enterprise mainly represents cash from investments made by minorities.

2010. The Group had net cash inflow from financing activities of CNY6,636 million for 2010. The primary factor affecting net cash inflow from financing activities were (i) cash receipts from investors making investment in the enterprise of CNY1,161 million, (ii) cash receipts from borrowings of CNY10,944 million. Cash flow from financing activities were primarily offset in 2010 by (i) cash repayments of amounts borrowed of CNY3,961 million, (ii) cash payments for distribution of dividends or profit or interest expenses of CNY1,475 million. Cash receipts from investors making investment in the enterprise mainly represents cash from investments made by minorities.

2009. The Group had net cash inflow from investing activities of CNY 8,334 million for the 2009. The primary factor affecting net cash inflow from financing activities in 2009 were (i) cash receipts from investors making investment in the enterprise of CNY4,894 million, (ii) cash receipts from borrowings of CNY12,429 million. Cash flow from financing activities were primarily offset in 2009 by (i) cash repayments of amounts borrowed of CNY7,943 million, (ii) cash payments for distribution of dividends or profit or interest expenses of CNY1,008 million. Cash receipts from investors making investment in the enterprise mainly represents cash from investments made by minorities.

Capital Resources

Property developments require substantial capital investment for land acquisition and construction and may take many months or years before positive cashflows can be generated. To date, the Group has funded its growth principally from internal funds, borrowings from both PRC and foreign banks, proceeds from sales of its developed properties, proceeds from its equity and debt financing and capital from partners.

Since June 2003, commercial banks have been prohibited under the PBOC guidelines from advancing loans to fund the payment of land premium. As a result, property developers may only use their own funds to pay for land premium.

In addition to restrictions on land premium financing, the PRC government also encourages property developers to use internal funds to develop their property projects. Under guidelines jointly issued by the Ministry of Construction and other PRC government authorities in May 2006, commercial banks in China are not permitted to lend funds to property developers with an internal capital ratio, calculated by dividing the internal funds available by the total capital required for the project, of less than 35%, an increase of five percentage points from 30% as previously required. Such increase in internal capital ratio will increase the internally sourced capital requirement for property developers, including the Group. In May 2009, as part of its measure to mitigate the impact of the global economic slowdown, the PRC government lowered this ratio to 20% for affordable housing projects and ordinary commodity housing projects and to 30% for other property projects to stimulate the property sector in China.

The Group typically uses internal funds and corporate level loans from PRC banks to finance the initial construction costs of its property developments. Additional cash is generated from pre-sales of properties when the requirements of pre-sale are met under national and local regulations. Such proceeds from pre-sales, together with corporate level loan are the major sources of fund for the construction of the Group's projects.

Taking into account the estimated net proceeds of the Notes, available banking facilities and cashflows from the Group's operations, The Group believes it has sufficient working capital for its near term business requirements and foreseeable debt repayment obligations.

The Group intends to continue to fund its future development and debt servicing from existing financial resources and cash generated from its operations. The Group may also raise additional funds through debt or equity offerings or sales or other dispositions of assets in the future to finance all or a portion of the Group's future development, for debt servicing or for other purposes.

Borrowings

The Group's borrowings as at 31 December 2009, 2010, 2011 and 31 March 2012, respectively, were as follows:

	31 December			31 March
	2009	2010	2011	2012
	CNY (audited) (thousands)	CNY (audited) (thousands)	CNY (audited) (thousands)	CNY (unaudited) (thousands)
Borrowings included in non-current liabilities				
Long-term borrowings				
Pledged loans	—	79,472	170,124	—
Guaranteed loans	2,199,964	3,612,683	3,779,280	—
Credit loans	9,900,000	14,371,454	9,722,361	—
Trust loans	817,000	—	500,000	—
Sub-total	12,916,964	18,063,609	14,171,765	16,346,211
Bonds payable	1,188,295	1,190,147	1,192,104	1,192,600
Borrowings included in current liabilities				
Short-term borrowings				
Pledge loans	—	—	18,903	—
Guaranteed loan	200,000	—	630,544	—
Credit loan	153,275	200,000	200,000	—
Trust loans	500,000	—	1,430,000	—
Sub-total	853,275	200,000	2,279,447	3,078,912
Long-term borrowings due within one year				
Guaranteed loans	—	—	1,198,431	—
Credit loans	2,400,000	4,030,000	10,681,396	—
Trust loans	—	817,000	—	—
Sub-total	2,400,000	4,847,000	11,879,827	10,023,362
Bond payable due within one year	—	—	—	—

As at 31 December 2009, 2010 and 2011, the Group's bank borrowings secured by pledged shares in certain subsidiaries was CNY0 million, CNY79 million and CNY189 million, respectively.

The maturity of the Group's borrowings as at 31 December 2009, 2010, 2011 and 31 March 2012, respectively, was as follows:

	31 December			31 March
	2009	2010	2011	2012
	CNY (audited) (thousands)	CNY (audited) (thousands)	CNY (audited) (thousands)	CNY (unaudited) (thousands)
Within one year	3,253,275	5,047,000	14,159,274	13,102,274
After one year	14,105,259	19,253,756	15,363,869	17,538,811

As at 31 March 2012, 43 per cent. of the Group's total debt would mature within one year, 52 per cent. would mature within one to three years and 5 per cent. would mature within three to five years.

As at 31 March 2012, the Group has the access to bank facilities from onshore banks with a total of CNY95,000 million, among which, CNY70,634 million was undrawn.

	As at 31 March 2012	
	Credit facility	Undrawn facility
	CNY (unaudited) (millions)	CNY (unaudited) (millions)
BOC	16,000	10,985
ABC	20,000	15,262
ICBC	30,000	25,798
CCB	10,000	3,469
Merchants Bank	4,000	2,991
Minsheng Bank	2,000	1,729
Everbright Bank	5,000	4,600
Bank of Shanghai	3,000	2,500
BoCom	3,000	2,350
Bank of Beijing	2,000	950
Total	95,000	70,634

Subsequent to 31 March 2012, the Group has, from time to time, in the ordinary course of business, entered into additional loan agreements to finance its property developments or for general working capital purposes.

None of the Group's subsidiaries and joint ventures will enter into trust financing arrangements.

Contingent Liabilities

The Group has not mortgaged any of its properties, including investment properties, properties under development and hotels. But the Group has pledged shares in certain subsidiaries to secure some of its general banking facilities and loans. As at 31 December 2011, CNY189 million of the Group's borrowings were secured by such pledged shares. As at the date of this Offering Circular, all pledged shares had been released by the lending banks.

The majority of the Group's unsecured bank loans are supported by guarantees. As at 31 December 2011, the Group together with certain of its subsidiaries guaranteed loans amounting to CNY5,608 million.

Contractual Obligations

As at 31 December 2011, the Group's contractual obligations primarily in connection with its real estate development projects amounted to CNY13,071 million, primarily arising from contracted construction fees or other capital commitments for future property developments. The following table sets forth the Group's contractual obligations as at the date indicated.

	As at 31 December 2011
	CNY (audited) (thousands)
Capital commitments:	
Commitment for acquisition of long-term assets	—
Significant outsourcing contracts	—
Real estate development project	13,070,511
External investment commitment	—
Total	13,070,511
Operating lease commitments:	
1st year subsequent to the balance sheet date	5,584
2nd year subsequent to the balance sheet date	5,128
3rd year subsequent to the balance sheet date	1,897
Subsequent periods	1,247
Total	13,856

Off-Balance Sheet Commitments and Arrangement

Except for the contingent liabilities set forth above, In November 2009, the Group and Pingan Trust Investing Co., Ltd. entered into an agreement of Real Estate Investment Trust Fund, which stipulated that, PING AN Trust Investing Co., Ltd. provided funds of CNY1,617 million to Shanghai Jinheng Real Estate Development Co., Ltd. through publicly issued trust, of which, amount of CNY817 million (with a term of 18 months at 8.5% per annum, or extended term of two years at 9.5% per annum) through funds from prioritised trust served as a project loan, while amount of CNY800 million (with a term of three years) served as capital injection. The prioritised trust had been repaid in 2011. Shanghai Jinheng Real Estate Development Co., Ltd. was engaged in the development of Land of Shanghai Qingpu District Zhaoxiang area.

According to the Trust Interest Transfer Contract simultaneously signed between the above two parties, the Group was liable to purchase the beneficial interest of Trust, at the moment when Shanghai Jinheng Real Estate Development Co., Ltd. cleared all the above project loan and its associated interest, and when all other conditions also met. It was believed that, based on future profit and cash flow forecast at current stage, the pace of project development and sales was in-line with the term of Trust, and consideration of the beneficial interest of Trust was expected to be insignificant according to the calculation method agreed on the contract.

MARKET RISKS

Interest Rate Risk

The Group is subject to market risks due to fluctuations in interest rates. The Group's net profit is affected by changes in interest rates due to the impact such changes may have on interest income and interest expense from short-term deposits and other interest-bearing financial assets and liabilities, including bank borrowings. In addition, an increase in interest rates would adversely affect the Group's prospective purchaser's willingness and ability to purchase its properties, its ability to service loans that the Group has guaranteed and its ability to raise and service long-term debt and to finance its developments, any of which could adversely affect the Group's business, financial condition and results of operations.

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's exposure to changes in interest rates is mainly attributable to its bank and other borrowings, including borrowings from PRC banks, the 2016 Notes, and various credit facilities.

Borrowings issued at variable rates exposes the Group's to cash flow interest rate risk while borrowings issued at fixed rates expose it to fair value interest rate risk. In addition, any increase of benchmark lending rates published by the PBOC may result in an increase in the Group's interest costs, as most of its bank borrowings bear floating interest rates linked to the PBOC-published rates. The Group closely monitors trends in interest rates and their impact on its interest rate risk exposure.

The PBOC benchmark one-year lending rates in China (which directly affects interest rates on loans to property developers as well as the property mortgage rates offered by commercial banks in the PRC) As at 31 December 2009, 2010, 2011 and 31 March 2012 were 5.31%, 5.81%, 6.56%, and 6.56%, respectively. On 8 June 2012 and 6 July 2012, the PBOC cut lending rates twice in one month. As at the date of this Offering Circular, the benchmark one-year lending rate is 6.00%.

There can be no assurance that the PBOC will not further raise lending rates in the future or that the Group's business, financial condition and results of operations will not be adversely affected as a result of these adjustments.

Currency Risk

The Group conducts its sales and purchases almost exclusively in CNY except for a small portion of its sales proceeds which are in other currencies. The Group's exposure to foreign exchange risk is principally associated with US$ and HK$. Other than the Group's certain subsidiaries with borrowings denominated in US$, the Group's other principal activities are denominated and settled in CNY.

As at 31 December 2011, Hong Kong dollar-denominated short-term loans totalling CNY158 million equivalent, the Group had U.S. dollar-denominated loans totalling CNY5,765 million equivalent. As at the same date, the Group had aggregate bank balances denominated in Hong Kong dollars of CNY842 million equivalent, in U.S. dollars of CNY1,182 million equivalent and in EUR of CNY28 million.

The Group closely monitors the effects of changes in the foreign exchange rates on its currency risk exposure. The Group does not take any measures to hedge against currency risk exposure.

Inflation

According to the China Statistical Bureau, China's overall national inflation rate, as represented by the general consumer price index, decreased by approximately 0.7% in 2009, increased by approximately 3.3% in 2010 and increased by approximately 5.4% in 2011. Deflation could negatively affect the Group's business as it would be a disincentive for prospective property buyers to make a purchase. As at the date of this Offering Circular, the Group had not been materially affected by any inflation or deflation.

NON-GAAP FINANCIAL MEASURES

The Group uses EBITDA to provide additional information about its operating performance. EBITDA refers to its earnings before the following items:

- interest income/expense;
- amortisation of intangible assets;
- non-operating income/expense;
- income tax expenses; and
- depreciation

EBITDA is not a standard measure under PRC GAAP. As the property development business is capital intensive, capital expenditure requirements and levels of debt and interest expenses may have a significant impact on net profit of companies with similar operating results. Therefore, the Group believes the investor community commonly uses this type of financial measure to assess the operating performance of companies in its market sector.

As a measure of the Group's operating performance, the Group believes that the most directly comparable PRC GAAP measure to EBITDA is operating profit. The Group operates in a capital intensive industry. The Group use EBITDA in addition to operating profit because operating profit includes many accounting items associated with capital expenditures, such as depreciation, as well as non-operating items, such as amortisation of intangible assets and investment income. These accounting items may vary between companies depending on the method of accounting adopted by a company. By minimizing differences in capital expenditures and the associated depreciation expenses as well as reported tax positions, intangible assets amortisation and investment income, EBITDA provides further information about the Group's operating performance and an additional measure for comparing its operating performance with other companies' results. Funds depicted by this measure may not be available for debt service due to covenant restrictions, capital expenditure requirements and other commitments.

The following table reconciles the Group's profit for the year under PRC GAAP to its definition of EBITDA for the years indicated.

	Year Ended 31 December		
	2009	2010	2011
	CNY (audited) (thousands)	CNY (audited) (thousands)	CNY (audited) (thousands)
Operating profit	**2,471,152**	**4,205,903**	**4,978,509**
Adjustments:			
Impairment loss in respect of assets	(274,094)	(49,314)	4,517
Financial expenses	180,237	32,141	21,259
LAT	520,015	985,638	1,094,453
Investment income	(18,616)	(84,677)	(11,603)
Depreciation and amortisation	57,922	46,222	79,245
EBITDA	**2,936,616**	**5,135,913**	**6,166,380**

The Group's definition of EBITDA should not be considered in isolation or construed as an alternative to profit for the year or as an indicator of operating performance or any other standard measure under PRC GAAP. The Group's definition of EBITDA does not account for taxes and other non-operating cash expenses. The Group's EBITDA measures may not be comparable to similarly titled measures used by other companies.

SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN PRC GAAP AND IFRS

The consolidated financial statements of the Company included in this Offering Circular have been prepared and presented in accordance with PRC GAAP. PRC GAAP are substantially in line with International Financial Reporting Standards ("**IFRS**"), except for certain modifications which reflect China's unique circumstances and environment. The following is a general summary of certain differences between PRC GAAP and IFRS on recognition and presentation as applicable to the Company. The differences identified below are limited to those significant differences that are appropriate to the Company's consolidated financial statements. The Company is responsible for preparing the summary below. Since the summary is not meant to be exhaustive, there is no assurance regarding the completeness of the summary. The Company has not prepared a complete reconciliation of the consolidated financial information and related footnote disclosure between PRC GAAP and IFRS and has not quantified such differences. Had any such quantification or reconciliation been undertaken by the Company, other potentially significant accounting and disclosure differences may have been required that are not identified below. Additionally, no attempt has been made to identify possible future differences between PRC GAAP and IFRS as a result of prescribed changes in accounting standards. Regulatory bodies that promulgate PRC GAAP and IFRS have significant projects ongoing that could affect future comparisons such as this one. Finally, no attempt has been made to identify future differences between PRC GAAP and IFRS that may affect the financial information as a result of transactions or events that may occur in the future. Accordingly, no assurance is provided that the following summary of differences between PRC GAAP and IFRS is complete. In making an investment decision, you must rely upon your own examination of the Company, the terms of the offering and other disclosure contained herein. You should consult your own professional advisors for an understanding of the differences between PRC GAAP and IFRS and/or between PRC GAAP and other generally accepted accounting principles, and how those differences might affect the financial information contained herein.

(1) Classification by the Borrower of a Term Loan that Contains Repayment on Demand Clause

The presentation of a term loan, which includes a clause giving the lender the unconditional right to call the loan at any time, in the consolidated financial statements prepared under PRC GAAP is based on the schedule of repayments as set out in the loan agreements. However, the presentation of such term loan under IFRS will make reference to the Hong Kong Interpretation 5 "Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause" and shall be classified as current liability.

(2) Borrowing cost eligible for capitalisation — Exchange differences

According to China Accounting Standard 17 Borrowing costs, borrowing costs include exchange differences arising from foreign currency borrowings. However, according to International Accounting Standard 23 Borrowing costs, borrowing costs may include exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

TERMS AND CONDITIONS OF THE BONDS

The following other than the words in italics is the text of the terms and conditions of the Bonds which will appear on the reverse of each of the definitive certificates evidencing the Bonds:

The issue of CNY1,200,000,000 9.15 per cent. bonds due 2015 (the "**Bonds**", which term shall include, unless the context requires otherwise, any additional Bonds issued in accordance with Condition 15 and consolidated and forming a single series therewith) was authorised by a resolution of the board of Directors of Gemdale International Holding Limited (the "**Issuer**") passed on 16 July 2012. The Bonds are jointly and severally guaranteed by Famous Commercial Limited and certain subsidiaries of Famous Commercial Limited, being Kudos International Company Limited, Dignity Commercial Company Limited, Gemdale Laureate Limited, Evergreen Commercial Company Limited and Jade Commercial Company Limited (Famous Commercial Limited and such subsidiaries together, the "**Subsidiary Guarantors**" and each, a "**Subsidiary Guarantor**"). The giving of the Guarantee (as defined in Condition 3(b)) was authorised by a resolution of the board of Directors of Famous Commercial Limited on 17 July 2012 and a resolution of the board of Directors of each of Kudos International Company Limited, Dignity Commercial Company Limited, Gemdale Laureate Limited, Evergreen Commercial Company Limited and Jade Commercial Company Limited on 16 July 2012. The Bonds are constituted by a Trust Deed (the "**Trust Deed**") dated on or about 25 July 2012 (the "**Issue Date**") between the Issuer, the Subsidiary Guarantors and The Hongkong and Shanghai Banking Corporation Limited (the "**Trustee**" which expression shall, where the context so permits, include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the holders of the Bonds. These terms and conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bonds. Copies of the Trust Deed and of the Agency Agreement (the "**Agency Agreement**") dated on or about 25 July 2012 relating to the Bonds between the Issuer, the Subsidiary Guarantors, the Trustee, The Hongkong and Shanghai Banking Corporation Limited as CMU Lodging Agent (the "**CMU Lodging Agent**"), as registrar (the "**Registrar**"), as initial principal paying agent (the "**Principal Paying Agent**") and as transfer agent (the "**Transfer Agent**") and any other agents named in it, are available for inspection during usual business hours at the principal office of the Trustee (presently at Level 30, HSBC Main Building, 1 Queen's Road Central, Hong Kong) and at the specified offices of the Principal Paying Agent, the Registrar and the Transfer Agent. The "**Agents**" means the Principal Paying Agent, the CMU Lodging Agent, the Registrar, the Transfer Agent and any other agent or agents appointed from time to time with respect to the Bonds. The Bondholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those applicable to them of the Agency Agreement. The obligations of the Issuer under the Bonds and the Trust Deed are secured by a fixed charge over the Interest Reserve Account (as defined in Condition 3) given by the Issuer in favour of the Trustee pursuant to the Charge Over Account (as defined in Condition 3). The Bonds also have the benefit of (i) a keepwell deed dated on or about 26 July 2012 (the "**Keepwell Deed**") entered into by Gemdale Corporation (the "**Company**"), Famous Commercial Limited and the Trustee; and (ii) a deed of equity interest purchase undertaking dated on or about 26 July 2012 (the "**Equity Interest Purchase Undertaking**") entered into by the Company and the Trustee, both deeds being executed in favour of the Trustee. The entering into the Keepwell Deed was authorised by a resolution of the board of Directors of each of the Company and Famous Commercial Limited on 13 July 2012 and 17 July 2012, respectively. The entering into the Equity Interest Purchase Undertaking was authorised by a resolution of the board of Directors of the Company on 13 July 2012.

All capitalised terms that are not defined in these terms and conditions ("**these Conditions**") will have the meanings given to them in the Trust Deed.

1 FORM, SPECIFIED DENOMINATION AND TITLE

The Bonds are issued in the specified denomination of CNY1,000,000 and integral multiples of CNY10,000 in excess thereof.

The Bonds are represented by registered certificates ("**Certificates**") and, save as provided in Condition 2(a), each Certificate shall represent the entire holding of Bonds by the same holder.

Title to the Bonds shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the "**Register**"). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Bond shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on the Certificate representing it or the theft or loss of such Certificate and no person shall be liable for so treating the holder.

In these Conditions, "**Bondholder**" and (in relation to a Bond) "**holder**" means the person in whose name a Bond is registered.

*Upon issue, the Bonds will be represented by a Global Certificate substantially in the form scheduled to the Trust Deed. The Global Certificate will be registered in the name of the Hong Kong Monetary Authority ("**HKMA**") as operator (the "**Operator**") of the Central Moneymarkets Unit Service ("**CMU**") and lodged with a sub-custodian for the HKMA, and will be exchangeable for individual Definitive Certificates only in the circumstances set out therein. The Conditions are modified by certain provisions contained in the Global Certificate while any of the Bonds are represented by the Global Certificate. See "Summary of Provisions relating to the Bonds in Global Form".*

Definitive Certificates, if issued, will be serially numbered and in registered form in the denominations of CNY1,000,000 and integral multiples of CNY10,000 in excess thereof and may be lodged with the CMU.

*For so long as any of the Bonds are represented by the Global Certificate, each person who is for the time being shown in the records of the Operator as the holder of a particular principal amount of Bonds (the "**account holder**") (in which regard any certificate or other document issued by the Operator as to the principal amount of such Bonds standing to the account of any person shall be conclusive and binding for all purposes except in the case of manifest error) shall be treated by the Issuer, the Subsidiary Guarantors, the Trustee, the Registrar, the Transfer Agent, the CMU Lodging Agent, the Principal Paying Agent and the Operator as the holder of such principal amount of such Bonds for all purposes other than with respect to the payment of principal or interest on the Bonds, the right to which shall be vested, as against the Issuer, the Subsidiary Guarantors, the Trustee, the Registrar, the Transfer Agent, the CMU Lodging Agent, the Principal Paying Agent and the Operator solely in the holder of the Global Certificate in accordance with and subject to its terms. For so long as any of the Bonds are represented by the Global Certificate and the Global Certificate is held with the CMU, any transfer of principal amounts of Bonds shall be effected in accordance with the rules and procedures for the time being of the Operator.*

Notwithstanding the above, if the Global Certificate is held by or on behalf of the CMU, any payments that are made in respect of the Global Certificate shall be made to the account holders and such payments shall discharge the obligation of the Issuer and the Subsidiary Guarantors in respect of that payment. For these purposes, a notification from the CMU shall be conclusive evidence of the records of the CMU (save in the case of manifest error). Bonds which are represented by the Global Certificate will be transferable only in accordance with the rules and procedures for the time being of the Operator.

2 TRANSFERS OF BONDS

(a) **Transfer**: A holding of Bonds may, subject to Condition 2(d), be transferred in whole or in part upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate(s) representing such Bonds to be transferred, together with the form of transfer endorsed on such Certificate(s) (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or such Transfer Agent may require. In the case of a transfer of part only of a holding of Bonds represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. In the case of a transfer of Bonds to a person who is already a holder of Bonds, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding. All transfers of Bonds and entries on the Register will be made in accordance with the detailed regulations concerning transfers of Bonds scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee, or by the Registrar, with the prior written approval of the Trustee. A copy of the current regulations will be made available by the Registrar to any Bondholder upon written request.

(b) **Delivery of New Certificates**: Each new Certificate to be issued pursuant to Condition 2(a) shall be available for delivery within seven business days of receipt of a duly completed form of transfer and surrender of the existing Certificate(s). Delivery of the new Certificate(s) shall be made at the specified office of any Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer and Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent or the Registrar (as the case may be) the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(b), "**business day**" means a day, other than a Saturday or Sunday or public holiday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(c) **Transfer or Exercise Free of Charge**: Certificates, on transfer, exercise of an option or redemption, shall be issued and registered without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity and/or security and/or prefunding as the Registrar or the relevant Transfer Agent may require).

(d) **Closed Periods**: No Bondholder may require the transfer of a Bond to be registered (i) during the period of 15 days ending on (and including) the due date for redemption of that Bond, or (ii) during the period of seven days ending on (and including) any Record Date (as defined in Condition 7(a)(ii)).

3 STATUS, GUARANTEE AND SECURITY

(a) **Status**: The Bonds constitute direct, unsubordinated, unconditional and (subject to Conditions 3(d) and 4(a)) secured obligations of the Issuer and shall at all times rank pari passu and without any preference among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4(a), at all times rank at least equally with all the Issuer's other present and future unsecured and unsubordinated obligations.

(b) **Guarantee**: The Subsidiary Guarantors as of the Issue Date are Famous Commercial Limited, Kudos International Company Limited, Dignity Commercial Company Limited, Gemdale Laureate Limited, Evergreen Commercial Company Limited and Jade Commercial Company Limited. The Subsidiary Guarantors have unconditionally and irrevocably guaranteed, on a joint and several basis, the due payment of all sums expressed to be payable by the Issuer under the Bonds and the Trust Deed. Each Subsidiary Guarantor's obligations in respect of the Bonds and the Trust Deed (the "**Guarantee**") is contained in the Trust Deed (and any supplement thereto). The obligations of the Subsidiary Guarantors under the Guarantee shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4(a), at all times rank at least equally with all their other respective present and future unsecured and unsubordinated obligations.

(c) **Release:**

(i) A Subsidiary Guarantor other than Famous Commercial Limited may be released from its obligations under the Guarantee on the occurrence of any of the following events:

(A) upon payment in full of all amounts payable under the Bonds and the Trust Deed; or

(B) upon receiving prior written consent of the Trustee; or

(C) upon the sale of more than 50 per cent. of the Capital Stock of such Subsidiary Guarantor (a "**Sale**") provided that:

(i) no Event of Default or Potential Event of Default shall have occurred or be continuing at the time of or immediately after giving effect to such Sale;

(ii) the consideration for such Sale is at least equal to the Fair Market Value of the Capital Stock of such Subsidiary Guarantor sold;

(iii) at least 75 per cent. of the proceeds or consideration received from such Sale consists of cash; and

(iv) the proceeds or consideration received in connection with such Sale by the Issuer or any Subsidiary Guarantor shall be transferred to or otherwise vested in any Subsidiary Guarantor or any of their respective Subsidiaries,

provided that in the case of this Condition 3(c)(i)(C), such Subsidiary Guarantor is simultaneously released from its obligations in respect of any of the Issuer's other Relevant Indebtedness (as defined in Condition 4) or any Relevant Indebtedness of any other Subsidiary of that Subsidiary Guarantor, if any.

(ii) Famous Commercial Limited may be released from its obligations under the Guarantee upon the occurrence of the events set out in Condition 3(c)(i)(A) or Condition 3(c)(i)(B).

No release of a Subsidiary Guarantor pursuant to this Condition 3(c) shall be effective against the Trustee or the Bondholders until the Issuer has delivered to the Trustee a certificate signed by two Directors of the Issuer stating that all requirements relating to such release have been complied with. The Trustee shall be under no duty to inquire into or investigate the accuracy or content of any such certificate and may rely upon any such certificate and shall not be responsible or liable to any Bondholder or any other person for so doing.

For the purposes of these Conditions, a Subsidiary Guarantor will not include any person or entity whose Guarantee has been released in accordance with the Trust Deed and this Condition 3(c).

(d) **Security**: The obligations of the Issuer under the Bonds and the Trust Deed are secured (the "**Security**") by a first priority fixed charge over the Interest Reserve Account given by the Issuer in favour of the Trustee pursuant to the Charge Over Account.

The Issuer shall ensure that details of the Charge Over Account are registered with the Hong Kong Companies Registry and shall deliver the Charge Over Account, prescribed fee (if any) and the requisite particulars as required under the Companies Ordinance (Cap 32 of the Laws of Hong Kong) to the Hong Kong Companies Registry within five weeks after the Issue Date, and shall promptly do whatever the Trustee requires to perfect or protect the security created under the Charge Over Account or the priority of such security or to facilitate the realisation of the charged assets or the exercise of any rights vested in the Trustee or any delegate under the Charge Over Account and/or the Trust Deed, including executing any transfer, charge, mortgage, assignment or assurance of the charged assets (whether to the Trustee or its nominee(s) or otherwise), making any registration and giving any notice, order or direction. Reference to "**charged assets**" in this Condition 3(d) refers to those assets subject to the charge created under the Charge Over Account.

For the purposes of these Conditions:

"**Account Bank**" means The Hongkong and Shanghai Banking Corporation Limited;

"**Audited Financial Reports**" means annual audited consolidated profit and loss, balance sheet and cashflow statements of Famous Commercial Limited together with any statements, reports (including any Directors' and auditors' reports) and notes attached to or intended to be read with any of them;

"**Capital Stock**" means any and all shares, interests, participations or other equivalents (however designated) of capital stock of a corporation, any and all classes of partnership interests in a partnership, any and all membership interests in a limited liability company, any and all other equivalent ownership interests and any and all warrants, rights or options to purchase any of the foregoing;

"**Charge Over Account**" means the charge over account dated on or about 26 July 2012 executed by the Issuer as chargor, the Trustee as chargee and The Hongkong and Shanghai Banking Corporation Limited as account bank;

"**Fair Market Value**" means the price that would be paid in an arm's length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by an independent investment or commercial bank of international repute selected and appointed by the Issuer (at the expense of the Issuer) and notified in writing to the Trustee;

"**Interest Reserve Account**" means a CNY account established with the Account Bank as specified in the Account Bank Agreement (as defined in Condition 4);

"**PRC**" means the People's Republic of China excluding Hong Kong, Macau and Taiwan;

a "**Subsidiary**" of any person means (a) any company or other business entity of which that person owns or controls (either directly or through one or more other Subsidiaries) more than 50 per cent. of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such company or other business entity, or (b) any company or other business entity which at any time has its accounts consolidated with those of that person or which, under the law, regulations or generally accepted accounting principles of the jurisdiction of incorporation of such person from time to time, should have its accounts consolidated with those of that person; and

"**Unaudited Financial Reports**" means semi-annual (or any other interim reporting period required by applicable law or regulations) unaudited consolidated profit and loss and balance sheet statements of Famous Commercial Limited.

4 COVENANTS

(a) **Negative Pledge**:

(i) So long as any Bond remains outstanding (as defined in the Trust Deed), neither the Issuer nor each of the Subsidiary Guarantors shall, and each of the Issuer and the Subsidiary Guarantors shall procure that none of their respective Subsidiaries will, create or permit to subsist any mortgage, charge, lien, pledge or other security interest upon the whole or any part of its present or future undertaking, assets or revenues to secure any Relevant Indebtedness or any guarantee or indemnity in respect of any Relevant Indebtedness without (i) at the same time or prior thereto securing the Bonds or guaranteeing or indemnifying the Bondholders equally and rateably therewith or (ii) providing such other security for the Bonds as may be approved by an Extraordinary Resolution (as defined in the Trust Deed) of Bondholders; provided that the foregoing shall not apply to any security over any interest reserve account which is substantially the same or otherwise no more favourable (in the opinion of the Trustee) than that set forth in Conditions 3(d) and 4(c).

(ii) So long as any Bond remains outstanding (as defined in the Trust Deed), the Issuer and each Subsidiary Guarantor undertakes to procure that (A) the Company shall not create or have any Relevant Indebtedness which is issued outside the PRC unless the Company at the same time provides an unsubordinated guarantee or indemnity in respect of the Bonds in form and substance satisfactory to the Trustee; (B) the Company and its Subsidiaries will not create or permit to subsist any mortgage, charge, lien, pledge or other security interest, upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness which is issued outside the PRC without at the same time or prior thereto securing the Bonds equally and rateably therewith except for any security over any interest reserve account which is substantially the same or otherwise no more favourable (in the opinion of the Trustee) than that set forth in Conditions 3(d) and 4(c); and (C) the Company will not create or have outstanding any guarantee or indemnity in respect of any Relevant Indebtedness which is issued outside the PRC without at the same time or prior thereto according to the Bonds the same guarantee or indemnity.

(b) **Financial Covenants**: The Issuer and each Subsidiary Guarantor undertakes that from the Issue Date and for so long as any Bonds are outstanding, Famous Commercial Limited shall at all times maintain its Total Equity at not less than HK$100,000,000 or its equivalent.

The financial covenant set out in this Condition 4(b) shall be tested by reference to the Audited Financial Reports or, as the case may be, Unaudited Financial Reports of Famous Commercial Limited as at the end of each Relevant Period.

The Trustee is under no obligation to monitor compliance by the Issuer with this Condition 4(b) and shall not be responsible or liable to any Bondholder or any other person for not doing so.

Under the Trust Deed, the Issuer is obliged to:

(i) furnish the Trustee with (aa) a Compliance Certificate (on which the Trustee may rely as to such compliance) and a copy of the relevant Audited Financial Reports within 120 days of the end of each Relevant Period; (bb) a copy of the Unaudited Financial Reports within 90 days of the Relevant Period ending 30 June 2012; and (cc) a copy of the Unaudited Financial Reports within 60 days of the end of each Relevant Period not referred to in Condition 4(b)(i)(bb); and

(ii) publish on the Company's official website (aa) a copy of the Audited Financial Reports within 120 days of the end of each Relevant Period; (bb) a copy of the Unaudited Financial Reports within 90 days of the Relevant Period ending 30 June 2012 and (cc) a copy of the Unaudited Financial Reports within 60 days of the end of each Relevant Period not referred to in Condition 4(b)(ii)(bb).

(c) **Interest Reserve**: Pursuant to the Account Bank Agreement:

(i) on the Issue Date, the Issuer shall deposit an amount equal to the amount of interest due in respect of the Bonds for the first two Interest Periods after the Issue Date, as the initial Minimum Balance into the Interest Reserve Account, being CNY109,800,000;

(ii) prior to the Interest Payment Date (as defined in Condition 5) falling immediately before the Maturity Date (as defined in Condition 6(a)), the Issuer shall, unless otherwise permitted under these Conditions, maintain the Minimum Balance in the Interest Reserve Account;

(iii) so long as no Potential Event of Default (as defined in the Trust Deed) or Event of Default (as defined in Condition 9) has occurred, the Issuer may by written notice to the Account Bank direct the Account Bank to pay such amount of the Reserve Fund standing to the credit of the Interest Reserve Account to the Principal Paying Agent as is equal to any interest due and payable under the Bonds on the Interest Payment Date falling immediately before the Maturity Date, and on the Maturity Date, for payment to the Bondholders in accordance with these Conditions and the Agency Agreement;

(iv) the Issuer shall not withdraw any amount from the Interest Reserve Account other than pursuant to these Conditions and the Account Bank Agreement;

(v) upon the occurrence of an Event of Default under the Bonds, the Reserve Fund shall be held solely to the order of the Trustee and the Account Bank shall release the Reserve Fund in the Interest Reserve Account at the direction of the Trustee, which shall apply such funds in accordance with the provisions of the Trust Deed in and towards payment of the amounts due under the Bonds and the Trust Deed; and

(vi) upon the redemption or purchase and cancellation of the Bonds in full, the Account Bank shall release the Reserve Fund to the Issuer in accordance with the Account Bank Agreement.

(d) **Issuer Activities**: the Issuer shall not, and the Subsidiary Guarantors and the Company will procure that the Issuer will not, carry on any business activity whatsoever other than in connection with the Bonds (which activities shall, for the avoidance of doubt, include the on-lending of the proceeds of the issue of the Bonds to the Subsidiary Guarantors or the Company or as any of them may direct).

(e) **Equity Interest Purchase Undertaking**: Upon the occurrence of any Event of Default (as defined under Condition 9), the Trustee shall give to the Company (with a copy to the Issuer) a notice in writing in accordance with the Trust Deed notifying the Company of its obligations to purchase under the Equity Interest Purchase Undertaking. Upon the completion of any equity purchase made in accordance with the Equity Interest Purchase Undertaking, each of the Issuer and each Subsidiary Guarantor undertakes to (i) direct the Company promptly to pay or procure to be paid an amount (being an amount no less than the amount sufficient to enable the Issuer and the Subsidiary Guarantors to discharge their respective obligations under the Bonds and the Trust Deed) from the proceeds to be received by the relevant Subsidiary Guarantor or Subsidiary Guarantors in relation to such equity purchase made in accordance with the Equity Interest Purchase Undertaking to or to the order of the Trustee and (ii) promptly do all such things (including entering into and executing any agreements or arrangements required) and take all actions necessary for the proceeds received in accordance with the Equity Interest Purchase Undertaking to be applied solely towards the payment in accordance with the Trust Deed of any outstanding amounts under the Trust Deed and the Bonds (including any interest accrued but unpaid on the Bonds) prior any other use, disposal or transfer of the proceeds received.

In these Conditions:

"**Account Bank Agreement**" means the account bank agreement dated on or about the Issue Date and as amended and supplemented from time to time between the Issuer, the Trustee and the Account Bank;

"**Minimum Balance**" means, on any date, an amount which is equal to or not less than the amount of interest due and payable under the Bonds outstanding on such date on the next two Interest Payment Dates;

"**PRC**" means the People's Republic of China which, for the purposes of these Conditions, shall not include Hong Kong, Macau and Taiwan;

"**Relevant Indebtedness**" means any present or future indebtedness which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, or other securities which is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market);

"**Relevant Period**" means, in relation to Audited Financial Reports, each period of twelve months ending on the last day of Famous Commercial Limited's financial year and, in relation to Unaudited Financial Reports, each period of six months ending on the last day of the first half of Famous Commercial Limited's financial year;

"**Reserve Fund**" means any amount standing to the credit of the Interest Reserve Account and any income or interest earned thereon from time to time; and

"**Total Equity**" means the line item with the corresponding caption in the consolidated statement of financial position of Famous Commercial Limited in the Audited Financial Reports and Unaudited Financial Reports, as the case may be, comprising the aggregate of:

(i) the amount paid up or credited as paid up on the issued ordinary share capital of Famous Commercial Limited;

(ii) the amount standing to the credit of the consolidated reserve of Famous Commercial Limited and its Subsidiaries; and

(iii) the amount attributable to the non-controlling interests.

5 INTEREST

The Bonds bear interest on their outstanding principal amount from and including 26 July 2012 at the rate of 9.15 per cent. per annum, payable semi-annually in arrear on 26 January and 26 July in each year (each an "**Interest Payment Date**"). If any Interest Payment Date would otherwise fall on a day which is not a business day (as defined below), it shall be postponed to the next day which is a business day unless it would thereby fall into the next calendar month in which event it shall be brought forward to the immediately preceding business day.

Each Bond will cease to bear interest from the due date for redemption unless, upon surrender of the Certificate representing such Bond, payment of principal or premium (if any) is improperly withheld or refused. In such event it shall continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant Bondholder, and (b) the day seven days after the Trustee or the Principal Paying Agent has notified Bondholders of receipt of all sums due in respect of all the Bonds up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

In these Conditions, the period beginning on and including 26 July 2012 and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is called an "**Interest Period**".

Interest in respect of any Bond shall be calculated per CNY10,000 in principal amount of the Bonds (the "**Calculation Amount**"). The amount of interest payable per Calculation Amount for any period shall be equal to the product of the rate of interest specified above, the Calculation Amount and the actual number of days in the Interest Period (or such other period) divided by 365, rounding the resulting figure to the nearest CNY0.01 (CNY0.005 being rounded upwards).

In this Condition 5, the expression "**business day**" means a day (other than a Saturday, Sunday or public holiday) upon which (i) the CMU is operating; and (ii) commercial banks are generally open for business and settlement of Renminbi payments in Hong Kong.

6 REDEMPTION AND PURCHASE

(a) **Final Redemption**: Unless previously redeemed or purchased and cancelled, the Bonds will be redeemed at their principal amount on the Interest Payment Date falling on, or nearest to, 26 July 2015 (the "**Maturity Date**"). The Bonds may not be redeemed at the option of the Issuer other than in accordance with this Condition 6.

(b) **Redemption for Tax Reasons**: The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Bondholders (which notice shall be irrevocable), at their principal amount, (together with interest accrued to the date fixed for redemption), if (i) the Issuer (or, if the Guarantee was called, any of the Subsidiary Guarantors) satisfies the Trustee immediately prior to the giving of such notice that it has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of Hong Kong or the People's Republic of China or the jurisdiction of incorporation or residence for tax purposes of the relevant Subsidiary Guarantor or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 19 July 2012, and (ii) such obligation cannot be avoided by the Issuer (or the relevant Subsidiary Guarantor, as the case may be) taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the relevant Subsidiary Guarantor, as the case may be) would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds then due. Prior to the giving of any notice of redemption pursuant to this Condition 6(b), the Issuer (or the relevant Subsidiary Guarantor, as the case may be) shall deliver to the Trustee a certificate signed by one Director of the Issuer (or of the relevant Subsidiary Guarantor, as the case may be) stating that the obligation referred to in (i) above of this Condition 6(b) cannot be avoided by the Issuer (or the relevant Subsidiary Guarantor, as the case may be) taking reasonable measures available to it, and the Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the condition precedent set out in (ii) above of this Condition 6(b) without further enquiry and without liability to any Bondholder, in which event it shall be conclusive and binding on the Bondholders.

(c) **Redemption for Relevant Events**: At any time following the occurrence of a Relevant Event, the holder of any Bond will have the right, at such holder's option, to require the Issuer to redeem all but not some only of that holder's Bonds on the Put Settlement Date at 101 per cent. of their principal amount, together with accrued interest to, such Put Settlement Date. To exercise such right, the holder of the relevant Bond must deposit at the Specified Office of any Paying Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the Specified Office of any Paying Agent (a "**Put Exercise Notice**"), together with the Definitive Certificates evidencing the Bonds to be redeemed, by not later than 30 days following the occurrence of a Relevant Event or, if later, 30 days following the date upon which notice thereof is given to Bondholders by the Issuer in accordance with Condition 16. The "**Put Settlement Date**" shall be the 14th day after the expiry of such period of 30 days as referred to above.

A Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Bonds subject to the Put Exercise Notices delivered as aforesaid on the Put Settlement Date.

The Issuer shall give notice to Bondholders in accordance with Condition 16 and the Trustee by not later than 14 days following the first day on which it becomes aware of the occurrence of a Relevant Event, which notice shall specify the procedure for exercise by holders of their rights to require redemption of the Bonds pursuant to this Condition 6(c).

In this Condition 6(c):

a "**Change of Control**" occurs when:

(i) the Substantial Shareholder ceases to become the largest direct or indirect holder of the issued share capital of the Company; or

(ii) State-owned Assets Supervision & Administration Commission of Shenzhen Futian（深圳福田國資委） ceases to beneficially hold or own more than 51 per cent. of the issued share capital of the Substantial Shareholder;

"**Credit Rating**" means a credit rating from Moody's or S&P;

"**Moody's**" means Moody's Investors Services, Inc. and its successors;

"**Rating Agency**" means Moody's or S&P or any of their respective successors and assigns;

"**Rating Withdrawal**" means at any time the Credit Ratings for the Bonds from both Rating Agencies are withdrawn;

a "**Relevant Event**" means (i) a Change of Control or (ii) a Rating Withdrawal;

"**S&P**" means Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc. and its successors; and

"**Substantial Shareholder**" means Shenzhen City Futian Investment Development Limited (深圳市福田投資發展公司).

References to "**principal**" in these Conditions shall, unless the context otherwise requires, include the premium referred to in this Condition 6(c).

(d) **Notice of Redemption**: All Bonds in respect of which any notice of redemption is given under this Condition 6 shall be redeemed on the date specified in such notice in accordance with this Condition 6. If there is more than one notice of redemption given in respect of any Bond (which shall include any notice given by the Issuer pursuant to Condition 6(b) and any Put Exercise Notice given by a Bondholder pursuant to Condition 6(c)), the notice given first in time shall prevail and in the event of two notices being given on the same date, the first to be given shall prevail.

(e) **Purchase**: The Subsidiary Guarantors, the Issuer and their respective Subsidiaries may at any time purchase Bonds in the open market or otherwise at any price. The Bonds so purchased, while held by or on behalf of the Subsidiary Guarantors, the Issuer or any such Subsidiary, shall not entitle the holder to vote at any meetings of the Bondholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Bondholders or for the purposes of Conditions 9, 12(a) and 13.

(f) **Cancellation**: All Certificates representing Bonds purchased by or on behalf of the Issuer, any Subsidiary Guarantor or their respective Subsidiaries shall be surrendered for cancellation to the Registrar and, upon surrender thereof, all such Bonds shall be cancelled forthwith. Any Certificates so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer and the Subsidiary Guarantors in respect of any such Bonds shall be discharged.

7 PAYMENTS

(a) **Method of Payment**:

(i) Payments of principal and premium (if any) shall be made (subject to surrender of the relevant Certificates at the specified office of any Transfer Agent or of the Registrar if no further payment falls to be made in respect of the Bonds represented by such Certificates) by transfer to the registered account of the Bondholder.

(ii) Interest on each Bond shall be paid to the person shown on the Register at the close of business on the fifth Payment Business Day before the due date for payment thereof (the "**Record Date**"). Payments of interest on each Bond shall be made in Renminbi by transfer to the registered account of the Bondholder. Payment of all amounts other than principal, premium and interest will be made as provided in these Conditions.

(iii) For the purposes of this Condition 7, a Bondholder's "**registered account**" means the Renminbi account maintained by or on behalf of it with a bank in Hong Kong, details of which appear on the Register at the close of business on the fifth Payment Business Day before the due date for payment.

(iv) If the amount of principal being paid upon surrender of the relevant Certificate is less than the outstanding principal amount of such Certificate, the Registrar will annotate the Register with the amount of principal so paid and will (if so requested in writing by the Issuer or a Bondholder) issue a new Certificate with a principal amount equal to the remaining unpaid outstanding principal amount. If the amount of premium (if any) or interest being paid is less than the amount then due, the Registrar will annotate the Register with the amount of premium (if any) or interest so paid.

(b) **Payments subject to Fiscal Laws**: All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment. No commission or expenses shall be charged to the Bondholders in respect of such payments.

(c) **Payment Initiation**: Where payment is to be made by transfer to a registered account, payment instructions (for value on the due date or, if that is not a Payment Business Day, for value the first following day which is a Payment Business Day) will be initiated on the due date for payment (or, if that date is not a Payment Business Day, on the first following day which is a Payment Business Day), or, in the case of payments of principal and premium (if any) where the relevant Certificate has not been surrendered at the specified office of any Transfer Agent or of the Registrar, on the first Payment Business Day on which the Principal Paying Agent is open for business and on or following which the relevant Certificate is surrendered.

(d) **Appointment of Agents**: The Principal Paying Agent, the Registrar, the CMU Lodging Agent and the Transfer Agent initially appointed by the Issuer and their respective specified offices are listed below. The Principal Paying Agent, the Registrar, the CMU Lodging Agent and the Transfer Agent act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Bondholder. The Issuer reserves the right at any time with the prior written approval of the Trustee to vary or terminate the appointment of the Principal Paying Agent, the Registrar, the

CMU Lodging Agent, any Transfer Agent or any of the other Agents and to appoint additional or other Agents, provided that the Issuer shall at all times maintain (i) a Principal Paying Agent, (ii) a Registrar with a specified office outside the United Kingdom, (iii) a Transfer Agent and the CMU Lodging Agent, and (iv) such other agents as may be required by any other stock exchange on which the Bonds may be listed.

Notice of any such termination or appointment or any change of any specified office of an Agent shall promptly be given by the Issuer to the Bondholders.

(e) **Delay in Payment**: Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Bond if the due date is not a Payment Business Day or if the Bondholder is late in surrendering or cannot surrender its Certificate (if required to do so).

(f) **Payment Business Days**: In this Condition 7, "**Payment Business Day**" means a day (other than a Saturday or Sunday) on which banks and foreign exchange markets are open for business and settlement of Renminbi payments in Hong Kong and (if surrender of the relevant Certificate is required) the relevant place of presentation.

8 TAXATION

All payments of principal, premium (if any) and interest by or on behalf of the Issuer or the Subsidiary Guarantors in respect of the Bonds or under the Guarantee shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Hong Kong or the People's Republic of China or any jurisdiction of incorporation or residence for tax purposes of any of the Subsidiary Guarantors or any political subdivision or authority therein or thereof having power to tax, unless such withholding or deduction is required by law.

In the event that the Issuer or, as the case may be, any Subsidiary Guarantor shall pay such additional amounts ("**Additional Tax Amounts**") as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no Additional Tax Amounts shall be payable in respect of any Bond:

(a) **Other connection**: to a holder (or to a third party on behalf of a holder) who is liable to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his having some connection with Hong Kong, the People's Republic of China or the jurisdiction of incorporation or residence for tax purposes of any of the Subsidiary Guarantors other than the mere holding of the Bond; or

(b) **Surrender more than 30 days after the Relevant Date**: in respect of which the Certificate representing it is presented for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such Additional Tax Amounts on surrendering the Certificate representing such Bond for payment on the last day of such period of 30 days; or

(c) **Payment to individuals**: where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other European Union Directive implementing the conclusions of the ECOFIN Council meeting of 26–27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive.

"**Relevant Date**" in respect of any Bond means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Bondholders that, upon further surrender of the Certificate representing such Bond being made in accordance with these Conditions, such payment will be made, provided that payment is in fact made upon such surrender.

9 EVENTS OF DEFAULT

If any of the following events ("**Events of Default**") occurs the Trustee at its discretion may, and if so requested by holders of at least 25 per cent. of the aggregate principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution shall, (provided in any such case that the Trustee shall first have been indemnified and/or secured and/or pre-funded to its satisfaction), give written notice to the Issuer and the Subsidiary Guarantors declaring that the Bonds are, and they shall immediately become, due and payable at their principal amount together (if applicable) with accrued interest:

(a) **Non-Paymen**t: there is a failure to pay (i) the principal or premium (if applicable) of the Bonds when due; or (ii) any interest on the Bonds within 7 days after any Interest Payment Date; or

(b) **Interest Reserve Account**: there is a failure to maintain the required Minimum Balance in the Interest Reserve Account to the extent required by Condition 4(c); or

(c) **Breach of Other Obligations**: the Company, the Issuer or any Subsidiary Guarantor does not perform or comply with any one or more of its other obligations in the Bonds, the Keepwell Deed, the Equity Interest Purchase Undertaking, the Trust Deed, the Account Bank Agreement or the Charge Over Account (other than those referred to in Conditions 9(a) and 9(b)) which default is incapable of remedy or is not remedied within 30 days after notice of such default shall have been given to the Issuer and the Subsidiary Guarantors by the Trustee; or

(d) **Cross-Default**: (i) any other present or future indebtedness of the Company, the Issuer, any Subsidiary Guarantor or any of their respective Subsidiaries for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual default, event of default or the like (howsoever described), or (ii) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (iii) the Company, the Issuer, any Subsidiary Guarantor or any of their respective Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 9(d) have occurred equals or exceeds CNY100,000,000 or its equivalent (on the basis of the middle spot rate for the relevant currency against the Renminbi as quoted by any leading bank on the day on which this Condition 9(d) operates); or

(e) **Enforcement Proceedings**: a distress, attachment, execution or other legal process is levied, enforced or sued out on or against a material part of the property, assets or revenues of the Company, the Issuer, any Subsidiary Guarantor or any of the Principal Subsidiaries and is not discharged or stayed within 30 days; or

(f) **Security Enforced**: any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Company, the Issuer, any Subsidiary Guarantor or any of the Principal Subsidiaries over a material part of the assets of the Company, the Issuer, the relevant Subsidiary Guarantor or the relevant Principal Subsidiary, as the case may be, becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person) and is not discharged until 30 days; or

(g) **Insolvency**: the Company, the Issuer, any Subsidiary Guarantor or any of the Principal Subsidiaries is (or is expected to by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a material part of its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or a material part of the debts of the Company, the Issuer, any Subsidiary Guarantor, or any of the Principal Subsidiaries, as the case may be; or

(h) **Winding-up**: an administrator is appointed, an order is made or an effective resolution passed for the winding-up or dissolution or administration of the Company, the Issuer, any Subsidiary Guarantor or any of the Principal Subsidiaries, or the Company, any Subsidiary Guarantor, the Issuer or any of the Principal Subsidiaries ceases or threatens to cease to carry on all or substantially all of its business or operations, except for (A) the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved by an Extraordinary Resolution of the Bondholders, or (ii) in the case of a Subsidiary of Famous Commercial Limited other than the Issuer, whereby the undertaking and assets of such Subsidiary are transferred to or otherwise vested in Famous Commercial Limited or one of its Subsidiaries; or (iii) in the case of a Subsidiary of the Company (other than Famous Commercial Limited and its Subsidiaries), whereby the undertaking and assets of such Subsidiary are transferred to or otherwise vested in the Company or any of its Subsidiaries; or (B) a solvent winding up of any Principal Subsidiary of the Company other than Famous Commercial Limited and the Issuer; or (C) a disposal on an arm's length basis where the assets resulting from such disposal are vested in the Company or any of its Subsidiaries; or

(i) **Authorisation and Consents**: any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer, the Company and each of the Subsidiary Guarantors lawfully to enter into, exercise their respective rights and perform and comply with their respective obligations under the Bonds, the Trust Deed, the Keepwell Deed and the Equity Interest Purchase Undertaking, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Bonds, the Trust

Deed, the Keepwell Deed, the Equity Interest Purchase Undertaking, the Account Bank Agreement and the Charge Over Account admissible in evidence in the courts of Hong Kong is not taken, fulfilled or done; or

(j) **Illegality**: it is or will become unlawful for any of the Company, the Issuer and the Subsidiary Guarantors to perform or comply with any one or more of their respective obligations under any of the Bonds or the Trust Deed, the Keepwell Deed, the Equity Interest Purchase Undertaking, the Account Bank Agreement or the Charge Over Account; or

(k) **Unenforceability of Guarantee and Security**: except as permitted under the Trust Deed, any part of the Guarantee or the security given pursuant to the Charge Over Account is unenforceable or invalid or shall for any reason cease to be in full force and effect with respect to the subject matter of the Charge Over Account, the Issuer or any relevant Subsidiary Guarantor or is claimed to be unenforceable, invalid or not in full force and effect by the Issuer or any Subsidiary Guarantor or the security interest created pursuant to the Charge Over Account is not or fails to remain perfected and of first priority in favour of the Trustee for the benefit of itself and the Bondholders; or

(l) **Analogous Events**: any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of Condition 9(e) to Condition 9(h) (all inclusive); or

(m) **Keepwell Deed and Equity Interest Purchase Undertaking**: the Keepwell Deed or the Equity Interest Purchase Undertaking is not or is claimed by the Company not to be in full force and effect, or the Keepwell Deed or the Equity Interest Purchase Undertaking is modified, amended or terminated other than strictly in accordance with its respective terms; or

(n) **Ownership**: the Issuer ceases to remain a directly or indirectly wholly-owned Subsidiary of Famous Commercial Limited or Famous Commercial Limited ceases to remain a directly or indirectly wholly-owned Subsidiary of the Company.

The Issuer has undertaken in the Trust Deed that it will send to the Trustee, within the applicable time periods set out in the Trust Deed, a certificate signed by two Directors to the effect that, as at a date not more than five days prior to the date of the certificate, no Event of Default or a Potential Event of Default (as defined in the Trust Deed) has occurred.

In this Condition 9, "**Principal Subsidiary**" means any Subsidiary of the Company:

(a) whose revenue or (in the case of a Subsidiary which itself has Subsidiaries) consolidated revenue, as shown by its latest audited income statement are at least 5 per cent. of the consolidated revenue as shown by the latest published audited consolidated income statement of the Company and its Subsidiaries including, for the avoidance of doubt, the Company and its consolidated Subsidiaries' share of profits of Subsidiaries not consolidated and of jointly controlled entities and after adjustments for minority interests; or

(b) whose gross profits or (in the case of a Subsidiary which itself has Subsidiaries) consolidated gross profit, as shown by its latest audited income statement are at least 5 per cent. of the consolidated gross profit as shown by the latest published audited consolidated income statement of the Company and its Subsidiaries including, for the avoidance of doubt, the Company and its consolidated Subsidiaries' share of profits of Subsidiaries not consolidated and of jointly controlled entities and after adjustments for minority interests; or

(c) whose gross assets or (in the case of a Subsidiary which itself has Subsidiaries) gross consolidated assets, as shown by its latest audited balance sheet are at least 5 per cent. of the amount which equals the amount included in the consolidated gross assets of the Company and its Subsidiaries as shown by the latest published audited consolidated balance sheet of the Company and its Subsidiaries as being represented by the investment of the Company in each Subsidiary whose accounts are not consolidated with the consolidated audited accounts of the Company and after adjustment for minority interests; or

(d) to which is transferred the whole or substantially the whole of the assets of a Subsidiary which immediately prior to such transfer was a Principal Subsidiary, provided that (xx) the Principal Subsidiary which so transfers its assets shall forthwith upon such transfer cease to be a Principal Subsidiary and the Subsidiary to which the assets are so transferred shall forthwith become a Principal Subsidiary and (yy) on or after the date on which the first published audited accounts (consolidated, if appropriate) of the Company prepared as of a date later than such transfer are issued, whether such transferor Subsidiary or such transferee Subsidiary is or is not a Principal Subsidiary shall be determined on the basis of such accounts by virtue of the provisions of paragraphs (a), (b) or (c) above of this definition;

provided that, in relation to paragraphs (a), (b) and (c) above of this definition:

(i) in the case of a corporation or other business entity becoming a Subsidiary after the end of the financial period to which the latest consolidated audited accounts of the Company relate, the reference to the then latest consolidated audited accounts of the Company for the purposes of the calculation above shall, until consolidated audited accounts of the Company for the financial period in which the relevant corporation or other business entity becomes a Subsidiary are published be deemed to be a reference to the then latest consolidated audited accounts of the Company adjusted to consolidate the latest audited accounts (consolidated in the case of a Subsidiary which itself has Subsidiaries) of such Subsidiary in such accounts;

(ii) if at any relevant time in relation to the Company or any Subsidiary which itself has Subsidiaries no consolidated accounts are prepared and audited, revenue, gross profit or gross assets of the Company and/or any such Subsidiary shall be determined on the basis of *pro forma* consolidated accounts prepared for this purpose by the Company;

(iii) if at any relevant time in relation to any Subsidiary, no accounts are audited, its revenue, gross profit or gross assets (consolidated, if appropriate) shall be determined on the basis of *pro forma* accounts (consolidated, if appropriate) of the relevant Subsidiary prepared for this purpose by the Company; and

(iv) if the accounts of any Subsidiary (not being a Subsidiary referred to in proviso (i) above) are not consolidated with those of the Company, then the determination of whether or not such subsidiary is a Principal Subsidiary shall be based on a *pro forma* consolidation of its accounts (consolidated, if appropriate) with the consolidated accounts (determined on the basis of the foregoing) of the Company.

10 PRESCRIPTION

Claims against the Issuer and the Subsidiary Guarantors for payment in respect of the Bonds shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

11 REPLACEMENT OF CERTIFICATES

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations or other relevant regulatory authority regulations, at the specified office of the Registrar or any Transfer Agent, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security, indemnity and otherwise as (a) the Issuer may require (provided that the requirement is reasonable in light of prevailing market practice) and (b) the Registrar or the relevant Transfer Agent may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

12 MEETINGS OF BONDHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION

(a) **Meetings of Bondholders**: The Trust Deed contains provisions for convening meetings of Bondholders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed, the Keepwell Deed, the Equity Interest Purchase Undertaking, the Account Bank Agreement or the Charge Over Account. Such a meeting may be convened by the Issuer, any Subsidiary Guarantor or the Trustee and shall be convened by the Trustee if requested to do so by Bondholders holding not less than 10 per cent. in principal amount of the Bonds for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing a more than 50 per cent. in principal amount of the Bonds for the time being outstanding, or at any adjourned meeting two or more persons being or representing Bondholders whatever the principal amount of the Bonds held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to modify the maturity of the Bonds or the dates on which interest is payable in respect of the Bonds, (ii) to reduce or cancel the principal amount of, any premium payable in respect of, or interest on, the Bonds, (iii) to change the currency of payment of the Bonds, (iv) to modify the provisions concerning the quorum required at any meeting of Bondholders or the majority required to pass an Extraordinary Resolution, or (v) to cancel or amend the Keepwell Deed, the Equity Interest Purchase Undertaking or the Guarantee (save for the release of a Subsidiary Guarantor in accordance with these Conditions and the Trust Deed), in which case the necessary quorum will be two or more persons holding or representing not less than 66 per cent., or at any adjourned meeting not less than 33 per cent., in principal amount of the Bonds for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Bondholders (whether or not they were present at the meeting at which such resolution was passed).

The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 90 per cent. in principal amount of the Bonds outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Bondholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders.

(b) **Modification of Agreements and Deeds**: The Trustee may agree, without the consent of the Bondholders, to (i) any modification of any of these Conditions or any of the provisions of the Trust Deed, the Keepwell Deed, the Equity Interest Purchase Undertaking, the Account Bank Agreement or the Charge Over Account that is of a formal, minor or technical nature or is made to correct a manifest error or an error established as such to the satisfaction of the Trustee or is to comply with any mandatory provision of applicable law, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of these Conditions or any of the provisions of the Trust Deed, the Keepwell Deed, the Equity Interest Purchase Undertaking, the Account Bank Agreement or the Charge Over Account that is in the opinion of the Trustee not materially prejudicial to the interests of the Bondholders. Any such modification, authorisation or waiver shall be binding on the Bondholders and, unless the Trustee otherwise agrees, such modification shall be notified by the Issuer to the Bondholders as soon as practicable thereafter.

(c) **Substitution**: The Trust Deed contains provisions permitting the Trustee to agree, subject to such amendment of the Trust Deed and such other conditions as the Trustee may require, but without the consent of the Bondholders, to the substitution of another company in place of the Issuer or any Subsidiary Guarantor, or of any previous substituted company, as principal debtor or guarantor under the Trust Deed and the Bonds. In the case of such a substitution, the Trustee may agree, without the consent of the Bondholders, to a change of the law governing the Bonds and/or the Trust Deed provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Bondholders. Under the Trust Deed, the Trustee may agree or require the Issuer to use all reasonable endeavours to procure the substitution as principal debtor under the Trust Deed and the Bonds of a company incorporated in some other jurisdiction in the event of the Issuer becoming subject to any form of tax on its income or payments in respect of the Bonds, and provided that such substitution shall not at the time of substitution result in a downgrading of any rating assigned to the Bonds.

(d) **Entitlement of the Trustee**: In connection with the exercise of its functions, rights, powers and discretions (including but not limited to those referred to in this Condition 12) the Trustee shall have regard to the interests of the Bondholders as a class and shall not have regard to the consequences of such exercise for individual Bondholders, and the Trustee shall not be entitled to require on behalf of any Bondholders, nor shall any Bondholder be entitled to claim, from the Issuer or the Subsidiary Guarantor(s) any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders.

13 ENFORCEMENT

At any time after the Bonds become due and payable, the Trustee may, at its discretion and without further notice, institute such proceedings against the Company, the Issuer and/or the Subsidiary Guarantor(s) as it may think fit to enforce the terms of the Trust Deed, the Keepwell Deed, the Equity Interest Purchase Undertaking, the Charge Over Account, the Account Bank Agreement and the Bonds, but it need not take any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by

Bondholders holding at least 25 per cent. in principal amount of the Bonds then outstanding, and (b) it shall first have been indemnified and/or secured and/or pre-funded to its satisfaction. No Bondholder may proceed directly against the Company, the Issuer and/or the Subsidiary Guarantor(s) unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

14 INDEMNIFICATION OF THE TRUSTEE

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking proceedings to enforce payment unless first indemnified and/or secured and/or pre-funded to its satisfaction. The Trustee is entitled to enter into business transactions with the Company, the Issuer, any Subsidiary Guarantor and/or any entity related (directly or indirectly) to the Company, the Issuer or any Subsidiary Guarantor without accounting for any profit.

None of the Trustee or any of the Agents shall be responsible for the performance by the Issuer, the Company, any Subsidiary Guarantor and any other person appointed by the Issuer in relation to the Bonds of the duties and obligations on their part expressed in respect of the same and, unless it has actual knowledge or written notice from the Issuer, the Company or a Subsidiary Guarantor to the contrary, the Trustee and each Agent shall assume that the same are being duly performed. None of the Trustee or any Agent shall be liable to any Bondholder or any other person for any action taken by the Trustee or such Agent in accordance with the instructions of the Bondholders. The Trustee shall be entitled to rely on any direction, request or resolution of Bondholders given by holders of the requisite principal amount of Bonds outstanding or passed at a meeting of Bondholders convened and held in accordance with the Trust Deed. Whenever the Trustee is required or entitled by the terms of the Trust Deed, the Charge Over Account, the Account Bank Agreement, the Keepwell Deed, the Equity Interest Purchase Undertaking or these Conditions to exercise any discretion or power, take any action, make any decision or give any direction, the Trustee is entitled, prior to its exercising any such discretion or power, taking any such action, making any such decision, or giving any such direction, to seek directions from the Bondholders by way of an Extraordinary Resolution, and the Trustee is not responsible for any loss or liability incurred by any person as a result of any delay in it exercising such discretion or power, taking such action, making such decision, or giving such direction where the Trustee is seeking such directions or in the event that no such directions are received. The Trustee shall not be under any obligation to monitor compliance with the provisions of the Trust Deed, the Charge Over Account, the Account Bank Agreement, the Keepwell Deed, the Equity Interest Purchase Undertaking or these Conditions.

The Trustee may rely without liability to Bondholders on any report, confirmation or certificate or any advice of any legal advisers, accountants, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or any other person or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation or certificate or advice and such report, confirmation or certificate or advice shall be binding on the Issuer, the Company, the Subsidiary Guarantors and the Bondholders.

15 FURTHER ISSUES

The Issuer may from time to time without the consent of the Bondholders create and issue further securities either having the same terms and conditions as the Bonds in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the Bonds. References in these Conditions to the Bonds include (unless the context requires otherwise) any such other securities issued pursuant to this Condition 15 and forming a single series with the Bonds. Any further Bonds may (with the consent of the Trustee) be constituted by a deed supplemental to the Trust Deed.

16 NOTICES

Notices to the holders of Bonds shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. The Issuer shall also ensure that notices are duly published in a manner that complies with the rules and regulations of any stock exchange or other relevant authority on which the Bonds are for the time being listed. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once, on the first date on which publication is made.

So long as the Global Certificate is held by or on behalf of the Operator, any notice to the holders of the Bonds shall be validly given by the delivery of the relevant notice to the accountholders shown in a CMU position report issued by the Operator on the business day preceding the date of despatch of such notice as holding interests in the Global Certificate.

17 GOVERNING LAW AND JURISDICTION

(a) **Governing Law**: The Trust Deed, the Agency Agreement, the Guarantee, the Keepwell Deed, the Equity Interest Purchase Undertaking, the Account Bank Agreement, the Charge Over Account and the Bonds, and any obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, the laws of Hong Kong.

(b) **Jurisdiction**: The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Bonds, the Guarantee, the Keepwell Deed, the Equity Interest Purchase Undertaking, the Account Bank Agreement, the Charge Over Account and the Trust Deed and accordingly any legal action or proceedings arising out of or in connection with any Bonds, the Guarantee, the Keepwell Deed, the Equity Interest Purchase Undertaking, the Account Bank Agreement, the Charge Over Account or the Trust Deed ("**Proceedings**") may be brought in the courts of Hong Kong. Pursuant to the Trust Deed, each of the Issuer, the Subsidiary Guarantors and the Company has irrevocably submitted to the jurisdiction of the courts of Hong Kong.

(c) **Agent for Service of Process**: The Company has irrevocably agreed to receive service of process at the Issuer's principal place of business at 5/F, Heng Shan Centre, 145 Queen's Road East, Wanchai, Hong Kong in any Proceedings in Hong Kong.

DESCRIPTION OF THE KEEPWELL DEED

The following contains summaries of certain key provisions of the Keepwell Deed. Such statements do not purport to be complete and are qualified in their entirety by reference to the Keepwell Deed.

Under the Keepwell Deed, the Company will undertake with Famous and the Trustee that it shall, directly or indirectly, own and hold all the outstanding shares of Famous (unless Famous otherwise ceases to be a Subsidiary Guarantor in accordance with the Terms and Conditions of the Bonds and the Trust Deed) and will not directly or indirectly pledge, grant a security interest, or in any way encumber or otherwise dispose of any such shares.

In addition, the Company will undertake with Famous and the Trustee that it shall:

(i) cause Famous to have a total equity of at least HK$100,000,000 at all times and to have sufficient liquidity to ensure timely payment by Famous of any amounts payable in respect of the Bonds and the Guarantee in accordance with the Terms and Conditions of the Bonds; and

(ii) make available to Famous funds sufficient to meet the payment obligations under the Bonds.

The Keepwell Deed may be modified, amended or terminated by the written agreement of the parties thereto.

For so long as the Bonds are outstanding, the Company will agree in the Keepwell Deed to the following undertakings:

(i) to not create or have any Relevant Indebtedness which is issued outside the PRC unless the Company at the same time provides an unsubordinated guarantee or indemnity in respect of the Bonds in a form and substance satisfactory to the Trustee;

(ii) to not, and to procure that its Subsidiaries will not, create or permit to subsist any mortgage, charge, lien, pledge or other security interest, upon the whole or any part of their respective present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness which is issued outside the PRC without at the same time or prior thereto securing the Bonds equally and rateably therewith except for any security over any interest reserve account which is substantially the same or otherwise no more favourable (in the opinion of the Trustee) than those set forth in the Terms and Conditions of the Bonds;

(iii) to not create or have outstanding any guarantee or indemnity in respect of any Relevant Indebtedness which is issued outside the PRC without at the same time or prior thereto according to the Bonds the same guarantee or indemnity;

(iv) to procure that the articles of association of Famous shall not be amended in a manner that is, directly or indirectly, adverse to any holders of the Bonds;

(v) to cause Famous to remain in full compliance with the Trust Deed and all applicable rules and regulations in Hong Kong;

(vi) to promptly take any and all action necessary to comply with its obligations under the Keepwell Deed; and

(vii) to cause Famous to take all action necessary in a timely manner to comply with Famous' obligations under the Keepwell Deed.

Relevant Indebtedness is defined in the Keepwell Deed to mean any present or future indebtedness which is in the form of, or represented or evidenced by any bond, note, debenture, debenture stock, loan stock, or other securities which is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market).

The Keepwell Deed is not, and nothing therein contained and nothing done pursuant thereto by the Company shall be deemed to constitute, a guarantee by the Company of the payment of any obligation, indebtedness or liability, of any kind or character whatsoever, of Famous under the laws of any jurisdiction.

The parties to the Keepwell Deed will acknowledge that in order for each of the Company and Famous to comply with its respective obligations under the Keepwell Deed, it may be subject to governmental or regulatory approvals, permits and filings as may be required by applicable laws.

The Keepwell Deed will be governed by Hong Kong law.

DESCRIPTION OF THE DEED OF EQUITY INTEREST PURCHASE UNDERTAKING

The following contains summaries of certain key provisions of the Deed of Equity Interest Purchase Undertaking. Such statements do not purport to be complete and are qualified in their entirety by reference to the Deed of Equity Interest Purchase Undertaking.

The Company intends to assist the Issuer and the Subsidiary Guarantors in meeting their respective obligations under the Bonds and the Guarantee. On or about 26 July 2012, the Company will enter into a Deed of Equity Interest Purchase Undertaking (the "**Undertaking**") with the Trustee whereby the Company agrees to purchase certain equity interests upon receiving a written purchase notice (the "**Purchase Notice**") from the Trustee. The equity interests comprise the interests held by the Relevant Transferor(s) (as defined in the Undertaking) in the registered capital (the "**Equity Interest**") of certain of its direct or indirect PRC-incorporated subsidiaries of Famous (the "**Target Subsidiaries**").

Following the occurrence of an Event of Default under the Bonds, the Trustee shall issue a Purchase Notice to the Company. Within two business days after the date of the Purchase Notice, the Company shall determine and notify the Trustee which Target Subsidiaries it will purchase. Furthermore, it shall within 10 business days after the date of the Purchase Notice determine the purchase price, denominated in Renminbi, for the Equity Interest (the "**Purchase Price**"). The Company is obliged to determine the Purchase Price in compliance with any applicable PRC laws and regulations. In any event, the Purchase Price shall not be lower than the Shortfall Amount being:

(i) the principal amount of the Bonds then outstanding as at the date of the Purchase Notice; and

(ii) any interest accrued but unpaid on the Bonds up to but excluding the date of the Purchase Notice; and

(iii) an amount reflecting the interest due and payable for one Interest Period under the Bonds; and

(iv) all costs, fees and expenses and other amounts payable to the Trustee and/or the Agents under or in connection with the Bonds, the Trust Deed and the Undertaking as at the date of such Purchase Notice plus provisions for fees and expenses which may be incurred after the date of the Purchase Notice,

less any amount of moneys certified in writing by the Account Bank as being held in the Interest Reserve Account on the date of the Purchase Notice.

Within 15 business days after the date of the Purchase Notice, the Company shall execute the relevant equity interest transfer agreement(s) with the Relevant Transferor(s) and file the same with MOFCOM for approval of the transfer(s) of the Equity Interest(s). Within five business days after receipt of approval from MOFCOM, the Company shall submit an application to the competent AIC for AIC registration of the transfer(s) of the Equity Interest(s). Within five business days after receipt of AIC registration from the competent AIC, the Company shall complete the procedures in respect of withholding tax for the Relevant Transferor(s) required by applicable laws and regulations of the PRC with the competent tax authority to obtain the tax clearance opinion from such tax authority.

Within five business days after completion of the AIC registration and the receipt of the tax clearance opinion, the Company shall submit an application to SAFE (i) to change the SAFE registration of the companies the Equity Interests in which is or (as the case may be) are subject to the purchase and (ii) for remittance of the Purchase Price. Closing shall take place on the fifth business day after receipt of the approvals from SAFE whereupon the Company shall pay to or to the order of the Relevant Transferor(s) the corresponding amount of the Purchase Price in immediately available funds in Renminbi to an account in Hong Kong designated by the Relevant Transferor(s).

The Undertaking shall remain in full force and effect so long as any of the Bonds remain outstanding.

The Undertaking will be governed by Hong Kong law.

SUMMARY OF PROVISIONS RELATING TO THE BONDS IN GLOBAL FORM

The Global Certificate contains provisions which apply to the Bonds while they are in global form, some of which modify the effect of the Terms and Conditions of the Bonds set out in this Offering Circular. The following is a summary of certain of those provisions.

The Bonds will be issued in registered form and represented by the Global Certificate registered in the name of the HKMA, in its capacity as operator of the CMU (the "**CMU operator**"), and shall be delivered to and held by a sub-custodian for the HKMA as CMU operator. The Global Certificate will be held for the account of CMU members who have accounts with the CMU operator, or the CMU participants. For persons seeking to hold a beneficial interest in the Bonds through Euroclear or Clearstream, such persons will hold their interests through an account opened and held by Euroclear or Clearstream with the CMU operator. Interests in the Global Certificate will only be shown on, and transfers of interests will be effected through, records maintained by the CMU operator.

The Global Certificate will become exchangeable in whole, but not in part (save as otherwise provided), for definitive certificates in the denomination of CNY1,000,000 each and integral multiples of CNY10,000 in excess thereof if any of the following events occurs:

- if the Global Certificate is held on behalf of the CMU or any other clearing system and such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention to cease business permanently or does in fact do so; or
- upon or following any failure to pay principal in respect of any Bonds when it is due and payable; or
- with the consent of the Issuer.

Since the CMU operator can act only on behalf of the CMU participants, who in turn may act on behalf of persons who hold interests through them, or indirect participants, the ability of persons having interests in the Global Certificate to pledge such interests to persons or entities that are not CMU participants, or otherwise take action in respect of such interests, may be affected by the lack of definitive bonds.

While the Global Certificate representing the Bonds is held by or on behalf of the CMU operator, payments of interest or principal will be made to the persons for whose account a relevant interest in the Global Certificate is credited as being held by the CMU operator at the relevant time, as notified to the Principal Paying Agent by the CMU operator in a relevant CMU instrument position report (as defined in the rules of the CMU) or in any other relevant notification by the CMU operator. So long as the Bonds are represented by the Global Certificate and such Global Certificate is held by or on behalf of the CMU operator, such payment by the Issuer will discharge the Issuer's obligations in respect of that payment. Any payments by the CMU participants to indirect participants will be governed by arrangements agreed between the CMU participants and the indirect participants and will continue to depend on the inter-bank clearing system and traditional payment methods. Such payments will be the sole responsibility of such CMU participants.

Payments, transfers, exchanges and other matters relating to interests in the Global Certificate may be subject to various policies and procedures adopted by the CMU operator from time to time. None of the Issuer, the Subsidiary Guarantors, the Company, the Lead Manager, the Trustee, the Agents or any of their respective directors, officers, employees or agents will have any responsibility or liability for any aspect of the CMU operator's records relating to, or for payments made on account of, interests in the Global Certificate, or for maintaining, supervising or reviewing any records relating to such interests.

For so long as all of the Bonds are represented by the Global Certificate and such Global Certificate is held by or on behalf of the CMU operator, notices to Bondholders may be given by delivery of the relevant notice to the persons shown in a CMU instrument position report issued by the CMU operator on the business day preceding the date of despatch of such notice as holding interests in the Global Certificate for communication to the CMU participants. Any such notice shall be deemed to have been given to the Bondholders on the second business day on which such notice is delivered to the persons shown in the relevant CMU instrument position report as aforesaid. Indirect participants will have to rely on the CMU participants (through whom they hold the Bonds, in the form of interests in the Global Certificate) to deliver the notices to them, subject to the arrangements agreed between the indirect participants and the CMU participants.

The CMU operator is under no obligation to maintain or continue to operate the CMU and the CMU operator is under no obligation to perform or continue to perform the procedures described above. Accordingly, the CMU and such procedures may be discontinued or modified at any time. None of the Issuer, the Subsidiary Guarantors, the Company, the Lead Manager, the Trustee, the Agents or any of their respective directors, officers, employees or agents will have any responsibility for the performance by the CMU operator or the CMU participants of their respective obligations under the rules and procedures governing their operations.

CAPITALISATION AND INDEBTEDNESS OF THE COMPANY

The following table sets forth the Company's consolidated capitalisation and indebtedness as at 31 December 2011 and as adjusted to give effect to the issue of the Bonds. This table should be read in conjunction with the Company's consolidated financial statements and the accompanying notes included in this Offering Circular.

	As at 31 December 2011	
	Actual	As adjusted
	CNY'000	CNY'000
Short-term interest-bearing borrowings(1)	14,159,273.4	14,159,273.4
Long-term interest-bearing borrowings		
— Long-term borrowings	14,171,764.6	14,171,764.6
— Debentures	1,192,104.3	1,192,104.3
— Bonds to be issued(2)	—	1,200,000.0
Total	15,363,868.9	16,563,868.9
Total equity(3)	26,141,778.7	26,141,778.7
Total capitalisation(4)	41,505,647.6	42,705,647.6

Notes:

(1) Short-term interest-bearing borrowings include the current portion of long-term interest-bearing borrowings.

(2) Refers to the aggregate principal amount of the Bonds before deducting the commissions and estimated offering expenses.

(3) Total equity includes share capital, reserves and unappropriated profit.

(4) Total capitalisation equals total long-term interest-bearing borrowings and total equity.

Except as otherwise disclosed above, there has been no material change in the consolidated capitalisation and indebtedness of the Company since 31 December 2011.

CAPITALISATION AND INDEBTEDNESS OF FAMOUS

The following table sets forth Famous' consolidated capitalisation and indebtedness as at 31 December 2011 and as adjusted to give effect to the issue of the Bonds. This table should be read in conjunction with Famous' financial statements and the accompanying notes included in this Offering Circular.

	As at 31 December 2011	
	Actual	As adjusted
	HK$'000	HK$'000
Short-term interest-bearing borrowings(1)	7,306,402	7,306,402
Long-term interest-bearing borrowings		
— Long-term interest-bearing borrowings	—	—
— Bonds to be issued(2)	—	1,480,200
Total	—	1,480,200
Total equity(3)	1,541,518	1,541,518
Total capitalisation(4)	1,541,518	3,021,718

Notes:

(1) Short-term interest-bearing borrowings include the current portion of long-term interest-bearing borrowings.

(2) Refers to the aggregate principal amount of the Bonds before deducting the commissions and estimated offering expenses. This amount has been translated into Hong Kong dollars for convenience purpose at a rate of CNY1.00 to HK$1.2335.

(3) Total equity includes share capital and reserves.

(4) Total capitalisation equals total long-term interest-bearing borrowings and total equity.

Except as otherwise disclosed above, there has been no material change in the consolidated capitalisation and indebtedness of Famous since 31 December 2011.

USE OF PROCEEDS

The Issuer estimates that the net proceeds from this Offering, after deducting underwriting commissions and other estimated expenses payable in connection with this Offering, will be approximately CNY1,179 million. The Issuer intends to use the net proceeds from this Offering to finance general corporate and working capital.

DESCRIPTION OF THE ISSUER

FORMATION

The Issuer was incorporated as a public company with limited liability on 29 November 2011 under the law of Hong Kong. The registered office of the Issuer is at 5/F Heng Shan Centre, 145 Queen's Road East, Wanchai, Hong Kong. As at the date of this Offering Circular, the authorised share capital of the Issuer is US$10,000,000 divided into 10,000,000 shares of US$1.00 each and the Issuer has 10,000,000 shares in issue.

BUSINESS ACTIVITIES

The Issuer is a wholly-owned subsidiary of Famous. As at the date of this Offering Circular, the Issuer has not engaged, since its incorporation, in any material activities other than entering into arrangements for the proposed issue of the Bonds and on-lending of the proceeds thereof to the Subsidiary Guarantors. As at the date of this Offering Circular, the Issuer has no outstanding borrowings nor contingent liabilities other than the proposed issue of the Bonds. As at the date of this Offering Circular, the Issuer has no subsidiaries nor employees.

DIRECTORS

The directors of the Issuer as at the date of this Offering Circular are Mr. Meng Jun and Mr. Zeng Aihui.

FINANCIAL STATEMENTS

As at the date of this Offering Circular, the Issuer has not prepared any financial statements.

DESCRIPTION OF THE SUBSIDIARY GUARANTORS

OVERVIEW

Famous was incorporated in Hong Kong on 23 November 1995 under the Companies Ordinance of Hong Kong (Chapter 32 of the Laws of Hong Kong) (company number: 531431). As at the date of this Offering Circular, the authorised share capital of Famous is HK$1,000,000 divided into 1,000,000 ordinary shares of HK$1.00 each and the issued share capital of Famous is HK$1,000,000. Famous's registered office is at 5/F, Heng Shan Centre, 145 Queen's Road East, Wanchai, Hong Kong.

Famous is a wholly-owned subsidiary directly held by the Company. Famous, through its subsidiaries, acts as a property agent to sell properties situated in the PRC to Hong Kong and overseas customers and is engaged in holding investments in various subsidiaries, associate companies and jointly-controlled entities.

The consolidated financial statements of Famous for the years ended 31 December 2009, 2010 and 2011 reflect the financial information of the Subsidiary Guarantors and the Subsidiary Guarantors interests in associates and jointly-controlled entities. For the years ended 2009, 2010 and 2011, the Subsidiary Guarantors had consolidated turnover of HK$1,608.5 million, HK$959.9 million and HK$3,317.3 million, respectively, and consolidated total comprehensive income for the year of HK$87.7 million, HK$124.4 million and HK$615.8 million, respectively.

DIRECTORS

As at the date of this Offering Circular, the directors of Famous are:

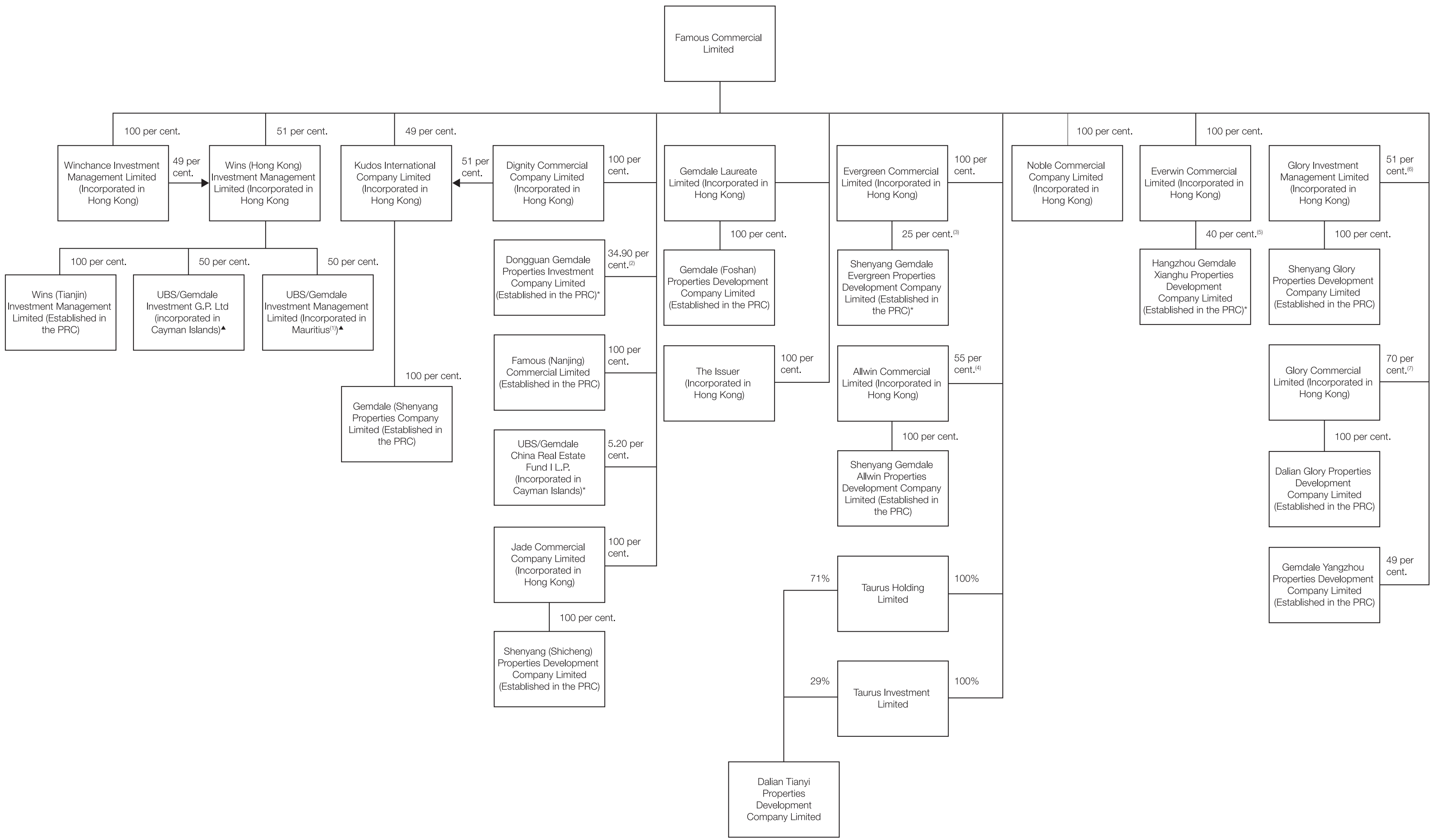
Mr. LING Ke
Mr. HUANG Juncan
Mr. WEI Chuanjun
The Company

BUSINESS ACTIVITIES

All of the Subsidiary Guarantors' revenue was derived from the sales of properties in the PRC.

For details of the Subsidiary Guarantors' financial information, including the year-on-year profits, total assets, liabilities and equity of the Subsidiary Guarantors, see "***Summary Financial Information of Famous***" and the Subsidiary Guarantor's audited consolidated financial statements as at and for the years ended 31 December 2009, 2010 and 2011 included in this Offering Circular.

The following chart sets forth the corporate structure of the Subsidiary Guarantors, its associate companies and jointly-controlled entities as at 31 March 2012.



Famous Commercial Limited
100 per cent.
Winchance Investment Management Limited (Incorporated in Hong Kong)
49 per cent.
51 per cent.
Wins (Hong Kong) Investment Management Limited (Incorporated in Hong Kong
100 per cent.
Wins (Tianjin) Investment Management Limited (Established in the PRC)
50 per cent.
UBS/Gemdale Investment G.P. Ltd (incorporated in Cayman Islands)▲
50 per cent.
UBS/Gemdale Investment Management Limited (Incorporated in Mauritius(1))▲
49 per cent.
Kudos International Company Limited (Incorporated in Hong Kong)
51 per cent.
100 per cent.
Gemdale (Shenyang Properties Company Limited (Established in the PRC)
Dignity Commercial Company Limited (Incorporated in Hong Kong)
100 per cent.
Dongguan Gemdale Properties Investment Company Limited (Established in the PRC)*
34.90 per cent.(2)
Famous (Nanjing) Commercial Limited (Established in the PRC)
100 per cent.
UBS/Gemdale China Real Estate Fund I L.P. (Incorporated in Cayman Islands)*
5.20 per cent.
Jade Commercial Company Limited (Incorporated in Hong Kong)
100 per cent.
100 per cent.
Shenyang (Shicheng) Properties Development Company Limited (Established in the PRC)
Gemdale Laureate Limited (Incorporated in Hong Kong)
100 per cent.
Gemdale (Foshan) Properties Development Company Limited (Established in the PRC)
The Issuer (Incorporated in Hong Kong)
100 per cent.
Evergreen Commercial Limited (Incorporated in Hong Kong)
100 per cent.
25 per cent.(3)
Shenyang Gemdale Evergreen Properties Development Company Limited (Established in the PRC)*
Allwin Commercial Limited (Incorporated in Hong Kong)
55 per cent.(4)
100 per cent.
Shenyang Gemdale Allwin Properties Development Company Limited (Established in the PRC)
Taurus Holding Limited
100%
71%
Taurus Investment Limited
100%
29%
Dalian Tianyi Properties Development Company Limited
100 per cent.
Noble Commercial Company Limited (Incorporated in Hong Kong)
100 per cent.
Everwin Commercial Limited (Incorporated in Hong Kong)
40 per cent.(5)
Hangzhou Gemdale Xianghu Properties Development Company Limited (Established in the PRC)*
Glory Investment Management Limited (Incorporated in Hong Kong)
51 per cent.(6)
100 per cent.
Shenyang Glory Properties Development Company Limited (Established in the PRC)
Glory Commercial Limited (Incorporated in Hong Kong)
70 per cent.(7)
100 per cent.
Dalian Glory Properties Development Company Limited (Established in the PRC)
Gemdale Yangzhou Properties Development Company Limited (Established in the PRC)
49 per cent.

Notes:

* refers to associate companies of the Subsidiary Guarantor Group as at the date of this Offering Circular.

▲ refers to jointly-controlled entities of the Subsidiary Guarantor Group.

(1) UBS AG, Hong Kong Branch holds 50 per cent. of the issued share capital of UBS/Gemdale investment Management Limited.

(2) Gemdale Corporation holds 62.1 per cent. of the issued share capital and Shenzhen Hong Gemdale Tennis Club Co., Ltd. holds 3.0% of the issued share capital of Dongguan Gemdale Properties Investment Company Limited.

(3) Shenyang Gemdale Tianbang Properties Development Company Limited holds 75 per cent. of the issued share capital of Shenyang Gemdale Evergreen Properties Development Company Limited.

(4) UG China Real Estate Fund I Holding Company Limited holds 45 per cent. of the issued share capital of Allwin Commercial Limited.

(5) The Company holds 60 per cent. of the issued share capital.

(6) DRI Phoenix Limited holds 49 per cent. of the issued share capital of Glory Investment Management Limited.

(7) Eternal Union Developing Limited holds 30 per cent. of the issued share capital of Glory Commercial Limited.

SUBSIDIARY GUARANTORS, JOINTLY-CONTROLLED ENTITIES AND ASSOCIATES

Dignity Commercial Company Limited, Kudos International Company Limited, Gemdale Laureate Limited, Evergreen Commercial Company Limited and Jade Commercial Company Limited are the Subsidiary Guarantors which, together with Famous, will guarantee the Bonds on a joint and several basis.

Kudos International Company Limited ("**Kudos**") was incorporated in Hong Kong with Famous holding approximately 49 per cent. of its shares and Dignity Commercial Company Limited ("**Dignity**"), which is also wholly-owned by Famous, holding the remaining 51 per cent. of Kudos' shares. The principal activity of Kudos and Dignity is investment holding. They conduct their business through a wholly-owned subsidiary of Kudos, Gemdale (Shenyang) Properties Company Limited ("**Gemdale Shenyang**") which was established in the PRC for the development and sale of Gemdale International Garden (Shenyang) (Phases I–III). For details of this project, please refer to "Description of the Group — Completed Properties".

Gemdale Laureate Limited ("**Laureate**") was incorporated in Hong Kong and is wholly-owned by Famous. The principal activity of Laureate is investment holding. Laureate conducts its business through its wholly-owned subsidiary, Gemdale (Foshan) Properties Development Company Limited ("**Gemdale Foshan**") which was established in the PRC for the development and sale of Gemdale Kow Loon Jade. For details of this project, please refer to "Description of the Group — Completed Properties".

Evergreen Commercial Limited ("**Evergreen**") was incorporated in Hong Kong and is wholly-owned by Famous. The principal activity of Evergreen is investment holding. Evergreen conducts its business through an associate company, Shenyang Evergreen Properties Development Company Limited ("**Shenyang Evergreen**") with Evergreen holding approximately 25 per cent. of its shares and Shenyang Gemdale Tianbang Properties Development Company

Limited holding the remaining 75 per cent. of its shares. Shenyang Evergreen was established in the PRC for the development and sale of Gemdale Laurel Bay. For details of this project, please refer to "Description of the Group — Properties under Development".

Jade Commercial Company Limited ("**Jade**") was incorporated in Hong Kong and is wholly-owned by Famous. The principal activity of Jade is investment holding. Jade conducts its business through its wholly-owned subsidiary, Shenyang Gemdale Shicheng Properties Development Company Limited ("**Shenyang Shicheng**") which was established in the PRC for the development and sale of Shenyang Tanjun. For details of this project, please refer to "Description of the Group — Properties under Development".

Famous, through its subsidiary Wins (Hong Kong) Investment Management Company Limited, has acquired 50 per cent. of the equity interest in UBS/Gemdale Investment G.P. Ltd (incorporated in Cayman Islands) and in UBS/Gemdale Investment Management Limited (incorporated in Mauritius), which became jointly-controlled entities of the Subsidiary Guarantors. The principal activity of the jointly-controlled entities is investment advisory or investment holding.

Famous, directly or indirectly, holds a substantial minority ownership interest in several corporations, whose principal activity is property development or investment holding, which became associates of the Subsidiary Guarantors.

DESCRIPTION OF THE GROUP

OVERVIEW

The Group is one of the leading large-scale integrated residential property developers in China. Established in 1988, the Group commenced its real estate business in China in 1993. The Company was listed on the Shanghai Stock Exchange in April 2001 (code: SH.600383), and as at 13 July 2012, it was the third largest A-Share listed property developer with a market capitalisation of approximately CNY30.8 billion. As at 31 March 2012, the Group's total assets were CNY92.8 billion and its shareholders' equity was CNY26.0 billion. The Group's main sources of revenue include property development and sales, property investment and property management. The Group's revenue was approximately CNY12,098.2 million, CNY19,592.5 million, CNY23,918.5 million, CNY2,144.3 million and CNY1,743.2 million for the years ended 31 December 2009, 2010 and 2011 and the three months ended 31 March, 2011 and 2012, respectively.

The Group is headquartered in Shenzhen, Guangdong province, China. Leveraging on its well-recognised brand and management capabilities, as at 31 March 2012, the Group had successfully developed over 30 million sq.m. of GFA since it commenced its real estate operations. The Group has successfully expanded its operations, with a land bank of 17.1 million sq.m.[(1)] of GFA across 20 cities in China as at 31 March 2012, including four first-tier cities and 16 second-tier and third-tier cities. The Group's land bank includes its completed projects that are not sold, projects under development, projects held for future development and properties held for investment purpose. When the construction of a property is completed and its sales proceeds are received by the Group, the GFA of such property will be excluded from the Group's land bank. The Group has won numerous awards for its strong brand recognition and high-quality property developments, such as "Comprehensive Strength Top 10", "Enterprise Scale Top 10" and "Financing Ability Top 10" (among China's top 100 real estate developers), "The Third China Creditable Enterprises List — Creditable Brand Award", "2011 Most Valuable Listed Property Developer Award", "2011 Most Influential China Property Developer Award", "2012 Real Estate Finance Innovation Award" and "2012 Most Valuable Listed Company Award."

The Group is supported by Shenzhen Futian Investment and Development Company ("**Futian Investment**"), which is the largest shareholder of the Company as at the date of this Offering Circular, and Futian Investment intends to maintain its current shareholding ownership and remain the largest shareholder of the Company. Futian Investment holds approximately 7.85 per cent. of the outstanding shares of the Company. Futian Investment is a state-owned enterprise that is wholly-owned by the central State-owned Assets Supervision and Administration Commission ("**SASAC**").

The Group is managed by a team of experienced professionals. The Group's senior management team consists of 11 professional managers with an average of over 16 years of industry experience and an average of over 13 years of relationship with the Group.

The Group has made significant investments in, and has interests in property development projects in, first-tier cities in China, such as Beijing, Shanghai, Shenzhen and Guangzhou, where the property market has experienced significant growth in recent years. It has also invested in a number of projects in second-tier cities such as Tianjin, Ningbo, Nanjing, Hangzhou, Zhuhai, Changsha, Changzhou, Dalian, Wuhan, Xi'an and Shenyang, which cities it

(1) This includes approximately 2.0 million sq.m. in Xi'an which the Group has signed a cooperative development agreement and a compensation and resettlement agreement for house demolition. However, as at the date of this Offering Circular, the Group has not entered into the relevant land use right grant contracts.

expects will have significant growth potential, as well as some third-tier cities such as Dongguan and Shaoxing. The Group's strategies include continuing to enhance its market leading position, building upon its land bank in a selective and prudent manner and maintaining its prudent financial management.

The Group's principal business activities are as follows:

Property Development and Sales

The Group is focused on the development of large-scale integrated residential properties in China. As at 31 March 2012, the Group had approximately 70 project developments across different regions in China with a GFA of approximately 17.1 million sq.m.

The following table sets forth the breakdown of the Group's land bank by development stages as at 31 March 2012:

	Completed Projects	Projects under Development	Projects Held for Future Development	Investment Properties	Total
GFA (in 1,000 sq.m.)	225.7	14,115.9	2,623.9	170.3	17.135.8

The following tables set forth the geographical distribution of the Group's land bank in China as at 31 March 2012:

	GFA (in 1,000 sq.m.)	%
First-tier cities	3,736	21.8
Second- and third-tier cities	13,400	78.2
Total	**17,136**	**100.0**

	Residential (in 1,000 sq.m.)	Commercial (in 1,000 sq.m.)	Investment (in 1,000 sq.m.)	Total (in 1,000 sq.m.)	%
Southern China	3,865	69	44	3,978	23.2
Northern China	1,328	91	124	1,543	9.0
Eastern China	4,461	234	65	4,760	27.8
Central China	1,617	68	2	1,687	9.8
Northwestern China	2,612	288	30	2,930	17.1
Northeastern China	1,999	239	—	2,238	13.1
Total	**15,882**	**989**	**265**	**17,136**	**100.0**

The Group's revenue derived from property development and sales was approximately CNY11,662.6 million, CNY19,034.8 million, CNY23,213.9 million and CNY1,474.8 million for the years ended 31 December 2009, 2010 and 2011 and the three months ended 31 March 2012, respectively, accounting for approximately 96.4 per cent., 97.2 per cent., 97.1 per cent. and 84.6 per cent. of its total revenue during the same periods, respectively.

Property Investment

The Group invests in properties for rental income and potential long-term appreciation. As at 31 March 2012, the Group's investment properties primarily included factory buildings, dormitory buildings and retail space in Shenzhen, as well as one office building and retail complex in Beijing, with an aggregate leasable GFA of approximately 170.3 thousand sq.m.

The Group's revenue derived from property investment was approximately CNY123.2 million, CNY148.5 million and CNY216.4 million for the years ended 31 December 2009, 2010 and 2011 respectively, accounting for approximately 1.0 per cent., 0.8 per cent. and 0.9 per cent. of its total revenue during the same periods, respectively.

Property Management

The Group provides property management services to the projects developed by itself as well as some properties developed by other property developers. As at 31 March 2012, the Group managed 106 property projects in 21 cities across China with an aggregate managed GFA of approximately 22.2 million sq.m. The properties that the Group manages mainly include high-rise buildings, apartments, villas, clubhouses, schools, kindergartens, office buildings and industry zones. The Group typically manages its completed developments to ensure high-quality customer services and to enhance its brand name and awareness. Services provided by the Group's property management team include security, equipment maintenance and repairs and organisation of social events.

The Group's revenue derived from property management was approximately CNY270.3 million, CNY340.0 million and CNY430.6 million for the years ended 31 December 2009, 2010 and 2011, respectively, accounting for approximately 2.3 per cent., 1.7 per cent. and 1.8 per cent. of its total revenue during the same periods, respectively.

Others

The Group is also engaged in other businesses, such as real estate fund management in China. The Group commenced its property fund management business in 2006.

The Group's revenue derived from other businesses was approximately CNY29.8 million, CNY62.3 million and CNY51.3 million for the years ended 31 December 2009, 2010 and 2011, respectively, accounting for approximately 0.2 per cent., 0.3 per cent. and 0.2 per cent. of its total revenue during the same periods, respectively.

COMPETITIVE STRENGTHS

Proven Track Record and Strong Execution Capabilities

The Group was founded in 1988 and commenced its real estate business in China in 1993. It has a proven track record of having successfully developed over 30 million sq.m. of GFA across China in 19 years and achieving steady growth in revenue, contracted sales, contracted and delivered GFA and contracted and average selling price.

The Group's proven track record is demonstrated by the numerous awards that it has received, including, without limitation, "The Third China Creditable Enterprises List-Creditable Brand Award", "2011 Most Influential China Property Developer Award", "2011 Most Valuable Listed Property Developer Award", "2012 Real Estate Finance Innovation Award" and "2012 Most Valuable Listed Company Award."

The Group believes that it has proven its execution capabilities by successfully identifying and acquiring new development sites and delivering projects on time and on budget, such as well-located and relatively low-cost urban redevelopment projects. The Group's key corporate functions such as planning and financing, strategy management, operation management, product management and capital management are centralised at the Group's headquarters in Shenzhen. The Group supplements this by utilising the on-the-ground expertise of its six regional offices for local market research and project execution. The Group's six regional offices are located in Beijing, Shanghai, Shenzhen, Wuhan, Shenyang and Xi'an for property development in northern China, eastern China, southern China, central China, northeastern China and northwestern China, respectively.

Prudent Financial Management and Access to Diversified Funding Sources

The general investment policies adopted by the Group are to meet the minimum return requirements of the Group while maintaining prudent financial policies and procedures. The Group adopts a prudent approach in financial management. Subject to regulations, it is relatively easy for cash to be transferred between various project companies as and when the need arises, enabling efficient use of the Group's capital resources. Through borrowing at the corporate level and then downstreaming to the project level, the Group is not exposed to funding risks resulting from policies restricting the availability of loans at the project level. The Group benefits from access to diversified funding sources, including the capital markets in China, through equity offerings and bond offerings as a publicly listed company, as well as its good relationships with Chinese and overseas commercial banks, real estate trusts and investment funds.

The Group has obtained credit facilities from both domestic banks (including Bank of China, Agricultural Bank of China, Industrial and Commercial Bank of China, China Construction Bank, Bank of Communication and China Merchant Bank) and overseas banks (including The Hongkong and Shanghai Banking Corporation Limited, Deutsche Bank AG, DBS Bank Ltd., Wing Hang Bank, China Construction Bank Hong Kong branch, Industrial and Commercial Bank of China (Asia) Limited, Industrial and Commercial Bank of China Paris branch and Tokyo branch, Agricultural Bank of China Hong Kong branch and Singapore branch and China Merchant Bank Hong Kong branch). As at 31 March 2012, the total amount of the credit facilities granted by commercial banks in China to the Group was approximately CNY95.0 billion, of which approximately CNY70.6 billion remained undrawn. For the years ended 31 December 2009, 2010 and 2011 and the three months ended 31 March 2012, the Group's effective interest rate range was 1.07 per cent. to 8.50 per cent., 1.61 per cent. to 8.50 per cent., 1.09 per cent. to 12.50 per cent., 1.60 to 12.50 per cent., respectively.

The Company, which was listed on the Shanghai Stock Exchange in April 2001, raised CNY898 million through a share issuance in 2004. In addition, the Company issued shares by private placement with total amounts of CNY4.5 billion and CNY4.2 billion in July 2007 and July 2009, respectively.

The Company issued eight-year fixed rate 5.5 per cent. corporate bonds in a total amount of CNY1.2 billion in March 2008, which were rated "AAA" by China Chengxin Security Rating Co., Ltd.

The Group cooperates with various trusts and investments funds such as Ping An Trust, Resources Trust, New China Trust, Minmetals Trust, Bohai Sea Trust and ING/Mitsubishi funds. It has also established a number of domestic Renminbi funds and the UBS-Gemdale Real Estate US dollar fund through its co-investment with UBS AG, Hong Kong Branch to obtain funding for its business operations.

With a diversified funding platform and the continual monitoring of new financing opportunities, the Group's management believes it is able to maintain sufficient liquidity and lower its costs of capital raising, and is therefore in a strong financial position to expand its business.

The Group also benefits from specialisation and effective division of labour between a professional finance team managing the treasury function and making all fund raising decisions and the project companies concentrating on project development. The Group established its capital management department in 2004, which has been closely monitoring the capital and cash positions of the Group. In 2009, the Group was awarded the "Top 10 Best Cash Management Company" by www.hexun.com, one of the leading financial websites in China. The Group achieved a long-term corporate credit rating of "AAA" by Pengyuan Credit Rating Co., Ltd. in 2011. In 2012, the Group achieved "AA+" corporate credit rating which was upgraded from "AA" from China Chengxin Security Rating Co., Ltd.

The Group's policy is to operate a central treasury system managed by experienced professionals. The Company and Famous are the only two entities within the Group that are permitted to undertake onshore and offshore borrowings and other capital raisings, respectively, while the funds will be in turn allocated to its subsidiaries as the management deems appropriate. The Company believes it has advantages in terms of business scope and credit and can obtain borrowings with lower costs and favourable terms. It also provides a structure to efficiently allocate cash resources across the Group with the majority of unused cash kept as bank deposits and the remaining invested in low risk and capital protected investments.

Strong Liquidity and Debt Structure

The Group maintains a strong liquidity position through its centralised cash management system, a balanced debt maturity profile and access to undrawn credit facilities. The Group's centralised cash and debt management system is distinct from most property developers who rely on project-specific financing and entrustment loans. As at the date of this Offering Circular, the Group is one of the few property developers in China that mostly use corporate loans from banks for project development on an unsecured and unguaranteed basis. As a result, the Group is able to secure competitive credit terms and allocate its cash resources in an efficient way.

As at 31 March 2012, the Group had a cash position of approximately CNY17,446 million in bank balances and cash, and net current assets of approximately CNY41,286 million. To ensure sufficient liquidity, the Group seeks to continuously maintain a balance between its short-term and long-term debt obligations and to work closely with major lending banks. In addition, the Group had credit facilities with an amount of CNY70.6 billion as at 31 March 2012.

Large, Diversified and Low Cost Land Bank

The Group has a large, geographically diversified and low-cost land bank which it has secured through a variety of methods. As at 31 March 2012, the Group had a total land bank of approximately 17.1 million sq.m. of GFA, which it expects will be sufficient to support the development and sustainable growth of the Group for the next three to five years and will also enhance the Group's ability to withstand ongoing regulatory risks.

The Group's land parcels are strategically located in 20 cities in China, including four first-tier cities and 16 second-tier and third-tier cities. The Group believes that its geographically diversified land bank reduces concentration risk and better positions it to meet the challenges of ongoing regulatory risks. The Group has made significant investments in, and has interests in property development projects in, first-tier cities in China, such as Beijing, Shanghai, Shenzhen and Guangzhou, where the property market has experienced significant growth in recent years. It has also invested in a number of projects in second-tier cities such as Tianjin, Ningbo, Nanjing, Hangzhou, Zhuhai, Changsha, Changzhou, Dalian, Wuhan, Xi'an and Shenyang, which cities it expects will have significant growth potential, as well as some third-tier cities such as Dongguan and Shaoxing.

Since 2009, the Group has acquired a total GFA of 9.8 million sq.m. at a total land cost of CNY35.6 billion. In addition, the Group acquired its current land bank at a low cost, underpinning the potential for future profitability. For instance, the Group leverages the relationship with its largest shareholder, Futian Investment, through which the Group has secured a number of urban redevelopment projects with low cost and high return. Futian Investment has extensive access to property development opportunities throughout China, including more than 20.0 million sq.m. GFA of future city reconstruction projects. The Group, in turn, believes it has benefited from preferential access to such property development opportunities which are subsequently injected into the business of the Group. The Group has also seized various opportunities to acquire land through public auction or co-development with lower land cost, such as the Gemdale Lake City project in Xi'an and the Value Bay project in Shanghai.

The Group will continue to acquire sites from various sources to replenish its land bank at a steady pace, mainly targeting sites that are suitable for middle-market to high-end residential developments where the Group can leverage its experience and competitive advantages. The Group believes that its experience and reputation as a reliable development partner has helped it continue to replenish its land bank at attractive prices.

Experienced Management Team, Strong Corporate Governance and Support from Futian Investment

The Group is managed by a team of experienced professionals. The Group's senior management team consists of 11 professional managers with an average of over 16 years of industry experience and an average of over 13 years of relationship with the Group. The senior management team members have in-depth experience in key areas relating to the Group's business, such as accounting and finance, property management, construction and investment management. The strength and execution capability of its management team is evidenced by the numerous awards that the senior management members have won. Some of their most recent and notable awards include:

- "2011 Social Contributions Award to Individuals" to Mr. LING Ke by the 11th Annual Conference of Bo'ao 21st Century Real Estate Forum on 2 July 2011;

- "2011 Excellent Board Secretary of Main Board Listed Company" to Mr. XU Jiajun by *Securities Times* in June 2011; and

- "2011 China Real Estate New Leader" to Mr. HUANG Juncan by Bo'ao Viewpoint Real Estate Forum on 17 August 2011.

The Group is supported by Futian Investment, which is the largest shareholder of and holds approximately 7.85 per cent. of the outstanding shares of the Company as at the date of this Offering Circular. Futian Investment intends to maintain its current shareholding ownership and remain the largest shareholder of the Company. The Group enjoys a number of direct and indirect benefits from its strong relationship with Futian Investment; for example Futian

Investment's strategic guidance, long-term ownership interest and preferential access to capital. Futian Investment maintains long-term strategic relationships with governments, which help the Group to get new projects. For example, Shenzhen Futian district has more than 20 million sq.m. GFA of future city reconstruction projects planned. Futian Investment also maintains long-term good relationships with major Chinese and international banks, and assists the Group in obtaining preferential access to urban redevelopment project loans at low interest costs. The Group believes that its close relationship with Futian Investment will provide it with development opportunities for those projects.

High Brand Recognition and Range of Product Offerings

"Gemdale" is a well-established brand and one of the most trusted real estate brands in China. The Group's guiding principle is "科學築家 (The Science of Living)", which means that it aims to bring happiness and satisfaction through its high-quality, specialised and customer-oriented design. The management believes that its "Gemdale" brand is associated with a high-end image and high-quality life-style that appeals to its middle-market to upper-end customers. According to the survey commissioned by the Company and conducted by Gallup Consulting in 2011, the Group's overall customer satisfaction rate was 92 per cent. on property management service. The Group outperformed its peers in ten key aspects of customer experience, including sales service and delivery service. The strength of the Group's brand is evidenced by numerous awards, including, among others:

- "2012 Top 10 Listed Companies of China Real Estate in Comprehensive Strength," "Top 10 in Wealth Creation," "Top 10 in Financial Soundness" and "Top 10 in Investment Value" by *2012 China Real Estate Top 10 Research Report* issued by the State Council Development Research Centre, Real Estate Research Institute of Tsinghua University and China Index Research Institute;

- "2012 Real Estate Finance Innovation Award" and "2012 Most Valuable Listed Company Award" by 2012 Bo'ao Viewpoint Real Estate Forum;

- "The Third China Creditable Enterprises List-Creditable Brand Award" by *National Business Daily* on 15 March 2011;

- "Top 10 China Developers in Comprehensive Strength" (for eight consecutive years), "Enterprise Scale Top 10" and "Financing Ability Top 10" (among China's top 100 real estate developers) jointly by Enterprise Institute of the State Council Development Research Centre, Institute of Real Estate Studies Tsinghua University and China Index Academy on 25 March 2011;

- "China Real Estate Developers Business Growth Top 10" and "China Real Estate Developer Comprehensive Strength Top 20" jointly by China Real Estate Research Association, China Real Estate Association and China Real Estate Appraisal on 11 May 2011;

- "2011 Most Valuable Listed Property Developer Award" by the 11th Annual Conference of Bo'ao 21st Century Real Estate Forum held on 2 July 2011;

- "2011 Most Influential China Property Developer Award" by Bo'ao Viewpoint Real Estate Forum held on 17 August 2011;

- "Comprehensive Value Top 10 of A-Share Listed on Shanghai and Shenzhen Stock Exchanges" by *China Business News* on 9 September 2011;

- "2011 Most Valuable Listed Developer" by 2012 Bo'ao Viewpoint Real Estate Forum;

- "2010 Top 10 Brands of China Real Estate Companies" by China Chamber of International Commerce; and

- "Blue-chip Real Estate Company" by *The Economic Observer* for eight consecutive years.

The Group believes its well-established brand provides it with a number of benefits, including premium pricing, strong customer loyalty, reputation for reliability and a solid base on which the Group can develop its reputation in new markets.

The Group is committed to innovative designs and aims to introduce attractive products that appeal to its customers. It has developed four main product lines with themes of "Allanite", "Prestige", "Heaven" and "Aristocracy." By regularly incorporating new design concepts and materials into its products, the Group has been able to adapt to market trends and meet the changing preferences and demands of its customers. The Group believes its commitment to innovation and design differentiates it from other property developers. Through standardisation of design concepts and materials, the Group has been able to improve its market competitiveness and reputation, benefit from economies of scale, shorten the project development cycle and increase capital turnover, enhance development efficiency and reduce costs while providing consistent, high-quality developments to its customers.

STRATEGIES

Continue to Enhance its Leading Position

The Group's strategic focus is to develop high-quality projects in first-tier cities with mature markets as well as second-tier and third-tier cities which cities it believes have strong growth potential. The Group believes that its "Gemdale" brand and its product lines are appealing to potential customers in those cities. The Group will concentrate on the development of middle-market and high-end residential properties where it can leverage its experience and competitive advantages. The Group also intends to leverage its product quality, operational efficiency, brand image, leadership position, operational efficiency, experience and local knowledge to increase its share in the markets where it has already developed projects and to expand into new markets. In addition, the Group will continue to adopt a flexible property development process and focus on standardised products, which will help to shorten the project development cycle and increase capital turnover.

Build Land Bank in a Selective Manner together with Prudent Expansion

The Group intends to acquire land in a disciplined and selective manner by balancing intake and output of land from its land bank and its uses and sources of cash. The Group seeks to secure its future opportunities for growth and maintain its profitability by pursuing opportunities to acquire high-quality land parcels at low cost and by strictly following its land selection process in a prudent manner. The Group seeks to lower the cost of acquisition of land by leveraging its well-established market leader position and brand name, its close relationship with state-owned enterprises in China and by obtaining land through a variety of approaches such as bidding and tendering, as well as co-development with and subsequent acquisition of project companies in the secondary market. The Group will explore redevelopment opportunities of old towns in urban areas and maintain the geographic diversification in terms of its land bank, which will further reduce concentration and regulatory risk.

Maintain Prudent Financial Management

The Group will continue to closely monitor its capital and cash position and carefully manage its land costs, construction costs, operating expenses and fixed charge coverage. The Group will ensure that it maintains sufficient liquidity, maintains prudent gearing ratios and monitors debt and equity fund-raising options to take advantage of market opportunities. The Group intends to make full use of its fund-raising capabilities to enhance its financial strength by tapping new funding channels and platforms for the most efficient sources of capital, including international and domestic capital and credit markets. The Group will also continue to improve its internal financial management processes and corporate governance standards, adhere strictly to principles of prudent financial management and in particular focus on ensuring that its expenditures are in line with its cash inflows. This will allow the Group to expand its business at a steady and prudent pace.

Explore New Markets and Business

The medium-term goal of the Group is to develop into a diversified property developer with a leading position in residential property development supplemented by an investment property portfolio and real estate fund management capabilities. While continuing to focus on middle-market to high-end residential developments as its core business, the Group will expand its commercial property development and investment property business in a selective manner in order to reduce the influence of the volatilities of the residential property market.

CORPORATE HISTORY AND STRUCTURE

Corporate Milestones

1988	Founded in Shenzhen
1993	Started property development operations, entered into southern China region
1994	Commenced sales of the first residential project
2001	Listed on the Shanghai Stock Exchange offering 90,000,000 A shares, entered into northern China region
2002	Entered into eastern China region
2003	Entered into central China region
2005	Entered into northwestern China region
2006	Entered into northeastern China region
2007	Gemdale Plaza (Beijing) commenced operations
2008	Established UBS-Gemdale China Real Estate Investment Fund, the first foreign-capital real estate investment fund sponsored and raised by a property developer in China
2010	Completed first capital raising of US$206 million commitment for UBS-Gemdale Real Estate Investment Fund, completed first capital raising of CNY180 million for Renminbi-denominated Real Estate Fund

Corporate Financing Activities

2001	Listed on the Shanghai Stock Exchange
2004	Raised CNY898 million through A shares issuance
2007	Raised CNY4.5 billion through private placement
2008	Raised CNY1.2 billion through issuance of eight-year fixed rate 5.5 per cent. corporate bonds
2009	Raised CNY4.2 billion through private placement

Corporate Structure

Please refer to the section headed "***Description of the Subsidiary Guarantors — Business activities***" for the offshore corporate structure of the Group.

The following chart sets forth the corporate structure of all the subsidiaries of the Company in China by region:

Company

Southern China Region

- Shenzhen Gemdale New City Properties Development Co., Ltd.*
- Shenzhen Baocheng Properties Development Co., Ltd.*
- Shenzhen Longcheng Properties Development Co., Ltd.*
- Zhuhai Green Investment Co., Ltd.*
- Zhuhai Shenbao Commercial and Trade Co., Ltd.[1]
- Zhuhai Mendao Investment Co., Ltd.[1]
- Gemdale (Foshan) Properties Development Co., Ltd.[2]
- Foshan Shunde District Gemdale Properties Development Co., Ltd.*
- Dongguan Gemdale Baodao Properties Co., Ltd.*
- Shenzhen Gemdale Residential Properties Development Co., Ltd.*
- Shenzhen Old Town Rebuilding Properties Development Co., Ltd.[3]
- Shenzhen Gemdale Properties Management Co., Ltd.[4]
- Shenzhen Industry Zone Rebuilding Development Co., Ltd.[5]
- Shenzhen Northern City Properties Development Co., Ltd.[6]
- Gemdale Group Zhuhai Investment Co., Ltd.[7]
- Zhuhai Hejiada Investment Consulting Co., Ltd.[8]
- Guangzhou Dongling Properties Development Co., Ltd.[9]
- Dongguan Gemdale Properties Investment Co., Ltd.[10]
- Dongguan New Century Runcheng Industrial Investment Co., Ltd.[11]
- Shenzhen Si Chuang Jia He Management Consulting Co., Ltd.[7]●
- Shenzhen Ruijintongde Investment Co., Ltd.*▲
- Shenzhen Gemdale Construction Engineering Co., Ltd.[50]
- Shenzhen Gemdale Tennis Centre Co., Ltd.[50]
- Shenzhen Hong Gemdale Tennis Club Co., Ltd.[51]
- Shenzhen Gemdale Hotel Co., Ltd.[50]

Northern China Region

- Beijing Gemdale Xingye Properties Co., Ltd.*
- Beijing Gemdale Huida Properties Development Co., Ltd.*
- Gemdale Group Tianjin Properties Development Co., Ltd.*
- Gemdale Group Tianjin Investment Development Co., Ltd.*
- Beijing Gemdale Weisheng Properties Development Co., Ltd.[12]
- Beijing Gemdale Yuanjin Properties Development Co., Ltd.[13]
- Beijing Gemdale Hongye Properties Development Co., Ltd.[14]
- Beijing Gemdale Rongqiao Properties Development Co., Ltd.[15]
- Yantai Jinxiangtai Properties Co., Ltd.[16]
- Tianjin Tuanpo Lake Project Development Co., Ltd.[17]
- Beijing Gemdale Green Properties Management Co., Ltd.[18]
- Beijing Gemdale Hongyun Properties Development Co., Ltd.[14]●
- Wins (Tianjin) Investment Management Co., Ltd.[49]▲
- Wins (Tianjin) Investment Management Co., Ltd., Beijing Branch[50]▲
- Rui Jin Fang Rong (Beijing) Investment Consulting Co., Ltd.*▲
- Tianjin Wenfu Equity Investment Fund LL.P.[50]▲
- Tianjin Wenheng Equity Investment Fund LL.P.[50]▲

Eastern China Region

- Gemdale Group Shanghai Properties Development Co., Ltd.[19]
- Shanghai Shenjin Properties Development Co., Ltd.[20]
- Shanghai Jinshen Properties Development Co., Ltd.*
- Shanghai Nanxiang Garden Properties Development Co., Ltd.[21]
- Shanghai Jinheng Properties Development Co., Ltd.[22]
- Shanghai Gemdale Jingjiu Properties Development Co., Ltd.*
- Shanghai Green Style Properties Development Co., Ltd.[23]
- Shanghai Shenxiang Properties Development Co., Ltd.*
- Shanghai Gemdale Baoshan Properties Development Co., Ltd.*
- Shanghai Hangjin Properties Development Co., Ltd.[24]
- Shanghai Xinpu Investment Co., Ltd.[25]
- Shanghai Xinyi Investment Co., Ltd.[25]
- Shanghai Wangyue Investment Co., Ltd.[25]
- Shaoxing Gemdale Shenxing Properties Development Co., Ltd.[26]
- Changzhou Jinjiu Properties Development Co., Ltd.*
- Changzhou Jinkun Properties Development Co., Ltd.*
- Hangzhou Gemdale Xianghu Properties Development Co., Ltd.[27]
- Hangzhou Gemdale Zhongtian Properties Development Co., Ltd.[28]
- Hangzhou Gemdale Free City Properties Development Co., Ltd.*
- Ningbo Jinjie Properties Development Co., Ltd.*
- Ningbo Jinxiang Properties Development Co., Ltd.[29]
- Cixi Jinqi Properties Development Co., Ltd.[30]
- Famous (Nanjing) Commercial Co., Ltd.[31]
- Gemdale Group Nanjing Jinjiu Properties Development Co., Ltd.*
- Gemdale Group Nanjing Properties Development Co., Ltd.*
- Gemdale Group Nanjing Properties Co., Ltd.*
- Shanghai Gemdale Properties Management Co., Ltd.[32]
- Shanghai Wenyu Equity Investment Fund LL.P. [50]▲
- Yangzhou Real Estate Development Co., Ltd.

Central China Region

- Wuhan Aoqiang Properties Development Co., Ltd.*
- Gemdale Group Wuhan Properties Development Co., Ltd.[33]
- Wuhan Gemdale Huigu Properties Co., Ltd.[34]
- Wuhan Gemdale Famous Properties Development Co., Ltd.[35]
- Wuhan Guanggu Agriculture Development Co., Ltd.[36]
- Wuhan Gemdale Weisheng Properties Development Co., Ltd.[37]
- Hunan Jinlu Properties Development Co., Ltd.[38]
- Wuhan Gemdale Yijia Properties Management Co., Ltd.[39]

Northeastern China Region

- Gemdale Group (Shenyang) Properties Co., Ltd.[40]
- Shenyang Gemdale Shicheng Properties Development Co., Ltd.[41]
- Shenyang Gemdale Tianbang Properties Development Co., Ltd.*
- Shenyang Gemdale Hongye Properties Development Co., Ltd.[42]
- Shenyang Gemdale Evergreen Properties Development Co., Ltd.[43]
- Shenyang Gemdale Allwin Properties Development Co., Ltd.[44]
- Shenyang Glory Properties Development Co., Ltd.[45]
- Dalian Glory Properties Development Co., Ltd.[46]
- Dalian Tianyi Properties Development Co., Ltd.*

Northwestern China Region

- Xi'an Gemdale Properties Investment Co., Ltd.*
- Shaanxi Gemdale Jiahe Properties Co., Ltd.[47]
- Shaanxi Gemdale Jiayi Properties Co., Ltd.*
- Xizang Rongdi Consulting Co., Ltd.[52]

Notes:

- * refers to wholly-owned subsidiary of the Company
- • refers to property investment company
- ▲ refers to real property fund
- ■ refers to associated company

(1) 100 per cent. owned by Gemdale Group Zhuhai Investment Co., Ltd.

(2) 100 per cent. owned by Gemdale Laureate Limited

(3) 60 per cent. held by the Company and 40 per cent. held by Shenzhen Junwei Properties Development Co., Ltd.

(4) 90 per cent. held by the Company and 10 per cent. held by Shenzhen Gemdale Properties Management Co., Ltd.

(5) 60 per cent. held by the Company and 40 per cent. held by Shenzhen Futian Construction Co., Ltd.

(6) 57.14 per cent. held by the Company and 42.86 per cent. held by Ping An Trust Co., Ltd.

(7) 90 per cent. held by the Company and 10 per cent. held by Shenzhen Hong Gemdale Tennis Club Co., Ltd.

(8) 51 per cent. held by the Company and 49 per cent. held by Shenzhen Haolida Investment Co., Ltd.

(9) 80 per cent. held by the Company and 20 per cent. held by Guangdong Dongling Group Co., Ltd.

(10) 62.08 per cent. held by the Company, 34.90 per cent. held by Famous Commercial Limited and 3.02 per cent. held by Shenzhen International Tennis Club Co., Ltd.

(11) 51 per cent. held by the Company, 39 per cent. held by Dongguan New Century Properties Development Co., Ltd. and 10 per cent. held by Dongguan Guangji Industrial Co., Ltd.

(12) 50 per cent. held by the Company and 50 per cent. held by Beijing Gemdale Yuanjin Properties Development Co., Ltd.

(13) 80 per cent. held by the Company and 20 per cent. held by Beijing Gemdale Xingye Properties Co., Ltd.

(14) 70 per cent. held by the Company and 30 per cent. held by Beijing Hongyun Properties Co., Ltd.

(15) 60 per cent. held by the Company and 40 per cent. held by Beijing Ronghui Properties Co., Ltd.

(16) 51 per cent. held by the Company and 49 per cent. held by Shandong Jinxiangtai Properties Co., Ltd.

(17) 70 per cent. held by the Company and 30 per cent. held by Tianjin Ren'ai Enterprise Co., Ltd.

(18) wholly-owned by Beijing Gemdale Yuanjin Properties Development Co., Ltd.

(19) 90 per cent. held by the Company and 10 per cent. held by Shenzhen Gemdale Properties Management Co., Ltd.

(20) 75 per cent. held by Gemdale Group Shanghai Properties Development Co., Ltd. and 25 per cent. held by Shanghai Qingpu Yunhu Properties Development Co., Ltd.

(21) 90 per cent. held by the Company and 10 per cent. held by Shanghai Jia Bao Qi Yi Properties Operation Co., Ltd.

(22) 51 per cent. held by the Company and 49 per cent. held by Shenzhen Gemdale Construction Materials Co., Ltd.

(23) 70 per cent. held by the Company and 30 per cent. held by Shanghai Jiabao Industrial (Group) Co., Ltd.

(24) 60 per cent. held by the Company and 40 per cent. held by Tianjin Wenfu Equity Investment Fund LL.P.

(25) wholly-owned by Gemdale Group Shanghai Properties Development Co., Ltd.

(26) 51 per cent. held by the Company, 40 per cent. held by Shanghai Dingdin Investment Co., Ltd. and 9 per cent. held by Shanghai Wangyue Investment Co., Ltd.

(27) 60 per cent. held by the Company and 40 per cent. held by Allwin Commercial Limited

(28) 60 per cent. held by the Company and 40 per cent. held by Zhejiang Zhongtian Properties Group Co., Ltd.

(29) wholly-owned by Ningbo Jinjie Properties Development Co., Ltd.

(30) 66.32 per cent. held by the Company and 33.68 per cent. held by Tianjin Wenyu Equity Investment Fund LL.P.

(31) wholly-owned by Famous Commercial Limited

(32) wholly-owned by Gemdale Group Shanghai Properties Development Co., Ltd.

(33) 90 per cent. held by the Company and 10 per cent. held by Dongguan Gemdale Properties Investment Co., Ltd.

(34) 90 per cent. held by the Company and 10 per cent. held by Wuhan Gemdale Famous Properties Development Co., Ltd.

(35) 18.4 per cent. held by the Company and 81.6 per cent. held by Gemdale Group Wuhan Properties Development Co., Ltd.

(36) 75 per cent. held by Hubei Wanhao Science and Technology Development Co., Ltd. and 25 per cent. held by Wuhan Hi-tech Science Agriculture Development Co., Ltd.

(37) 64.29 per cent. held by Gemdale Group Wuhan Properties Development Co., Ltd. and 35.71 per cent. held by Tianjin Wenyin Equity Investment Fund LL.P.

(38) 63.82 per cent. held by the Company and 36.18 per cent. held by Hunan Telecommunication Industry Services Co., Ltd.

(39) wholly-owned by Gemdale Group Wuhan Properties Development Co., Ltd.

(40) wholly-owned by Kudos International Company Limited

(41) wholly-owned by Jade Commercial Company Limited

(42) wholly-owned by Noble Commercial Company Limited

(43) 75 per cent. held by Shenyang Gemdale Tianbang Properties Development Co., Ltd. and 25 per cent. held by Evergreen Commercial Limited

(44) wholly-owned by Allwin Commercial Limited

(45) wholly-owned by Glory Investment Management Limited

(46) wholly-owned by Glory Commercial Limited

(47) 70 per cent. held by the Company and 30 per cent. held by Shenzhen Haolida Investment Co., Ltd.

(48) wholly-owned by Wins (Hong Kong) Investment Management Company Limited

(49) wholly-owned by Wins (Tianjin) Investment Management Co., Ltd.

(50) 80 per cent. held by the Company and 20 per cent. held by Shenzhen Gemdale Properties Management Co., Ltd.

(51) 95 per cent. held by the Company and 5 per cent. held by Shenzhen Gemdale Properties Management Co., Ltd.

(52) 100 per cent. held by Zhuhai Green Investment Co., Ltd.

BUSINESS OVERVIEW

The Group's primary business activities and interests are in three principal sectors: residential property development and sales, commercial property development and operation, and property management. Other businesses of the Group include real estate fund management which currently comprises a small portion of the Group's revenue.

The following table shows a breakdown of the Group's operations in terms of revenue for the periods indicated:

	Year ended December 31,		
	2009	2010	2011
		(CNY in millions)	
Revenue			
Property development and sales	11,662.6	19,034.8	23,213.9
Property investment	123.2	148.5	216.4
Property management	270.3	340.0	430.6
Others	29.8	62.3	51.3
Total revenue	**12,085.9**	**19,585.6**	**23,912.2**

PROPERTY DEVELOPMENT AND SALES

Projects Overview

The Group's revenue derived from property development and sales was approximately CNY11,662.6 million, CNY19,034.8 million and CNY23,213.9 million for the years ended 31 December 2009, 2010 and 2011, respectively, accounting for approximately 96.4 per cent., 97.2 per cent. and 97.1 per cent. of its total revenue during the same periods, respectively.

The majority of the Group's property developments are comprised of high-quality residential properties targeting the middle-market to upper-end customers in China. The Group offers a broad variety of residential products, including, but not limited to, standalone villas, terraces, townhouses, duplexes, high-rise buildings, multi-storeyed buildings and apartments. The four major product series that the Group has developed are summarised below:

Allanite Series

This product series consists of residential apartments and townhouses designed for middle-class families pursuing quality living and unique style and taste. The idea of this series originated from cultural diversification and open blocks in Shanghai old towns, New York and Boston. Fantastic Age and Gemdale Art Wonderland are representative works of this product series.

Prestige Series

This product series is designed for both commercial and residential purposes and comprises high-rise buildings and townhouses targeting traditional middle-class families. This series uses modern construction materials and techniques while following classical structures and design. Gemdale City Crown and Gemdale Glory Mansion are representative works of this product series.

Heaven Series

This product series comprises villas geared towards social elites and young high-end home buyers. It embodies luxury in simple patterns and is featured with freedom, comfort and creativity. It integrates the essence of a villa and a garden house. Projects under this series are surrounded by excellent landscaping and come equipped with modern design. The Pure Land and Gemdale Great Mansion are representative works of this product series.

Aristocracy Series

This product series is designed for both commercial and residential purposes and comprises standalone villas, terraces, apartments, townhouses and duplexes. It targets high-end home buyers who pursue high quality developments located in natural surroundings. Projects under this series are usually situated in close proximity to attractive natural scenery. Gemdale Zi Yue Palace and Villas Du Lac are representative works of this product series.

For the years ended 31 December 2009, 2010 and 2011, the Group completed projects with a total GFA of 998,800.0 sq.m., 1,465,400.0 sq.m. and 2,133,100.0 sq.m., respectively. The Group did not complete any projects for the three months ended 31 March 2012.

The Group generally divides its developments into "completed properties", "properties under development" and "properties held for future development". "Completed properties" are those property developments which are suitable for occupancy and delivery to customers, with all necessary occupation permits or completion certificates obtained and the relevant utilities, access and other related infrastructure in place. "Properties under development" refers to a project for which land use right certificates have been obtained for parts, or the whole, of the development and construction work has commenced. "Properties held for future development" refers to a project for which the Group has obtained land use certificates for parts, or the whole, of the development, but construction work has not commenced.

Completed Properties

The following table summarises details of the Group's completed properties with sold GFA as at 31 March 2012. The Group's interest reflects an interest in the division of the property following completion of a development project.

Name of property	Location	Intended use	Completion date	Total site area	Total GFA	Total GFA for sale	Sold GFA as at 31 March 2012	GFA of land bank as at 31 March 2012	Interest
				(in 1,000 sq.m.)	(in 1,000 sq.m.)	(in 1,000 sq.m.)	(in 1,000 sq.m.)	(in 1,000 sq.m.)	%
Gemdale International Garden (Shenyang)	Shenyang	Residential/ Commercial	January 2010	110.3	247.6	218.1	217.1	1.0	100
Gemdale International Garden (Shenyang) Phase IV	Shenyang	Residential/ Commercial	October 2011	24.0	72.4	59.1	59.1	0.3	100
The Imperial Garden	Xi'an	Residential/ Commercial	November 2008	44.3	102.0	79.8	79.8	0.3	100
Gemdale Land of Lotus	Xi'an	Residential/ Commercial	April 2011	139.8	217.6	168.7	168.7	0.7	100
Beijing Sihui	Beijing	Residential/ Commercial	January 2010	44.1	129.5	102.7	102.1	0.8	100
Gemdale Green Town 6	Beijing	Residential/ Commercial	November 2009	104.4	191.3	159.4	158.4	–	100
Gemdale Green Town (Wuhan)	Wuhan	Residential/ Commercial	December 2008	437.9	762.0	652.3	651.7	0.7	100
Gemdale West Coast Story	Wuhan	Residential/ Commercial	December 2011	49.6	171.2	149.2	148.5	1.1	100
Gemdale International Garden (Wuhan)	Wuhan	Residential/ Commercial	December 2011	64.9	230.0	194.5	193.6	2.9	100
Gemdale City Town	Nanjing	Residential	June 2010	89.3	203.8	154.1	147.0	5.3	100
Gemdale International Garden (Ningbo)	Ningbo	Residential	December 2008	67.3	171.4	124.7	124.7	–	100
Gemdale Green World (Shanghai)	Shanghai	Residential	October 2011	845.3	1,155.6	865.1	820.0	96.7	70
Gemdale Great Mansion	Shanghai	Residential	August 2011	83.6	157.8	100.6	67.0	52.0	100
Gemdale Green Spring (Shanghai)	Shanghai	Residential	June 2005	120.4	162.2	146.4	145.3	1.0	100

Name of property	Location	Intended use	Completion date	Total site area	Total GFA	Total GFA for sale	Sold GFA as at 31 March 2012	GFA of land bank as at 31 March 2012	Interest
				(in 1,000 sq.m.)	(in 1,000 sq.m.)	(in 1,000 sq.m.)	(in 1,000 sq.m.)	(in 1,000 sq.m.)	%
Gemdale Green Spring Dawn	Shanghai	Residential	April 2005	135.5	108.3	94.8	90.0	4.8	90
Gemdale Green County	Shanghai	Residential	May 2009	202.8	292.1	237.2	237.2	33.1	75
Gemdale Value Bay	Shanghai	Residential	November 2010	124.7	260.0	187.1	182.7	5.7	100
Gemdale Future	Shanghai	Residential	December 2008	96.4	206.4	153.9	153.9	0.1	100
Gemdale The Gateway	Shenzhen	Residential	November 2007	29.5	227.0	94.6	85.4	11.9	60
Gemdale Elite Mansion	Shenzhen	Residential	January 2010	4.2	33.8	26.5	26.5	–	100
Gemdale Mellon Town	Shenzhen	Residential	September 2009	141.7	542.2	418.6	418.4	0.3	100
Gemdale Shang Tang Dao	Shenzhen	Residential	December 2010	53.1	203.4	147.2	145.5	3.5	100
Gemdale Kow Loon Jade	Foshan	Residential	July 2011	110.2	316.6	222.5	219.9	2.9	100
Gemdale Green Land	Dongguan	Residential	December 2010	94.7	216.2	189.6	189.2	0.6	100
Total				**3,218.0**	**6,380.4**	**4,946.7**	**4,831.7**	**225.7**	**–**

Gemdale International Garden (Shenyang)

Gemdale International Garden (Shenyang) is located in Hunnan district, Shenyang, Liaoning province. The project occupies a total site area of 110,304.8 sq.m. with an aggregate total GFA of 247,640.3 sq.m. The project is designed for both commercial and residential purposes and is positioned as an integration of high-rise, low-rise and multi-storeyed buildings and townhouses. The project has been constructed in a German style and is a high-end residential development located in the city of Shenyang. The project has affiliated clubhouses and 841 car park lots.

Construction of the project commenced in May 2007 and was completed in January 2010.

The project was granted the "2010 Rose Bowl Award" and "2010 New Look Award" by Association of Architecture of Shenyang in 2010.

Gemdale International Garden (Shenyang) Phase IV

Gemdale International Garden (Shenyang) Phase IV is located in Hunnan district, Shenyang, Liaoning province. The project occupies a total site area of 24,000.0 sq.m. with an aggregate total GFA of 72,400.5 sq.m. The project is designed for both commercial and residential purposes and comprises high-rise buildings. The project has been constructed in a German style and is a high-end residential development located in the city of Shenyang. The project has affiliated clubhouses and 291 car park lots.

Construction of the project commenced in September 2009 and was completed in October 2011.

The project was granted the "2011 New Look Award" by Association of Architecture of Shenyang in 2011 and the title of "Excellent Main Structure Work" by Association of Architecture of Liaoning province in the same year.

The Imperial Garden

The Imperial Garden is located in Qujiang New Zone, Xi'an, Shaanxi province, about one kilometer south from the Wild Goose Pagoda. The project occupies a total site area of 44,254.0 sq.m. with an aggregate total GFA of 101,981.0 sq.m. The project is designed for both commercial and residential purposes and is positioned as an integration of sub-high-rise buildings, double-duplexes and terraces. The architectural design of this project has integrated both modern and classical styles, displaying a modern interpretation of the Tang dynasty's unique features. The project has affiliated clubhouses and 393 car park lots.

Construction of the project commenced in August 2006 and was completed in November 2008.

The project was awarded the titles of "2007 Best Villa in Xi'an" in 2007 and "Top 10 Gold Prize Properties" in the same year.

Gemdale Land of Lotus

Gemdale Land of Lotus is located in Qujiang New Zone, Xi'an, Shaanxi province. The project occupies a total site area of 139,786.9 sq.m. with an aggregate total GFA of 217,637.0 sq.m. The project is designed for both commercial and residential purposes and is positioned as an integration of townhouses, duplexes, terraces and multi-storeyed buildings. It creates an atmosphere of a European mountain town in the heart of the city. The project has affiliated clubhouses and 1,349 car park lots.

Construction of the project commenced in January 2008 and was completed in April 2011.

The project was awarded the titles of "The Second Xi'an Golden Pomegranate Property" by *Xi'an Property* in 2009, "2009 Top 3 in Sales in Qujiang District Xi'an" and "2009 Top 5 in Sales of Villa in Xi'an" by *Sanqin Daily* in 2009.

Beijing Sihui Project

The project is located in Sihui, Chaoyang district, Beijing. The project occupies a total site area of 44,074.0 sq.m. with an aggregate total GFA of 129,450.0 sq.m. The project is designed for both commercial and residential purposes and consists of residential apartments with a floor-to-ceiling height of 2.9 meters each. The project has affiliated clubhouses and 201 car park lots.

Construction of the project commenced in June 2007 and was completed in January 2010.

Gemdale Green Town 6

Gemdale Green Town 6 is located in Majuqiao, Tongzhou district, Beijing. The project occupies a total site area of 104,412.0 sq.m. with an aggregate total GFA of 191,304.0 sq.m. The project is designed for both commercial and residential purposes and is positioned as a French style low-density villa community. The project has affiliated clubhouses and 292 car park lots.

Construction of the project commenced in May 2006 and was completed in November 2009.

The project was awarded the titles of "Most Valuable Classic Brand Model Property" by *China Construction News* in 2007 and "Mainstream Residence of Humanities" in 2008.

Gemdale Green Town (Wuhan)

Gemdale Green Town (Wuhan) is located in Hongshan district, Wuhan, Hubei province. The project occupies a total site area of 437,993.0 sq.m. with an aggregate total GFA of 762,000.0 sq.m. The project is designed for both commercial and residential purposes and is positioned as an integration of high-rise, mid-rise and multi-storeyed buildings, garden houses and townhouses. It is a large-scale German style residential development that is located in the sub-centre of the city. The project has affiliated clubhouses and 1,655 car park lots.

Construction of the project commenced in September 2004 and was completed in December 2008.

The project was awarded the titles of "Innovation Storm-China Classical Model Residence" by Ministry of Construction in 2004 and "Zhan Tianyou Award-Excellent Residential Gold Prize" by China Civil Engineering Society in 2006.

Gemdale West Coast Story

Gemdale West Coast Story is located in Hongshan district, Wuhan, Hubei province. The project occupies a total site area of 49,637.0 sq.m. with an aggregate total GFA of 171,209.0 sq.m. The project is designed for both commercial and residential purposes and comprises high-rise buildings. The project is designed to have affiliated clubhouses and approximately 320 car park lots.

Construction of the project commenced in October 2009 and was completed in December 2011.

Gemdale International Garden (Wuhan)

Gemdale International Garden (Wuhan) is located in Wuchang district, Wuhan, Hubei province. The project occupies a total site area of 64,900.0 sq.m. with an aggregate total GFA of 230,028.3 sq.m. The project is designed for both commercial and residential purposes and comprises high-rise buildings, the soho area and duplexes. The project is designed to have affiliated clubhouses and approximately 470 car park lots.

Construction of the project commenced in August 2007 and was completed in December 2011.

The project was granted the “Wuhan Excellent Residential Comprehensive Award”, “Wuhan Excellent Residential Environment & Landscape Award”, “Wuhan Excellent Residential Small and Medium Apartment Design Award”, “2009–2010 Excellent Residential Communities in Wuhan” by Wuhan Real Estate Developers Association in 2011 and “China Model Property with Most Classical Brand Value” by *China Construction News* in 2007.

Gemdale City Town

Gemdale City Town is located in Jianye district, which is a traditional main city area of Nanjing, Jiangsu province. The project occupies a total site area of 89,346.0 sq.m. with an aggregate total GFA of 203,783.0 sq.m. The project is designed for residential purposes and comprises high-rise and high-end residential apartments and retail shops. The project has affiliated clubhouses, a kindergarten and 1,062 car park lots.

Construction of the project commenced in March 2008 and was completed in June 2010.

Gemdale International Garden (Ningbo)

Gemdale International Garden (Ningbo) is located in Yinzhou district, Ningbo, Zhejiang province. The project occupies a total site area of 67,348.0 sq.m. with an aggregate total GFA of 171,441.0 sq.m. The project is designed for residential purposes and comprises high-rise buildings and retail shops. The project adopts solar and wind energy for power generation. It also unites living space with the natural environment. The project has affiliated clubhouses, a kindergarten and 849 car park lots.

Construction of the project commenced in March 2006 and was completed in December 2008.

Gemdale Green World (Shanghai)

Gemdale Green World (Shanghai) is located in Jiading district, Shanghai. The project occupies a total site area of 845,308.7 sq.m. with an aggregate total GFA of 1,155,626.2 sq.m. The project is designed for residential purposes and comprises high-rise buildings, townhouses and retail shops. The project is designed to have affiliated clubhouses, a primary school and approximately 5,610 car park lots.

Construction of the project commenced in August 2008 and was completed in October 2011.

The project was awarded the titles of “2010 Most Popular Real Estate Sold in Shanghai” by China Index Academy and Sofang in 2010, “No. 1 in Residential GFA Sold in Shanghai” in 2008 and 2009, “Shanghai Real Estate Landmark Property” jointly by *Xinmin Evening News*, *Wen Wei Po*, *Oriental Morning Post* and Sina Real Estate Division in 2007 and “Biggest Real Estate in Shanghai China” by *21st Century Business Herald* and committee of Bo’ao 21st Century Real Estate Forum in 2005.

Gemdale Great Mansion

Gemdale Great Mansion is located in Qingpu district, Shanghai. The project occupies a total site area of 83,645.0 sq.m. with an aggregate total GFA of 157,797.9 sq.m. The project is designed for residential purposes and consists of apartments. The project is designed to have an affiliated recreation centre, a senior citizens’ entertainment centre, a services centre and approximately 770 car park lots.

Construction of the project commenced in January 2010 and was completed in August 2011.

The project was awarded the titles of "Model Mansion — International Classic Community" by Shanghai Real Estate Trade Centre and *Shanghai Properties* in 2010 and "2011 Most Popular Property in Shanghai — Habitat Value Gold Prize" by *Evening News* in 2011.

Gemdale Green Spring (Shanghai)

Gemdale Green Spring (Shanghai) is located in Jiading district, Shanghai. The project occupies a total site area of 120,399.0 sq.m. with an aggregate total GFA of 162,188.0 sq.m. The project is designed for residential purposes and is positioned as an integration of four- to five-storey low-density garden apartments, six-storey apartment buildings, 11–14 storey low-rise buildings, townhouses and retail shops. It utilises existing river and man-made waterways and blends public parks with private gardens. The project has affiliated clubhouses, an open market, a kindergarten and 126 car park lots.

Construction of the project commenced in July 2003 and was completed in June 2005.

The project was awarded the title of "Shanghai Residence Construction Honor Competition" in 2005 and "China Residence Classical Model Property" in 2003.

Gemdale Green Spring Dawn

Gemdale Green Spring Dawn is located in Nanxiang, Shanghai. The project occupies a total site area of 135,478.0 sq.m. with an aggregate total GFA of 108,312.0 sq.m. The project is designed for residential purposes and is positioned as a low-density townhouse community consisting of duplexes, terraces and retail shops. It blends the spirit of Chinese gardening and western architecture with an L-shaped building group configuration which provides sufficient space between adjacent buildings. The project has affiliated clubhouses, a business centre, roof-top tennis court and 439 car park lots.

Construction of the project commenced in May 2003 and was completed in April 2005.

The project was awarded the title of "China Residential Innovation Model Property" in 2003.

Gemdale Green County

Gemdale Green County is located in Qingpu district, Shanghai. The project occupies a total site area of 202,763.0 sq.m. with an aggregate total GFA of 292,065.0 sq.m. The project is designed for residential purposes. It creates scenery garden houses as dominant structures and ten-storey buildings as supplementary residences. The project has affiliated clubhouses, a kindergarten, retail shops and 529 car park lots.

Construction of the project commenced in November 2005 and was completed in May 2009.

The project was awarded the titles of "China New District with International Influence" in 2006 and "2005 National Residential Classical Planning Gold Prize" in 2005.

Gemdale Value Bay

Gemdale Value Bay is located in Pudong district, Shanghai. The project occupies a total site area of 124,696.0 sq.m. with an aggregate total GFA of 259,997.0 sq.m. The project is designed for residential purposes and integrates a combination of garden houses, villas, high-rise buildings and retail shops. It lies in the city centre of Shanghai and creates a pleasant and natural community along the bay. The project has 1,113 car park lots.

Construction of the project commenced in December 2007 and was completed in November 2010.

The project was granted the "Market Development Award" in 2009 by *First Financial Daily.*

Gemdale Future

Gemdale Future is located in Pudong district, Shanghai, near a 5,750.0 sq.m. green area. The project occupies a total site area of 96,383.0 sq.m. with an aggregate total GFA of 206,375.0 sq.m. The project is designed for residential purposes and is positioned as an integration of high-rise buildings, townhouses and retail shops. It has convenient access to the transportation system and comprises a low-density community. The project has an affiliated senior citizen recreation centre and 1,025 car park lots.

Construction of the project commenced in June 2007 and was completed in December 2008.

Gemdale The Gateway

Gemdale The Gateway is located in Futian district, Shenzhen, Guangdong province. The project occupies a total site area of 29,451.6 sq.m. with an aggregate total GFA of 227,022.1 sq.m. The project is designed for residential purposes and comprises business apartments and retail shops. It is located in the border region of Hong Kong and Shenzhen, which is essentially the gateway between the two cities. The project has affiliated clubhouses, a kindergarten, a community services centre and a neighbourhood committee.

Construction of the project commenced in January 2006 and was completed in November 2007.

Gemdale Elite Mansion

Gemdale Elite Mansion is located in Futian district, Shenzhen, Guangdong province. The project occupies a total site area of 4,200.2 sq.m. with an aggregate total GFA of 33,804.9 sq.m. The project is designed for residential purposes and comprises high-rise buildings and retail shops. It is the first small-house project developed by the Group in Shenzhen. The project has an affiliated recreation centre, a neighbourhood committee and 160 car park lots.

Construction of the project commenced in November 2007 and was completed in January 2010.

Gemdale Mellon Town

Gemdale Mellon Town is located in Bao'an district, Shenzhen, Guangdong province. The project occupies a total site area of 141,730.0 sq.m. with an aggregate total GFA of 542,159.0 sq.m. The project is designed for residential purposes and is positioned as an integration of 11–18 storey mid-rise buildings, 24–33 storey high-rise buildings and retail shops. It is located in a rapidly developing satellite area with a convenient transportation system that connects to the rest of the city. The project has affiliated clubhouses, a kindergarten, a community services centre, a neighbourhood committee and 2,670 car park lots.

Construction of the project commenced in August 2005 and was completed in September 2009.

The project was awarded the titles of "Most Innovative Brand Model Property" by *China Construction News* in 2006, "Architectural Design Innovation Property Award" and "Landscape Planning Innovation Property Award" in the poll of China City Property Innovation hosted by Ministry of Construction in 2006.

Gemdale Shang Tang Dao

Gemdale Shang Tang Dao is located in Bao'an district, Shenzhen, Guangdong province. The project occupies a total site area of 53,104.9 sq.m. with an aggregate total GFA of 203,357.0 sq.m. The project is designed for residential purposes and comprises residential buildings and retail shops. The project has affiliated clubhouses, a community services centre, a clinic and 1,542 car park lots.

Construction of the project commenced in November 2007 and was completed in December 2010.

The project was awarded the titles of "Best Design" by www.soufun.com and Ministry of Housing and Urban-Rural Development of the PRC and "2010 Top 10 Fashionable Properties in China" by Bo'ao Viewpoint Real Estate Forum in 2010.

Gemdale Kow Loon Jade

Gemdale Kow Loon Jade is located in Chancheng district, Foshan, Guangdong province. The project occupies a total site area of 110,216.0 sq.m. with an aggregate total GFA of 316,602.0 sq.m. The project is designed for residential purposes and is positioned as an integration of high-rise buildings and townhouses. It is located in the city centre and is the first high-end luxury project developed by the Group in Foshan. The project has affiliated clubhouses, a kindergarten, a community services centre and 2,204 car park lots.

Construction of the project commenced in February 2007 and was completed in July 2011.

The project was awarded the titles of "2010 Annual Best Community of Humanities in Foshan" by *Guangzhou Daily* in 2010, and "Diamond Level High Quality Property" jointly by China Construction Bank Guangdong Provincial Branch and Guangdong Housing Association in the same year.

Gemdale Green Land

Gemdale Green Land is located in Dalingshan, Dongguan, Guangdong province. The project occupies a total site area of 94,733.8 sq.m. with an aggregate total GFA of 216,255.0 sq.m. The project is designed for residential purposes and is positioned as an integration of high-rise buildings and townhouses. It is situated at the edge of Songshan lake, adjacent to fresh water and vast planting areas. It introduces the concept of a "semi-courtyard" which provides easy access to sunlight and ventilation. The project has affiliated clubhouses, a primary school, a community services centre and 1,430 car park lots.

Construction of the project commenced in January 2007 and was completed in December 2010.

Properties under Development

The following table summarises details of the Group's properties under development as at 31 March 2012. The Group's interest reflects an interest in the division of the property following completion of a development project. A number of these projects are still in early stages of development.

Name of property	Location	Intended use	Expected completion time	Total site area	Total GFA	Total GFA for sale	Pre-sold GFA as at 31 March 2012	GFA of land bank as at 31 March 2012	Interest
				(in 1,000 sq.m.)	(in 1,000 sq.m.)	(in 1,000 sq.m.)	(in 1,000 sq.m.)	(in 1,000 sq.m.)	%
Gemdale Laurel Bay	Shenyang	Residential/ Commercial	second half of 2013	599.5	1,479.5	1,241.1	588.3	888.5	100
Shenyang Tanjun	Shenyang	Residential/ Commercial	second half of 2012	93.9	180.6	158.9	149.0	59.8	100
Gemdale City Crown	Shenyang	Residential/ Commercial	second half of 2013	192.2	529.0	419.2	182.9	325.1	55
Pleasure Town	Shenyang	Residential/ Commercial	second half of 2015	198.2	586.6	450.8	40.6	449.8	51
Gemdale CEO Mansion	Dalian	Residential/ Commercial	first half of 2014	9.8	79.8	63.2	6.6	63.2	70
Qianguan(1)	Dalian	Residential/ Commercial	second half of 2014	294.0	564.4	450.0	–	450.0	100
Gemdale Lake City	Xi'an	Residential/ Commercial	second half of 2015	637.8	1,669.9	1,214.3	466.1	970.9	70
Mountain Yearning	Beijing	Residential/ Commercial	second half of 2012	152.1	348.3	245.2	199.1	128.5	60
River Town	Beijing	Residential/ Commercial	second half of 2015	190.3	373.3	241.9	11.7	241.9	100
Gemdale Zi Yue Palace	Tianjin	Residential/ Commercial	first half of 2014	169.0	522.4	354.6	103.3	333.4	100
Gemdale Green World (Tianjin)	Tianjin	Residential/ Commercial	second half of 2012	377.4	825.3	718.9	712.1	133.2	100
Glory Mansion (Yantai)	Yantai	Residential/ Commercial	second half of 2013	66.3	180.8	143.1	17.1	142.7	51
Changsha Guanyinyan	Changsha	Residential/ Commercial	first half of 2018	789.0	587.4	405.6	5.9	405.6	57
Raphael Bay	Wuhan	Residential/ Commercial	second half of 2016	306.6	742.9	577.7	41.1	576.5	64
Wuhan Institute of Agricultural Science	Wuhan	Residential/ Commercial	first half of 2014	199.2	409.9	279.9	113.6	279.6	70
Donghu Development Zone	Wuhan	Residential/ Commercial	second half of 2014	156.4	425.3	327.0	–	327.0	100
Gemdale King Hood	Wuhan	Residential/ Commercial	first half of 2013	14.8	93.9	72.0	3.7	72.0	100
Gemdale Green Spring (Wuhan)	Wuhan	Residential/ Commercial	second half of 2012	106.8	301.2	238.1	217.6	20.6	100
Summit Mansion (No. 2)	Changzhou	Residential	second half of 2014	69.8	197.0	158.6	2.4	158.6	100

Name of property	Location	Intended use	Expected completion time	Total site area	Total GFA	Total GFA for sale	Pre-sold GFA as at 31 March 2012	GFA of land bank as at 31 March 2012	Interest
				(in 1,000 sq.m.)	(in 1,000 sq.m.)	(in 1,000 sq.m.)	(in 1,000 sq.m.)	(in 1,000 sq.m.)	%
Summit Mansion (No. 3)	Changzhou	Residential	first half of 2014	102.5	287.8	232.6	–	232.6	100
Gemdale Free City (No. 41)	Hangzhou	Residential	first half of 2013	133.5	421.4	288.7	194.4	288.7	100
Tinyat Mansion	Hangzhou	Residential	first half of 2014	123.5	421.8	306.1	12.4	306.1	100
Gemdale Free City (No. 24/25)	Hangzhou	Residential	second half of 2013	230.4	569.9	409.7	241.3	293.6	60
Gemdale Free City (Nanjing)	Nanjing	Residential	second half of 2013	468.0	1,466.4	1,053.4	508.8	894.4	100
Glory Mansion (Nanjing)	Nanjing	Residential	second half of 2013	81.1	245.4	192.1	–	192.1	100
Topleasure Mansion	Ningbo	Residential	second half of 2013	80.1	212.3	155.3	12.0	155.3	66.32
Ningbo Dong Yu	Ningbo	Residential	second half of 2012	47.4	138.8	92.9	37.5	92.9	100
Fantastic Age	Shanghai	Residential	second half of 2013	177.9	354.0	216.8	–	216.8	100
Gemdale Art Wonderland	Shanghai	Residential	second half of 2012	91.4	256.0	184.7	170.5	184.7	100
The Pure Land	Shanghai	Residential	first half of 2014	210.2	351.4	208.9	15.3	208.9	51
Gemdale Free City (Shaoxing)	Shaoxing	Residential	second half of 2018	450.8	1,421.0	1,127.4	118.1	1,127.4	60
Shenzhen Baohe Road	Shenzhen	Residential	second half of 2013	39.3	157.2	115.9	–	115.9	100
The Bund No. 8	Dongguan	Residential	first half of 2013	41.4	120.3	100.4	70.1	100.2	100
Signature	Foshan	Residential	second half of 2012	43.3	169.1	129.3	19.8	126.9	100
Gemdale Eton	Zhuhai	Residential	second half of 2012	27.4	151.1	108.0	82.7	108.0	51
Green Town	Zhuhai	Residential	second half of 2012	10.4	43.7	32.1	26.5	32.1	100
Villas Du Lac	Shenzhen	Residential	first half of 2014	157.3	372.1	240.9	5.8	240.9	57
Gemdale Power Port	Zhuhai	Residential/ Commercial	second half of 2016	504.6	686.1	555.1	105.9	475.1[2]	100
Dongguan Tangxia	Dongguan	Residential	first half of 2013	179.9	380.4	319.3	217.5	131.4	51
The Luxury Nature	Dongguan	Residential	first half of 2015	258.4	415.4	335.5	11.9	335.5	100
Gemdale GZ Lakes	Guangzhou	Residential	second half of 2018	3,244.7	3,664.9	2,265.1	439.5	2,020.5	80
Yangzhou Art Wonderland	Yangzhou	Residential/ Commercial	second half of 2013	132.7	275.6	209.0	0	209.0	100
Total				**11,459.3**	**22,679.6**	**16,639.3**	**5,151.1**	**14,115.9**	**–**

(1) The land use right certificates of Qianguan regarding a total site area of approximately 294.0 thousand sq.m. have not been obtained and are expected to be received in 2012.

Gemdale Laurel Bay

Gemdale Laurel Bay is located in Hunnan district, Shenyang, Liaoning province. The project occupies a total site area of 599,474.4 sq.m. with an aggregate total GFA of 1,479,474.3 sq.m. The project is designed for both commercial and residential purposes and is positioned as an integration of high-rise, mid-rise and sub-high-rise buildings, duplexes, terraces and townhouses. The project is designed to have affiliated clubhouses and approximately 6,030 car park lots.

Construction of the project commenced in April 2008 and is expected to be completed in the second half of 2013.

The project was awarded the titles of “2011 Best Cultural Influential Real Estate Project” in 2011, “2010–2011 Most Popular Property” in 2011 and “2010 Top 10 City Golden Landmarks” in 2010.

Shenyang Tanjun

Shenyang Tanjun is located in Hunnan district, Shenyang, Liaoning province. The project occupies a total site area of 93,888.8 sq.m. with an aggregate total GFA of 180,607.34 sq.m. The project is designed for both commercial and residential purposes and is positioned as an integration of high-rise and sub-high-rise buildings, deluxe sub-high-rise buildings and townhouses. The project is designed to have affiliated clubhouses and approximately 691 car park lots.

Construction of the project commenced in March 2010 and is expected to be completed in the second half of 2012.

The project was awarded the titles of “2010 China City Model Property” by *China Business Morning Post* and “Real Estate Golden Glass Award (Best Product Originality Property)” by *Liao Shen Evening News* in 2010.

Gemdale City Crown

Gemdale City Crown is located in Tiexi district, Shenyang, Liaoning province. The project occupies a total site area of 192,206.0 sq.m. with an aggregate total GFA of 529,033.0 sq.m. The project is designed for both commercial and residential purposes and is positioned as an integration of high-rise, mid-to high-rise and sub-high-rise buildings, apartments and double-duplexes. The project is designed to have affiliated clubhouses and approximately 2,029 car park lots.

Construction of the project commenced in June 2010 and is expected to be completed in the second half of 2013.

The project was awarded the titles of “2010–2011 Most Popular Livable Property” and “2010 Most Influential Property”.

Pleasure Town

Pleasure Town is located in Dadong district, Shenyang, Liaoning province. The project occupies a total site area of 198,205.9 sq.m. with an aggregate total GFA of 586,568.6 sq.m. The project is designed for both commercial and residential purposes and comprises high-rise buildings and townhouses. The project is designed to have affiliated clubhouses and approximately 2,688 car park lots.

Construction of the project commenced in May 2011 and is expected to be completed in the second half of 2015.

The project was granted the "Real Estate Lantingxuyan Award" in 2011 and "Innovation Storm — 2011 China Residential Innovation Model Brand" in 2011.

Gemdale CEO Mansion

Gemdale CEO Mansion is located in Zhongshan district, Dalian, Liaoning province. The project occupies a total site area of 9,827.2 sq.m. with an aggregate total GFA of 79,785.8 sq.m. The project is designed for both commercial and residential purposes and comprises apartments and retail shops. The project is designed to have affiliated clubhouses and approximately 285 car park lots.

Construction of the project commenced in June 2011 and is expected to be completed in the first half of 2014.

Qianguan

The project is located in Ganjingzi district, Dalian, Liaoning province. The project occupies a total site area of 294,818.3 sq.m. with an aggregate total GFA of 564,400.0 sq.m. The project is designed for both commercial and residential purposes and comprises high-rise and sub-high-rise buildings and townhouses. The project is designed to have affiliated clubhouses and approximately 3,580 car park lots.

Construction of the project commenced in July 2011 and is expected to be completed in the second half of 2014.

Gemdale Lake City

Gemdale Lake City is located in Qujiang New Zone, Xi'an, Shaanxi province. The project occupies a total site area of 637,799.0 sq.m. with an aggregate total GFA of 1,669,879.6 sq.m. The project is designed for both commercial and residential purposes and is positioned as an integration of high-rise, mid-to high-rise and sub-high-rise buildings, terraces, duplexes, standalone villas and townhouses. The project is designed to have affiliated clubhouses and approximately 9,383 car park lots.

Construction of the project commenced in May 2009 and is expected to be completed in the second half of 2015.

The project was awarded the titles of "2010 Most Suitable for Living Award" in 2011, "Most Influential Property" by *New Real Estate* in 2009 and "2009 China 10 Blue Chip Benchmarking Properties" by *The Economic Observer* in the same year.

Mountain Yearning

Mountain Yearning is located in Daxing district, Beijing. The project occupies a total site area of 152,118.0 sq.m. with an aggregate total GFA of 348,286.4 sq.m. The project is designed for both commercial and residential purposes and comprises sub-high-rise and multi-storeyed buildings. The project is designed to have affiliated clubhouses and approximately 880 car park lots.

Construction of the project commenced in March 2010 and is expected to be completed in the second half of 2012.

The project was awarded the titles of "2010 Night of Mainstream Real Estate-Leading Property" by *Shopping Guide* in 2010, "2010 Most Innovative Real Estate Project" in 2010 and "Benchmarking Property in Beijing".

River Town

The project is located in Fangshan district, Beijing. The project occupies a total site area of 190,257.0 sq.m. with an aggregate total GFA of 373,262.12 sq.m. The project is designed for both commercial and residential purposes and comprises sub-high-rise buildings and townhouses. The project is designed to have affiliated clubhouses and approximately 382 car park lots.

Construction of the project commenced in April 2011 and is expected to be completed in the second half of 2015.

Gemdale Zi Yue Palace

Gemdale Zi Yue Palace is located in Hedong district, Tianjin. The project occupies a total site area of 169,006.0 sq.m. with an aggregate total GFA of 522,351.9 sq.m. The project is designed for both commercial and residential purposes and is positioned as an integration of high-rise buildings with wide view, service apartments, terraces and townhouses. The project is designed to have affiliated clubhouses and approximately 1,400 car park lots.

Construction of the project commenced in February 2010 and is expected to be completed in the first half of 2014.

The project was awarded the titles of "2010 City Villa with Most Investment Value" in 2010 and "2010 China Residence Planning Influence Award" in 2010.

Gemdale Green World (Tianjin)

Gemdale Green World (Tianjin) is located in Jinnan district, Tianjin. The project occupies a total site area of 377,447.8 sq.m. with an aggregate total GFA of 825,272.2 sq.m. The project is designed for both commercial and residential purposes and comprises sub-high-rise and high-rise buildings. The project is designed to have affiliated clubhouses and approximately 1,807 car park lots.

Construction of the project commenced in June 2007 and is expected to be completed in the second half of 2012.

The project was awarded the titles of "Model Green Building Project" by Tianjin Urban and Rural Construction and Transportation Commission in 2010 and "Top 10 Commercial Residential Properties in terms of Sales" in 2010.

Glory Mansion (Yantai)

The project is located in Hi-tech Zone, Yantai, Shandong province. The project occupies a total site area of 66,300.0 sq.m. with an aggregate total GFA of 180,812.6 sq.m. The project is designed for both commercial and residential purposes and comprises high-rise buildings, apartments and townhouses. The project is designed to have affiliated clubhouses and approximately 750 car park lots.

Construction of the project commenced in December 2010 and is expected to be completed in the second half of 2013.

The project was granted the “Best Type Design Award” in 2011 and “Best Natural Landscape Layout Award” in 2011.

Changsha Guanyinyan

Changsha Guanyinyan is located in Huangjin district, Changsha, Hunan province. The project occupies a total site area of 788,795.3 sq.m. with an aggregate total GFA of 587,428.0 sq.m. The project is designed for both commercial and residential purposes and is positioned as an integration of standalone villas, shared-courtyard houses, terraces, duplexes and townhouses. The project is designed to have affiliated clubhouses and approximately 2,325 car park lots.

Construction of the project commenced in March 2011 and is expected to be completed in the first half of 2018.

Raphael Bay

Raphael Bay is located in Hanyang district, Wuhan, Hubei province. The project occupies a total site area of 306,556.0 sq.m. with an aggregate total GFA of 742,921.0 sq.m. The project is designed for both commercial and residential purposes and is positioned as an integration of high-rise buildings, shared-courtyard houses and duplexes. The project is designed to have affiliated clubhouses and approximately 1,000 car park lots.

Construction of the project commenced in July 2010 and is expected to be completed in the second half of 2016.

The project was awarded the titles of “2010 Ultimate Maison” by *Wuhan Evening News* and the alliance of mainstream real estate media in Hubei in 2010, and “Times Habitat Contribution Award” by *Boss Style* in 2011.

Wuhan Institute of Agricultural Science

The project is located in Hongshan district, Wuhan, Hubei province. The project occupies a total site area of 199,185.6 sq.m. with an aggregate total GFA of 409,953.4 sq.m. The project is designed for both commercial and residential purposes and comprises mid-to high-rise buildings and townhouses. The project is designed to have affiliated clubhouses and approximately 1,841 car park lots.

Construction of the project commenced in May 2010 and is expected to be completed in the first half of 2014.

Donghu Development Zone

The project is located in Donghu’s high-tech development zone, Wuhan, Hubei province. The project occupies a total site area of 156,412.9 sq.m. with an aggregate total GFA of 425,287.0 sq.m. The project is designed for both commercial and residential purposes and comprises high-rise, sub-high-rise and multi-storeyed buildings. The project is designed to have affiliated clubhouses.

Construction of the project commenced in July 2007 and is expected to be completed in the second half of 2014.

Gemdale King Hood

Gemdale King Hood is located in Jiang'an district, Wuhan, Hubei province. The project occupies a total site area of 14,793.0 sq.m. with an aggregate total GFA of 93,920.6 sq.m. The project is designed for both commercial and residential purposes and comprises high-rise buildings. The project is designed to have affiliated clubhouses and approximately 288 car park lots.

Construction of the project commenced in March 2010 and is expected to be completed in the first half of 2013.

The project was awarded the titles of "2011 City Luxury" by *Wuhan Evening News* and the alliance of mainstream real estate media in Hubei in 2011 and "2011–2012 New Residential Benchmark in Wuhan" by China Index Institute and www.sofun.com in the same year.

Gemdale Green Spring (Wuhan)

Gemdale Green Spring (Wuhan) is located in Dongxihu district, Wuhan, Hubei province. The project occupies a total site area of 106,817.0 sq.m. with an aggregate total GFA of 30,198.1 sq.m. The project is designed for both commercial and residential purposes and comprises high-rise buildings, deluxe high-rise buildings and terraces. The project is designed to have affiliated clubhouses and approximately 766 car park lots.

Construction of the project commenced in December 2008 and is expected to be completed in the second half of 2012.

The project was granted the "2009–2010 Wuhan Excellent Residential Comprehensive Award" by Wuhan Real Estate Developers Association and was awarded the title of "Most Trustworthy Property by Consumers in Wuhan" by *Wuhan Evening News* in 2011.

Summit Mansion (No. 2)

Summit Mansion (No. 2) is located in Feilong living zone, Changzhou, Jiangsu province. The project occupies a total site area of 69,789.0 sq.m. with an aggregate total GFA of 196,959.8 sq.m. The project is designed for residential purposes and comprises high-rise buildings. The project is designed to have affiliated clubhouses and approximately 761 car park lots.

Construction of the project commenced in August 2011 and is expected to be completed in the second half of 2014.

Summit Mansion (No. 3)

Summit Mansion (No. 3) is located in Feilong living zone, Changzhou, Jiangsu province. The project occupies a total site area of 102,515.0 sq.m. with an aggregate total GFA of 287,777.0 sq.m. The project is designed for residential purposes and comprises high-rise buildings. The project is designed to have affiliated clubhouses and approximately 1,420 car park lots.

Construction of the project commenced in August 2011 and is expected to be completed in the first half of 2014.

Gemdale Free City No. 41

Gemdale Free City No. 41 is located in Sandun district, Hangzhou, Zhejiang province. The project occupies a total site area of 133,450.0 sq.m. with an aggregate total GFA of 421,381.3 sq.m. The project is designed for residential purposes and comprises apartments, townhouses and retail shops. The project is designed to have affiliated clubhouses and approximately 1,769 car park lots.

Construction of the project commenced in October 2009 and is expected to be completed in the first half of 2013.

The project was awarded the titles of "2010 Most Influential Property" and "2011 Most Expected Property" jointly by Zhejiang Real Estate Media Alliance, Zhejiang Economic TV, *Youth Times*, FM89 Hangzhou News Broadcast and Sohu Focus.

Tinyat Mansion

Tinyat Mansion is located in Xiaoshan district, Hangzhou, Zhejiang province. The project occupies a total site area of 123,464.0 sq.m. with an aggregate total GFA of 421,846.9 sq.m. The project is designed for residential purposes and comprises high-rise buildings. The project is designed to have affiliated clubhouses and approximately 2,576 car park lots.

Construction of the project commenced in June 2011 and is expected to be completed in the first half of 2014.

Gemdale Free City No. 24/25

Gemdale Free City No. 24/25 is located in Sandun district, Hangzhou, Zhejiang province. The project occupies a total site area of 230,366.0 sq.m. with an aggregate total GFA of 569,866.5 sq.m. The project is designed for residential purposes and comprises high-rise buildings and townhouses. The project is designed to have affiliated clubhouses and approximately 2,418 car park lots.

Construction of the project commenced in July 2008 and is expected to be completed in the second half of 2013.

The project was awarded the titles of "2010 Top 10 Influential Properties" and "2010 Highest Sales Rate Property" jointly by Zhejiang Real Estate Media Alliance, Zhejiang Economic TV, *Youth Times*, FM89 Hangzhou News Broadcast, zzhz.zjol.com.cn, *City Express Newspaper* and www.kfw001.com.

Gemdale Free City (Nanjing)

The project is located in Banqiao district, Nanjing, Jiangsu province. The project occupies a total site area of 468,049.0 sq.m. with an aggregate total GFA of 1,466,389.0 sq.m. The project is designed for residential purposes and comprises high-rise buildings, townhouses and retail shops. The project is designed to have affiliated clubhouses, an open market, a kindergarten and approximately 7,440 car park lots.

Construction of the project commenced in June 2009 and is expected to be completed in the second half of 2013.

Glory Mansion (Nanjing)

The project is located in Xinyao district, Nanjing, Jiangsu province. The project occupies a total site area of 81,103.7 sq.m. with an aggregate total GFA of 245,441.8 sq.m. The project is designed for residential purposes and comprises high-rise buildings and retail shops. The project is designed to have an affiliated financial and commercial services centre and approximately 1,950 car park lots.

Construction of the project commenced in August 2011 and is expected to be completed in the second half of 2013.

Topleasure Mansion

The project is located in Cixi, Ningbo, Zhejiang province. The project occupies a total site area of 80,070.0 sq.m. with an aggregate total GFA of 212,284.0 sq.m. The project is designed for residential purposes and comprises high-rise buildings and terraces. The project is designed to have affiliated clubhouses and approximately 1,000 car park lots.

Construction of the project commenced in May 2011 and is expected to be completed in the second half of 2013.

The project was awarded the title of "China Real Estate Most Innovation Value Model Property".

Ningbo Dong Yu

Ningbo Dong Yu is located in Yinzhou district, Ningbo, Zhejiang province. The project occupies a total site area of 47,380.0 sq.m. with an aggregate total GFA of 138,847.8 sq.m. The project is designed for residential purposes and comprises high-rise buildings and townhouses. The project is designed to have approximately 465 car park lots.

Construction of the project commenced in March 2010 and is expected to be completed in the second half of 2012.

The project was awarded the titles of "2011 Property with Most Investment Value" jointly by sohu.com, China Real Estate Research Centre, *Ihome Fashion* in 2010 and "2010 Most Popular Property" by China Real Estate Information Incorporation and Sina.com in 2011.

Fantastic Age

The project is located in Pudong district, Shanghai. The project occupies a total site area of 177,900.3 sq.m. with an aggregate total GFA of 354,010.0 sq.m. The project is designed for residential purposes and comprises apartments and townhouses. The project is designed to have approximately 1,376 car park lots.

Construction of the project commenced in July 2011 and is expected to be completed in the second half of 2013.

Gemdale Art Wonderland

Gemdale Art Wonderland is located in Baoshan district, Shanghai. The project occupies a total site area of 91,359.6 sq.m. with an aggregate total GFA of 256,003.0 sq.m. The project is designed for residential purposes and comprises apartments and townhouses. The project is designed to have affiliated clubhouses, an open market and approximately 1,197 car park lots.

Construction of the project commenced in May 2010 and is expected to be completed in the second half of 2012.

The project was awarded the titles of "Most Popular Property in Shanghai" by *Evening News* in 2011 and "New Viewpoint of China Real Estate — Most Popular Property" by Sohu Focus.

The Pure Land

The Pure Land is located in Sheshan district, Shanghai. The project occupies a total site area of 210,228.1 sq.m. with an aggregate total GFA of 351,443.6 sq.m. The project is designed for residential purposes and comprises standalone villas, duplexes and townhouses. The project is designed to have affiliated clubhouses and approximately 1,603 car park lots.

Construction of the project commenced in June 2010 and is expected to be completed in the first half of 2014.

The project was awarded the titles of "2011 China Real Estate Value List — Valuable Real Estate Masterpiece" by *Daily News*, "2010 Most Innovative Real Estate Project" and "Most Popular Property in Shanghai — Comprehensive Quality Gold Prize" by *Evening News* in 2011.

Gemdale Free City (Shaoxing)

Gemdale Free City (Shaoxing) is located in Keqiao, Shaoxing, Zhejiang province. The project occupies a total site area of 450,840.0 sq.m. with an aggregate total GFA of 1,420,993.3 sq.m. The project is designed for residential purposes and comprises apartments, townhouses and retail shops. The project is designed to have affiliated clubhouses, a hotel, a kindergarten and approximately 4,152 car park lots.

Construction of the project commenced in August 2010 and is expected to be completed in the second half of 2018.

Shenzhen Baohe Road

The project is located in Longgang district, Shenzhen, Guangdong province. The project occupies a total site area of 39,316.1 sq.m. with an aggregate total GFA of 157,203.6 sq.m. The project is designed for residential purposes and comprises high-rise buildings and retail shops. The project is designed to have approximately 1,180 car park lots.

Construction of the project commenced in May 2011 and is expected to be completed in the second half of 2013.

The Bund No. 8

The Bund No. 8 is located in Wanjiang district, Dongguan, Guangdong province. The project occupies a total site area of 41,358.0 sq.m. with an aggregate total GFA of 120,321.5 sq.m. The project is designed for residential purposes and comprises high-rise buildings and retail shops. The project is designed to have approximately 622 car park lots.

Construction of the project commenced in July 2010 and is expected to be completed in the first half of 2013.

The project was awarded the title of "2011 Most Anticipated Project in Dongguan" by *Southern Metropolis Daily*.

Signature

The project is located in Shunde district, Foshan, Guangdong province. The project occupies a total site area of 43,264.7 sq.m. with an aggregate total GFA of 169,108.3 sq.m. The project is designed for residential purposes and comprises high-rise buildings and retail shops. The project is designed to have approximately 796 car park lots.

Construction of the project commenced in June 2010 and is expected to be completed in the second half of 2012.

Gemdale Eton

The project is located in New Xiangzhou district, Zhuhai, Guangdong province. The project occupies a total site area of 27,417.4 sq.m. with an aggregate total GFA of 151,125.8 sq.m. The project is designed for residential purposes and comprises high-rise buildings and retail shops. The project is designed to have affiliated clubhouses and approximately 1,080 car park lots.

Construction of the project commenced in November 2009 and is expected to be completed in the second half of 2012.

Green Town

The project is located in New Xiangzhou district, Zhuhai, Guangdong province. The project occupies a total site area of 10,386.9 sq.m. with an aggregate total GFA of 43,696.8 sq.m. The project is designed for residential purposes and comprises high-rise buildings and retail shops. The project is designed to have affiliated clubhouses and approximately 326 car park lots.

Construction of the project commenced in December 2010 and is expected to be completed in the second half of 2012.

Villas Du Lac

The project is located in Bao'an district, Shenzhen, Guangdong province. The project occupies a total site area of 157,309.7 sq.m. with an aggregate total GFA of 372,096.1 sq.m. The project is designed for residential purposes and comprises terraces, duplexes and townhouses. The project is designed to have an affiliated community physical park, a health centre, a community services centre and approximately 2,510 car park lots.

Construction of the project commenced in March 2010 and is expected to be completed in the first half of 2014.

Gemdale Power Port

The project is located in Xiangzhou district, Zhuhai, Guangdong province. The project occupies a total site area of 504,615.1 sq.m. with an aggregate total GFA of 686,098.5 sq.m. The project is designed for residential and commercial purposes and comprises high-rise buildings, duplexes, terraces, standalone villas, canteens, dormitory buildings, factory buildings and retail shops. The project is designed to have an affiliated clubhouses, a primary school, an open market, a community services centre and approximately 1,944 car park lots.

Construction of the project commenced in April 2007 and is expected to be completed in the second half of 2016.

Gemdale Power Port projects were awarded the titles of "Most Commercially Valuable Project" by *Sina Zhuhai* in 2010, "2010 China Model Low-carbon Project" by the Committee of the 10th Annual Conference of China Real Estate Development and "Influential Model Project of China Energy-saving & Low-carbon Community" by *China Construction News* in 2010.

Dongguan Tangxia

The project is located in Tangxia, Dongguan, Guangdong province. The project occupies a total site area of 179,857.4 sq.m. with an aggregate total GFA of 380,420.0 sq.m. The project is designed for residential purposes and comprises high-rise buildings, terraces and duplexes. The project is designed to have affiliated clubhouses, a kindergarten, a primary school, a community services centre, a neighbourhood committee and approximately 1,693 car park lots.

Construction of the project commenced in April 2008 and is expected to be completed in the first half of 2013.

The Luxury Nature

The project is located in Huangjiang, Dongguan, Guangdong province. The project occupies a total site area of 258,385.0 sq.m. with an aggregate total GFA of 415,407.4 sq.m. The project is designed for residential purposes and comprises standalone villas, duplexes, high-rise buildings, terraces and retail shops. The project is designed to have affiliated clubhouses, a kindergarten, a primary school, a community services centre, a neighbourhood committee and approximately 208 car park lots.

Construction of the project commenced in June 2010 and is expected to be completed in the first half of 2015.

The project was awarded the titles of "2011 Dongguan Gold Medal Ecology Property of the Year" by *Southern Metropolis Weekly* in 2011 and "Most Livable Property in Dongguan" in 2011.

Gemdale GZ Lakes

The project is located in Zengcheng, Guangzhou, Guangdong province. The project occupies a total site area of 3,244,726.1 sq.m. with an aggregate total GFA of 3,664,850.1 sq.m. The project is designed for residential purposes and comprises standalone villas, duplexes, apartments, duplexes and retail shops. The project is designed to have affiliated clubhouses, a kindergarten, a primary school, a community services centre, a neighbourhood committee, a post office and approximately 29,197 car park lots.

Construction of the project commenced on 5 June 2005 and is expected to be completed in the second half of 2018.

The project was awarded the titles of "Top 100 Most Beautiful Properties" in 2008, "2008 Model Community Influencing China", "2006 Famous Property for the Year" by China International Real Estate & Archi-tech Fairs, "Gold Award for China Modern City Villa" in 2007 during the 4th China Villa Festival, "China Livable Potential Community" in 2006, "2006 Best City Mark Property for the Year" and "2006 Star Property in Guangdong" in the poll of "2006 Oscar Properties" held by Nanfang Newspaper and Media Group.

Yangzhou Art Wonderland

In September 2011, the Group acquired one parcel of land in Yangzhou, Jiangsu province through public auction. The project is located in the middle of the National Economic Development Zone of Yangzhou, and designed for both commercial and residential purposes. It occupies a total site area of approximately 132.7 thousand sq.m. and is expected to have a saleable GFA of approximately 209.0 thousand sq.m. The total consideration for such acquisition is CNY528.1 million.

Construction of the project is expected to commence in the first half of 2012 and to be completed in the second half of 2013.

Properties Held for Future Development

The following table summarises details of the Group's properties held for future development as at 31 March 2012. The Group's interest reflects an interest in the division of the property following completion of a development project.

Name of property	Location	Intended use	Expected commencement time	Expected completion time	Total site area	Total GFA	Total GFA for sale	GFA of land bank as at 31 March 2012	Interest
					sq.m.'000	sq.m.'000	sq.m.'000	sq.m.'000	%
Tuanpo Lake . .	Tianjin	Residential/ Commercial	second half of 2012	second half of 2015	666.1	526.0	438.2	438.2	70
Zhuhai West Lake	Zhuhai	Residential	second half of 2012	second half of 2014	264.9	348.9	227.9	227.9	100
Xi Feng Road[(1)]	Xi'an	Residential/ Commercial	second half of 2012	second half of 2018	568.5	2,526.5	1,957.8	1,957.8	100
Total					**1,499.5**	**3,401.4**	**2,623.9**	**2,623.9**	**–**

1. The Group has signed a cooperative development agreement and a compensation and resettlement agreement for house demolition for this project. The land use right grant contracts have not been executed as at the date of this Offering Circular, and the land use right certificates regarding a total site areas of approximately 568.5 thousand sq.m. have not been obtained.

Tuanpo Lake

The project is located in Tuanpo county, Jinghai district, Tianjin. The project occupies a total site area of approximately 666.1 thousand sq.m. with an aggregate total GFA of approximately 526.0 thousand sq.m. The project is designed for both commercial and residential purposes and comprises standalone villas, terraces, apartments, townhouses and duplexes. The project is designed to have affiliated clubhouses.

Construction of the project is expected to commence in the second half of 2012 and to be completed in the second half of 2015.

Zhuhai West Lake

The project is located in Jinwan district, Zhuhai, Guangdong province. The project occupies a total site area of approximately 264.9 thousand sq.m. with an aggregate total GFA of approximately 348.9 thousand sq.m. The project is designed for residential purposes and comprises standalone villas, terraces, high-rise buildings and retail shops. The project is designed to have an affiliated primary school, a kindergarten, a community health centre, a neighbourhood committee and approximately 2,676 car park lots.

Construction of the project is expected to commence in the second half of 2012 and to be completed in the second half of 2014.

Xi Feng Road

The Group has signed a cooperative development agreement and a compensation and resettlement agreement for house demolition for the project. The project is located in Xi'an, Shaanxi province. The project occupies a total site area of approximately 568.5 thousand sq.m. with an aggregate total GFA of approximately 2,526.5 thousand sq.m. The project is designed for both commercial and residential purposes and comprises high-rise buildings, office buildings, retail shops.

Construction of the project is expected to commence in the second half of 2012 and to be completed in the second half of 2018.

Land Bank

As at 31 March 2012, the Group's consolidated land bank registered an aggregate 17.1 million sq.m. of GFA, with 14.3 million sq.m. of GFA attributable to the Group.

The following tables set forth the geographical distribution of the Group's land bank in China as at 31 March 2012:

	GFA (in 1,000 sq.m.)	%
First-tier cities	3,736	21.8
Second- and third-tier cities	13,400	78.2
Total	**17,136**	**100.0**

	Residential (in 1,000 sq.m.)	Commercial (in 1,000 sq.m.)	Investment (in 1,000 sq.m.)	Total (in 1,000 sq.m.)	%
Southern China	3,865	69	44	3,978	23.2
Northern China	1,328	91	124	1,543	9.0
Eastern China	4,461	234	65	4,760	27.8
Central China	1,617	68	2	1,687	9.8
Northwestern China	2,612	288	30	2,930	17.1
Northeastern China	1,999	239	—	2,238	13.1
Total	**15,882**	**989**	**265**	**17,136[(1)]**	**100.0**

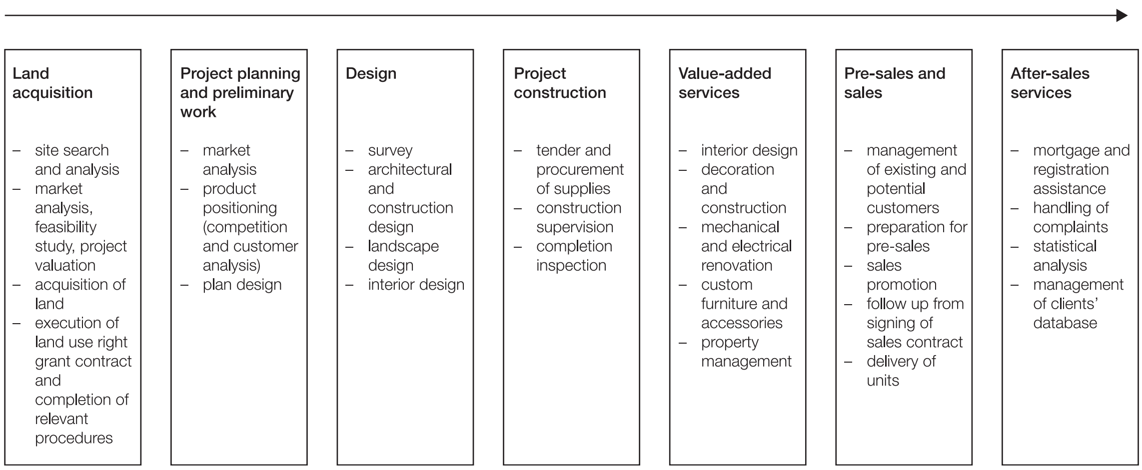
(1) This includes approximately 2.0 million sq.m. in Xi'an which the Group has signed a cooperative development agreement and a compensation and resettlement agreement for house demolition. However, as at the date of this Offering Circular, the Group has not entered into the relevant land use right grant contracts.

The following table sets forth the allocation of the Group's land bank in different cities in terms of GFA as at 31 March 2012:

No	City	GFA (in 1,000 sq.m.)	%
1	Shenzhen	417	2.4
2	Guangzhou	2,020	11.8
3	Foshan	130	0.8
4	Dongguan	568	3.3
5	Zhuhai	843	4.9
6	Beijing	495	2.9
7	Tianjing	905	5.3
8	Shanghai	804	4.7
9	Nanjing	1,092	6.4
10	Hangzhou	888	5.2
11	Ningbo	248	1.4
12	Shaoxing	1,127	6.6
13	Changzhou	391	2.3
14	Yangzhou	209	1.2
15	Wuhan	1,282	7.5
16	Changsha	406	2.4
17	Xi'an	2,930	17.1
18	Shenyang	1,724	10.1
19	Dalian	513	3.0
20	Yantai	143	0.8
Total		17,136	100.0%

Property Development Process

Development of the properties of the Group usually entails seven phases: land acquisition, project planning and preliminary work, design, project construction, value-added services, pre-sales and sales, and after-sales services. The following diagram illustrates the stages of the property development cycle in China:



The typical development cycle for vacant land in China is approximately three years, whereas the typical development cycle for urban property projects is often longer, particularly for project sites that are not vacant at the time of acquisition.

Site selection and product positioning

The Group undergoes a site selection process and conducts an in-depth market analysis in order to understand the trends of the property market and market prices before it acquires a parcel of land. The major site selection criteria that the Group applies include the following:

- development plans of the government for the relevant site;
- accessibility of the site and available infrastructural support;
- consumer demand for properties in that area;
- competition from other developments nearby;
- ancillary facilities, such as parks, hospitals, schools and commercial spaces; and
- profitability and financial ratios.

Land acquisition

Prior to the introduction by the Chinese government of regulations requiring that land use rights for property development be sold by tender, auction or listing-for-sale, the Group obtained most of its land use rights from state-owned enterprises and other developers.

The Rules Regarding the Grant of State-Owned Land Use Rights by Way of Tender, Auction and Listing-for-sale (招標拍賣掛牌出讓國有土地使用權規定) issued by the MLR ("**Circular 11**") provide that, from 1 July 2002, land use rights for the purposes of commercial use, tourism, entertainment and commodity residential property development in China may be granted by the government only through public tender, auction or listing-for-sale. When deciding whom to grant land use rights, the relevant authorities will consider not only the tender price, but also the credit history, qualifications and tender proposal of the tenderor. These measures will result in a more transparent land grant process, which will enable developers to compete more effectively.

On 5 June 2003, the PBOC published the Notice on Further Strengthening the Administration of Real Estate Loans (中國人民銀行關於進一步加強房地產信貸業務管理的通知). This notice prohibits commercial banks from advancing loans to fund the payments of land premiums. As a result, real estate developers may only use their own funds to pay for land premiums.

In September 2007, the MLR further promulgated the Regulations on the Grant of State-owned Construction Land Use Rights through Public Tender, Auction and Invitation for Bidding (招標拍賣掛牌出讓國有建設用地使用權規定) to amend Circular 11, requiring that land for industrial use, except land for mining, must also be granted by public tender, auction and invitation for bidding. Only after the grantee has paid the land premium in full under the land grant contract can the grantee apply for the land registration and obtain the land use right certificates. Furthermore, land use rights certificates may not be issued in proportion to the land premium paid under the land grant contract.

In November 2009, the Ministry of Finance, the MLR, the PBOC, the PRC Ministry of Supervision and the PRC National Audit Office jointly promulgated the Notice on Further Enhancing the Revenue and Expenditure Control over Land Grant (關於進一步加強土地出讓收支管理的通知). This Notice raises the minimum down payment for land premium to 50 per cent. and requires the land premium to be fully paid within one year after the signing of a land grant contract, subject to limited exceptions.

The MLR promulgated the Notice on Problems Regarding Strengthening Control and Monitoring of Real Estate Land Supply (關於加強房地產用地供應和監管有關問題的通知) (the "**Notice**") on 8 March 2010. According to the Notice, the land provision for affordable housing, redevelopment of slum districts and small/medium residential units for occupier owner should be no less than 70 per cent. of total land supply, and the land supply for large residential units will be strictly controlled and land supply for villa projects will be banned. The Notice also requires that the lowest land grant price should not be less than 70 per cent. of the basic land price of the place where the granted land is located and the real estate developer's bid deposit should not be less than 20 per cent. of the lowest grant price. The land grant agreement must be executed within ten working days after the land transaction is confirmed. The minimum down payment of the land premium should be 50 per cent. and must be paid within one month after the execution of the land grant agreement. The balance should be paid in accordance with the agreement, but no later than one year. If the land grant agreement is not executed in accordance with the requirement above, the land shall not be handed over and the deposit will not be returned. If no grant premium is paid after the execution of the agreement, the land must be withdrawn.

On 21 September 2010, the MLR and the MOHURD issued the Notice on Further Strengthening the Administration and Control of the Lands for Real Estates and the Construction of Real Estates (國土資源部、住房和城鄉建設部關於進一步加強房地產用地和建設管理調控的通知) to tighten the examination of qualifications of land bidders. It specifies that when the bidders take part in the bidding or auction of the transferred land, the competent authority of land and resources shall, in addition to requiring proof of identity documents and payment of the bid security, require an undertaking letter stating that the bid security is not from any bank loan, shareholders' borrowing, on-lending or raised funds and the credit certificate issued by commercial financial institutions. If the bidders are found to have conducted any of the following illegal or irregular activities, the competent authority of land and resources shall forbid the bidders and their controlling shareholders from participating in land bidding activities: (1) committing crimes such as forgery of instruments with an aim to illegally sell the land; (2) conducting illegal activities such as illegal transfers of land use right; (3) where the land is idling for a period of more than one year due to the enterprises' reasons; or (4) where the development and construction enterprise develops and takes advantage of the land in contravention of the conditions as agreed in the transfer contract. The relevant authorities of land and resources at all levels are required to strictly implement the regulations.

In order to control and facilitate the procedure of obtaining land use rights, several local governments have stipulated standard provisions for land grant contracts. Such provisions usually include terms such as use of land, land premium and manner of payment, building restrictions including site coverage, total gross floor area and height limitations, construction of public facilities, submission of building plans and approvals, deadlines for completion of construction, town planning requirements, restrictions against alienation before payment of premium and completion of prescribed development and liabilities for breach of contract. Any change requested by the land user in the specified use of land after the execution of a land grant contract will be subject to approvals from the relevant local land bureau and the relevant urban planning department, and a new land use contract may have to be signed and the land premium may have to be adjusted to reflect the added value of the new use. Registration procedures must then be carried out immediately.

Under current regulations, grantees of land use rights are generally allowed to dispose of the land use rights granted to them in the secondary market. Subject to the terms of the land use right grant and relevant registration requirements, the Group may choose to acquire land from such third parties. The availability of privately held land will, however, remain limited and subject to uncertainties.

Financing of property developments

The Group benefits from access to diversified funding sources for its property developments, including the capital markets in China, through equity offerings and bond offerings as a publicly listed company, as well as its good relationships with Chinese and overseas commercial banks, real estate trusts and investment funds.

On 25 May 2009, the State Council issued the Notice on the Adjustment of the Invested Capital Ratio regarding Investment in Fixed Assets (國務院關於調整固定資產投資項目資本金比例的通知), according to which, for the development of a general commodity housing project, the minimum registered capital shall be no less that 20 per cent. of the total investment of the fixed assets development project, and for other property development projects, the minimum registered capital shall be no less than 30 per cent. of the total investment. Therefore, the Group shall use its own funds to fulfil the requirement of the minimum registered capital and could only get such external funding as bank loans for the financing of the remaining capital needs.

For more details of the Group's material indebtedness, see "***Description of Material Indebtedness and Other Obligations***" in this Offering Circular.

Construction design

The Group outsources most of the projection and design of a property development, including planning, architecture and landscaping, to third parties with whom it seeks to develop and maintain long-term cooperative relationships. The Group has entered into strategic cooperative agreements with such international design institutions as Dahlin Group and Lacime International, as well as some reputable domestic design firms, such as China Architecture Design and Research Group, Shanghai Peddle Thorp Architecture Design Consulting Co., Ltd., Shenzhen Huasen Architecture and Engineering Design Consulting Co., Ltd. and Beijing Mochen Architects & Engineers. The Group also has a strong in-house design team which reviews and approves the design proposals offered by third parties.

Marketing and promotion

During project evaluation and before commencement of construction, the marketing and sales department usually carries out substantial market research for particular projects, including the identification of property trends, prospects and market potential. By identifying the potential demand for, and strengths and weaknesses of, a project at an early stage, the Group is able to formulate its marketing and promotion strategies at the planning stage of each project and to target its sales efforts at potential classes of purchasers for the project throughout its development.

The marketing and sales department is also responsible for marketing the Group's newly developed properties. The Group promotes and markets its developed properties through innovative selling channels including various media outlets, such as television, radio, newspapers and magazines, the internet and outdoor billboards. The Group also participates in property exhibitions and other marketing events. Strategically, the Group aims to further develop its marketing tactics and the skills of its sales force.

Since 2011, the Group has developed four main product lines with themes of "Allanite", "Prestige", "Heaven" and "Aristocracy". The Group is committed to introducing attractive products that appeal to the different tastes and demands of its targeted customers.

Development, construction and management

The Group's central departments oversee the control of all the major developmental stages, including project identification, project planning and design, and budget control through organised tenders. In addition, the Group has established individual project companies that are responsible for the day-to-day operations and project management of each individual project. Each individual project company is responsible for implementing infrastructure and installation of basic utilities, engineering and supervision of day-to-day construction work.

The Group engages independent third party contractors to provide various services, including construction, piling and foundation, building and property fitting-out, interior decoration and installation of facilities, such as air-conditioning units and elevators. The Group usually selects the contractors by open tender and bidding. The Group publishes the bidding plan on e-commerce platforms and at least three potential bidders are inspected. The Group determines the winning bidder according to its investigation of the background and qualification of the bidders as well as the specific needs of the individual project.

Raw materials procurement

The Group procures all the raw materials, semi-finished products, accessories and components that it uses through open tender and bidding procedures. The Group investigates the suppliers during the bidding process and also reviews their quality and services regularly before and after their performance of the supply contracts. The Group uses suppliers which can provide products and services of good quality at low prices. The Group has established a three-layer procurement system through which the Group's headquarter, regional headquarters and project companies are allowed to employ and select raw materials suppliers.

Quality management system

The Group places a strong emphasis on quality control to ensure that the quality of its products and services complies with relevant regulations and meets market standards. The Group has quality control procedures in place in its different functional departments as well as in each construction supervisory company.

The Group engages construction supervisory companies to supervise the construction of its property developments pursuant to relevant PRC regulations. These construction supervisory companies are qualified entities that specialise in construction supervision. The construction supervisory company engaged for a property development oversees the progress and quality of the construction work from beginning to end. Under the construction supervisory contracts of the Group, construction supervisory companies are empowered to inspect, advise and request rectification of any non-compliance, as well as to order suspension of construction in specific circumstances.

The Group has established internal guidelines and it strictly enforces such guidelines to ensure control over documentation, record-keeping, internal audits, service standards, remedial actions, preventive actions, management control, construction standards, staff quality, recruitment standards, staff training, construction supervision, supervisory inspection, monitoring and surveillance, information exchange and data analysis.

Pre-sales

Under current PRC laws and regulations, a property developer must apply to the relevant government authorities for pre-sale permits before commencing pre-sales of properties. Such permits will normally be issued only when, amongst other things, (i) the land premium has been fully paid; (ii) the land use right certificate, the construction land planning permit, the construction work planning permit and the construction project building permit have been obtained; and (iii) the construction works on the commercial properties have been completed up to the stipulated standard.

Under PRC laws, the proceeds from the pre-sales of the properties must be deposited in escrow accounts. Before the completion of the pre-sold properties, the moneys deposited in these escrow accounts may only be used to purchase construction material and equipment, make interim construction payments and pay taxes, subject to prior approval from the relevant local authorities.

Payment method and mortgage financing

Property purchasers may purchase the Group's properties by a lump sum payment, payment in instalments or mortgage. The Group typically requires its customers to pay a non-refundable deposit upon entering into provisional purchase contracts.

Most of the Group's customers purchase its properties through mortgages. In accordance with industry practice in China, the Group provides guarantees to mortgagee banks for its customers in pre-sales. Such a guarantee will be in effect from the date of drawdown of the facilities provided by mortgagee banks to the customers and be released upon the earlier of (i) the relevant property ownership certificates being delivered to the purchaser; and (ii) the full repayment of mortgage by the purchaser. In line with industry practice, the Group does not conduct independent credit checks on its customers but relies on the credit checks conducted by the mortgagee banks.

After-sales services

The Group provides its customers with a full range of end-to-end after-sale services. It assists its customers in arranging for and providing information relating to financing, including information on potential mortgagee banks and the mortgage terms they offer. It also assists its customers in various title registration procedures relating to the properties.

The Group maintains a client relationship management system to foster customer relationships. The customer services department carries out customer surveys to seek customer feedback on the design and quality of the Group's properties and services. The Group also has a dedicated team handling customer complaints and maintenance and repair requests.

The Group ranked third in "Enterprises of Property Services Brand Value of China 2011" during the Press Conference of Research Achievements of Top 100 Enterprises of Property Services in China and the eighth China Real Estate Brand Development Summit held in Beijing in September 2011.

PROPERTY INVESTMENT

The Group's revenue derived from property investment was approximately CNY123.2 million, CNY148.5 million and CNY216.4 million for the years ended 31 December 2009, 2010 and 2011, respectively, accounting for approximately 1.0 per cent., 0.8 per cent. and 0.9 per cent. of its total revenue during the same periods, respectively.

As at 31 March 2012, the Group's property investment portfolio was comprised of completed properties held for long-term investment with a mix of uses, mainly factory buildings and dormitory buildings in Shenzhen, as well as an office building and retail complex in Beijing, with an aggregate leasable GFA of approximately 170.3 thousand sq.m.

The Group maintains relatively stable relationships with its lessees, which include corporate lessees and individual lessees. The corporate lessees are mostly engaged in such businesses as investment, trade, finance and property development. The lease term is typically over one year, and the rentals are equivalent to the market level of the surrounding office buildings with the same grade. The Group usually requires the lessees to pay a deposit in an amount of two to three months' rentals under the lease agreements.

The following table shows the major investment properties of the Group as at 31 March 2012, all of which have medium-term leases, with an aggregate leasable GFA of approximately 170.3 thousand sq.m.

Property Name	Location	Usage	Percentage Ownership	GFA
				(sq.m.'000)
Gemdale Plaza.	Beijing	Office and shopping mall	70%	124.3
Gemdale Industry Zone	Shenzhen	Factory building Dormitory building	100%	44.0
Gemdale Kindergarten .	Wuhan	Kindergarten	100%	2.0
Total.				**170.3**

As at 31 December 2011, these investment properties were recorded on the balance sheet using the cost model at RMB1,283 million. An appraisal has been conducted by an independent third party property valuer, which has valued the Company's investment properties at RMB7,888 million as at 30 November 2011.

Gemdale Plaza

Gemdale Plaza is located in the central business district on East Chang'an Street, Beijing. Construction of the project was completed in 2006. It integrates two international office towers and one shopping mall, occupying a total GFA of approximately 151,351 sq.m.

Gemdale Plaza is one of the most important investment properties of the Group. The Group generates revenues primarily from the leasing of Gemdale Plaza.

PROPERTY MANAGEMENT

The Group's revenue derived from property management was approximately CNY270.3 million, CNY340.0 million and CNY430.6 million for the years ended 31 December 2009, 2010 and 2011, respectively, accounting for approximately 2.2 per cent., 1.7 per cent. and 1.8 per cent. of its total revenue during the same periods, respectively.

The Group provides property management services to the projects developed by itself as well as some properties developed by other property developers. As at 31 March 2012, the Group managed 106 property projects in 21 cities across China with an aggregate managed GFA of approximately 22.2 million sq.m.. The properties that the Group manages mainly include high-rise buildings, apartments, villas, clubhouses, schools, kindergartens, office buildings and industry zones. The Group typically manages its completed developments to ensure high-quality customer services and to enhance its brand name and awareness. Services provided by the Group's property management team include security, equipment maintenance and repairs and organisation of social events. According to the survey commissioned by the Company and conducted by Gallup Consulting in 2011, the Group's overall customer satisfaction rate was 92 per cent. on property management service. The Group outperformed its peers in ten key aspects of customer experience, including sales service and delivery service. Shenzhen Gemdale Properties Management Co., Ltd., which is a subsidiary of the Company, has been awarded "Top 10 in terms of Service Scale and Quality", "Leader Property Management Company in terms of Customers' Satisfaction" and "China Top 100 Property Management Companies".

OTHER BUSINESSES

The Group is also engaged in other businesses, such as real estate fund management in China. The Group commenced its property fund management business in 2006.

The Group's revenue derived from other businesses was approximately CNY29.8 million, CNY62.3 million and CNY51.3 million for the years ended 31 December 2009, 2010 and 2011, respectively, accounting for approximately 0.2 per cent., 0.3 per cent. and 0.2 per cent. of its total revenue during the same periods, respectively.

COMPETITION

The property market in China is highly fragmented and competitive. The Group's existing and potential competitors include major domestic state-owned, collectively-owned and private developers and foreign developers from the rest of Asia, some of which may have better access to capital and land bank than the Group does.

In recent years, an increasing number of property developers have commenced real estate development and investment projects in a number of growing regions in China. The Group competes with other property developers on various fronts, including but not limited to, product and service quality, pricing, financial resources, brand recognition, and ability to acquire suitable sites.

ENVIRONMENTAL MATTERS

The Group is subject to PRC environmental laws and regulations as well as environmental regulations promulgated by governmental authorities. These include regulations on air pollution, noise emissions and water and waste discharge. Each property developed by the Group must undergo environmental assessments. An environmental impact study report needs to be submitted to the relevant government authorities before a property developer can begin the property development. Upon completion of any development, the relevant governmental authorities will also inspect the site to ensure that applicable environmental standards have been complied with, and the inspecting report is presented together with other specified documents to the local property administration authorities for their record. The Group's operations are also subject to inspections by government authorities with regard to various safety and environmental issues. The Group believes that it is in compliance in all material respects with applicable PRC environmental laws and regulations.

INSURANCE

The Group maintains insurance coverage on all of its properties under construction, third party liabilities and employer's liabilities. The insurance policies generally cover the period from the commencement of construction of the properties by the Group up to the transfer of the completed properties to its customers. Certain types of losses, however, such as war, civil disorder, acts of terrorism, earthquakes, typhoons, flooding and other natural disasters, are not covered. The management believes that the Group's current approach is in line with the industry practices in China. However, the Group may not have sufficient insurance coverage for losses, damages and liabilities that may arise from its business operations. Please refer to the section headed "***Risk Factors—Risks Relating to the Business of the Group—The Group has limited insurance coverage***" for details.

SAFETY MATTERS

In relation to workplace safety around construction sites, the Group, as a property developer, has limited potential liabilities to the workers on its construction sites, most of which rest with the construction contractors. When entering into contracts with contractors, the Group requires that contractors purchase accident insurance according to applicable laws and regulations to cover their workers and adopt effective occupational safety control measures, such as providing workers with necessary protective equipment and offering them regular medical examinations and workplace safety training.

INTELLECTUAL PROPERTY

The Group has registered its trademark of Gemdale in China. It also owns the domain name of www.gemdale.com.

The Group has not infringed the intellectual property rights of other parties and has not identified any instances of third parties infringing its intellectual property rights.

EMPLOYEES

As at 31 December 2011, the Group had 9,427 full-time employees in China. As at the date of this Offering Circular, the Group has not experienced any strikes or other disruptions due to labour disputes. The Group's management believes that it maintains good relationships with its employees.

The Group has established training and development programs for its employees. In addition to providing internal courses, the Group also engages outside professionals and consultants to provide seminars and training courses to its employees to keep them current in the property industry in China.

COMPLIANCE AND LEGAL PROCEEDINGS

The Group is not aware of itself or any of its subsidiaries being involved in any litigation or arbitration proceeding that would have a material adverse effect on the Group's business or financial position as a whole, and to the best knowledge of the Group, there is no litigation or claim against the Group pending or threatened, which may have a material adverse effect on the Group's business or financial position as a whole.

DESCRIPTION OF MATERIAL INDEBTEDNESS AND OTHER OBLIGATIONS

To fund the existing property projects and to finance the working capital requirements of the Group, the Group has issued bonds or incurred indebtedness from banks. As at 31 December 2011 and 31 March 2012, the total debt of the Group amounted to CNY29,523.1 million and CNY30,641.1 million, respectively. As at 31 March 2012, the Group had a total amount of CNY1,200.0 million outstanding from the issuance of its eight-year fixed rate 5.5 per cent. corporate bonds in a total amount of CNY1.2 billion in March 2008. Below is a summary of the material terms and conditions of these loans, indebtedness and other obligations.

As at 31 March 2012, the Group had total debt of CNY30.6 billion. The following table sets forth the breakdown of the Group's debt by type:

As at 31 March 2012	% of total debt
Credit Loans	86%
Onshore credit loans	67%
Offshore credit loans	19%
Trust loans	10%
Notes	4%
Total	100%

As at 31 March 2012, 80 per cent. of the Group's total debt was denominated in CNY, 19 per cent. was denominated in US dollars and 1 per cent. was denominated in HK dollars. As at 31 March 2012, 43 per cent. of the Group's total debt would mature within one year, 52 per cent. would mature within one to three years and 5 per cent. would mature within three to five years.

As at 31 March 2012, the Group has the access to bank facilities from onshore banks with a total of CNY95,000 million, among which, CNY70,634 million was undrawn. The following table sets forth the breakdown of the Group's bank facilities from onshore banks:

	As at 31 March 2012	
	Credit facility	Undrawn facility
	CNY (unaudited) (millions)	CNY (unaudited) (millions)
BOC	16,000	10,985
ABC	20,000	15,262
ICBC	30,000	25,798
CCB	10,000	3,469
Merchants Bank	4,000	2,991
Minsheng Bank	2,000	1,729
Everbright Bank	5,000	4,600
Bank of Shanghai	3,000	2,500
BoCom	3,000	2,350
Bank of Beijing	2,000	950
Total	95,000	70,634

2008 CORPORATE BONDS

On 6 March 2008, the Company issued corporate bonds at a par value of CNY1.2 billion in the PRC. The bonds will mature after eight years from the issuance date. On 20 March 2008, the corporate bonds were listed on the Shanghai Stock Exchange. The proceeds of the corporate bonds are to be used for repayment of commercial bank loans, refinancing existing indebtedness and working capital needs.

Interest

The interest rate of the corporate bonds is fixed at 5.5 per cent. per annum. Interest on the corporate bonds is payable annually in arrears on the interest payment date falling on or nearest to 10 March in each year, with the first interest payment date on 10 March 2009.

Rating

The corporate bonds were rated "AAA" by China Chengxin Security Rating Co., Ltd. on 15 June 2012.

Guarantee

China Construction Bank Shenzhen Branch jointly and irrevocably guarantees the due and punctual payment of the principal, the interest accrued of, damages, compensation and all other amounts payable under the 2008 corporate bonds.

Maturity and Prepayment

The corporate bonds will mature on 10 March 2016, eight years from the issuance date, and are subject to prepayment in the event of certain material adverse changes to the guarantor which could affect its guarantee.

INDEBTEDNESS OF FAMOUS

2007 CCB Loan Facility

On 23 May 2007, China Construction Bank Corporation Hong Kong Branch issued a US$115.2 million uncommitted revolving loan facility letter to Famous. The proceeds of the loan facility are to be used for investment and general working capital requirements.

2009 ICBC Asia Facilities

On 30 April 2009, Industrial and Commercial Bank of China (Asia) Limited issued a US$50.0 million revolving short term loan facilities letter to Famous. The proceeds from the loans under the facilities are to be used for investment and general working capital requirements.

2009 CMB Credit Facility

On 27 August 2009, China Merchant Bank Hong Kong Branch issued a credit facility letter to Famous in connection with an amount up to US$10.0 million.

2010 ABC Banking Facility

On 28 April 2010, Agricultural Bank of China Hong Kong Branch issued an uncommitted revolving loan facility letter to Famous in connection with an amount of US$150.0 million. The proceeds from the loans under the facility are to be used solely for general corporate funding requirements.

2011 ICBC Term Loan Facility

On 14 April 2011, Famous entered into a facility agreement in connection with a US$68.0 million term loan facility with Industrial and Commercial Bank of China Limited Tokyo Branch as lender. The proceeds of the term loan facility are to be used for financing the investment and working capital requirements.

2011 ABC Credit Facility

On 25 April 2011, Agricultural Bank of China Limited Singapore Branch as lender offered a credit facility in an aggregate amount of US$48.5 million to Famous for its acceptance within 30 days. The proceeds of the credit facility are to be used for financing corporate funding requirements.

2011 ICBC Loan

In April 2011, Industrial and Commercial Bank of China Paris Branch entered into a loan agreement in connection with an amount up to US$78.0 million with Famous. The proceeds of the loan are to be used for investment and working capital requirements.

2011 HSBC Banking Facility

On 9 May 2011, the Hongkong and Shanghai Banking Corporation Limited as lender offered renewal of banking facility in connection with a US$50.0 million revolving loan to Famous for its acceptance by 30 May 2011. The proceeds of the revolving loan are to be used for working capital or merger and acquisition purposes.

2011 DBS Banking Facility

On 13 May 2011, Famous entered into a banking facility agreement in connection with a US$50.0 million term loan facility with DBS Bank Ltd. as lender. The proceeds of the term loan facility are to be used for financing the investment.

2011 DB Facility

In July 2011, Famous entered into a US$150.0 million facility agreement with Deutsche Bank AG, Hong Kong Branch as lender. The proceeds of the facility are to be used for investment and working capital requirements.

2011 Wing Hang Banking Facilities

On 21 September 2011, Wing Hang Bank, Limited as lender offered an increase of banking facilities in an amount of US$30.0 million to Famous for its acceptance within 14 days, thus making the total banking facilities granted to Famous up to US$70.0 million. The proceeds of the banking facilities are to be used for the development of Shenyang Tanjun.

2012 HSBC Revolving Loans

On 3 April 2012, the Hongkong and Shanghai Banking Corporation Limited as lender offered a renewal of banking facilities in connection with a US$25.0 million revolving loan and a HK$195.0 million revolving loan to Famous. The proceeds of the revolving loans are to be used to refinance outstanding loans with other banks in Hong Kong.

2012 ICBC Term Loan Facility

In June 2012, Famous entered into a facility agreement in connection with a US$10.0 million term loan facility with Industrial and Commercial Bank of China (Malaysia) Berhad as lender. The proceeds of the term loan facility are to be used to finance the working capital.

2012 HSBC Loan

The Hongkong and Shanghai Banking Corporation Limited has agreed, subject to certain conditions precedent, to provide an unsecured term loan facility of up to US$32.0 million to Famous. It is anticipated that the unsecured term loan facility will be on a pari passu basis with the Bonds.

BOARD OF DIRECTORS

The members of the Board of Directors of the Company as at the date of this Offering Circular are as follows:

Name	Title
Executive Directors	
Mr. LING Ke	Chairman
Mr. HUANG Juncan	Chief Executive Officer
Ms. CHEN Aihong	Director
Mr. SUN Juyi	Director
Mr. CHEN Bi'an	Director
Mr. CHEN Zhisheng	Director
Mr. Bill HUANG	Director
Mr. XU Jiajun	Director
Ms. LIANG Lili	Director
Independent Non-executive Directors	
Mr. SONG Jun	Independent Non-executive Director
Mr. LI Xufu	Independent Non-executive Director
Mr. WANG Zhile	Independent Non-executive Director
Mr. XIA Xinping	Independent Non-executive Director
Mr. JIN Qingjun	Independent Non-executive Director

The biographies of the Executive, Non-executive and Independent Non-executive Directors of the Company as at the date of this Offering Circular are as follows:

Executive Directors

Mr. LING Ke, aged 53, is Chairman of the Board of Directors of the Company. Mr. Ling has served as chief of the operation department of Shenzhen Futian Foreign Trade Co., Ltd. (深圳福田對外貿易有限公司), general manager of Shenzhen Gemdale Business Development Co., Ltd. (深圳金地商業發展有限公司), executive deputy manager and general manager of the Company. Mr. Ling graduated from Zhejiang University with a master's degree in management engineering. Mr. Ling is a senior economist.

Mr. HUANG Juncan, aged 41, is a Director and Chief Executive Officer of the Company. He is also chairman of the southern China region and the northeast China region of the Company, respectively. Mr. Huang has served as deputy manager of the engineering department of the Company, deputy general manager of the Beijing branch of the Group and general manager of the Shenzhen branch of the Group. He was appointed as employee representative Supervisor of the Board of Supervisors, assistant president, the chief financial officer and senior vice president of the Company before. Mr. Huang holds a bachelor's degree in civil engineering from Tongji University and an MBA degree from University of Wales, Newport (Shenzhen). He has completed financial management training at Tsinghua University, School of Economics and Management as well as a CFO curriculum module at China Europe International Business School.

Ms. CHEN Aihong, aged 42, is a Director of the Company. She is also chairman and chief executive officer of Shenzhen Futian Investment and Development Co., Ltd. (深圳市福田投資發展有限公司) and chairman of Shenzhen Futian Gas Turbine Electrical Power Co., Ltd. (深圳福田燃機電力有限公司). Ms. Chen has served as chief of the financial department and the audit department of Shenzhen Futian Investment and Management Co., Ltd. (深圳市福田區投資管理有限公司) and as a member of the board of supervisors of the Futian District Land and Resource Office (福田區國資辦). Ms. Chen holds a bachelor's degree and is an MBA graduate candidate of Tsinghua-Wales.

Mr. SUN Juyi, aged 60, is a Non-executive Director of the Company. He has also previously served as a director, vice chairman and an independent director of the Company. Prior to joining the Company, from 2002 to 2005, Mr. Sun worked for Mission Hills Group (駿豪集團) where he was vice chairman and the chief financial officer. Mr. Sun holds a master's degree in economics from Tianjin University of Finance and Economics. Mr. Sun is a senior accountant.

Mr. CHEN Bi'an, aged 50, is a Director of the Company. He is also a senior vice president of the Company and chairman and general manager of the Eastern China region of the Company. Mr. Chen has previously served as an executive deputy general manager and executive vice president of the Company, chairman of the Board of Supervisors of the Company as well as chairman and general manager of the Wuhan branch of the Group. Mr. Chen holds a master's degree from Hunan University and a Ph.D. degree in management science and engineering from Tianjin University.

Mr. CHEN Zhisheng, aged 51, is a Director of the Company. He is also general manager of Shenzhen Tongchan Industrial Co., Ltd. (深圳通產實業有限公司), effective from September 2004. Previously, Mr. Chen worked for Shenzhen Economics and Development Bureau (深圳市經濟發展局) where he was chief of the audit department. He was also previously chief of a local accountant firm in Shenzhen. From August 1997 to August 2004, Mr. Chen served as deputy chief, chief and deputy chief accountant of the finance department as well as chief of the planning and finance department of Shenzhen Investment Management Co., Ltd. (深圳投資管理有限公司). Mr. Chen graduated from Xiamen University with a Ph.D. degree in management. Mr. Chen is a senior accountant.

Mr. Bill HUANG, aged 50, is a Non-executive Director of the Company. He is the deanship of China Mobile Communications Academy (中國移動通信研究院). Before joining the Company, Mr. Huang was a senior vice president and chief technical executive officer of UT Starcom Co., Ltd. (美國UT斯達康有限公司). Mr. Huang holds a master's degree in electronic engineering and computer science from the University of Illinois.

Mr. XU Jiajun, aged 34, is a Director of the Company. He is also an assistant to the President, the secretary and the office director of the Board of Directors of the Company. He also serves as general manager of the capital management department of the Group. Mr. Xu has served as deputy general manager of the administration department, general manager of the human resource department and employee representative Supervisor of the Board of Supervisors of the Company. Previously, Mr. Xu was a Partner, an expert advisor and the business line director of AMT-Enterprise Resource Management Research Center (AMT－企業資源管理研究中心). Mr. Xu holds a master's degree in management from Shanghai University of Finance and Economics.

Ms. LIANG Lili, aged 30, is a Director of the Company. She is also a deputy manager of the finance department of Shenzhen Fangxingda Construction Engineering Co., Ltd. (深圳市方興達建築工程有限公司). Previously, Ms. Liang worked for Shenzhen Haohe Investment Co., Ltd. (深圳市浩和投資有限公司) and Shenzhen Futian Construction Co., Ltd. (深圳市福田建設股份有限公司). Ms. Liang holds a bachelor's degree in management from Zhaoqing College.

Independent Non-executive Directors

Mr. SONG Jun, aged 51, is an Independent Non-executive Director of the Company. He is also an independent director of China Fiberglass Co., Ltd. (中國玻纖股份有限公司) and serves as vice president and secretary general of Tsinghua University Education Fund. Previously, Mr. Song served as chairman and president of Tsinghua Holdings Co., Ltd. (清華控股有限公司) and chairman of Unisplendour Corporation Limited (清華紫光股份有限公司). Mr. Song holds a doctor's degree from Tsinghua University.

Mr. LI Xufu, aged 46, is an Independent Non-executive Director of the Company. He is also a partner of Bull Capital (雄牛資本). Previously, Mr. Li was a corporate financing director of BNP Paribas Capital (Asia Pacific) Ltd., general manager of the corporate financing department of Changjiang BNP Paribas Peregrine Securities Co., Ltd. (長江巴黎百富勤證券有限公司), general manager of the investment banking business Shanghai headquarters of Southern Securities Co., Ltd. (南方證券股份有限公司) and senior manager of the investment banking department of Guotai Jun'an Securities Co., Ltd. (國泰君安證券股份有限公司). Mr. Li holds a bachelor's degree from Shanghai International Studies University as well as a master's degree and a Ph.D. degree in economics from Fudan University.

Mr. WANG Zhile, aged 64, is an Independent Non-executive Director of the Company. He is also a research fellow (professor) of the Chinese Academy of International Trade and Economic Cooperation of the Ministry of Commerce (商務部國際貿易經濟合作研究院) and head of Beijing New Century Academy on Transnational Corporations (北京新世紀跨國公司研究所). Previously, Mr. Wang was a lecturer and an associate professor of Renmin University of China. Mr. Wang graduated from Northeast Normal University with a bachelor's and a master's degree.

Mr. XIA Xinping, aged 47, is an Independent Non-executive Director of the Company. He is also an independent director of FiberHome Corporation Limited (烽火通信科技股份有限公司), and a professor of the management school of Huazhong University of Science and Technology. Mr. Xia holds a doctor's degree in management from Huazhong University of Science and Technology.

Mr. JIN Qingjun, aged 55, is an Independent Non-executive Director of the Company. He is also a senior partner of Beijing King & Wood Law Firm (北京市金杜律師事務所). Mr. Jin has served as an independent director of the Company before. Previously, Mr. Jin worked for Hong Kong Johnson Stokes & Master, UK Clyde & Co., Zhongxin Law Firm (中信律師事務所) and Shu Jin Law Firm (信達律師事務所). He was the legal advisor in PRC laws for Washington Court of Appeals, vice director of the Foreign-related Committee of China Lawyers Association and a member of the WTO Committee of China Lawyers Association, mainly engaged in securities, investment, finance and real estate practices. Mr. Jin holds a bachelor's degree from the Foreign Language School of Anhui University and a master's degree from China University of Political Science and Law.

BOARD OF SUPERVISORS

The members of the Board of Supervisors of the Company as at the date of this Offering Circular are as follows:

Name	Title
Supervisors	
Mr. YANG Weimin	Chairman
Ms. XIA Guiying	Supervisor
Ms. WENG Mingjun	Supervisor
Mr. WANG Yong	Supervisor
Ms. SUN Jing	Supervisor

The biographies of the members of the Board of Supervisors of the Company as at the date of this Offering Circular are as follows:

Mr. YANG Weimin, aged 50, is Chairman of the Board of Supervisors of the Company. Mr. Yang has served as deputy manager of the planning and design department, manager of the engineering department of the Company, general manager of the Shenzhen real properties department and general manager of Beijing branch of the Group. Mr. Yang holds a bachelor's degree from Nanjing Architectural and Civil Engineering Institute and an MBA degree from the University of Wales, Newport (Shenzhen). Mr. Yang is a senior engineer and a Certified Commercial Investment Member (CCIM).

Ms. XIA Guiying, aged 49, is a Supervisor of the Company. She is also a deputy general manager of Shenzhen Investment Management Co., Ltd. (深圳市投資管理公司). Previously, Ms. Xia served as various positions at Shenzhen Investment Holdings Co., Ltd. (深圳市投資控股有限公司). Mr. Xia holds a master's degree in law from China University of Political Science and Law.

Ms. WENG Mingjun, aged 39, is a Supervisor of the Company. She is also a deputy general manager of Shenzhen Futian Construction Co., Ltd. (深圳市福田建設股份有限公司). Previously, Ms. Weng worked for the human resources department of Shenzhen Futian Construction Co., Ltd. (深圳市福田建設股份有限公司).

Mr. WANG Yong, aged 40, is an employee representative Supervisor of the Company. He is also manager of the strategic management department of the Group. Mr. Wang joined the Group in 1997 and has served as vice general manager of Gemdale Properties Co., Ltd. (金地置業有限公司), vice general manager of the brand management department of the Group, marketing supervisor, vice general manager and general manager of Gemdale (Shenzhen) Real Estate Co., Ltd. (金地深圳地產有限公司), as well as general manager of the operation and management department of the Group. Mr. Wang graduated from Tsinghua University with a master's degree in engineering.

Ms. SUN Jing, aged 38, is an employee representative Supervisor of the Company. She is also deputy general manager of the planning and financial department of the Company. Ms. Sun has been working for the Company since her graduation and has served as Manager of the cost department of Beijing Gemdale Hongye Real Estate Development Co., Ltd. (北京金地鴻業房地產開發有限公司) and assistant to the general manager of the finance management department of the Company. Ms. Sun graduated from Nanjing Architectural and Civil Engineering Institute with a bachelor's degree in industrial and civil construction.

SENIOR MANAGEMENT

The biographies of the senior management of the Company as at the date of this Offering Circular are as follows:

Mr. YAN Jiarong, aged 49, is Vice President of the Company and general manager of Gemdale Commercial Real Estate Co., Ltd. (金地商業地產有限公司). Previously, Mr. Yan served as deputy general manager of Monkey King Group (猴王集團), general manager of Shenzhen Kaiwu Technology Co., Ltd. (深圳開物科技有限公司), deputy manager of Gemdale Property Co., Ltd. (金地物業有限公司), general manager office director of the Group, deputy general manager of the Beijing branch of the Group, chairman, general manager and assistant president of the Wuhan branch of the Group. Mr. Yan holds a master's degree in management from Huazhong University of Science and Technology. Mr. Yan is an economist.

Mr. HU Hong, aged 46, is an assistant to the President of the Group and Chairman and general manager of the northwest China region of the Company. Mr. Hu joined the Group in 1993 and has served as Manager of the operation department of the Group and general manager of Shenzhen Gemdale Properties Consultancy Co., Ltd. (深圳金地置業顧問有限公司). Previously, Mr. Hu worked for Hyundai Electronics (Shenzhen) Co., Ltd. (現代電子(深圳)有限公司). Mr. Hu graduated with an MBA degree from University of Wales, Newport (Shenzhen).

Mr. WEI Chuanjun, aged 44, is the Chief Financial Officer of the Company. He joined the Company in 2003 and served as general manager of the planning and financial department of the Company. Previously, Mr. Wei was an auditor of Shenzhen Dahua Certified Public Accountants (深圳大華會計師事務所) and an assistant to the general manager of the financial department of Vanke Group (萬科集團). Mr. Wei holds a bachelor's degree in economics and an EMBA degree from Shanghai University of Finance and Economics. Mr. Wei is a member of the China Institute of Certified Public Accountants and a senior member of ACCA.

Mr. ZHANG Xiaofeng, aged 42, is an assistant to the President of the Group and chairman and general manager of the northern China region of the Company. He joined the Group in 1997 and has served as deputy manager of the construction materials department of the Group, business development supervisor and an assistant to the general manager of the Shanghai branch of the Group. He has also worked as chairman of Gemdale Property Co., Ltd., chairman and general manager of the Shenyang branch of the Group. Mr. Zhang holds a bachelor's degree from Beijing Normal University and an EMBA degree from China Europe International Business School.

Mr. SONG Tao, aged 43, is an assistant to the President of the Group. He joined the Group in 2003 and has worked as general manager of the technical management department of the Group and deputy general manager of the Shanghai branch of the Group. Mr. Song holds a bachelor's degree from the Architecture School of Zhejiang University and an MBA degree from the MBA Programme jointly held by Tsinghua University and The Chinese University of Hong Kong.

REMITTANCE OF RENMINBI INTO AND OUTSIDE THE PRC

Renminbi is not a freely convertible currency. The remittance of Renminbi into and outside the PRC is subject to control imposed under PRC law.

CURRENT ACCOUNT ITEMS

Under the applicable PRC foreign exchange control regulations, current account items refer to any transaction for international receipts and payments involving goods, services, earnings and other frequent transfers.

Since July 2009, the PRC has commenced a pilot scheme pursuant to which Renminbi may be used for settlement of imports and exports of goods between approved pilot enterprises in five designated cities in the PRC including Shanghai, Guangzhou, Dongguan, Shenzhen and Zhuhai and enterprises in designated offshore jurisdictions including Hong Kong and Macau. On 17 June 2010, the PRC government promulgated the Circular on Issues concerning the Expansion of the Scope of the Pilot Programme of Renminbi Settlement of Cross-Border Trades (Yin Fa (2010) No. 186) (關於擴大跨境貿易人民幣結算試點有關問題的通知) (the "**Circular**"), pursuant to which (i) Renminbi settlement of imports and exports of goods and of services and other current account items became permissible, (ii) the list of designated pilot districts were expanded to cover 20 provinces and cities, and (iii) the restriction on designated offshore districts has been uplifted. Accordingly, any enterprises in the designated pilot districts and offshore enterprises are entitled to use Renminbi to settle imports and exports of goods and services and other current account items between them. Renminbi remittance for exports of goods from the PRC may only been effected by approved pilot enterprises in designated pilot districts in the PRC. In August 2011, the PRC government further expanded Renminbi cross-border trade settlement nationwide.

As a new regulation, the Circular will be subject to interpretation and application by the relevant PRC authorities. Local authorities may adopt different practices in applying the Circular and impose conditions for settlement of current account items.

CAPITAL ACCOUNT ITEMS

Under the applicable PRC foreign exchange control regulations, capital account items include cross-border transfers of capital, direct investments, securities investments, derivative products and loans. Capital account payments are generally subject to approval of the relevant PRC authorities.

Settlements for capital account items are generally required to be made in foreign currencies. For instance, foreign investors (including any Hong Kong investors) are required to make any capital contribution to foreign invested enterprises in a foreign currency in accordance with the terms set out in the relevant joint venture contracts and/or articles of association as approved by the relevant authorities. Foreign invested enterprises or relevant PRC parties are also generally required to make capital item payments including proceeds from liquidation, transfer of shares, reduction of capital, interest and principal repayment to foreign investors in a foreign currency. That said, the relevant PRC authorities may grant approval for a foreign entity to make a capital contribution or a shareholder's loan to a foreign invested enterprise with Renminbi lawfully obtained by it outside the PRC and for the foreign invested enterprise to service interest and principal repayment to its foreign investor outside the PRC in Renminbi on a trial basis. The foreign invested enterprise may be required to complete a registration and verification process with the relevant PRC authorities before such Renminbi remittances.

On 7 April 2011, SAFE promulgated the Circular on Issues Concerning the Capital Account Items in connection with Cross-Border Renminbi (國家外滙管理局綜合司關於規範跨境人民幣資本項目業務操作有關問題的通知) (the "**SAFE Circular**"), which became effective on 1 May 2011. According to the SAFE Circular, in the event that foreign investors intend to use cross-border Renminbi (including offshore Renminbi and onshore Renminbi held in the capital accounts of non-PRC residents) to make a contribution to an onshore enterprise or make payment for the transfer of equity interest of an onshore enterprise by a PRC resident, such onshore enterprise shall be required to submit the relevant MOFCOM's prior written consent to the relevant local branches of SAFE of such onshore enterprise and register for a foreign invested enterprise status. Further, the SAFE Circular clarifies that the foreign debts borrowed, and the external guarantee provided by onshore entities (including financial institutions) in Renminbi shall, in principle, be regulated under the current PRC foreign debt and external guarantee regime.

On 12 October 2011, MOFCOM promulgated the Circular on Issues in relation to Cross-border RENMINBI Foreign Direct Investment (商務部關於跨境人民幣直接投資有關問題的通知) (the "**MOFCOM Renminbi FDI Circular**"). In accordance with the MOFCOM Renminbi FDI Circular, MOFCOM and its local counterparts are authorised to approve Renminbi Foreign Direct Investment ("**Renminbi FDI**") in accordance with existing PRC laws and regulations regarding foreign investment, with the following exceptions which require the preliminary approval by the provincial counterpart of MOFCOM and the consent of MOFCOM: (i) Renminbi FDI with the capital contribution in Renminbi of CNY300 million or more; (ii) Renminbi FDI in financing guarantee, financing lease, micro financing or auction industries; (iii) Renminbi FDI in foreign invested investment companies, venture capital or equity investment enterprises; or (iv) Renminbi FDI in cement, iron & steel, electrolytic aluminium, shipbuilding or other policy sensitive sectors. In addition, Renminbi FDI in the real estate sector is allowed following the existing rules and regulations of foreign investment in real estate, although Renminbi foreign debt remains unavailable to foreign invested real estate enterprises. The proceeds of Renminbi FDI may not be used towards investment in securities, financial derivatives or entrustment loans in the PRC, except for investments in PRC domestic listed companies through private placements or share transfers by agreement under the PRC strategic investment regime.

On 13 October 2011, PBOC promulgated the PBOC Renminbi Measures, pursuant to which, PBOC special approval for Renminbi FDI and shareholder loans which was required by the PBOC Notice concerning *Clarification of Certain Issues on Cross-border Renminbi Settlement* (《中國人民銀行關於明確跨境人民幣業務相關問題的通知》) (the "**PBOC Notice**") promulgated on 3 June 2011 is no longer necessary. The PBOC Renminbi FDI Measures provide that, among others, foreign invested enterprises are required to conduct registrations with the local branch of PBOC within ten working days after obtaining the business licenses for the purpose of Renminbi settlement, a foreign investor is allowed to open a Renminbi expense account (人民幣前期費用專用存款賬戶) to reimburse some expenses before the establishment of a foreign invested enterprise and the balance in such an account can be transferred to the Renminbi capital account (人民幣資本金專用存款賬戶) of such foreign invested enterprise when it is established, commercial banks can remit a foreign investor's Renminbi proceeds from distribution (dividends or otherwise) by its PRC subsidiaries out of the PRC after reviewing certain requisite documents, if a foreign investor intends to use its Renminbi proceeds from distribution (dividends or otherwise) by its PRC subsidiaries, the foreign investor may open a Renminbi re-investment account (人民幣再投資專用賬戶) to pool the Renminbi proceeds, and the PRC parties selling stake in domestic enterprises to foreign investors can open Renminbi accounts and receive the purchase price in Renminbi paid by foreign investors. The PBOC Renminbi FDI Measures also state that the foreign debt quota of a foreign invested enterprise constitutes its Renminbi debt and foreign currency debt from its offshore shareholders, offshore affiliates and offshore financial institutions, and a foreign invested enterprise may open a Renminbi account (人民幣一般存款賬戶) to receive its Renminbi proceeds borrowed offshore by submitting the Renminbi loan contract to the commercial bank and make repayments of principal of and interest on such debt in Renminbi by submitting certain documents as required to the commercial bank.

As new regulations, the SAFE Circular, the PBOC Notice, the MOFCOM Renminbi FDI Circular and the PBOC Renminbi FDI Measures will be subject to interpretation and application by the relevant PRC authorities. Further, if any new PRC regulations are promulgated in the future which have the effect of permitting or restricting (as the case may be) the remittance of Renminbi for payment of transactions categorised as capital account items, then such remittances will need to be made subject to the specific requirements or restrictions set out in such rules.

TAXATION

The following summary of certain tax consequences of the purchase, ownership and disposition of the Bonds is based upon applicable laws, regulations, rulings and decisions in effect as at the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Bonds and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Neither these statements nor any other statements in this Offering Circular are to be regarded as advice on the tax position of any Bondholder or any persons acquiring, selling or otherwise dealing in the Bonds or on any tax implications arising from the acquisition, sale or other dealings in respect of the Bonds. Persons considering the purchase of the Bonds should consult their own tax advisers concerning the possible tax consequences of buying, holding or selling any Bonds under the laws of their country of citizenship, residence or domicile.

HONG KONG

Withholding Tax

No withholding tax is payable in Hong Kong in respect of payments of principal or interest in respect of the Bonds or in respect of any capital gains arising from the sale of the Bonds.

Profits Tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Under the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the "Inland Revenue Ordinance") as it is currently applied by the Inland Revenue Department, interest on the Bonds may be deemed to be profits arising in or derived from Hong Kong from a trade, professional or business carried on in Hong Kong in the following circumstances:

(a) interest on the Bonds is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or

(b) interest on the Bonds is derived from Hong Kong and is received by or accrues to a company (other than a financial institution) carrying on a trade, profession or business in Hong Kong; or

(c) interest on the Bonds is derived from Hong Kong and is received by or accrues to a person (other than a company) carrying on a trade, profession or business in Hong Kong and is in respect of the funds of the trade, profession or business.

Sums derived from the sale, disposal or redemption of the Bonds will be subject to Hong Kong profits tax where received by or accrued to a person who carries on a trade, profession or business in Hong Kong and the sums have a Hong Kong source.

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal and redemption of the Bonds will be subject to profits tax.

Stamp Duty

No Hong Kong stamp duty will be chargeable upon the issue or transfer of a bond.

Estate Duty

No Hong Kong estate duty is payable in respect of the Bonds.

PRC

The following summary accurately describes the principal PRC tax consequences of ownership of the Bonds by beneficial owners who, or which, are not residents of mainland China for PRC tax purposes. These beneficial owners are referred to as non-PRC Bondholders in this "**PRC Taxation**" section. In considering whether to invest in the Bonds, investors should consult their individual tax advisors with regard to the application of PRC tax laws to their particular situations as well as any tax consequences arising under the laws of any other tax jurisdiction. Reference is made to PRC taxes from the tax year beginning on or after 1 January 2008.

Pursuant to the EIT Law and its implementation regulations, enterprises that are established under laws of foreign countries and regions (including Hong Kong, Macau and Taiwan) but whose "***de facto* management body**" are within the territory of China shall be PRC tax resident enterprises for the purpose of the EIT Tax Law and they shall pay PRC enterprise income tax at the rate of 25 per cent. in respect of their income sourced from both within and outside China. If relevant PRC tax authorities decide, in accordance with applicable tax rules and regulations, that the "***de facto* management body**" of the Issuer or any of the Subsidiary Guarantors is within the territory of PRC, the Issuer or such Subsidiary Guarantor may be held to be a PRC tax resident enterprise for the purpose of the EIT Law and be subject to PRC enterprise income tax at the rate of 25 per cent. for its income sourced from both within and outside PRC. As confirmed by the Issuer and the Subsidiary Guarantors, as at the date of this Offering Circular, neither the Issuer nor any of the Subsidiary Guarantors has been noticed or informed by the PRC tax authorities that it is considered as a PRC tax resident enterprise for the purpose of the EIT Tax Law. On that basis, Bondholders will not be subject to withholding tax, income tax or any other taxes or duties (including stamp duty) imposed by any governmental authority in the PRC in respect of the holding of the Bonds or any repayment of principal and payment of interest made thereon.

However, there is no assurance that the Issuer or any of the Subsidiary Guarantors will not be treated as a PRC tax resident enterprise under the EIT Law and related implementation regulations in the future. Pursuant to the EIT Law and its implementation regulations, any non-resident enterprise without establishment within the PRC or its incomes have no actual connection to its establishment inside the PRC shall pay enterprise income tax at the rate of 10 per cent. on the incomes sourced inside the PRC, and such income tax shall be withheld by sources with the PRC payer acting as the obligatory withholder, who shall withhold the tax amount from each payment or payment due. Accordingly, in the event the Issuer or any of the Subsidiary Guarantors is deemed to be a PRC tax resident enterprise by the PRC tax authorities in the future, the Issuer or such Subsidiary Guarantor shall withhold income tax from the payments of interest in respect of the Bonds for any non-PRC enterprise Bondholder. However, despite the potential withholding of PRC tax by the Issuer or the Subsidiary Guarantors, the Issuer and the Subsidiary Guarantors have agreed to pay additional amounts to Bondholders so that they would receive the full amount of the scheduled payment, as further set out in the Terms and Conditions of the Bonds.

According to the double taxation arrangement between China and Hong Kong, residents of Hong Kong will not be subject to PRC tax on any capital gains from a sale or exchange of the Bonds. For other investors of the Bonds, according to the EIT Law and related implementation regulations, it is unclear whether the capital gains of non-resident enterprises derived from a sale or exchange of the Bonds will be subject to PRC income tax. If such capital gains are determined as income sourced in China by PRC tax authority, those non-resident enterprise holders, other than Hong Kong residents, may be subject to PRC enterprise income tax at a rate of 10 per cent. of the gross proceeds (unless other tax preferential treatments are provided by any special tax arrangements).

PROPOSED EU DIRECTIVE ON THE TAXATION OF SAVINGS INCOME

Under the Directive on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

On 15 September 2008 the European Commission issued a report to the Council of the European Union on the operation of the Directive, which included the Commission's advice on the need for changes to the Directive. On 13 November 2008, the European Commission published a more detailed proposal for amendments to the Directive, which included a number of suggested changes. The European Parliament approved an amended version of this proposal on 24 April 2009. If any of those proposed changes are made in relation to the Directive, they may amend or broaden the scope of the requirements described above.

SUBSCRIPTION AND SALE

The Issuer, the Subsidiary Guarantors and the Company have entered into a subscription agreement with The Hongkong and Shanghai Banking Corporation Limited as the Lead Manager dated 19 July 2012 (the "**Subscription Agreement**") pursuant to which and subject to certain conditions contained in the Subscription Agreement, the Issuer agreed to sell to the Lead Manager, and the Lead Manager agreed to subscribe for, the aggregate principal amount of the Bonds at 100.00 per cent. of their principal amount.

The Subscription Agreement provides that the Issuer, the Subsidiary Guarantors will jointly and severally and, the Company will severally and only in respect of representations, warranties, undertakings and agreements given by the Company, indemnify the Lead Manager against certain liabilities in connection with the offer and sale of the Bonds. The Subscription Agreement provides that the obligations of the Lead Manager are subject to certain conditions precedent and entitles the Lead Manager to terminate it in certain circumstances prior to payment being made to the Issuer.

The Lead Manager and its affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Lead Manager and its affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the Issuer, the Company and the Subsidiary Guarantors, for which they received or will receive customary fees and expenses.

The Lead Manager and its affiliates may purchase the Bonds and be allocated the Bonds for asset management and/or proprietary purposes but not with a view to distribution. In the ordinary course of its various business activities, the Lead Manager and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Issuer, the Company and/or the Subsidiary Guarantors.

In connection with the issue of the Bonds, The Hongkong and Shanghai Banking Corporation Limited (the "**Stabilising Manager**") or any person acting on behalf of the Stabilising Manger may, to the extent permitted by applicable laws and directives. over-allot Bonds or effect transactions with a view to supporting the price of the Bonds at a level higher than that which might otherwise prevail, but in so doing, the Stabilising Manager or any person acting on behalf of the Stabilising Manger shall act as principal and not as agent of the Issuer or the Subsidiary Guarantors. However, there is no assurance that the Stabilising Manager or any person acting on behalf of the Stabilising Manger will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the Bonds is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Bonds and 60 days after the date of the allotment of the Bonds. Any loss or profit sustained as a consequence of any such overallotment or stabilisation shall be for the account of the Stabilising Manager.

GENERAL

The Bonds are a new issue of securities with no established trading market. No assurance can be given as to the liquidity of any trading market for the Bonds.

The distribution of this Offering Circular or any offering material and the offering, sale or delivery of the Bonds is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Offering Circular or any offering material are advised to consult with their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This Offering Circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

No action has been taken or will be taken in any jurisdiction that would permit a public offering of the Bonds, or possession or distribution of this Offering Circular or any amendment or supplement thereto or any other offering or publicity material relating to the Bonds, in any country or jurisdiction where action for that purpose is required.

UNITED STATES

The Bonds and the Guarantee have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Lead Manager represents that it has not offered or sold, and agrees that it will not offer or sell, any of the Bonds and the Guarantee constituting part of its allotment within the United States except in accordance with Rule 903 of Regulation S under the Securities Act. Accordingly, neither it, its affiliates, nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Bonds and the Guarantee. Terms used in this paragraph have the meanings given to them by Regulation S.

The Lead Manager represents that it has not entered and agrees that it will not enter into any contractual arrangement with any distributor (as that term is defined in Regulation S) with respect to the distribution or delivery of the Bonds and the Guarantee, except with its affiliates or with the prior written consent of the Issuer.

UNITED KINGDOM

The Lead Manager has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**") received by it in connection with the issue or sale of the Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Subsidiary Guarantors; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

PEOPLE'S REPUBLIC OF CHINA

The Lead Manager has represented, warranted and agreed that the Bonds are not being offered or sold and may not be offered or sold, directly or indirectly, in the People's Republic of China (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the securities laws of the People's Republic of China.

HONG KONG

The Lead Manager has represented, warranted and agreed that (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds other than (a) to "**professional investors**" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "**prospectus**" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to "**professional investors**" as defined in the SFO and any rules made under that Ordinance.

SINGAPORE

The Lead Manager has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore (the "**MAS**"). Accordingly, the Lead Manager has represented, warranted and agreed that it has not offered or sold any Bonds or caused such Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell such Bonds or cause such Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Bonds, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Note:

This Offering Circular has not been registered as a prospectus with the MAS. Accordingly, this Offering Circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds may not be circulated or distributed, nor may the Bonds be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Bonds are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA, except:

(i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law; or

(iv) as specified in Section 276(7) of the SFA.

GENERAL INFORMATION

1. **Clearing Systems:** The Bonds will be lodged with and cleared through the CMU. For persons seeking to hold a beneficial interest in the Bonds through Euroclear or Clearstream, such persons will hold their interests through an account opened and held by Euroclear or Clearstream with the CMU operator. The CMU instrument number and the Common Code for the Bonds are HSBCFB12008 and 080979282, respectively.

2. **Authorisations:** The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of its obligations under the Bonds, the Trust Deed and the Agency Agreement. The issue of the Bonds was authorised by resolutions of the Board of Directors of the Issuer on 16 July 2012. Each of the Subsidiary Guarantors has obtained all necessary consents, approvals and authorisations in connection with the giving and performance of the Guarantee. The giving of the Guarantee was authorised by resolutions of the Board of Directors of each of the Subsidiary Guarantors other than Famous on 16 July 2012 and resolutions of the Board of Directors of Famous on 17 July 2012. The Company has obtained all necessary consents, approvals and authorisations in connection with the Keepwell Deed and the Deed of Equity Interest Purchase Undertaking and the entry into the transaction documents in connection with the Bonds was authorised by resolutions of the Board of Directors of the Company on 13 July 2012. PRC counsel to the Lead Manager has advised that no approvals or consents are required from any regulatory authorities or other relevant authorities in the PRC for the Company to enter into and perform its obligations under the Keepwell Deed and the Deed of Equity Interest Purchase Undertaking.

3. **No Material Adverse Change:** There has been no material adverse change in the financial or trading position or prospects of the Issuer, the Subsidiary Guarantors, the Company and the Group since 31 December 2011.

4. **Litigation:** Save as disclosed in this Offering Circular, none of the Issuer, the Subsidiary Guarantors, the Company or any other member of the Group is involved in any litigation or arbitration proceedings that the Issuer, the Subsidiary Guarantors or the Company, as the case may be, believes are material in the context of the Bonds, nor is any of the Issuer, the Subsidiary Guarantors or the Company aware that any such proceedings are pending or threatened.

5. **Available Documents:** Copies of the Company's annual reports for the years ended 31 December 2009, 2010 and 2011, Famous' annual reports for the years ended 31 December 2009, 2010 and 2011, the Trust Deed and the Agency Agreement relating to the Bonds, the Keepwell Deed, the Deed of Equity Interest Purchase Undertaking and the Articles of Association of the Issuer, each of the Subsidiary Guarantors and the Company will be available for inspection from the Issue Date at the Issuer's registered office at 5/F, Heng Shan Centre, 145 Queen's Road East, Wanchai, Hong Kong during normal business hours, so long as any of the Bonds is outstanding. The Company prepares and publishes an annual report every year and consolidated unaudited financial statements each quarter. Copies of the Company's annual report and quarterly consolidated unaudited financial statements can be obtained from its corporate website. Famous prepares and publishes its annual report each year. Copies of Famous' annual report can be obtained from the Company's corporate website.

6. **Financial Statements:** The audited consolidated financial statements of the Company as at and for the years ended 31 December 2009, 2010 and 2011, and the audited consolidated financial statements of Famous as at and for the years 31 December 2009,

2010 and 2011, which are included elsewhere in this Offering Circular, have been audited by Deloitte Touche Tohmatsu CPA Ltd. and Deloitte Touche Tohmatsu CPA. Ltd. Shenzhen Branch, respectively, as stated in its report appearing herein. The consolidated financial statements of the Company are English translations of the Chinese consolidated financial statements of the Company prepared under accounting principles and practices generally accepted in the PRC. These consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in other countries and jurisdictions.

7. **Listing:** So long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer will appoint and maintain a paying agent in Singapore, where the Bonds may be presented or surrendered for payment or redemption, in the event that the Global Certificate is exchanged for Bonds in definitive form. In addition, in the event that the Global Certificate is exchanged for Bonds in definitive form, announcement of such exchange shall be made by or on behalf of the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the Bonds in definitive form, including details of the paying agent in Singapore.

APPENDIX A — THE KEEPWELL DEED

This Deed is dated 2012 and made **between**:

(1) **GEMDALE CORPORATION** (the "**Company**");

(2) **FAMOUS COMMERCIAL LIMITED** ("**Famous**"); and

(3) **THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED** (the "**Trustee**", which expression, where the context so admits, includes any other trustee for the time being of this Deed).

Whereas:

(A) Gemdale International Holdings Limited (the "**Issuer**") proposes to issue CNY1,200,000,000 in aggregate principal amount of Bonds to be known as its 9.15 per cent. Guaranteed Bonds due 2015 which will be jointly and severally guaranteed by Famous and other persons named in the schedule hereto (the "**Subsidiary Guarantors**") (the "**Bonds**", which expression shall, if the context so admits, include the global certificate to be initially delivered in respect of the Bonds) pursuant to a trust deed (the "**Trust Deed**") dated on or about 25 July 2012 between the Issuer, the Subsidiary Guarantors, Gemdale Corporation and the Trustee.

(B) The Subsidiary Guarantors are all directly or indirectly wholly-owned Subsidiaries of the Company.

(C) The Subsidiary Guarantors have agreed to guarantee the payment of all sums expressed to be payable from time to time by the Issuer in respect of the Bonds (the "**Guarantee**").

(D) The Company intends to assist Famous in meeting its obligations under the Bonds by entering into this Deed.

(E) The Company expressly intends for the Trustee in its capacity as the trustee for the holders of the Bonds, to be the beneficiary under this Deed as provided herein.

This Deed witnesses and it is declared as follows:

1 INTERPRETATION

1.1 Definitions: The following expressions have the following meanings:

"**PRC**" means the People's Republic of China excluding Hong Kong and the Macau Special Administrative Region of the PRC, and Taiwan;

"**Subsidiary**" of any person means (a) any company or other business entity of which that person owns or controls (either directly or through one or more other Subsidiaries) more than 50 per cent. of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such company or other business entity, or (b) any company or other business entity which at any time has its accounts consolidated with those of that person or which, under the law, regulations or generally accepted accounting principles of the jurisdiction of incorporation of such person from time to time, should have its accounts consolidated with those of that person;

"**this Deed**" means this Deed (as from time to time altered in accordance with this Deed) and any other document executed in accordance with this Deed (as from time to time so altered) and expressed to be supplemental to this Deed;

1.2 Headings: Headings shall be ignored in construing this Deed.

1.3 Amended Documents: Save where the contrary is indicated, any reference in this Deed (including in the recitals hereto) to any other agreement or document shall be construed as a reference to such other agreement or document as the same may have been, or may from time to time be, amended, varied, novated or supplemented.

1.4 The Trust Deed: In this Deed, unless the context requires or the same are otherwise defined, words and expressions defined in the Trust Deed and not otherwise defined herein shall have the same meaning in this Deed.

1.5 Clauses: Any reference to a Clause in this Deed is, unless otherwise stated, a reference to a Clause of this Deed.

2 OWNERSHIP OF FAMOUS

At all times during the term of this Deed, the Company undertakes that it shall directly or indirectly own and hold all the outstanding shares of Famous (unless Famous otherwise ceases to be a Subsidiary Guarantor in accordance with the Conditions and the Trust Deed) and will not directly or indirectly pledge, grant a security interest, or in any way encumber or otherwise dispose of any such shares.

3 MAINTENANCE OF TOTAL EQUITY; LIQUIDITY

The Company undertakes that it shall cause Famous to have a Total Equity of at least HK$100,000,000 at all times and Famous to have sufficient liquidity to ensure timely payment by Famous of any amounts payable in respect of the Bonds and the Guarantee in accordance with the terms and conditions of the Bonds.

If Famous at any time determines that it will have insufficient liquidity to meet its payment obligations as they fall due, then Famous shall promptly notify the Company of the shortfall and the Company will make available to Famous, before the due date of the relevant payment obligations, funds sufficient to enable Famous to pay such payment obligations in full as they fall due. Famous shall use any funds made available to it by the Company in accordance with this Deed solely for the payment when due of such payment obligations under the Bonds.

For purposes of this Deed:

"**Total Equity**" means the line item with the corresponding caption in the consolidated statement of financial position of Famous Commercial Limited in the Audited Financial Reports and Unaudited Financial Reports, as the case may be, comprising the aggregate of:

(i) the amount paid up or credited as paid up on the issued ordinary share capital of Famous Commercial Limited;

(ii) the amount standing to the credit of the consolidated reserve of Famous Commercial Limited and its Subsidiaries; and

(iii) the amount attributable to the non-controlling interests.

4. APPROVALS

The performance by the Company of its obligations under Clause 3 may be subject to the approval or clearance or other authorisation of PRC government authorities. The Company undertakes to use all reasonable efforts to obtain such approval, clearance or other authorisation.

5 RELEVANT INDEBTEDNESS

At all times during the term of this Deed, the Company undertakes to the Trustee that:

(i) the Company shall not create or have any Relevant Indebtedness which is issued outside the PRC unless the Company at the same time provides an unsubordinated guarantee or indemnity in respect of the Bonds in a form and substance satisfactory to the Trustee;

(ii) neither the Company nor any of its Subsidiaries will create or permit to subsist any mortgage, charge, lien, pledge or other security interest, upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness which is issued outside the PRC without at the same time or prior thereto securing the Bonds equally and rateably therewith except for any security over any interest reserve account which is substantially the same or otherwise no more favourable (in the opinion of the Trustee) than those set forth in Conditions 3(d) and 4(c) of the Bonds; and

(iii) the Company will not create or have outstanding any guarantee or indemnity in respect of any Relevant Indebtedness which is issued outside the PRC without at the same time or prior thereto according to the Bonds the same guarantee or indemnity.

For the purposes of this Clause 5, "**Relevant Indebtedness**" means any present or future indebtedness which is in the form of, or represented or evidenced by any bond, note, debenture, debenture stock, loan stock, or other securities which is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market).

6 WAIVER

The Company hereby waives any failure or delay on the part of Famous or the Trustee in asserting or enforcing any of its rights or in making any claims or demands hereunder.

7 NOT A GUARANTEE

This Deed is not, and nothing herein contained and nothing done pursuant hereto by the Company shall be deemed to constitute, a guarantee by the Company of the payment of any obligation, indebtedness or liability, of any kind or character whatsoever, of Famous under the laws of any jurisdiction.

8 LIQUIDATED DAMAGES

If the Company is in default of its obligations under this Deed, the Company shall be liable by way of liquidated damages to Famous for such breach in an amount equal to the sum that the Company would have paid had it performed in full its obligations herein and Famous shall be entitled to claim accordingly.

9 TERM

This Deed shall remain in full force and effect so long as any Bonds are outstanding.

10 DEPOSIT OF DEED

The Company shall deposit this Deed with the Trustee, to be held by the Trustee until the earlier of (i) this Deed ceasing to be in full force and effect in accordance with Clause 9 and (ii) the termination of this Deed by the Company in accordance with Clause 11. The Company acknowledges the right of the Trustee and each holder from time to time of the Bonds to the production of, and to obtain a copy of, this Deed.

11 MODIFICATION, AMENDMENT OR TERMINATION

This Deed may be modified, amended or terminated by the written agreement of the parties hereto.

12 SUCCESSORS; BENEFICIARIES

The agreements herein set forth shall be mutually binding upon, and inure to the mutual benefit of, the Company, Famous, the Trustee and their respective successors. The Company acknowledges that this Deed is being entered into by the Trustee as trustee for itself and the holders of the Bonds, and agrees that the provisions of this Deed may be enforced by the Trustee in that capacity in accordance with the terms of the Trust Deed.

13 UNDERTAKINGS

For so long as the Bonds are outstanding, the Company hereby undertakes:

(a) to procure that the articles of association of Famous shall not be amended in a manner that is, directly or indirectly, adverse to holders of the Bonds;

(b) to cause Famous to remain in full compliance with the Trust Deed and all applicable rules and regulations in Hong Kong;

(c) promptly to take any and all action necessary to comply with its obligations under this Deed; and

(d) to cause Famous to take all action necessary in a timely manner to comply with Famous' obligations under this Deed.

14 COMMUNICATIONS

Any communication shall be by letter or fax:

in the case of the Company and Famous at:

c/o Gemdale Corporation
Gemdale Business Building
Fuqiang Road, Futian District
Shenzhen 518048
People's Republic of China

Fax no.: +86 755 83844555
Attention: Mr. Jun Meng

and in the case of the Trustee, to it at:

The Hongkong and Shanghai Banking Corporation Limited
Level 30, HSBC Main Building
1 Queen's Road Central
Hong Kong

Fax no.: +852 2801 5586
Attention: Corporate Trust and Loan Agency

Communications will take effect, in the case of a letter, when delivered, and in the case of fax, when the relevant delivery receipt is received by the sender; provided that any communication which is received (or deemed to take effect in accordance with the foregoing) outside business hours or on a non-business day in the place of receipt shall be deemed to take effect at the opening of business on the next following business day in such place. Any communication delivered to any party under this Deed which is sent by fax will be written legal evidence.

15 GOVERNING LAW AND JURISDICTION

15.1 Governing law

This Deed, as to which time shall be of the essence, shall be governed by and construed in accordance with Hong Kong law.

15.2 Jurisdiction

15.2.1 The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with this Deed and accordingly any legal action or proceedings arising out of or in connection with this Deed ("**Proceedings**") may be brought in such courts. Each of Famous and the Company irrevocably submits to the jurisdiction of such courts and waives any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum.

15.2.2 Each of Famous and the Company agrees that any Proceedings may be served on Famous and/or Company by being delivered to the Issuer's principal place of business in Hong Kong (currently at 5/F Heng Shan Centre, 145 Queen's Road East, Wanchai, Hong Kong). If the Issuer ceases to have a place of business in Hong Kong, Famous and the Company shall forthwith appoint an agent for service of process in Hong Kong and deliver to the Trustee a copy of the new agent's acceptance of that appointment within 30 days. Nothing in this Deed shall affect the right to serve process in any other manner permitted by law.

16 ACKNOWLEDGEMENTS

16.1 The parties hereto acknowledge that in order for each of the Company and Famous to comply with its respective obligations under this Deed, the Company and/or Famous may require governmental or regulatory approvals, permits and filings pursuant to applicable laws.

16.2 The parties hereto acknowledge and agree that the Trustee has agreed to become a party to this Deed solely for the purpose of taking the benefit of, and for agreeing amendments to, this Deed and shall not assume any other obligations or liabilities whatsoever to the other parties to this Deed by virtue of the provisions of this Deed.

17 SEVERABILITY

If any one or more of the provisions contained in this Deed shall be invalid, illegal or unenforceable in any respect under the applicable law, the validity, legality and enforceability of the remaining provisions contained herein shall not be in any way affected or impaired.

SCHEDULE

1. Kudos International Company Limited
2. Dignity Commercial Company Limited
3. Gemdale Laureate Limited
4. Evergreen Commercial Company Limited
5. Jade Commercial Company Limited

APPENDIX B — THE DEED OF EQUITY INTEREST PURCHASE UNDERTAKING

This Deed is made on 2012 **between**:

(1) **GEMDALE CORPORATION** (the "**Company**"); and

(2) **THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED** (the "**Trustee**", which expression, where the context so admits, includes any other trustee for the time being of this Deed).

(A) Gemdale International Holdings Limited (the "**Issuer**") proposes to issue CNY1,200,000,000 in aggregate principal amount of bonds to be known as its 9.15 per cent. Guaranteed Bonds due 2015 which will be jointly and severally guaranteed by the Subsidiary Guarantors (the "**Bonds**", which expression shall, if the context so admits, include the global certificate to be initially delivered in respect of the Bonds) pursuant to a trust deed (the "**Trust Deed**") dated on or about 25 July 2012 between the Issuer, the Subsidiary Guarantors and the Trustee.

(B) The Company intends to assist the Issuer and the Subsidiary Guarantors in meeting their respective obligations under the Bonds and the Guarantee by entering into this Deed whereby, upon the receipt of a written notice from the Trustee provided in accordance with this Deed, the Company agrees to purchase certain equity interests.

This Deed witnesses and it is declared as follows:

1. INTERPRETATION

1.1 Definitions: The following expressions have the following meanings:

"**AIC**" means the PRC State Administration for Industry and Commerce;

"**Approval Authorities**" means any supranational, national, state, municipal, provincial or local government (including any subdivision, court, administrative agency or commission or other authority thereof) or any quasi governmental or private body exercising any regulatory, taxing, importing or other governmental or quasi governmental authority whose licences, authorisations, registrations or other approvals are necessary for undertaking the transactions contemplated by, as applicable, each of the Relevant Documents;

"**Business Day**" means a day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign exchange) in Hong Kong and the PRC;

"**Equity Interest**" means the interests in the registered capital of each PRC incorporated Subsidiary of Famous Commercial Limited held by the Relevant Transferor(s) and subject to the Purchase pursuant to each Equity Interest Transfer Agreement;

"**Equity Interest Transfer Agreement**" means the equity interest transfer agreement substantially in the form set out in Schedule 2 hereto to be entered into between the Company and each Relevant Transferor in respect of each Purchase;

"**MOFCOM**" means the Ministry of Commerce of the PRC or its local counterpart;

"**Purchase**" has the meaning ascribed to it in under Clause 2.1;

"**Purchase Closing Date**" has the meaning ascribed to it under Clause 2.2(iii);

"**Purchase Notice**" means the notice substantially in the form set out in Schedule 1 to this Deed;

"**Purchase Price**" has the meaning ascribed to it under Clause 2.3;

"**PRC**" means the People's Republic of China excluding Hong Kong and the Macau Special Administrative Region of the PRC, and Taiwan;

"**Relevant Account**" means the Interest Reserve Account that is subject to the Charge Over Account;

"**Relevant Approvals**" has the meaning ascribed to it under Clause 2.1;

"**Relevant Documents**" means, in relation to a Purchase, the Equity Interest Transfer Agreement and all documents executed pursuant to or in connection with such agreement;

"**Relevant Transferor**" has the meaning ascribed to it under Clause 2.1;

"**SAFE**" means the State Administration of Foreign Exchange of the PRC or its local counterpart;

"**Shortfall Amount**" has the meaning ascribed to it under Clause 2.3;

"**Subsidiary**" of any person means (a) any company or other business entity of which that person owns or controls (either directly or through one or more other Subsidiaries) more than 50 per cent. of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such company or other business entity, or (b) any company or other business entity which at any time has its accounts consolidated with those of that person or which, under the law, regulations or generally accepted accounting principles of the jurisdiction of incorporation of such person from time to time, should have its accounts consolidated with those of that person;

"**this Deed**" means this Deed (as from time to time altered in accordance with this Deed) and any other document executed in accordance with this Deed (as from time to time so altered) and expressed to be supplemental to this Deed; and

"**Trust Deed**" means the Trust Deed entered into between the Issuer, the Subsidiary Guarantors and the Trustee on or about the date of this Deed in respect of the Bonds (as from time to time altered or supplemented in accordance with the terms thereof).

1.2 **Headings:** Headings shall be ignored in construing this Deed.

1.3 **Amended Documents:** Save where the contrary is indicated, any reference in this Deed (including the recitals hereto) to any other agreement or document shall be construed as a reference to such other agreement or document as the same may have been, or may from time to time be, amended, varied, novated or supplemented in accordance with their respective terms.

1.4 **The Trust Deed:** In this Deed, unless the context requires or the same are otherwise defined, words and expressions defined in the Trust Deed and not otherwise defined herein shall have the same meaning in this Deed.

1.5 **Clauses:** Any reference to a Clause in this Deed is, unless otherwise stated, a reference to a Clause of this Deed.

2. OBLIGATION TO ACQUIRE EQUITY INTEREST

2.1 **Agreement to Purchase:** Upon the receipt of a written Purchase Notice provided by the Trustee in accordance with the Trust Deed given following the occurrence of an Event of Default under the Bonds, the Company agrees that it shall, subject to obtaining all necessary approvals, consents, licences, orders, permits and any other authorisations from the relevant Approval Authorities (the "**Relevant Approvals**"), purchase (the "**Purchase**") from (i) Famous Commercial Limited or any Subsidiary of Famous Commercial Limited incorporated outside the PRC and designated by the Company and notified in writing to the Trustee or (ii) in the absence of such designation and such notification within 2 Business Days after the date of the Purchase Notice, all the Subsidiary Guarantors which own Subsidiaries incorporated in the PRC (such designated entity or, as the case may be, each such Subsidiary Guarantor, a "**Relevant Transferor**"), in the case referred to in (i) of this Clause 2.1, the Equity Interest held by the designated Relevant Transferor or, in the case referred to in (ii) of this Clause 2.1, all the Equity Interests held by all the Relevant Transferors, in either such case at the Purchase Price (as determined under Clause 2.3) on the Purchase Closing Date on the terms set out in this Deed and the Equity Interest Transfer Agreement.

2.2 **Closing:**

(i) Within 15 Business Days after the date of the Purchase Notice, the Company shall, and shall procure each Relevant Transferor to, execute, and the Company shall procure the board of directors of each of the companies the Equity Interest in which is subject to the Purchase to execute (where applicable), an Equity Interest Transfer Agreement in the form set out in Schedule 2 to this Deed and all other application documents required by applicable laws and regulations of the PRC and shall file the same with MOFCOM, for approval of the transfer of the Equity Interests referred to in Clause 2.1 as being the subject of the Purchase.

(ii) Within 5 Business Days after the receipt of approval from MOFCOM, the Company shall submit all application documents required by applicable laws and regulations of the PRC to the competent AIC for AIC registration of the transfer of the Equity Interest(s).

(iii) Within 5 Business Days after receipt of AIC registration from the competent AIC, the Company shall complete the procedures in respect of withholding tax for the Relevant Transferor required by applicable laws and regulations of the PRC with the competent tax authority to obtain the tax clearance opinion from such tax authority.

(iv) Within 5 Business Days after completion of the AIC registration and the receipt of the tax clearance opinion, the Company shall submit all application documents required by applicable laws and regulations of the PRC to SAFE (i) to change the SAFE registration of the companies the Equity Interests in which is or (as the case may be) are subject to the Purchase and (ii) for remittance of the Purchase Price.

(v) Closing shall take place on the fifth Business Day after the date of receipt of the approvals from SAFE (the "**Purchase Closing Date**"), and on the Purchase Closing Date the Company shall pay to or to the order of each Relevant Transferor the Purchase Price payable in immediately available funds in Renminbi to such account in Hong Kong as may be designated by such Relevant Transferor.

2.3 Determination of Purchase Price: Within 10 Business Days after the date of the Purchase Notice, the Company shall determine (i) the purchase price of the Equity Interest(s) subject to the Purchase (the "**Purchase Price**") in accordance with any applicable PRC laws and regulations effective at the time of determination; and (ii) the other applicable terms relating to the Purchase. Provided that the Purchase Price shall be no less than (A) the amount sufficient to enable the Issuer and the Subsidiary Guarantors to discharge in full their respective obligations under the Bonds, the Trust Deed and the Agency Agreement (including without limitation the principal amount of the Bonds then outstanding as at the date of such Purchase Notice and any interest due and unpaid and/or accrued but unpaid on the Bonds up to but excluding the date of such Purchase Notice), plus (B) an amount equal to CNY54,900,000 plus (C) all costs, fees and expenses and other amounts payable to the Trustee and/or the Agents under or in connection with the Bonds, the Trust Deed and/or this Deed as at the date of such Purchase Notice plus provisions for fees and expenses which may be incurred after the date of the Purchase Notice, as notified by the Trustee in the Purchase Notice less (D) any amount of moneys certified in writing by the Account Bank as being held in the Relevant Account on the date of the Purchase Notice ((A) plus (B) plus (C) less (D) being the "**Shortfall Amount**"). The Company shall direct the Issuer to instruct the Account Bank to provide to the Trustee a written certification in respect of the amount of moneys held in the Relevant Account on the date of the Purchase Notice no later than 5 Business Days after the date of the Purchase Notice. The Company's determination of the Purchase Price in accordance with this Deed shall be final and binding on the parties save in the case of manifest error. Should the Company fail to make a determination of the Purchase Price within 10 Business Days after the date of the Purchase Notice, the Purchase Price shall be the Shortfall Amount.

2.4 Notification: The Company shall promptly notify the Trustee in writing (and include reasonable details) of the receipt of any Relevant Approvals in connection with the Purchase, and of any response, formal or informal, from any Approval Authority, including without limitation any such response to the effect that any such Relevant Approvals contemplated in Clause 2.2 is unlikely to be obtained.

2.5 Reasonable Efforts: The Company shall, and shall procure each Relevant Transferor to, use their respective reasonable efforts to do all such things and take all such actions as may be necessary or desirable to (i) procure the completion of the Purchase on the Purchase Closing Date, providing information and applying with a view to obtaining for Relevant Approvals as soon as reasonably practicable within three months from the date of the Purchase Notice; and (ii) procure the remittance of the sum of the Purchase Price to or to the order of the Relevant Transferor(s) in accordance with this Deed.

2.6 **Suspension of Purchase Obligation:** The Purchase obligation set out in Clause 2.1 of this Deed shall be suspended if, prior to the Purchase Closing Date, the Company and the Issuer receives a notice in writing from the Trustee stating that all of the respective payment obligations of the Issuer and the Subsidiary Guarantors under the Bonds and the Trust Deed have been satisfied as at the date of that notice (the "**Suspension Notice**"). The Suspension Notice shall be provided by the Trustee to the Company (with a copy to the Issuer) within 1 Business Day after the date the Trustee is notified or becomes actually aware that the respective payment obligations of the Issuer and the Subsidiary Guarantors under the Bonds and the Trust Deed have been satisfied in full.

3. TERM

This Deed shall remain in full force and effect so long as any Bonds remain outstanding.

4. DEPOSIT OF DEED

Parties to this Deed shall deposit this Deed with the Trustee, to be held by the Trustee until the earlier of (i) the discharge in full of all the obligations of the Company under this Deed and (ii) the termination of this Deed in accordance with Clause 4. The Company acknowledges the right of the Trustee and each Bondholder from time to time of the Bonds to the production of, and to obtain a copy of, this Deed.

5. MODIFICATION, AMENDMENT OR TERMINATION

This Deed may be modified, amended or terminated by the written agreement of the parties hereto subject to the provisions of the Conditions and the Trust Deed.

6. SUCCESSORS; BENEFICIARIES

The agreements herein set forth in this Deed shall be mutually binding upon, and inure to the benefit of, the Trustee and their respective successors. The Company acknowledges that this Deed is being entered into by the Trustee as trustee for itself and the Bondholders and agrees that the provisions of this Deed may be enforced by the Trustee in that capacity.

7. COMMUNICATIONS

Any communication shall be by letter or fax:

in the case of the Company at:

Gemdale Corporation
Gemdale Business Building
Fuqiang Road, Futian District
Shenzhen 518048
People's Republic of China

Fax no.: +86 755 83844555
Attention: Mr. Meng Jun

and in the case of the Trustee, to it at:

The Hongkong and Shanghai Banking Corporation Limited
Level 30, HSBC Main Building
1 Queen's Road Central
Hong Kong

Fax no.: +852 2801 5586
Attention: Corporate Trust and Loan Agency

Communications will take effect, in the case of a letter, when delivered, in the case of fax, when the relevant delivery receipt is received by the sender; provided that any communication which is received (or deemed to take effect in accordance with the foregoing) outside business hours or on a non-business day in the place of receipt shall be deemed to take effect at the opening of business on the next following business day in such place. Any communication delivered to any party under this Deed which is sent by fax will be written legal evidence.

8. STAMP DUTIES AND TAXES

8.1 **Stamp Duties:** The Company will pay any stamp, issue, registration, documentary, transfer or other taxes and duties, including interest and penalties, payable in the PRC or Hong Kong in respect of the execution or delivery of this Deed. The Trustee shall not be liable to pay any such taxes and duties payable in any jurisdiction and shall not be concerned with, or obligated or required to enquire into, the sufficiency of any amount paid by the Company for this purpose. The Company shall forthwith on demand indemnify each of the Trustee and the Bondholders, on an after tax basis, from and against all stamp, issue, registration, documentary, transfer or other taxes paid by any of them in any jurisdiction in connection with any action taken by or on behalf of the Trustee or, as the case may be, the Bondholders to enforce the Company's obligations under this Deed.

9. GOVERNING LAW AND JURISDICTION

9.1 **Governing Law:** This Deed shall be governed by and construed in accordance with Hong Kong law.

9.2 **Jurisdiction:** The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with this Deed and accordingly any legal action or proceedings arising out of or in connection with this Deed ("**Proceedings**") may be brought in such courts. Each of the Company and the Trustee irrevocably submits to the jurisdiction of such courts and waives any objection to Proceedings in any such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum.

9.3 **Service:** The Company irrevocably appoints the Issuer at its registered office (currently at 5/F Heng Shan Centre, 145 Queen's Road East, Wanchai, Hong Kong) as its authorised agent for service of process in Hong Kong. If for any reason such agent shall cease to be such agent for service of process, the Company shall forthwith, on request of the Trustee, appoint a new agent for service of process in Hong Kong and deliver to the Trustee a copy of the new agent's acceptance of that appointment within 30 days. Nothing in this Deed shall affect the right to serve process in any other manner permitted by law.

10. ACKNOWLEDGEMENTS

10.1 Compliance: The parties hereto acknowledge that in order for the Company to comply with its obligations under this Deed, it may require Relevant Approvals pursuant to applicable laws.

10.2 Benefit: The parties hereto acknowledge and agree that the Trustee has agreed to become a party to this Deed solely for the purpose of taking the benefit of, and for agreeing amendments to, this Deed and shall not assume any other obligations or liabilities whatsoever to the other parties to this Deed by virtue of the provisions of this Deed.

11. SEVERABILITY

If any one or more of the provisions contained in this Deed shall be invalid, illegal or unenforceable in any respect under the applicable law, the validity, legality and enforceability of the remaining provisions contained herein shall not be in any way affected or impaired.

SCHEDULE 1 FORM OF PURCHASE NOTICE

[DATE]

Gemdale Corporation
Gemdale Business Building
Fuqiang Road, Futian District
Shenzhen 518048
People's Republic of China
(the "**Company**")

Facsimile: +86 755 8384 4555
Attention: Mr. Meng Jun

CNY1,200,000,000 9.15 PER CENT. GUARANTEED BONDS DUE 2015 ISSUED BY GEMDALE INTERNATIONAL HOLDINGS LIMITED (THE "BONDS")

This notice is being delivered pursuant to Clause 7.1 of the trust deed dated on or about 25 July 2012 (the "**Trust Deed**") between Gemdale International Holdings Limited (the "**Issuer**"), Famous Commercial Limited and other Subsidiary Guarantors (as defined in the Trust Deed), the Company and us as the Trustee. Capitalised terms used but not defined herein shall have the respective meanings assigned to them in the Trust Deed.

[In accordance with Clause 7.1 of the Trust Deed,] we hereby notify you that, as at the date of this notice, [the Trustee has in accordance with Condition 9 (Events of Default) of the Bonds given written notice to the Issuer and the Subsidiary Guarantors declaring that the Bonds are, and they shall immediately become, due and payable at their principal amount together (if applicable) with accrued interest]/[principal in respect of the Bonds in the aggregate amount of CNY[•] has not been paid when due]. Accordingly, we hereby notify the Company of its obligation under Clause 2.1 of the deed of equity interest purchase undertaking dated on or about 26 July 2012 between Gemdale Corporation and us as the Trustee (the "**Equity Interest Purchase Undertaking**").

Further, we hereby notify you for the purposes of determination of the Purchase Price that, as at the date of this notice, the aggregate amount referred to in (A), (B) and (C) of the definition of "Shortfall Amount" in Clause 2.3 of the Equity Interest Purchase Undertaking is CNY[•], being (i) the payment of principal, premium (if any) and accrued interest for the principal amount of Bonds outstanding as at the date of this notice; (ii) CNY54,900,000 and (iii) all costs, fees and expenses and other amounts payable to the Trustee and/or the Agents under or in connection with the Bonds, the Trust Deed and/or the Equity Interest Purchase Undertaking as at the date of this notice (plus provisions for fees and expenses that may be incurred after the date of this Purchase Notice).

For and on behalf of
The Hongkong and Shanghai Banking Corporation Limited
(in its capacity as Trustee of the Bonds)

SCHEDULE 2 FORM OF EQUITY INTEREST TRANSFER AGREEMENT

This equity interest transfer agreement is made on [•] by and between:

(1) [•], a company governed by the laws of the Hong Kong (hereafter referred to as the "**Transferor**"), and

(2) Gemdale Corporation, a company governed by the laws of the People's Republic of China (hereafter referred to as the "**Transferee**").

Whereas:

(A) The Transferor is a wholly owned subsidiary of Famous Commercial Limited and holds [certain]/[all of the] issued share capital of [NAME OF PRC INCORPORATED SUBSIDIARY THE SUBJECT OF THE PURCHASE/THE TARGET COMPANY] of [•] Renminbi (CNY[•], —) with a nominal value of Renminbi [•] per share (CNY[•], —).

(B) The Transferor wishes to transfer and the Transferee wishes to accept [•] ([•]) of its shares in [NAME OF PRC INCORPORATED SUBSIDIARY THE SUBJECT OF THE PURCHASE/THE TARGET COMPANY], the target company (the "**Shares**") on the terms, conditions, and representations hereinafter contained.

It is agreed as follows:

1. The Transferor hereby transfers the Shares to the Transferee and the Transferee hereby accepts the Shares from the Transferor, free from all liens, charges and encumbrances with all rights attached thereto of whatever nature.

2. The Shares are transferred for a purchase price of Renminbi [•] (CNY[•], —).

3. The Transferor warrants to the Transferee that:

   (a) the Transferor has full legal title to the Shares and has full and legal capacity to sell and transfer the Shares; and

   (b) the Shares are fully paid-up and are free and clear of encumbrances of any kind, of any option, lien or other rights under which third parties could demand sale or transfer; and

   (c) the Transferor is not involved in court proceedings and there are no facts or circumstances known to it at that date which could lead to court proceedings.

4. This agreement shall be governed by and construed in accordance with the laws of the People's Republic of China and the parties irrevocably agree that the courts of the People's Republic of China have exclusive jurisdiction to settle any disputes which may arise out of or in connection with this equity interest transfer agreement.

INDEX TO FINANCIAL STATEMENTS

Deloitte.
德勤

Note: This auditor's report was issued in Chinese. The following is an English translation prepared for your reference only. Should there be any conflict between the Chinese and English version, the Chinese version shall prevail.

De Shi Bao (Shen) Zi (12) No. [P1073]

AUDITOR'S REPORT
To the Shareholders of Gemdale Corporation

We have audited the accompanying financial statements of Gemdale Corporation ("Gemdale Company"), which comprise the company and consolidated balance sheets as at December 31, 2011, and the company and consolidated income statements, the company and consolidated statements of changes in shareholders' equity and the company and consolidated cash flow statements for the year then ended, and the notes to the financial statements.

1. Management's responsibility for the financial statements

Management of Gemdale Company is responsible for the preparation and fair presentation of these financial statements. This responsibility includes: (1) preparing the financial statements in accordance with Accounting Standards for Business Enterprises to achieve fair presentation of the financial statements; (2) designing, implementing and maintaining internal control which is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

2. Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with China Standards on Auditing. Those standards require that we comply with the Code of Ethics for Chinese Public Accountants and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider the internal control relevant to the preparation and fair presentation of the financial statements 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 internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

3. Opinion

In our opinion, the financial statements of Gemdale Company present fairly, in all material respects, Gemdale Company's and consolidated financial position as of December 31, 2011, and Gemdale Company's and consolidated results of operations and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

Deloitte Touche Tohmatsu CPA Ltd.
Shanghai, China

Chinese Certified Public Accountant
Gan Chang Ru

Chinese Certified Public Accountant
Chen Jin Hai

April 23, 2012

THE CONSOLIDATED BALANCE SHEET
At December 31, 2011

Unit: RMB

Items	Notes	Closing balance	Opening balance
CURRENT ASSETS:			
Currency funds	(VI)1	18,638,387,570.90	13,631,399,765.56
Provision of settlement fund		—	—
Funds lent		—	—
Held-for-trading financial assets		—	—
Notes receivable		—	—
Accounts receivable	(VI)2	3,252,105.93	12,394,023.56
Advances to suppliers	(VI)3	795,979,252.15	8,882,056,601.41
Insurance premiums receivable		—	—
Cession premiums receivable		—	—
Provision of cession receivable		—	—
Interest receivable		—	—
Dividends receivable		—	—
Other receivables	(VI)4	2,043,933,734.52	1,437,019,531.64
Recoursable financial assets acquired		—	—
Inventories	(VI)5	64,135,243,833.82	45,455,497,951.75
Non-current assets due within one year		—	—
Other current assets	(VI)6	2,621,369,433.38	1,454,799,048.42
Total current assets		88,238,165,930.70	70,873,166,922.34
NON-CURRENT ASSETS:			
Loans and payments on behalf		—	—
Available-for-sale financial assets		—	—
Held-to-maturity investments		—	—
Long-term receivables		—	—
Long-term equity investments	(VI)7、8	157,752,577.56	143,873,900.72
Investment properties	(VI)9	1,283,150,487.11	1,344,969,330.10
Fixed assets	(VI)10	124,276,171.32	80,920,520.11
Construction in progress	(VI)11	67,770,102.52	2,553,233.20
Construction materials		—	—
Fixed assets held for disposal		—	—
Bearer biological assets		—	—
Oil and natural gas assets		—	—
Intangible assets		—	—
Development expenditure		—	—
Goodwill	(VI)12	7,643,930.97	7,643,930.97
Long-term prepayments	(VI)13	10,221,848.11	11,353,205.23
Deferred tax assets	(VI)14	611,073,175.11	352,056,440.54
Other non-current assets		—	—
Total non-current assets		2,261,888,292.70	1,943,370,560.87
TOTAL ASSETS		90,500,054,223.40	72,816,537,483.21

Unit: RMB

Items	Notes	Closing balance	Opening balance
CURRENT LIABILITIES:			
Short-term borrowings	(VI)16	2,279,446,546.81	200,000,000.00
Borrowings from central bank		—	—
Deposits from customers and interbank		—	—
Deposit funds		—	—
Held-for-trading financial liabilities		—	—
Notes payable		—	—
Accounts payable	(VI)17	5,785,707,445.44	2,953,289,556.30
Advances from customers	(VI)18	23,213,776,291.64	18,869,965,079.82
Funds from sales of financial assets with repurchasement agreement		—	—
Handling charges and commissions payable		—	—
Employee benefits payable	(VI)19	765,528,297.26	661,723,951.53
Tax payable	(VI)20	613,324,717.43	571,000,393.77
Interest payable	(VI)21	76,283,554.54	65,362,491.76
Dividends payable	(VI)22	32,189,545.93	43,440,000.00
Other payables	(VI)23	4,331,203,133.39	4,334,434,323.32
Cession premiums payable		—	—
Provision for insurance contracts		—	—
Receivings from vicariously traded securities		—	—
Receivings from vicariously sold securities		—	—
Non-current liabilities due within one year	(VI)24	11,879,826,903.61	4,847,000,000.00
Other current liabilities	(VI)25	3,052,296.54	3,052,296.54
Total current liabilities		48,980,338,732.59	32,549,268,093.04
NON-CURRENT LIABILITIES:			
Long-term borrowings	(VI)26	14,171,764,608.04	18,063,609,367.76
Bonds payable	(VI)27	1,192,104,303.30	1,190,146,914.48
Long-term payables		—	—
Special payables		—	—
Provisions		—	—
Deferred tax liabilities	(VI)14	14,067,887.39	7,912,600.67
Other non-current liabilities		—	—
Total non-current liabilities		15,377,936,798.73	19,261,668,882.91
TOTAL LIABILITIES		64,358,275,531.32	51,810,936,975.95

Unit: RMB

Items	Notes	Closing balance	Opening balance
SHAREHOLDERS' EQUITY			
Share capital	(VI)28	4,471,508,572.00	4,471,508,572.00
Capital reserve	(VI)29	6,216,486,637.00	6,145,335,356.05
Less: Treasury shares		—	—
Special reserve		—	—
Surplus reserve	(VI)30	830,463,956.74	711,139,360.25
Unappropriated profit	(VI)31	8,786,909,058.66	6,157,297,367.98
Translation differences arising on translation of financial statements denominated in foreign currencies		341,533,144.04	194,904,637.00
Total shareholders' equity attributable to equity holders of the parent		20,646,901,368.44	17,680,185,293.28
Minority interests		5,494,877,323.64	3,325,415,213.98
TOTAL SHAREHOLDERS' EQUITY		26,141,778,692.08	21,005,600,507.26
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		90,500,054,223.40	72,816,537,483.21

The accompanying notes form part of the financial statements.

The financial statements on pages 3 to 133 were signed by the followings:

Legal Representative *Chief Accountant* *Person in Charge of the Accounting Body*

THE COMPANY BALANCE SHEET

At December 31, 2011

Unit: RMB

Items	Notes	Closing balance	Opening balance
Current Assets:			
Currency funds		7,234,144,561.72	7,813,755,697.36
Loans to others		—	—
Held-for-trading financial assets		—	—
Notes receivable		—	—
Accounts receivable		134,934.10	134,934.10
Advances to suppliers		65,868,278.59	9,430,871.95
Interest receivable		—	—
Dividends receivable		58,978,176.48	118,920,486.79
Other receivables	(XIII)1	33,678,208,293.88	28,352,610,882.29
Inventories		3,510,353.92	5,179,479.47
Non-current assets due within one year		—	—
Other current assets		1,000,102,523.78	43,853.10
Total current assets		42,040,947,122.47	36,300,076,205.06
Non-current Assets:			
Available-for-sale financial assets		—	—
Held-to-maturity investments		—	—
Long-term receivables		—	—
Long-term equity investments	(XIII)2	7,331,614,630.11	5,865,856,180.38
Investment property		16,481,157.25	61,162,142.98
Fixed assets		36,822,439.33	33,259,826.96
Construction in progress		63,770,462.97	—
Construction materials		—	—
Fixed assets held for disposal		—	—
Bearer biological assets		—	—
Oil and natural gas assets		—	—
Intangible assets		—	—
Development expenditure		—	—
Goodwill		—	—
Long-term prepayments		—	1,652,373.73
Deferred tax assets		129,614,356.56	108,348,463.47
Other non-current assets		—	—
Total non-current assets		7,578,303,046.22	6,070,278,987.52
TOTAL ASSETS		49,619,250,168.69	42,370,355,192.58

Unit: RMB

Items	Notes	Closing balance	Opening balance
Current Liabilities:			
Short-term borrowings		1,630,000,000.00	200,000,000.00
Held-for-trading financial liabilities		—	—
Notes payable		—	—
Accounts payable		5,679,178.53	8,987,480.17
Advances from customers		1,339,612.86	740,635.30
Employee benefits payable		504,218,284.94	469,171,047.76
Tax payable		30,898,908.63	19,510,027.38
Interest payable		53,758,822.22	52,616,700.00
Dividends payable		—	—
Other payables		9,561,736,270.42	7,314,414,933.01
Non-current liabilities due within one year		10,681,395,753.97	4,030,000,000.00
Other current liabilities		49,311.07	49,311.07
Total current liabilities		22,469,076,142.64	12,095,490,134.69
Non-current Liabilities:			
Long-term borrowings		10,096,342,591.27	14,239,000,000.00
Bonds payable		1,192,104,303.30	1,190,146,914.48
Long-term payables		—	—
Special payables		—	—
Provisions		—	—
Deferred tax liabilities		—	—
Other non-current liabilities		—	—
Total non-current liabilities		11,288,446,894.57	15,429,146,914.48
TOTAL LIABILITIES		33,757,523,037.21	27,524,637,049.17
SHAREHOLDERS' EQUITY			
Share capital		4,471,508,572.00	4,471,508,572.00
Capital reserve		6,236,388,893.59	6,145,335,356.05
Less: Treasury shares		—	—
Special reserve		—	—
Surplus reserve		830,463,956.74	711,139,360.25
General risk provision		—	—
Unappropriated profit		4,323,365,709.15	3,517,734,855.11
TOTAL SHAREHOLDERS' EQUITY		15,861,727,131.48	14,845,718,143.41
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		49,619,250,168.69	42,370,355,192.58

THE CONSOLIDATED INCOME STATEMENT

For the Year ended December 31, 2011

Unit: RMB

Items	Notes	2011	2010
I. Total operating income	(VI)32	23,918,506,165.62	19,592,529,782.08
Including: Operating income		23,918,506,165.62	19,592,529,782.08
Interest income		—	—
Earned premium		—	—
Handling charges and commissions income		—	—
II. Total operating costs		18,951,599,406.23	15,471,303,121.18
Including: Operating costs	(VI)32	14,655,653,813.03	12,133,691,974.72
Interest expense		—	—
Handling charges and commissions expenses		—	—
Refund of insurance premiums		—	—
Net payments for insurance claims		—	—
Net provision for insurance contracts		—	—
Commissions on insurance policies		—	—
Cession charges		—	—
Taxes and surcharges on operations	(VI)33	2,418,344,276.99	2,015,941,914.26
Selling and distribution expenses	(VI)34	949,722,687.05	514,350,947.94
Administrative expenses	(VI)35	902,102,335.52	824,491,582.43
Financial expenses	(VI)36	21,259,145.57	32,141,193.54
Impairment loss in respect of assets	(VI)37	4,517,148.07	(49,314,491.71)
Add: Gains from changes in fair values		—	—
Investment income	(VI)38	11,602,500.14	84,676,547.73
Including: Income from investment in associates and joint ventures		8,285,089.18	84,542,278.62
III. Operating profit		4,978,509,259.53	4,205,903,208.63
Add: Non-operating income	(VI)39	30,344,403.75	24,923,579.49
Less: Non-operating expenses	(VI)40	14,525,338.54	4,585,530.70
Including: Losses from disposal of non-current assets		284,765.03	281,415.95
IV. Total profit		4,994,328,324.74	4,226,241,257.42
Less: Income tax expenses	(VI)41	1,253,453,731.07	1,093,405,753.09
V. Net profit		3,740,874,593.67	3,132,835,504.33
Net profit attributable to shareholders of the parent		3,017,226,801.49	2,694,043,630.78
Profit or loss attributable to minority interests		723,647,792.18	438,791,873.55
VI. Earnings per share:			
(I) Basic earnings per share	(VI)42	0.67	0.60
(II) Diluted earnings per share		N/A	N/A
VII. Other comprehensive income	(VI)43	181,402,775.87	99,762,369.06
VIII. Total comprehensive income		3,922,277,369.54	3,232,597,873.39
Total comprehensive income attributable to shareholders of the parent		3,163,855,308.53	2,782,210,723.53
Total comprehensive income attributable to minority interests		758,422,061.01	450,387,149.86

THE COMPANY INCOME STATEMENT

For the Year ended December 31, 2011

Unit: RMB

Items	Notes	2011	2010
I. Operating income	(XIII)3	377,013,551.93	542,714,017.76
Less: Operating costs	(XIII)3	310,256,063.59	145,916,391.56
Business taxes and levies		25,477,980.77	133,181,728.06
Selling and distribution expenses		32,584.32	3,007,770.41
Administrative expenses		324,808,854.78	393,000,409.52
Financial expenses		(321,494,652.13)	(173,584,288.46)
Impairment loss in respect of assets		(89,421.92)	202,175.55
Add: Gains from changes in fair values		—	—
Investment income	(XIII)4	1,163,480,013.39	2,085,385,528.28
Including: Income from investment in associates and joint ventures		9,758,668.86	19,620,896.16
II. Operating profit		1,201,502,155.91	2,126,375,359.40
Add: Non-operating income		418,238.80	244,771.09
Less: Non-operating expenses		432,266.68	81,441.79
Including: Losses from disposal of non-current assets		124,666.68	2,261.79
III. Total profit		1,201,488,128.03	2,126,538,688.70
Less: Income tax expenses		8,242,163.18	16,751,868.75
IV. Net profit		1,193,245,964.85	2,109,786,819.95
V. Earnings per share:			
(I) Basic earnings per share		N/A	N/A
(II) Diluted earnings per share		N/A	N/A
VI. Other comprehensive income		—	—
VII. Total comprehensive income		1,193,245,964.85	2,109,786,819.95

CONSOLIDATED CASH FLOW STATEMENTS

For the Year ended December 31, 2011

Unit: RMB

Items	Notes	2011	2010
I. Cash Flows from Operating Activities:			
Cash receipts from the sale of goods and the rendering of services. . . .		28,271,940,448.66	26,058,764,762.38
Net increase in deposits from customers and placements from corporations in the same industry		—	—
Net increase in loan from central bank		—	—
Net increase in funds borrowed from other financial institutions		—	—
Cash premiums received on original insurance contracts.		—	—
Cash received from re-insurance business.		—	—
Net increase in deposits and investments from insurers		—	—
Net increase in disposal of trading financial assets.		—	—
Interest, handling charges and commissions received.		—	—
Net increase in funds deposit		—	—
Net increase in repurchasement business funds		—	—
Receipts of tax refunds		—	—
Other cash receipts relating to operating activities	(VI)44(1)	233,260,472.27	261,822,284.36
Sub-total of cash inflows		28,505,200,920.93	26,320,587,046.74
Cash payments for goods purchased and services received		19,420,583,799.02	23,170,658,648.72
Net increase in loans and payments on behalf		—	—
Net increase in deposits with centre bank and interbank		—	—
Payments of claims for original insurance contracts.		—	—
Interests, handling charges and commissions paid		—	—
Commissions on insurance policies paid		—	—
Cash payments to and on behalf of employees		769,839,907.72	530,710,745.57
Payments of all types of taxes		4,522,540,846.39	3,324,539,700.53
Other cash payments relating to operating activities	(VI)44(2)	2,261,975,144.56	2,333,443,598.87
Sub-total of cash outflows		26,974,939,697.69	29,359,352,693.69
Net Cash Flows from Operating Activities		1,530,261,223.24	(3,038,765,646.95)

Unit: RMB

Items	Notes	2011	2010
II. Cash Flows from Investing Activities:			
Cash receipts from disposals and returns of investments		1,622,235,512.95	200,134,269.11
Cash receipts from returns on investments		3,317,410.96	85,418,844.99
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		487,573.97	374,120.15
Net cash receipts from disposals of subsidiaries and other business units		—	—
Other cash receipts relating to investing activities		—	—
Sub-total of cash inflows		1,626,040,497.88	285,927,234.25
Cash payments to acquire and construct fixedassets, intangible assets and other long-term assets		89,360,069.34	39,614,105.33
Cash payments to acquire investments		2,652,462,819.05	228,713,192.66
Net increase in secured loans		—	—
Net cash payments for acquisitions of subsidiaries and other business units		—	—
Other cash payments relating to investing activities		41,722.41	—
Sub-total of cash outflows		2,741,864,610.80	268,327,297.99
Net Cash Flows from Investing Activities		(1,115,824,112.92)	17,599,936.26
III. Cash Flows from Financing Activities:			
Cash receipts from investors making investment in the enterprise		1,548,507,513.57	1,161,215,354.14
Including: cash receipts from minorities making investment in subsidiaries		1,507,910,200.80	1,161,215,354.14
Cash receipts from borrowings		11,431,169,562.13	10,943,625,893.51
Cash receipts from issue of bonds		—	—
Other cash receipts relating to financing activities		—	—
Sub-total of cash inflows		12,979,677,075.70	12,104,841,247.65
Cash repayments of amounts borrowed		6,102,472,400.00	3,961,076,817.60
Cash payments for distribution of dividends or profit or interest expenses		2,246,714,385.65	1,475,300,695.74

Unit: RMB

Items	Notes	2011	2010
Including: payments for distribution of dividends or profit to minorities of subsidiaries		354,614,656.63	132,365,543.39
Other cash payments relating to financing activities	(VI)44(3)	1,770,595,675.73	32,780,444.82
Sub-total of cash outflows		10,119,782,461.38	5,469,157,958.16
Net Cash Flows from Financing Activities		2,859,894,614.32	6,635,683,289.49
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		75,909,657.02	18,685,204.29
V. Net Increase in Cash and Cash Equivalents		3,350,241,381.66	3,633,202,783.09
Add: Opening Balance of Cash and Cash Equivalents	(VI)45(3)	12,882,720,330.88	9,249,517,547.79
VI. Closing Balance of Cash and Cash Equivalents	(VI)45(3)	16,232,961,712.54	12,882,720,330.88

THE COMPANY CASH FLOW STATEMENTS

For the Year ended December 31, 2011

Unit: RMB

Items	Notes	2011	2010
I. Cash Flows from Operating Activities:			
Cash receipts from the sale of goods and the rendering of services		377,619,631.29	112,034,546.51
Receipts of tax refunds		—	—
Other cash receipts relating to operating activities		119,290,507.79	354,780,622.91
Sub-total of cash inflows		496,910,139.08	466,815,169.42
Cash payments for goods purchased and services received		302,442,990.41	21,539,185.68
Cash payments to and on behalf of employees		109,762,526.94	90,272,809.52
Payments of all types of taxes		147,752,679.02	178,607,152.49
Other cash payments relating to operating activities		1,501,634,555.55	3,994,616,556.03
Sub-total of cash outflows		2,061,592,751.92	4,285,035,703.72
Net Cash Flows from Operating Activities		(1,564,682,612.84)	(3,818,220,534.30)
II. Cash Flows from Investing Activities:			
Cash receipts from disposals and returns of investments		2,092,691,079.99	800,134,269.11
Cash receipts from returns on investments		1,229,089,026.68	2,083,088,187.00
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		63,238.80	126,890.99
Net cash receipts from disposals of subsidiaries and other business units		143,369.04	25,974,593.36
Other cash receipts relating to investing activities		—	—
Sub-total of cash inflows		3,321,986,714.51	2,909,323,940.46
Cash payments to acquire and construct fixed assets, intangible assets and other long-term assets		32,028,954.59	6,539,044.02
Cash payments to acquire investments		4,487,829,162.00	2,274,202,995.53
Net cash payments for acquisitions of subsidiaries and other business units		—	—
Other cash payments relating to investing activities		—	—
Sub-total of cash outflows		4,519,858,116.59	2,280,742,039.55
Net Cash Flows from Investing Activities		(1,197,871,402.08)	628,581,900.91

Unit: RMB

Items	Notes	2011	2010
III. Cash Flows from Financing Activities:			
Cash receipts from investors making investment in the enterprise.		—	—
Cash receipts from borrowings		9,184,998,904.00	9,259,000,000.00
Cash receipts from issue of bonds .		—	—
Other cash receipts relating to financing activities		—	—
Sub-total of cash inflows		9,184,998,904.00	9,259,000,000.00
Cash repayments of amounts borrowed		5,246,260,558.76	3,943,275,000.00
Cash payments for distribution of dividends or profit or interest expenses		1,687,039,065.25	1,168,061,642.97
Other cash payments relating to financing activities		1,735,518,825.23	32,780,444.82
Sub-total of cash outflows		8,668,818,449.24	5,144,117,087.79
Net Cash Flows from Financing Activities		516,180,454.76	4,114,882,912.21
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		165,247.18	81,784.34
V. Net Increase in Cash and Cash Equivalents		(2,246,208,312.98)	925,326,063.16
Add: Opening Balance of Cash and Cash Equivalents		7,130,191,572.68	6,204,865,509.52
VI. Closing Balance of Cash and Cash Equivalents		4,883,983,259.70	7,130,191,572.68

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the Year ended December 31, 2011

Unit: RMB

	2011							2010						
	Attributable to equity holders of the parent							Attributable to equity holders of the parent						
Items	Share capital	Capital reserve	Surplus reserve	Unappropriated profit	Others	Minority interests	Total shareholders' equity	Share capital	Capital reserve	Surplus reserve	Unappropriated profit	Others	Minority interests	Total shareholders' equity
I. Balance at December 31, 2010	4,471,508,572.00	6,145,335,356.05	711,139,360.25	6,157,297,367.98	194,904,637.00	3,325,415,213.98	21,005,600,507.26	2,484,171,429.00	7,995,226,061.23	500,160,678.25	3,922,649,562.10	106,737,544.25	1,841,614,823.23	16,850,560,098.06
Add: Changes in accounting policies	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Correction of prior periods errors	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Others	–	–	–	–	–	–	–	–	–	–	–	–	–	–
II. Balance at January 1, 2011	4,471,508,572.00	6,145,335,356.05	711,139,360.25	6,157,297,367.98	194,904,637.00	3,325,415,213.98	21,005,600,507.26	2,484,171,429.00	7,995,226,061.23	500,160,678.25	3,922,649,562.10	106,737,544.25	1,841,614,823.23	16,850,560,098.06
III. Changes for the year	–	71,151,280.95	119,324,596.49	2,629,611,690.68	146,628,507.04	2,169,462,109.66	5,136,178,184.82	1,987,337,143.00	1,849,890,705.18	210,978,682.00	2,234,647,805.88	88,167,092.75	1,483,800,390.75	4,155,040,409.20
(I) Net profit	–	–	–	3,017,226,801.49	–	723,647,792.18	3,740,874,593.67	–	–	–	2,694,043,630.78	–	438,791,873.55	3,132,835,504.33
(II) Other comprehensive income	–	–	–	–	146,628,507.04	34,774,268.83	181,402,775.87	–	–	–	–	88,167,092.75	11,595,276.31	99,762,369.06
Subtotal of (I) and (II)	–	–	–	3,017,226,801.49	146,628,507.04	758,422,061.01	3,922,277,369.54	–	–	–	2,694,043,630.78	88,167,092.75	450,387,149.86	3,232,597,873.39
(III) Owner's contributions and reduction in capital	–	71,151,280.95	–	–	–	1,773,154,705.28	1,844,305,986.23	–	137,446,437.82	–	–	–	1,165,778,784.28	1,303,225,222.10
1. Capital contribution from shareholders	–	–	–	–	–	1,770,101,335.55	1,770,101,335.55	–	–	–	–	–	1,159,215,354.14	1,159,215,354.14
2. Share-based payment recognised in shareholders' equity	–	91,053,537.54	–	–	–	3,053,369.73	94,106,907.27	–	137,446,437.82	–	–	–	6,563,430.14	144,009,867.96
3. Others	–	(19,902,256.59)	–	–	–	–	(19,902,256.59)	–	–	–	–	–	–	–
(IV) Profit distribution	–	–	119,324,596.49	(387,615,110.81)	–	(362,114,656.63)	(630,405,170.95)	–	–	210,978,682.00	(459,395,824.90)	–	(132,365,543.39)	(380,782,686.29)
1. Transfer to surplus reserve	–	–	119,324,596.49	(119,324,596.49)	–	–	–	–	–	210,978,682.00	(210,978,682.00)	–	–	–
2. Transfer to generic risk reserve	–	–	–	–	–	–	–	–	–	–	–	–	–	–
3. Distribution to shareholders	–	–	–	(268,290,514.32)	(362,114,656.63)	–	(630,405,170.95)	–	–	–	(248,417,142.90)	–	(132,365,543.39)	(380,782,686.29)
4. Others	–	–	–	–	–	–	–	–	–	–	–	–	–	–
(V) Transfer within shareholders' equity	–	–	–	–	–	–	–	1,987,337,143.00	(1,987,337,143.00)	–	–	–	–	–
1. Capitalization of capital reserve	–	–	–	–	–	–	–	1,987,337,143.00	(1,987,337,143.00)	–	–	–	–	–
2. Capitalization of surplus reserve	–	–	–	–	–	–	–	–	–	–	–	–	–	–
3. Loss made up by surplus reserve	–	–	–	–	–	–	–	–	–	–	–	–	–	–
4. Others	–	–	–	–	–	–	–	–	–	–	–	–	–	–
IV. Balance at December 31, 2011	4,471,508,572.00	6,216,486,637.00	830,463,956.74	8,786,909,058.66	341,533,144.04	5,494,877,323.64	26,141,778,692.08	4,471,508,572.00	6,145,335,356.05	711,139,360.25	6,157,297,367.98	194,904,637.00	3,325,415,213.98	21,005,600,507.26

THE COMPANY STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the Year ended December 31, 2011

Unit: RMB

	2011					2010				
Items	Share capital	Capital reserve	Surplus reserve	Unappropriated profit	Total shareholders' equity	Share capital	Capital reserve	Surplus reserve	Unappropriated profit	Total shareholders' equity
I. Balance at December 31, 2010	4,471,508,572.00	6,145,335,356.05	711,139,360.25	3,517,734,855.11	14,845,718,143.41	2,484,171,429.00	7,995,226,061.23	500,160,678.25	1,867,343,860.06	12,846,902,028.54
Add: Changes in accounting policies	–	–	–	–	–	–	–	–	–	–
Correction of prior periods errors	–	–	–	–	–	–	–	–	–	–
Others	–	–	–	–	–	–	–	–	–	–
II. Balance at January 1, 2011	4,471,508,572.00	6,145,335,356.05	711,139,360.25	3,517,734,855.11	14,845,718,143.41	2,484,171,429.00	7,995,226,061.23	500,160,678.25	1,867,343,860.06	12,846,902,028.54
III. Changes for the year	–	91,053,537.54	119,324,596.49	805,630,854.04	1,016,008,988.07	1,987,337,143.00	(1,849,890,705.18)	210,978,682.00	1,650,390,995.05	1,998,816,114.87
(I) Net profit	–	–	–	1,193,245,964.85	1,193,245,964.85	–	–	–	2,109,786,819.95	2,109,786,819.95
(II) Other comprehensive income	–	–	–	–	–	–	–	–	–	–
Subtotal of (I) and (II)	–	–	–	1,193,245,964.85	1,193,245,964.85	–	–	–	2,109,786,819.95	2,109,786,819.95
(III) Owner's contributions and reduction in capital	–	91,053,537.54	–	–	91,053,537.54	–	137,446,437.82	–	–	137,446,437.82
1. Capital contribution from shareholders	–	–	–	–	–	–	–	–	–	–
2. Share-based payment recognised in shareholders' equity	–	91,053,537.54	–	–	91,053,537.54	–	137,446,437.82	–	–	137,446,437.82
3. Others	–	–	–	–	–	–	–	–	–	–
(IV) Profit distribution	–	–	119,324,596.49	(387,615,110.81)	(268,290,514.32)	–	–	210,978,682.00	(459,395,824.90)	(248,417,142.90)
1. Transfer to surplus reserve	–	–	119,324,596.49	(119,324,596.49)	–	–	–	210,978,682.00	(210,978,682.00)	–
2. Transfer to generic risk reserve	–	–	–	–	–	–	–	–	–	–
3. Distribution to shareholders	–	–	–	(268,290,514.32)	(268,290,514.32)	–	–	–	(248,417,142.90)	(248,417,142.90)
4. Others	–	–	–	–	–	–	–	–	–	–
(V) Transfer within shareholders' equity	–	–	–	–	–	1,987,337,143.00	(1,987,337,143.00)	–	–	–
1. Capitalisation of capital reserve	–	–	–	–	–	1,987,337,143.00	(1,987,337,143.00)	–	–	–
2. Capitalisation of surplus reserve	–	–	–	–	–	–	–	–	–	–
3. Loss made up by surplus reserve	–	–	–	–	–	–	–	–	–	–
4. Others	–	–	–	–	–	–	–	–	–	–
IV. Balance at December 31, 2011	4,471,508,572.00	6,236,388,893.59	830,463,956.74	4,323,365,709.15	15,861,727,131.48	4,471,508,572.00	6,145,335,356.05	711,139,360.25	3,517,734,855.11	14,845,718,143.41

NOTES TO THE FINANCIAL STATEMENTS

(I) BASIC INFORMATION ABOUT THE COMPANY

Gemdale Corporation (the "Company") is a joint stock limited company established by Shenzhen Futian District State-owned Assets Supervision and Administration Bureau, Shenzhen Investment Administration Company, UTStarcom (US) Co., Ltd., Shenzhen Fang Xingda Construction Engineering Co., Ltd. and the Labour Union of Gemdale Industries (subsequently renamed as "the Labour Union of Gemdale Corporation") as promoters in accordance with the approval issued by Leading Office of Shenzhen Enterprise System Reform (filed as Shen Qi Gai Ban [1996] No. 02). The Company was established on February 8, 1996 and its registered capital was RMB110 million.

The Company issued additional 70,000,000 shares at the price of RMB1.66 per share in 1998 pursuant to *The Approval of the Application for Capital Increase by Gemdale Corporation* issued by the Leading Office of Shenzhen Enterprise System Reform (filed as Shen Qi Gai Ban [1998] No. 3) and *Reply on the Application for Capital Increase by Gemdale Corporation* issued by Shenzhen Municipal Securities Regulatory Office (filed as Shen Zhen Ban Han [1998] No. 48).

All the 54,000,000 state-owned shares held by Shenzhen Futian District State-owned Assets Supervision and Administration Bureau were transferred to Shenzhen Futian Investment Development Company on November 5, 1998 pursuant to the approval released by Futian District State-owned Assets Supervision and Administration Commission (filed as Fu Guo Zi Wei [1998] No. 8). In July 2000, all the shares in the Company held by the Labour Union of Gemdale Corporation were transferred to Shenzhen Zhong Kexun Industrial Co., Ltd., Shenzhen Futian Investment Development Company and Shenzhen Shen Ye Investment Development Co., Ltd. pursuant to the approval issued by the Economic Restructuring Office of Shenzhen Municipal Government (filed as Shen Gai Zi [2000] No. 63).

The Company issued 90,000,000 ordinary shares (A-share) to the public at a price of RMB9.42 per share on January 15, 2001 as endorsed by the China Securities Regulatory Commission (filed as Zhen Jian Fa Xing Zi [2001] No. 2). The shares of the Company were traded on the Shanghai Stock Exchange commencing on April 12, 2001.

The Company further issued 100,000,000 RMB ordinary shares (A-share) to the public at a price of RMB8.98 per share on December 20, 2004 as approved by the China Securities Regulatory Commission (filed as Zhen Jian Fa Xing Zi [2004] No.163). Such shares were traded on the Shanghai Stock Exchange on January 6, 2005.

On April 29, 2005, per the resolution passed in 2004 annual shareholders general meeting, the Company issued scrip dividends to shareholders on 8 new shares for every ten shares outstanding on December 31, 2004 (i.e. 296,000,000 new shares in total). After the scrip dividends were issued, the registered capital of the Company was increased to RMB666, 000,000.

On August 24, 2006, the Company completed the share split reform under which circulating shareholders obtained the consideration of 2.5 new shares for every ten circulating shares from non-circulating shareholders.

The Company issued 173,076,923 ordinary shares (A-share) non-publicly to ten specified objects at a price of RMB26 per share on June 25, 2007 as approved by the China Securities Regulatory Commission (filed as Zhen Jian Fa Xing Zi [2007] No.151). On July 24, 2007, the Company completed its registration for industrial and commercial change and the registered capital of the Company was accordingly increased to RMB839,076,923.

On March 18, 2008, per the resolution passed in 2007 annual shareholders general meeting, the Company issued scrip dividends to shareholders on ten new shares for every ten shares outstanding on December 31, 2007 (i.e. 839,076,923 new shares in total). After the scrip dividends were issued, the registered capital of the Company was increased to RMB1,678,153,846.

On May 8, 2009, per the resolution passed in 2008 annual shareholders general meeting, the Company issued scrip dividends to shareholders on three new shares for every ten shares outstanding on December 31, 2009 (i.e. 503,446,154 new shares in total). After the scrip dividends were issued, the registered capital of the Company was increased to RMB2,181,600,000.

The Company issued 302,571,429 ordinary shares (A-share) non-publicly to nine specified objects at a price of RMB14 per share on July 21, 2009 as approved by the China Securities Regulatory Commission (filed as Zhen Jian Fa Xing Zi [2010] No. 657). On December 17, 2009,

the Company completed its registration for industrial and commercial change and the registered capital of the Company was accordingly increased to RMB2,484,171,429.

On March 30, 2010, per the resolution passed in 2009 annual shareholders general meeting, the Company issued scrip dividends to shareholders on eight new shares for every ten shares outstanding on December 31, 2009 (i.e. 1,987,337,143 new shares in total). After the scrip dividends were issued, the registered capital of the Company was increased to RMB4,471,508,572.

The Company's head office is located in Shenzhen. The Company and its subsidiaries are mainly engaged in real estate development and operation, management of self-owned properties, set-up of various entities.

(II) THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES, AND PRIOR PERIOD ERRORS

1. Basis of preparation of financial statements

The Company has adopted the *Accounting Standards for Business Enterprises* issued by the Ministry of Finance (MoF) on February 15, 2006. In addition, the Company has disclosed relevant financial *information in accordance with Information Disclosure and Presentation Rules for Companies Offering Securities to the Public No.15 — General Provisions on Financial Reporting (Revised in 2010).*

Basis of accounting and principle of measurement

The Company has adopted the accrual basis of accounting. Except for certain financial instruments which are measured at fair value, the Company adopts the historical cost as the principle of measurement of the financial statements. Where assets are impaired, provisions for asset impairment are made in accordance with relevant requirements.

2. Statement of compliance with the ASBE

The financial statements of the Company have been prepared in accordance with Accounting Standards for Business Enterprises, and present truly and completely, the Company's and consolidated financial position as of December 31, 2011, and the Company's and consolidated results of operations and cash flows for the year then ended.

3. Accounting period

The Company has adopted the calendar year as its accounting year, i.e. from January 1 to December 31.

4. Functional currency

Renminbi ("RMB") is the currency of the primary economic environment in which the Company and its domestic subsidiaries operate. Therefore, the Company and its domestic subsidiaries choose RMB as their functional currency. The Company's foreign subsidiary chooses currency Hong Kong dollar ("HKD") as its functional currency on the basis of the primary economic environment in which it operates. The Company adopts RMB to prepare its financial statements.

5. The accounting treatment of business combinations involving enterprises under common control and business combinations not involving enterprises under common control

Business combinations are classified into business combinations involving enterprises under common control and business combinations not involving enterprises under common control.

5.1 *Business combinations involving enterprises under common control*

A business combination involving enterprises under common control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory.

Assets and liabilities obtained shall be measured at their respective carrying amounts as recorded by the combining entities at the date of the combination. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination is adjusted to the share premium in capital reserve. If the share premium is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

Costs that are directly attributable to the combination are charged to profit or loss in the period in which they are incurred.

5.2 *Business combinations not involving enterprises under common control and goodwill*

A business combination not involving enterprises under common control is a business combination in which all of the combining enterprises are not ultimately controlled by the same party or parties before and after the combination.

The cost of combination is the aggregate of the fair values, at the acquisition date, of the assets given, liabilities incurred or assumed, and equity securities issued by the acquirer, in exchange for control of the acquire, the intermediary expenses (fees in respect of auditing, legal services, valuation and consultancy services, etc.) and other administrative expenses attributable to the business combination are recognised in profit or loss in the periods when they are incurred. Where a business combination not involving enterprises under common control is achieved in stages that involve multiple transactions, the cost of combination is the sum of the consideration paid at the acquisition date and the fair value of the equity in the acquiree held before the acquisition. The equity held in the acquiree before the acquisition date is remeasured at its fair value at the acquisition date, with any difference between its fair value and its carrying amount being recognised as investment income, and the other comprehensive income relating to the equity held in the acquiree before the acquisition date being transferred to investment income.

The acquirer's identifiable assets, liabilities and contingent liabilities acquired by the acquirer in a business combination that meet the recognition criteria, shall be measured at fair value at the acquisition date. Where the cost of combination exceeds the acquirer's interest in the fair value of the acquirer's identifiable net assets, the difference is treated as an asset and recognised as goodwill, which is measured at cost on initial recognition. Where the cost of combination is less than the acquirer's interest in the fair value of the acquirer's identifiable net assets, the acquirer reassesses the measurement of the fair values of the acquirer's identifiable assets, liabilities and contingent liabilities and measurement of the cost of combination. If after that reassessment, the cost of combination is still less than the acquirer's interest in the fair value of the acquirer's identifiable net assets, the acquirer recognises the remaining difference immediately in profit or loss for the current period.

Goodwill arising on a business combination is measured at cost less accumulated impairment losses, and is presented separately in the consolidated financial statements. It is tested for impairment at least at the end of each year.

For the purpose of impairment testing, goodwill is considered together with the related assets group(s), i.e., goodwill is reasonably allocated to the related assets group(s) or each of assets group(s) expected to benefit from the synergies of the combination. In testing an assets group with goodwill for impairment, an impairment loss is recognised if the recoverable amount of the assets group or sets of assets groups (including goodwill) is less than its carrying amount. The impairment loss is firstly allocated to reduce the carrying amount of any goodwill allocated to such assets group or sets of assets groups, and then to the other assets of the Company pro-rata basis on the basis of the carrying amount of each asset (other than goodwill) in the group.

The recoverable amount of an asset is the higher of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from the asset. An asset's fair value is the price in a sale agreement in an arm's length transaction. If there is no sale agreement but an asset is traded in an active market, fair value is the current bid price. If there is no sale agreement or active market for an asset, fair value is assessed based on the best information available. Costs of disposal include legal costs related to the disposal of the asset, related taxes, costs of removing the asset and direct costs to bring the asset into condition for its sale.

The present value of expected future cash flows of an asset shall be determined by estimating the future cash flows to be derived from continuing use of the asset and from its ultimate disposal and applying the appropriate discount rate to those future cash flows.

The impairment of goodwill is recognised in profit or loss for the period in which it is incurred and will not be reversed in any subsequent period.

6. Preparation of consolidated financial statements

The scope of consolidation in the consolidated financial statements is determined on the basis of control. Control is the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its operating activities.

For a subsidiary already disposed of by the Group, the operating results and cash flows before the date of disposal (the date when control is lost) are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

For subsidiaries acquired through a business combination involving enterprises not under common control, the operating results and cash flows from the acquisition date (the date when control is obtained) are included in the consolidated income statement and consolidated statement of cash flows, as appropriate, and no adjustment is made to the opening balances and comparative figures in the consolidated financial statements.

No matter when the business combination occurs in the reporting period, subsidiaries acquired through a business combination involving enterprises under common control are included in the Group's scope of consolidation as if they had been included in the scope of consolidation from the date when they first came under the common control of the ultimate controlling party. Their operating results and cash flows from the beginning of the earliest reporting period are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

The significant accounting policies and accounting periods adopted by the subsidiaries are determined based on the uniform accounting policies and accounting periods set out by the Company.

All significant intra-group balances and transactions are eliminated on consolidation.

The portion of subsidiaries' equity that is not attributable to the parent is treated as minority interests and presented as "minority interests" in the consolidated balance sheet within shareholders' equity. The portion of net profits or losses of subsidiaries for the period attributable to minority interests is presented as "minority interests" in the consolidated income statement below the "net profit" line item.

When the amount of loss for the period attributable to the minority shareholders of a subsidiary exceeds the minority shareholders' portion of the opening balance of owners' equity of the subsidiary, the excess amount is still allocated against minority interests.

Acquisition of minority interests or disposals of interests in a subsidiary that do not result in the loss of control over the subsidiary are accounted for as equity transactions. The carrying amounts of the parent's interests and minority interests are adjusted to reflect the changes in their relative interests in the subsidiary. The difference between the amount by which the minority interests are adjusted and the fair value of the consideration paid or received is adjusted to capital reserve. If the capital reserve is not sufficient to absorb the difference, the excess are adjusted against retained earnings.

When the Company loses control over a subsidiary due to disposal of equity investment or other reason, any retained interest is re-measured at its fair value at the date when control is lost. The difference between (i) the aggregate of the consideration received on disposal and the fair value of any retained interest and (ii) the share of the former subsidiary's net assets cumulatively calculated from the acquisition date according to the original proportion of ownership interests is recognised as investment income in the period in which control is lost. Other comprehensive income associated with investment in the former subsidiary is reclassified to investment income in the period in which control is lost.

7. Recognition criteria of cash and cash equivalents

Cash comprises cash on hand and deposits that can be readily withdrawn on demand. Cash equivalents are the Group's short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

8. Translation of transactions and financial statements denominated in foreign currencies

8.1 *Transactions denominated in foreign currencies*

A foreign currency transaction is recorded, on initial recognition, by applying the spot exchange rate on the date of the transaction.

At the balance sheet date, foreign currency monetary items are translated into RMB using the spot exchange rates at the balance sheet date. Exchange differences arising from the differences between the spot exchange rates prevailing at the balance sheet date and those on initial recognition or at the previous balance sheet date are recognised in profit or loss for the period, except that (1) exchange differences related to a specific-purpose borrowing denominated in foreign currency that qualify for capitalisation are capitalised as part of the cost of the qualifying asset during the capitalisation period; (2) exchange differences related to hedging instruments for the purpose of hedging against foreign currency risks are accounted for using hedge accounting; (3) exchange differences arising from change in the carrying amounts (other than the amortised cost) of available-for-sale monetary items are recognised as other comprehensive income and included in capital reserve.

When the consolidated financial statements include foreign operation(s), if there are foreign currency monetary items constituting a net investment in a foreign operation, exchange difference arising from changes in exchange rates are recognised as "exchange difference arising on translation of financial statements denominated in foreign currency " in owner's equity, and in profit and loss for the period upon disposal of the foreign operation.

Foreign currency non-monetary items measured at historical cost are translated to the amounts in functional currency at the spot exchange rates on the dates of the transactions; the amounts in functional currency remain unchanged. Foreign currency non-monetary items measured at fair value are re-translated at the spot exchange rate on the date the fair value is determined. Difference between the re-translated functional currency amount and the original functional currency amount is treated as changes in fair value (including changes of exchange rate) and is recognised in profit and loss or as other comprehensive income included in capital reserve.

8.2 ***Translation of financial statements denominated in foreign currencies***

For the purpose of preparing the consolidated financial statements, financial statements of a foreign operation are translated from the foreign currency into RMB using the following method: assets and liabilities on the balance sheet are translated at the spot exchange rate prevailing at the balance sheet date; shareholders' equity items except for retained earnings are translated at the spot exchange rates at the dates on which such items arose; all items in the income statement as well as items reflecting the amount of profit distributed are translated at the spot exchange rates on the dates of the transactions; the opening balance of retained earnings is the translated closing balance of the previous year's retained earnings; the closing balance of retained earnings is calculated and presented on the basis of each translated income statement and profit distribution item. The difference between the translated assets and the aggregate of liabilities and shareholders' equity items is separately presented, as the translation difference of financial statements denominated in foreign currencies, under the owner's equity in the balance sheet.

Cash flows arising from transaction in a foreign currency and the cash flows of a foreign subsidiary are translated at average rate for the accounting period of the consolidated financial statements. The effect of exchange rate changes on cash and cash equivalents is regarded as a reconciling item and presented separately in the cash flow statement as "effect of exchange rate changes on cash and cash equivalents ".

The opening balances and the comparative figures of previous year are presented at the translated amounts of previous year's financial statements.

On disposal of the Group's entire interest in a foreign operation, or disposal of certain interest (or due to other reasons) resulting in a loss of control over a foreign operation, the Company transfers the accumulated translation differences attributable to the shareholders' equity of the parent that relating to translation of the financial statements of that foreign operation, presented under shareholders' equity, to profit or loss in the period in which the disposal occurs.

In case of a disposal or other reason that does not result in the Company losing control over a foreign operation, the proportionate share of accumulated translation differences are re-attributed to non-controlling interests and are not recognised in profit and loss. For partial disposals of associates or joint ventures, the proportionate share of the accumulated translation differences is reclassified to profit or loss.

9. Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. For financial assets and financial liabilities at fair value through profit or loss, transaction costs are immediately recognised in profit or loss. For other financial assets and financial liabilities, transaction costs are included in their initial recognised amounts.

9.1 *Determination of fair value*

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. For a financial instrument which has an active market, the Company uses the quoted price in the active market to establish its fair value. For a financial instrument which has no active market, the Company establishes fair value by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models.

9.2 *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or a group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period, using the effective interest rate. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or financial liability or, where appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial asset or financial liability (without considering future credit losses), and also considers all fees paid or received between the parties to the contract giving rise to the financial asset and financial liability that are an integral part of the effective interest rate, transaction costs, and premiums or discounts etc.

9.3 *Classification, recognition and measurement of financial assets*

On initial recognition, the Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss ("FVTPL"), held-to-maturity investments, loans and receivables, and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis.

9.3.1. *Financial Assets at Fair Value through Profit or Loss ("FVTPL")*

Financial assets at fair value through profit or loss ("FVTPL") include financial assets held for trading and those designated as at fair value through profit or loss.

A financial asset is classified as held for trading if one of the following conditions is satisfied: (1) It has been acquired principally for the purpose of selling in the near term; or (2) On initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and there is objective evidence that the Company has a recent actual pattern of short-term profit-taking; or (3) It is a derivative that is not designated and effective as a hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured.

A financial asset may be designated as at FVTPL upon initial recognition only when one of the following conditions is satisfied: (1) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise result from measuring assets or recognising the gains or losses on them on different bases; or (2) The financial asset forms part of a group of financial assets or a group of financial assets and financial liabilities, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is reported to key management personnel on that basis.

Financial assets at FVTPL are subsequently measured at fair value. Any gains or losses arising from changes in the fair value and any dividend or interest income earned on the financial assets are recognised in profit or loss.

9.3.2 *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group's management has the positive intention and ability to hold to maturity.

Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method. Gain or loss arising from derecognition, impairment or amortisation is recognised in profit or loss.

9.3.3. *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets classified as loans and receivables by the Company include notes receivable, accounts receivable, interest receivable, dividends receivable, and other receivables.

Loans and receivables are subsequently measured at amortised cost using the effective interest method. Gain or loss arising from derecognition, impairment or amortisation is recognised in profit or loss.

9.3.4. Available-for-sale financial assets

Available-for-sale financial assets include non-derivative financial assets that are designated on initial recognition as available for sale, and financial assets that are not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

Available-for-sale financial assets are subsequently measured at fair value, and gains or losses arising from changes in the fair value are recognised as other comprehensive income and included in the capital reserve, except that impairment losses and exchange differences related to amortised cost of financial assets are recognised in profit or loss, until the financial assets are derecognised, at which time the gains or losses are released and recognised in profit or loss.

Interests obtained and the dividends declared by the investee during the period in which the available-for-sale financial assets are held, are recognised in investment gains.

For investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, and derivative financial assets that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost.

9.4 *Impairment of financial assets*

The Company assesses at each balance sheet date the carrying amounts of financial assets other than those at fair value through profit or loss. If there is objective evidence that a financial asset is impaired, the Company determines the amount of any impairment loss. Objective evidence that a financial asset is impaired is evidence that, arising from one or more events that occurred after the initial recognition of the asset, the estimated future cash flows of the financial asset, which can be reliably measured, have been affected.

Objective evidence that a financial asset is impaired includes the following observable events:

(1) Significant financial difficulty of the issuer or obligor;

(2) A breach of contract by the borrower, such as a default or delinquency in interest or principal payments;

(3) The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting a concession to the borrower;

(4) It becoming probable that the borrower will enter bankruptcy or other financial reorganisations;

(5) The disappearance of an active market for that financial asset because of financial difficulties of the issuer;

(6) Upon an overall assessment of a group of financial assets, observable data indicates that there is a measurable decrease in the estimated future cash flows from the companion financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group. Such observable data includes:

— Adverse changes in the payment status of borrower in the Company of assets;

— Economic conditions in the country or region of the borrower which may lead to a failure to pay the Company of assets;

(7) Significant adverse changes in the technological, market, economic or legal environment in which the issuer operates, indicating that the cost of the investment in the equity instrument may not be recovered by the investor;

(8) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost;

(9) Other objective evidence indicating there is an impairment of a financial asset.

— *Impairment of financial assets measured at amortised cost*

If financial assets carried at cost or amortised cost are impaired, the carrying amounts of the financial assets are reduced to the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The amount of reduction is recognised as an impairment loss in profit or loss. If, subsequent to the recognition of an impairment loss on financial assets carried at amortised cost, there is objective evidence of a recovery in value of the financial assets which can be related objectively to an event occurring after the impairment is recognised, the previously recognised impairment loss is reversed. However, the reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed.

For a financial asset that is individually significant, the Company assesses the asset individually for impairment. For a financial asset that is not individually significant, the Company assesses the asset individually for impairment or includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset (whether significant or not), it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets for which an impairment loss is individually recognised are not included in a collective assessment of impairment.

— *Impairment of available-for-sale financial assets*

When an available-for-sale financial asset is impaired, the cumulative loss arising from decline in fair value previously recognised directly in capital reserve is reclassified from the capital reserve to profit or loss. The amount of the cumulative loss that is reclassified from capital reserve to profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

If, subsequent to the recognition of an impairment loss on available-for-sale financial assets, there is objective evidence of a recovery in value of the financial assets which can be related objectively to an event occurring after the impairment is recognised, the previously recognised impairment loss is reversed. The amount of reversal of impairment loss on available-for-sale equity instruments is recognised as other comprehensive income and included in the capital reserve, while the amount of reversal of impairment loss on available-for-sale debt instruments is recognised in profit or loss.

— *Impairment of financial assets measured at cost*

If an impairment loss has been incurred on an investment in unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured, or on a derivative financial asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the carrying amount of the financial asset is reduced to the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. The amount of reduction is recognised as an impairment loss in profit or loss. The impairment loss on such financial asset is not reversed once it is recognised.

9.5 *Transfer of financial assets*

The Company derecognises a financial asset if one of the following conditions is satisfied: (1) the contractual rights to the cash flows from the financial asset expire; or (2) the financial asset has been transferred and substantially all the risks and rewards of ownership of the financial asset is transferred to the transferee; or (3) although the financial asset has been transferred, the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but has not retained control of the financial asset.

If the Company neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, and it retains control of the financial asset, it recognises the financial asset to the extent of its continuing involvement in the transferred financial asset and recognises an associated liability. The extent of the Group's continuing involvement in the transferred asset is the extent to which it is exposed to changes in the value of the transferred asset.

For a transfer of a financial asset in its entirety that satisfies the derecognition criteria, the difference between (1) the carrying amount of the financial asset transferred; and (2) the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognised in other comprehensive income, is recognised in profit or loss.

If a part of the transferred financial asset qualifies for derecognition, the carrying amount of the transferred financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the respective fair values of those parts. The difference between (1) the carrying amount allocated to the part derecognised; and (2) the sum of the consideration received for the part derecognised and any cumulative gain or loss allocated to the part derecognised which has been previously recognised in other comprehensive income, is recognised in profit or loss.

9.6 *Classification and recognition of financial liabilities*

Debt and equity instruments issued by the Company are classified into financial liabilities or equity on the basis of the substance of the contractual arrangements and definitions of financial liability and equity instrument.

On initial recognition, financial liabilities are classified into financial liabilities at fair value through profit or loss and other financial liabilities.

9.6.1 *Financial liabilities at fair value through profit or loss*

Financial liabilities at FVTPL consist of financial liabilities held for trading and those designated as at FVTPL on initial recognition.

A financial liability is classified as held for trading if one of the following conditions is satisfied: (1) It has been acquired principally for the purpose of repurchasing in the near term; or (2) On initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and there is objective evidence that the Company has a recent actual pattern of short-term profit-taking; or (3) It is a derivative, except for a derivative that is a designated and effective hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured.

A financial liability may be designated as at FVTPL upon initial recognition only when one of the following conditions is satisfied: (1) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise result from measuring liabilities or recognising the gains or losses on them on different bases; or (2) The financial liability forms part of a group of financial liabilities or a group of financial assets and financial liabilities, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is reported to key management personnel on that basis.

Financial liabilities at FVTPL are subsequently measured at fair value, any gains or losses arising from changes in the fair value or any dividend or interest expense related with the financial liabilities are recognized in profit or loss.

9.6.2 *Other financial liabilities*

For a derivative liability that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured, it is subsequently measured at cost. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with gain or losses arising from derecognition or amortisation recognised in profit or loss.

9.6.3 *Financial guarantee contracts*

A financial guarantee contract is a contract by which the guarantor and the lender agree that the guarantor would settle the debts or bear obligations in accordance with terms of the contract in case the borrower fails to settle the debts. Financial guarantee contracts that are not designated as financial liabilities at fair value through profit or loss are initially measured at their fair values less the directly attributable transaction costs. Subsequent to initial recognition, they are measured at the higher of: (i) the amount determined in accordance with "Accounting Standard for Business Enterprises No.13 — Contingencies"; and (ii) the amount initially recognised less cumulative amortisation recognised in accordance with the principles set out in "Accounting Standard for Business Enterprises No.14 — Revenue".

9.7 *Derecognition of financial liabilities*

The Company derecognises a financial liability (or part of it) only when the underlying present obligation (or part of it) is discharged. An agreement between the Company (an existing borrower) and an existing lender to replace the original financial liability with a new financial liability with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

When the Company derecognises a financial liability or a part of it, it recognises the difference between the carrying amount of the financial liability (or part of the financial liability) derecognised and the consideration paid (including any non-cash assets transferred or new financial liabilities assumed) in profit or loss.

9.8 *Derivatives and embedded derivatives*

Derivatives are initially measured at fair value at the date when the derivative contracts are entered into and are subsequently re-measured to fair value. The resulting gain or loss is recognised in profit or loss.

An embedded derivative is separated from the hybrid instrument, where the hybrid instrument is not designated as a financial asset or financial liability at fair value through profit or loss, and treated as a standalone derivative if 1) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; and 2) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative. If the Company is unable to measure the embedded derivative separately either at acquisition or at a subsequent balance sheet date, it designates the entire hybrid instrument as a financial asset or financial liability at fair value through profit or loss.

9.8.1 *Convertible loan notes*

Convertible loan notes issued by the Company that contain both the liability and conversion option components are classified separately into respective items on initial recognition. Conversion option that is 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 an equity instrument.

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 instrument, is included in capital reserve (other capital reserve — share conversion option).

In subsequent periods, the liability component of the convertible loan notes is carried at amortised cost using the effective interest method. The conversion option classified as equity remains in equity. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs incurred for the issue of convertible loan notes are allocated to the liability component and equity component in proportion to their respective fair values. 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 component and amortised over the period of the convertible loan notes using the effective interest method.

9.9 *Offsetting financial assets and financial liabilities*

Where the Company has a legal right that is currently enforceable to set off the recognised amounts, and intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously, a financial asset and a financial liability shall be offset and the net amount presented in the balance sheet. Except for the circumstances above, financial assets and financial liabilities shall be presented separately in the balance sheet and shall not be offset.

9.10 *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. The consideration received from issuing equity instruments, net of transaction costs, are added to shareholders' equity.

All types of distributions (excluding stock dividends) made by the Company to holders of equity instruments are deducted from shareholders' equity. The Company does not recognise any changes in the fair value of equity instruments.

10. Receivables

10.1 *Receivables that are individually significant and for which bad debt provision is individually assessed*

Basis or monetary criteria for determining individually significant receivables	Receivables that exceed the amount of RMB 5 million are deemed as individually significant receivables by the Group.
Provision methods for receivables that are individually significant and for which bad debt provision is individually assessed	For receivables that are individually significant, the Company assesses the receivables individually for impairment; for a financial asset that is not impaired individually, the Company includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Receivables for which an impairment loss is individually recognised are not included in a collective assessment of impairment.

10.2 *Receivables for which bad debt provision is collectively assessed*

Receivables that are significant with the impairment tests performed individually but for which bad debt provision is not assessed	Mainly include amount due from related parties and amount due from subsidiaries' related parties, amount due from government sectors and amount due from cooperation partner. For the receivables as above, bad debt provision would not be assessed as the probability of the loss of the bad debt is rarely low.
Receivables that use percentage of total receivables outstanding for bad debt provision	The Company classifies receivables into groups of financial assets according to the similarity and relativity of credit risk characteristics. These credit risks usually reflect the debtor's ability to pay the amount due at maturity under contractual terms of related assets and are relate to the estimation of future cash flow of the assessed assets.
Bad debt provision methods for a portfolio (percentage of total receivables outstanding)	5%

10.2.1 *Portfolios that use percentage of total receivables outstanding for bad debt provision*

Name of portfolio	Provision proportion for accounts receivable (%)	Provision proportion for other receivables (%)
Receivables that use percentage of total receivables outstanding for bad debt provision	5.00	5.00

10.3 *Accounts receivable that are not individually significant but for which individual bad debt provision is individually assessed*

Reasons for making individual bad debt provision	There are large difference between present value of the future cash flow of receivables and the book value of receivables.
Bad debt provision methods	The impairment test is performed individually. If the present value of future cash flow is lower than the book value of receivables, bad debt provision is assessed basis on the difference. Otherwise, bad debt provision is not assessed.

11. Inventories

11.1 *Classification of inventories*

Inventories mainly include properties under construction, completed projects, goods on hand, construction materials and others. Inventories are initially measured at cost. Cost of goods on hand and construction materials comprise purchase, freights, insurances, taxes and other related expenses. Cost of property development comprises land acquisition fees, expenditure on infrastructure development, expenditure on construction and installation, borrowing costs incurred before the completion of construction, and other related expenses.

11.2 *Cost measurement of delivered inventories*

Upon delivery of goods on hand and construction materials, the weighted average method is used to determine the actual cost of inventories. Upon delivery of completed projects, the specific identification method is used to determine the actual cost of inventories.

11.3 *Basis for determining net realisable value of inventories and provision methods for decline in value of inventories*

At the balance sheet date, inventories are measured at the lower of cost and net realisable value. If the cost of inventories is higher than the net realisable value, a provision for decline in value of inventories is made. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion, the estimated costs necessary to make the sale and relevant taxes. Net realisable value is determined on the basis of clear evidence obtained, and takes into consideration the purposes of inventories being held and effect of post balance sheet events.

Provision for decline in value of other inventories is made based on the excess of cost of inventory over its net realisable value on an item-by-item basis.

After the provision for decline in value of inventories is made, if the circumstances that previously caused inventories to be written down below cost no longer exist so that the net realisable value of inventories is higher than their cost, the original provision for decline in value is reversed and the reversal is included in profit or loss for the period.

11.4 *Inventory count system*

The perpetual inventory system is maintained for stock system.

12. Long-term equity investments

12.1 *Determination of investment cost*

For a long-term equity investment acquired through a business combination involving enterprises under common control, the investment cost of the long-term equity investment is the attributable share of the carrying amount of the shareholders' equity of the acquiree at the date of combination. For a long-term equity investment acquired through business combination not involving enterprises under common control, the investment cost of the long-term equity investment acquired is the cost of acquisition. The long-term equity investment acquired otherwise than through a business combination is initially measured at its cost.

12.2 *Subsequent measurement and recognition of profit or loss*

12.2.1. *A long-term equity investment accounted for using the cost method*

For long-term equity investments over which the Company does not exercise joint control or significant influence and those without quoted prices in an active market and the fair values cannot be reliably measured, the Company accounts for such long-term equity investments using the cost method. Besides, long-term equity investments in subsidiaries are accounted for using the cost method in the Company's separate financial statements. A subsidiary is an investee that is controlled by the Group.

Under the cost method, a long-term equity investment is measured at initial investment cost. Except for cash dividends or profits already declared but not yet paid that are included in the price or consideration actually paid upon acquisition of the long-term equity investment, investment income is recognised in the period in accordance with the attributable share of cash dividends or profit distributions declared by the investee.

12.2.2.*A long-term equity investment accounted for using the equity method*

The Company accounts for investment in associates and joint ventures using the equity method. An associate is an entity over which the Company has significant influence and a joint venture is an entity over which the Company exercises joint control along with other investors.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, no adjustment is made to the initial investment cost. Where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the difference is recognised in profit or loss for the period, and the cost of the long-term equity investment is adjusted accordingly.

Under the equity method, the Company recognises its share of the net profit or loss of the investee for the period as investment income or loss for the period. The Company recognises its share of the investee's net profit or loss based on the fair value of the investee's individual separately identifiable assets at the acquisition date after making appropriate adjustments to conform with the Group's accounting policies and accounting period. Unrealised profits or losses resulting from the Group's transactions with its associates and joint ventures are recognised as investment income or loss to the extent that those attributable to the Group's, equity interest are eliminated. However, unrealised losses resulting from the Group's transactions with its associates and joint ventures which represent impairment losses on the transferred assets are not eliminated. Changes in shareholder's equity of the investee other than net profit or loss are correspondingly adjusted to the carrying amount of the long-term equity investment, and recognised as other comprehensive income which is included in the capital reserve.

The Company discontinues recognising its share of net losses of the investee after the carrying amount of the long-term equity investment together with any long-term interests that in substance form part of its net investment in the investee are reduced to zero. Except that if the Company has incurred obligations to assume additional losses, a provision is recognized according to the obligation expected, and recorded in the investment loss for the period. Where net profits are subsequently made by the investee, the Company resumes recognising its share of those profits only after its share of the profits exceeds the share of losses previously not recognised.

12.2.3 *Disposal of long-term equity investments*

On disposal of a long term equity investment, the difference between the proceeds actually received and receivable and the carrying amount is recognised in profit or loss for the period. For a long-term equity investment accounted for using the equity method, the amount included in the shareholders' equity and attributable to the percentage interest disposed is transferred to profit or loss for the period.

12.3 *Basis for determining joint control and significant influence over investee*

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating policy decisions relating to the activity require the unanimous consent of the parties sharing control. 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. When determining whether an investing enterprise is able to exercise control or significant influence over an investee, the effect of potential voting rights of the investee (for example, warrants and convertible debts) held by the investing enterprises or other parties that are currently exercisable or convertible shall be considered.

12.4 *Impairment assessment and provision method for impairment loss*

The Company reviews the long-term equity investments at each balance sheet date to determine whether there is any indication that they have suffered an impairment loss. If an impairment indication exists, the recoverable amounts are estimated. If such recoverable amount is less than its carrying amount, a provision for impairment losses in respect of the deficit is recognised in profit or loss for the period.

Once an impairment loss is recognised for a long-term equity investment, it will not be reversed in any subsequent period.

13. Investment properties

Investment property is property held to earn rentals or for capital appreciation or both. It includes a land use right that is leased out; a land use right held for transfer upon capital appreciation; and a building that is leased out.

An investment property is measured initially at cost. Subsequent expenditures incurred for such investment property are included in the cost of the investment property if it is probable that economic benefits associated with an investment property will flow to the Company and the subsequent expenditures can be measured reliably, other subsequent expenditures are recognised in profit or loss in the period in which they are incurred.

The Company uses the cost model for subsequent measurement of investment property, and adopts a depreciation/amortisation policy for the investment property which is consistent with that for buildings/land use rights.

The Company reviews the investment properties at each balance sheet date to determine whether there is any indication that they have suffered an impairment loss. If an impairment indication exists, the recoverable amounts are estimated. Recoverable amount is estimated on individual basis. If it is not practical to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group to which the asset belongs will be estimated. If such recoverable amount is less than its carrying amount, a provision for impairment losses in respect of the deficit is recognised in profit or loss for the period.

Once an impairment loss is recognised for an investment property, it will not be reversed in any subsequent period.

When an investment property is sold, transferred, retired or damaged, the Company recognises the amount of any proceeds on disposal net of the carrying amount and related taxes in profit or loss for the period.

14. Fixed assets

14.1 *Recognition criteria for fixed assets*

Fixed assets are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and have useful lives of more than one accounting year. A fixed asset is recognised only when it is probable that economic benefits associated with the asset will flow to the Company and the cost of the asset can be measured reliably. Fixed assets are initially measured at cost and the effect of any expected costs of abandoning the asset at the end of its use is considered.

Subsequent expenditures incurred for the fixed asset are included in the cost of the fixed asset and if it is probable that economic benefits associated with the asset will flow to the Company and the subsequent expenditures can be measured reliably. Meanwhile the carrying amount of the replaced part is derecognised. Other subsequent expenditures are recognised in profit or loss in the period in which they are incurred.

14.2 Depreciation of each category of fixed assets

A fixed asset is depreciated over its useful life using the straight-line method since the month subsequent to the one in which it is ready for intended use. The useful life, estimated net residual value rate and annual depreciation rate of each category of fixed assets are as follows:

Classes	Useful lives (Years)	Estimated net residual values rates (%)	Annual depreciation rates (%)
House and buildings.	20	5	4.75
Electronic equipment, furniture and fixtures.	3	5	31.67
Motor vehicles	4	5	23.75
Other equipments	5	5	19

Estimated net residual value of a fixed asset is the estimated amount that the Company would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

14.3 *The method of impairment test and provision for impairment losses of fixed assets*

The Company assesses at the balance sheet date whether there is any indication that the fixed assets may be impaired. If there is any indication that such assets may be impaired, recoverable amounts are estimated for such assets. Recoverable amount is estimated on individual basis. If it is not practical to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group to which the asset belongs will be estimated. If the recoverable amount of an asset or an asset group is less than its carrying amount, the deficit is accounted for as an impairment loss and is recognised in profit or loss.

Once the impairment loss of such assets is recognised, it is not be reversed in any subsequent period.

14.4 ***Identification basis and valuation methods for fixed assets acquired under finance leases***

The Company adopts a depreciation policy for a fixed asset held under a finance lease which is consistent with that for its owned fixed asset. If there is reasonable certainty that the Company will obtain ownership of the leased asset at the end of the lease term, the leased asset is depreciated over its useful life. If there is no reasonable certainty that the Company will obtain ownership of the leased asset at the end of the lease term, the leased asset is depreciated over the shorter of the lease term and its useful life.

14.5 ***Other explanations***

The Company reviews the useful life and estimated net residual value of a fixed asset and the depreciation method applied at least once at each financial year-end, and account for any change as a change in an accounting estimate.

If a fixed asset is upon disposal or no future economic benefits are expected to be generated from its use or disposal, the fixed asset is derecognised. When a fixed asset is sold, transferred, retired or damaged, the amount of any proceeds on disposal of the asset net of the carrying amount and related taxes is recognised in profit or loss for the period.

15. Construction in progress

Construction in progress is measured at its actual costs. The actual costs include various construction expenditures during the construction period, borrowing costs capitalised before it is ready for intended use and other relevant costs. Construction in progress is not depreciated. Construction in progress is transferred to a fixed asset when it is ready for intended use.

The Company assesses at the balance sheet date whether there is any indication that construction in progress may be impaired. If there is any indication that such assets may be impaired, recoverable amounts are estimated for such assets. Recoverable amount is estimated on individual basis. If it is not practical to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group to which the asset belongs will be estimated. If the recoverable amount of an asset or an asset group is less than its carrying amount, the deficit is accounted for as an impairment loss and is recognised in profit or loss.

Once the impairment loss of construction in progress is recognised, it is not be reversed in any subsequent period.

16. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying asset are capitalised when expenditures for such asset and borrowing costs are incurred and activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced. Capitalisation of borrowing costs ceases when the qualifying asset being acquired, constructed or produced becomes ready for its intended use or sale. Capitalisation of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is interrupted abnormally and when the interruption is for a continuous period of more than three months. Capitalisation is suspended until the acquisition, construction or production of the asset is resumed. Other borrowing costs are recognised as an expense in the period in which they are incurred.

Where funds are borrowed under a specific-purpose borrowing, the amount of interest to be capitalised is the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds. Where funds are borrowed under general-purpose borrowings, the Company determines the amount of interest to be capitalised on such borrowings by applying a capitalisation rate to the weighted average of the excess of cumulative expenditures on the asset over the amounts of specific-purpose borrowings. The capitalisation rate is the weighted average of the interest rates applicable to the general-purpose borrowings.

During the capitalization period, exchange differences related to a specific-purpose borrowing denominated in foreign currency are all capitalised. Exchange differences in connection with general-purpose borrowings are recognised in profit or loss in the period in which they are incurred.

17. Intangible assets

17.1 *Intangible assets*

Intangible assets include land use rights, patents, etc.

An intangible asset is measured initially at cost. When an intangible asset with a finite useful life is available for use, its original cost less net residual value and any accumulated impairment losses is amortised over its estimated useful life using the straight-line method. An intangible asset with an indefinite useful life is not amortised.

For an intangible asset with a finite useful life, the Company reviews the useful life and amortisation method at the end of the period, and makes adjustments when necessary.

17.2 *Research and development expenditure*

Expenditure during the research phase is recognised as an expense in the period in which it is incurred.

Expenditure during the development phase that meets all of the following conditions at the same time is recognised as intangible asset. Expenditure during development phase that does not meet the following conditions is recognised in profit or loss for the period.

(1) it is technically feasible to complete the intangible asset so that it will be available for use or sale;

(2) the Company has the intention to complete the intangible asset and use or sell it;

(3) the Company can demonstrate the ways in which the intangible asset will generate economic benefits, including the evidence of the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;

(4) the availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and

(5) the expenditure attributable to the intangible asset during its development phase can be reliably measured.

If the expenditures cannot be distinguished between the research phase and development phase, the Company recognises all of them in profit or loss for the period.

17.3 *The method of impairment test and provision for impairment losses of intangible assets*

The Company assesses at the balance sheet date whether there is any indication that the intangible assets with a finite useful life may be impaired. If there is any indication that such assets may be impaired, recoverable amounts are estimated for such assets. Recoverable amount is estimated on individual basis. If it is not practical to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group to which the asset belongs will be estimated. If the recoverable amount of an asset or an asset group is less than its carrying amount, the deficit is accounted for as an impairment loss and is recognised in profit or loss.

Intangible assets with indefinite useful life and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that the assets may be impaired.

Once the impairment loss of such asset is recognised, it is not be reversed in any subsequent period.

18. Long-term prepaid expenses

Long-term prepaid expenses represent expenses incurred that should be borne and amortised over the current and subsequent periods (together of more than one year). Long-term prepaid expenses are amortised using the straight-line method over the expected periods in which benefits are derived.

19. Estimated liabilities

An obligation related to a contingency is recognized as a provision when all of the following conditions are satisfied: (1) the obligation is a present obligation of the Group; (2) it is probable that an outflow of economic benefits will be required to settle the obligation; and (3) the amount of the obligation can be measured reliably.

At the balance sheet date, a provision is measured at the best estimate of the expenditure required to settle the related present obligation, taking into account the factors pertaining to a contingency such as the risks, uncertainties and time value of money.

Where all or some of the expenditure required to be settled a provision is expected to be reimbursed by a third party, the reimbursement is recognized as a separate asset only when it is virtually certain that reimbursement will be received. The amount recognized for the reimbursement does not exceed the carrying amount of the provision.

20. Share-based payments and equity instruments

20.1. *Classification of share-based payments*

A share-based payment is a transaction in which the Company grants equity instruments, or incurs liabilities for amounts that are determined based on the price of equity instruments, in return for services rendered by employees or other parties. The Group's share-based payments include equity-settled share-based payments and cash-settled share-based payments.

Equity-settled share-based payments

Equity-settled share-based payments in exchange for services rendered by employees are measured at the fair value of the equity instruments granted to employees at the grant date. Such amount is recognised as related costs or expenses on a straight-line basis, based on the best estimate of the number of equity instruments expected to vest/as related costs or expenses at the grant date, if the equity instruments vest immediately, with a corresponding increase in capital reserve.

At each balance sheet date during the vesting period, the Company makes the best estimate according to the subsequent latest information of change in the number of employees who are granted with options that may vest, etc. and revises the number of equity instruments expected to vest. The effect of the above estimate is recognised as related costs or expenses, with a corresponding adjustment to capital reserve.

For equity-settled share-based payments in exchange for services rendered by other parties, if the fair value of services from other parties can be measured reliably, they are measured at the fair value of services from other parties at the date when such services are received. If the fair value of services from other parties cannot be measured reliably but the fair value of the equity instruments can be measured reliably, they are measured at the fair value of the equity instruments at the date when such services are received. The fair value of the equity instruments are recognised as related costs or expenses, with a corresponding increase in capital reserve.

Cash-settled share-based payments

Cash-settled share-based payments are measured at the fair value of the liabilities incurred by the Group, which are determined based on the price of the share or other equity instruments. If the rights under a cash-settled share-based payment vest immediately, the Company recognises related costs or expenses on grant date, with a corresponding increase in liability, at an amount equal to the fair value of the liability based on the best estimate of the outcome of vesting at each balance sheet date within the vesting period. Until the liability is settled, the Company remeasures the fair value of the liability at each balance sheet date and at the date of settlement, with any changes in fair value recognised in profit or loss for the period.

20.2.*The method of determining the fair value of equity instruments*

The value of share options granted by the Company is estimated by applying Black-Scholes option pricing model. Details please refer to note (VIII).

20.3.*Accounting treatment related to implementation, modification and termination of share-based payments*

In case the Company modifies a share-based payment arrangement, if the modification increases the fair value of the equity instruments granted, the Company will include the incremental fair value of the equity instruments granted in the measurement of the amount recognised for services received. If the modification increases the number of the equity instruments granted, the Company will include the fair value of additional equity instruments granted in the measurement of the amount recognised for services received. The increase in the fair value of the equity instruments granted is the difference between fair value of the equity instruments before and after the modification on the date of the modification. If the Company modifies the terms or conditions of the share-based payment arrangement in a manner that reduces the total fair value of the share-based payment arrangement, or is not otherwise beneficial to the employee, the Company will continue to account for the services received as if that modification had not occurred other than a cancellation of some or all the equity instruments granted.

If cancellation of the equity instruments granted occurs during the vesting period, the Company will account for the cancellation of the equity instruments granted as an acceleration of vesting, and recognise immediately the amount that otherwise would have been recognised over the remainder of the vesting period in profit or loss for the period, with a corresponding recognition in capital reserve. When the employee or counterparty can choose whether to meet the non-vesting condition but the condition is not met during the vesting period, the Company treats it as a cancellation of the equity instruments granted.

21. Repurchase of own equity instruments

The consideration and transaction costs paid to repurchase own equity instruments are deducted from owners' equity. No gain or loss is recognised in profit or loss on the repurchase, sale or cancellation of the Company's own equity instruments.

22. Revenue

22.1 *Revenue from sale of goods*

Revenue from sale of goods is recognised when (1) the enterprise has transferred to the buyer the significant risks and rewards of ownership of the goods; (2) the enterprise retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; (3) the amount of revenue can be measured reliably; (4) it is probable that the associated economic benefits will flow to the enterprise; and (5) the associated costs incurred or to be incurred can be measured reliably.

Revenue from sales of property is recognized when all the following conditions are successfully satisfied: 1) sales contact is entered into between the buyer and the Company and filed with Land and Resources Bureau; 2) development of property is completed and arrives at the condition for its intended use, and successfully passes the examination by the relevant authorities with the relevant registration procedures well finished; and 3) the buyer makes payment for the property subject to the terms in sales contract and obtains the occupation permit. In another word, revenue from sales is recognized when the Company receives or obtains the right to receive the full amount of property sold, and all the relevant economic benefit can flow to the Company.

22.2 *Revenue from rendering of services*

Revenue from rendering of services is recognised when (1) the amount of revenue can be measured reliably; (2) it is probable that the associated economic benefits will flow to the enterprise; (3) the stage of completion of the transaction can be determined reliably; and (4) the associated costs incurred or to be incurred can be measured reliably. Revenue from rendering of services is recognised using the percentage of completion method at the balance sheet date. The stage of completion of a transaction is determined based on services performed to date as a percentage of total services to be performed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the costs incurred that will be recoverable, and the costs incurred are recognised as expenses for the period. When it is not probable that the costs incurred will be recovered, revenue is not recognised.

22.3 *Revenue from construction contract*

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable. Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

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

22.4 *Revenue arising from lease*

Rental income from lessee per contract or agreement is recognized as operating income on a straight-line basis over the lease term.

22.5 *Income from royalties*

The amount of income from royalties is recognised according to the relevant contract or agreement on an accrual basis.

22.6 *Interest income*

The amount of interest income is determined according to the length of time for which the Company's monetary funds are used by others and the effective interest rate.

23. Government grants

Government grants are the transfer of monetary assets or non-monetary assets from the Government to the Company at no consideration, excluding capital contribution from the Government as an owner of the Company to the Company. Government grants are classified into government grants related to assets and government grants related to income.

If a government grant is in the form of a transfer of a monetary asset, the item is measured at the amount received or receivable. If a government grant is in the form of a transfer of a non- monetary asset, the item is measured at fair value. If fair value is not reliably determinable, the item is measured at a nominal amount. A government grant measured at a nominal amount is recognised immediately in profit or loss for the current period.

A government grant related to an asset is recognised as deferred income, and evenly amortised to profit or loss over the useful life of the related asset.

For a government grant related to income, if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognised as deferred income, and recognised in profit or loss over the periods in which the related costs are recognised; if the grant is a compensation for related expenses or losses already incurred, the grant is recognised immediately in profit or loss for the current period.

For the repayment of a government grant already recognised, if there is any related deferred income, the repayment is offset against the carrying amount of the deferred income, and any excess is recognised in profit or loss for the current period; if there is no related deferred income, the repayment is recognised immediately in profit or loss for the current period.

24. Income tax expenses

The income tax expenses include current income tax and deferred income tax.

24.1. Current Income Tax

At the balance sheet date, current income tax liabilities (or assets) for the current and prior periods are measured at the amount expected to be paid (or recovered) according to the requirements of tax laws.

24.2.*Deferred tax assets and deferred tax liabilities*

For temporary differences between the carrying amounts of certain assets or liabilities and their tax base, or between the nil carrying amount of those items that are not recognised as assets or liabilities and their tax base that can be determined according to tax laws, deferred tax assets and liabilities are recognised using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets for deductible temporary differences are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised. However, for temporary differences associated with the initial recognition of goodwill and the initial recognition of an asset or liability arising from a transaction (not a business combination) that affects neither the accounting profit nor taxable profits or deductible losses at the time of transaction, no deferred tax asset or liability is recognised.

For deductible losses and tax credits that can be carried forward, deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible losses and tax credits can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the timing of 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 taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates, according to tax laws, that are expected to apply in the period in which the asset is realised or the liability is settled.

Current and deferred tax expenses or income are recognised in profit or loss for the period, except when they arise from transactions or events that are directly recognised in other comprehensive income or in equity, in which case they are recognised in other comprehensive income or in equity, and when they arise from business combinations, in which case they adjust the carrying amount of goodwill.

At the balance sheet date, the carrying amount of deferred tax assets is reviewed and reduced if it is no longer probable that sufficient taxable profits will be available in the future to allow the benefit of deferred tax assets to be utilised. Any such reduction in amount is reversed when it becomes probable that sufficient taxable profits will be available.

When the Company has a legal right to settle on a net basis and intends either to settle on a net basis or to realise the assets and settle the liabilities simultaneously, current tax assets and current tax liabilities are offset and presented on a net basis.

When the Company has a legal right to settle current tax assets and liabilities on a net basis, and deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax assets and liabilities on a net basis or to realise the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be reversed, deferred tax assets and deferred tax liabilities are offset and presented on a net basis.

25. Operating leases and finance leases

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.

25.1.*The Company as lessee under operating leases*

Operating lease payments are recognised on a straight-line basis over the term of the relevant lease, and are either included in the cost of related asset or charged to profit or loss for the period. Initial direct costs incurred are charged to profit or loss for the period. Contingent rents are charged to profit or loss in the period in which they are actually incurred.

25.2.*The Company as lessor under operating leases*

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs with more than an insignificant amount are capitalised when incurred, and are recognised in profit or loss on the same basis as rental income over the lease term. Other initial direct costs with an insignificant amount are charged in profit or loss in the period in which they are incurred. Contingent rents are charged to profit or loss in the period in which they actually arise.

25.3. *The Company as lessee under finance leases*

At the commencement of the lease term, the Company records the leased asset at an amount equal to the lower of the fair value of the leased asset and the present value of the minimum lease payments, and recognises a long-term payable at an amount equal to the minimum lease payments. The difference between the recorded amounts is accounted for as unrecognised finance charge. Besides, initial direct costs that are attributable to the leased item incurred during the process of negotiating and securing the lease agreement are also added to the amount recognised for the leased asset.

Unrecognised finance charges are recognised as finance charge for the period using the effective interest method over the lease term. Contingent rents are charged to profit or loss in the period in which they are actually incurred. The net amount of minimum lease payments less unrecognised finance charges is separated into long-term liabilities and the portion of long-term liabilities due within one year for presentation.

25.4. *The Company as lessor under finance leases*

At the commencement of the lease term, the aggregate of the minimum lease receivable at the inception the lease and the initial direct costs is recognised as a finance lease receivable, and the unguaranteed residual value is recorded at the same time. The difference between the aggregate of the minimum lease receivable, the initial direct costs and the unguaranteed residual value, and the aggregate of their present values is recognised as unearned finance income.

Unearned finance income is recognised as finance income for the period using the effective interest method over the lease term. Contingent rents are credited to profit or loss in the period in which they are actually incurred.

The net amount of financial lease receivables less unearned finance income is separated into long-term debts receivable and the portion of long-term debts receivable due within one year for presentation.

26. Non-current assets held for sale

Non-current assets including fixed assets, intangible assets, long-term equity investments, etc.,but excluding deferred tax asset, that the Company has determined to dispose of those assets and has entered into an irrevocable transfer agreement with the transferee and it is highly probable that the transfer will be completed within one year, are accounted for as non-current assets held for sale. They are not depreciated or amortised, and are measured at the lower of carrying amount and fair value less costs to sell.

If an asset or a disposal group has been classified as held for sale but the criteria for classification as held for sale are no longer met, the Company shall cease to classify the asset or disposal group as held for sale. It shall be measured at the lower of (1) the carrying amount before the asset or disposal group was classified as held for sale, adjusted for any depreciation, amortisation or impairment that would have been recognised had the asset or disposal group not been classified as held for sale; and (2) the recoverable amount at the date of the decision not to sell.

27. Other significant accounting policies, accounting estimates, and preparation of financial statements

27.1 *Employee benefits*

In an accounting period in which an employee has rendered service to the Group, the Company recognises the employee benefits for that service as a liability, except for compensation for termination of employment relationship with the employees.

The Company participates in the employee social security systems, such as basic pensions, medical insurance, housing funds and other social securities established by the government in accordance with relevant requirements. The related expenditures are either included in cost of related assets or charged to profit or loss for the period when they occur.

When the Company terminates the employment relationship with employees before the expiry of the employment contracts or provides compensation as an offer to encourage employees to accept voluntary redundancy, if the Company has a formal plan for termination of employment relationship or has made an offer for voluntary redundancy which will be implemented immediately, and the Company cannot unilaterally withdraw from the termination plan or the redundancy offer, a provision for the compensation payable arising from the termination of employment relationship with employees is recognised with a corresponding charge to the profit or loss for the period.

27.2 *Exchange of non-monetary assets*

If an exchange of non-monetary assets has commercial substance and the fair value of either the asset received or the asset given up can be reliably measured, the cost of the asset received is measured at the fair value of the asset given up (unless there is conclusive evidence that the fair value of the asset received is more reliable) plus any related taxes, and the difference between the fair value used and the carrying amount of the asset given up is recognised in profit or loss. If an exchange of non-monetary assets fails to meet the above conditions, the cost of the asset received is measured at the carrying amount of the asset given up plus any related taxes, and no gain or loss is recognised.

Where several assets are received at the same time in an exchange of non-monetary assets and if the exchange transaction has commercial substance and the fair values of the assets received can be measured reliably, the cost of each asset received is determined by apportioning the total cost of all assets received based on the proportion of the fair value of each asset received to the total fair value of all assets received. If the exchange transaction has no commercial substance, or although the transaction has commercial substance, the fair values of the assets received cannot be measured reliably, then the cost of each asset received is determined by apportioning the total cost of all assets received based on the proportion of the original carrying amount of each asset received to the total carrying amount of all assets received.

27.3 *Debt restructuring*

27.3.1.*Recording of debt restructuring obligation as the debtor*

When a debt is settled by cash in a debt restructuring, the difference between the carrying amount of the debt and the cash actually paid is recognised in profit or loss for the period. When a debt is satisfied by a transfer of non-cash asset(s), the difference between the carrying amount of the debt and the fair value of the non-cash asset(s) transferred is recognised in profit or loss for the period. The difference between the fair value of the non-cash asset(s) transferred and their carrying amount is recognised in profit or loss for the period.

When a debt is converted into capital in a debt restructuring, the difference between the carrying amount of the debt and the total fair value of the capital issued to the creditor is recognised in profit or loss for the period.

When a debt restructuring involves the modification of other terms of a debt, the restructured debt is recorded at the fair value of the debt with the modified terms. The difference between the carrying amount of the original debt and the recorded amount of the restructured debt is recognised in profit or loss for the period.

When a debt restructuring adopts a combination of various methods, the carrying amount of the debt is reduced by, and in the sequence of, the cash payment, the fair value of the non-cash asset(s) transferred and the fair value of the capital issued to the creditor, and is then accounted for using the same treatment as the above debt restructuring involving the modification of other terms of a debt.

27.3.2.*Recording of debt restructuring obligation as the creditor*

When a debt is settled by cash in a debt restructuring, the difference between the gross carrying amount of the debt receivable and the cash received is recognised in profit or loss for the current period. When a debt is settled by a transfer of non-cash asset(s), the difference between the gross carrying amount of the debt receivable and the fair value of the non-cash asset(s) received is recognised in profit or loss for the current period.

When a debt is converted into capital in a debt restructuring, the difference between the gross carrying amount of the debt receivable and the fair value of the equity interest received is recognised in profit or loss for the current period.

When a debt restructuring involves the modification of other terms of a debt, the restructured debt receivable is recorded at the fair value of the debt receivable which terms have been modified. The difference between the gross carrying amount of the original debt receivable and the carrying amount of the restructured debt receivable is recognised in profit or loss for the current period.

When a debt is satisfied by a combination of various methods, the gross carrying amount of the debt receivable is reduced by, and in sequence of, the cash received, the fair value of the non-cash assets obtained and the fair value of the equity interest received, and then follow the foregoing requirements of the case where a debt restructuring involves the modification of other terms of a debt.

If a provision is made for impairment loss on the debt receivable, the above difference first reduces the impairment provision and any excess is then recognised in profit or loss for the period.

27.4 *Maintenance Fund*

For properties located in Shenzhen, the company complies with the Rules on Administration of Specific Public Facilities Fund of Residence of Shenzhen. For properties in the locations other than Shenzhen, the company follows the respective local regulations.

(III) BASIS OF DETERMINING SIGNIFICANT ACCOUNTING POLICIES AND KEY ASSUMPTIONS AND UNCERTAINTIES IN ACCOUNTING ESTIMATES

In the application of the Company's accounting policies, which are described in note 2, the Company is required to make judgments, estimates and assumptions about the carrying amounts of items in the financial statements that cannot be measured accurately, due to the internal uncertainty of the operating activities. These judgments, estimates and assumptions are based on historical experiences of the Company's management as well as other factors that are considered to be relevant. Actual results may differ from these estimates.

The aforementioned judgments, estimates and assumptions are reviewed regularly on a going concern basis. The effect of a change in accounting estimate is recognised in the period of the change, if the change affects that period only; or recognised in the period of the change and future periods, if the change affects both.

The following are the key assumptions and uncertainties in accounting estimates at the balance sheet date, which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in future periods.

The Company records inventories as lower of cost and net realisable value. Net realisable value of inventory is amount calculated as estimated selling price of ordinary activities, minus estimated cost to happen until work completed, estimated selling expenses and related taxes. The Company will increase provision for decline in value of inventories if the management revises any of the estimated selling price, cost to happen until work completed, estimated selling expenses or related taxes, and (1) the revised estimated selling price is less than current adopted estimated selling price, or (2) the revised estimated cost to happen until work completed, estimated selling expenses and related taxes is larger than current adopted estimated amount. On the contrary, the Company will reverse provision for increase in value of inventories if the management revises any of the estimated selling price, cost to happen until work completed, estimated selling expenses or related taxes, and (1) the revised estimated selling price is higher than current adopted estimated selling price, or (2) the revised estimated cost to happen until work completed, estimated selling expenses and related taxes is less than current adopted estimated amount.

If the actual selling price, estimated cost to happen until work completed, estimated selling expenses and related taxes is larger or less than the management's estimation, the Company recognises relevant influences in corresponding accounting period.

(IV) TAXATION

Major taxes and tax rates

Tax	Basis of taxation	Tax rate
Enterprise Income Tax	Taxable income	*(Note 1)*
Business Tax	Revenue from rendering of services, transfer of intangible assets or sales of properties	5% or 3%
Urban construction and maintenance tax	Business tax and value added tax ("VAT") paid	Paid according to the Company location policy
Education surcharge	Business tax and VAT paid	Paid according to the Company location policy
Land appreciation tax.	Increase in value of property sold *(Note 2)*	Base on progressive tax rate 30%-60% in accordance with the land appreciation percentage
Property tax.	70%-90% of original cost of property or property lease income (property residual value);property lease income	1.2% for those calculated on the basis of property residual value; 12% for those calculated on the basis of property lease income
Town land usage tax	Acreage of land actually occupied *(Note 3)*	—

Note 1: The applicable income tax rate to the Company is 24% and the tax rates to its major subsidiaries are 25%.

Note 2: The Company and its subsidiaries prepay the land appreciation tax at the rate stipulated by local tax authorities. Based on relevant regulations, the land appreciation tax is filed based on actual appreciation in value and the applicable tax rate, any overpayment or underpayment will be refunded or paid after the tax filling.

Note 3: The Company and its subsidiaries pay the town land usage tax based on the applicable taxable amount following the pre-set standards by local governments.

(V) SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS

1. Subsidiaries

(1) *Subsidiaries established or acquired through investment by the Company*

Name of subsidiary	Type of company	Place of incorporation	Nature of business	Registered capital	Business Scope	The Company's actual investment at year end	Other balances essentially constitute investments	% of ownership held by the Company	% of voting power held by the Company	Within the consolidation scope (Yes/No)	Minority Interests	Minority Interests amount used for deducting profit attributable to Minority Interests
				(0'000)		(0'000)					(RMB0'000)	(RMB0'000)
SZ Gemdale Property Management Co., Ltd..	Limited company	Shenzhen	Property management	CNY5,000.00	Property management	CNY5,000.00	–	100	100	Yes	–	–
SZ Sichuang Management Consulting Co., Ltd..	Limited company	Shenzhen	Design consulting	CNY100.00	Design consulting service	CNY100.00	–	100	100	Yes	–	–
SZ Gemdale Residence Development Co., Ltd..	Limited company	Shenzhen	Real estate development	CNY3,200.00	Real estate development and construction and operation of corresponding facilities	CNY3,200.00	–	100	100	Yes	–	–
SZ Gemdale Old City Reconstruction Co., Ltd..	Limited company	Shenzhen	Real estate development	CNY4,050.00	Old city reconstruction, real estate development on the land with legitimate land use right obtained	CNY2,430.00	–	60	60	Yes	6,356.15	–
Famous Business Co., Ltd..	Limited company	Hong Kong	Property related business	HKD100.00	Sales promotion and service for property projects	HKD100.00	–	100	100	Yes	–	–

Name of subsidiary	Type of company	Place of incorporation	Nature of business	Registered capital	Business Scope	The Company's actual investment at year end	Other balances essentially constitute investments	% of ownership held by the Company	% of voting power held by the Company	Within the consolidation scope (Yes/No)	Minority Interests	Minority Interests amount used for deducting profit attributable to Minority Interests
				(0'000)		(0'000)					(RMB0'000)	(RMB0'000)
Guangzhou Dongling Real Estate Development Co., Ltd..	Limited company	Guangzhou	Real estate development	CNY63,000.00	Real estate development, property lease, property management	CNY50,400.00	–	80	80	Yes	17,818.28	–
Dongguan Gemdale Property Investment Co., Ltd.	Limited company	Dongguan	Real estate development	CNY9,940.10	Development, construction and operation of general residence	CNY9,940.10	–	100	100	Yes	–	–
BJ Gemdale Xingye Property Co., Ltd. . .	Limited company	Beijing	Real estate development	CNY18,000.00	Real estate development and sales	CNY18,000.00	–	100	100	Yes	–	–
BJ Gemdale Yuanjing Real Estate Development Co., Ltd..	Limited company	Beijing	Real estate development	CNY12,000.00	Real estate development and sales	CNY12,000.00	–	100	100	Yes	–	–
BJ Gemdale Green Real Estate Development Co., Ltd.	Limited company	Beijing	Property management	CNY500.00	Property management	CNY500.00	–	100	100	Yes	–	–
BJ Gemdale Hongye Real Estate Development Co., Ltd..	Limited company	Beijing	Real estate development	CNY5,000.00	Real estate development and sales	CNY3,500.00	–	70	70	Yes	6,146.92	–
BJ Gemdale Weisheng Real Estate Development Co., Ltd..	Limited company	Beijing	Real estate development	CNY2,000.00	Real estate development and sales	CNY2,000.00	–	100	100	Yes	–	–

Name of subsidiary	Type of company	Place of incorporation	Nature of business	Registered capital	Business Scope	The Company's actual investment at year end	Other balances essentially constitute investments	% of ownership held by the Company	% of voting power held by the Company	Within the consolidation scope (Yes/No)	Minority Interests	Minority Interests amount used for deducting profit attributable to Minority Interests
				(0'000)		(0'000)					(RMB0'000)	(RMB0'000)
Beijing Gemdale Hongyun Real Estate Development Co., Ltd..	Limited company	Beijing	Real estate development	CNY15,000.00	Real estate development and sales	CNY10,500.00	–	70	70	Yes	5,655.88	–
Beijing Gemdale Rongqiao Real Estate Development Co., Ltd.	Limited company	Beijing	Real estate development	CNY125,000.00	Real estate development and sales	CNY75,000.00	–	60	60	Yes	64,283.63	–
Beijing Gemdale Huida Real Estate Development Co., Ltd. *(Note 1)*.	Limited company	Beijing	Real estate development	CNY2,000.00	Real estate development and sales	CNY2,000.00	–	100	100	Yes	–	–
Hunan Jinlu Real Estate Development Co., Ltd..	Limited company	Changsha	Real estate development	CNY12,534.73	Real estate development, sales and property management	CNY8,000.00	–	63.82	63.82	Yes	3,861.17	673.56
Changzhou Gemdale Jinjiu Real Estate Development Co., Ltd. *(Note 2)*.	Limited company	Changzhou	Real estate development	CNY2,000.00	Real estate development and sales	CNY2,000.00	–	100	100	Yes	–	–
Changzhou Gemdale Jinkun Real Estate Development Co., Ltd. *(Note 3)*.	Limited company	Changzhou	Real estate development	CNY2,000.00	Real estate development and sales	CNY2,000.00	–	100	100	Yes	–	–
Dongguan Gemdale Baodao Property Co., Ltd.	Limited company	Dongguan	Real estate development	CNY1,000.00	Real estate development and business investment	CNY1,000.00	–	100	100	Yes	–	–

Name of subsidiary	Type of company	Place of incorporation	Nature of business	Registered capital	Business Scope	The Company's actual investment at year end	Other balances essentially constitute investments	% of ownership held by the Company	% of voting power held by the Company	Within the consolidation scope (Yes/No)	Minority Interests	Minority Interests amount used for deducting profit attributable to Minority Interests
				(0'000)		(0'000)					(RMB0'000)	(RMB0'000)
Dalian Rongyao Real Estate Development Co., Ltd.	Limited company	Dalian	Real estate development	USD6,000.00	Business real estate development in plot (2010)-18 in Zhongshan business district, other relative facility management, operation, sales, leasing and property management	USD6,000.00	–	100	100	Yes	–	–
Dalian Tianyi Real Estate Development Co., Ltd. *(Note 4)* . .	Limited company	Dalian	Real estate development	USD12,000.00	Business real estate development in plot (2011)-25 and (2011)-26 in Ganjingzi business district, other relative facility management, operation, sales, leasing and property management	USD7,700.00	–	100	100	Yes	–	–
Gemdale (Foshan) Real Estate Development Co., Ltd.	Limited company	Foshan	Real estate development	USD4,380.00	Real estate development and management	USD4,380.00	–	100	100	Yes	–	–
Foshan Shunde Gemdale Real Estate Development Co., Ltd..	Limited company	Foshan	Real estate development	CNY1,000.00	Real estate development and property management	CNY1,000.00	–	100	100	Yes	–	–
Yongsheng Business Co., Ltd.	Limited company	Hong Kong	Investment	USD0.10	Investment	USD0.10	–	100	100	Yes	–	–

Name of subsidiary	Type of company	Place of incorporation	Nature of business	Registered capital	Business Scope	The Company's actual investment at year end	Other balances essentially constitute investments	% of ownership held by the Company	% of voting power held by the Company	Within the consolidation scope (Yes/No)	Minority Interests	Minority Interests amount used for deducting profit attributable to Minority Interests
				(0'000)		(0'000)					(RMB0'000)	(RMB0'000)
Rongyao Business Co., Ltd..	Limited company	Hong Kong	Investment	USD0.10	Investment	USD0.07	–	70	70	Yes	520.18	–
Rongyao Investment Management Co., Ltd..	Limited company	Hong Kong	Investment	USD10,000.00	Investment	USD5,100.00	–	51	51	Yes	32,471.77	–
Gemdale International Holding Co., Ltd. *(Note 5)*	Limited company	Hong Kong	Investment	USD1,000.00	Investment	USD1,000.00	–	100	100	Yes	–	–
Gemdale Laureate Co., Ltd..	Limited company	Hong Kong	Investment	HKD0.51	Investment	HKD0.51	–	100	100	Yes	–	–
Changqing Business Co., Ltd.	Limited company	Hong Kong	Investment	HKD1.00	Investment	HKD1.00	–	100	100	Yes	–	–
Kudesi International Co., Ltd.	Limited company	Hong Kong	Investment	HKD1.00 USD3,000.00	Investment	HKD1.00 USD3,000.00	–	100	100	Yes	–	–
Dige Business Co., Ltd.	Limited company	Hong Kong	Investment	HKD1.00	Investment	HKD1.00	–	100	100	Yes	–	–
Hangzhou Gemdale Zhongtian Real Estate Development Co., Ltd.	Limited company	Hangzhou	Real estate development	CNY30,000.00	Real estate development, property management, goods import and export	CNY18,000.00	–	60	60	Yes	16,515.89	–
Hangzhou Gemdale Zizaicheng Real Estate Development Co., Ltd.	Limited company	Hangzhou	Real estate development	CNY10,000.00	Real estate development, property management	CNY10,000.00	–	100	100	Yes	–	–

Name of subsidiary	Type of company	Place of incorporation	Nature of business	Registered capital	Business Scope	The Company's actual investment at year end	Other balances essentially constitute investments	% of ownership held by the Company	% of voting power held by the Company	Within the consolidation scope (Yes/No)	Minority Interests	Minority Interests amount used for deducting profit attributable to Minority Interests
				(0'000)		(0'000)					(RMB0'000)	(RMB0'000)
Hangzhou Xianghu Real Estate Development Co., Ltd.	Limited company	Hangzhou	Real estate development	USD12,500.00	Real estate development in Xiaochu(2009) #47 plot, property management and consulting	USD12,500.00	–	100	100	Yes	–	–
Ningbo Jinjie Real Estate Development Co., Ltd.	Limited company	Ningbo	Real estate development	CNY5,000.00	Real estate development, property lease, property management	CNY5,000.00	–	100	100	Yes	–	–
Ningbo Jinxiang Real Estate Development Co., Ltd.	Limited company	Ningbo	Real estate development	CNY5,000.00	Real estate development and sales	CNY5,000.00	–	100	100	Yes	–	–
Cixi Jinqi Real Estate Development Co., Ltd. *(Note 6)*.	Limited company	Cixi	Real estate development	CNY88,599.19	Real estate development and sales	CNY58,758.98	–	66.32	66.32	Yes	28,947.91	892.30
Gemdale Corporation Nanjing Property Co., Ltd. *(Note 7)* . .	Limited company	Nanjing	Real estate development	CNY7,000.00	Real estate development, sales and management, self-owned property lease	CNY7,000.00	–	100	100	Yes	–	–
Gemdale Corporation Nanjing Real Estate Development Co., Ltd..	Limited company	Nanjing	Real estate development	CNY2,000.00	Real estate development, sales, lease, property management	CNY2,000.00	–	100	100	Yes	–	–
Gemdale Corporation Nanjing Jinjiu Real Estate Development Co., Ltd. *(Note 8)* . .	Limited company	Nanjing	Real estate development	CNY2,000.00	Real estate development, sales, lease, property management	CNY2,000.00	–	100	100	Yes	–	–

Name of subsidiary	Type of company	Place of incorporation	Nature of business	Registered capital	Business Scope	The Company's actual investment at year end	Other balances essentially constitute investments	% of ownership held by the Company	% of voting power held by the Company	Within the consolidation scope (Yes/No)	Minority Interests	Minority Interests amount used for deducting profit attributable to Minority Interests
				(0'000)		(0'000)					(RMB0'000)	(RMB0'000)
Gemdale Corporation Shanghai Real Estate Development Co., Ltd.	Limited company	Shanghai	Real estate development	CNY5,000.00	Real estate development, self-owned property management	CNY5,000.00	–	100	100	Yes	–	–
Shanghai Gemdale Baoshan Real Estate Development Co., Ltd..	Limited company	Shanghai	Real estate development	CNY2,000.00	Real estate development and leasing	CNY2,000.00	–	100	100	Yes	–	–
Shanghai Gemdale Hangjin Real Estate Development Co., Ltd. *(Note 9)*.	Limited company	Shanghai	Real estate development	CNY1,000.00	Real estate development	CNY1,000.00	–	100	100	Yes	–	–
Shanghai Shenjin Real Estate Development Co., Ltd.	Limited company	Shanghai	Real estate development	CNY10,000.00	Real estate development, property management	CNY7,500.00	–	75	75	Yes	6,416.32	–
Shanghai Gemdale Property Service Co., Ltd.	Limited company	Shanghai	Property management	CNY500.00	Property management	CNY500.00	–	100	100	Yes	–	–
Shanghai Nanxiang Garden Real Estate Development Co., Ltd..	Limited company	Shanghai	Real estate development	CNY1,800.00	Real estate development, property lease, property management	CNY1,620.00	–	90	90	Yes	6.99	173.01
Shanghai Green Fengfan Real Estate Development Co., Ltd..	Limited company	Shanghai	Real estate development	CNY20,000.00	Real estate development, property lease, property management	CNY14,000.00	–	70	70	Yes	60,445.66	–

Name of subsidiary	Type of company	Place of incorporation	Nature of business	Registered capital	Business Scope	The Company's actual investment at year end	Other balances essentially constitute investments	% of ownership held by the Company	% of voting power held by the Company	Within the consolidation scope (Yes/No)	Minority Interests	Minority Interests amount used for deducting profit attributable to Minority Interests
				(0'000)		(0'000)					(RMB0'000)	(RMB0'000)
Shanghai Jingjiu Real Estate Development Co., Ltd.	Limited company	Shanghai	Real estate development	CNY1,000.00	Real estate development, property management	CNY1,000.00	–	100	100	Yes	–	–
Shanghai Shenxiang Real Estate Development Co., Ltd..	Limited company	Shanghai	Real estate development	CNY2,000.00	Real estate development, property management	CNY2,000.00	–	100	100	Yes	–	–
Shanghai Jinheng Real Estate Development Co., Ltd.	Limited company	Shanghai	Real estate development	CNY163,265.00	Real estate development and construction project	CNY83,265.15	–	51	51	Yes	76,280.27	3,719.73
Shanghai Jinshen Real Estate Development Co., Ltd.	Limited company	Shanghai	Real estate development	CNY1,000.00	Real estate development and construction project	CNY1,000.00	–	100	100	Yes	–	–
Shaoxing Gemdale Shenxing Real Estate Development Co., Ltd. *(Note 10)*. .	Limited company	Shaoxing	Real estate development	CNY60,000.00	Real estate development and management	CNY36,000.00	–	60	60	Yes	22,752.09	1,247.91
Shenyang Gemdale Changqing Property Investment Co., Ltd.	Limited company	Shenyang	Real estate development	USD19,997.00	Real estate development, sales, self-owned property lease	USD19,997.00	–	100	100	Yes	–	–
Gemdale Corporation (Shenyang) Property Co., Ltd.	Limited company	Shenyang	Real estate development	USD3,770.00	Real estate development	USD3,770.00	–	100	100	Yes	–	–
Shenyang Gemdale Hongye Real Estate Development Co., Ltd..	Limited company	Shenyang	Real estate development	USD2,100.00	Real estate development and property lease	USD2,100.00	–	100	100	Yes	–	–

Name of subsidiary	Type of company	Place of incorporation	Nature of business	Registered capital	Business Scope	The Company's actual investment at year end	Other balances essentially constitute investments	% of ownership held by the Company	% of voting power held by the Company	Within the consolidation scope (Yes/No)	Minority Interests	Minority Interests amount used for deducting profit attributable to Minority Interests
				(0'000)		(0'000)					(RMB0'000)	(RMB0'000)
Shenyang Gemdale Shicheng Real Estate Development Co., Ltd.	Limited company	Shenyang	Real estate development	USD3,700.00	Real estate development and property lease	USD3,700.00	–	100	100	Yes	–	–
Shenyang Tianbang Real Estate Development Co., Ltd..	Limited company	Shenyang	Real estate development	CNY5,000.00	Real estate development and sales	CNY5,000.00	–	100	100	Yes	–	–
Shenyang Gemdale Quansheng Real Estate Development Co., Ltd. *(Note 11)*. .	Limited company	Shenyang	Real estate development	USD10,900.00	Real estate development and leasing	USD10,900.00	–	100	100	Yes	–	–
Shenyang Rongyao Real Estate Development Co., Ltd. *(Note 12)*. .	Limited company	Shenyang	Real estate development	USD10,000.00	Real estate development, sales and property leasing	USD10,000.00	–	100	100	Yes	–	–
Shenzhen Gemdale Industry Section Reconstruction Co., Ltd..	Limited company	Shenzhen	Real estate development	CNY1,000.00	Industry section reconstruction and real estate development	CNY600.00	–	60	60	Yes	399.77	0.23
Shenzhen Gemdale Xincheng Real Estate Development Co., Ltd.	Limited company	Shenzhen	Real estate development	CNY1,000.00	Real estate development	CNY1,000.00	–	100	100	Yes	–	–
Shenzhen Gemdale Building Engineering Co., Ltd.	Limited company	Shenzhen	Property management	CNY500.00	Building machinery maintaining	CNY500.00	–	100	100	Yes	–	–

Name of subsidiary	Type of company	Place of incorporation	Nature of business	Registered capital	Business Scope	The Company's actual investment at year end	Other balances essentially constitute investments	% of ownership held by the Company	% of voting power held by the Company	Within the consolidation scope (Yes/No)	Minority Interests	Minority Interests amount used for deducting profit attributable to Minority Interests
				(0'000)		(0'000)					(RMB0'000)	(RMB0'000)
Shenzhen Gemdale Beicheng Real Estate Development Co., Ltd. *(Note 13)*. .	Limited company	Shenzhen	Real estate development	CNY140,000.00	Real estate development	CNY80,000.00	–	57.14	57.14	Yes	57,574.72	2,425.28
Shenzhen Gemdale Baocheng Real Estate Development Co., Ltd.	Limited company	Shenzhen	Real estate development	CNY1,000.00	Real estate development and property management	CNY1,000.00	–	100	100	Yes	–	–
Shenzhen Gemdale Longcheng Real Estate Development Co., Ltd. *(Note 14)*. .	Limited company	Shenzhen	Real estate development	CNY1,000.00	Real estate development and property management	CNY1,000.00	–	100	100	Yes	–	–
Shenzhen Gemdale Property Project Management Co., Ltd..	Limited company	Shenzhen	Real estate development	CNY1,000.00	Real estate development and construction and operation of supporting facilities	CNY1,000.00	–	100	100	Yes	–	–
Gemdale (Corporation) Tianjin Real Estate Development Co., Ltd..	Limited company	Tianjin	Real estate development	CNY20,000.00	Real estate development	CNY20,000.00	–	100	100	Yes	–	–
Gemdale (Corporation) Tianjin Investment Co., Ltd.	Limited company	Tianjin	Real estate development	CNY60,000.00	Investment, real estate development, sales, property management	CNY60,000.00	–	100	100	Yes	–	–
Tianjin Tuanbohu Development Co., Ltd..	Limited company	Tianjin	Real estate development	CNY13,900.00	Real estate development and sales	CNY9,730.00	–	70	70	Yes	3,144.91	1,025.09

Name of subsidiary	Type of company	Place of incorporation	Nature of business	Registered capital	Business Scope	The Company's actual investment at year end	Other balances essentially constitute investments	% of ownership held by the Company	% of voting power held by the Company	Within the consolidation scope (Yes/No)	Minority Interests	Minority Interests amount used for deducting profit attributable to Minority Interests
				(0'000)		(0'000)					(RMB0'000)	(RMB0'000)
Wensheng (Tianjing) Investment Management Co., Ltd. *(Note 15)*	Limited company	Tianjin	Investment	USD350.00	Equity Investment (Non-common Share) and Consulting	USD350.00	–	100	100	Yes	–	–
Gemdale Corporation Wuhan Real Estate Development Co., Ltd..	Limited company	Wuhan	Real estate development	CNY6,000.00	Real estate development, property lease, property management	CNY6,000.00	–	100	100	Yes	–	–
Wuhan Gemdale Yijia Real Estate Development Co., Ltd..	Limited company	Wuhan	Property management	CNY550.00	Property management	CNY550.00	–	100	100	Yes	–	–
Wuhan Gemdale Weisheng Real Estate Development Co., Ltd. *(Note 16)*. .	Limited company	Wuhan	Real estate development	CNY73,469.39	Real estate development and sales	CNY37,469.39	–	71.67	71.67	Yes	20,056.45	757.43
Hubei Wanhao Science & Technology Development Co., Ltd..	Limited company	Wuhan	Design consulting service	CNY5,000.00	Research, manufacturing and consulting of electronic telecommunication products	CNY3,500.00	–	70	70	Yes	867.53	632.47
Wuhan Guanggu Agricultural Development Co., Ltd. *(Note 17)*	Limited company	Wuhan	Real estate development	CNY7,200.00	Real estate development and agricultural development	CNY5,400.00	–	75	*Note 18*	Yes	*Note 18*	–

Name of subsidiary	Type of company	Place of incorporation	Nature of business	Registered capital (0'000)	Business Scope	The Company's actual investment at year end (0'000)	Other balances essentially constitute investments	% of ownership held by the Company	% of voting power held by the Company	Within the consolidation scope (Yes/No)	Minority Interests (RMB0'000)	Minority Interests amount used for deducting profit attributable to Minority Interests (RMB0'000)
Wuhan Gemdale Famous Real Estate Development Co., Ltd. *(Note 18)*	Limited company	Wuhan	Real estate development	CNY2,000.00	Real estate development and sales	CNY2,000.00	–	100	100	Yes	–	–
Wuhan Gemdale Huigu Real Estate Co., Ltd. *(Note 19)*	Limited company	Wuhan	Real estate development	CNY5,000.00	Real estate development and sales	CNY5,000.00	–	100	100	Yes	–	–
Xi'an Gemdale Property Investment Co., Ltd.	Limited company	Xi'an	Real estate development	CNY14,000.00	Real estate development, sales and management, intermediary materials	CNY14,000.00	–	100	100	Yes	–	–
Shanxi Gemdale Jiahe Property Co., Ltd. . .	Limited company	Xi'an	Real estate development	CNY79,000.00	Real estate development, sales and management	CNY55,300.00	–	70	70	Yes	40,221.36	–
Shanxi Gemdale Jiayi Real Estate Development Co., Ltd..	Limited company	Xi'an	Real estate development	CNY60,000.00	Real estate development, sales and property management	CNY36,000.00	–	60	60	Yes	23,899.27	100.73
Yantai Jinxiangtai Real Estate Development Co., Ltd.	Limited company	Yantai	Real estate development	CNY20,000.00	Real estate development and property management	CNY10,200.00	–	51	51	Yes	8,897.17	902.83
Gemdale Corporation Yangzhou Real Estate Development Co., Ltd. *(Note 20)*. .	Limited company	Yangzhou	Real estate development	USD6,122.00	Real estate development and property management	USD–	–	100	100	Yes	–	–
Gemdale Corporation Zhuhai investment Co., Ltd.	Limited company	Zhuhai	Real estate development	CNY3,000.00	Real estate development and property management	CNY3,000.00	–	100	100	Yes	–	–

Name of subsidiary	Type of company	Place of incorporation	Nature of business	Registered capital	Business Scope	The Company's actual investment at year end	Other balances essentially constitute investments	% of ownership held by the Company	% of voting power held by the Company	Within the consolidation scope (Yes/No)	Minority Interests	Minority Interests amount used for deducting profit attributable to Minority Interests
				(0'000)		(0'000)					(RMB0'000)	(RMB0'000)
Zhuhai Green Investment Co., Ltd.	Limited company	Zhuhai	Property project Investment	CNY1,000.00	Property project Investment	CNY1,000.00	–	100	100	Yes	–	–
Zhuhai Hejiada Investment Consulting Co., Ltd..	Limited company	Zhuhai	Real estate development	CNY20,000.00	Real estate development and investment	CNY10,200.00	–	51	51	Yes	8,985.81	814.19
Zhuhai Shenbao Trading Co., Ltd. *(Note 21)*. .	Limited company	Zhuhai	Real estate development	CNY5,000.00	Whole sales, retailing and construction	CNY5,000.00	–	100	100	Yes	–	–
Zhuhai Mendao Investment Co., Ltd. *(Note 22)*	Limited company	Zhuhai	Investment	CNY1,000.00	Whole sales, retailing and construction	CNY1,000.00	–	100	100	Yes	–	–
Dongguan New Century Runcheng Industry Investment Co., Ltd.	Limited company	Dongguan	Real estate development	RMB2,300.00	Business investments and real estate development(run the business with qualification)	RMB1,173.00	–	51	51	Yes	4,641.06	–
Wuhan Aoqiang Real Estate Development Co., Ltd.	Limited company	Wuhan	Real estate development	RMB21,000.00	Real estate development and sales	RMB24,033.00	–	100	100	Yes	–	–

Note 1: Beijing Gemdale Huida Real Estate Development Co., Ltd. was set up in Beijing on January 10, 2011 with the registered capital of RMB20,000,00.00 and it has been included in the scope of consolidation of the consolidated financial statements. The Company owns 100% of its equity.

Note 2: Changzhou Gemdale Jinjiu Real Estate Development Co., Ltd. was set up in Changzhou with the registered capital of RMB10,000,000.00 and increased its registered capital from RMB10,000,000.00 to RMB20,000,000.00 in May 2011. This company has been included in the scope of consolidation of the consolidated financial statement and the Company owns 100% of its equity.

Note 3: Changzhou Gemdale Jinkun Real Estate Development Co., Ltd. was set up in Changzhou with the registered capital of RMB20,000,00.00 on March 9, 2011, and has been included in the scope of the consolidation of the consolidated financial statements. The Company owns 100% of its equity.

Note 4: Famous Business Co., Ltd., one of the subsidiaries of the Company, indirectly acquired 100% of the shares of Dalian Tianyi Real Estate Development Co., Ltd. on November 11, 2011. The registered capital of Dalian Tianyi Real Estate Development Co., Ltd. is USD120,000,000.00, while the actual contribution is USD77,000,000.00. This company has been included in the scope of the consolidation of the consolidated financial statements.

Given the substance of this transaction, it was an acquisition of assets in essence (i.e. acquiring the land resource held on hand) in the form of share transfer, thereby, it was not deemed as business combination.

Note 5: Gemdale International Holding Co., Ltd. was established by Famous Business Co., Ltd., one of the subsidiaries of Gemdale, on November 24, 2011 in Hong Kong with registered share capital of USD10,000,000.00. Famous Business Co., Ltd. owns 100% of its equity and it has been included in the scope of consolidation of the consolidated financial statements.

Note 6: The Company's subsidiary, Cixi Jinqi Real Estate Development Co., Ltd., increased its registered capital by RMB825,991,895.00, resulting in the increase of the registered capital from RMB60,00,000.00 to RMB885,991,895.00. After the capital increment and paid up on August 15, 2011, the Company owns 66.32% of its equity shares while the Wenyu (Tianjing) Equity Investment Fund Partnerships (Limited Partnership) owns 33.68%.

Note 7: The Company's subsidiary, Gemdale Corporation Nanjing Property Co., Ltd., increased its registered capital by RMB50,000,000.00 on June 13, 2011, resulting in the increase of the registered capital from RMB20,000,000.00 to RMB70,000,000.00.

Note 8: Gemdale Corporation Nanjing Jinjiu Real Estate Development Co., Ltd. was set up in Nanjing with the registered capital of RMB20,000,00.00 on May 23, 2011 and has been included in the scope of consolidation of the consolidated financial statements. The Company owns 100% of its equity.

Note 9: On January 28, 2011, in Shanghai, the Company and its subsidiaries, Tianjin Wenfu Equity Investment Funds Ltd. (Limited Partnership), made injection to another subsidiary Shanghai Gemdale Hangjin Real Estate Development Co., Ltd. amount to RMB10,000,000.00 in total. After the injection, the registered capital of Shanghai Gemdale Hangjin Real Estate Development Co., Ltd. is RMB10,000,000.00. The shareholding of the Company is 60% and the shareholding of Tianjin Wenfu Equity Investment Funds Ltd. (Limited Partnership) is 40%. The company has been included in the scope of consolidation of the consolidated financial statements.

Note 10: On April 7, 2011, one of the Company's subsidiaries, Gemdale Corporation Shanghai Real Estate Development Co., Ltd., disposed of Shanghai Dingding Investment Co., Ltd., which held 40% equity interests in Shaoxing Gemdale Shenxing Real Estate Development Co., Ltd. After the transaction, the Company holds 60% of the equity of Shaoxing Gemdale Shenxing Real Estate Development Co., Ltd. and the shareholding percentage decreases by 40%.

Note 11: The Company's subsidiary, Shenyang Gemdale Quansheng Real Estate Development Co., Ltd., increased its registered capital by USD69,000,000.00 on January 20, 2011, resulting an increment of the registered capital from USD40,00,000.00 to USD109,00,000.00.

Note 12: On March 24, 2011, Rongyao Investment Management Co., Ltd., one of the subsidiaries of the Company, injected USD30,000,000.00 to Shenyang Rongyao Real Estate Development Co., Ltd. After the capital injection, Shenyang Rongyao Real Estate Development Co., Ltd. increases the registered capital from USD70,00,000.00 to USD100,00,000.00.

Note 13: On January 26, 2011, the Company's subsidiary, Shenzhen Gemdale Beicheng Real Estate Development Co., Ltd. increased its registered capital from RMB10,000,000.00 to RMB1,400,000,000.00. After the transaction, the shareholding of the Company was 82.39% and the shareholding of Ping An Trust Co., Ltd. was 17.61%. On May 11, 2011, the Company transferred 25.25% of the shares of Shenzhen Gemdale Beicheng Real Estate Development Co., Ltd. to Ping An Trust Co., Ltd., as a result, the Company holds 57.14% shares in Shenzhen Gemdale Beicheng Real Estate Development Co., Ltd.

Note 14: Shenzhen Gemdale Longcheng Real Estate Development Co., Ltd. was set up in Shenzhen with the registered capital of RMB10,000,000.00 on April 14, 2011.The Company has been included in the scope of consolidation of the consolidated financial statements and the Company owns 100% of its equity.

Note 15: The Company's subsidiary, Wensheng (Tianjing) Investment Management Co., Ltd., increased its registered capital by USD3,320,000.00 on July 19, 2011, resulting the increase of the registered capital from USD180,000.00 to USD3,500,000.00.

Note 16: On August 15, 2011, the Company's subsidiary, Wenying (Tianjing) Equity Investment Fund Partnerships (Limited partnership), injected RMB34,751,020.00 to Wuhan Gemdale Weisheng Real Estate Development Co., Ltd., which increased the registered capital from RMB548,081,633.00 to RMB582,832,653.00.

Note 17: On October 26, 2009, the Company and Hubei Wanhao Property Co., Ltd. entered into an agreement of share transfer, which stipulating that the Company lets 70% of the share of Hubei Wanhao Science & Technology Development Co., Ltd. held by Hubei Wanhao Property Co., Ltd. As Hubei Wanhao Science & Technology Development Co., Ltd. was the holding company with 75% of the share of Wuhan Guanggu Agricultural Development Co., Ltd., therefore, the Company also indirectly has control over Wuhan Guanggu Agricultural Development Co., Ltd.

Wuhan Guanggu Agricultural Development Co., Ltd. was in charge of Wuhan Nanhu Project, which consists of Residential Part and R&D Part. The Company and Hubei Wanhao Property Co., Ltd. agree to jointly develop the Residential Part, where correlated reward or risk was born by both parties in proportion of 70% and 30%. Regarding the R&D Part, Hubei Wanhao Property Co., Ltd. and Wuhan Gaoke Agriculture Co., Ltd. are responsible for it, and correlated reward or risk was born by these two parties.

From the Company's point of view, it did not lay out any capital investment in the R&D Part of Wuhan Guanggu Agricultural Development Co., Ltd., where its correlated reward or risk has nothing to do with the Company, thereby, the Company does not possess any control over the assets and liabilities in relation to R&D Part, which was consequently not included in the scope of consolidation for the current reporting period.

Note 18: The Company's subsidiary, Wuhan Gemdale Famous Real Estate Development Co., Ltd., decreased its registered capital by RMB684,870,000.00 on April 13, 2011, resulting to the registered capital decreased from RMB704,870,000.00 to RMB20,000,000.00.

Note 19: On February 1, 2011, the Company and its subsidiary Wuhan Gemdale Famous Real Estate Development Co., Ltd., jointly invested to set up Wuhan Gemdale Huigu Real Estate Co., Ltd. with the registered capital of RMB50,000,000.00. The Company and Wuhan Gemdale Famous Real Estate Development Co., Ltd. hold 90% and 10% of its equity shares respectively. This company has been included in the scope of consolidation of the consolidated financial statements.

Note 20: Gemdale Corporation Yangzhou Real Estate Development Co., Ltd. was set up in Yangzhou with the registered capital of USD61,220,000.00 on October 18, 2011. As of December 31, 2011, registered capital has not been paid yet. This company has been included in the scope of consolidation of the consolidated financial statements.

Note 21: The Company's subsidiary, Zhuhai Shenbao Trading Co., Ltd., increased its registered capital by RMB49,000,000.00 on September 20, 2011, resulting the increment of the registered capital from RMB1,000,000.00 to RMB50,000,000.00.

Note 22: Zhuhai Mendao Investment Co., Ltd. was set up in Zhuhai with the registered capital of RMB10,000,00.00 on March 25, 2011, and has been included in the scope of consolidation of the consolidated financial statements. The Company owns 100% of its equity.

2. Subsidiaries Newly Included in and Excluded from the Scope of Consolidation for the Current Reporting Period

(1) *Subsidiaries newly included in the scope of consolidation for the current reporting period*

Unit: RMB

Name of the subsidiary	Net Assets at year end	Net Profit for the period
Beijing Gemdale Huida Real Estate Development Co., Ltd..	6,870,740.04	(13,129,259.96)
Wensheng (Shenzhen) Investment Management Co., Ltd..	4,996,000.00	(4,000.00)
Changzhou Gemdale Jinjiu Real Estate Development Co., Ltd.	5,748,821.95	(14,251,178.05)
Changzhou Gemdale Jinkun Real Estate Development Co., Ltd.	18,106,060.60	(1,893,939.40)
Dalian Tianyi Real Estate Development Co., Ltd..	487,374,656.38	(1,398,243.62)
Taurus Holding Limited.	946,919.14	(355,550.00)
Taurus Investment Limited	384,974.68	(145,927.38)
Gemdale International Holding Co., Ltd..	62,972,152.09	27,092.39
Gemdale Corporation Nanjing Jinjiu Real Estate Development Co., Ltd..	18,590,615.20	(1,409,384.80)
Wenyu (Shanghai) Investment Management Co., Ltd..	1,997,040.41	(2,959.59)
Shanghai Gemdale Hangjin Real Estate Development Co., Ltd.	1,883,438.47	(8,116,561.53)
Shenzhen Gemdale Longcheng Real Estate Development Co., Ltd.	10,007,420.90	7,420.90
Shenzhen Hong Gemdale Tennis Development Co., Ltd..	497,804.93	(2,195.07)
Shanghai Wenjie Equity Investment Funds Ltd. (Limited Partnership). . .	—	—
Rongdi (Tibet) Consulting Co., Ltd. . .	1,000,000.00	—

Unit: RMB

Name of the subsidiary	Net Assets at year end	Net Profit for the period
Tianjin Wenheng Equity Investment Funds Ltd. (Limited Partnership). . .	(2,013.21)	(2,013.21)
Wuhan Gemdale Huigu Real Estate Co., Ltd..	46,910,581.97	(3,089,418.03)
Gemdale Corporation Yangzhou Real Estate Development Co., Ltd.	(2,719,474.42)	(2,719,474.42)
Zhuhai Mendao Investment Co., Ltd. .	9,983,194.20	(16,805.80)

(2) ***Subsidiaries excluded from the scope of consolidation for the current reporting period***

Unit: RMB

Name of the subsidiary	Net Assets at disposal	Net Profit up to disposal
Shanghai Dingding Investment Co., Ltd. *(Note 1)*	540,453.25	36,645.76
Guangzhou Jiang' an Real Estate Development Co., Ltd. *(Note 2)*	143,369.04	(67,807.35)

Note 1: On June 24, 2011, one of the Gemdale's subsidiaries, Gemdale Corporation Shanghai Real Estate Development Co., Ltd., disposed of Shanghai Dingding Investment Co., Ltd., with a consideration of RMB500,000.00. Shanghai Dingding Investment Co., Ltd. is no longer included in the scope of consolidation while the consolidated results of operations and cash flow during the period from January 1, 2011 up to disposal date are still included in the consolidated income statement and consolidated cash flow statement of the financial report.

Note 2: According to the decision of board meeting, Guangzhou Jiang' an Real Estate Development Co., Ltd. was going the dissolve and was completed on December 20, 2011. Guangzhou Jiang' an Real Estate Development Co., Ltd. is no longer included in the scope of consolidation while the consolidated results of operations and cash flow during the period from January 1, 2011 up to disposal date are still included in the consolidated income statement and consolidated cash flow statement of the financial report.

3. Exchange Rate of Major Financial Statements' Items for Foreign Operation

For the Company's foreign operating subsidiaries, all asset and liability items on the balance sheet are translated at the spot exchange rate prevailing at the balance sheet date, i.e. HKD1.0000 = RMB0.8107. Shareholders' equity items except for inappropriate profits are translated at the spot exchange rates at the dates on which such items arose; all items in the income statement as well as items reflecting the amount of profit distribution are translated at average rate for the accounting period of the consolidated financial statements.

(VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Currency Funds

Unit: RMB

	Closing balance			Opening balance		
Items	Original currency	Exchange rate	Equivalent RMB	Original currency	Exchange rate	Equivalent RMB
Cash:						
RMB	4,183,512.65	1.0000	4,183,512.65	2,184,282.01	1.0000	2,184,282.01
HKD	79,883.33	0.8107	64,761.42	221,986.82	0.8509	188,888.58
USD	17,212.84	6.3009	108,456.38	29,795.98	6.6227	197,329.84
EUR	3,455.00	8.1625	28,201.44	3,455.00	8.8065	30,426.46
Subtotal			4,384,931.89			2,600,926.89
Bank deposit:						
RMB	14,204,777,031.74	1.0000	14,204,777,031.74	11,858,289,796.98	1.0000	11,858,289,796.98
HKD	1,038,163,911.66	0.8107	841,639,483.18	3,834,817.56	0.8509	3,263,046.26
USD	187,617,688.76	6.3009	1,182,160,265.73	153,799,289.10	6.6227	1,018,566,560.75
Subtotal			16,228,576,780.65			12,880,119,403.99
Other currency funds:						
RMB	2,405,425,858.36	1.0000	2,405,425,858.36	748,679,434.68	1.0000	748,679,434.68
HKD	–	–	–	–	–	–
USD	–	–	–	–	–	–
Subtotal			2,405,425,858.36			748,679,434.68
Total			18,638,387,570.90			13,631,399,765.56

Note: Other currency funds mainly represent deposits pledged for mortgages and deposits for bank borrowings.

2. Account Receivable

(1) Disclosure of accounts receivable by categories is as follows:

Unit: RMB

CATEGORIES	Closing balance				Opening balance			
	Carrying amount		Bad debt provision		Carrying amount		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Accounts receivable that are individually significant and for which bad debt provision has been assessed individually. . .	–	–	–	–	–	–	–	–
Accounts receivable for which bad debt provision has been assessed by portfolios								
Receivables that are significant with the impairment tests performed individually but for which bad debt provision is not assessed	–	–	–	–	–	–	–	–
Receivables that use percentage of total receivables outstanding for bad debt provision	3,423,269.40	100.00	171,163.47	5.00	13,046,340.62	100.00	652,317.06	5.00
Subtotal of portfolios.	3,423,269.40	100.00	171,163.47	5.00	13,046,340.62	100.00	652,317.06	5.00
Accounts receivable that are not individually significant but for which bad debt provision has been assessed individually. . .	–	–	–	–	–	–	–	–
Total	3,423,269.40	100.00	171,163.47	5.00	13,046,340.62	100.00	652,317.06	5.00

Classification of account receivable by categories:

Individually significant accounts are accounts receivables with individual amount larger than RMB5,000,000.00 (inclusive).

The aging analysis of accounts receivable is as follows:

Unit: RMB

Aging	Closing balance				Opening balance			
	Amount (RMB)	Proportion (%)	Bad debts provision	Carrying amount (RMB)	Amount (RMB)	Proportion (%)	Bad debts provision	Carrying amount (RMB)
Within 1 year.	2,990,159.84	87.35	149,507.99	2,840,651.85	6,207,670.54	47.58	310,383.55	5,897,286.99
1 to 2 years	105,073.66	3.07	5,253.68	99,819.98	6,696,634.18	51.33	334,831.71	6,361,802.47
2 to 3 years	186,000.00	5.43	9,300.00	176,700.00	–	–	–	–
Over 3 years	142,035.90	4.15	7,101.80	134,934.10	142,035.90	1.09	7,101.80	134,934.10
Total	3,423,269.40	100	171,163.47	3,252,105.93	13,046,340.62	100.00	652,317.06	12,394,023.56

The account receivable with provision for bad debts calculating at 5% of the balance:

Unit: RMB

Category	Carrying amount	Percentage of provision (%)	Bad debt provision
The account receivable with provision for bad debts calculating at 5% of the balance	3,423,269.40	5.00	171,163.47

(2) There are no amounts due from shareholders who hold more than 5% (including 5%) of shareholding of the Company.

(3) Details of total amount of top five outstanding amounts are as follow:

Unit: RMB

Company name	Relation with the Company	Amount	Aging	Proportion of the outstanding amount to the total accounts receivable (%)
Shanghai Jinzuo Food & Entertainment Management Co., Ltd. .	Customer	928,689.26	Within 1 year	27.13
Carrefour (China) Management and Consulting Service Co., Ltd.	Customer	721,401.97	Within 1 year	21.07
Shanghai West Technological Developing Co., Ltd.. . .	Customer	315,301.00	Within 1 year	9.21
Shanghai Pudong Development Bank Co., Ltd.	Customer	222,751.00	Within 1 year	6.51
Sanyuan Printing Co., Ltd.	Customer	111,544.50	Within 1 year	3.26
Total		2,299,687.73		67.18

(4) There was no amount due from related party in the fiscal year ending balance for account receivable.

3. Advances to Suppliers

(1) The aging analysis of advances to suppliers is as follows:

Unit: RMB

Aging	Closing balance		Opening balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	660,756,392.53	83.01	8,146,496,997.10	91.71
1 to 2 years	135,002,859.62	16.96	735,304,461.70	8.28
2 to 3 years	—	—	135,142.61	0.01
Over 3 years	220,000.00	0.03	120,000.00	—
Total	795,979,252.15	100.00	8,882,056,601.41	100.00

(2) Total amount of top five outstanding details are as follow:

Unit: RMB

Name of company	Relationship	Amount	Aging	Descriptions
Wangcheng District Changsha Bureau of Land & Resources *(note 1)*	Government sector	97,460,455.53 131,551,027.39	Within 1 year 1 to 2 years	*Note 1*
Subtotal		229,011,482.92		
Dalian Land Reserve Center *(note 2)*	Government sector	228,196,800.00	Within 1 year	*Note 2*
Yangzhou Land Trading Center *(note 3)*	Government sector	106,000,000.00	Within 1 year	*Note 3*
Ping An Trust Co., Ltd. *(note 4)*	Creditor	53,996,249.98	Within 1 year	*Note 4*
Hunan Communications Services Co., Ltd. *(note 5)*	Minority shareholder of subsidiary	50,052,452.49	Within 1 year	*Note 5*
Total		667,256,985.39		

Note 1: This was the prepayment to Wangcheng District Changsha Bureau of Land & Resources for the land in Wangcheng District, according to the signed land use right transfer contracts (#2008012 and #001268).

Note 2: This was the prepayment to Dalian Land Reserve Center for the land of Dalian Gemdale Project, according to the land use right transfer contract (#21020112011A033).

Note 3: This was the prepayment to Yangzhou Land Trading Center for land #693, according to the signed land use right transfer contract (#3210012011CR0078).

Note 4: This was the prepayment to Ping An Trust Co., Ltd. for the Interest on loans, according to the signed Trust and Loan Contracts (#T110422711-001/#T110422711-003/#T110422711-005/#T110422711-013).

Note 5: This was the prepayment to Wangcheng District Changsha Bureau of Land & Resources for the land in Wangcheng District, given by minority shareholder of subsidiary, Hunan Communications Services Co., Ltd.

(4) Disclosure of advances to suppliers by categories is as follows:

Unit: RMB

Categories	Closing balance	Opening balance
Individually significant payments *(Note)*	731,880,102.37	8,851,755,410.34
Individually insignificant payments but with significant risks after being grouped with similar credit risk characteristics	—	—
Other insignificant payments	64,099,149.78	30,301,191.07
Total	795,979,252.15	8,882,056,601.41

Note: Individually significant accounts are advances to suppliers with individual amount larger than RMB5,000,000.00 (inclusive). Individually insignificant accounts but with significant risks after being grouped with similar credit risk characteristics are advances to suppliers with insignificant amount but with aging over 5 years.

4. Other Receivables

(1) Disclosure of other receivables by categories is as follows:

Unit: RMB

	Closing balance				Opening balance			
	Carrying amount		Bad debt provision		Carrying amount		Bad debt provision	
Categories	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Other receivable that are individually significant and for which bad debt provision has been assessed individually	–	–	–	–	–	–	–	–
Other receivable for which bad debt provision has been assessed by portfolios								
Other receivables that are significant with the impairment tests performed individually but for which bad debt provision is not assessed	1,784,123,351.24	86.71	–	–	1,272,659,866.53	88.03	–	–
Other receivables that use percentage of total receivables outstanding for bad debt provision	273,484,614.01	13.29	13,674,230.73	5.00	173,010,173.80	11.97	8,650,508.69	5.00
Subtotal of portfolios	2,057,607,965.25	100.00	13,674,230.73	0.66	1,445,670,040.33	100.00	8,650,508.69	0.60
Other receivable that are not individually significant but for which bad debt provision has been assessed individually	–	–	–	–	–	–	–	–
Total	2,057,607,965.25	100.00	13,674,230.73	0.66	1,445,670,040.33	100.00	8,650,508.69	0.60

Individually significant accounts are other receivables with individual amount larger than RMB5,000,000.00 (inclusive).

The aging analysis of other receivables is as follows:

Unit: RMB

	Closing balance				Opening balance			
Aging	Amount	Proportion	Bad debt provision	Carrying amount	Amount	Proportion	Bad debts provision	Carrying amount
		(%)				(%)		
Within 1 year	742,354,824.81	36.08	11,289,542.62	731,065,282.19	443,531,966.58	30.68	7,138,003.50	436,393,963.08
1 to 2 year	329,027,902.52	15.99	1,665,426.20	327,362,476.32	998,424,892.20	69.06	1,328,944.63	997,095,947.57
2 to 3 year	985,479,558.37	47.89	681,977.93	984,797,580.44	2,892,255.63	0.20	144,612.78	2,747,642.85
Over 3 years	745,679.55	0.04	37,283.98	708,395.57	820,925.92	0.06	38,947.78	781,978.14
Total	2,057,607,965.25	100.00	13,674,230.73	2,043,933,734.52	1,445,670,040.33	100.00	8,650,508.69	1,437,019,531.64

The other receivables with provision for bad debts calculating at 5% of the balance:

Unit: RMB

Category	Balance	Percentage	Bad debt reserve
		(%)	
The other receivable with provision for bad debts calculating at 5% of the balance	273,484,614.01	5.00	13,674,230.73

(2) There are no other receivables due from shareholders who hold more than 5% (including 5%) of shares of the Company.

(3) Details of total amount of top five outstanding amounts are as follow:

Unit: RMB

Name of company	Relationship	Amount	Aging	Proportion of the outstanding amounts to the total of other receivables
				(%)
Shanghai Jiabao Group Co., Ltd.	Minority shareholder of subsidiary	64,200,000.00	Within 1 year	48.02
		214,507,000.00	1 to 2 years	
		709,340,000.00	2 to 3 years	
Subtotal		988,047,000.00		
Ronghui Real Estate Co., Ltd.	Minority shareholder of subsidiary	340,000,000.00	Within 1 year	16.52
Shenzhen Gemdale Dabaihui Real Estate Development Co., Ltd.	Associated company	35,000,000.00	Within 1 year	14.46
		262,500,000.00	2 to 3 years	
Subtotal		297,500,000.00		
Hangzhou People's Air Defense Office	Government sector	38,695,230.00	Within 1 year	1.88
Yangzhou Land Trading Center	Government sector	37,805,400.00	Within 1 year	1.84
Total		1,702,047,630.00		82.72

(4) Other receivables of related parties:

Unit: RMB

Name of company	Relation	Amount	Proportion of the outstanding amounts to the total of other receivables
			(%)
Shenzhen Gemdale Dabaihui Real Estate Development Co., Ltd.	Associated company	297,500,000.00	14.46

5. Inventories

(1) *Categories of inventories*

Unit: RMB

Categories	Closing balance: Cost	Closing balance: Provision for decline in value	Closing balance: Carrying amount	Opening balance: Cost	Opening balance: Provision for decline in value	Opening balance: Carrying amount
Material on hand	1,708,992.51	–	1,708,992.51	1,893,993.49	–	1,893,993.49
Goods on hand .	56,815.34	–	56,815.34	2,061,169.85	–	2,061,169.85
Properties under construction .	58,242,027,849.75	–	58,242,027,849.75	42,936,096,639.74	–	42,936,096,639.74
Completed projects	5,891,450,176.22	–	5,891,450,176.22	2,515,446,148.67	–	2,515,446,148.67
Total	64,135,243,833.82	–	64,135,243,833.82	45,455,497,951.75	–	45,455,497,951.75

The details of properties under construction are as follow:

Unit: RMB

Project name	Beginning date	Estimated completion date	Total estimated investment RMB'100M	Opening balance	Closing balance
Shanghai Green World 4th phase A plot . . .	2010.1	2011.12	14.77	86,549,688.49	–
Tianjin Green World 3rd phase.	2008.1	2012.12	18.26	730,798,979.81	213,520,726.75
Beijing Yangshan	2009.11	2012.12 for 2nd phase	31.96	2,016,188,799.66	796,670,528.80
Beijing Langyue	2011.4	2013.9–2016.5	39.51	–	2,182,183,017.07
Tianjin International Plaza Project plot A & plot B	2010.4	2012.12–2015.9	56.45	2,642,309,899.20	2,188,150,339.26
Tianjin Tuanbohu Project.	2012.3	2013.12 for 1st phase	43.44	797,387,719.47	805,543,174.12
Shanghai Tianjing.	2010.7	2012.12–2015.12	78.63	3,520,433,737.31	4,137,975,995.60
Shanghai Yi'nianhua Project.	2011.8	2013.9–2014.7	50.10	–	2,639,419,280.08
Ningbo Dongyu Project .	2010.4	2012.6	14.27	993,744,018.76	1,141,275,931.47
Guangzhou Lihucheng plot B & plot C	2010.3	2012.4–2017.8	111.65	1,279,637,679.21	1,075,597,148.26
Dongguan Bodenghu Project 2nd & 3rd phase	2008.8	Phase 2: 2011.12 Phase 3: 2013.9–2013.12	18.98	194,070,713.35	256,903,831.42
Dongguan Hushandajing Project.	2010.6	Phase 1 (partial), Phase 2-5: 2012.10–2015.12	40.06	1,229,251,059.91	1,364,368,407.27

Unit: RMB

Project name	Beginning date	Estimated completion date	Total estimated investment RMB'100M	Opening balance	Closing balance
Foshan Jiulongbi Project 2nd Phase	2008.1	2011.6	6.60	472,875,799.98	–
Foshan Tianxi Project . .	2010.6	2013.7	15.65	589,411,555.31	829,590,389.69
Wuhan Green Spring Bank	2010.6	Phase 4: 2012.4	10.88	426,991,684.28	117,842,119.77
Wuhan Mingjun Project .	2010.3	2013.10	12.13	581,596,538.36	731,463,246.13
Wuhan West Line Story Project	2009.10	2011.12	7.99	540,195,686.72	–
Shenzhen Shangtangdao Project 2nd Phase . .	2007.11	2011.3	8.84	704,620,523.65	–
Shenzhen Tianyuewan Project	2010.3	2012.6–2015.12	56.19	2,731,442,845.45	3,177,407,405.47
Zhuhai Science Park (Zhuhai Mendao) . . .	2005.8	B1 Land 2012.5–2014.3 A2 Land 2012.12 B2 Land 2011.9 for phase 2–3	12.70	225,044,284.96	117,240,312.93
Shenyang Gemdale International Garden Project 4th Phase . .	2009.9	2011.12	3.01	211,091,818.55	–
Shenyang Boyue	2011.5	2012.12–2014.10	37.05	–	1,403,978,903.24
Xi'an Gemdale Furong Lake Bank 2nd phase	2008.11	2011.3	7.12	73,693,977.58	–
Xi'an Hucheng Dajing . .	2009.5	#1.2.4.8.14 & part of #5.6: 2012.12–2015.12	112.35	2,729,514,351.23	2,843,333,457.66
Nanjing Zizaicheng Project	2009.4	Phase 2–Phase 8: 2012.6–2015.6	75.99	3,133,989,632.94	3,284,155,585.90
Nanjing Mingyue Project	2011.8	2013.12–2014.11	19.19	–	838,734,527.75
Hangzhou Zizaicheng #24, #25.	2008.7	#24, #25 2012.4–2015.6	65.50	3,046,790,762.01	2,516,728,942.33
Hangzhou Zizaicheng #41	2010.3	2012.7–2013.6	41.46	1,859,421,248.98	2,252,442,915.75
Hangzhou Tianyi	2011.6	2014.4–2015.1	68.1	–	3,923,217,462.94

Unit: RMB

Project name	Beginning date	Estimated completion date	Total estimated investment RMB'100M	Opening balance	Closing balance
Shenyang Binhe International Community	2008.4	4th–10th Phase: 2010.1–2014.12	79.72	2,289,173,083.01	2,099,519,199.97
Zhuhai Yindun Shan Land #1 Project	2010.11	2012.11	3.23	111,315,886.28	181,058,560.91
Shanghai Tianyu Land	2009.11	2011.8	21.01	930,286,381.57	–
Shanghai Yijing	2010.5	2012.11–2013.4	28.46	1,354,642,014.23	1,798,090,473.48
Shenzhen Baohe Road	2011.5	2013.11	15.70	645,708,000.00	717,492,613.03
Shenzhen Gemdale Industrial Park	–	–	–	861,894.40	851,111.00
Wuhan Shengaimilun	2010.6	2012.5–2014.12	19.95	642,405,351.20	967,705,255.77
Dongguan Bund #8 (Dongguan Waijiang)	2010.7	2012.12	6.08	169,882,233.88	400,451,146.84
Zhuhai Yidunshan Building#3 (Zhuhai Hongshan) Project	2009.11	2012.1	10.85	539,023,393.85	749,819,820.69
Zhuhai Mendao				–	12,842,251.73
Zhuhai West Lake	2011.10	2013.7–2016.11	20.96	281,646,820.04	326,131,961.73
Shaoxing Zizaicheng (Shaoxing Keqiao) project	2010.8	2012.12–2018.9	79.5	291,351,642.81	1,925,241,422.75
Cixi Hongyue (Ningbo Cixi)	2011.5	2013.12	26.15	1,402,205,421.08	1,750,916,668.88
Wuhan Lanfeixi Bank	2010.7	2012.3–2018.9	49.95	1,430,320,912.38	1,840,246,649.92
Wuhan International Park 3rd Phase	2009.10	2011.12	0.84	68,338,957.13	–
Wuhan Yijing	2011.7	2011.12–2016.6	27.52	–	1,023,524,155.46
Shenyang Tanjun	2010.5	2nd–3rd Phase: 2010.12–2012.12	9.44	445,690,620.35	235,364,273.22
Shenyang Mingjing	2010.6	1st–5th Phase: 2013.6–2014.9	32.82	771,756,358.60	1,192,850,121.88

Unit: RMB

Project name	Beginning date	Estimated completion date	Total estimated investment RMB'100M	Opening balance	Closing balance
Xi'an Xifang Road	2011.2	2018.12	133.44	6,850,000.00	575,239,002.18
Yantai Lanyue (Yantai Gaoxin District University of Chinese Agriculture)	2010.11	2012.11–2014.10	9.88	300,630,112.01	527,278,862.49
Dalian Yunjin (Dalian Minzhu Square)	2011.6	2013.6–2014.3	10.60	371,613,698.00	445,919,648.39
Dalian Yijing	2011.11	2013.6–2015.12	35.52	–	535,952,578.51
Changsha Sanqianfu (Changsha Guanyinyan)	2011.3	2013.11–2018.7	48.22	65,340,853.75	225,091,288.82
Yangzhou Ancient Canal	2012.2	2013.10–2014.10	15.71	–	3,159,091.00
Changzhou Horizon 2# .	2011.7	2013.6–2015.8	23.63	–	861,549,800.20
Changzhou Horizon 3# .	2011.8	2014.8	26.83	–	1,007,988,241.24
Total			1814.84	42,936,096,639.74	58,242,027,849.75

The details of completed projects are as follow:

Unit: RMB

Project name	Completion date	Opening balance	Increase	Decrease	Closing balance
Shenzhen Golden Bay Garden. . . .	2001.9	–	2,003,727.49	1,699,743.80	303,983.69
Shenzhen Haijing No. 21 Department. . . .	2002.10	2,962,431.05	–	624.01	2,961,807.04
Shenzhen Mingzuo .	2010.1	213,320.93	252,095.65	221,477.40	243,939.18
Shenzhen Gemdale Tennis Garden. .	1st phase in 2004.12 2nd phase in 2005.9	1,959,177.37	3,222,078.80	4,230,769.73	950,486.44
Shenzhen Gemdale Mingjin.	2007.11	145,639,066.74	2,268,928.45	11,092,700.17	136,815,295.02
Shenzhen Gemdale Meilong Town . .	2006.12–2009.12	6,620,934.60	–	4,853,511.48	1,767,423.12
Guangzhou Lihucheng plot A & plot B	2007.12–2011.12	79,297,325.84	781,088,988.25	418,455,994.52	441,930,319.57

Unit: RMB

Project name	Completion date	Opening balance	Increase	Decrease	Closing balance
Shanghai Green Chunxiao	3rd phase in 2005.3	19,378,394.14	3,342,137.44	3,173,960.40	19,546,571.18
Shanghai Green Spring Bank . . .	1st phase in 2004.3, 2nd phase in 2005.6	3,816,980.27	—	—	3,816,980.27
Shanghai Green Town	1st phase in 2007.7, 2nd phase in 2009.5	214,276,133.63	4,347,011.32	3,664,395.40	214,958,749.55
Shanghai Green World 1st - 4th phase	2006.6–2011.12	612,498,174.82	1,186,048,539.18	1,041,788,260.30	756,758,453.70
Shanghai Wanliuyu .	2008.12–2010.12	263,445,264.63	17,284,626.83	203,707,254.99	77,022,636.47
Shanghai Tianyu . .	2011.12	—	2,067,516,996.81	851,087,182.78	1,216,429,814.03
Shanghai Weiweilai.	2009.12	2,101,010.72	2.39	1,099,382.45	1,001,630.66
Ningbo Gemdale International Garden.	2007.12–2008.12	8,791,996.86	644,252.97	7,056,249.83	2,380,000.00
Shenyang International Garden 4th phase	2011.10	—	281,014,900.19	274,565,711.06	6,449,189.13
Beijing Mingjing . . .	2009.6–2010.3	56,093,683.66	12,123,761.60	47,912,544.52	20,304,900.74
Tianjin Green World 1st & 2nd phases and 3rd phase	2007.6–2011.12	26,017,403.01	798,597,242.16	807,721,503.16	16,893,142.01
Tianjin International Square Plot B . .	2011.6–2011.12	—	1,079,234,320.08	531,775,316.64	547,459,003.44
Xi'an Shanglinyuan .	2007.12–2008.12	1,580,879.23	353,974.09	378,074.35	1,556,778.97
Xi'an Furong Lake Bank Project . . .	2008.12–2011.3	24,462,744.67	172,062,047.89	191,061,884.76	5,462,907.80
Xi'an Huchengdajing #3 #5-6 Project .	#3: 2010.12 #5-6: 2011.10	110,444,192.69	1,369,576,644.15	1,195,709,790.34	284,311,046.50
Wuhan Green Town	2006.12–2008.12	11,835,706.52	3,665,276.62	14,974,254.47	526,728.67
Dongguan Gemdale Green Town . . .	2007.1	5,520,000.00	2,484,732.62	3,212,958.81	4,791,773.81

Unit: RMB

Project name	Completion date	Opening balance	Increase	Decrease	Closing balance
Wuhan Green Spring Bank . . .	2011.12	—	751,754,406.74	737,466,595.84	14,287,810.90
Dongguan Green Garden Project .	2008.12–2010.12	110,627,418.31	15,888,966.35	118,108,785.63	8,407,599.03
Dongguan Bodenghu Project 1st phase & 2nd phase	1st phase in 2008.12 2nd phase in 2009.12–2011.12	69,723,280.43	180,994,681.39	224,144,355.69	26,573,606.13
Dongguan Hushandajing Project 1st phase	2011.12	—	270,651,328.95	46,751,282.20	223,900,046.75
Foshan Jiulongbi . .	2009.3–2011.7	80,351,245.25	602,111,551.4	626,566,551.36	55,896,245.29
Zhuhai Science Park (Zhuhai Mendao).	B1 Land: 2008.06、B2 Land: 2010.9–2011.9	23,479,941.51	392,248,938.45	176,891,730.50	238,837,149.46
Beijing Green Town 6.	2008.7–2009.11	9,699,684.74	1,984.69	1,141,935.67	8,559,733.76
Shenyang International Park	2008.12–2010.1	19,859,435.45	—	12,692,740.04	7,166,695.41
Nanjing Mingjing . .	2009.9–2010.10	192,869,856.89	—	83,509,763.75	109,360,093.14
Shenzhen Shangtangdao . .	2010.1–2011.1	86,678,036.08	869,292,095.02	902,294,673.79	53,675,457.31
Nanjing Zizaicheng 1st phase & 3rd phase	1st phase: 2010.12–2011.6 3rd phase: 2011.12	90,195,707.46	945,204,424.89	703,946,234.23	331,453,898.12
Hangzhou Zizaicheng 24# and 25#	25# 2010.12	62,096,765.44	945,426,944.08	897,544,041.36	109,979,668.16
Wuhan Green Spring Bank phase 1–3	2010.12–2011.10	2,992,094.00	528,979,606.05	350,714,616.37	181,257,083.68
Wuhan International Park	2009.12–2011.12	29,034,026.55	108,817,910.61	104,572,601.12	33,279,336.04

Unit: RMB

Project name	Completion date	Opening balance	Increase	Decrease	Closing balance
Shenyang Binghe International Community phase 1–3 & phase 4	2010.1–2011.11	123,997,244.99	881,408,900.58	797,550,132.02	207,856,013.55
Shenyang Tanjun . .	2010.12–2011.12	16,886,590.19	542,865,317.71	483,424,924.46	76,326,983.44
Beijing Yangshan phase 1	2011.12	—	1,805,009,983.93	1,413,288,568.59	391,721,415.34
Shenyang Mingjing phase 1	2011.12	—	627,709,171.56	579,441,391.84	48,267,779.72
Total		2,515,446,148.67	17,255,498,497.38	13,879,494,469.83	5,891,450,176.22

6. Other Current Assets

Unit: RMB

Project	Closing balance	Opening balance
Current asset arising from prepaid tax.	1,621,369,433.38	1,454,799,048.42
Financial products *(Note)*	1,000,000,000.00	—
Total	2,621,369,433.38	1,454,799,048.42

Note: The financial products are the products purchased from banks for the Company within one year.

7. Long-term Equity Investments

Unit: RMB

Investee	Categories of company	Registered place	Corporate representative	Nature of the business	Registered capital	Proportion of investee's registered capital	The Company's attributable voting rights in investee	Total assets of the investee at the year end	Total liabilities of the investee at the year end	Total revenue for the year	Total operating income in current year	Total net profit in current year
							(%)					
I. Associate												
Shanghai Pufa Gemdale Real Estate Development Co., Ltd..	Limited company	Shanghai	Ge Peijian	Real estate development	RMB10,000,000.00	49	49	90,134,525.41	21,249,167.30	68,885,358.11	6,768,708.80	2,202,718.16
Shanghai Hejian Property Management Co., Ltd. *(Note 1)*	Limited company	Shanghai	JOHN LANGLOIS	Property Management	RMB213,163,600.00	15	15	111,934,528.62	8,191.00	111,926,337.62	–	3,227,365.23
Shenzhen Gemdale Dabaihui Real Estate Development Co., Ltd.	Limited company	Shenzhen	Zhu Zhongmin	Real estate development	RMB100,000,000.00	35	35	2,083,845,421.54	2,034,057,586.17	49,787,835.37	45,000.00	(19,255,116.82)
UBS/Gemdale China Real Estate Fund I, L.P. *(Note 2)*	Limited Partnership	Cayman Islands	N/A	Investment	N/A	4.84	4.84	253,571,330.03	8,897,269.96	244,674,060.07	30,930,822.64	6,255,357.51
Tianjin Wenyu Equity Investment Funds Ltd. (Limited Partnership) *(Note 3)*	Limited Partnership	Tianjin	N/A	Investment	N/A	N/A	N/A	305,379,205.66	223,000.00	305,156,205.66	–	(8,175,478.00)
Tianjin Wenying Equity Investment Funds Ltd. (Limited Partnership) *(Note 3)*	Limited Partnership	Tianjin	N/A	Investment	N/A	N/A	N/A	218,988,226.56	39,360,800.00	179,627,426.56	–	(5,960,998.26)
II. Joint ventures												
UBS/Gemdale Investment Management Limited	Limited company	Mauritius	N/A	Investment	USD20,000.00	50	50	10,975,994.71	2,492,984.67	8,483,010.04	21,154,797.67	6,708,151.54
UBS/Gemdale Investment G.P. Ltd.	Limited company	Cayman Islands	N/A	Investment	USD0.02	50	50	0.14	–	0.14	–	–

Note 1: Shanghai Hejian Property Management Co., Ltd. was under dissolution and liquidation procedure, there is no identified impairment regarding the balance of the long-term equity investments.

Note 2: The Company held 4.84% shares of the total fund raising for the UBS/Gemdale China Real Estate Fund I, L.P. which was a limited partnership funds in USD account. According to the agreements, the associated company, UBS/Gemdale Investment G.P. Ltd, the general partner, who is in charge for the daily management and has control to major operation management. Thus, in the scope of consolidation for the current reporting period, the UBS/Gemdale China Real Estate Fund I, L.P was considered as an associate company.

Note 3: On March 26, 2010, Tianjin Wenying Equity Investment Funds Ltd. (Limited Partnership) and Tianjin Wenyu Equity Investment Funds Ltd. (Limited Partnership) were incorporated by the subsidiary, Wensheng (Tianjin) Investment Management Co., Ltd., which works as a general partner and other investors. Wensheng (Tianjin) Investment Management Co., Ltd. has invested RMB3,600,000.00, 2% of the total fund raising in Tianjin Wenying Equity Investment Funds Ltd and invested RMB6,260,000.00, 2% of the total fund raising in Tianjin Wenyu Equity Investment Funds Ltd. until the end of the year 2011.

According to the agreement, Wensheng (Tianjin) Investment Management Co., Ltd. was the general partner in both funds, the Tianjin Wenying Equity Investment Funds Ltd. (Limited Partnership) and the Tianjin Wenyu Equity Investment Funds Ltd. (Limited Partnership) and was in charge for the daily management and having control power to major financial and operational decision. Thus, in the scope of consolidation for the current reporting period, both Tianjin Wenying Equity Investment Funds Ltd. (Limited Partnership) and Tianjin Wenyu Equity Investment Funds Ltd. (Limited Partnership) were considered as an associate company.

Note 4: The capability of transferring funds from the investees under long-term equity investments as at December 31, 2011 to the Company was not restricted.

8. Long-term Equity Investments

(1) *Categories of long-term equity investments:*

Unit: RMB

Items	Opening balance	Increase	Decrease	Closing balance
Equity investments to joint ventures . .	889,189.51	3,478,481.32	126,165.75	4,241,505.08
Equity investments to associates	142,984,711.21	11,073,241.54	64,746,880.27	89,311,072.48
Equity investments to other companies. . . .	—	64,200,000.00	—	64,200,000.00
Subtotal	143,873,900.72	78,751,722.86	64,873,046.02	157,752,577.56
Less: long-term equity investments provision for impairment.	—	—	—	—
Total	143,873,900.72	78,751,722.86	64,873,046.02	157,752,577.56

(2) *Details of long-term equity investments are as follow:*

Unit: RMB

Investee	Method of accounting	Initial investment cost	Opening balance	Increase/ Decrease	Closing balance	Proportion of investee's shareholdings (%)	The Company's attributable voting rights in investee (%)	The note for the differences of shareholding Proportion and voting rights Proportion	Provision for impairment	Accrued provision for impairment this year	Cash dividends this year
Shanghai Pufa Gemdale Real Estate Development Co., Ltd.	Equity method	4,899,980.00	32,674,493.58	1,079,331.89	33,753,825.47	49	49	N/A	–	–	–
Shanghai Hejian Property Management Co., Ltd.	Equity method	31,974,600.00	61,384,613.66	(44,595,663.02)	16,788,950.64	15.00	15.00	N/A	–	–	–
Shenzhen Gemdale Dabaihui Real Estate Development Co., Ltd.	Equity method	35,000,000.00	24,163,690.11	(6,739,290.89)	17,424,399.22	35	35	N/A	–	–	–
UBS/Gemdale Investment Management Limited	Equity method	62,839.84	889,189.44	3,352,315.58	4,241,505.02	50	50	N/A	–	–	–
UBS/Gemdale China Real Estate Fund I, L.P.	Equity method	14,154,648.70	21,161,913.86	(9,319,689.35)	11,842,224.51	4.84	4.84	N/A	–	–	2,513,336.38
UBS/Gemdale Investment G.P. Ltd..	Equity method	0.06	0.07	(0.01)	0.06	50	50	N/A	–	–	–
Tianjin Wenying Equity Investment Funds Ltd. (Limited Partnership)	Equity method	3,600,000.00	3,600,000.00	(201,451.47)	3,398,548.53	N/A	N/A	N/A	–	–	–
Tianjin Wenyu Equity Investment Funds Ltd. (Limited Partnership)	Equity method	6,266,633.67	–	6,103,124.11	6,103,124.11	N/A	N/A	N/A	–	–	–
Shanghai Chengjin Jianhao Equity Investment Co., Ltd. *(Note 1)*	Cost method	59,200,000.00	–	59,200,000.00	59,200,000.00	10.00	10.00	N/A	–	–	–
Tianjin Wenying Equity Investment Funds Ltd. (Limited Partnership) *(Note 2)*	Cost method	5,000,000.00		5,000,000.00	5,000,000.00	N/A	N/A	N/A	–	–	200,000.00
Total		160,158,702.27	143,873,900.72	13,878,676.84	157,752,577.56						2,713,336.38

Note 1: On November 10, 2011, the Company and Zhongcheng Credit Trust Co., Ltd. jointly funded Shanghai Chengjin Jianhao Equity Investment Co., Ltd. At the end of 2011, the Company had invested RMB59,200,000.00, 10% of the total registered capital in Shanghai Chengjin Jianhao Equity Investment Co., Ltd. and didn't have control power to major financial and operational decision. Thus, the Company used the cost method account for long-term equity investments of this investment.

Note 2: On November 14, 2011, the subsidiary of the Company, Wensheng (Tianjin) Investment Management Co., Ltd., which works as a general partner and other investors jointly funded the establishment of Tianjin Wenli Equity Investment Funds Ltd. (Limited Partnership). Wensheng (Tianjin) Investment Management Co., Ltd. had invested RMB5,000,000.00, 1% of the total fund raising in Tianjin Wenli Equity Investment Funds until the end of the year 2011. According to the agreement, the Company didn't have control power to major financial and operational decision of Wenli. Thus, the Company used the cost method account for long-term equity investments of this investment.

9. Investment Properties

The investment properties which are measured by cost method:

Unit: RMB

Items	Opening balance	Increase	Decrease (Note)	Closing balance
I. Total cost	1,431,738,933.12	16,686,790.96	59,248,576.25	1,389,177,147.83
1. House and buildings	1,431,738,933.12	16,686,790.96	59,248,576.25	1,389,177,147.83
2. Land use right	—	—	—	—
II. Accumulated depreciation and amortization	86,769,603.02	39,959,584.76	20,702,527.06	106,026,660.72
1. House and buildings	86,769,603.02	39,959,584.76	20,702,527.06	106,026,660.72
2. Land use right	—	—	—	—
III. Total net value of investment properties	1,344,969,330.10			1,283,150,487.11
1. House and buildings	1,344,969,330.10			1,283,150,487.11
2. Land use right	—			—
IV. Total accumulated provision for impairment of investment properties	—	—	—	—
1. House and buildings	—	—	—	—
2. Land use right	—	—	—	—
V. Total carrying value of investment properties	1,344,969,330.10			1,283,150,487.11
1. House and buildings	1,344,969,330.10			1,283,150,487.11
2. Land use right	—			—

Note: The total increased amount of investment properties is the decoration expenditure of investment properties.

The depreciation and amortization for this fiscal year was RMB39,959,584.76. The accrued provision for impairment of the investment properties was nil this year.

As at December 31, 2011, the property certificate attached to the investment properties amounting to RMB2,206,530.40 was not yet obtained.

10. Fixed Assets

(1) *The details of fixed assets:*

Unit: RMB

Items	Opening balance	Increase		Decrease	Closing balance
I. Total cost	179,342,781.62		66,420,432.58	6,792,876.31	238,970,337.89
Including: House and buildings	71,986,861.15		24,596,732.80	—	96,583,593.95
Electronic equipment, furniture and fixtures	44,434,837.58		15,111,090.23	4,726,863.31	54,819,064.50
Motor vehicles	48,868,090.01		22,841,231.35	1,642,888.00	70,066,433.36
Other equipments	14,052,992.88		3,871,378.20	423,125.00	17,501,246.08
II. Total accumulated depreciation	98,422,261.51			6,157,258.51	114,694,166.57
		Increase	**Accrued Depreciation**		
Including: House and buildings	28,713,686.90	—	4,349,396.32	—	33,063,083.22
Electronic equipment, furniture and fixtures	31,707,241.96	—	7,217,757.94	4,320,250.75	34,604,749.15
Motor vehicles	28,479,277.14	—	8,699,749.60	1,439,301.51	35,739,725.23
Other equipments	9,522,055.51	—	2,162,259.71	397,706.25	11,286,608.97
III. Total net value of fixed assets	80,920,520.11				124,276,171.32
Including: House and buildings	43,273,174.25				63,520,510.73
Electronic equipment, furniture and fixtures	12,727,595.62				20,214,315.35
Motor vehicles	20,388,812.87				34,326,708.13
Other equipments	4,530,937.37				6,214,637.11
IV. Total accumulated provision for impairment of fixed assets	—		—	—	—
Including: House and buildings	—		—	—	—
Electronic equipment, furniture and fixtures	—		—	—	—
Motor vehicles	—		—	—	—
Other equipments	—		—	—	—
V. Total carrying value of fixes assets	80,920,520.11				124,276,171.32
Including: House and buildings	43,273,174.25				63,520,510.73
Electronic equipment, furniture and fixtures	12,727,595.62				20,214,315.35
Motor vehicles	20,388,812.87				34,326,708.13
Other equipments	4,530,937.37				6,214,637.11

Note: The depreciation for this year was RMB22,429,163.57. The amount of construction in progress transferred to fixed assets was nil.

(2) ***The details of the fixed assets property certificates which have not been obtained as follows:***

As at December 31, 2011, the property certificate attached to the net fixed assets amounting to RMB549,213.83 was not yet obtained.

11. Construction in Progress

(1) ***The details of construction in progress were listed as follows:***

Unit: RMB

Items	Closing balance			Opening balance		
	Book value	Provision for impairment	Net value	Book value	Provision for impairment	Net value
Building project . . .	3,999,639.55	—	3,999,639.55	2,553,233.20	—	2,553,233.20
Office decoration project . . .	63,770,462.97	—	63,770,462.97	—	—	—
Total	67,770,102.52	—	67,770,102.52	2,553,233.20	—	2,553,233.20

12. Goodwill

Unit: RMB

Reason for Goodwill's formation	Opening balance	Increase	Decrease	Closing balance	Provision for impairment at the end of the year
Increase arising from business combination *(Note)*	7,643,930.97	–	–	7,643,930.97	–

Note: This arises from the business combination of Wuhan Ao'qiang Real Estate Development Co., Ltd. in 2007. There is no impairment of goodwill as at year.

13. Long-term Prepayments

Unit: RMB

Items	Opening balance	Increase	Amortization this year	Other decrease	Closing balance	Reason for other decrease
Financial consulting and other fees	1,652,373.73	5,932,565.37	7,584,939.10	–	–	–
Improvement expenses for fixed assets under lease — Decoration expenses	5,199,163.53	7,470,960.02	4,371,871.57	2,510.55	8,295,741.43	–
Others	4,501,667.97	2,323,440.00	4,899,001.29	–	1,926,106.68	–
Total	11,353,205.23	15,726,965.39	16,855,811.96	2,510.55	10,221,848.11	–

14. Deferred Tax Assets/deferred Tax Liabilities

(1) The deferred tax assets and liabilities which are recognized:

Unit: RMB

Items	Closing balance	Opening balance
Deferred tax assets:		
Impairment losses on assets	3,135,424.58	2,051,630.91
Unrealized profit in inventories	124,367,035.78	33,948,536.03
Employee benefits payable	119,744,396.92	108,151,242.84
Deductible losses	283,371,031.19	207,476,175.45
Others	80,455,286.64	428,855.31
Sub-total	611,073,175.11	352,056,440.54
Deferred tax liabilities:		
Investment properties	10,832,975.80	2,095,569.20
Investment on subsidiaries	3,234,911.59	5,817,031.47
Sub-total	14,067,887.39	7,912,600.67

Note: Based on the Company and its subsidiaries' profit forecast, it was estimated that there was probably sufficient taxable income in the future periods so as to utilize the deductible temporary differences and deductible tax losses, thereby the Company and its subsidiaries recognize the above deferred tax assets.

(2) Details of the deferred tax assets is not recognized:

Unit: RMB

Items	Closing balance	Opening balance
Deductible losses	38,490,531.48	89,084,491.42

(3) Deductible losses, which are not recognized as the deferred tax assets, will be expired in the year as followings:

Unit: RMB

Year	Closing balance	Opening balance	Remarks
2011	—	161,524.60	
2012	20,379,293.07	20,385,402.07	
2013	10,745,164.92	36,480,676.20	
2014	1,694,301.12	31,010,028.69	
2015	1,046,859.86	1,046,859.86	
2016	4,624,912.51	—	
Total	38,490,531.48	89,084,491.42	

(4) The deductible temporary differences which lead to deductible temporary differences of the assets and liabilities:

Unit: RMB

Items	Deductible temporary differences
Closing balance:	
Deductible temporary differences and deductible losses:	
Provision for impairment	13,845,394.20
Unrealized profit in inventories	497,468,143.12
Employee benefits payable	478,977,587.68
Deductible losses	1,133,484,124.76
Others	321,821,146.56
Subtotal	2,445,596,396.32
Tax payable temporary differences:	
Investment properties	43,331,903.20
Investment in subsidiaries	12,939,646.35
Subtotal	56,271,549.55
Opening balance:	
Deductible temporary differences and deductible losses:	
Provision for impairment	8,297,607.67
Unrealized profit in inventories	135,794,144.11
Employee benefits payable	450,630,178.52
Deductible losses	832,106,486.97
Others	1,723,856.69
Subtotal	1,428,552,273.96
Tax payable temporary differences:	
Investment properties	8,382,276.80
Investment in subsidiaries	23,268,125.89
Subtotal	31,650,402.69

15. Provision for Impairment Losses on Assets

Unit: RMB

Items	Opening balance	Provided for this year	Deduction		Closing balance
			Reversal	Elimination	
(1) Provision for bad debts	9,302,825.75	7,406,942.18	2,860,726.11	3,647.62	13,845,394.20
(2) Provision for obsolete stocks	–	–	–	–	–
Total	9,302,825.75	7,406,942.18	2,860,726.11	3,647.62	13,845,394.20

Note: Due to the variation of scope of consolidation, the provision for bad debts increased to RMB29,068.00.

16. Short-term Loans

Categories of short-term loans:

Unit: RMB

Items	Closing balance	Opening balance
Pledge loans *(Note 1)*	18,902,699.52	—
Guaranteed loan *(Note 2)*	630,543,847.29	—
Credit loan	200,000,000.00	200,000,000.00
Trust loans	1,430,000,000.00	—
Total	2,279,446,546.81	200,000,000.00

Note 1: The loan was pledged by the equity of certain subsidiary.

Note 2: The loan was guaranteed by financial institutions.

17. Accounts Payable

(1) Details of the account payable are as followings:

Unit: RMB

Items	Closing balance	Opening balance
Buildings project and land value payable	5,785,707,445.44	2,953,289,556.30

(2) Accounts payable do not include accounts payable to shareholders of the Company that hold 5% or more than 5% of shares with voting power of the Company.

18. Advances from Customers

Aging analysis of advance from customers is as followings:

Unit: RMB

Aging	Closing balance		Opening balance	
	Amount	%	Amount	%
Within 1 year	19,969,551,545.94	86.02	18,254,995,475.31	96.74
1 to 2 years	3,243,472,982.84	13.97	612,734,516.98	3.25
2 to 3 years	—	—	1,773,292.30	0.01
Over 3 years	751,762.86	0.01	461,795.23	—
Total	23,213,776,291.64	100.00	18,869,965,079.82	100.00

Details of the receipts arising from pre-sale of properties are as follows:

Unit: RMB

Name of project	Opening balance	Closing balance	Estimated time of completion	Pre-sold Proportion
Wuhan Green Spring Bank	413,495,002.00	460,173,597.00	2010.12 – 2012.4	68.02%
Guangzhou Lihu City	290,509,901.00	237,977,259.00	2012.4 – 2017.8	17.49%
Dongguan Bodenghu Project	232,345,654.00	86,124,178.97	2nd phase: 2011.12 3rd phase: 2013.9 – 2013.12	64.37%
Foshan Jiulongbi 2nd phase	653,686,640.12	14,512,172.00	Completed	99.26%
Xi'an Furong Lake Bank Project	220,579,392.76	5,010,421.00	Completed	100.00%
Xi'an Huchengdajing	1,317,340,292.00	2,221,224,075.90	2010.12 – 2015.12	36.65%
Shenyang Binhe International Community Project	687,726,571.00	1,326,689,782.00	2010.1 – 2014.12	45.14%
Shanghai Wanliuyu	83,991,431.00	27,523,551.00	Completed	97.88%
Zhuhai Science Park (Zhuhai Mendao)	186,697,813.75	154,850,396.12	B1 Land 2012.5 – 2014.3, A2 Land 2012.12, B2 Land 2nd – 3rd phase 2011.9	48.19%
Hangzhou Zizaicheng #24,#25	3,143,669,242.00	2,284,654,256.19	2010.12 – 2015.6	58.55%
Nanjing Zizaicheng	2,030,053,780.00	2,326,729,157.91	2010.12 – 2015.6	41.13%
Shenzhen Shangtangdao	850,942,371.00	11,526,029.48	Completed	98.42%
Hangzhou Zizaicheng #41	563,698,549.00	2,439,105,651.00	2012.7 – 2013.6	36.75%
Shenyang International Garden	456,384,108.00	2,000,000.00	Completed	100.00%
Tianjin Green World	1,451,069,654.00	1,141,506,663.60	2007.6 – 2012.12	98.99%
Shenyang Tanjun	350,010,540.00	373,694,641.00	2010.12 – 2012.12	61.18%
Shenyang Mingjing	423,148,047.00	565,350,979.00	2011.12 – 2014.9	40.28%
Ningbo Dongyu	115,956,056.00	483,259,473.00	2012.6	40.18%
Shanghai Tianyu	620,161,168.88	224,239,785.09	Completed	58.13%
Tianjing International Square	365,721,020.03	796,084,243.03	2011.6 – 2015.9	38.25%
Zhuhai Yidunshan #3 (Zhuhai Yidunshan)	423,020,613.30	1,170,756,383.30	2012.1	67.18%
Beijing Yangshan	1,374,256,620.69	972,918,393.98	2011.12 – 2012.12	61.68%
Shanghai Green World 4th phase	1,558,690,982.96	265,457,406.87	Completed	89.34%
Dongguan Hushandajing 1st phase	—	112,046,399.44	2011.12	22.90%
Dongguan Waitan #8	—	337,124,471.00	2012.12	57.54%
Hangzhou Tianyi	—	93,409,224.00	2014.4 – 2015.1	14.24%
Foshan Tianxi	—	197,549,161.00	2013.7	14.09%
Shenyang Boyue	—	146,273,163.00	2012.12 – 2014.10	6.60%
Shanghai Tianjing	—	277,739,086.00	2012.12 – 2015.12	6.46%
Shanghai Yijing	—	2,046,685,095.60	2012.11 – 2013.4	77.36%
Zhuhai Yidunshan #1	—	162,927,970.00	2012.11	61.55%
Shenzhen Tianyuewan 1st phase	—	140,009,279.80	2012.6 – 2015.12	6.43%

Name of project	Opening balance	Closing balance	Estimated time of completion	Pre-sold Proportion
Wuhan Lanfeixi Bank	—	230,455,090.00	2012.3 – 2018.9	4.62%
Wuhan Shengaimilun	—	619,035,172.00	2012.5 – 2014.12	29.62%
Dalian Yunjin	—	95,006,115.42	2013.6 – 2014.3	8.92%
Yantai Lanyue	—	64,435,226.00	2012.12 – 2014.10	11.53%
Cixi Hongyue	—	128,169,740.00	2013.12	7.53%
Shaoxing Zizaicheng	—	711,010,944.00	2012.12 – 2018.9	8.03%
Shenzhen Gemdale Mingjin	1,219,730.53	41,364,653.53	Completed	89.48%
Wuhan Mingjun	—	33,391,627.00	2013.10	3.49%
Wuhan International Garden	54,422,092.00	26,958,304.00	Completed	99.31%

19. Employee Benefits Payable

Unit: RMB

Items	Opening balance	Increase during the year	Decrease during the year	Closing balance
I. Wages or salaries, bonuses, allowances, subsidies	616,705,154.12	934,495,676.63	843,314,457.67	707,886,373.08
II. Staff welfare	62,096.25	25,756,784.91	25,797,631.08	21,250.08
III. Social security contributions	33,369.94	46,246,926.69	46,083,995.77	196,300.86
Including: Premiums or contributions on medical insurance	32,263.12	12,287,671.68	12,306,737.39	13,197.41
Basic pension insurance	—	29,279,789.20	29,149,468.67	130,320.53
Annuity fee	—	—	—	—
Unemployment insurance	1,105.39	3,286,760.04	3,247,761.26	40,104.17
Work injury insurance	—	840,844.85	834,260.21	6,584.64
Maternity insurance	1.43	551,860.92	545,768.24	6,094.11
IV. Housing funds	77,631.29	19,432,314.93	19,509,946.22	—
VI. Union running costs and employee education costs	44,845,699.93	29,618,901.97	17,040,228.66	57,424,373.24
VII. Non-monetary welfare	—	204,667.90	204,667.90	—
VIII. Compensation to employees for termination	—	36,000.00	36,000.00	—
IX. Others	—	16,420.35	16,420.35	—
Total	661,723,951.53	1,055,807,693.38	952,003,347.65	765,528,297.26

20. Tax Payable

Unit: RMB

Items	Closing balance	Opening balance
Income tax	514,645,532.97	455,872,400.46
VAT	10,054.29	15,788.71
Business tax	34,041,937.48	77,927,436.14
Land appreciation tax	43,711,081.42	15,392,231.81
Property tax	605,286.01	436,245.19
Others	20,310,825.26	21,356,291.46
Total	613,324,717.43	571,000,393.77

21. Interest Payable

Unit: RMB

Items	Closing balance	Opening balance
Interest for long-term borrowings	22,474,199.52	12,745,791.76
Interest for Corporate Bonds *(Note)*	52,616,700.00	52,616,700.00
Interest for short-term borrowings	1,192,655.02	—
Total	76,283,554.54	65,362,491.76

Note: This was the corresponding interest accrued for the outstanding Corporate Bonds of RMB1,200,000,000.00, please refer to Note (VI) 27 for details.

22. Dividends Payable

Unit: RMB

Name of the company	Closing balance	Opening balance	The reason for unpayment over one year
Beijing Hongyun Property Co., Ltd.	17,750,438.44	43,440,000.00	Note
Shanghai Mingqi Investment Co., Ltd.	7,500,000.00	—	
Others	6,939,107.49	—	
Total	32,189,545.93	43,440,000.00	

Note: Divided payment procedure has not been carried out.

23. Other Payables

(1) Details of other payables are as follows:

Unit: RMB

Items	Closing balance	Opening balance
Accrued land appreciation tax	2,378,241,067.22	2,117,257,430.60
Current accounts	1,569,870,542.71	1,916,552,126.55
Security deposit, cash pledge etc.	187,296,310.60	116,127,946.04
Others	195,795,212.86	184,496,820.13
Total	4,331,203,133.39	4,334,434,323.32

(2) Other payables do not include the amount due to shareholders of the Company which holds 5% or more than 5% of the shares with voting right of the Company.

(3) Details of significant other payables are as follows:

Unit: RMB

Company name and item	Closing balance	Aging	Nature
Shanghai Dingding Investment Co., Ltd.	391,343,544.00	within one year	Borrowing from minority interests' of this company
	2,911,564.01	within one year	Borrowing from minority interests' of this company
Tianjin Renai Co., Ltd.	259,845,941.90	2 to 3 years	
Subtotal	262,757,505.91		
Wuhan High Technology Agriculture Co., Ltd.	128,000,000.00	2 to 3 years	Current accounts between cooperation partner and the company
Dongguan Huangjiang Bao Island Resort Co., Ltd.	165,521,000.00	2 to 3 years	Current accounts between cooperation partner and the company
Shenzhen Junwei Real Estate Development Co., Ltd.	14,000,000.00	within one year	Borrowing from minority interests' of this company
	105,000,000.00	1 to 2 years	
Subtotal	119,000,000.00		
Land appreciation tax (LAT) *(Note)*	2,378,241,067.22		

Note: According to the State Taxation Administration [2006] No.187 "Notice about relevant issues of administration and finalization of land appreciation tax ("LAT") of Real Estate Development Company" and other related regulations, the Company provided LAT and accounted to the profit or loss account during current year.

24. Non-current Liabilities Due within one Year

(1) Details of the non-current liabilities due without one year are as follows:

Unit: RMB

Items	Closing balance	Opening balance
Long-term loans due within one year	11,879,826,903.61	4,847,000,000.00
Bond payable due within one year	—	—
Long-term account payable due within one year	—	—
Total	11,879,826,903.61	4,847,000,000.00

(2) *Long-term loans due within one year*

A. *Long-term loans due within one year*

Unit: RMB

Items	Closing balance	Opening balance
Pledged loans	—	—
Mortgaged loans	—	—
Guaranteed loans *(Note)*	1,198,431,149.64	—
Credit loans	10,681,395,753.97	4,030,000,000.00
Trust loans	—	817,000,000.00
Total	11,879,826,903.61	4,847,000,000.00

Note: The loans were guaranteed by financial institutions.

B. *Top five amount of the long-term loans due within one year:*

Unit: RMB

Credit institution	Inception date	Maturity date	Currency	Interest rate	Closing balance: Amount of original currency	Closing balance: Amount of reporting currency
				(%)		
Bank of China Shezhen Futian Branch	2009-3-27	2012-3-17	RMB	Based on market rate	—	475,000,000.00
China Construction Bank Shenzhen Chengjian Branch	2009-8-28	2012-8-27	RMB	Based on market rate	—	400,000,000.00
Industrial and Commercial Bank of China Shenzhen Hongwei Branch	2009-8-27	2012-1-7	RMB	Based on market rate	—	360,000,000.00
Bank of China Shezhen Futian Branch	2010-3-23	2012-9-22	RMB	Based on market rate	—	300,000,000.00
Bank of China Shezhen Futian Branch	2010-4-16	2012-9-22	RMB	Based on market rate	—	300,000,000.00
Total						1,835,000,000.00

25. Other Current Liabilities

Unit: RMB

Items	Closing balance	Opening balance
Financial guarantee contracts *(Note)*	3,052,296.54	3,052,296.54

Note: As at December 31, 2011, the Company and subsidiaries provide guarantees in respect of bank mortgage loans granted to property purchasers. The Company accrued such guarantees according to average bank guarantee fee rate.

26. Non-Current Liabilities Due within one Year

(1) *Categories of long-term loans*

Unit: RMB

Items	Closing balance	Opening balance
Pledged loans *(Note 1)*	170,124,295.69	79,472,402.45
Mortgaged loans	—	—
Guaranteed loans *(Note 2)*	3,779,279,724.27	3,612,682,961.23
Credit loans	9,722,360,588.08	14,371,454,004.08
Trust loans	500,000,000.00	—
Total	14,171,764,608.04	18,063,609,367.76

The above loans carry interest rates ranging from 1.0900% to 12.5000%.

Note 1: Pledged loans were pledged with the equity interests in the Company's subsidiaries.

Note 2: Guaranteed loans were guaranteed by financial institutions.

(2) Top five amount of the long-term loans:

Unit: RMB

Credit institution	Inception date	Maturity date	Currency	Interest rate (%)	Closing balance		Opening balance	
					Amount of original currency	Amount of reporting currency	Amount of original currency	Amount of reporting currency
Minmetals International Trust Co., Ltd.	2011-9-22	2014-9-22	RMB	Based on market interest rate		500,000,000.00		–
Industrial and Commercial Bank of China Shenzhen Hongwei Branch	2010-6-12	2013-6-12	RMB	Based on market interest rate		500,000,000.00		500,000,000.00
Bank of China Shenzhen Futian Branch	2011-3-11	2014-3-10	RMB	Based on market interest rate		500,000,000.00		–
Bank of China Shenzhen Futian Branch	2011-3-11	2014-3-10	RMB	Based on market interest rate		500,000,000.00		–
Industrial and Commercial Bank of China Paris Branch	2011-4-27	2014-3-24	USD	Based on market interest rate	78,000,000.00	491,470,187.55		–
Total						2,491,470,187.55		500,000,000.00

27. Bonds Payable

Unit: RMB

Category	Par value	Issue date	Term of the bond	Issue amount	Opening interest payable	Accrued interest for the period	Interest paid during the period	Closing interest payable	Closing balance
Debentures	1,200,000,000.00	2008-3-10	8 years	1,200,000,000.00	52,616,700.00	66,000,000.00	66,000,000.00	52,616,700.00	1,192,104,303.30

Note: Based on the approval "Zheng Jian Fa Xing Zi [2007] 457" issued by China Securities Regulatory Commission, the Company issued 12,000,000 bonds on March 10, 2008 with par value of RMB100 and total amounting to RMB1.2 billion, to open public investors through internet and to institutional investors through placement. The bonds have a term of 8 years with coupon rate of 5.5%, which will not change during the bond term. The interest was calculated as simple interest, and no compound interest was accrued. It was irrevocably guaranteed by China Construction Bank Shenzhen branch. The bonds were listed on March 20, 2008 on the Shanghai Stock Exchange. The proceeds of the bonds were used to repay commercial bank loans of RMB0.3 billion and to provide additional working capital to the Company.

28. Share Capital

Unit: RMB

	Opening balance	Increase (Decrease)					Closing balance
		New issue of shares	Bonus issue	Capitalization of surplus reserves	Others	Total	
2011:							
I. Restricted tradable shares							
1. State-owned shares	—	—	—	—	—	—	—
2. State-owned legal person shares	—	—	—	—	—	—	—
3. Other domestic shares	—	—	—	—	—	—	—
4. Other foreign shares	—	—	—	—	—	—	—
5. Others	—	—	—	—	—	—	—
Total restricted tradable shares	—	—	—	—	—	—	—
II. Tradable shares							
1. Ordinary shares denominated in RMB	4,471,508,572.00	—	—	—	—	—	4,471,508,572.00
2. Foreign capital shares listed domestically	—	—	—	—	—	—	—
3. Foreign capital shares listed overseas	—	—	—	—	—	—	—
4. Others	—	—	—	—	—	—	—
Total tradable shares	4,471,508,572.00	—	—	—	—	—	4,471,508,572.00
III. Total shares	4,471,508,572.00	—	—	—	—	—	4,471,508,572.00

Unit: RMB

		Increase (Decrease)					
	Opening balance	New issue of shares	Bonus issue	Capitalization of surplus reserves	Others	Total	Closing balance
2010 (Note):							
I. Restricted tradable shares							
1. State-owned shares	–	–	–	–	–	–	–
2. State-owned legal person shares	–	–	–	–	–	–	–
3. Other domestic shares	–	–	–	–	–	–	–
4. Other foreign shares	–	–	–	–	–	–	–
5. Others	302,571,429.00	–	–	242,057,143.00	(544,628,572.00)	(302,571,429.00)	–
Total restricted tradable shares	302,571,429.00	–	–	242,057,143.00	(544,628,572.00)	(302,571,429.00)	–
II. Tradable shares							
1. Ordinary shares denominated in RMB	2,181,600,000.00	–	–	1,745,280,000.00	544,628,572.00	2,289,908,572.00	4,471,508,572.00
2. Foreign capital shares listed domestically	–	–	–	–	–	–	–
3. Foreign capital shares listed overseas	–	–	–	–	–	–	–
4. Others	–	–	–	–	–	–	–
Total tradable shares	2,181,600,000.00	–	–	1,745,280,000.00	544,628,572.00	2,289,908,572.00	4,471,508,572.00
III. Total shares	2,484,171,429.00	–	–	1,987,337,143.00	–	1,987,337,143.00	4,471,508,572.00

Note: In accordance with the resolution passed in 2009 annual general meeting on March 30, 2010, the Company issued scrip dividends to shareholders on the basis of eight new additional shares for every ten shares outstanding on December 31, 2009 (1,987,337,143 new shares in total). After the scrip dividends, through the utilisation of capital reserve, were issued, the registered capital of the Company was raised to RMB4,471,508,572. The increase in share capital of the Company during the year was audited by Wuzhou Songde Lianhe CPA Firm (Wu Zhou Song De Yan Zi [2010] No.3-002).

Other share capital movement in 2010 represented the conversion from restricted to tradable shares.

29. Capital Reserve

Unit: RMB

Items	Opening balance	Increase during the year	Decrease during the year	Closing balance
2011:				
Share premium	6,008,655,745.23	—	—	6,008,655,745.23
Including: Capital invested by investors	6,008,655,745.23	—	—	6,008,655,745.23
Conversion option of convertible corporate bonds is exercised	—	—	—	—
Debts converted to capital	—	—	—	—
Differences arising from business combination involving enterprises under common control	—	—	—	—
Others	—	—	—	—
Other comprehensive income	—	—	—	—
Other capital reserves	136,679,610.82	91,053,537.54	19,902,256.59	207,830,891.77
Including: Equity component split from convertible corporate bonds	—	—	—	—
Fair value of equity-settled share-paid equity instrument *(Note 1)*	137,446,437.82	91,053,537.54	—	228,499,975.36
Balance of removal subsidy from Government for public interest	—	—	—	—
Transfer from capital reserve under the previous accounting system	—	—	—	—
Others *(Note 2)*	(766,827.00)	—	19,902,256.59	(20,669,083.59)
Total	6,145,335,356.05	91,053,537.54	19,902,256.59	6,216,486,637.00
2010:				
Share premium	7,995,992,888.23	—	1,987,337,143.00	6,008,655,745.23
Including: Capital invested by investors *(Note 3)*	7,995,992,888.23	—	1,987,337,143.00	6,008,655,745.23
Conversion option of convertible corporate bonds is exercised	—	—	—	—
Debts converted to capital	—	—	—	—
Differences arising from business combination involving enterprises under common control	—	—	—	—
Others	—	—	—	—
Other comprehensive income	—	—	—	—
Other capital reserves	(766,827.00)	137,446,437.82	—	136,679,610.82
Including: Equity component split from convertible corporate bonds	—	—	—	—
Fair value of equity-settled share-paid equity instrument *(Note 1)*	—	137,446,437.82	—	137,446,437.82
Balance of removal subsidy from Government for public interest	—	—	—	—
Transfer from capital reserve under the previous accounting system	—	—	—	—
Others	(766,827.00)	—	—	(766,827.00)
Total	7,995,226,061.23	137,446,437.82	1,987,337,143.00	6,145,335,356.05

Note 1: On March 19, 2010, the total 99,370,000 shares options have been approved and will granted to certain directors, senior managements and other key personnel of Gemdale as the Share Incentive Scheme. This option was in force for a term of seven years. Every selected member would receive 20% of the entitlement for every year from the first year to the fifth year.

Every year, the subject shares to be unlocked shall not exceed 20% of the aggregate number of the subject share from the first year to the fifth year and the option was available until the last trade day in the seventh year. Before every option providing year, the Company would grant option to relative personnel who subject to the satisfaction of unlocking conditions stipulated by the Share Incentive Scheme, as planned. The exercising prince for the option was RMB14.12 per share. According to the Black-Scholes Model, the fair value of the option as at the grant day was RMB5.26 per share.

After the adoption of the proposals including transferring capital reserve into share capital and dividend distribution last year, the exercising price becomes RMB7.79 per share. The total option amount was 133,632,000 shares at the end of 2011 due to parts of resignations. The Share Incentive Scheme leads to a decrease of RMB91,053,537.54 in net profit attributes to the owners of the Company for the year and an increase of RMB91,053,537.54 in capital reserve.

Note 2: The change of this year was attributed to the acquisition of equity in subsidiaries held by minority shareholders or disposals of equity in subsidiaries partly under the circumstances that the Company does not lose control of its subsidiaries.

Note 3: The movement represents the scrip dividends issued in 2010. The details are shown in Note (VI) 28.

30. Surplus Reserve

Unit: RMB

Items	Opening balance	Increase during the year	Decrease during the year	Closing balance
2011:				
Statutory surplus reserve	619,774,819.55	119,324,596.49	–	739,099,416.04
Discretionary surplus reserve	91,364,540.70	–	–	91,364,540.70
Reserve fund	–	–	–	–
Venture expansion fund	–	–	–	–
Others	–	–	–	–
Total	711,139,360.25	119,324,596.49	–	830,463,956.74
2010:				
Statutory surplus reserve	408,796,137.55	210,978,682.00	–	619,774,819.55
Discretionary surplus reserve	91,364,540.70	–	–	91,364,540.70
Reserve fund	–	–	–	–
Venture expansion fund	–	–	–	–
Others	–	–	–	–
Total	500,160,678.25	210,978,682.00	–	711,139,360.25

Statutory surplus reserve can be used to offset accumulated losses, to expand operations or to convert into capital of the Company.

31. Unappropriated Profits

Unit: RMB

Items	Amount	Appropriation Proportion
2011:		
Before adjustment: Unappropriated profits at the end of 2010	6,157,297,367.98	
Adjust: Total unappropriated profits at the beginning of 2011	—	
After adjustment: Unappropriated profits at the end of 2011	6,157,297,367.98	
Add: Net profit attributes to the owners of the Company for the year	3,017,226,801.49	
Less: Appropriation to statutory surplus reserve *(Note 1)*	119,324,596.49	10%
Appropriation to discretionary surplus reserve	—	
Appropriation to generic risk reserve	—	
Common share payable	—	
Common share converted to share capital	—	
Dividends payable — last year's cash dividends approved in shareholders' general meeting *(Note 2)*	268,290,514.32	
Unappropriated profits at end of year	8,786,909,058.66	
2010:		
Before adjustment: Unappropriated profits at the end of 2009	3,922,649,562.10	
Adjust: Total unappropriated profits at the beginning of 2010 (Add+, Less-)	—	
After adjustment: Unappropriated profits at the end of 2010	3,922,649,562.10	
Add: Net profit attributes to the owners of the Company for the year	2,694,043,630.78	
Less: Appropriation to statutory surplus reserve *(Note 1)*	210,978,682.00	10%
Appropriation to discretionary surplus reserve	—	
Appropriation to generic risk reserve	—	
Common share payable	—	
Common share converted to share capital	—	
Dividends payable — last year's cash dividends approved in shareholders' general meeting	248,417,142.90	
Unappropriated profits at end of year	6,157,297,367.98	

(1) *Appropriation to statutory surplus reserve*

In accordance with the Company's Articles of the Associations, statutory surplus reserve was appropriated at 10% of the net profit and may not be appropriated when the aggregate amount was beyond 50% of the registered capital of the Company.

(2) *Cash dividends approved in the shareholders' meeting during the year*

On April 28, 2011, 2010 shareholders' general meeting approved to distribute cash dividend of RMB0.6 for every ten shares (tax inclusive) based on 4,471,508,572 shares (par value of RMB1.00 per share) in issue to all shareholders.

(3) *Profit distribution proposed after the balance sheet date*

The board of directors proposed in 2011 to distribute a cash dividend of RMB0.68 for every ten shares (tax inclusive) based on 4,471,508,572 shares (par value of RMB1 per share) in issue to all shareholders. The remaining unappropriated profit was all carried forward to subsequent years. This proposal of profit appropriation was pending for approval in shareholders' meeting.

32. Operating Income and Operating Costs

(1) *Operating income*

Unit: RMB

Items	2011	2010
Principal operating activities income	23,912,246,791.55	19,585,679,956.27
Other operating activities income	6,259,374.07	6,849,825.81
Operating costs	14,655,653,813.03	12,133,691,974.72

(2) *Principal operating activities (by industries)*

Unit: RMB

	2011		2010	
Name of industries	Operating income	Operating costs	Operating income	Operating costs
Sales of properties	23,213,891,479.50	14,088,507,367.38	19,034,845,309.31	11,683,850,385.57
Property lease	216,409,077.30	41,275,241.98	148,467,616.60	20,292,192.54
Property management	430,618,471.22	486,062,238.41	340,035,078.77	360,830,548.54
Others	51,327,763.53	36,118,507.51	62,331,951.59	68,297,315.35
Total	23,912,246,791.55	14,651,963,355.28	19,585,679,956.27	12,133,270,442.00

(3) *The turnover of the top 5 customers*

The aggregate amount of operating income from the top five customers was RMB166,230,000.00 (2010: RMB188,280,000.00), which accounts for 0.69% (2010: 0.96%) of the total operating income.

33. Tax and Surcharges on Operations

Unit: RMB

Items	2011	2010	Tax Rate
Business tax	1,207,404,760.83	959,161,954.41	*Note*
Urban construction and maintenance tax	58,435,002.02	36,781,196.86	*Note*
Education surcharge	42,809,579.89	24,312,620.80	*Note*
Land appreciation tax	1,094,453,056.23	985,638,015.49	*Note*
Others	15,241,878.02	10,048,126.70	
Total	2,418,344,276.99	2,015,941,914.26	

Note: Details are shown in Note (IV).

34. Selling and Distribution Expenses

Unit: RMB

Items	2011	2010
Payroll and salaries	47,311,544.74	37,276,282.31
Printing and office supply fee	8,205,134.82	5,693,388.57
Activities and business entertainment fee	6,932,866.57	5,490,541.51
Property related fee	3,764,238.94	2,067,273.37
Marketing service fee	875,466,917.56	457,999,576.93
Others	8,041,984.42	5,823,885.25
Total	949,722,687.05	514,350,947.94

35. Administrative Expenses

Unit: RMB

Items	2011	2010
Payroll and salaries	598,781,659.28	650,287,225.65
Printing and office supply fee	52,276,930.43	27,991,464.38
Activities and business entertainment fee	125,678,566.28	73,211,842.04
Property related fee	93,998,885.12	57,733,672.61
Corporate culture fee	27,268,501.36	11,599,477.49
The board meeting fee	3,714,420.37	2,556,269.62
Others	383,372.68	1,111,630.64
Total	902,102,335.52	824,491,582.43

36. Financial Expenses

Unit: RMB

Items	2011	2010
Interest expense	1,601,813,965.06	1,106,248,923.70
Less: Capitalized interest expenses	1,473,574,334.52	1,009,867,038.68
Less: Interest income	170,867,702.27	122,939,526.02
Exchange differences	(1,309,801.65)	8,155,835.13
Less: Capitalized exchange differences	—	—
Others	65,197,018.95	50,542,999.41
Total	21,259,145.57	32,141,193.54

37. Impairment Loss in respect of Assets

Unit: RMB

Items	2011	2010
I. Bad debt losses	4,517,148.07	4,328,051.39
II. Write-down of inventories	—	(53,642,543.10)
III. Impairment on available-for-sale financial assets	—	—
IV. Impairment on held-to-maturity investments	—	—
V. Impairment on long-term equity investments	—	—
VI. Impairment on investment properties	—	—
VII. Impairment on fixed assets	—	—
VIII. Impairment on construction materials	—	—
IX. Impairment on construction in progress	—	—
X. Impairment on bearer biological assets	—	—
XI. Impairment on oil and natural gas assets	—	—
XII. Impairment on intangible assets	—	—
XIII. Impairment on goodwill	—	—
Total	4,517,148.07	(49,314,491.71)

38. Investment Income

(1) Details of the investment income are as followings:

Unit: RMB

Items	2011	2010
Gains on long-term equity investment income recognised at cost	200,000.00	—
Gains on long-term equity investment income recognised under equity method	8,285,089.18	84,542,278.62
Gains on disposal of long-term equity investments	—	—
Gains on held-for-trading financial assets	—	—
Gains on held-to-maturity investments	—	—
Gains on available-for-sale financial assets	—	—
Gains on disposal of held-for-trading financial assets	—	—
Gains on disposal of held-to-maturity investments	3,117,410.96	134,269.11
Gains on disposal of available-for-sale financial assets	—	—
Total	11,602,500.14	84,676,547.73

(2) Gains on long-term equity investment income recognised under equity method:

Unit: RMB

Investee companies	2011	2010	Reason of fluctuation
Shanghai Pufa Gemdale Real Estate Development Co., Ltd.	1,079,331.89	2,330,398.73	
Shanghai Hejian Assets Management Co., Ltd.	8,679,336.97	(994,249.99)	
Shenzhen Gemdale Dabaihui Real Estate Development Co., Ltd.	(6,739,290.89)	(5,291,488.94)	
Wuhan Gemdale Famous Real Estate Development Co., Ltd.	—	89,595,262.33	Became a subsidiary of the Company
UBS/Gemdale Investment Management Limited	3,478,481.32	853,635.22	
UBS/Gemdale China Real Estate Fund I, L.P.	2,152,190.92	(1,951,278.73)	
Tianjin Wenying Equity Investment Funds Ltd. (Limited Partnership)	(201,451.47)	—	
Tianjin Wenyu Equity Investment Funds Ltd. (Limited Partnership)	(163,509.56)	—	
Total	8,285,089.18	84,542,278.62	

There is no significant restriction on the remittance of the above investment income.

39. Non-operating Income

(1) Details of the non-operating income are as followings:

Unit: RMB

Items	2011	2010	Amounts included in non-recurring profit or loss of current year
Total gains on disposal of non-current assets	136,721.20	217,156.05	136,721.20
Including: Gains on disposal of fixed assets	22,630.78	217,156.05	22,630.78
Gains on disposal of intangible assets	—	—	—
Gains on debt restructuring	—	—	—
Gains on exchange of non-monetary assets	—	—	—
Donations	—	—	—
Government grants	18,678,424.60	16,019,141.70	18,678,424.60
Penalty income	2,350,563.47	2,329,037.06	2,350,563.47
Others	9,178,694.48	6,358,244.68	9,178,694.48
Total	30,344,403.75	24,923,579.49	30,344,403.75

(2) Details of the government grants are as followings:

Unit: RMB

Items	2011	2010	Remarks
Financial awards *(Note)*	18,678,424.60	16,019,141.70	Income related

Note: Financial awards represent the enterprise development awards provided by local government.

40. Non-operating Expenses

Unit: RMB

Items	2011	2010	Amounts included in non-recurring profit or loss of current year
Total losses on disposal of non-current assets	284,765.03	281,415.95	284,765.03
Including: Losses on disposal of fixed assets	284,765.03	281,415.95	284,765.03
Losses on disposal of intangible assets	—	—	—
Losses on debt restructuring	—	—	—
Losses on exchange of non-monetary assets	—	—	—
Donations	2,092,610.00	230,875.50	2,092,610.00
Penalty expenses	1,065,175.58	861,953.19	1,065,175.58
Compensation payments	6,596,769.83	—	6,596,769.83
Others	4,486,018.10	3,211,286.06	4,486,018.10
Total	14,525,338.54	4,585,530.70	14,525,338.54

41. Income Tax Expenses

Unit: RMB

Items	2011	2010
Current income tax expense calculated based on law of tax and relevant rules	1,505,925,103.80	1,148,795,691.58
Adjusted deferred tax expense	(252,471,372.73)	(55,389,938.49)
Total	1,253,453,731.07	1,093,405,753.09

Reconciliation of income tax expense from the accounting profit is as follows:

Unit: RMB

	2011	2010
Accounting profit	4,994,328,324.74	4,226,241,257.42
Income tax expense calculated at 24% (2010: 22%)	1,198,638,797.94	929,773,076.63
Tax effect of expenses that are not deductible for tax purposes	25,679,006.85	55,479,121.49
Tax effect of non-taxable income	(1,612,471.37)	(18,486,993.08)
Effect of unrecognised deductible losses and deductible temporary differences for tax purposes	1,673,656.76	261,714.97
Effect of using previously unrecognised deductible losses and deductible temporary differences for tax purposes	(7,072,367.83)	(9,126,829.03)
Changes in opening balances of deferred tax assets/liabilities due to the adjustment in tax rate	(4,796,032.05)	(6,229,651.03)
Effect of different tax rates of subsidiaries operating in other jurisdictions	40,943,140.77	141,735,313.14
Income tax expense	1,253,453,731.07	1,093,405,753.09

42. The Calculation Process of the Basic Earnings Per Share and Diluted Earnings per Share

For the purpose of calculating basic earnings per share, the net profit for the current period attributable to ordinary shareholders was as follows:

Unit: RMB

	2011	2010
Net profit for the current period attributable to ordinary shareholders	3,017,226,801.49	2,694,043,630.78
Including: Net profit attributes to continuous operation	3,017,226,801.49	2,695,186,741.44
Net profit attributes to discontinuing operation	—	(1,143,110.66)

For the purpose of calculating basic earnings per share, the denominator is determined by the weighted average number of outstanding ordinary shares and the calculation process is as follows:

Unit: Number of shares

	2011	2010
Number of ordinary shares outstanding at the beginning of period	4,471,508,572	4,471,508,572
Add: Weighted average number of ordinary shares issued during the period	—	—
Less: Weighted average number of ordinary shares repurchased during the period	—	—
Weighted average number of ordinary shares	4,471,508,572	4,471,508,572

Earnings per share

Unit: RMB

	2011	2010
Calculation on the basis of Net profit attributable to shareholders:		
Earnings per share	0.67	0.60
Calculation on the basis of Net continuous operating profit attributable to shareholders:		
Earnings per share	0.67	0.60
Calculation on the basis of Net discontinuous operating profit attributable to shareholders:		
Earnings per share	(0.00)	(0.00)

43. Other Comprehensive Income

Unit: RMB

Items	2011	2010
1. Gain or loss from Held-for-trading financial assets	—	—
Less: Tax effect of Held-for-trading financial assets	—	—
Those previously recorded in Other comprehensive income but transferred to current year's profit or loss account	—	—
Subtotal	—	—
2. Proportional share in investee's Other comprehensive income, under equity method	—	—
Less: Tax effect of proportional share in investee's Other comprehensive income, under equity method	—	—
Those previously recorded in Other comprehensive income but transferred to current year's profit or loss account	—	—
Subtotal	—	—
3. Gain or loss from Cash flow hedging instruments	—	—
Less: Tax effect of Cash flow hedging instruments	—	—
Those previously recorded in Other comprehensive income but transferred to current year's profit or loss account	—	—
Adjustment to amounts of hedged items at initial recognition	—	—
Subtotal	—	—
4. Translation differences arising on translation of financial statements denominated in foreign currencies	181,402,775.87	99,762,369.06
Less: Those transferred to current year's profit or loss account for those disposed overseas operations	—	—
Subtotal	181,402,775.87	99,762,369.06
5. Others	—	—
Less: Tax effect of others in Other comprehensive income	—	—
Those previously recorded in Other comprehensive income but transferred to current year's profit or loss account	—	—
Sub-total	—	—
Total	181,402,775.87	99,762,369.06

44. Notes to Cash Flow Statements

(1) *Other cash received relating to operating activities*

Unit: RMB

Items	2011	2010
Temporary receipt of maintenance funds	—	497,881.16
Interest income on bank deposits	170,867,702.27	122,939,526.02
Deposits pledged for mortgages and other deposits	32,185,087.45	117,937,264.27
Revenue from penalty and breached contracts	2,350,563.47	2,329,037.06
Government grants	18,678,424.60	16,019,141.70
Others	9,178,694.48	2,099,434.15
Total	233,260,472.27	261,822,284.36

(2) *Other cash payments relating to operating activities*

Unit: RMB

Items	2011	2010
Current accounts	843,326,020.17	1,343,694,350.03
Cash paid for general and administrative expenses	134,344,491.79	108,773,701.76
Cash paid for operating expenses	900,608,510.29	475,746,570.18
Payments of deposits and maintenance funds	346,986,142.82	359,552,735.65
Advances to employees	14,200,844.51	8,151,054.52
Donations	2,092,610.00	230,875.50
Payments for penalty and breached contracts	1,065,175.58	861,953.19
Handling charges	6,684,324.07	6,380,030.56
Others	12,667,025.33	30,052,327.48
Total	2,261,975,144.56	2,333,443,598.87

(3) *Other cash payments relating to financing activities*

Unit: RMB

Items	2011	2010
Payment of financial consultancy fees, guarantee fees etc.	1,770,595,675.73	32,780,444.82

45. Supplementary Information to Cash Flow Statements

(1) *Supplementary information to cash flow statements*

Unit: RMB

Supplementary information	2011	2010
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	3,740,874,593.67	3,132,835,504.33
Add: Provision for asset impairment	4,517,148.07	(49,314,491.71)
Depreciation of fixed assets, oil and gas assets and bearer biological assets	22,429,163.57	17,527,789.38
Amortization of intangible assets	—	—
Depreciation of investment properties	39,959,584.76	19,993,083.56
Amortization of long-term prepaid expenses	16,855,811.96	8,701,516.59
Loss on disposal of fixed assets, intangible assets and other long-term assets (less gains)	148,043.83	64,259.90
Write-off of fixed assets (less gains)	—	—
Losses on changes in fair values (less gains)	—	—
Financial expenses (less gains)	167,247,326.62	114,666,042.94
Losses arising from investments (less gains)	(11,602,500.14)	(84,676,547.73)
Decrease in deferred tax assets (less gains)	(258,626,659.46)	(55,658,608.19)
Increase in deferred tax liabilities (less decrease)	6,155,286.72	268,669.70
Decrease in inventories (less gains)	(16,728,806,306.42)	(5,146,110,186.05)
Decrease in operating receivables (less gains)	7,378,943,106.29	(7,292,217,686.59)
Increase in operating payables (less decrease)	7,058,059,716.50	6,151,145,138.96
Others	94,106,907.27	144,009,867.96
Net cash flow from operating activities	1,530,261,223.24	(3,038,765,646.95)

Unit: RMB

Supplementary information	2011	2010
2. Significant investing and financing activities that do not involve cash receipts and payments:		
Conversion of debt into capital	—	—
Convertible bonds due within one year	—	—
Fixed assets acquired under finance leases	—	—
3. Net changes in cash and cash equivalents:		
Closing balance of cash	16,232,961,712.54	12,882,720,330.88
Less: Opening balance of cash	12,882,720,330.88	9,249,517,547.79
Add: Closing balance of cash equivalents	—	
Less: Opening balance of cash equivalents	—	
Net increase in cash and cash equivalents	3,350,241,381.66	3,633,202,783.09

(2) ***Information related to cash flows from acquisition or disposal of subsidiaries and other operating companies during the year***

Unit: RMB

Items	2011	2010
(1) Information related to cash flows from acquire of subsidiaries and other operating companies during the year:		
1. Acquire price of subsidiaries and other operating companies	12,589.14	338,214,900.00
2. Cash and cash equivalents received from acquire of subsidiaries and other operating companies	12,589.14	330,564,900.00
Less: cash and cash equivalents held by the subsidiaries and other operating companies	7,467,452.24	8,681,176.98
3. Net cash inflow on acquire of subsidiaries and other operating companies *(Note)*	(7,454,863.10)	321,883,723.02
4. Net assets of subsidiaries acquired	(1,212,263.79)	321,152,293.33
Current assets	499,508,428.24	1,082,035,556.87
Non-current assets	390,075.11	4,185,079.16
Current liabilities	501,110,767.14	765,068,342.70
Non-current liabilities	—	—

Unit: RMB

Items	2011	2010
(2) Information related to cash flows from disposal of subsidiaries and other operating companies during the year:		
1. Disposal price of subsidiaries and other operating companies	500,000.00	—
2. Cash and cash equivalents received from disposal of subsidiaries and other operating companies	500,000.00	92,281.71
Less: cash and cash equivalents held by the subsidiaries and other operating companies	541,722.41	92,281.71
3. Net cash inflow on disposal of subsidiaries and other operating companies	(41,722.41)	—
4. Net assets of subsidiaries disposed of	540,453.25	19,972,281.71
Current assets	391,904,266.41	19,972,281.71
Non-current assets.	240,000,000.00	—
Current liabilities	631,363,813.16	—
Non-current liabilities	—	—

Note: The substance of the subsidiaries acquired per above is the acquisitions of assets in essence (i.e. acquiring the land resources) in the form of share transfer, thereby, related cash flows are recognized as cash flows from operating activities in the consolidated cash flow statements.

(3) ***Cash and Cash Equivalents***

Unit: RMB

Items	Closing balance	Opening balance
(1) Cash	16,232,961,712.54	12,882,720,330.88
Including: Cash on hand.	4,384,931.89	2,600,926.89
Bank demand deposits. . . .	16,228,576,780.65	12,880,119,403.99
Other monetary funds that can be readily withdrawn on demand.	—	—
Governable deposits in Central Bank.	—	—
Deposit from other banks . .	—	—
Loan from other banks	—	—
(2) Cash equivalents	—	—
Including: Investment in debt securities due within three months	—	—
(3) Cash and cash equivalents balances .	16,232,961,712.54	12,882,720,330.88

(VII) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

1. Details of the Parent Company of the Company

The Company had no parent company.

2. Details of the Subsidiaries of the Company

The details of the subsidiaries of the Company are shown in Note (V).

3. Details of the Associates and Joint Ventures of the Company

The details of the associates and jointly ventures of the Company are shown in Note VI (7) and Note VI (8).

4. Details of the Related Parties of the Company

Names of other related parties	Relationship between other related parties and the Company	Company code
Directors, general managers and vice general managers, etc.	Key management personnel	Not applicable

5. Details of Related Party Transactions

(1) *Related party transactions in respects of sales and purchase of products, or rendering and accepting services*

Unit: RMB

Related parties	The content of related parties transaction	Pricing method and policies process of related parties transactions	2011 Amount	2011 Proportion to similar transaction amounts (%)	2010 Amount	2010 Proportion to similar transaction amounts (%)
Shenzhen Gemdale Dabaihui Real Estate Development Co., Ltd..	Consulting Service	Implement according to agreement	2,000,000.00	29	2,000,000.00	100
UBS/Gemdale Investment Management Limited . .	Consulting Service	Implement according to agreement	4,876,670.93	71	–	–
Tianjin Wenying Equity Investment Funds Ltd. (Limited Partnership) . .	Management Service	Implement according to agreement	2,936,067.46	44	–	–
Tianjin Wenyu Equity Investment Funds Ltd. (Limited Partnership) . .	Management Service	Implement according to agreement	3,765,404.19	56	–	–

(2) *Related parities' guarantee*

Unit: RMB

Warrantor	Warrantee	Guaranteed amount	Starting date of guarantee	Due date of guarantee	Guarantee terminated or not
The Company .	Shenzhen Gemdale Dabaihui Real Estate Development Co., Ltd.	140,000,000.00	2009.05.25	2011.04.01	Yes
The Company .	Shenzhen Gemdale Dabaihui Real Estate Development Co., Ltd.	138,250,000.00	2010.07.15	2014.01.21	No
The Company .	Shenzhen Gemdale Dabaihui Real Estate Development Co., Ltd.	28,000,000.00	2011.11.30	2015.05.29	No

Note: Shenzhen Gemdale Dabaihui Real Estate Development Co., Ltd., an associate of the Company, was engaged in the development of Shenzhen Gangxia Old City Reconstruction Project. The Company's subsidiary SZ Gemdale Old City Reconstruction Co., Ltd. holds 35% of the share of Shenzhen Gemdale Dabaihui Real Estate Development Co., Ltd. The Company provides direct interest-bearing loan or loan guarantee (provided the accumulated amounts of these two types of support within the limit of RMB600,000,000.00) to Shenzhen Gemdale Dabaihui Real Estate Development Co., Ltd., all of its shareholders simultaneously provide direct interest-bearing loan or loan guarantee in proportion of their shareholdings in Shenzhen Gemdale Dabaihui Real Estate Development Co., Ltd. This proposal has been approved both in the Board of Directors' Meeting held on April 8, 2009 and in the shareholders' meeting held on April 24, 2009. Up to December 31, 2011, the Company has provided Joint-liability loan guarantee of RMB166,250,000.00 to Shenzhen Gemdale Dabaihui Real Estate Development Co., Ltd., while Shenzhen Junwei Property Co., Ltd., the Minority Interest in SZ Gemdale Old City Reconstruction Co., Ltd., has provided counter-guarantee to the Company through the mortgage of its 40% of shares in SZ Gemdale Old City Reconstruction Co., Ltd.

(3) *Related Party Equity Transactions*

The Gemdale's associated company, Wenyu (Tianjing) Equity Investment Fund Partnerships (Limited Partnership), injected additional RMB298,362,700.00 capital to the Gemdale's subsidiary, Cixi Jinqi Real Estate Development Co., Ltd. After the capital increment, Wenyu (Tianjing) Equity Investment Fund Partnerships (Limited Partnership) account for 33.68% of the registered capital of Cixi Jinqi Real Estate Development Co., Ltd. Detail information is available in Notes (V), 1.6.

The Gemdale's associated company, Wenying (Tianjing) Equity Investment Fund Partnerships (Limited Partnership), injected additional RMB34,750,000.00 capital to the Gemdale's subsidiary, Beijing Gemdale Weisheng Real Estate Development Co., Ltd. Detail information is available in Notes (V), 1.16.

(4) ***Compensation for key management personnel***

Unit: RMB (000')

Item	2011	2010
Compensation for key management personnel	27,760	14,033

6. Amounts due to/due from related parties

Unit: RMB

Item	Related parties	Closing balance	Opening balance
Other Receivable . .	Shenzhen Gemdale Dabaihui Real Estate Development Co., Ltd.	297,500,000.00	262,500,000.00
Other Payable	UBS/Gemdale China Real Estate Fund I, L.P.	—	35,696,354.10
Advances from customers	Tianjin Wenying Equity Investment Funds Ltd. (Limited Partnership)	3,314,848.40	—
Advances from customers	Tianjin Wenyu Equity Investment Funds Ltd. (Limited Partnership)	3,861,725.31	—

(VIII) SHARE-BASED PAYMENTS

1. Summary of share-based payments

Unit: RMB

	2011	2010
Total amounts of the Company's equity instruments granted during the period	—	178,866,000.00
Total amounts of the Company's equity instruments vested during the period	—	—
Total amounts of the Company's equity instruments lapsed during the period	13,104,000.00	32,130,000.00
Total amounts of equity instruments outstanding at the end of the period	133,632,000.00	146,736,000.00
Total amounts of equity instruments exercisable at the end of the period	26,726,400.00	—
Range of exercise price and remaining contractual life of the Company's share options outstanding at the end of the period	The exercise price is RMB 7.79 and the share options are effective for a period of 7 years from grant day. The remaining contractual life is 5.25 years at current year end.	The exercise price is RMB 7.79 and the share options are effective for a period of 7 years from grant day. The remaining contractual life is 6.25 years at current year end.
Range of exercise price and remaining contractual life of the Company's other equity instruments outstanding at the end of the period	—	—

Explanations of share-based payments

Range of exercise price and remaining life of each type of equity instrument outstanding at the end of the year related to share-based payments:

Share-based payment plan	Equity instrument	Range of exercise price	Remaining contractual life
A share options plan of Gemdale Corporation	Share options	7.79	The share options are effective for a period of 7 years from grant day. The remaining contractual life is 5.25 years at current year end.

2. Equity-settled share-based payments

Unit: RMB

	2011	2010
The method of determining the fair value of equity instruments at the grant date.	—	Black-Scholes Model
The method of determining the best estimate of the number of equity instruments expected to be vested.	—	At each balance sheet date during the vesting period, the Company makes the best estimate according to the subsequent latest information of change in the number of employees who are granted with options that may vest, etc. and revises the number of equity instruments expected to vest.
Reasons for the significant difference between the estimate in the current period and that in the prior period.	Nil	Nil
Amounts of equity-settled share-based payments accumulated in capital reserve	228,499,975.36	137,446,437.82
Total expense recognised arising from equity-settled share-based payments.	94,106,907.27	144,009,867.96

Explanations of equity-settled share-based payments

The method of determining the fair value of equity instruments

Fair values are calculated by using Black-Scholes Model and the inputs to the model are as follows:

Unit: RMB

	2011	2010
Weighted average share price.	—	13.96
Weighted average exercise price. . . .	—	14.12
Expected fluctuation	—	42.32%
Expected life	—	5 years
Risk-free interest rate.	—	2.6968%
Expected dividend yield	—	0.75%

The estimated movements were calculated by the stock price movements in last five years. The estimated exercising years was calculated based on the best estimations of the managements and the board and adjusted the model for the effects of non-transferability, exercise restrictions, and exercise patterns.

(IX) CONTINGENCIES

1. The contingent liabilities arising from pending litigations and pending arbitrations and its financial effect

At the end of the year, the Company had no significant pending litigations and pending arbitrations.

2. The contingent liabilities arising from guarantees provided to other companies and its financial effect

(1) As at December 31, 2011, the outstanding guaranteed amount, which was provided by the Company and its subsidiaries for the commercial residential property with mortgage guarantee for the secured bank borrowings, was RMB1,715,136,000.00. It was believed that the above guarantees have low risk to the Company since no any default of contracts incur so far.

(2) The Company had provided joint-liability guarantee for bank loans of RMB306,250,000.00 raised by Shenzhen Gemdale Dabaihui Real Estate Development Co., Ltd., while Shenzhen Junwei Property Co., Ltd., the Minority Interests in SZ Gemdale Old City Reconstruction Co., Ltd., had provided counter-guarantee to the Company through mortgage of its 40% of equity interest in SZ Gemdale Old City Reconstruction Co., Ltd.

(X) COMMITMENTS

1. Significant Commitments

(1) *Capital commitments*

Unit: RMB'000

	Closing balance	Opening balance
Capital commitments contracted but not recognised in the financial statements:		
— Commitment for acquisition of long-term assets	—	—
— Significant outsourcing contracts	—	—
— Real estate development project	13,070,511	5,915,146
— External investment commitment	—	—
Total	13,070,511	5,915,146

(2) *Operating lease commitments*

As of the balance sheet date, the Company has the following commitments in respect of non-recoverable operating leases:

Unit: RMB'000

	Closing balance	Opening balance
Minimum lease payments under non-cancellable operating leases:		
1st year subsequent to the balance sheet date	5,584	10,108
2nd year subsequent to the balance sheet date	5,128	10,402
3rd year subsequent to the balance sheet date	1,897	9,445
Subsequent periods	1,247	1,539
Total	13,856	31,494

(3) *Other commitments*

In November 2009, the Company and Pingan Trust Investing Co., Ltd. entered into an agreement of Real Estate Investment Trust Fund, which stipulated that, PING AN Trust Investing Co., Ltd. provided fund total of RMB1,617,000,000.00 to Shanghai Jinheng Real Estate Development Co., Ltd. through publicly issued trust, of which, amount of RMB817,000,000.00 (with a term of 1.5 years at 8.5% p.a., or extended term of 2 years at 9.5% p.a.) through funds from prioritized trust served as a project loan, while amount of RMB800,000,000.00 (with a term of 3 years) served as capital injection. The prioritized trust had been repaid this year. Shanghai Jinheng Real Estate Development Co., Ltd. was engaged in the development of Land of Shanghai Qingpu District Zhaoxiang area.

According to the Trust Interest Transfer Contract simultaneously signed between the above two parties, the Company was liable to purchase the beneficial interest of Trust, at the moment when Shanghai Jinheng Real Estate Development Co., Ltd. cleared all the above project loan and its associated interest, and when all other conditions also met. It was believed that, based on future profit and cash flow forecast at current stage, the pace of project development and sales was in-line with the term of Trust, and consideration of the beneficial interest of Trust was expected to be insignificant according to the calculation method agreed on the contract.

(XI) EVENTS AFTER THE BALANCE SHEET DATE

1. Description of Significant Events after the Balance Sheet Date

Item	Explanation	Effects on the financial positions and operating results	Reasons for not being able to estimate such effects
Interest payment for corporate bonds	On March 5, 2012 the Company announced that, as stated in "explanatory document of Gemdale Corporation's public issue of bonds", the Company will pay the interest for the period from March 10, 2011 to March 9, 2012 on March 12, 2012.	Result in decrease of balances of RMB 66 million in both accounts of Currency Funds and Interest Payable.	Not applicable

2. Description of Profit Appropriation after the Balance Sheet Date

Unit: RMB

	Amount
Proposed dividends	304,062,582.90
Distribution of dividends as approved	Pending for approval in shareholders' meeting

(XII) OTHER SIGNIFICANT EVENTS

1. Borrowing Costs

Unit: RMB

Items	Amount of borrowing costs capitalised during the year	Capitalisation rate
Inventories.	1,473,574,334.52	5.5449%
Bearer biological assets	—	
Welfare biological assets	—	
Construction in progress	—	
Intangible assets	—	
Sub-total of borrowing costs capitalised during the year	1,473,574,334.52	
Borrowing costs recognised in profit or loss during the year	128,239,630.54	
Total borrowing costs.	1,601,813,965.06	

2. Segment Reporting

Based on the Company's internal organization framework, administrative needs and internal reporting system, four reporting segments are identified. The Company's executive management periodically evaluates the operating results of these segments for the purposes of allocating resources and assessing performances. Each segment of the Company mainly specializes in sales of property. Information of segment reporting was disclosed on the basis of accounting policies and measurement standards employed by each segment in reporting to executive management.

These accounting policies and measurement standards are in compliance with those utilized in preparation of financial statements.

Unit: RMB

	Pearl river delta segment		Chang river delta segment		Huanbohai segment		Other segments		Unallocated items		Inter-segment elimination		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Operating income:														
Revenue arising from external transactions	4,744,809,224.66	3,387,440,996.72	6,734,291,216.06	8,741,288,713.67	4,650,931,165.74	2,338,100,175.79	7,788,474,559.16	5,125,699,895.90	—	—	—	—	23,918,506,165.62	19,592,529,782.08
Revenue arising from inter-segment transactions	170,442,722.05	171,322,496.65	57,077,029.12	21,647,402.32	12,011,038.68	5,110,075.13	29,911,733.24	300,000.00	—	—	(269,442,523.09)	(198,379,974.10)	—	—
Total operating income	4,915,251,946.71	3,558,763,493.37	6,791,368,245.18	8,762,936,115.99	4,662,942,204.42	2,343,210,250.92	7,818,386,292.40	5,125,999,895.90	—	—	(269,442,523.09)	(198,379,974.10)	23,918,506,165.62	19,592,529,782.08
Adjustment items:													—	—
Total operating income in financial statements													23,918,506,165.62	19,592,529,782.08
Operating cost	2,551,142,902.63	2,395,790,026.65	5,314,920,857.38	6,583,377,394.81	3,572,490,022.61	2,017,217,107.06	5,898,788,842.72	3,702,076,463.30	—	—	175,735,502.04	(172,586,032.46)	17,513,078,127.38	14,525,874,959.36
Segmental operating profit (loss)	2,364,109,044.08	1,162,973,466.72	1,476,447,387.80	2,179,558,721.18	1,090,452,181.81	325,993,143.86	1,919,597,449.68	1,423,923,432.60	—	—	(445,178,025.13)	(25,793,941.64)	6,405,428,038.24	5,066,654,822.72
Adjustment items:														
Interest expenses	1,438,521,278.85	945,428,161.82	—	—	—	—	—	—	—	—	—	—	1,438,521,278.85	945,428,161.82
Gains from changes in fair values	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Investment income	1,420,278,117.90	2,124,747,407.88	22,500,000.00	—	(164,961.03)	123,000,000.00	236,382,896.37	71,307,691.95	—	—	(1,667,393,553.10)	(2,234,378,552.10)	11,602,500.14	84,676,547.73
Operating profit	2,345,865,883.13	2,342,292,712.78	1,498,947,387.80	2,179,558,721.18	1,090,287,220.78	448,993,143.86	2,155,980,346.05	1,495,231,124.55	—	—	(2,112,571,578.23)	(2,260,172,493.74)	4,978,509,259.53	4,205,903,208.63
Non-operating income	5,321,990.11	1,784,398.29	10,723,781.83	10,334,413.93	11,819,810.70	11,707,307.89	2,478,821.11	1,097,459.38	—	—	—	—	30,344,403.75	24,923,579.49
Non-operating expenses	6,162,356.96	1,455,704.15	4,304,540.80	2,300,375.90	124,911.44	309,077.92	3,933,529.34	520,372.73	—	—	—	—	14,525,338.54	4,585,530.70
Total Profit	2,345,025,516.28	2,342,621,406.92	1,505,366,628.83	2,187,592,759.21	1,101,982,120.04	460,391,373.83	2,154,525,637.82	1,495,808,211.20	—	—	(2,112,571,578.23)	(2,260,172,493.74)	4,994,328,324.74	4,226,241,257.42
Income tax expenses	284,806,850.02	80,406,550.62	374,012,247.49	553,231,532.39	207,282,648.25	87,823,002.28	480,352,604.94	361,670,010.67	—	—	(93,000,619.63)	10,274,657.13	1,253,453,731.07	1,093,405,753.09
Net profit	2,060,218,666.26	2,262,214,856.30	1,131,354,381.34	1,634,361,226.82	894,699,471.79	372,568,371.55	1,674,173,032.88	1,134,138,200.53	—	—	(2,019,570,958.60)	(2,270,447,150.87)	3,740,874,593.67	3,132,835,504.33
Segmental Total Assets	63,102,887,349.17	54,107,122,355.65	39,558,745,999.30	28,465,743,216.84	14,513,353,776.69	11,714,948,601.66	21,906,610,770.50	16,334,570,859.67	—	—	(49,358,013,355.90)	(38,309,421,822.84)	89,723,584,539.76	72,312,963,210.98
Adjustment items:													776,469,683.64	503,574,272.23
Total Assets in financial statements	63,431,922,559.39	54,392,219,769.98	39,709,149,494.86	28,566,567,556.33	14,584,145,603.95	11,786,692,684.11	22,008,482,885.32	16,346,530,759.60	—	—	(49,233,646,320.12)	(38,275,473,286.81)	90,500,054,223.40	72,816,537,483.21
Segmental Total Liabilities	24,033,540,632.44	22,493,990,400.51	32,446,454,143.24	22,207,456,284.03	11,333,152,672.76	9,268,199,129.18	15,880,370,499.24	11,762,478,762.53	—	—	(48,980,925,765.98)	(38,338,658,974.97)	34,712,592,181.70	27,393,465,601.28
Adjustment items:													29,645,683,349.62	24,417,471,374.67
Total Liabilities in Financial statements	53,806,143,869.56	46,043,109,174.51	32,476,454,143.24	23,024,456,284.03	11,403,153,776.69	9,313,734,698.38	15,880,370,499.24	11,762,478,762.53	—	—	(49,207,846,757.41)	(38,332,841,943.50)	64,358,275,531.32	51,810,936,975.95
Supplementary information:														
Depreciation and Amortization	19,224,169.52	7,344,787.07	4,271,700.41	4,237,811.08	33,441,802.27	2,360,009.75	5,451,076.13	3,585,181.48	—	—	—	—	62,388,748.33	17,527,789.38
Impairment losses recognized in current period	8,503,006.10	19,426,204.49	130,991.59	173,948.34	7,092,621.35	8,421,583.71	1,129,192.92	672,863.61	—	—	—	—	16,855,811.96	28,694,600.15
Interest income	1,873,627,238.10	1,230,918,322.02	19,802,523.45	19,430,090.47	40,936,753.07	37,402,292.03	19,679,440.77	5,001,284.33	—	—	(1,783,178,253.12)	(1,169,812,462.83)	170,867,702.27	122,939,526.02
Interest expenses	1,585,204,048.20	1,041,974,969.75	2,954,672.57	121,990,129.00	67,916,524.14	92,804,648.84	15,568,039.44	9,424,600.26	—	—	(1,543,403,653.81)	(1,169,812,462.83)	128,239,630.54	96,381,885.02
Impairment loss recognized during the year	1,644,921.79	(1,724,523.53)	584,011.25	1,171,089.78	600,334.25	25,155.43	1,687,880.78	(48,786,213.39)	—	—	—	—	4,517,148.07	(49,314,491.71)
Investment income recognized from Long-term equity investments accounted for using the equity method	8,650,050.21	13,231,763.71	—	—	(364,961.03)	—	—	71,310,514.91	—	—	—	—	8,285,089.18	84,542,278.62
The amount of Long-term equity investments accounted for using the equity method	84,050,904.92	140,273,900.72	—	—	9,501,672.64	3,600,000.00	—	—	—	—	—	—	93,552,577.56	143,873,900.72
Non-current assets other than Long-term equity investments	142,424,044.11	245,452,398.38	11,131,932.70	110,089,497.88	1,289,664,104.43	1,374,576,947.67	51,413,675.82	37,000,497.22	—	—	(9,215,148.00)	32,377,319.00	1,485,418,609.06	1,799,496,660.15
Capital expenditures	92,421,286.54	17,596,451.70	6,498,025.30	5,925,802.55	26,223,849.96	8,364,785.63	32,975,331.08	7,727,065.45	—	—	—	—	158,118,492.88	39,614,105.33
Including:														
Construction in progress	65,216,869.32	1,745,765.55	—	—	—	—	—	—	—	—		—	65,216,869.32	1,745,765.55
Purchase of Fixed Assets	23,619,238.91	13,318,923.15	6,383,871.30	5,832,802.55	4,130,413.29	4,374,080.92	32,286,909.08	4,954,325.25	—	—		—	66,420,432.58	28,480,131.87
Purchase of Intangible Assets	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Non-cash expenses other than depreciation and amortization	82,607,525.98	91,272,835.68	7,542,802.66	19,326,511.56	1,027,411.44	14,109,981.01	2,929,167.19	19,300,539.71	—	—	—	—	94,106,907.27	144,009,867.96

3. Financial Instruments and Risk Management

The Company's major financial instruments include equity investments, borrowings, account receivables, account payables, etc. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(1) *Risk management objectives and policies*

The Company's risk management objectives are to achieve proper balance between risks and yield, minimize the adverse impacts of risks on the performance of the Company's operations, and maximize the benefits of the shareholders and other equity investors. Based on these risk management objectives, the Company's basic risk management strategy was to identify and analyze the Company's exposure to various risks, establish appropriate bottom line for risk tolerance, implement risk management, and to ensure appropriate measures are implemented on a timely and effective manner to monitor these exposures within certain limits.

1.1 *Market Risk*

1.1.1 Currency Risk

Currency risk is the risk that losses will occur because of changes in foreign exchange rates. The Company's exposure to the currency risk is primarily associated with USD and HKD. Other than the Company's certain subsidiaries with borrowings denominated in USD, the Company's other principal activities are denominated and settled in RMB. As at December 31, 2011, the Company's assets and liabilities are all denominated in RMB except those in USD and HKD set out below. Currency risk arising from these assets and liabilities denominated in foreign currencies may have impact on the Company's performance.

Unit: RMB

Items	Closing balance	Opening balance
Cash and cash equivalents (HKD)	841,704,244.60	3,451,934.84
Cash and cash equivalents (USD)	1,182,268,722.11	1,018,763,890.59
Cash and cash equivalents (EUR)	28,201.44	30,426.46
Other receivables (HKD)	74,282.82	25,732.91
Other receivables (USD)	38,236,507.45	6,057,088.37
Other payables (HKD)	6,144,072.31	17,018.00
Other payables (USD)	71,576,650.00	261,680,222.56
Short-term loans (HKD)	158,086,500.00	—
Short-term loans (USD)	491,360,046.81	—
Long-term loans (USD)	5,273,853,166.41	3,824,609,367.76

The Company closely monitors the effects of changes in the foreign exchange rates on the Company's currency risk exposure. The Company currently does not take any measures to hedge against currency risk exposure.

1.1.2 Interest risk — risk of changes in cash flows

The Company's loans are mainly denominated in RMB and supplemented with loans in foreign currencies. Foreign currency loans are mainly USD loans with floating rate of interest. Their interest rates will not be influenced by base rate adjusted by the People's Bank of China. As for RMB loans, the Company arranges for suitable proportion of short-term loans and long-term loans.

1.2 *Credit Risk*

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

- The carrying amount of the respective recognized financial assets as stated in the consolidated balance sheet;

- The amount of financial guarantees contract disclosed in Note (IX) "Contingencies".

For the reasons that, no default of contract happens so far, and fair values of these properties are higher than their sold amounts, it is believed that the above guarantee represents little risk to the Company.

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

The Company had adopted a policy of only dealing with creditworthy counterparties. The Company had no significant concentration of credit risk.

1.3 *Liquidity Risk*

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

The following is the maturity analysis for financial assets and financial liabilities held by the Company which is based on undiscounted remaining contractual obligations:

Unit: RMB

	Within 1 year	1–5 years	Over 5 years
Financial Assets:			
Cash and cash equivalents	18,638,387,570.90	–	–
Account receivables.	3,423,269.40	–	–
Other receivables	2,057,607,965.25	–	–
Other current assets	1,006,883,333.33	–	–
Financial Liabilities:			
Short-term loans	(2,348,182,190.11)	–	–
Account payables	(5,785,707,445.44)	–	–
Interest payable	(76,283,554.54)	–	–
Dividends payable	(32,189,545.93)	–	–
Other payables	(4,331,203,133.39)	–	–
Long-term loan due within one year	(12,481,863,440.45)	–	–
Other current liabilities	(3,052,296.54)	–	–
Long-term loan	–	(15,473,953,226.63)	–
Bonds payable	(13,383,300.00)	(1,464,000,000.00)	–

(2) ***Fair Value***

Fair values of the 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 on active markets are determined with reference to quoted market bid prices and ask prices respectively;

- The fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions;

- The fair value of derivative instruments are determined with reference to quoted market prices. Where such quoted prices are not available, the fair value of a non-option-based derivative is estimated using discounted cash flow analysis and the applicable yield curve. For an option-based derivative, the fair value is estimated using option pricing model (for example, the binomial model).

The management considers that the carrying amounts of financial assets and financial liabilities stated at amortized cost in the financial statements approximate their fair values.

(3) ***Sensitivity analysis***

The Company adopts sensitivity analysis techniques to analyze how the entity's profit and loss for the period and owners' equity would have been affected by changes in the relevant risk variables that were reasonably possible. As it is unlikely that risk variables will change in an isolated manner, and the interdependence between risk variables will have significant effect on the amount ultimately influenced by the changes in a single risk variable, the following items are based on the assumption that each risk variable has changes on a stand-alone basis.

3.1 *Currency risk*

3.1.1 The assumption for the sensitivity analysis on currency risk is that all the cash flow hedges and hedges of a net investment in a foreign operation are highly effective.

3.1.2 On the basis of the above assumption, where all other variables are held constant, the reasonably possible changes in the foreign exchange rate may have the following pre-tax effect on the profit or loss for the period or equity:

Unit: RMB

		2011		2010	
Item	Changes in exchange rate	Effects on profits	Effects on equity	Effects on profits	Effects on equity
All foreign currencies	5% increase against RMB	(196,935,423.86)	(196,935,423.86)	(150,836,284.35)	(150,836,284.35)
All foreign currencies	5% decrease against RMB	196,935,423.86	196,935,423.86	150,836,284.35	150,836,284.35

3.2 *Sensitivity analysis on interest rate risk*

3.2.1 The sensitivity analysis on interest rate risk is based on the following assumptions:

- Changes in the market interest rate may influence the interest income or expense of the variable rate financial instruments;
- For fixed rate financial instruments measured at fair value, changes in the market interest rate only influence their interest income or expense;
- For derivative financial instruments designated as hedging instruments, changes in the market interest rate influence their fair values, and all the hedges of interest rate risk are expected to be highly effective;
- Changes in the fair value of derivative financial instruments and other financial assets and liabilities are calculated at the market interest rate as at the balance sheet date, using the method of discounted cash flow analysis.

3.2.2 On the basis of the above assumptions, where all other variables are held constant, the reasonably possible changes in the interest rate may have the following pre-tax effect on the profit or loss for the period or equity:

Unit: RMB

Item	Changes in Interest Rate	2011 Effects on profit	2011 Effects on equity	2010 Effects on profit	2010 Effects on equity
External borrowings . . .	1% increase	(25,891,664.81)	(25,891,664.81)	(17,564,882.57)	(17,564,882.57)
External borrowings . . .	1% decrease	25,891,664.81	25,891,664.81	17,564,882.57	17,564,882.57

(XIII) NOTES TO KEY ITEMS IN THE PARENT'S FINANCIAL STATEMENTS

1. Other Receivables

(1) The composition of other receivables is as follows:

Unit: RMB

Categories	Closing balance				Opening balance			
	Carrying amount		Bad debt provision		Carrying amount		Bad debt provision	
	Amount	Proportion (%)	Amount	Percentage (%)	Amount	Proportion (%)	Amount	Percentage (%)
Other receivable that are individually significant and for which bad debt provision has been assessed individually	–	–	–	–	–	–	–	–
Other receivable for which bad debt provision has been assessed by portfolios								
Other receivables that are significant with the impairment tests performed individually but for which bad debt provision is not assessed	33,675,150,165.27	99.99	–	–	28,347,815,737.13	99.98	–	–
Other receivables that use percentage of total receivables outstanding for bad debt provision	3,219,082.75	0.01	160,954.14	5.00	5,047,521.22	0.02	252,376.06	5.00
Subtotal of portfolios . .	33,678,369,248.02	100.00	160,954.14	–	28,352,863,258.35	100.00	252,376.06	–
Other receivable that are not individually significant but for which bad debt provision has been assessed individually	–	–	–	–	–	–	–	–
Total	33,678,369,248.02	100.00	160,954.14	–	28,352,863,258.35	100.00	252,376.06	–

Note to other receivables:

Individually significant accounts are other receivables with individual amount of and more than RMB5,000,000.00.

The ageing analysis of other receivables is as follows:

Unit: RMB

	Closing balance				Opening balance			
Ageing	Amount	Proportion	Bad debts provision	Carrying amount	Amount	Proportion	Bad debts provision	Carrying amount
		(%)				(%)		
Within 1 year . . .	33,677,931,780.95	100.00	139,080.78	33,677,792,700.17	28,352,425,791.28	100.00	230,502.70	28,352,195,288.58
1 to 2 years	90,366.14	–	4,518.31	85,847.83	103,028.19	–	5,151.41	97,876.78
2 to 3 years	12,662.05	–	633.10	12,028.95	–	–	–	–
Over 3 years. . . .	334,438.88	–	16,721.95	317,716.93	334,438.88	–	16,721.95	317,716.93
Total.	33,678,369,248.02	100.00	160,954.14	33,678,208,293.88	28,352,863,258.35	100.00	252,376.06	28,352,610,882.29

The composition of the bad debt provision using the percentage of account balance for other receivable:

Unit: RMB

The composition	Closing balance	The percentage	Bad Debt Provision
		(%)	
Other insignificant other receivable . . .	3,219,082.75	5.00	160,954.14

(2) There are no other receivables due from shareholders of the Company who hold 5% and more than 5% of shares of the Company.

(3) Top five outstanding amounts of other receivables:

Unit: RMB

Debtors	Relations with the Company	Amount	Aging	Proportion of the outstanding amounts to the total other receivables
				(%)
Hangzhou Gemdale Xianghu Real Estate Development Co., Ltd.	The Company's subsidiary	3,146,627,701.97	Within 1 year	9.34
Shanghai Hangjin Real Estate Development Co., Ltd.	The Company's subsidiary	2,620,756,641.96	Within 1 year	7.78
Shanghai Jinheng Real Estate Development Co., Ltd.	The Company's subsidiary	2,493,960,428.30	Within 1 year	7.41
Beijing Gemdale Huida Real Estate Development Co., Ltd.	The Company's subsidiary	2,178,376,475.75	Within 1 year	6.47
Gemdale Corporation Nanjing Real Estate Development Co., Ltd.	The Company's subsidiary	1,860,257,124.52	Within 1 year	5.52
Total		12,299,978,372.50		36.52

2. Long-term Equity Investments

(1) Details of long-term equity investments are as follows:

Unit: RMB

Name of investee	Initial investment cost	Opening balance	Movements	Closing balance	% of ownership held by the Company	% of voting power held by the Company	Reasons for case where the proportion of ownership interest held by the Company is not consistent with the proportion of voting power held by the Company	Impairment	Impairment provision in current year	Cash dividends announced in current year
Under equity method										
Shanghai Pufa Gemdale Real Estate Development Co., Ltd.	4,899,980.00	32,674,493.58	1,079,331.89	33,753,825.47	49	49	N/A	–	–	–
Shanghai Hejian Assets Management Co., Ltd.	31,974,600.00	61,384,613.66	(44,595,663.02)	16,788,950.64	15	15	N/A	–	–	–
Subtotal	36,874,580.00	94,059,107.24	(43,516,331.13)	50,542,776.11				–	–	–
Under cost method										
BJ Gemdale Hongye Real Estate Development Co., Ltd.	37,000,000.00	37,557,528.84	447,732.02	38,005,260.86	70	70	N/A	–	–	–
BJ Gemdale Xingye Property Co., Ltd.	182,418,321.68	145,667,738.39	39,660,220.29	185,327,958.68	100	100	N/A	–	–	7,840,000.00
BJ Gemdale Yuanjing Real Estate Development Co., Ltd.	96,000,000.00	99,005,807.57	(982,798.15)	98,023,009.42	80	80	N/A	–	–	–
Beijing Gemdale Weisheng Real Estate Development Co., Ltd.	10,000,000.00	13,757,259.46	(1,228,497.68)	12,528,761.78	50	50	N/A	–	–	–
SZ Gemdale Property Management Co., Ltd.	49,500,000.00	52,427,545.76	1,287,057.20	53,714,602.96	99	99	N/A	–	–	7,230,000.00
SZ Gemdale Hotel Co., Ltd.	4,800,000.00	4,800,000.00	–	4,800,000.00	80	80	N/A	–	–	560,000.00
SZ Sichuang Management Consulting Co., Ltd.	900,000.00	900,000.00	–	900,000.00	90	90	N/A	–	–	–
Gemdale Corporation Shanghai Real Estate Development Co., Ltd.	45,000,000.00	45,661,762.47	(661,762.47)	45,000,000.00	100	100	N/A	–	–	100,350,000.00
Shanghai Nanxiang Garden real Estate Development Co., Ltd.	14,006,666.81	14,006,666.81	–	14,006,666.81	90	90	N/A	–	–	–
SZ Hong Gemdale Tennis Club Co., Ltd.	111,213,950.35	127,600,449.66	337,669.64	127,938,119.30	95	95	N/A	–	–	–
Shanghai Green Fengfan Real Estate Development Co., Ltd.	140,000,000.00	142,448,278.74	2,053,541.61	144,501,820.35	70	70	N/A	–	–	–
SZ Gemdale Residence Development Co., Ltd.	32,200,000.00	25,600,000.00	6,600,000.00	32,200,000.00	100	100	N/A	–	–	39,200,000.00
Gemdale Corporation Wuhan Real Estate Development Co., Ltd.	59,961,322.16	70,994,159.61	9,225,354.14	80,219,513.75	90	90	N/A	–	–	135,000,000.00
Gemdale Corporation Zhuhai Investment Co., Ltd.	27,000,000.00	27,841,487.60	(82,859.07)	27,758,628.53	90	90	N/A	–	–	–
Gemdale (Corporation) Tianjin Real Estate Development Co., Ltd.	197,200,000.00	200,784,113.86	2,878,277.35	203,662,391.21	98.6	98.6	N/A	–	–	27,608,000.00
Shenzhen Gemdale Tennis Centre Co., Ltd.	800,000.00	800,000.00	–	800,000.00	80	80	N/A	–	–	–
Famous Business Co., Ltd.	1,060,900.00	8,735,668.62	6,454,363.76	15,190,032.38	100	100	N/A	–	–	–
Guangzhou Dongling Real Estate Development Co., Ltd.	504,000,000.00	504,747,988.98	600,683.97	505,348,672.95	80	80	N/A	–	–	–
Xi'an Gemdale Property Investment Co., Ltd.	140,000,000.00	146,163,983.26	1,734,494.89	147,898,478.15	100	100	N/A	–	–	–
Dongguan Gemdale Property Investment Co., Ltd.	61,710,118.00	63,116,835.94	1,037,217.30	64,154,053.24	62.08	62.08	N/A	–	–	–
Ningbo Jinjie Real Estate Development Co., Ltd.	50,478,333.76	51,932,756.78	168,979.60	52,101,736.38	100	100	N/A	–	–	7,600,000.00
Shenzhen Gemdale Property Project Management Co., Ltd.	9,000,000.00	9,000,000.00	–	9,000,000.00	90	90	N/A	–	–	783,000.00
SZ Gemdale Old City Reconstruction Co., Ltd.	24,300,000.00	24,300,000.00	–	24,300,000.00	60	60	N/A	–	–	–
Shanghai Shenxiang Real Estate Development Co., Ltd.	20,000,000.00	20,000,000.00	–	20,000,000.00	100	100	N/A	–	–	5,400,000.00
Shenzhen Gemdale Xincheng Real Estate Development Co., Ltd.	10,000,000.00	10,000,000.00	9,365,784.37	19,365,784.37	100	100	N/A	–	–	253,000,000.00
Gemdale Corporation Nanjing Property Co., Ltd.	20,000,000.00	20,484,807.67	(484,807.67)	20,000,000.00	100	100	N/A	–	–	126,300,000.00
Zhuhai Green Investment Co., Ltd.	10,000,000.00	10,000,000.00	–	10,000,000.00	100	100	N/A	–	–	
Wuhan Ao'qiang Real Estate Development Co., Ltd.	240,330,000.00	240,330,000.00	–	240,330,000.00	100	100	N/A	–	–	30,000,000.00
Gemdale Corporation Nanjing Real Estate Development Co., Ltd.	70,000,000.00	20,865,727.99	50,695,236.07	71,560,964.06	100	100	N/A	–	–	12,100,000.00
Dongguan New Century Runcheng Industry Investment Co., Ltd.	11,730,000.00	11,730,000.00	–	11,730,000.00	51	51	N/A	–	–	15,956,615.72
Guangzhou Jiang'an Real Estate Development Co., Ltd.	27,000,000.00	27,000,000.00	–	27,000,000.00	100	100	N/A	–	–	–
Shenzhen Gemdale Industry Section Reconstruction Co., Ltd.	6,000,000.00	6,000,000.00	–	6,000,000.00	60	60	N/A	–	–	–

Unit: RMB

Name of investee	Initial investment cost	Opening balance	Movements	Closing balance	% of ownership held by the Company	% of voting power held by the Company	Reasons for case where the proportion of ownership interest held by the Company is not consistent with the proportion of voting power held by the Company	Impairment	Impairment provision in current year	Cash dividends announced in current year
Hangzhou Gemdale Zhongtian Real Estate Development Co., Ltd.	180,000,000.00	181,329,758.18	543,398.69	181,873,156.87	60	60	N/A	–	–	–
Shanghai Gemdale Jingjiu Real Estate Development Co., Ltd.	10,000,000.00	13,030,047.95	(2,436,881.61)	10,593,166.34	100	100	N/A	–	–	338,500,000.00
Hangzhou Gemdale Zizaicheng Real Estate Development Co., Ltd.	100,000,000.00	100,000,000.00	–	100,000,000.00	100	100	N/A	–	–	–
Ruijinfangrong (Beijing) Investment Consulting Co., Ltd.	500,000.00	500,000.00	–	500,000.00	100	100	N/A	–	–	–
Shenzhen Ruijintongde Investment Co., Ltd.	100,000.00	100,000.00	–	100,000.00	100	100	N/A	–	–	–
Shenzhen Gemdale Building Engineering Co., Ltd.	4,000,000.00	4,000,000.00	–	4,000,000.00	80	80	N/A	–	–	–
Shanghai Jinshen Real Estate Development Co., Ltd.	10,000,000.00	11,679,512.29	818,030.21	12,497,542.50	100	100	N/A	–	–	–
Shanghai Jinheng Real Estate Development Co., Ltd.	832,650,000.00	834,795,793.39	(426,235.38)	834,369,558.01	51	51	N/A	–	–	–
Foshan Shunde Gemdale Real Estate Development Co., Ltd.	10,000,000.00	10,000,000.00	–	10,000,000.00	100	100	N/A	–	–	–
Shenzhen Gemdale Beicheng Real Estate Development Co., Ltd.	800,000,000.00	10,000,000.00	790,000,000.00	800,000,000.00	57.14	57.14	N/A	–	–	–
Beijing Gemdale Hongyun Real Estate Development Co., Ltd.	111,000,000.00	111,000,000.00	–	111,000,000.00	70	70	N/A	–	–	41,417,689.69
Hubei Wanhao Science & Technology Development Co., Ltd.	75,180,000.00	75,180,000.00	–	75,180,000.00	70	70	N/A	–	–	–
Tianjin Tuanbohu Development Co., Ltd.	90,254,780.00	90,254,780.00	–	90,254,780.00	70	70	N/A	–	–	–
Dongguan Gemdale Baodao Property Co., Ltd.	10,000,000.00	10,000,000.00	–	10,000,000.00	100	100	N/A	–	–	–
Shaoxing Gemdale Shenxing Real Estate Development Co., Ltd.	306,000,000.00	306,688,773.19	(688,773.19)	306,000,000.00	51	51	N/A	–	–	–
Shanghai Gemdale Baoshan Real Estate Development Co., Ltd.	20,000,000.00	20,000,000.00	–	20,000,000.00	100	100	N/A	–	–	–
Shenyang Gemdale Tianbang Real Estate Development Co., Ltd.	50,000,000.00	52,103,719.00	(1,705,673.16)	50,398,045.84	100	100	N/A	–	–	17,000,000.00
Hangzhou Gemdale Xianghu Real Estate Development Co., Ltd.	504,418,113.81	504,958,328.08	433,827.31	505,392,155.39	60	60	N/A	–	–	–
Zhuhai Hejiada Investment Consulting Co., Ltd.	101,984,881.72	101,984,881.72	–	101,984,881.72	51	51	N/A	–	–	–
Yantai Jinxiangtai Real Estate Development Co., Ltd.	124,950,000.00	124,950,000.00	–	124,950,000.00	51	51	N/A	–	–	–
Cixi Jinqi Real Estate Development Co., Ltd.	587,629,162.00	60,000,000.00	528,208,891.56	588,208,891.56	66.32	66.32	N/A	–	–	–
Beijing Gemdale Rongqiao Real Estate Development Co., Ltd.	750,000,000.00	750,779,155.19	625,712.46	751,404,867.65	60	60	N/A	–	–	–
Shenzhen Gemdale Baocheng Real Estate Development Co., Ltd.	10,000,000.00	10,000,000.00	–	10,000,000.00	100	100	N/A	–	–	–
Tianjin Wenfu Equity Investment Funds Ltd. (Limited Partnership)	4,000,000.00	4,000,000.00	–	4,000,000.00	100	100	N/A	–	–	–
Hunan Jinlu Real Estate Development Co., Ltd.	80,000,000.00	80,000,000.00	–	80,000,000.00	63.82	63.82	N/A	–	–	–
Wuhan Gemdale Famous Real Estate Development Co., Ltd.	5,616,935.26	120,201,756.14	(114,584,820.88)	5,616,935.26	18.4	18.4	N/A	–	–	11,615,259.12
Shanghai Hangjin Real Estate Development Co., Ltd.	6,000,000.00	–	9,996,068.00	9,996,068.00	60	60	N/A	–	–	–
Wuhan Gemdale Huigu Real Estate Co., Ltd.	45,000,000.00	–	45,000,000.00	45,000,000.00	90	90	N/A	–	–	–
Changzhou Jinkun Real Estate Development Co., Ltd.	20,000,000.00	–	21,311,209.81	21,311,209.81	100	100	N/A	–	–	–
Changzhou Jinjiu Real Estate Development Co., Ltd.	20,000,000.00	–	20,000,000.00	20,000,000.00	100	100	N/A	–	–	–
Shenzhen Gemdale Longcheng Real Estate Development Co., Ltd.	10,000,000.00	–	10,000,000.00	10,000,000.00	100	100	N/A	–	–	–
Beijing Gemdale Huida Real Estate Development Co., Ltd.	20,000,000.00	–	20,000,000.00	20,000,000.00	100	100	N/A	–	–	–
Gemdale Corporation Nanjing Jinjiu Real Estate Development Co., Ltd.	20,000,000.00	–	20,874,139.87	20,874,139.87	100	100	N/A	–	–	–
Shanghai Chengjinjianhao Equity Investment Co., Ltd.	59,200,000.00	–	59,200,000.00	59,200,000.00	10	10	N/A	–	–	–
Subtotal	7,192,093,485.55	5,771,797,073.14	1,509,274,780.86	7,281,071,854.00						1,177,460,564.53
Total of long-term equity investments	7,228,968,065.55	5,865,856,180.38	1,465,758,449.73	7,331,614,630.11						1,177,460,564.53

Note: For detail, please refer to Note (V) 1 and Note (VI) 8.

(2) Details and key financial information of joint ventures and associates

Unit: RMB

Name of investee	Type of company	Place of incorporation	representative of artificial person	Business nature	Registered capital	% of ownership held by the Company	% of voting power held by the Company	Total assets of the investee at current year end	Total liabilities of the investee at current year end	Total net assets of the investee at current year end	Total revenue of the investee for current year	Total net profit of the investee for current year
Associates:												
Shanghai Pufa Gemdale Real Estate Development Co., Ltd.	Limited company	Shanghai	Ge peijian	Real estate development	10,000,000.00	49	49	90,134,525.41	21,249,167.30	68,885,358.11	6,768,708.80	2,202,718.16
Shanghai Hejian Assets Management Co., Ltd.. .	Limited company	Shanghai	JOHN LANGLOIS	Assets management	213,163,600.00	15	15	111,934,528.62	8,191.00	111,926,337.62	–	3,227,365.23

(3) There is no restriction in the ability of the investees to transfer funds to the Company at December 31, 2011.

3. Operating Income and Cost

(1) *Operating income*

Unit: RMB

Items	2011	2010
Principal operating income	375,013,551.93	540,714,017.76
Other operating income	2,000,000.00	2,000,000.00
Operating cost.	310,256,063.59	145,916,391.56

(2) *Principal operating income (by industry)*

Unit: RMB

	2011		2010	
Industry	Operating income	Operating cost	Operating income	Operating cost
Revenue from sales of properties	299,816,813.57	299,415,259.09	433,684,866.00	132,158,184.97
Property lease income .	18,968,394.04	10,840,804.50	22,303,982.63	13,497,984.27
Others.	56,228,344.32	—	84,725,169.13	260,222.32
Total	375,013,551.93	310,256,063.59	540,714,017.76	145,916,391.56

4. Investment Income

(1) *Details of investment income*

Unit: RMB

Items	2011	2010
Long-term equity investment income recognised under equity method	9,758,668.86	19,620,896.16
Dividend from investment carried at cost	1,177,460,564.53	2,065,655,769.65
Gains/losses on disposal of long-term equity investments	(26,856,630.96)	(25,406.64)
Gains/losses on disposal of held-to-maturity investments	3,117,410.96	134,269.11
Gains/losses on held-for-trading financial assets	—	—
Total	1,163,480,013.39	2,085,385,528.28

(2) *Long-term equity investment income recognised under equity method*

Unit: RMB

Name of investee	2011	2010	Reasons for fluctuation
Shanghai Pufa Gemdale Real Estate Development Co., Ltd.	1,079,331.89	2,330,398.73	—
Shanghai Hejian Assets Management Co., Ltd.	8,679,336.97	(994,249.99)	—
Wuhan Gemdale Famous Real Estate Development Co., Ltd.	—	18,284,747.42	Became a subsidiary of the Company
Total	9,758,668.86	19,620,896.16	

5. Particulars of material transactions between the company and above related parties during the year are as follows

(1) *Borrowings and lendings of funds*

The Company sets up a funds settlement center to manage and control funds within the Group. Each subsidiary is entitled to borrow money from the funds settlement center depending on progress of development project and a fee for using the funds is charged by the parent company.

(2) *Current account balances with related parties*

Unit: RMB

Account	Related parties	Closing balance	Opening balance
Other receivables	SZ Sichuang Management Consulting Co., Ltd.	14,652,283.35	12,601,615.87
	SZ Gemdale Tennis Center Co., Ltd.	7,308,287.06	1,808,287.06
	Shenzhen Gemdale Property Project Management Co., Ltd.	20,400.00	–
	SZ Gemdale Old City Reconstruction Co., Ltd.	161,101,754.73	196,563,864.07
	Shenzhen Ruijintongde Investment Co., Ltd.	325.00	325.00
	Shenzhen Gemdale Beicheng Real Estate Development Co., Ltd.	1,772,023,460.26	2,720,485,378.33
	Shenzhen Gemdale Baocheng Real Estate Development Co., Ltd.	719,640,924.44	650,104,038.00
	Guangzhou Dongling Real Estate Development Co., Ltd.	476,308,972.63	161,073,936.56
	Dongguan Gemdale Baodao Real Estate Development Co., Ltd.	1,707,746,517.09	1,307,160,770.08
	Dongguan Gemdale Property Investment Co., Ltd.	83,900,540.85	128,110,222.56
	Dongguan New Century Runcheng Industry Investment Co., Ltd.	2,549,936.46	81,873,456.72
	Gemdale (Foshan) Real Estate Development Co., Ltd.	–	276,987,144.33
	Foshan Shunde Gemdale Real Estate Development Co., Ltd.	738,173,637.74	587,125,488.03
	Gemdale Corporation Zhuhai investment Co., Ltd.	274,653,338.87	344,371,763.30
	Zhuhai Green Investment Co., Ltd.	78,813,416.89	107,628,700.14
	Zhuhai Hejiada Investment Consulting Co., Ltd.	52,100,755.65	232,031,287.19
	Zhuhai Mendao Investment Co., Ltd.	31,861,692.56	–
	Zhuhai Shenbao Trading Co., Ltd.	145,839,106.62	–
	BJ Gemdale Hongye Real Estate Development Co., Ltd.	92,054,407.56	–
	Beijing Gemdale Hongyun Real Estate Development Co., Ltd.	530,451,839.37	566,826,665.16
	Beijing Gemdale Huida Real Estate Development Co., Ltd.	2,178,376,475.75	–
	Beijing Gemdale Rongqiao Real Estate Development Co., Ltd.	–	246,043.54
	Tianjin Tuanbohu Development Co., Ltd.	455,151,925.61	432,413,712.45
	Ruijinfangrong (Beijing) Investment Consulting Co., Ltd.	58,417.35	1,359,495.87
	Gemdale (Corporation) Tianjin Real Estate Development Co., Ltd.	–	233,186,304.33
	Gemdale (Corporation) Tianjin Investment Co., Ltd.	1,694,294,929.27	2,171,400,400.56
	Tianjin Wenfu Equity Investment Funds Ltd. (Limited Partnership)	–	910,400,000.00
	Wensheng (Tianjing) Investment Management Co., Ltd.	28,943,783.89	4,125,358.32
	Gemdale Corporation Shanghai Real Estate Development Co., Ltd.	10,483,198.27	–
	Shanghai Hangjin Real Estate Development Co., Ltd.	2,620,756,641.96	–
	Shanghai Gemdale Real Estate Development Co., Ltd.	–	1,338,539,278.08
	Shanghai Jinheng Real Estate Development Co., Ltd.	2,493,960,428.30	992,475,598.00
	Shanghai Jinshen Real Estate Development Co., Ltd.	198,007,428.52	362,115,997.66
	Shanghai Nanxiang Garden Real Estate Development Co., Ltd.	14,891,775.90	13,893,069.59
	Hangzhou Gemdale Xianghu Real Estate Development Co., Ltd.	3,146,627,701.97	2,780,588,399.75
	Hangzhou Gemdale Zhongtian Real Estate Development Co., Ltd.	87,153,123.10	23,401,731.86
	Hangzhou Gemdale Zizaicheng Real Estate Development Co., Ltd.	724,275,163.27	1,424,443,530.58
	Changzhou Jinjiu Real Estate Development Co., Ltd.	871,161,410.38	–
	Changzhou Jinkun Real Estate Development Co., Ltd.	1,032,168,566.15	–
	Cixi Jinqi Real Estate Development Co., Ltd.	806,049,145.78	1,411,015,625.37
	Shaoxing Gemdale Shenxing Real Estate Development Co., Ltd.	656,466,472.45	158,291,071.40
	Ningbo Jinxiang Real Estate Development Co., Ltd.	750,516,196.79	854,946,392.70
	Gemdale Corporation Nanjing Jinjiu Real Estate Development Co., Ltd.	824,397,753.25	–
	Gemdale Corporation Nanjing Property Co., Ltd.	1,860,257,124.52	1,423,858,946.69
	Gemdale Corporation Yangzhou Real Estate Development Co., Ltd.	125,007,725.20	–
	Gemdale Corporation Wuhan Real Estate Development Co., Ltd.	761,207,108.60	1,061,857,157.60
	Wuhan Guanggu Agricultural Development Co., Ltd.	190,525,787.16	404,397,903.56
	Wuhan Gemdale Huigu Real Estate Co., Ltd.	1,023,024,839.89	–
	Wuhan Gemdale Weisheng Real Estate Development Co., Ltd.	1,115,085,778.82	891,298,018.40
	Shenyang Gemdale Hongye Real Estate Development Co., Ltd.	–	90,234.11
	Shenyang Gemdale Quansheng Real Estate Development Co., Ltd.	–	101,164,075.85
	Shenyang Gemdale Tianbang Real Estate Development Co., Ltd.	494,751,663.16	–
	Shenyang Rongyao Real Estate Development Co., Ltd.	628,036,023.91	–
	Dalian Rongyao Real Estate Development Co., Ltd.	464,272,218.03	2,642,400.00
	Dalian Tianyi Real Estate Development Co., Ltd.	8,059,661.54	–
	Shanxi Gemdale Jiahe Property Co., Ltd.	399,800,289.64	–
	Shanxi Gemdale Jiayi Real Estate Development Co., Ltd.	107,077,746.38	–
	Xi'an Gemdale Property Investment Co., Ltd.	314,952,595.05	137,605,298.69
	Yantai Jinxiangtai Real Estate Development Co., Ltd.	261,829,603.89	52,135,369.77
	Hunan Jinlu Gemdale Real Estate Development Co., Ltd.	408,319,864.39	203,571,380.00
Total		33,645,150,165.27	24,766,215,737.13

Unit: RMB

Account	Related parties	Closing balance	Opening balance
Other payables	SZ Gemdale Hotel Co., Ltd.	1,946,925.69	2,536,932.26
	Shenzhen Hong Gemdale Tennis Club Co., Ltd.	47,368,194.18	56,924,140.59
	SZ Gemdale Residence Development Co., Ltd.	368,832,680.77	401,816,417.75
	SZ Gemdale Property Management Co., Ltd.	96,940,310.62	68,521,387.36
	Shenzhen Gemdale Industry Section Reconstruction Co., Ltd.	8,690,435.49	8,689,510.20
	Shenzhen Gemdale Xincheng Real Estate Development Co., Ltd.	472,460,483.18	156,350,621.85
	Shenzhen Gemdale Longcheng Real Estate Development Co., Ltd.	9,996,687.12	—
	Guangzhou Jiangan Real Estate Development Co., Ltd.	—	6,312.13
	Gemdale (Foshan) Real Estate Development Co., Ltd.	440,546,234.92	—
	Famous Business Co., Ltd.	20,841,799.56	20,831,632.12
	BJ Gemdale Xingye Property Co., Ltd.	182,665,617.50	201,680,077.48
	BJ Gemdale Yuanjing Real Estate Development Co., Ltd.	121,797,643.37	13,392,218.36
	BJ Gemdale Hongye Real Estate Development Co., Ltd.	—	33,516,369.55
	BJ Gemdale Weisheng Real Estate Development Co., Ltd.	87,340,649.51	105,489,101.00
	Beijing Gemdale Rongqiao Real Estate Development Co., Ltd.	510,000,000.00	—
	Gemdale (Corporation) Tianjin Real Estate Development Co., Ltd.	616,954,059.06	—
	Gemdale Corporation Shanghai Real Estate Development Co., Ltd.	—	102,812,988.78
	Shanghai Shenjin Real Estate Development Co., Ltd.	109,830,635.19	151,587,577.25
	Shanghai Green Fengfan Real Estate Development Co., Ltd.	2,299,843,602.53	2,152,999,016.14
	Shanghai Gemdale Jingjiu Real Estate Development Co., Ltd.	219,604,672.82	856,511,364.96
	Shanghai Shenxiang Real Estate Development Co., Ltd.	178,533,176.88	242,129,000.45
	Shanghai Wangyue Investment Co., Ltd.	12,000,000.00	12,000,000.00
	Shanghai Gemdale Baoshan Real Estate Development Co., Ltd.	112,091,654.13	—
	Ningbo Jinjie Real Estate Development Co., Ltd.	21,252,766.51	48,255,720.44
	Gemdale Corporation Nanjing Real Estate Development Co., Ltd.	104,343,632.48	211,188,211.05
	Wuhan Ao'qiang Real Estate Development Co., Ltd.	427,021,297.89	211,208,944.94
	Wuhan Gemdale Famous Real Estate Development Co., Ltd.	198,413,763.44	570,558,500.00
	Shenyang Gemdale Changqing Property Investment Co., Ltd.	1,048,748,474.70	414,066,849.31
	Gemdale Corporation (Shenyang) Property Co., Ltd.	392,785,820.13	414,169,763.60
	Shenyang Gemdale Shicheng Real Estate Development Co., Ltd.	659,295,086.85	187,745,992.44
	Shenyang Gemdale Tianbang Real Estate Development Co., Ltd.	—	46,107,871.74
	Shenyang Gemdale Hongye Real Estate Development Co., Ltd.	317,793,760.00	—
	Shenyang Gemdale Quansheng Real Estate Development Co., Ltd.	127,349,462.41	—
	Shanxi Gemdale Jiahe Property Co., Ltd.	—	276,029,688.97
Total		9,215,289,526.93	6,967,126,210.72

(XIV) APPROVAL OF FINANCIAL STATEMENTS

The Company's financial statements and the consolidated financial statements were approved by the board of directors and authorized for issue on April 23, 2012.

1. Non-recurring Profit or Loss

Unit: RMB

Items	2011	2010
Profit or loss on disposal of non-current assets	(148,043.83)	(64,259.90)
Tax refunds or reductions with ultra vires approval or without official approval documents	—	—
Government grants (Except for subsidies which have closely related to the Company's business and are in amount and quantities fixed in accordance with the national standard)	18,678,424.60	16,019,141.70

Unit: RMB

Items	2011	2010
Money lending income (Except for money lending income earned from non-financial institutions by financial institutions whose qualification was approval by relevant government department)	—	—
The excess of attributable fair value of identifiable assets and liabilities over the consideration paid for subsidiaries recognised on business	—	—
Profit or loss on exchange of non-monetary assets	—	—
Profit or loss on entrusted investments	—	—
Impairment losses provided for each asset due to force majeure	—	—
Profit or loss on debt restructuring	—	—
Business restructuring expenses (e.g., expenditure for layoff of employees, integration expenses, etc.)	—	—
Profit or loss relating to the unfair portion in transactions with unfair transaction price	—	—
Net profit or loss of subsidiaries recognised as a result of business combination of enterprises under common control from the beginning of the period up to the business combination date	—	—
Profit or loss arising from provisions other than those related to principal business activities of the Company	—	—
Except for those designated as effective hedging transactions related to the Company's common business, changes in fair values through profit or loss of held-to-maturity investments, financial assets and financial liabilities, as well as disposal profit or loss of financial assets and financial liabilities.	—	—
Bad debt reversion of receivables for which impairment tests are performed separately	—	—
Profit or loss on entrusted loans	—	—
Changes in fair value recognized in profit or loss for those investment property measured at fair value	—	—
Effect of one-off adjustment on profit or loss of current period according to regulations in fields of Tax, Accounting, etc.	—	—
Commission fee revenue from entrusted operation	—	—
Investment income from Held-to-maturity Investments	3,117,410.96	134,269.11
Other non-operating income or expenses	(2,711,315.56)	4,383,166.99
Other non-recurring profit or loss	—	—
Tax effects of non-recurring profit or loss	(4,702,149.27)	(5,162,183.89)
Minority Interest effects (tax exclusive) of non-recurring profit or loss	(1,430,378.19)	(3,235,077.53)
Total	12,803,948.71	12,075,056.48

2. Return on Net Assets and Earnings Per Share ("EPS")

The return on net assets and EPS has been prepared by Gemdale Corporation ("Company") in accordance with *Information Disclosure and Presentation Rules for Companies Making Public Offering No. 9 — Calculation and Disclosure of Return on Net Assets and Earnings per Share (Revised 2010)* issued by China Securities Regulatory Commission.

Profit for the reporting period	Weighted average return on net assets (%)	EPS: Weighted average EPS	EPS: Diluted EPS
Net profit attributable to ordinary shareholders	15.78	0.67	N/A
Net profit attributable to ordinary shareholders after deducting non-recurring profit or loss	15.71	0.67	N/A

3. Analysis of Changes in Financial Statements Items ("F/S Items")

Unit: RMB

	F/S items	Closing balance	Opening balance	Change by	Causes for changes
1	Currency funds	18,638,387,570.90	13,631,399,765.56	36.73%	Increasing in advanced from customers and bank borrowings
2	Advances to suppliers	795,979,252.15	8,882,056,601.41	(91.04%)	Transfer huge amount advances to suppliers into inventories
3	Other receivable	2,043,933,734.52	1,437,019,531.64	42.23%	Increasing in construction deposit and current accounts of minority shareholders
4	Inventories	64,135,243,833.82	45,455,497,951.75	41.09%	Expansion of the development size
5	Other current assets	2,621,369,433.38	1,454,799,048.42	80.19%	Increasing in prepaid taxation and financial assets
6	Fixed assets	124,276,171.32	80,920,520.11	53.58%	Addition of fixed assets in buildings and transport equipment
7	Construction in progress	67,770,102.52	2,553,233.20	2554.29%	Transfer huge amount investment properties into construction in progress
8	Deferred tax assets	611,073,175.11	352,056,440.54	73.57%	Increasing in deductible loss and deductible temporary differences in inventories
9	Short-term loans	2,279,446,546.81	200,000,000.00	1039.72%	Increasing in short-term loans
10	Payable	5,785,707,445.44	2,953,289,556.30	95.91%	Expansion of the development size
11	Advances from customers	23,213,776,291.64	18,869,965,079.82	23.02%	Increases in sales and increases in advanced from customers
12	Employees benefits payable	765,528,297.26	661,723,951.53	15.69%	Increases in accrued labour expenses

Unit: RMB

	F/S items	Closing balance	Opening balance	Change by	Causes for changes
13	Tax payable.	613,324,717.43	571,000,393.77	7.41%	Accordingly increasing by profit for the year
14	Dividends payable	32,189,545.93	43,440,000.00	(25.90%)	Decreasing by declare dividends
15	Non-current liabilities due within one year	11,879,826,903.61	4,847,000,000.00	145.10%	Reclassify long-term loans within one year into non-current liabilities due within one year
16	Long-term loans.	14,171,764,608.04	18,063,609,367.76	(21.55%)	Reclassify long-term loans within one year into non-current liabilities due within one year
17	Capital reserve.	6,216,486,637.00	6,145,335,356.05	1.16%	Increasing by the acquisition of equity in subsidiaries held by minority shareholders or disposals of equity in subsidiaries partly
18	Translation differences arising on translation of financial statements denominated in foreign currencies	341,533,144.04	194,904,637.00	75.23%	Increasing by foreign operation and exchange rate changes
19	Minority shareholders' equity	5,494,877,323.64	3,325,415,213.97	65.24%	Du to increase investments by minority shareholders
20	Revenue	23,918,506,165.62	19,592,529,782.08	22.08%	Increases in sales
21	Cost	14,655,653,813.03	12,133,691,974.72	20.78%	Increases in sales
22	Business tax	2,418,344,276.99	2,015,941,914.26	19.96%	Increases in sales
23	Selling and distribution expenses.	949,722,687.05	514,350,947.94	84.64%	Increasing in staff cost and promotion fee
24	Administrative expenses .	902,102,335.52	824,491,582.43	9.41%	Increasing in business activities fee and financial expenses
25	Impairment loss in respect of assets	4,517,148.07	(49,314,491.71)	109.16%	Reversion of previously recorded provisions for the decline in value of inventories last year and it didn't occur this year
26	Investment revenue	11,602,500.14	84,676,547.73	(86.30%)	Decreasing in attributable profit accounted for under equity method
27	Income tax expenses . . .	1,253,453,731.07	1,093,405,753.09	14.64%	Increased accordingly with the total profit for the year

The supplementary information provided by the Management was signed by the following personnel of Gemdale Corporation:

Legal Representative: *Chief Accountant:* *Person in charge of the Accounting Body:*

April 23, 2012

Deloitte.
德勤

Note: This auditor's report was issued in Chinese. The following is an English translation prepared for your reference only. Should there be any conflict between the Chinese and English version, the Chinese version shall prevail.

De Shi Bao (Shen) Zi (11) No. [P0054]

AUDITOR'S REPORT
To the Shareholders of Gemdale Corporation

We have audited the accompanying financial statements of Gemdale Corporation ("Gemdale Company"), which comprise the company and consolidated balance sheets as at December 31, 2010, and the company and consolidated income statements, the company and consolidated statements of changes in shareholders' equity and the company and consolidated cash flow statements for the year then ended, and the notes to the financial statements.

1. MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management of Gemdale Company is responsible for the preparation and fair presentation of these financial statements. This responsibility includes: (1) preparing the financial statements in accordance with Accounting Standards for Business Enterprises to achieve fair presentation of the financial statements; (2) designing, implementing and maintaining internal control which is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

2. AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with China Standards on Auditing. Those standards require that we comply with the Code of Ethics for Chinese Public Accountants and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider the internal control relevant to the preparation and fair presentation of the financial statements 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 internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

3. OPINION

In our opinion, the financial statements of Gemdale Company present fairly, in all material respects, the company's and consolidated financial position as of December 31, 2010, and the company's and consolidated results of operations and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

Deloitte Touche Tohmatsu CPA Ltd.
Shanghai, China

Chinese Certified Public Accountant
Gan Chang Ru

Chinese Certified Public Accountant
Chen Jin Hai

March 16, 2011

THE CONSOLIDATED BALANCE SHEET

At December 31, 2010

Unit: RMB

Items	Notes	Closing balance	Opening balance
CURRENT ASSETS:			
Currency funds	(VI)1	13,631,399,765.56	9,638,644,246.82
Provision of settlement fund		—	—
Funds lent		—	—
Held-for-trading financial assets		—	—
Notes receivable		—	—
Accounts receivable	(VI)2	12,394,023.56	11,369,744.54
Advances to suppliers	(VI)4	8,882,056,601.41	1,750,867,180.56
Insurance premiums receivable		—	—
Cession premiums receivable		—	—
Provision of cession receivable		—	—
Interest receivable		—	—
Dividends receivable		—	—
Other receivables	(VI)3	1,437,019,531.64	1,463,332,610.77
Recoursable financial assets acquired		—	—
Inventories	(VI)5	45,455,497,951.75	40,544,265,027.06
Non-current assets due within one year		—	—
Other current assets	(VI)6	1,454,799,048.42	898,543,167.25
Total current assets		70,873,166,922.34	54,307,021,977.00
NON-CURRENT ASSETS:			
Loans and payments on behalf		—	—
Available-for-sale financial assets		—	—
Held-to-maturity investments		—	—
Long-term receivables		—	—
Long-term equity investments	(VI)7, 8	143,873,900.72	748,040,675.44
Investment properties	(VI)9	1,344,969,330.10	75,868,641.82
Fixed assets	(VI)10	80,920,520.11	73,588,935.36
Construction in progress	(VI)11	2,553,233.20	807,467.65
Construction materials		—	—
Fixed assets held for disposal		—	—
Bearer biological assets		—	—
Oil and natural gas assets		—	—
Intangible assets		—	—
Development expenditure		—	—
Goodwill	(VI)12	7,643,930.97	7,643,930.97
Long-term prepayments	(VI)13	11,353,205.23	8,451,513.91
Deferred tax assets	(VI)14	352,056,440.54	296,391,005.53
Other non-current assets		—	—
Total non-current assets		1,943,370,560.87	1,210,792,170.68
TOTAL ASSETS		72,816,537,483.21	55,517,814,147.68

Unit: RMB

Items	Notes	Closing balance	Opening balance
CURRENT LIABILITIES:			
Short-term borrowings	(VI)16	200,000,000.00	853,275,000.00
Borrowings from central bank		—	—
Deposits from customers and interbank		—	—
Deposit funds		—	—
Held-for-trading financial liabilities		—	—
Notes payable		—	—
Accounts payable	(VI)17	2,953,289,556.30	2,879,036,206.52
Advances from customers	(VI)18	18,869,965,079.82	12,360,340,043.05
Funds from sales of financial assets with repurchasement agreement		—	—
Handling charges and commissions payable		—	—
Employee benefits payable	(VI)19	661,723,951.53	462,952,447.03
Tax payable	(VI)20	571,000,393.77	261,192,612.23
Interest payable	(VI)21	65,362,491.76	74,002,270.40
Dividends payable	(VI)22	43,440,000.00	43,440,000.00
Other payables	(VI)23	4,334,434,323.32	5,217,059,880.74
Cession premiums payable		—	—
Provision for insurance contracts		—	—
Receivings from vicariously traded securities		—	—
Receivings from vicariously sold securities		—	—
Non-current liabilities due within one year	(VI)24	4,847,000,000.00	2,400,000,000.00
Other current liabilities	(VI)25	3,052,296.54	3,052,296.54
Total current liabilities		32,549,268,093.04	24,554,350,756.51
NON-CURRENT LIABILITIES:			
Long-term borrowings	(VI)26	18,063,609,367.76	12,916,964,106.76
Bonds payable	(VI)27	1,190,146,914.48	1,188,295,255.38
Long-term payables		—	—
Special payables		—	—
Provisions		—	—
Deferred tax liabilities	(VI)14	7,912,600.67	7,643,930.97
Other non-current liabilities		—	—
Total non-current liabilities		19,261,668,882.91	14,112,903,293.11
TOTAL LIABILITIES		51,810,936,975.95	38,667,254,049.62

Unit: RMB

Items	Notes	Closing balance	Opening balance
SHAREHOLDERS' EQUITY			
Share capital	(VI)28	4,471,508,572.00	2,484,171,429.00
Capital reserve	(VI)29	6,145,335,356.05	7,995,226,061.23
Less: Treasury shares		—	—
Special reserve		—	—
Surplus reserve	(VI)30	711,139,360.25	500,160,678.25
Unappropriated profit	(VI)31	6,157,297,367.98	3,922,649,562.10
Translation differences arising on translation of financial statements denominated in foreign currencies		194,904,637.00	106,737,544.25
Total shareholders' equity attributable to equity holders of the parent		17,680,185,293.28	15,008,945,274.83
Minority interests		3,325,415,213.98	1,841,614,823.23
TOTAL SHAREHOLDERS' EQUITY		21,005,600,507.26	16,850,560,098.06
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		72,816,537,483.21	55,517,814,147.68

The accompanying notes form part of the financial statements.

The financial statements on pages 3 to 143 were signed by the followings:

Legal Representative *Chief Accountant* *Person in Charge of the Accounting Body*

THE COMPANY BALANCE SHEET

At December 31, 2010

Unit: RMB

Items	Notes	Closing balance	Opening balance
Current Assets:			
Currency funds		7,813,755,697.36	6,518,405,313.72
Held-for-trading financial assets		—	—
Notes receivable		—	—
Accounts receivable		134,934.10	134,934.10
Advances to suppliers		9,430,871.95	11,021,448.24
Interest receivable		—	—
Dividends receivable		118,920,486.79	118,920,486.79
Other receivables	(XIII)1	28,352,610,882.29	23,452,942,804.72
Inventories		5,179,479.47	111,637,220.41
Non-current assets due within one year		—	—
Other current assets		43,853.10	26,696,923.22
Total current assets		36,300,076,205.06	30,239,759,131.20
Non-current Assets:			
Available-for-sale financial assets		—	—
Held-to-maturity investments		—	—
Long-term receivables		—	—
Long-term equity investments	(XIII)2	5,865,856,180.38	4,329,848,455.66
Investment property		61,162,142.98	73,148,641.82
Fixed assets		33,259,826.96	34,036,472.01
Construction in progress		—	—
Construction materials		—	—
Fixed assets held for disposal		—	—
Bearer biological assets		—	—
Oil and natural gas assets		—	—
Intangible assets		—	—
Development expenditure		—	—
Goodwill		—	—
Long-term prepayments		1,652,373.73	6,630,980.37
Deferred tax assets		108,348,463.47	68,552,216.48
Other non-current assets		—	—
Total non-current assets		6,070,278,987.52	4,512,216,766.34
TOTAL ASSETS		42,370,355,192.58	34,751,975,897.54

Unit: RMB

Items	Notes	Closing balance	Opening balance
Current Liabilities:			
Short-term borrowings		200,000,000.00	853,275,000.00
Held-for-trading financial liabilities		—	—
Notes payable		—	—
Accounts payable		8,987,480.17	412,537.51
Advances from customers		740,635.30	431,420,106.55
Employee benefits payable		469,171,047.76	309,391,124.53
Tax payable		19,510,027.38	20,878,244.40
Interest payable		52,616,700.00	71,301,631.51
Dividends payable		—	—
Other payables		7,314,414,933.01	6,730,050,658.05
Non-current liabilities due within one year		4,030,000,000.00	2,400,000,000.00
Other current liabilities		49,311.07	49,311.07
Total current liabilities		12,095,490,134.69	10,816,778,613.62
Non-current Liabilities:			
Long-term borrowings		14,239,000,000.00	9,900,000,000.00
Bonds payable		1,190,146,914.48	1,188,295,255.38
Long-term payables		—	—
Special payables		—	—
Provisions		—	—
Deferred tax liabilities		—	—
Other non-current liabilities		—	—
Total non-current liabilities		15,429,146,914.48	11,088,295,255.38
TOTAL LIABILITIES		27,524,637,049.17	21,905,073,869.00
SHAREHOLDERS' EQUITY:			
Share capital		4,471,508,572.00	2,484,171,429.00
Capital reserve		6,145,335,356.05	7,995,226,061.23
Less: Treasury shares		—	—
Special reserve		—	—
Surplus reserve		711,139,360.25	500,160,678.25
Unappropriated profit		3,517,734,855.11	1,867,343,860.06
TOTAL SHAREHOLDERS' EQUITY		14,845,718,143.41	12,846,902,028.54
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		42,370,355,192.58	34,751,975,897.54

THE CONSOLIDATED INCOME STATEMENT

For the Year ended December 31, 2010

Unit: RMB

Items	Notes	2010	2009
I. Total operating income	(VI)32	19,592,529,782.08	12,098,172,165.08
Including: Operating income		19,592,529,782.08	12,098,172,165.08
Interest revenue		—	—
Earned premium		—	—
Handling charges and commissions income		—	—
II. Total operating costs		15,471,303,121.18	9,645,636,087.46
Including: Operating costs	(VI)32	12,133,691,974.72	7,656,955,220.80
Interest expense		—	—
Handling charges and commissions expenses		—	—
Refund of insurance premiums		—	—
Net payments for insurance claims		—	—
Net provision for insurance contracts		—	—
Commissions on insurance policies		—	—
Cession charges		—	—
Taxes and surcharges on operations	(VI)33	2,015,941,914.26	1,175,407,860.28
Selling and distribution expenses	(VI)34	514,350,947.94	411,540,850.28
Administrative expenses	(VI)35	824,491,582.43	495,589,221.77
Financial expenses	(VI)36	32,141,193.54	180,236,732.20
Impairment loss in respect of assets	(VI)38	(49,314,491.71)	(274,093,797.87)
Add: Gains from changes in fair values		—	—
Investment income	(VI)37	84,676,547.73	18,616,039.14
Including: Income from investment in associates and joint ventures		84,542,278.62	17,024,420.44
Gain or loss on foreign exchange transactions		—	—
III. Operating profit		4,205,903,208.63	2,471,152,116.76
Add: Non-operating income	(VI)39	24,923,579.49	34,262,501.88
Less: Non-operating expenses	(VI)40	4,585,530.70	7,321,736.73
Including: Losses from disposal of non-current assets		281,415.95	1,261,924.44
IV. Total profit		4,226,241,257.42	2,498,092,881.91
Less: Income tax expenses	(VI)41	1,093,405,753.09	564,688,843.86
V. Net profit		3,132,835,504.33	1,933,404,038.05
Net profit attributable to shareholders of the parent		2,694,043,630.78	1,776,233,152.95
Profit or loss attributable to minority interests		438,791,873.55	157,170,885.10
VI. Earnings per share:			
(I) Basic earnings per share	(VI)42	0.60	0.43
(II) Diluted earnings per share		N/A	N/A
VII. Other comprehensive income	(VI)43	99,762,369.06	648,542.24
VIII. Total comprehensive income		3,232,597,873.39	1,934,052,580.29
Total comprehensive income attributable to shareholders of the parent		2,782,210,723.53	1,776,648,920.48
Total consolidated income attributable to minority interests		450,387,149.86	157,403,659.81

THE COMPANY INCOME STATEMENT

For the Year ended December 31, 2010

Unit: RMB

Items	Notes	2010	2009
I. Operating income	(XIII)3	542,714,017.76	104,370,563.59
Less: Operating costs	(XIII)3	145,916,391.56	6,062,679.92
Business taxes and levies		133,181,728.06	5,134,173.59
Selling and distribution expenses		3,007,770.41	7,704,482.03
Administrative expenses		393,000,409.52	236,775,954.22
Financial expenses		(173,584,288.46)	(129,662,955.25)
Impairment loss in respect of assets		202,175.55	(80,670.15)
Add: Gains from changes in fair values		—	—
Investment income	(XIII)4	2,085,385,528.28	1,360,869,216.96
Including: Income from investment in associates and joint ventures		19,620,896.16	2,831,727.02
II. Operating profit		2,126,375,359.40	1,339,306,116.19
Add: Non-operating income		244,771.09	90,914,157.35
Less: Non-operating expenses		81,441.79	118,235.26
Including: Losses from disposal of non-current assets		2,261.79	53,527.78
III. Total profit		2,126,538,688.70	1,430,102,038.28
Less: Income tax expenses		16,751,868.75	17,570,012.07
IV. Net profit		2,109,786,819.95	1,412,532,026.21
V. Earnings per share:			
(I) Basic earnings per share		N/A	N/A
(II) Diluted earnings per share		N/A	N/A
VI. Other consolidated income		—	—
VII. Total consolidated income		2,109,786,819.95	1,412,532,026.21

CONSOLIDATED CASH FLOW STATEMENTS

For the Year ended December 31, 2010

Unit: RMB

Items	Notes	2010	2009
I. Cash Flows from Operating Activities:			
Cash receipts from the sale of goods and the rendering of services.		26,058,764,762.38	19,057,615,337.64
Net increase in deposits from customers and placements from corporations in the same industry .		—	—
Net increase in loan from central bank		—	—
Net increase in funds borrowed from other financial institutions		—	—
Cash premiums received on original insurance contracts.		—	—
Cash received from re-insurance business.		—	—
Net increase in deposits and investments from insurers		—	—
Net increase in disposal of trading financial assets.		—	—
Interest, handling charges and commissions received.		—	—
Net increase in funds deposit		—	—
Net increase in repurchasement business funds		—	—
Receipts of tax refunds		—	—
Other cash receipts relating to operating activities	(VI)44(1)	261,822,284.36	491,805,153.00
Sub-total of cash inflows		26,320,587,046.74	19,549,420,490.64
Cash payments for goods purchased and services received		23,170,658,648.72	18,449,726,675.94
Net increase in loans and payments on behalf		—	—
Net increase in deposits with centre bank and interbank		—	—
Payments of claims for original insurance contracts.		—	—
Interests, handling charges and commissions paid		—	—
Commissions on insurance policies paid.		—	—
Cash payments to and on behalf of employees		530,710,745.57	393,349,910.91
Payments of all types of taxes		3,324,539,700.53	2,488,182,828.28
Other cash payments relating to operating activities	(VI)44(2)	2,333,443,598.87	1,081,063,096.46
Sub-total of cash outflows		29,359,352,693.69	22,412,322,511.59
Net Cash Flows from Operating Activities		(3,038,765,646.95)	(2,862,902,020.95)

Unit: RMB

Items	Notes	2010	2009
II. Cash Flows from Investing Activities:			
Cash receipts from disposals and returns of investments.		200,134,269.11	211,066,762.34
Cash receipts from returns on investments		85,418,844.99	—
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		374,120.15	3,432,458.55
Net cash receipts from disposals of subsidiaries and other business units		—	689,607.06
Other cash receipts relating to investing activities.		—	—
Sub-total of cash inflows		285,927,234.25	215,188,827.95
Cash payments to acquire and construct fixed assets, intangible assets and other long-term assets .		39,614,105.33	17,521,789.12
Cash payments to acquire investments		228,713,192.66	692,300,000.00
Net increase in secured loans		—	—
Net cash payments for acquisitions of subsidiaries and other business units		—	—
Other cash payments relating to investing activities.		—	—
Sub-total of cash outflows		268,327,297.99	709,821,789.12
Net Cash Flows from Investing Activities		17,599,936.26	(494,632,961.17)
III. Cash Flows from Financing Activities:			
Cash receipts from investors making investment in the enterprise.		1,161,215,354.14	4,894,483,935.00
Including: cash receipts from minorities making investment in subsidiaries		1,161,215,354.14	797,098,500.00
Cash receipts from borrowings		10,943,625,893.51	12,428,966,413.23
Cash receipts from issue of bonds . .		—	—
Other cash receipts relating to financing activities		—	—
Sub-total of cash inflows		12,104,841,247.65	17,323,450,348.23
Cash repayments of amounts borrowed		3,961,076,817.60	7,943,356,230.39
Cash payments for distribution of dividends or profit or interest expenses		1,475,300,695.74	1,007,891,016.68
Including: payments for distribution of dividends or profit to minorities of subsidiaries		132,365,543.39	40,000,000.00
Other cash payments relating to financing activities	(VI)44(3)	32,780,444.82	38,641,923.56
Sub-total of cash outflows		5,469,157,958.16	8,989,889,170.63
Net Cash Flows from Financing Activities		6,635,683,289.49	8,333,561,177.60
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		18,685,204.29	112,759.17
V. Net Increase in Cash and Cash Equivalents		3,633,202,783.09	4,976,138,954.65
Add: Opening balance of Cash and Cash Equivalents.	(VI)45(3)	9,249,517,547.79	4,273,378,593.14
VI. Closing Balance of Cash and Cash Equivalents	(VI)45(3)	12,882,720,330.88	9,249,517,547.79

THE COMPANY CASH FLOW STATEMENTS

For the Year ended December 31, 2010

Unit: RMB

Items	Notes	2010	2009
I. Cash Flows from Operating Activities:			
Cash receipts from the sale of goods and the rendering of services.		112,034,546.51	428,398,848.58
Receipts of tax refunds		—	—
Other cash receipts relating to operating activities		354,780,622.91	168,026,545.51
Sub-total of cash inflows		466,815,169.42	596,425,394.09
Cash payments for goods purchased and services received		21,539,185.68	47,551,077.97
Cash payments to and on behalf of employees		90,272,809.52	56,846,149.85
Payments of all types of taxes		178,607,152.49	76,227,945.97
Other cash payments relating to operating activities		3,994,616,556.03	3,887,312,401.28
Sub-total of cash outflows		4,285,035,703.72	4,067,937,575.07
Net Cash Flows from Operating Activities		(3,818,220,534.30)	(3,471,512,180.98)
II. Cash Flows from Investing Activities:			
Cash receipts from disposals and returns of investments.		800,134,269.11	207,066,762.34
Cash receipts from returns on investments		2,083,088,187.00	1,420,271,767.37
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		126,890.99	516,838.14
Net cash receipts from disposals of subsidiaries and other business units		25,974,593.36	14,086,359.86
Other cash receipts relating to investing activities.		—	—
Sub-total of cash inflows		2,909,323,940.46	1,641,941,727.71
Cash payments to acquire and construct fixed assets, intangible assets and other long-term assets .		6,539,044.02	3,235,367.00
Cash payments to acquire investments		2,274,202,995.53	1,250,650,000.00
Net cash payments for acquisitions of subsidiaries and other business units		—	140,254,780.00
Other cash payments relating to investing activities.		—	—
Sub-total of cash outflows		2,280,742,039.55	1,394,140,147.00
Net Cash Flows from Investing Activities		628,581,900.91	247,801,580.71

Unit: RMB

Items	Notes	2010	2009
III. Cash Flows from Financing Activities:			
Cash receipts from investors making investment in the enterprise		—	4,097,385,435.00
Cash receipts from borrowings		9,259,000,000.00	9,950,000,000.00
Cash receipts from issue of bonds		—	—
Other cash receipts relating to financing activities		—	—
Sub-total of cash inflows		9,259,000,000.00	14,047,385,435.00
Cash repayments of amounts borrowed		3,943,275,000.00	7,240,400,000.00
Cash payments for distribution of dividends or profit or interest expenses		1,168,061,642.97	784,397,197.06
Other cash payments relating to financing activities		32,780,444.82	37,072,956.42
Sub-total of cash outflows		5,144,117,087.79	8,061,870,153.48
Net Cash Flows from Financing Activities		4,114,882,912.21	5,985,515,281.52
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		81,784.34	3,674.94
V. Net Increase in Cash and Cash Equivalents		925,326,063.16	2,761,808,356.19
Add: Opening balance of Cash and Cash Equivalents		6,204,865,509.52	3,443,057,153.33
VI. Closing Balance of Cash and Cash Equivalents		7,130,191,572.68	6,204,865,509.52

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the Year ended December 31, 2010

Unit: RMB

	2010							2009						
	Attributable to equity holders of the parent							Attributable to equity holders of the parent						
Items	Share capital	Capital reserve	Surplus reserve	Unappropriated profit	Others	Minority interests	Total shareholders' equity	Share capital	Capital reserve	Surplus reserve	Unappropriated profit	Others	Minority interests	Total shareholders' equity
I. Balance at December 31, 2009	2,484,171,429.00	7,995,226,061.23	500,160,678.25	3,922,649,562.10	106,737,544.25	1,841,614,823.23	16,850,560,098.06	1,678,153,846.00	4,703,858,209.23	358,907,475.63	2,455,484,996.37	106,321,776.72	1,107,135,847.80	10,409,862,151.75
Add: Changes in accounting policies	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Correction of prior periods errors	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Others	–	–	–	–	–	–	–	–	–	–	–	–	–	–
II. Balance at January 1, 2010	2,484,171,429.00	7,995,226,061.23	500,160,678.25	3,922,649,562.10	106,737,544.25	1,841,614,823.23	16,850,560,098.06	1,678,153,846.00	4,703,858,209.23	358,907,475.63	2,455,484,996.37	106,321,776.72	1,107,135,847.80	10,409,862,151.75
III. Changes for the year	1,987,337,143.00	(1,849,890,705.18)	210,978,682.00	2,234,647,805.88	88,167,092.75	1,483,800,390.75	4,155,040,409.20	806,017,583.00	3,291,367,852.00	141,253,202.62	1,467,164,565.73	415,767.53	734,478,975.43	6,440,697,946.31
(I) Net profit	–	–	–	2,694,043,630.78	–	438,791,873.55	3,132,835,504.33	–	–	–	1,776,233,152.95	–	157,170,885.10	1,933,404,038.05
(II) Other consolidated income	–	–	–	–	88,167,092.75	11,595,276.31	99,762,369.06	–	–	–	–	415,767.53	232,774.71	648,542.24
Subtotal of (I) and (II)	–	–	–	2,694,043,630.78	88,167,092.75	450,387,149.86	3,232,597,873.39	–	–	–	1,776,233,152.95	415,767.53	157,403,659.81	1,934,052,580.29
(III) Owner's contributions and reduction in capital	–	137,446,437.82	–	–	–	1,165,778,784.28	1,303,225,222.10	302,571,429.00	3,794,814,006.00	–	–	–	843,038,315.62	4,940,423,750.62
1. Capital contribution from shareholders	–	–	–	–	–	1,159,215,354.14	1,159,215,354.14	302,571,429.00	3,794,814,006.00	–	–	–	843,038,315.62	4,940,423,750.62
2. Share-based payment recognised in shareholders' equity	–	137,446,437.82	–	–	–	6,563,430.14	144,009,867.96	–	–	–	–	–	–	–
3. Others	–	–	–	–	–	–	–	–	–	–	–	–	–	–
(IV) Profit distribution	–	–	210,978,682.00	(459,395,824.90)	–	(132,365,543.39)	(380,782,686.29)	–	–	141,253,202.62	(309,068,587.22)	–	(265,963,000.00)	(433,778,384.60)
1. Transfer to surplus reserve	–	–	210,978,682.00	(210,978,682.00)	–	–	–	–	–	141,253,202.62	(141,253,202.62)	–	–	–
2. Transfer to generic risk reserve	–	–	–	–	–	–	–	–	–	–	–	–	–	–
3. Distribution to shareholders	–	–	–	(248,417,142.90)	–	(132,365,543.39)	(380,782,686.29)	–	–	–	(167,815,384.60)	–	(265,963,000.00)	(433,778,384.60)
4. Others	–	–	–	–	–	–	–	–	–	–	–	–	–	–
(V) Transfer within shareholders' equity	1,987,337,143.00	(1,987,337,143.00)	–	–	–	–	–	503,446,154.00	(503,446,154.00)	–	–	–	–	–
1. Capitalization of capital reserve	1,987,337,143.00	(1,987,337,143.00)	–	–	–	–	–	503,446,154.00	(503,446,154.00)	–	–	–	–	–
2. Capitalization of surplus reserve	–	–	–	–	–	–	–	–	–	–	–	–	–	–
3. Loss made up by surplus reserve	–	–	–	–	–	–	–	–	–	–	–	–	–	–
4. Others	–	–	–	–	–	–	–	–	–	–	–	–	–	–
IV. Balance at December 31, 2010	4,471,508,572.00	6,145,335,356.05	711,139,360.25	6,157,297,367.98	194,904,637.00	3,325,415,213.98	21,005,600,507.26	2,484,171,429.00	7,995,226,061.23	500,160,678.25	3,922,649,562.10	106,737,544.25	1,841,614,823.23	16,850,560,098.06

THE COMPANY STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the Year ended December 31, 2010

Unit: RMB

	2010					2009				
ITEMS	Share capital	Capital reserve	Surplus reserve	Unappropriated profit	Total shareholders' equity	Share capital	Capital reserve	Surplus reserve	Unappropriated profit	Total shareholders' equity
I. Balance at December 31, 2009	2,484,171,429.00	7,995,226,061.23	500,160,678.25	1,867,343,860.06	12,846,902,028.54	1,678,153,846.00	4,703,858,209.23	358,907,475.63	763,880,421.07	7,504,799,951.93
Add: Changes in accounting policies	–	–	–	–	–	–	–	–	–	–
Correction of prior periods errors	–	–	–	–	–	–	–	–	–	–
Others	–	–	–	–	–	–	–	–	–	–
II. Balance at January 1, 2010	2,484,171,429.00	7,995,226,061.23	500,160,678.25	1,867,343,860.06	12,846,902,028.54	1,678,153,846.00	4,703,858,209.23	358,907,475.63	763,880,421.07	7,504,799,951.93
III. Changes for the year	1,987,337,143.00	(1,849,890,705.18)	210,978,682.00	1,650,390,995.05	1,998,816,114.87	806,017,583.00	3,291,367,852.00	141,253,202.62	1,103,463,438.99	5,342,102,076.61
(I) Net profit	–	–	–	2,109,786,819.95	2,109,786,819.95	–	–	–	1,412,532,026.21	1,412,532,026.21
(II) Other consolidated income	–	–	–	–	–	–	–	–	–	–
Subtotal of (I) and (II)	–	–	–	2,109,786,819.95	2,109,786,819.95	–	–	–	1,412,532,026.21	1,412,532,026.21
(III) Owner's contributions and reduction in capital	–	137,446,437.82	–	–	137,446,437.82	302,571,429.00	3,794,814,006.00	–	–	4,097,385,435.00
1. Capital contribution from shareholders	–	–	–	–	–	302,571,429.00	3,794,814,006.00	–	–	4,097,385,435.00
2. Share-based payment recognised in shareholders' equity	–	137,446,437.82	–	–	137,446,437.82	–	–	–	–	–
3. Others	–	–	–	–	–	–	–	–	–	–
(IV) Profit distribution	–	–	210,978,682.00	(459,395,824.90)	(248,417,142.90)	–	–	141,253,202.62	(309,068,587.22)	(167,815,384.60)
1. Transfer to surplus reserve	–	–	210,978,682.00	(210,978,682.00)	–	–	–	141,253,202.62	(141,253,202.62)	–
2. Transfer to generic risk reserve	–	–	–	–	–	–	–	–	–	–
3. Distribution to shareholders	–	–	–	(248,417,142.90)	(248,417,142.90)	–	–	–	(167,815,384.60)	(167,815,384.60)
4. Others	–	–	–	–	–	–	–	–	–	–
(V) Transfer within shareholders' equity	1,987,337,143.00	(1,987,337,143.00)	–	–	–	503,446,154.00	(503,446,154.00)	–	–	–
1. Capitalisation of capital reserve	1,987,337,143.00	(1,987,337,143.00)	–	–	–	503,446,154.00	(503,446,154.00)	–	–	–
2. Capitalisation of surplus reserve	–	–	–	–	–	–	–	–	–	–
3. Loss made up by surplus reserve	–	–	–	–	–	–	–	–	–	–
4. Others	–	–	–	–	–	–	–	–	–	–
IV. Balance at December 31, 2010	4,471,508,572.00	6,145,335,356.05	711,139,360.25	3,517,734,855.11	14,845,718,143.41	2,484,171,429.00	7,995,226,061.23	500,160,678.25	1,867,343,860.06	12,846,902,028.54

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended December 31, 2010

(I) BASIC INFORMATION ABOUT THE COMPANY

Gemdale Corporation (the "Company") is a joint stock limited company established by Shenzhen Futian District State-owned Assets Supervision and Administration Bureau, Shenzhen Investment Administration Company, UTStarcom (US) Co., Ltd., Shenzhen Fang Xingda Construction Engineering Co., Ltd. and the Labour Union of Gemdale Industries (subsequently renamed as "the Labour Union of Gemdale Corporation") as promoters in accordance with the approval issued by Leading Office of Shenzhen Enterprise System Reform (filed as Shen Qi Gai Ban [1996] No. 02). The Company was established on February 8, 1996 and its registered capital was RMB110 million.

The Company issued additional 70,000,000 shares at the price of RMB1.66 per share in 1998 pursuant to *The Approval of the Application for Capital Increase by Gemdale Corporation* issued by the Leading Office of Shenzhen Enterprise System Reform (filed as Shen Qi Gai Ban [1998] No. 3) and *Reply on the Application for Capital Increase by Gemdale Corporation* issued by Shenzhen Municipal Securities Regulatory Office (filed as Shen Zhen Ban Han [1998] No. 48).

All the 54,000,000 state-owned shares held by Shenzhen Futian District State-owned Assets Supervision and Administration Bureau were transferred to Shenzhen Futian Investment Development Company on November 5, 1998 pursuant to the approval released by Futian District State-owned Assets Supervision and Administration Commission (filed as Fu Guo Zi Wei [1998] No. 8). In July 2000, all the shares in the Company held by the Labour Union of Gemdale Corporation were transferred to Shenzhen Zhong Kexun Industrial Co., Ltd., Shenzhen Futian Investment Development Company and Shenzhen Shen Ye Investment Development Co., Ltd. pursuant to the approval issued by the Economic Restructuring Office of Shenzhen Municipal Government (filed as Shen Gai Zi [2000] No. 63).

The Company issued 90,000,000 ordinary shares (A-share) to the public at a price of RMB9.42 per share on January 15, 2001 as endorsed by the China Securities Regulatory Commission (filed as Zhen Jian Fa Xing Zi [2001] No. 2). The shares of the Company were traded on the Shanghai Stock Exchange commencing on April 12, 2001.

The Company further issued 100,000,000 RMB ordinary shares (A-share) to the public at a price of RMB8.98 per share on December 20, 2004 as approved by the China Securities Regulatory Commission (filed as Zhen Jian Fa Xing Zi [2004] No. 163). Such shares were traded on the Shanghai Stock Exchange on January 6, 2005.

On April 29, 2005, per the resolution passed in 2004 annual shareholders general meeting, the Company issued scrip dividends to shareholders on 8 new shares for every ten shares outstanding on December 31, 2004 (i.e. 296,000,000 new shares in total). After the scrip dividends were issued, the registered capital of the Company was increased to RMB666,000,000.

On August 24, 2006, the Company completed the share split reform under which circulating shareholders obtained the consideration of 2.5 new shares for every ten circulating shares from non-circulating shareholders.

The Company issued 173,076,923 ordinary shares (A-share) non-publicly to ten specified objects at a price of RMB26 per share on June 25, 2007 as approved by the China Securities Regulatory Commission (filed as Zhen Jian Fa Xing Zi [2007] No. 151). On July 24, 2007, the Company completed its registration for industrial and commercial change and the registered capital of the Company was accordingly increased to RMB839,076,923.

On March 18, 2008, per the resolution passed in 2007 annual shareholders general meeting, the Company issued scrip dividends to shareholders on ten new shares for every ten shares outstanding on December 31, 2007 (i.e. 839,076,923 new shares in total). After the scrip dividends were issued, the registered capital of the Company was increased to RMB1,678,153,846.

On May 8, 2009, per the resolution passed in 2008 annual shareholders general meeting, the Company issued scrip dividends to shareholders on three new shares for every ten shares outstanding on December 31, 2009 (i.e. 503,446,154 new shares in total). After the scrip dividends were issued, the registered capital of the Company was increased to RMB2,181,600,000.

The Company issued 302,571,429 ordinary shares (A-share) non-publicly to nine specified objects at a price of RMB14 per share on July 21, 2009 as approved by the China Securities Regulatory Commission (filed as Zhen Jian Fa Xing Zi [2010] No. 657). On December 17, 2009, the Company completed its registration for industrial and commercial change and the registered capital of the Company was accordingly increased to RMB2,484,171,429.

On March 30, 2010, per the resolution passed in 2009 annual shareholders general meeting, the Company issued scrip dividends to shareholders on eight new shares for every ten shares outstanding on December 31, 2009 (i.e. 1,987,337,143 new shares in total). After the scrip dividends were issued, the registered capital of the Company was increased to RMB4,471,508,572.

The Company's head office is located in Shenzhen. The Company and its subsidiaries are mainly engaged in real estate development and operation, management of self-owned properties, set-up of various entities, and import and export business.

(II) THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES, AND PRIOR PERIOD ERRORS

1. Basis of preparation of financial statements

The Company has adopted the *Accounting Standards for Business Enterprises* issued by the Ministry of Finance (MoF) on February 15, 2006. In addition, the Company has disclosed relevant financial information in accordance with *Information Disclosure and Presentation Rules for Companies Offering Securities to the Public No. 15 — General Provisions on Financial Reporting (Revised in 2010).*

Basis of accounting and principle of measurement

The Company has adopted the accrual basis of accounting. Except for certain financial instruments which are measured at fair value, the company adopts the historical cost as the principle of measurement of the financial statements. Where assets are impaired, provisions for asset impairment are made in accordance with relevant requirements.

2. Statement of compliance with the ASBE

The financial statements of the Company have been prepared in accordance with Accounting Standards for Business Enterprises, and present truly and completely, the Company's and consolidated financial position as of December 31, 2010, and the Company's and consolidated results of operations and cash flows for the year then ended.

3. Accounting period

The Company has adopted the calendar year as its accounting year, i.e. from January 1, to December 31.

4. Functional currency

Renminbi ("RMB") is the currency of the primary economic environment in which the Company and its domestic subsidiaries operate. Therefore, the Company and its domestic subsidiaries choose RMB as their functional currency. The Company's foreign subsidiary chooses currency HKD as its functional currency on the basis of the primary economic environment in which it operates. The Company adopts RMB to prepare its financial statements.

5. The accounting treatment of business combinations involving enterprises under common control and business combinations not involving enterprises under common control

Business combinations are classified into business combinations involving enterprises under common control and business combinations not involving enterprises under common control.

5.1 *Business combinations involving enterprises under common control*

A business combination involving enterprises under common control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory.

Assets and liabilities obtained shall be measured at their respective carrying amounts as recorded by the combining entities at the date of the combination. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination is adjusted to the share premium in capital reserve. If the share premium is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

Costs that are directly attributable to the combination are charged to profit or loss in the period in which they are incurred.

5.2 *Business combinations not involving enterprises under common control and goodwill*

A business combination not involving enterprises under common control is a business combination in which all of the combining enterprises are not ultimately controlled by the same party or parties before and after the combination.

The cost of combination is the aggregate of the fair values, at the acquisition date, of the assets given, liabilities incurred or assumed, and equity securities issued by the acquirer, in exchange for control of the acquire, the intermediary expenses (fees in respect of auditing, legal services, valuation and consultancy services, etc.) and other administrative expenses attributable to the business combination are recognised in profit or loss in the periods when they are incurred. Where a business combination not involving enterprises under common control is achieved in stages that involve multiple transactions, the cost of combination is the sum of the consideration paid at the acquisition date and the fair value of the equity in the acquiree held before the acquisition. The equity held in the acquiree before the acquisition date is remeasured at its fair value at the acquisition date, with any difference between its fair value and its carrying amount being recognised as investment income, and the other comprehensive income relating to the equity held in the acquiree before the acquisition date being transferred to investment income.

The acquirer's identifiable assets, liabilities and contingent liabilities acquired by the acquirer in a business combination that meet the recognition criteria, shall be measured at fair value at the acquisition date. Where the cost of combination exceeds the acquirer's interest in the fair value of the acquirer's identifiable net assets, the difference is treated as an asset and recognised as goodwill, which is measured at cost on initial recognition. Where the cost of combination is less than the acquirer's interest in the fair value of the acquirer's identifiable net assets, the acquirer reassesses the measurement of the fair values of the acquirer's identifiable assets, liabilities and contingent liabilities and measurement of the cost of combination. If after that reassessment, the cost of combination is still less than the acquirer's interest in the fair value of the acquirer's identifiable net assets, the acquirer recognises the remaining difference immediately in profit or loss for the current period.

Goodwill arising on a business combination is measured at cost less accumulated impairment losses, and is presented separately in the consolidated financial statements. It is tested for impairment at least at the end of each year.

For the purpose of impairment testing, goodwill is considered together with the related assets group(s), i.e., goodwill is reasonably allocated to the related assets group(s) or each of assets group(s) expected to benefit from the synergies of the combination. In testing an assets group with goodwill for impairment, an impairment loss is recognised if the recoverable amount of the assets group or sets of assets groups (including goodwill) is less than its carrying amount. The impairment loss is firstly allocated to reduce the carrying amount of any goodwill allocated to such assets group or sets of assets groups, and then to the other assets of the company pro-rata basis on the basis of the carrying amount of each asset (other than goodwill) in the group.

The recoverable amount of an asset is the higher of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from the asset. An asset's fair value is the price in a sale agreement in an arm's length transaction. If there is no sale agreement but an asset is traded in an active market, fair value is the current bid price. If there is no sale agreement or active market for an asset, fair value is assessed based on the best information available. Costs of disposal include legal costs related to the disposal of the asset, related taxes, costs of removing the asset and direct costs to bring the asset into condition for its sale.

The present value of expected future cash flows of an asset shall be determined by estimating the future cash flows to be derived from continuing use of the asset and from its ultimate disposal and applying the appropriate discount rate to those future cash flows.

The impairment of goodwill is recognised in profit or loss for the period in which it is incurred and will not be reversed in any subsequent period.

6. Preparation of consolidated financial statements

The scope of consolidation in the consolidated financial statements is determined on the basis of control. Control is the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its operating activities.

For a subsidiary already disposed of by the Group, the operating results and cash flows before the date of disposal (the date when control is lost) are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

For subsidiaries acquired through a business combination involving enterprises not under common control, the operating results and cash flows from the acquisition date (the date when control is obtained) are included in the consolidated income statement and consolidated statement of cash flows, as appropriate, and no adjustment is made to the opening balances and comparative figures in the consolidated financial statements.

No matter when the business combination occurs in the reporting period, subsidiaries acquired through a business combination involving enterprises under common control are included in the Group's scope of consolidation as if they had been included in the scope of consolidation from the date when they first came under the common control of the ultimate controlling party. Their operating results and cash flows from the beginning of the earliest reporting period are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

The significant accounting policies and accounting periods adopted by the subsidiaries are determined based on the uniform accounting policies and accounting periods set out by the Company.

All significant intra-group balances and transactions are eliminated on consolidation.

The portion of subsidiaries' equity that is not attributable to the parent is treated as minority interests and presented as "minority interests" in the consolidated balance sheet within shareholders' equity. The portion of net profits or losses of subsidiaries for the period attributable to minority interests is presented as "minority interests" in the consolidated income statement below the "net profit" line item.

When the amount of loss for the period attributable to the minority shareholders of a subsidiary exceeds the minority shareholders' portion of the opening balance of owners' equity of the subsidiary, the excess amount are still allocated against minority interests.

Acquisition of minority interests or disposals of interests in a subsidiary that do not result in the loss of control over the subsidiary are accounted for as equity transactions. The carrying amounts of the parent's interests and minority interests are adjusted to reflect the changes in their relative interests in the subsidiary. The difference between the amount by which the minority interests are adjusted and the fair value of the consideration paid or received is adjusted to capital reserve. If the capital reserve is not sufficient to absorb the difference, the excess are adjusted against retained earnings.

When the company loses control over a subsidiary due to disposal of equity investment or other reason, any retained interest is re-measured at its fair value at the date when control is lost. The difference between (i) the aggregate of the consideration received on disposal and the fair value of any retained interest and (ii) the share of the former subsidiary's net assets cumulatively calculated from the acquisition date according to the original proportion of ownership interests is recognised as investment income in the period in which control is lost. Other comprehensive income associated with investment in the former subsidiary is reclassified to investment income in the period in which control is lost.

7. Recognition criteria of cash and cash equivalents

Cash comprises cash on hand and deposits that can be readily withdrawn on demand. Cash equivalents are the Group's short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

8. Translation of transactions and financial statements denominated in foreign currencies

8.1 *Transactions denominated in foreign currencies*

A foreign currency transaction is recorded, on initial recognition, by applying the spot exchange rate on the date of the transaction.

At the balance sheet date, foreign currency monetary items are translated into RMB using the spot exchange rates at the balance sheet date. Exchange differences arising from the differences between the spot exchange rates prevailing at the balance sheet date and those on initial recognition or at the previous balance sheet date are recognised in profit or loss for the period, except that (1) exchange differences related to a specific-purpose borrowing denominated in foreign currency that qualify for capitalisation are capitalised as part of the cost of the qualifying asset during the capitalisation period; (2) exchange differences related to hedging instruments for the purpose of hedging against foreign currency risks are accounted for using hedge accounting; (3) exchange differences arising from change in the carrying amounts (other than the amortised cost) of available-for-sale monetary items are recognised as other comprehensive income and included in capital reserve.

When the consolidated financial statements include foreign operation(s), if there are foreign currency monetary items constituting a net investment in a foreign operation, exchange difference arising from changes in exchange rates are recognised as "exchange difference arising on translation of financial statements denominated in foreign currency" in owner's equity, and in profit and loss for the period upon disposal of the foreign operation.

Foreign currency non-monetary items measured at historical cost are translated to the amounts in functional currency at the spot exchange rates on the dates of the transactions; the amounts in functional currency remain unchanged. Foreign currency non-monetary items measured at fair value are re-translated at the spot exchange rate on the date the fair value is determined. Difference between the re-translated functional currency amount and the original functional currency amount is treated as changes in fair value (including changes of exchange rate) and is recognised in profit and loss or as other comprehensive income included in capital reserve.

8.2 *Translation of financial statements denominated in foreign currencies*

For the purpose of preparing the consolidated financial statements, financial statements of a foreign operation are translated from the foreign currency into RMB using the following method: assets and liabilities on the balance sheet are translated at the spot exchange rate prevailing at the balance sheet date; shareholders' equity items except for retained earnings are translated at the spot exchange rates at the dates on which such items arose; all items in the income statement as well as items reflecting the amount of profit distributed are translated at the spot exchange rates on the dates of the transactions; the opening balance of retained earnings is the translated closing balance of the previous year's retained earnings; the closing balance of retained earnings is calculated and presented on the basis of each translated income statement and profit distribution item. The difference between the translated assets and the aggregate of liabilities and shareholders' equity items is separately presented, as the translation difference of financial statements denominated in foreign currencies, under the owner's equity in the balance sheet.

Cash flows arising from transaction in a foreign currency and the cash flows of a foreign subsidiary are translated at average rate for the accounting period of the consolidated financial statements. The effect of exchange rate changes on cash and cash equivalents is regarded as a reconciling item and presented separately in the cash flow statement as "effect of exchange rate changes on cash and cash equivalents".

The opening balances and the comparative figures of previous year are presented at the translated amounts of previous year's financial statements.

On disposal of the Group's entire interest in a foreign operation, or disposal of certain interest (or due to other reasons) resulting in a loss of control over a foreign operation, the company transfers the accumulated translation differences attributable to the shareholders' equity of the parent that relating to translation of the financial statements of that foreign operation, presented under shareholders' equity, to profit or loss in the period in which the disposal occurs.

In case of a disposal or other reason that does not result in the company losing control over a foreign operation, the proportionate share of accumulated translation differences are re-attributed to non-controlling interests and are not recognised in profit and loss. For partial disposals of associates or joint ventures, the proportionate share of the accumulated translation differences is reclassified to profit or loss.

9. Financial instruments

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. For financial assets and financial liabilities at fair value through profit or loss, transaction costs are immediately recognised in profit or loss. For other financial assets and financial liabilities, transaction costs are included in their initial recognised amounts.

9.1 *Determination of fair value*

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. For a financial instrument which has an active market, the company uses the quoted price in the active market to establish its fair value. For a financial instrument which has no active market, the company establishes fair value by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models.

9.2 *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or a group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period, using the effective interest rate. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or financial liability or, where appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the company estimates future cash flows considering all contractual terms of the financial asset or financial liability (without considering future credit losses), and also considers all fees paid or received between the parties to the contract giving rise to the financial asset and financial liability that are an integral part of the effective interest rate, transaction costs, and premiums or discounts etc.

9.3 *Classification, recognition and measurement of financial assets*

On initial recognition, the Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss ("FVTPL"), held-to-maturity investments, loans and receivables, and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis.

9.3.1 *Financial Assets at Fair Value through Profit or Loss ("FVTPL")*

Financial assets at fair value through profit or loss ("FVTPL") include financial assets held for trading and those designated as at fair value through profit or loss.

A financial asset is classified as held for trading if one of the following conditions is satisfied: (1) It has been acquired principally for the purpose of selling in the near term; or (2) On initial recognition it is part of a portfolio of identified financial instruments that the company manages together and there is objective evidence that the company has a recent actual pattern of short-term profit-taking; or (3) It is a derivative that is not designated and effective as a hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured.

A financial asset may be designated as at FVTPL upon initial recognition only when one of the following conditions is satisfied: (1) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise result from measuring assets or recognising the gains or losses on them on different bases; or (2) The financial asset forms part of a group of financial assets or a group of financial assets and financial liabilities, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is reported to key management personnel on that basis.

Financial assets at FVTPL are subsequently measured at fair value. Any gains or losses arising from changes in the fair value and any dividend or interest income earned on the financial assets are recognised in profit or loss.

9.3.2 *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group's management has the positive intention and ability to hold to maturity.

Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method. Gain or loss arising from derecognition, impairment or amortisation is recognised in profit or loss.

9.3.3 *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets classified as loans and receivables by the company include notes receivable, accounts receivable, interest receivable, dividends receivable, and other receivables.

Loans and receivables are subsequently measured at amortised cost using the effective interest method. Gain or loss arising from derecognition, impairment or amortisation is recognised in profit or loss.

9.3.4 *Available-for-sale financial assets*

Available-for-sale financial assets include non-derivative financial assets that are designated on initial recognition as available for sale, and financial assets that are not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

Available-for-sale financial assets are subsequently measured at fair value, and gains or losses arising from changes in the fair value are recognised as other comprehensive income and included in the capital reserve, except that impairment losses and exchange differences related to amortised cost of financial assets are recognised in profit or loss, until the financial assets are derecognised, at which time the gains or losses are released and recognised in profit or loss.

Interests obtained and the dividends declared by the investee during the period in which the available-for-sale financial assets are held, are recognised in investment gains.

For investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, and derivative financial assets that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost.

9.4 *Impairment of financial assets*

The company assesses at each balance sheet date the carrying amounts of financial assets other than those at fair value through profit or loss. If there is objective evidence that a financial asset is impaired, the company determines the amount of any impairment loss. Objective evidence that a financial asset is impaired is evidence that, arising from one or more events that occurred after the initial recognition of the asset, the estimated future cash flows of the financial asset, which can be reliably measured, have been affected.

Objective evidence that a financial asset is impaired includes the following observable events:

(1) Significant financial difficulty of the issuer or obligor;

(2) A breach of contract by the borrower, such as a default or delinquency in interest or principal payments;

(3) The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting a concession to the borrower;

(4) It becoming probable that the borrower will enter bankruptcy or other financial reorganisations;

(5) The disappearance of an active market for that financial asset because of financial difficulties of the issuer;

(6) Upon an overall assessment of a group of financial assets, observable data indicates that there is a measurable decrease in the estimated future cash flows from the companion financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group. Such observable data includes:

— Adverse changes in the payment status of borrower in the company of assets;

— Economic conditions in the country or region of the borrower which may lead to a failure to pay the company of assets;

(7) Significant adverse changes in the technological, market, economic or legal environment in which the issuer operates, indicating that the cost of the investment in the equity instrument may not be recovered by the investor;

(8) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost;

(9) Other objective evidence indicating there is an impairment of a financial asset.

— *Impairment of financial assets measured at amortised cost*

If financial assets carried at cost or amortised cost are impaired, the carrying amounts of the financial assets are reduced to the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The amount of reduction is recognised as an impairment loss in profit or loss. If, subsequent to the recognition of an impairment loss on financial assets carried at amortised cost, there is objective evidence of a recovery in value of the financial assets which can be related objectively to an event occurring after the impairment is recognised, the previously recognised impairment loss is reversed. However, the reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed.

For a financial asset that is individually significant, the company assesses the asset individually for impairment. For a financial asset that is not individually significant, the company assesses the asset individually for impairment or includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If the company determines that no objective evidence of impairment exists for an individually assessed financial asset (whether significant or not), it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets for which an impairment loss is individually recognised are not included in a collective assessment of impairment.

— *Impairment of available-for-sale financial assets*

When an available-for-sale financial asset is impaired, the cumulative loss arising from decline in fair value previously recognised directly in capital reserve is reclassified from the capital reserve to profit or loss. The amount of the cumulative loss that is reclassified from capital reserve to profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

If, subsequent to the recognition of an impairment loss on available-for-sale financial assets, there is objective evidence of a recovery in value of the financial assets which can be related objectively to an event occurring after the impairment is recognised, the previously recognised impairment loss is reversed. The amount of reversal of impairment loss on available-for-sale equity instruments is recognised as other comprehensive income and included in the capital reserve, while the amount of reversal of impairment loss on available-for-sale debt instruments is recognised in profit or loss.

— *Impairment of financial assets measured at cost*

If an impairment loss has been incurred on an investment in unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured, or on a derivative financial asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the carrying amount of the financial asset is reduced to the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. The amount of reduction is recognised as an impairment loss in profit or loss. The impairment loss on such financial asset is not reversed once it is recognised.

9.5 *Transfer of financial assets*

The company derecognises a financial asset if one of the following conditions is satisfied: (1) the contractual rights to the cash flows from the financial asset expire; or (2) the financial asset has been transferred and substantially all the risks and rewards of ownership of the financial asset is transferred to the transferee; or (3) although the financial asset has been transferred, the company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but has not retained control of the financial asset.

If the company neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, and it retains control of the financial asset, it recognises the financial asset to the extent of its continuing involvement in the transferred financial asset and recognises an associated liability. The extent of the Group's continuing involvement in the transferred asset is the extent to which it is exposed to changes in the value of the transferred asset.

For a transfer of a financial asset in its entirety that satisfies the derecognition criteria, the difference between (1) the carrying amount of the financial asset transferred; and (2) the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognised in other comprehensive income, is recognised in profit or loss.

If a part of the transferred financial asset qualifies for derecognition, the carrying amount of the transferred financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the respective fair values of those parts. The difference between (1) the carrying amount allocated to the part derecognised; and (2) the sum of the consideration received for the part derecognised and any cumulative gain or loss allocated to the part derecognised which has been previously recognised in other comprehensive income, is recognised in profit or loss.

9.6 *Classification and recognition of financial liabilities*

Debt and equity instruments issued by the company are classified into financial liabilities or equity on the basis of the substance of the contractual arrangements and definitions of financial liability and equity instrument.

On initial recognition, financial liabilities are classified into financial liabilities at fair value through profit or loss and other financial liabilities.

9.6.1 *Financial liabilities at fair value through profit or loss*

Financial liabilities at FVTPL consist of financial liabilities held for trading and those designated as at FVTPL on initial recognition.

A financial liability is classified as held for trading if one of the following conditions is satisfied: (1) It has been acquired principally for the purpose of repurchasing in the near term; or (2) On initial recognition it is part of a portfolio of identified financial instruments that the company manages together and there is objective evidence that the company has a recent actual pattern of short-term profit-taking; or (3) It is a derivative, except for a derivative that is a designated and effective hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured.

A financial liability may be designated as at FVTPL upon initial recognition only when one of the following conditions is satisfied: (1) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise result from measuring liabilities or recognising the gains or losses on them on different bases; or (2) The financial liability forms part of a group of financial liabilities or a group of financial assets and financial liabilities, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is reported to key management personnel on that basis.

Financial liabilities at FVTPL are subsequently measured at fair value, any gains or losses arising from changes in the fair value or any dividend or interest expense related with the financial liabilities are recognized in profit or loss.

9.6.2 *Other financial liabilities*

For a derivative liability that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured, it is subsequently measured at cost. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with gain or losses arising from derecognition or amortisation recognised in profit or loss.

9.6.3 *Financial guarantee contracts*

A financial guarantee contract is a contract by which the guarantor and the lender agree that the guarantor would settle the debts or bear obligations in accordance with terms of the contract in case the borrower fails to settle the debts. Financial guarantee contracts that are not designated as financial liabilities at fair value through profit or loss are initially measured at their fair values less the directly attributable transaction costs. Subsequent to initial recognition, they are measured at the higher of: (i) the amount determined in accordance with "Accounting Standard for Business Enterprises No. 13 — Contingencies"; and (ii) the amount initially recognised less cumulative amortisation recognised in accordance with the principles set out in "Accounting Standard for Business Enterprises No. 14 — Revenue".

9.7 *Derecognition of financial liabilities*

The company derecognises a financial liability (or part of it) only when the underlying present obligation (or part of it) is discharged. An agreement between the company (an existing borrower) and an existing lender to replace the original financial liability with a new financial liability with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

When the company derecognises a financial liability or a part of it, it recognises the difference between the carrying amount of the financial liability (or part of the financial liability) derecognised and the consideration paid (including any non-cash assets transferred or new financial liabilities assumed) in profit or loss.

9.8 *Derivatives and embedded derivatives*

Derivatives are initially measured at fair value at the date when the derivative contracts are entered into and are subsequently re-measured to fair value. The resulting gain or loss is recognised in profit or loss.

An embedded derivative is separated from the hybrid instrument, where the hybrid instrument is not designated as a financial asset or financial liability at fair value through profit or loss, and treated as a standalone derivative if (1) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; and (2) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative. If the company is unable to measure the embedded derivative separately either at acquisition or at a subsequent balance sheet date, it designates the entire hybrid instrument as a financial asset or financial liability at fair value through profit or loss.

9.8.1 *Convertible loan notes*

Convertible loan notes issued by the company that contain both the liability and conversion option components are classified separately into respective items on initial recognition. Conversion option that is 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 an equity instrument.

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 instrument, is included in capital reserve (other capital reserve — share conversion option).

In subsequent periods, the liability component of the convertible loan notes is carried at amortised cost using the effective interest method. The conversion option classified as equity remains in equity. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs incurred for the issue of convertible loan notes are allocated to the liability component and equity component in proportion to their respective fair values. 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 component and amortised over the period of the convertible loan notes using the effective interest method.

9.9 *Offsetting financial assets and financial liabilities*

Where the company has a legal right that is currently enforceable to set off the recognised amounts, and intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously, a financial asset and a financial liability shall be offset and the net amount presented in the balance sheet. Except for the circumstances above, financial assets and financial liabilities shall be presented separately in the balance sheet and shall not be offset.

9.10 *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. The consideration received from issuing equity instruments, net of transaction costs, are added to shareholders' equity.

All types of distributions (excluding stock dividends) made by the company to holders of equity instruments are deducted from shareholders' equity. The company does not recognise any changes in the fair value of equity instruments.

10. Receivables

10.1 *Receivables that are individually significant and for which bad debt provision is individually assessed*

Basis or monetary criteria for determining individually significant receivables	Receivables that exceed the amount of RMB5 million are deemed as individually significant receivables by the Group.
Provision methods for receivables that are individually significant and for which bad debt provision is individually assessed	For receivables that are individually significant, the company assesses the receivables individually for impairment; for a financial asset that is not impaired individually, the company includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Receivables for which an impairment loss is individually recognised are not included in a collective assessment of impairment.

10.2 *Receivables for which bad debt provision is collectively assessed*

Receivables that are significant with the impairment tests performed individually but for which bad debt provision is not assessed	Mainly include amount due from related parties and amount due from subsidiaries' related parties, amount due from government sectors and amount due from cooperation partner. For the receivables as above, bad debt provision would not be assessed as the probability of the loss of the bad debt is rarely low.
Receivables that use percentage of total receivables outstanding for bad debt provision	The company classifies receivables into groups of financial assets according to the similarity and relativity of credit risk characteristics. These credit risks usually reflect the debtor's ability to pay the amount due at maturity under contractual terms of related assets and are relate to the estimation of future cash flow of the assessed assets.
Bad debt provision methods for a portfolio (percentage of total receivables outstanding)	5%

10.2.1 *Portfolios that use percentage of total receivables outstanding for bad debt provision*

Name of portfolio	Provision proportion for accounts receivable (%)	Provision proportion for other receivables (%)
Receivables that use percentage of total receivables outstanding for bad debt provision.	5.00	5.00

10.3 *Accounts receivable that are not individually significant but for which individual bad debt provision is individually assessed*

Reasons for making individual bad debt provision	There are large difference between present value of the future cash flow of receivables and the book value of receivables.
Bad debt provision methods	The impairment test is performed individually. If the present value of future cash flow is lower than the book value of receivables, bad debt provision is assessed basis on the difference. Otherwise, bad debt provision is not assessed.

11. Inventories

11.1 *Classification of inventories*

Inventories mainly include properties under construction, completed projects, goods on hand, construction materials and others. Inventories are initially measured at cost. Cost of goods on hand and construction materials comprise purchase, freights, insurances, taxes and other related expenses. Cost of property development comprises land acquisition fees, expenditure on infrastructure development, expenditure on construction and installation, borrowing costs incurred before the completion of construction, and other related expenses.

11.2 *Cost measurement of delivered inventories*

Upon delivery of goods on hand and construction materials, the weighted average method is used to determine the actual cost of inventories. Upon delivery of completed projects, the specific identification method is used to determine the actual cost of inventories.

11.3 *Basis for determining net realisable value of inventories and provision methods for decline in value of inventories*

At the balance sheet date, inventories are measured at the lower of cost and net realisable value. If the cost of inventories is higher than the net realisable value, a provision for decline in value of inventories is made. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion, the estimated costs necessary to make the sale and relevant taxes. Net realisable value is determined on the basis of clear evidence obtained, and takes into consideration the purposes of inventories being held and effect of post balance sheet events.

Provision for decline in value of other inventories is made based on the excess of cost of inventory over its net realisable value on an item-by-item basis.

After the provision for decline in value of inventories is made, if the circumstances that previously caused inventories to be written down below cost no longer exist so that the net realisable value of inventories is higher than their cost, the original provision for decline in value is reversed and the reversal is included in profit or loss for the period.

11.4 *Inventory count system*

The perpetual inventory system is maintained for stock system.

12. Long-term equity investments

12.1 *Determination of investment cost*

For a long-term equity investment acquired through a business combination involving enterprises under common control, the investment cost of the long-term equity investment is the attributable share of the carrying amount of the shareholders' equity of the acquiree at the date of combination. For a long-term equity investment acquired through business combination not involving enterprises under common control, the investment cost of the long-term equity investment acquired is the cost of acquisition. The long-term equity investment acquired otherwise than through a business combination is initially measured at its cost.

12.2 *Subsequent measurement and recognition of profit or loss*

12.2.1 *A long-term equity investment accounted for using the cost method*

For long-term equity investments over which the company does not exercise joint control or significant influence and those without quoted prices in an active market and the fair values cannot be reliably measured, the company accounts for such long-term equity investments using the cost method. Besides, long-term equity investments in subsidiaries are accounted for using the cost method in the Company's separate financial statements. A subsidiary is an investee that is controlled by the Group.

Under the cost method, a long-term equity investment is measured at initial investment cost. Except for cash dividends or profits already declared but not yet paid that are included in the price or consideration actually paid upon acquisition of the long-term equity investment, investment income is recognised in the period in accordance with the attributable share of cash dividends or profit distributions declared by the investee.

12.2.2 *A long-term equity investment accounted for using the equity method*

The company accounts for investment in associates and joint ventures using the equity method. An associate is an entity over which the company has significant influence and a joint venture is an entity over which the company exercises joint control along with other investors.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, no adjustment is made to the initial investment cost. Where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the difference is recognised in profit or loss for the period, and the cost of the long-term equity investment is adjusted accordingly.

Under the equity method, the company recognises its share of the net profit or loss of the investee for the period as investment income or loss for the period. The company recognises its share of the investee's net profit or loss based on the fair value of the investee's individual separately identifiable assets at the acquisition date after making appropriate adjustments to conform with the Group's accounting policies and accounting period. Unrealised profits or losses resulting from the Group's transactions with its associates and joint ventures are recognised as investment income or loss to the extent that those attributable to the Group's, equity interest are eliminated. However, unrealised losses resulting from the Group's transactions with its associates and joint ventures which represent impairment losses on the transferred assets are not eliminated. Changes in shareholder's equity of the investee other than net profit or loss are correspondingly adjusted to the carrying amount of the long-term equity investment, and recognised as other comprehensive income which is included in the capital reserve.

The company discontinues recognising its share of net losses of the investee after the carrying amount of the long-term equity investment together with any long-term interests that in substance form part of its net investment in the investee are reduced to zero. Except that if the company has incurred obligations to assume additional losses, a provision is recognized according to the obligation expected, and recorded in the investment loss for the period. Where net profits are subsequently made by the investee, the company resumes recognising its share of those profits only after its share of the profits exceeds the share of losses previously not recognised.

12.2.3*Disposal of long-term equity investments*

On disposal of a long term equity investment, the difference between the proceeds actually received and receivable and the carrying amount is recognised in profit or loss for the period. For a long-term equity investment accounted for using the equity method, the amount included in the shareholders' equity and attributable to the percentage interest disposed is transferred to profit or loss for the period.

12.3 *Basis for determining joint control and significant influence over investee*

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating policy decisions relating to the activity require the unanimous consent of the parties sharing control. 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. When determining whether an investing enterprise is able to exercise control or significant influence over an investee, the effect of potential voting rights of the investee (for example, warrants and convertible debts) held by the investing enterprises or other parties that are currently exercisable or convertible shall be considered.

12.4 *Impairment assessment and provision method for impairment loss*

The company reviews the long-term equity investments at each balance sheet date to determine whether there is any indication that they have suffered an impairment loss. If an impairment indication exists, the recoverable amounts are estimated. If such recoverable amount is less than its carrying amount, a provision for impairment losses in respect of the deficit is recognised in profit or loss for the period.

Once an impairment loss is recognised for a long-term equity investment, it will not be reversed in any subsequent period.

13. Investment properties

Investment property is property held to earn rentals or for capital appreciation or both. It includes a land use right that is leased out; a land use right held for transfer upon capital appreciation; and a building that is leased out.

An investment property is measured initially at cost. Subsequent expenditures incurred for such investment property are included in the cost of the investment property if it is probable that economic benefits associated with an investment property will flow to the company and the subsequent expenditures can be measured reliably, other subsequent expenditures are recognised in profit or loss in the period in which they are incurred.

The company uses the cost model for subsequent measurement of investment property, and adopts a depreciation/amortisation policy for the investment property which is consistent with that for buildings/land use rights.

The company reviews the investment properties at each balance sheet date to determine whether there is any indication that they have suffered an impairment loss. If an impairment indication exists, the recoverable amounts are estimated. Recoverable amount is estimated on individual basis. If it is not practical to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group to which the asset belongs will be estimated. If such recoverable amount is less than its carrying amount, a provision for impairment losses in respect of the deficit is recognised in profit or loss for the period.

Once an impairment loss is recognised for an investment property, it will not be reversed in any subsequent period.

When an investment property is sold, transferred, retired or damaged, the company recognises the amount of any proceeds on disposal net of the carrying amount and related taxes in profit or loss for the period.

14. Fixed assets

14.1 *Recognition criteria for fixed assets*

Fixed assets are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and have useful lives of more than one accounting year. A fixed asset is recognised only when it is probable that economic benefits associated with the asset will flow to the company and the cost of the asset can be measured reliably. Fixed assets are initially measured at cost and the effect of any expected costs of abandoning the asset at the end of its use is considered.

Subsequent expenditures incurred for the fixed asset are included in the cost of the fixed asset and if it is probable that economic benefits associated with the asset will flow to the company and the subsequent expenditures can be measured reliably. Meanwhile the carrying amount of the replaced part is derecognised. Other subsequent expenditures are recognised in profit or loss in the period in which they are incurred.

14.2 *Depreciation of each category of fixed assets*

A fixed asset is depreciated over its useful life using the straight-line method since the month subsequent to the one in which it is ready for intended use. The useful life, estimated net residual value rate and annual depreciation rate of each category of fixed assets are as follows:

Classes	Useful lives	Estimated net residual values rates	Annual depreciation rates
	(Years)	(%)	(%)
Buildings	20	5	4.75
Electronic equipment, furniture and fixtures	3	5	31.67
Motor vehicles	4	5	23.75
Others	5	5	19.00

Estimated net residual value of a fixed asset is the estimated amount that the company would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

14.3 *The method of impairment test and provision for impairment losses of fixed assets*

The company assesses at the balance sheet date whether there is any indication that the fixed assets may be impaired. If there is any indication that such assets may be impaired, recoverable amounts are estimated for such assets. Recoverable amount is estimated on individual basis. If it is not practical to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group to which the asset belongs will be estimated. If the recoverable amount of an asset or an asset group is less than its carrying amount, the deficit is accounted for as an impairment loss and is recognised in profit or loss.

Once the impairment loss of such assets is recognised, it is not be reversed in any subsequent period.

14.4 *Identification basis and valuation methods for fixed assets acquired under finance leases*

The company adopts a depreciation policy for a fixed asset held under a finance lease which is consistent with that for its owned fixed asset. If there is reasonable certainty that the company will obtain ownership of the leased asset at the end of the lease term, the leased asset is depreciated over its useful life. If there is no reasonable certainty that the company will obtain ownership of the leased asset at the end of the lease term, the leased asset is depreciated over the shorter of the lease term and its useful life.

14.5 *Other explanations*

The company reviews the useful life and estimated net residual value of a fixed asset and the depreciation method applied at least once at each financial year-end, and account for any change as a change in an accounting estimate.

If a fixed asset is upon disposal or no future economic benefits are expected to be generated from its use or disposal, the fixed asset is derecognised. When a fixed asset is sold, transferred, retired or damaged, the amount of any proceeds on disposal of the asset net of the carrying amount and related taxes is recognised in profit or loss for the period.

15. Construction in progress

Construction in progress is measured at its actual costs. The actual costs include various construction expenditures during the construction period, borrowing costs capitalised before it is ready for intended use and other relevant costs. Construction in progress is not depreciated. Construction in progress is transferred to a fixed asset when it is ready for intended use.

The company assesses at the balance sheet date whether there is any indication that construction in progress may be impaired. If there is any indication that such assets may be impaired, recoverable amounts are estimated for such assets. Recoverable amount is estimated on individual basis. If it is not practical to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group to which the asset belongs will be estimated. If the recoverable amount of an asset or an asset group is less than its carrying amount, the deficit is accounted for as an impairment loss and is recognised in profit or loss.

Once the impairment loss of construction in progress is recognised, it is not be reversed in any subsequent period.

16. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying asset are capitalised when expenditures for such asset and borrowing costs are incurred and activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced. Capitalisation of borrowing costs ceases when the qualifying asset being acquired, constructed or produced becomes ready for its intended use or sale. Capitalisation of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is interrupted abnormally and when the interruption is for a continuous period of more than 3 months. Capitalisation is suspended until the acquisition, construction or production of the asset is resumed. Other borrowing costs are recognised as an expense in the period in which they are incurred.

Where funds are borrowed under a specific-purpose borrowing, the amount of interest to be capitalised is the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds. Where funds are borrowed under general-purpose borrowings, the company determines the amount of interest to be capitalised on such borrowings by applying a capitalisation rate to the weighted average of the excess of cumulative expenditures on the asset over the amounts of specific-purpose borrowings. The capitalisation rate is the weighted average of the interest rates applicable to the general-purpose borrowings.

During the capitalization period, exchange differences related to a specific-purpose borrowing denominated in foreign currency are all capitalised. Exchange differences in connection with general-purpose borrowings are recognised in profit or loss in the period in which they are incurred.

17. Intangible assets

17.1 *Intangible assets*

Intangible assets include land use rights, patents, etc.

An intangible asset is measured initially at cost. When an intangible asset with a finite useful life is available for use, its original cost less net residual value and any accumulated impairment losses is amortised over its estimated useful life using the straight-line method. An intangible asset with an indefinite useful life is not amortised.

For an intangible asset with a finite useful life, the company reviews the useful life and amortisation method at the end of the period, and makes adjustments when necessary.

17.2 *Research and development expenditure*

Expenditure during the research phase is recognised as an expense in the period in which it is incurred.

Expenditure during the development phase that meets all of the following conditions at the same time is recognised as intangible asset. Expenditure during development phase that does not meet the following conditions is recognised in profit or loss for the period.

(1) it is technically feasible to complete the intangible asset so that it will be available for use or sale;

(2) the company has the intention to complete the intangible asset and use or sell it;

(3) the company can demonstrate the ways in which the intangible asset will generate economic benefits, including the evidence of the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;

(4) the availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and

(5) the expenditure attributable to the intangible asset during its development phase can be reliably measured.

If the expenditures cannot be distinguished between the research phase and development phase, the company recognises all of them in profit or loss for the period.

17.3 ***The method of impairment test and provision for impairment losses of intangible assets***

The company assesses at the balance sheet date whether there is any indication that the intangible assets with a finite useful life may be impaired. If there is any indication that such assets may be impaired, recoverable amounts are estimated for such assets. Recoverable amount is estimated on individual basis. If it is not practical to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group to which the asset belongs will be estimated. If the recoverable amount of an asset or an asset group is less than its carrying amount, the deficit is accounted for as an impairment loss and is recognised in profit or loss.

Intangible assets with indefinite useful life and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that the assets may be impaired.

Once the impairment loss of such asset is recognised, it is not be reversed in any subsequent period.

18. Long-term prepaid expenses

Long-term prepaid expenses represent expenses incurred that should be borne and amortised over the current and subsequent periods (together of more than one year). Long-term prepaid expenses are amortised using the straight-line method over the expected periods in which benefits are derived.

19. Estimated liabilities

An obligation related to a contingency is recognized as a provision when all of the following conditions are satisfied: (1) the obligation is a present obligation of the Group; (2) it is probable that an outflow of economic benefits will be required to settle the obligation; and (3) the amount of the obligation can be measured reliably.

At the balance sheet date, a provision is measured at the best estimate of the expenditure required to settle the related present obligation, taking into account the factors pertaining to a contingency such as the risks, uncertainties and time value of money.

Where all or some of the expenditure required to be settled a provision is expected to be reimbursed by a third party, the reimbursement is recognized as a separate asset only when it is virtually certain that reimbursement will be received. The amount recognized for the reimbursement does not exceed the carrying amount of the provision.

20. Share-based payments and equity instruments

20.1 ***Classification of share-based payments***

A share-based payment is a transaction in which the company grants equity instruments, or incurs liabilities for amounts that are determined based on the price of equity instruments, in return for services rendered by employees or other parties. The Group's share-based payments include equity-settled share-based payments and cash-settled share-based payments.

Equity-settled share-based payments

Equity-settled share-based payments in exchange for services rendered by employees are measured at the fair value of the equity instruments granted to employees at the grant date. Such amount is recognised as related costs or expenses on a straight-line basis, based on the best estimate of the number of equity instruments expected to vest/as related costs or expenses at the grant date, if the equity instruments vest immediately, with a corresponding increase in capital reserve.

At each balance sheet date during the vesting period, the company makes the best estimate according to the subsequent latest information of change in the number of employees who are granted with options that may vest, etc. and revises the number of equity instruments expected to vest. The effect of the above estimate is recognised as related costs or expenses, with a corresponding adjustment to capital reserve.

For equity-settled share-based payments in exchange for services rendered by other parties, if the fair value of services from other parties can be measured reliably, they are measured at the fair value of services from other parties at the date when such services are received. If the fair value of services from other parties cannot be measured reliably but the fair value of the equity instruments can be measured reliably, they are measured at the fair value of the equity instruments at the date when such services are received. The fair value of the equity instruments are recognised as related costs or expenses, with a corresponding increase in capital reserve.

Cash-settled share-based payments

Cash-settled share-based payments are measured at the fair value of the liabilities incurred by the Group, which are determined based on the price of the share or other equity instruments. If the rights under a cash-settled share-based payment vest immediately, the company recognises related costs or expenses on grant date, with a corresponding increase in liability, at an amount equal to the fair value of the liability based on the best estimate of the outcome of vesting at each balance sheet date within the vesting period. Until the liability is settled, the company remeasures the fair value of the liability at each balance sheet date and at the date of settlement, with any changes in fair value recognised in profit or loss for the period.

20.2 *The method of determining the fair value of equity instruments*

The value of share options granted by the company is estimated by applying Black-Scholes option pricing model. Details please refer to note (VIII).

20.3 *Accounting treatment related to implementation, modification and termination of share-based payments*

In case the company modifies a share-based payment arrangement, if the modification increases the fair value of the equity instruments granted, the company will include the incremental fair value of the equity instruments granted in the measurement of the amount recognised for services received. If the modification increases the number of the equity instruments granted, the company will include the fair value of additional equity instruments granted in the measurement of the amount recognised for services received. The increase in the fair value of the equity instruments granted is the difference between fair value of the equity instruments before and after the modification on the date of the modification. If the company modifies the terms or conditions of the share-based payment arrangement in a manner that reduces the total fair value of the share-based payment arrangement, or is not otherwise beneficial to the employee, the company will continue to account for the services received as if that modification had not occurred other than a cancellation of some or all the equity instruments granted.

If cancellation of the equity instruments granted occurs during the vesting period, the company will account for the cancellation of the equity instruments granted as an acceleration of vesting, and recognise immediately the amount that otherwise would have been recognised over the remainder of the vesting period in profit or loss for the period, with a corresponding recognition in capital reserve. When the employee or counterparty can choose whether to meet the non-vesting condition but the condition is not met during the vesting period, the company treats it as a cancellation of the equity instruments granted.

21. Repurchase of own equity instruments

The consideration and transaction costs paid to repurchase own equity instruments are deducted from owners' equity. No gain or loss is recognised in profit or loss on the repurchase, sale or cancellation of the Company's own equity instruments.

22. Revenue

22.1 *Revenue from sale of goods*

Revenue from sale of goods is recognised when (1) the enterprise has transferred to the buyer the significant risks and rewards of ownership of the goods; (2) the enterprise retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; (3) the amount of revenue can be measured reliably; (4) it is probable that the associated economic benefits will flow to the enterprise; and (5) the associated costs incurred or to be incurred can be measured reliably.

Revenue from sales of property is recognized when all the following conditions are successfully satisfied: (1) sales contact is entered into between the buyer and the Company and filed with Land and Resources Bureau; (2) development of property is completed and arrives at the condition for its intended use, and successfully passes the examination by the relevant authorities with the relevant registration procedures well finished; and (3) the buyer makes payment for the property subject to the terms in sales contract and obtains the occupation permit. In another word, revenue from sales is recognized when the Company receives or obtains the right to receive the full amount of property sold, and all the relevant economic benefit can flow to the Company.

22.2 *Revenue from rendering of services*

Revenue from rendering of services is recognised when (1) the amount of revenue can be measured reliably; (2) it is probable that the associated economic benefits will flow to the enterprise; (3) the stage of completion of the transaction can be determined reliably; and (4) the associated costs incurred or to be incurred can be measured reliably. Revenue from rendering of services is recognised using the percentage of completion method at the balance sheet date. The stage of completion of a transaction is determined based on services performed to date as a percentage of total services to be performed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the costs incurred that will be recoverable, and the costs incurred are recognised as expenses for the period. When it is not probable that the costs incurred will be recovered, revenue is not recognised.

22.3 *Revenue arising from lease*

Rental income from lessee per contract or agreement is recognized as operating income on a straight-line basis over the lease term.

22.4 *Income from royalties*

The amount of income from royalties is recognised according to the relevant contract or agreement on an accrual basis.

22.5 *Interest income*

The amount of interest income is determined according to the length of time for which the Company's monetary funds are used by others and the effective interest rate.

23. Government grants

Government grants are the transfer of monetary assets or non-monetary assets from the Government to the Company at no consideration, excluding capital contribution from the Government as an owner of the Company to the Company. Government grants are classified into government grants related to assets and government grants related to income.

If a government grant is in the form of a transfer of a monetary asset, the item is measured at the amount received or receivable. If a government grant is in the form of a transfer of a non-monetary asset, the item is measured at fair value. If fair value is not reliably determinable, the item is measured at a nominal amount. A government grant measured at a nominal amount is recognised immediately in profit or loss for the current period.

A government grant related to an asset is recognised as deferred income, and evenly amortised to profit or loss over the useful life of the related asset.

For a government grant related to income, if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognised as deferred income, and recognised in profit or loss over the periods in which the related costs are recognised; if the grant is a compensation for related expenses or losses already incurred, the grant is recognised immediately in profit or loss for the current period.

For the repayment of a government grant already recognised, if there is any related deferred income, the repayment is offset against the carrying amount of the deferred income, and any excess is recognised in profit or loss for the current period; if there is no related deferred income, the repayment is recognised immediately in profit or loss for the current period.

24. Income tax expenses

The income tax expenses include current income tax and deferred income tax.

24.1 *Current Income Tax*

At the balance sheet date, current income tax liabilities (or assets) for the current and prior periods are measured at the amount expected to be paid (or recovered) according to the requirements of tax laws.

24.2 *Deferred tax assets and deferred tax liabilities*

For temporary differences between the carrying amounts of certain assets or liabilities and their tax base, or between the nil carrying amount of those items that are not recognised as assets or liabilities and their tax base that can be determined according to tax laws, deferred tax assets and liabilities are recognised using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets for deductible temporary differences are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised. However, for temporary differences associated with the initial recognition of goodwill and the initial recognition of an asset or liability arising from a transaction (not a business combination) that affects neither the accounting profit nor taxable profits or deductible losses at the time of transaction, no deferred tax asset or liability is recognised.

For deductible losses and tax credits that can be carried forward, deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible losses and tax credits can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the company is able to control the timing of 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 taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates, according to tax laws, that are expected to apply in the period in which the asset is realised or the liability is settled.

Current and deferred tax expenses or income are recognised in profit or loss for the period, except when they arise from transactions or events that are directly recognised in other comprehensive income or in equity, in which case they are recognised in other comprehensive income or in equity, and when they arise from business combinations, in which case they adjust the carrying amount of goodwill.

At the balance sheet date, the carrying amount of deferred tax assets is reviewed and reduced if it is no longer probable that sufficient taxable profits will be available in the future to allow the benefit of deferred tax assets to be utilised. Any such reduction in amount is reversed when it becomes probable that sufficient taxable profits will be available.

When the company has a legal right to settle on a net basis and intends either to settle on a net basis or to realise the assets and settle the liabilities simultaneously, current tax assets and current tax liabilities are offset and presented on a net basis.

When the company has a legal right to settle current tax assets and liabilities on a net basis, and deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax assets and liabilities on a net basis or to realise the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be reversed, deferred tax assets and deferred tax liabilities are offset and presented on a net basis.

25. Operating leases and finance leases

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.

25.1 *The company as lessee under operating leases*

Operating lease payments are recognised on a straight-line basis over the term of the relevant lease, and are either included in the cost of related asset or charged to profit or loss for the period. Initial direct costs incurred are charged to profit or loss for the period. Contingent rents are charged to profit or loss in the period in which they are actually incurred.

25.2 *The company as lessor under operating leases*

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs with more than an insignificant amount are capitalised when incurred, and are recognised in profit or loss on the same basis as rental income over the lease term. Other initial direct costs with an insignificant amount are charged in profit or loss in the period in which they are incurred. Contingent rents are charged to profit or loss in the period in which they actually arise.

25.3 ***The company as lessee under finance leases***

At the commencement of the lease term, the company records the leased asset at an amount equal to the lower of the fair value of the leased asset and the present value of the minimum lease payments, and recognises a long-term payable at an amount equal to the minimum lease payments. The difference between the recorded amounts is accounted for as unrecognised finance charge. Besides, initial direct costs that are attributable to the leased item incurred during the process of negotiating and securing the lease agreement are also added to the amount recognised for the leased asset.

Unrecognised finance charges are recognised as finance charge for the period using the effective interest method over the lease term. Contingent rents are charged to profit or loss in the period in which they are actually incurred. The net amount of minimum lease payments less unrecognised finance charges is separated into long-term liabilities and the portion of long-term liabilities due within one year for presentation.

25.4 ***The company as lessor under finance leases***

At the commencement of the lease term, the aggregate of the minimum lease receivable at the inception the lease and the initial direct costs is recognised as a finance lease receivable, and the unguaranteed residual value is recorded at the same time. The difference between the aggregate of the minimum lease receivable, the initial direct costs and the unguaranteed residual value, and the aggregate of their present values is recognised as unearned finance income.

Unearned finance income is recognised as finance income for the period using the effective interest method over the lease term. Contingent rents are credited to profit or loss in the period in which they are actually incurred.

The net amount of financial lease receivables less unearned finance income is separated into long-term debts receivable and the portion of long-term debts receivable due within one year for presentation.

26. Non-current assets held for sale

Non-current assets including fixed assets, intangible assets, long-term equity investments, etc., but excluding deferred tax asset, that the company has determined to dispose of those assets and has entered into an irrevocable transfer agreement with the transferee and it is highly probable that the transfer will be completed within one year, are accounted for as non-current assets held for sale. They are not depreciated or amortised, and are measured at the lower of carrying amount and fair value less costs to sell.

If an asset or a disposal group has been classified as held for sale but the criteria for classification as held for sale are no longer met, the company shall cease to classify the asset or disposal group as held for sale. It shall be measured at the lower of (1) the carrying amount before the asset or disposal group was classified as held for sale, adjusted for any depreciation, amortisation or impairment that would have been recognised had the asset or disposal group not been classified as held for sale; and (2) the recoverable amount at the date of the decision not to sell.

27. Changes in significant accounting policies

Changes in accounting policies and reasons	Financial statement items affected	Amounts affected
27.1 ***Costs incurred directly attributable to the business combination***		
For a business combination not involving enterprises under common control occurred before January 1, 2010, the costs incurred by the acquirer that are directly attributable to the business combination is included in the cost of business combination in the consolidated financial statements. In accordance with CAS Interpretation No.4, for a business combination not involving enterprises under common control occurred after January 1, 2010, the expenses incurred by the acquirer for the purpose of effecting the business combination and other associated administrative costs, e.g. audit, legal and valuation fees, are immediately recognised in profit or loss in the Company's financial statements and consolidated financial statements.		
The Company has accounted for the above change in accounting policies prospectively.	No effect	Nil

28. Other significant accounting policies, accounting estimates, and preparation of financial statements

28.1 *Employee benefits*

In an accounting period in which an employee has rendered service to the Group, the company recognises the employee benefits for that service as a liability, except for compensation for termination of employment relationship with the employees.

The company participates in the employee social security systems, such as basic pensions, medical insurance, housing funds and other social securities established by the government in accordance with relevant requirements. The related expenditures are either included in cost of related assets or charged to profit or loss for the period when they occur.

When the company terminates the employment relationship with employees before the expiry of the employment contracts or provides compensation as an offer to encourage employees to accept voluntary redundancy, if the company has a formal plan for termination of employment relationship or has made an offer for voluntary redundancy which will be implemented immediately, and the company cannot unilaterally withdraw from the termination plan or the redundancy offer, a provision for the compensation payable arising from the termination of employment relationship with employees is recognised with a corresponding charge to the profit or loss for the period.

28.2 *Exchange of non-monetary assets*

If an exchange of non-monetary assets has commercial substance and the fair value of either the asset received or the asset given up can be reliably measured, the cost of the asset received is measured at the fair value of the asset given up (unless there is conclusive evidence that the fair value of the asset received is more reliable) plus any related taxes, and the difference between the fair value used and the carrying amount of the asset given up is recognised in profit or loss. If an exchange of non-monetary assets fails to meet the above conditions, the cost of the asset received is measured at the carrying amount of the asset given up plus any related taxes, and no gain or loss is recognised.

Where several assets are received at the same time in an exchange of non-monetary assets and if the exchange transaction has commercial substance and the fair values of the assets received can be measured reliably, the cost of each asset received is determined by apportioning the total cost of all assets received based on the proportion of the fair value of each asset received to the total fair value of all assets received. If the exchange transaction has no commercial substance, or although the transaction has commercial substance, the fair values of the assets received cannot be measured reliably, then the cost of each asset received is determined by apportioning the total cost of all assets received based on the proportion of the original carrying amount of each asset received to the total carrying amount of all assets received.

28.3 *Debt restructuring*

28.3.1 *Recording of debt restructuring obligation as the debtor*

When a debt is settled by cash in a debt restructuring, the difference between the carrying amount of the debt and the cash actually paid is recognised in profit or loss for the period. When a debt is satisfied by a transfer of non-cash asset(s), the difference between the carrying amount of the debt and the fair value of the non-cash asset(s) transferred is recognised in profit or loss for the period. The difference between the fair value of the non-cash asset(s) transferred and their carrying amount is recognised in profit or loss for the period.

When a debt is converted into capital in a debt restructuring, the difference between the carrying amount of the debt and the total fair value of the capital issued to the creditor is recognised in profit or loss for the period.

When a debt restructuring involves the modification of other terms of a debt, the restructured debt is recorded at the fair value of the debt with the modified terms. The difference between the carrying amount of the original debt and the recorded amount of the restructured debt is recognised in profit or loss for the period.

When a debt restructuring adopts a combination of various methods, the carrying amount of the debt is reduced by, and in the sequence of, the cash payment, the fair value of the non-cash asset(s) transferred and the fair value of the capital issued to the creditor, and is then accounted for using the same treatment as the above debt restructuring involving the modification of other terms of a debt.

28.3.2 *Recording of debt restructuring obligation as the creditor*

When a debt is settled by cash in a debt restructuring, the difference between the gross carrying amount of the debt receivable and the cash received is recognised in profit or loss for the current period. When a debt is settled by a transfer of non-cash asset(s), the difference between the gross carrying amount of the debt receivable and the fair value of the non-cash asset(s) received is recognised in profit or loss for the current period.

When a debt is converted into capital in a debt restructuring, the difference between the gross carrying amount of the debt receivable and the fair value of the equity interest received is recognised in profit or loss for the current period.

When a debt restructuring involves the modification of other terms of a debt, the restructured debt receivable is recorded at the fair value of the debt receivable which terms have been modified. The difference between the gross carrying amount of the original debt receivable and the carrying amount of the restructured debt receivable is recognised in profit or loss for the current period.

When a debt is satisfied by a combination of various methods, the gross carrying amount of the debt receivable is reduced by, and in sequence of, the cash received, the fair value of the non-cash assets obtained and the fair value of the equity interest received, and then follow the foregoing requirements of the case where a debt restructuring involves the modification of other terms of a debt.

If a provision is made for impairment loss on the debt receivable, the above difference first reduces the impairment provision and any excess is then recognised in profit or loss for the period.

28.4 *Maintenance Fund*

For properties located in Shenzhen, the Company complies with the Rules on Administration of Specific Public Facilities Fund of Residence of Shenzhen. For properties in the locations other than Shenzhen, the Company follows the responsive local regulations.

(III) BASIS OF DETERMINING SIGNIFICANT ACCOUNTING POLICIES AND KEY ASSUMPTIONS AND UNCERTAINTIES IN ACCOUNTING ESTIMATES

In the application of the Company's accounting policies, which are described in note 2, the Company is required to make judgments, estimates and assumptions about the carrying amounts of items in the financial statements that cannot be measured accurately, due to the internal uncertainty of the operating activities. These judgments, estimates and assumptions are based on historical experiences of the Company's management as well as other factors that are considered to be relevant. Actual results may differ from these estimates.

The aforementioned judgments, estimates and assumptions are reviewed regularly on a going concern basis. The effect of a change in accounting estimate is recognised in the period of the change, if the change affects that period only; or recognised in the period of the change and future periods, if the change affects both.

The following are the key assumptions and uncertainties in accounting estimates at the balance sheet date, which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in future periods.

The Company records inventories as lower of cost and net realisable value. Net realisable value of inventory is amount calculated as estimated selling price of ordinary activities, minus estimated cost to happen until work completed, estimated selling expenses and related taxes. The Company will increase provision for decline in value of inventories if the management revises any of the estimated selling price, cost to happen until work completed, estimated selling expenses or related taxes, and (1) the revised estimated selling price is less than current adopted estimated selling price, or (2) the revised estimated cost to happen until work completed, estimated selling expenses and related taxes is larger than current adopted estimated amount. On the contrary, the Company will reverse provision for increase in value of inventories if the management revises any of the estimated selling price, cost to happen until work completed, estimated selling expenses or related taxes, and (1) the revised estimated selling price is higher than current adopted estimated selling price, or (2) the revised estimated cost to happen until work completed, estimated selling expenses and related taxes is less than current adopted estimated amount.

If the actual selling price, estimated cost to happen until work completed, estimated selling expenses and related taxes is larger or less than the management's estimation, the Company recognises relevant influences in corresponding accounting period.

(IV) TAXATION

Major taxes and tax rates

Tax	Basis of taxation	Tax rate
Enterprise Income Tax	Taxable income	*(Note 1)*
Business Tax	Revenue from rendering of services, transfer of intangible assets or sales of properties	5%
Urban construction and maintenance tax	Business tax and value added tax ("VAT") paid	1%–7%
Education surcharge	Business tax and VAT paid	3%–4%
Land appreciation tax	Increase in value of property sold *(Note 2)*	Base on progressive tax rate 30%–60% in accordance with the land appreciation percentage
Property tax	70%–90% of original cost of property or property lease income	1.2% for those calculated on the basis of property original cost; 12% for those calculated on the basis of property lease income
Town land usage tax	Acreage of land actually occupied *(Note 3)*	—

Notes:

(1) The applicable income tax rate to the Company's subsidiaries incorporated in Hong Kong is 16.5%. The applicable income tax rates to the Company and its other subsidiaries are 22% or 25%.

(2) The Company and its subsidiaries prepay the land appreciation tax at the rate stipulated by local tax authorities. Based on relevant regulations, the land appreciation tax is filed based on actual appreciation in value and the applicable tax rate, any overpayment or underpayment will be refunded or paid after the tax filling.

(3) The Company and its subsidiaries pay the town land usage tax based on the applicable taxable amount following the pre-set standards by local governments.

(V) SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS

1. Subsidiaries

(1) *Subsidiaries established or acquired through investment by the Company*

Unit: RMB

Name of subsidiary	Type of company	Place of incorporation	Nature of business	Registered capital	Business Scope	The Company's actual investment at year end	Other balances essentially constitute investments	% of ownership held by the Company	% of voting power held by the Company	Within the consolidation scope (Yes/No)	Minority Interests	Minority Interests amount used for deducting profit attributable to Minority Interests
				(0'000)		(0'000)					(0'000)	(0'000)
SZ Gemdale Real Estate Development Co., Ltd. *(Note 1)*	Limited company	Shenzhen	Property management	5000.00	Property management	5000.00	–	100	100	Yes	–	–
SZ Gemdale Hotel Co., Ltd	Limited company	Shenzhen	Service industry	600.00	Provision of guest house, Chinese and western dish	600.00	–	100	100	Yes	–	–
SZ Sichuang Management Consulting Co., Ltd	Limited company	Shenzhen	Design consulting	100.00	Design consulting service	100.00	–	100	100	Yes	–	–
SZ Hongjin Gemdale Tennis Co., Ltd. *(Note 2)*	Limited company	Shenzhen	Real estate development	3,600.00	Operating tennis stadium and health equipments, real estate development	3,600.00	–	100	100	Yes	–	–
SZ Gemdale Residence Development Co., Ltd	Limited company	Shenzhen	Real estate development	3,200.00	Real Estate Development and construction and operation of corresponding facilities	2,560.00	–	80	80	Yes	2,281.02	–

Unit: RMB

Name of subsidiary	Type of company	Place of incorporation	Nature of business	Registered capital (0'000)	Business Scope	The Company's actual investment at year end (0'000)	Other balances essentially constitute investments	% of ownership held by the Company	% of voting power held by the Company	Within the consolidation scope (Yes/No)	Minority Interests (0'000)	Minority Interests amount used for deducting profit attributable to Minority Interests (0'000)
SZ Gemdale Tennis Center Co., Ltd.	Limited company	Shenzhen	Sales of sports goods	100.00	Sales of tennis ball and sports goods	100.00	–	100	100	Yes	–	–
SZ Gemdale Old City Reconstruction Co., Ltd .	Limited company	Shenzhen	Real estate development	4,050.00	Old city reconstruction, real estate development on the land with legitimate land use right obtained	2,430.00	–	60	60	Yes	5,530.01	–
Famous Business Co., Ltd. .	Limited company	Hong Kong	Property related business	HKD100.00	Sales promotion and service for property projects	HKD100.00	–	100	100	Yes	–	–
Guangzhou Dongling Real Estate Development Co., Ltd.	Limited company	Guangzhou	Real estate development	63,000.00	Real estate development, property lease, property management	50,400.00	–	80	80	Yes	16,444.40	–
Dongguan Gemdale Property Investment Co., Ltd	Limited company	Dongguan	Real estate development	9,940.10	Development, construction and operation of general residence	9,940.10	–	100	100	Yes	–	–
Gemdale Corporation Zhuhai Investment Co., Ltd	Limited company	Zhuhai	Real estate development	3,000.00	Property industry investment	3,000.00	–	100	100	Yes	–	–
BJ Gamdale Xingye Property Co., Ltd.	Limited company	Beijing	Real estate development	18,000.00	Real Estate Development and sales	18,000.00	–	100	100	Yes	–	–

Unit: RMB

Name of subsidiary	Type of company	Place of incorporation	Nature of business	Registered capital	Business Scope	The Company's actual investment at year end	Other balances essentially constitute investments	% of ownership held by the Company	% of voting power held by the Company	Within the consolidation scope (Yes/No)	Minority Interests	Minority Interests amount used for deducting profit attributable to Minority Interests
				(0'000)		(0'000)					(0'000)	(0'000)
BJ Gamdale Yuanjing Real Estate Development Co., Ltd	Limited company	Beijing	Real estate development	12,000.00	Real Estate Development and sales	12,000.00	–	100	100	Yes	–	–
BJ Gemdale Hongye Real Estate Development Co., Ltd	Limited company	Beijing	Real estate development	5,000.00	Real Estate Development and sales	3,500.00	–	70	70	Yes	5,508.36	–
BJ Gemdale Green Real Estate Development Co., Ltd	Limited company	Beijing	Property management	500.00	Property management	500.00	–	100	100	Yes	–	–
Shanghai Nanxiang Garden Real Estate Development Co., Ltd.	Limited company	Shanghai	Real estate development	1,800.00	Real estate development, property lease, property management	1,620.00	–	90	90	Yes	53.22	126.78
Gemdale Corporation Shanghai Real Estate Development Co., Ltd . .	Limited company	Shanghai	Real estate development	5,000.00	Real estate development, self-owned property management	5,000.00	–	100	100	Yes	–	–
Shanghai Shenjin Real Estate Development Co., Ltd . .	Limited company	Shanghai	Real estate development	10,000.00	Real estate development, property management	7,500.00	–	75	75	Yes	7,312.08	–
Shanghai Green Fengfan Real Estate Development Co., Ltd	Limited company	Shanghai	Real estate development	20,000.00	Real estate development, property lease, property management	14,000.00	–	70	70	Yes	40,017.14	–

Unit: RMB

Name of subsidiary	Type of company	Place of incorporation	Nature of business	Registered capital (0'000)	Business Scope	The Company's actual investment at year end (0'000)	Other balances essentially constitute investments	% of ownership held by the Company	% of voting power held by the Company	Within the consolidation scope (Yes/No)	Minority Interests (0'000)	Minority Interests amount used for deducting profit attributable to Minority Interests (0'000)
Shanghai Gemdale Property Service Co., Ltd	Limited company	Shanghai	Property management	500.00	Property management	500.00	–	100	100	Yes	–	–
Gemdale Corporation Wuhan Real Estate Development Co., Ltd.	Limited company	Wuhan	Real estate development	6,000.00	Real estate development, property lease, property management	6,000.00	–	100	100	Yes	–	–
Gemdale (Corporation) Tianjin Real Estate Development Co., Ltd.	Limited company	Tianjin	Real estate development	20,000.00	Real estate development	20,000.00	–	100	100	Yes	–	–
Ningbo Jinjie Real Estate Development Co., Ltd . .	Limited company	Ningbo	Real estate development	5,000.00	Real estate development, property lease, property management	5,000.00	–	100	100	Yes	–	–
Beijing Gemdale Weisheng Real Estate Development Co., Ltd.	Limited company	Beijing	Real estate development	2,000.00	Real estate development and sales	2,000.00	–	100	100	Yes	–	–
Shenzhen Gemdale Property Project Management Co., Ltd	Limited company	Shenzhen	Real estate development	1,000.00	Real estate development and construction and operation of supporting facilities	1,000.00	–	100	100	Yes	–	–
Xi'an Gemdale Property Investment Co., Ltd	Limited company	Xi'an	Real estate development	14,000.00	Real estate development, sales and management, intermediary materials	14,000.00	–	100	100	Yes	–	–

Unit: RMB

Name of subsidiary	Type of company	Place of incorporation	Nature of business	Registered capital	Business Scope	The Company's actual investment at year end	Other balances essentially constitute investments	% of ownership held by the Company	% of voting power held by the Company	Within the consolidation scope (Yes/No)	Minority Interests	Minority Interests amount used for deducting profit attributable to Minority Interests
				(0'000)		(0'000)					(0'000)	(0'000)
Gemdale Laureate Co., Ltd .	Limited company	Hong Kong	Investment	HKD1.00	Investment	HKD0.51	–	51	51	Yes	4,970.55	–
Gemdale (Foshan) Real Estate Development Co., Ltd	Limited company	Foshan	Real estate development	USD4,380.00	Real estate development and management	USD4,380.00	–	100	100	Yes	–	–
Shanghai Shenxiang Real Estate Development Co., Ltd	Limited company	Shanghai	Real estate development	2,000.00	Property investment, property management	2,000.00	–	100	100	Yes	–	–
Shenzhen Gemdale Xincheng Real Estate Development Co., Ltd.	Limited company	Shenzhen	Real estate development	1,000.00	Real estate development	1,000.00	–	100	100	Yes	–	–
Weicheng Investing Management Co., Ltd. . .	Limited company	Hong Kong	Investment	HKD1.00	Investment	HKD1.00	–	100	100	Yes	–	–
Changqin Business Co., Ltd.	Limited company	Hong Kong	Investment	HKD1.00	Investment	HKD1.00	–	100	100	Yes	–	–
Kudesi International Co., Ltd	Limited company	Hong Kong	Investment	HKD1.00 USD3,000.00	Investment	HKD1.00 USD3,000.00	–	100	100	Yes	–	–
Shenyang Gemdale Changqing Property Investment Co., Ltd. *(Note 3)*	Limited company	Shenyang	Real estate development	USD19,997.00	Property investment, sales, self-owned property lease	USD19,997.00	–	100	100	Yes	–	–
Gemdale Corporation (Shenyang) Property Co., Ltd.	Limited company	Shenyang	Real estate development	USD3,770.00	Real estate development	USD3,770.00	–	100	100	Yes	–	–

Unit: RMB

Name of subsidiary	Type of company	Place of incorporation	Nature of business	Registered capital	Business Scope	The Company's actual investment at year end	Other balances essentially constitute investments	% of ownership held by the Company	% of voting power held by the Company	Within the consolidation scope (Yes/No)	Minority Interests	Minority Interests amount used for deducting profit attributable to Minority Interests
				(0'000)		(0'000)					(0'000)	(0'000)
Wuhan Gemdale Yijia Real Estate Development Co., Ltd	Limited company	Wuhan	Property management	550.00	Property management	550.00	–	100	100	Yes	–	–
Guangzhou Jiangan Real Estate Development Co., Ltd *(Note 4)*	Limited company	Guangzhou	Real estate development	2,700.00	Real estate development	2,700.00	–	100	100	Yes	–	–
Hangzhou Gemdale Zhongtian Real Estate Development Co., Ltd . .	Limited company	Hangzhou	Real estate development	30,000.00	Property investment, property management, goods import and export	18,000.00	–	60	60	Yes	9,357.92	2,642.08
Shenzhen Gemdale Industry Section Reconstruction Co., Ltd.	Limited company	Shenzhen	Real estate development	1,000.00	Industry section reconstruction and Real estate development	600.00	–	60	60	Yes	400.15	–
Gemdale Corporation Nanjing Property Co., Ltd	Limited company	Nanjing	Real estate development	2,000.00	Property investment, sales and management, self-owned property lease	2,000.00	–	100	100	Yes	–	–
Gemdale Corporation Nanjing Real Estate Development Co., Ltd. *(Note 5)*	Limited company	Nanjing	Real estate development	2,000.00	Property investment, sales, lease, property management	2,000.00	–	100	100	Yes	–	–
Gemdale (Corporation) Tianjin Investment Co., Ltd	Limited company	Tianjin	Real estate development	60,000.00	Investment, property investment, sales, property management	60,000.00	–	100	100	Yes	–	–

Unit: RMB

Name of subsidiary	Type of company	Place of incorporation	Nature of business	Registered capital	Business Scope	The Company's actual investment at year end	Other balances essentially constitute investments	% of ownership held by the Company	% of voting power held by the Company	Within the consolidation scope (Yes/No)	Minority Interests	Minority Interests amount used for deducting profit attributable to Minority Interests
				(0'000)		(0'000)					(0'000)	(0'000)
Zhuhai Green Investment Co., Ltd.	Limited company	Zhuhai	Property project Investment	1,000.00	Property project Investment	1,000.00	–	100	100	Yes	–	–
Dige Business Co., Ltd	Limited company	Hong Kong	Investment	HKD1.00	Investment	HKD1.00	–	100	100	Yes	–	–
Shanghai Jingjiu Real Estate Development Co., Ltd. . .	Limited company	Shanghai	Real estate development	1,000.00	Real estate development, property management	1,000.00	–	100	100	Yes	–	–
Shanxi Gemdale Jiahe Property Co., Ltd *(Note 4)*	Limited company	Xi'an	Real estate development	79,000.00	Property investment, sales and management	55,300.00	–	70	70	Yes	35,160.99	–
Hangzhou Gemdale Zizaicheng Real Estate Development Co., Ltd . .	Limited company	Hangzhou	Real estate development	10,000.00	Real estate development, property management	10,000.00	–	100	100	Yes	–	–
Shenzhen Ruijintongde Investment Co., Ltd	Limited company	Shenzhen	Investment	10.00	Investment	10.00	–	100	100	Yes	–	–
Ruijinfangrong (Beijing) Investment Consulting Co., Ltd.	Limited company	Beijing	Investment	50.00	Investment	50.00	–	100	100	Yes	–	–
Shenzhen Gemdale Building Engineering Co., Ltd . . .	Limited company	Shenzhen	Property management	500.00	Building machinery maintaining	500.00	–	100	100	Yes	–	–
Shenzhen Gemdale Beicheng Real Estate Development Co., Ltd.	Limited company	Shenzhen	Real estate development	1,000.00	Real estate development	1,000.00	–	100	100	Yes	–	–

Unit: RMB

Name of subsidiary	Type of company	Place of incorporation	Nature of business	Registered capital	Business Scope	The Company's actual investment at year end	Other balances essentially constitute investments	% of ownership held by the Company	% of voting power held by the Company	Within the consolidation scope (Yes/No)	Minority Interests	Minority Interests amount used for deducting profit attributable to Minority Interests
				(0'000)		(0'000)					(0'000)	(0'000)
Dongguan Gemdale Baodao Property Co., Ltd *(Note 6)*	Limited company	Dongguan	Real estate development	1,000.00	Real estate development and business investment	1,000.00	–	100	100	Yes	–	–
Noble Business Co., Ltd. *(Note 7)*	Limited company	Hong Kong	Investment	HKD1.00	Investment	HKD0.51	–	51	51	Yes	(308.97)	309.41
Shenyang Gemdale Hongye Real Estate Development Co., Ltd.	Limited company	Shenyang	Real estate development	USD2,100.00	Real estate development and property lease	USD2,100.00	–	100	100	Yes	–	–
Wensheng (Hong Kong) Investing Management Co., Ltd.	Limited company	Hong Kong	Investment	USD10.00	Investment consulting and management, business consulting	USD10.00	–	100	100	Yes	–	–
Jade Business Co., Ltd. . . .	Limited company	Hong Kong	Investment	HKD1.00	Investment	HKD1.00	–	100	100	Yes	–	–
Shenyang Gemdale Shicheng Real Estate Development Co., Ltd *(Note 8)*	Limited company	Shenyang	Real estate development	USD3,700.00	Real estate development and property lease	USD3,700.00	–	100	100	Yes	–	–
Famous (Nanjing) Business Co., Ltd.	Limited company	Nanjing	Investment	USD300.00	Business consulting and service	USD300.00	–	100	100	Yes	–	–
Foshan Shunde Gemdale Real Estate Development Co., Ltd.	Limited company	Foshan	Real estate development	1,000.00	Real estate development and property management	1,000.00	–	100	100	Yes	–	–
Beijing Gemdale Hongyun Real Estate Development Co., Ltd.	Limited company	Beijing	Real estate development	15,000.00	Real estate development and sales	10,500.00	–	70	70	Yes	5,524.49	–

Unit: RMB

Name of subsidiary	Type of company	Place of incorporation	Nature of business	Registered capital	Business Scope	The Company's actual investment at year end	Other balances essentially constitute investments	% of ownership held by the Company	% of voting power held by the Company	Within the consolidation scope (Yes/No)	Minority Interests	Minority Interests amount used for deducting profit attributable to Minority Interests
				(0'000)		(0'000)					(0'000)	(0'000)
Beijing Gemdale Rongqiao Real Estate Development Co., Ltd *(Note 9)*	Limited company	Beijing	Real estate development	125,000.00	Real estate development and sales	75,000.00	–	60	60	Yes	48,826.78	1,173.22
Shanghai Jinheng Real Estate Development Co., Ltd . .	Limited company	Shanghai	Real estate development	163,265.00	Real estate development and construction project	83,265.15	–	51	51	Yes	78,358.40	1,641.60
Shanghai Jinshen Real Estate Development Co., Ltd . .	Limited company	Shanghai	Real estate development	1,000.00	Real estate development and construction project	1,000.00	–	100	100	Yes	–	–
Ningbo Jinxiang Real Estate Development Co., Ltd *(Note 10)*	Limited company	Ningbo	Real estate development	5,000.00	Real estate development and sales	5,000.00	–	100	100	Yes	–	–
Wuhan Gemdale Weisheng Real Estate Development Co., Ltd *(Note 11)*	Limited company	Wuhan	Real estate development	73,469.39	Real estate development and sales	37,469.39	–	76.4	76.4	Yes	17,145.28	193.50
Shanghai Dingding Investing Co., Ltd.	Limited company	Shanghai	Investment	50.00	Investment	50.00	–	100	100	Yes	–	–
Shanghai Wangyue Investing Co., Ltd.	Limited company	Shanghai	Investment	50.00	Investment	50.00	–	100	100	Yes	–	–
Tianjin Tuanbohu Development Co., Ltd . .	Limited company	Tianjin	Real estate development	13,900.00	Real estate development and sales	9,730.00	–	70	70	Yes	3,438.16	731.84

Unit: RMB

Name of subsidiary	Type of company	Place of incorporation	Nature of business	Registered capital	Business Scope	The Company's actual investment at year end	Other balances essentially constitute investments	% of ownership held by the Company	% of voting power held by the Company	Within the consolidation scope (Yes/No)	Minority Interests	Minority Interests amount used for deducting profit attributable to Minority Interests
				(0'000)		(0'000)					(0'000)	(0'000)
Hubei Wanhao Science & Technology Development Co., Ltd.	Limited company	Wuhan	Design consulting service	5,000.00	Research, manufacturing and consulting of electronic telecommunication products	3,500.00	–	70	70	Yes	1,335.27	164.73
Wuhan Guanggu Agricultural Development Co., Ltd. *(Note 12)*	Limited company	Wuhan	Real estate development	7,200.00	Real estate development and agricultural development	5,400.00	–	75	Note 12	Yes	Note 12	–
Shanghai Gemdale Baoshan Real Estate Development Co., Ltd *(Note 13)*	Limited company	Shanghai	Real estate development	2,000.00	Real estate development and leasing	2,000.00	–	100	100	Yes	–	–
Shaoxing Gemdale Shenxing Real Estate Development Co., Ltd *(Note 14)*	Limited company	Shaoxing	Real estate development	60,000.00	Real estate development and management	60,000.00	–	100	100	Yes	–	–
Shenyang Tianbang Real Estate Development Co., Ltd *(Note 15)*	Limited company	Shenyang	Real estate development	5,000.00	Real estate development and sales	5,000.00	–	100	100	Yes	–	–
Quansheng Business Co. Ltd. *(Note 16)*	Limited company	Hong Kong	Investment	USD 7,200.10	Investment	USD3,960.06	–	55	55	Yes	21,367.63	21.19
Shenyang Gemdale Quansheng Real Estate Development Co. Ltd. *(Note16)*.	Limited company	Shenyang	Real estate development	USD4,000.00	Real estate development and leasing	USD4,000.00	–	100	100	Yes	–	–
Wensheng (Tianjing) Investment Management Co. Ltd. *(Note 17)*	Limited company	Tianjin	Investment	USD18.00	Equity Investment (Non-common Share) and Consulting	USD 18.00	–	100	100	Yes	–	–

Unit: RMB

Name of subsidiary	Type of company	Place of incorporation	Nature of business	Registered capital	Business Scope	The Company's actual investment at year end	Other balances essentially constitute investments	% of ownership held by the Company	% of voting power held by the Company	Within the consolidation scope (Yes/No)	Minority Interests	Minority Interests amount used for deducting profit attributable to Minority Interests
				(0'000)		(0'000)					(0'000)	(0'000)
Zhuhai Hejiada Investment Consulting Co. Ltd *(Note 18)*	Limited company	Zhuhai	Real estate development	20,000.00	Real estate development and investment	10,200.00	–	51	51	Yes	9,369.23	430.77
Hangzhou Xiangmihu Real Estate Development Co., Ltd *(Note 19)*	Limited company	Hangzhou	Real estate development	USD12,500.00	Real estate development in Xiaochu (2009) #47 plot, property management and consulting	USD12,500.00	–	100	100	Yes	–	–
Yongsheng Business Co. Ltd *(Note 19)*	Limited company	Hong Kong	Investment	USD0.10	Investment	USD0.10	–	100	100	Yes	–	–
Yantai Jinxiangtai Real Estate Development Co., Ltd *(Note 20)*	Limited company	Yantai	Real estate development	20,000.00	Real estate development and property management	10,200.00	–	51	51	Yes	9,672.51	127.49
Rongyao Business Co. Ltd *(Note 21)*	Limited company	Hong Kong	Investment	USD0.10	Investment	USD0.10	–	100	100	Yes	–	–
Dalian Rongyao Real Estate Development Co., Ltd *(Note 21)*	Limited company	Dalian	Real estate development	USD6,000.00	Business Real estate development in plot (2010–18 in Zhongshan business district, other relative facility management, operation, sales, leasing and property management	USD6,000.00	–	100	100	Yes	–	–
Cixi Jinqi Real Estate Development Co., Ltd *(Note 22)*	Limited company	Cixi	Real estate development	6,000.00	Real estate development and property management	6,000.00	–	100	100	Yes	–	–

Unit: RMB

Name of subsidiary	Type of company	Place of incorporation	Nature of business	Registered capital	Business Scope	The Company's actual investment at year end	Other balances essentially constitute investments	% of ownership held by the Company	% of voting power held by the Company	Within the consolidation scope (Yes/No)	Minority Interests	Minority Interests amount used for deducting profit attributable to Minority Interests
				(0'000)		(0'000)					(0'000)	(0'000)
Shenzhen Gemdale Baoheng Real Estate Development Co., Ltd *(Note 23)*	Limited company	Shenzhen	Real estate development	1,000.00	Real estate development and property management	1,000.00	–	100	100	Yes	–	–
Hunan Jinli Gemdale Baoheng Real Estate Development Co., Ltd *(Note 24)*	Limited company	Changsha	Real estate development	12,534.73	Real estate development, sales and property management	8,000.00	–	63.82	63.82	Yes	4,393.51	141.22
Shanxi Gemdale Jiayi Real Estate Development Co., Ltd *(Note 25)*	Limited company	Xi'an	Real estate development	10,000.00	Real estate development, sales and property management	4,200.00	–	42	42	Yes	3,398.83	1.17
Rongyao Investment Management Co. Ltd *(Note 26)*	Limited company	Hong Kong	Investment	USD0.10	Investment	–	–	100	100	Yes	–	–
Shenyang Rongyao Real Estate Development Co., Ltd *(Note 26)*	Limited company	Shenyang	Real estate development	USD10,0000.00	Real estate development, sales and property leasing	USD7,000.00	–	100	100	Yes	–	–
Shanghai Xinyi Investment Co. Ltd. *(Note 27)*	Limited company	Shanghai	Investment	50.00	Investment management and consulting	50.00	–	100	100	Yes	–	–
Shanghai Xinpu Investment Co. Ltd. *(Note 28)*	Limited company	Shanghai	Investment	50.00	Investment management and consulting	50.00	–	100	100	Yes	–	–
Tianjin Wenfu Equity Investment funds Ltd. . .	Limited Partnership	Tianjin	Investment	Note 29	Investment management and consulting	Note 29	–	100	100	Yes	–	–
Zhuhai Shenbao Trading Co. Ltd *(Note 30)*	Limited company	Zhuhai	Real estate development	100.00	Whole sales, retailing and construction	100.00	–	100	100	Yes	–	–
Wuhan Gemdale Famous Real Estate Development Co., Ltd *(Note 31)*	Limited company	Wuhan	Real estate development	70,487.00	Real estate development and sales	70,487.00	–	100	100	Yes	–	–

(2) *Subsidiaries acquired through business combination involving enterprises not under common control*

Unit: RMB

Name of subsidiary	Type of company	Place of incorporation	Nature of business	Registered capital (0'000)	Business Scope	The Company's actual investment at year end (0'000)	Other balances essentially constitute investments	% of ownership held by the Company	% of voting power held by the Company	Within the consolidation scope (Yes/No)	Minority Interests (0'000)	Minority Interests amount used for deducting profit attributable to Minority Interests (0'000)
Dongguan New Century Runcheng Industry Investment Co., Ltd.	Limited company	Dongguan	Real estate development	2,300.00	Business investments and real estate development (run the business with qualification)	1,173.00	–	51	51	Yes	2,984.57	–
Wuhan Aoqiang Real Estate Development Co., Ltd.	Limited company	Wuhan	Real estate development	21,000.00	Real estate development and sales	24,330.00	–	100	100	Yes	–	–

Note 1: The Company's subsidiary, SZ Gemdale Real Estate Development Co., Ltd. increased the registered capital by RMB43,500,000.00 on March 19, 2010, resulting the increase of the registered capital from RMB6,500,000.00 to RMB50,000,000.00, relevant variation of business registration has been accomplished.

Note 2: According to the shareholders' resolution, the register name of the Company's subsidiary, SZ International Tennis Co., Ltd, was changed to SZ Hongjin Gemdale Tennis Co., Ltd on September 7, 2010; relevant variation of business registration has been accomplished.

Note 3: On June 8, 2010, Changqin Business Co. Ltd. entered into an agreement of share transfer with Shenyang Gemdale Tianbang Real Estate Development Co., Ltd, the Changqin Business Co. Ltd. committed to sell the 75% shares of Shenyang Changqin Real Estate Development Co. Ltd. After the transaction, the total registered capital and total investment balance of Shenyang Changqin Real Estate Development Co. Ltd. remain unchanged which amounting of USD 199,970,000.00. The Changqin Business Co. Ltd. holds 25% of the total registered capital of Shenyang Changqin Real Estate Development Co. Ltd., amounting USD49,992,500.00, Shenyang Gemdale Tianbang Real Estate Development Co. Ltd. holds 75% of the total registered capital of Shenyang Changqin Real Estate Development Co. Ltd., amounting USD149,977,500.00.

Note 4: The Company's subsidiary, Guangzhou Jiangan Real Estate Development Co. Ltd, increased the registered capital by RMB17,000,000.00 on December 20, 2010, which resulting increase of the registered capital from RMB10,000,000.00 to RMB27,000,000.00, relevant variation of business registration has been accomplished.

Note 5: In June 2009, the Company and Shanghai International Trust Co., Ltd. placed additional capital injection into the Company's subsidiary, Gemdale Corporation Nanjing Real Estate Development Co., Ltd, in form of cash amounted of RMB600,000,000.00, of which, Shanghai International Trust Co., Ltd laid out trust fund of RMB500,000,000.00, while the Company laid out the balance of RMB100,000,000.00. After completion of additional capital injection, Gemdale Corporation Nanjing Real Estate Development Co., Ltd.'s registered capital rises from RMB20,000,000.00 to RMB620,000,000.00, of which, Shanghai International Trust Co., Ltd accounted for 80.65% of total shares with investment of RMB500,000,000.00, the Company accounted for 19.35% of total shares with investment of RMB120,000,000.00. Relevant variation of business registration has been accomplished on July 31, 2009.

In July 2010, Gemdale Corporation Nanjing Real Estate Development Co., Ltd acquired all the shares from Shanghai International Trust Co., Ltd according to the agreement and reduced the registered capital from RMB620,000,000.00 to RMB20,000,000.00. Relevant variation of business registration has been accomplished in October 2010. After the transaction, the registered capital of the Gemdale Corporation Nanjing Real Estate Development Co., Ltd is RMB20,000,000.00, and become the wholly owned subsidiary of Gemdale (Group) Co. Ltd.

Based on the agreement signed between both parties, basically, Shanghai International Trust Co., Ltd was assured to gain fixed investment income, risk-free, and didn't entitle any other interest in excess of the above fixed income. Hence, Shanghai International Trust Co., Ltd doesn't essentially take part into operation of Gemdale Corporation Nanjing Real Estate Development Co., Ltd. In light of these, the Company deems the investment from Shanghai International Trust Co., Ltd as a creditor's right, and recognizes it as short term loan in both company level and the consolidated level of the financial statements.

Note 6: In April, 2010, the Company entered into an agreement of share transfer with Dongguan Huangjiang Baodao Summer Resort Co., Ltd, and committed to acquire the 20% shareholding of Dongguan Gemdale Baodao Real Estate Development Co., Ltd. Relevant variation of business registration has been accomplished on June 12, 2010. After the transaction, the Company increases the shareholding of Dongguan Gemdale Baodao Real Estate Development Co., Ltd from 80% to 100%.

Note 7: Famous Business Co. Ltd. entered into an agreement of share transfers with UG China Real Estate Fund I Holding Company Limited, and committed to sell the 49% shareholding of Noble Business Co. Ltd held by Famous Business Co. Ltd. The consideration was HKD49,000.00. After the transaction, the Company holds 51% share of Noble Business Co. Ltd.

Note 8: The Company's subsidiary, Shenyang Gemdale Shicheng Real Estate Development Co. Ltd., increased the registered capital by USD2,000,000.00 to USD37,000,000.00; relevant variation of business registration had been accomplished on March 1, 2010.

Note 9: In October 2010, the Company's subsidiaries, Beijing Gemdale Xingye Real Estate Development Co. Ltd and Beijing Rongqiao Real Estate Development Co. Ltd, both placed the additional capital injection to another subsidiary Beijing Gemdale Hongqiao Real Estate Development Co. Ltd amounting of RMB1,050,000,000.00 in total. After the transaction, the registered capital of Beijing Gemdale Hongqiao Real Estate Development Co. Ltd. rises to RMB1,250,000,000.00. The shareholding of Beijing Gemdale Xingye Real Estate Development Co. Ltd is 60% amounting of RMB750,000,000.00 and the shareholding of Beijing Rongqiao Real Estate Development Co. Ltd is 40% amounting of RMB500,000,000.00.

On November 10, 2010, the Gemdale (Group) entered into an agreement of share transfer with Beijing Gemdale Xingye Real Estate Co., Ltd, and committed to acquire 60% shares of Beijing Gemdale Rongqiao Real Estate Development Co. Ltd. Relevant variation of business registration has been accomplished on November 29, 2010.

Note 10: The Company's subsidiary, Ningbo Jinxiang Real Estate Development Co. Ltd., raises its registered capital from RMB20,000,000.00 to RMB50,000,000.00. The relevant variation of business registration has been accomplished on March 5, 2010.

Note 11: In December 2010, the Company's subsidiary, Wuhan Gemdale Real Estate Development Co., Ltd., and the Company's affiliated company, Tianjin Wenying Private Equity Investment Funds Ltd, entered into an investment agreement "The Agreement on the Investment of The Framework" both placed additional capital injection into Wuhan Gemdale Weisheng Real Estate Development Co., Ltd. amounting RMB684,693,900.00 in total. After the transaction, the registered capital of Wuhan Gemdale Weisheng Real Estate Development Co., Ltd is increased to RMB734,693,900.00. Wuhan Gemdale Real Estate Development Co., Ltd. Held 76.4% shares amounting RMB561,300,000.00 (actual contributed of RMB374,693,900.00) and Tianjin Wenying Private Equity Investment Funds Ltd. held 23.6% shares amounting RMB173,339,000.00.

Note 12: On October 26, 2009, the Company and Hubei Wanhao Property Co., Ltd entered into an agreement of share transfer, which stipulating that the Company lets 70% of the share of Hubei Wanhao Science & Technology Development Co., Ltd held by Hubei Wanhao Property Co., Ltd. As Hubei Wanhao Science & Technology Development Co., Ltd was the holding company with 75% of the share of Wuhan Guanggu Agricultural Development Co., Ltd, therefore, the Company also indirectly has control over Wuhan Guanggu Agricultural Development Co., Ltd. Relevant variation of business registration had been accomplished on November 30, 2009, and both of these companies are included in the scope of consolidation for the current reporting period.

Wuhan Guanggu Agricultural Development Co., Ltd was in charge of Wuhan Nanhu Project, which consists of Residential Part and R&D Part. The Company and Hubei Wanhao Property Co., Ltd agree to jointly develop the Residential Part, where correlated reward or risk was born by both parties in proportion of 70% and 30%. Regarding the R&D Part, Hubei Wanhao Property Co., Ltd and Wuhan Gaoke Agriculture Co., Ltd are responsible for it, and correlated reward or risk was born by these two parties.

From the Company's point of view, it did not lay out any capital investment in the R&D Part of Wuhan Guanggu Agricultural Development Co., Ltd, where its correlated reward or risk has nothing to do with the Company, thereby, the Company does not possess any control over the assets and liabilities in relation to R&D Part, which was consequently not included in the scope of consolidation for the current reporting period.

Note 13: On January 11, 2010, Shanghai Gemdale Baoshan Real Estate Development Co., Ltd was incorporated with registered capital of RMB20,000,000.00. The Company holds 100% of the share of Shanghai Gemdale Baoshan Real Estate Development Co., Ltd, which has been included in the consolidation scope for the current reporting period.

Note 14: On January 14, 2010, the Company and its subsidiaries, Shanghai Dingding Investment Co. Ltd. and Shanghai Wangyue Investment Co. Ltd., invested RMB60,000,000.00 to incorporate a new entity in Shanghai, named Shaoxing Gemdale Shenxing Real Estate Development Co., Ltd. with registered capital of RMB60,000,000.00, hence the Company ultimately holds 100% shareholding of Shaoxing Gemdale Shenxing Real Estate Development Co. Ltd., which has been already included into the consolidation scope for the current reporting period.

Note 15: On February 23, 2010, Shenyang Gemdale Tianbang Real Estate Development Co., Ltd was incorporated with registered capital of RMB50,000,000.00 in Shenyang, Liaoning. The Company holds 100% shareholdings of Shenyang Gemdale Tianbang Real Estate Development Co., Ltd, which has been already included into the consolidation scope for the current reporting period.

Note 16: On March 5, 2010, the Famous Business Co. Ltd. entered into an agreement of share transfer with Quansheng Business Co. Ltd., and committed to acquire the 100% shares from Quansheng Business Co. Ltd. On November 15, 2010, Famous Business Co., Ltd. entered into an agreement of share transfer with UG China Real Estate Fund I Holding Company Limited., and committed to sell the 45% shares of Quansheng Business Co. Ltd at the consideration of USD450. In December 2010, Famous Business Co. Ltd. and UG China Real Estate Fund I Holding Company Limited both increase the investment amounting of USD72,000,000.00 to Quansheng Business Co. Ltd. After the transaction, Famous Business Co. Ltd. holds 55% shareholdings of USD39,600,000.00 and UG China Real Estate Fund I Holding Company Limited holds 45% shareholdings of USD32,400,000.00.

Quansheng Business Co. Ltd. owns 100% shareholdings of Shenyang Gemdale Quansheng Real Estate Development. Thus, both Quansheng Business Co. Ltd and Shenyang Gemdale Quansheng Real Estate Co. Ltd. have been included into the scope of consolidation for the current reporting period.

Given the substance of this transaction, it was an acquisition of assets in essence (i.e. acquiring the Land resource held on hand) in the form of share transfer, thereby, it was not deemed as any business combination.

Note 17: On March 16, 2010, Wensheng (Tianjin) Investment Co. Ltd was incorporated with registered capital of USD180,000.00 by Wensheng (Hongkong) Investment. Wensheng (Hong Kong) Investment Co. Ltd held 100% shareholdings of Wensheng (Tianjin) Investment Co. Ltd, which has been already included into the scope of consolidation for the current reporting period.

Note 18: On May 12, 2010, the Company entered into an agreement of share transfer with Zhuhai Hejiada Investment Consulting Co., Ltd., and committed to acquire 51% shareholdings from Zhuhai Hejiada Investment Consulting Co. Ltd. On November 2, 2010, the Company and Shenzhen Handily Investment Co., Ltd. both invested RMB199,000,000.00. After the transaction, the Company held 51% shares amounted of RMB102,000,000.00 and Shenzhen Haodali Investment Co., Ltd. held 49% shares amounted of RMB98,000,000.00. Zhuhai Hejiada Investment Consulting Co., Ltd. has been already included into the scope of consolidation for the current reporting period.

Given the substance of this transaction, it was an acquisition of assets in essence (i.e. acquiring the land resource held on hand) in the form of share transfer, thereby, it was not deemed as business combination.

Note 19: On March 18, 2010, Hangzhou Xiangmihu Real Estate Development Co., Ltd. was incorporated with registered capital of USD45,000,000.00 by the Company and Yongsheng Business Co., Ltd. The Company and Yongsheng Business Co., Ltd. held 60% and 40% shares of Hangzhou Xiangmihu Real Estate Development Co., Ltd respectively.

On June 18, 2010, the Company's subsidiary, Famous Business Co. Ltd. entered into an agreement of share transfer with Yongsheng Business Co. Ltd, and committed to acquire the 100% shares from Yongsheng Business Co. Ltd. After the transaction, the Company directly and indirectly held 100% shares of Hangzhou Gemdale Xianghu Real Estate Development Co. Ltd. On August 12, 2010, the Company and Yongsheng Business Co., Ltd. both increased the investment of USD45,000,000.00. On October 19, 2010, the company and the Yongsheng Business Co., Ltd both increase the investment amounting of USD35,000,000.00.

Both Hangzhou Gemdale Xiangmihu Real Estate Development and Yongsheng Business Co. Ltd. have been included in the scope of consolidation for the current reporting period.

Given the substance of this transaction, it was an acquisition of assets in essence (i.e. acquiring the land resource held on hand) in the form of share transfer, thereby, it was not deemed as business combination.

Note 20: On July 1, 2010, the subsidiary, Beijing Gemdale Weisheng Real Estate Development Co. Ltd., entered into an agreement of share transfer with Yantai Jinxiangtai Real Estate Development Co. Ltd. and committed to acquire the 51% shares from Yantai Jinxiangtai Real Estate Development Co. Ltd. On July 5, 2010, relevant variation of business registration has been accomplished.

On July 23, 2010, the Company entered an agreement of share transfer with Beijing Gemdale Weisheng Real Estate Development Co. Ltd. and committed to acquire 51% shares of Yantai Jinxiangtai Real Estate Development Co. Ltd, which was held by Beijing Gemdale Weisheng Real Estate Development Co. Ltd. On July 29, 2010, relevant variation of business registration has been accomplished. Yantai Jinxiangtai Real Estate Development Co. Ltd has been included in the scope of consolidation for the current reporting period.

Given the substance of this transaction, it was an acquisition of assets in essence (i.e. acquiring the Land resource held on hand) in the form of share transfer, thereby, it was not deemed as business combination.

Note 21: On September 6, 2010, Famous Business Co. Ltd. entered into an agreement of share transfer with Rongyao Business Co. Ltd. and committed to acquire the 100% shares of Rongyao Business Co. Ltd.

Rongyao Business Co. Ltd. held 100% shares of Dalian Rongyao Real Estate Development Co. Ltd. Both Rongyao Business Co. Ltd and Dalian Rongyao Real Estate Development Co., Ltd. have been included in the scope of consolidation for the current reporting period.

Given the substance of this transaction, it was an acquisition of assets in essence (i.e. acquiring the land resource held on hand) in the form of share transfer, thereby, it was not deemed as business combination not involving enterprises under common control.

Note 22: On September 26, 2010, Cixi Jinqi Real Estate Development Co. Ltd. was incorporated with registered capital of RMB600,000.00 in Cixi, Zhejiang, and the Company held 100% of the shares of Cixi Jinqi Real Estate Development Co. Ltd, which has already been included in the scope of consolidation for the current reporting period.

Note 23: On December 9, 2010, Shenzhen Gemdale Batching Real Estate Development Co. Ltd. was incorporated with registered capital of RMB10,000,000.00 in Shenzhen, Guangdong, and the Company held 100% of the shares of Shenzhen Gemdale Baocheng Real Estate Development Co. Ltd, which has been already included in the scope of consolidation for the current reporting period.

Note 24: On December 15, 2010, the Company entered into an agreement of share transfer with Hunan Jinli Real Estate Development Co. Ltd. and committed to acquire 63.82% shares of Hunan Jinli Real Estate Development Co. Ltd. The relevant variation of business registration has been accomplished on December 27, 2010. Hunan Jinli Real Estate Development Co. Ltd. has been already included in the scope of consolidation for the current reporting period.

Given the substance of this transaction, it was an acquisition of assets in essence (i.e. acquiring the land resource held on hand) in the form of share transfer, thereby, it was not deemed as business combination not involving enterprises under common control.

Note 25: On December 13, 2010, the subsidiaries of the Company, Xi'an Gemdale Real Estate Development Co. Ltd, Shenzhen Haolida Investment Co. Ltd and Xi'an Hekun Investment Management Co. Ltd incorporate Shaxi Gemdale Jiayi Real Estate Development Co. Ltd. and held the shares as 42%, 28% and 30% respectively. In accordance with the Company's Articles of Association, Gemdale Real Estate Development Co. Ltd. entitled the control right of the Shanxi Gemdale Jiayi Real Estate Development Co. Ltd, which has been already included in the scope of consolidation for the current reporting period.

Note 26: On December 13, 2010, Famous Business Co. Ltd entered into an agreement of share transfer with Rongyao Investment Management Co. Ltd. and committed to acquire 100% shares of Rongyao Investment Management Co. Ltd.

Rongyao Investment Management Co. Ltd. held 100% shares of Shenyang Rongyao Real Estate Development Co. Ltd. Thus, both Rongyao Investment Management Co. Ltd. and Shenyang Rongyao Real Estate Development Co. Ltd. have been included into the scope of consolidation for the current reporting period.

Given the substance of this transaction, it was an acquisition of assets in essence (i.e. acquiring the land resource held on hand) in the form of share transfer, thereby, it was not deemed as business combination not involving enterprises under common control.

Note 27: On December 23, 2010, Shanghai Xinyi Investment Co., Ltd. was incorporated with registered capital of RMB500,000.00 by the subsidiary, Gemdale (Group) Shanghai Real Estate Development Co. Ltd. Gemdale (Group) Shanghai Real Estate Development Co. Ltd held 100% of the shares of Shanghai Xinyi Investment Co., Ltd., which has been already included in the scope of consolidation for the current reporting period.

Note 28: On December 23, 2010, Shanghai Xinpu Investment Co., Ltd. was incorporated with registered capital of RMB500,000.00 by the subsidiary, Gemdale (Group) Shanghai Real Estate Development Co. Ltd. Gemdale (Group) Shanghai Real Estate Development Co. Ltd held 100% of the shares of Shanghai Xinpu Investment Co., Ltd., which was included in the scope of consolidation for the current reporting period.

Note 29: On March 26, 2010, Tianjin Wenfu Equity Investment Funds Ltd was incorporated by the subsidiary of the Company, Wensheng (Tianjin) Investment Management, as a general partner in Tianjin. The registered capital of Tianjin Wenfu Equity Investment Funds Ltd was RMB10,000,000.00. Other limited partners didn't invest any capital and didn't sign off any official partnership agreements until December 31, 2010. At the end of reporting period, the company invests RMB4,000,000.00 in Tianjin Wenfu Equity Investment Funds Ltd and holds 100% shares of Tianjin Wenfu Equity Investment Funds Ltd. Tianjin Wenfu Equity Investment Funds Ltd has been included into the scope of consolidation for the current reporting period.

Note 30: On December 21, 2010, the subsidiary, Gemdale Zhuhai Investment Co. Ltd entered into an agreement of share transfer with Zhuhai Shenbao Trading Co. Ltd. and committed to acquire 100% shares of Zhuhai Shenbao Trading Co. Ltd. On December 27, 2010, relevant variation of business registration has been accomplished and Zhuhai Shenbao Trading Co. Ltd has been included in the scope of consolidation for the current reporting period.

Given the substance of this transaction, it was an acquisition of assets in essence (i.e. acquiring the land resource held on hand) in the form of share transfer, thereby, it was not deemed as business combination not involving enterprises under common control.

Note 31: On August 26, 2010, the subsidiary, Gemdale Wuhan Real Estate Development Co. Ltd entered into an agreement of share transfer with Wode Business Co. Ltd. and committed to purchase 12% shares of Wuhan Gemdale Famous Real Estate Development Co. Ltd, which was held by Wode Business Co. Ltd. After the transaction, the company held 100% shares of the Wuhan Gemdale Famous Real Estate Development Co. Ltd in total. Wuhan Gemdale Famous Real Estate Development Co. Ltd has been included in the scope of consolidation for the current reporting period.

2. Subsidiaries Newly Included in and Excluded from the Scope of Consolidation for the Current Reporting Period

(1) *Subsidiaries newly included in the scope of consolidation for the current reporting period*

Unit: RMB

Name of the subsidiary	Net Assets at year end	Net Profit for the period
Shanghai Gemdale Baoshan Real Estate Development Co., Ltd	17,092,026.85	(2,907,973.15)
Shaoxing Gemdale Shenxing Real Estate Development Co., Ltd	592,945,808.30	(7,054,191.70)
Shenyang Gemdale Tianbang Real Estate Development Co., Ltd	73,300,658.79	18,937,393.04
Quansheng Business Co., Ltd	475,753,065.64	459,289.20
Shenyang Gemdale Quansheng Real Estate Development Co., Ltd	474,888,495.95	(11,829,904.05)
Wensheng (Tianjin) Investment Management Co., Ltd	(6,685,199.07)	(7,913,879.07)
Zhuhai Hejiada Investment Consulting Co., Ltd	191,208,777.35	(8,760,394.96)
Hangzhou Gemdale Xianghu Real Estate Development Co., Ltd	760,309,727.81	(80,064,866.00)

Unit: RMB

Name of the subsidiary	Net Assets at year end	Net Profit for the period
Yongsheng Business Co., Ltd	(908,035.03)	(935,337.55)
Yantai Jinxiangtai Real Estate Development Co., Ltd	197,398,248.71	(2,601,751.29)
Rongyao Business Co., Ltd.	(883,906.64)	(916,573.88)
Dalian Rongyao Real Estate Development Co., Ltd	404,607,075.77	(1,844,924.23)
Cixi Jinqi Real Estate Development Co., Ltd	46,787,738.09	(13,212,261.91)
Shenzhen Gemdale Baocheng Real Estate Development Co., Ltd	5,603,962.00	(4,396,038.00)
Hunan Jinli Real Estate Development Co., Ltd	122,091,110.00	—
Shaxi Gemdale Jiayi Real Estate Development Co., Ltd	75,973,749.50	(26,250.50)
Rongyao Investment Management Co., Ltd	(943,676.79)	(1,305,442.10)
Shenyang Rongyao Real Estate Development Co., Ltd.	463,589,397.36	(122,198.86)
Shanghai Xinyi Investment Co., Ltd	500,000.00	—
Shanghai Xinpu Investment Co., Ltd	500,000.00	—
Tianjin Wenfu Equity Investment Funds Ltd.	4,004,208.30	4,208.30
Zhuhai Shenbao Trading Co., Ltd	638,147.56	(260.50)
Wuhan Famous Real Estate Development Co. Ltd.	725,419,840.76	1,180,488.15
Dongguan Bojuehongye Hotel Investment Co. Ltd	Note 1	Note 1

Note 1: On January 22, 2010, Dongguan Bojuehongye Hotel Investment Co. Ltd was incorporated in Dongguan with registered capital of RMB10,000,000.00 and the Company held 80% shareholdings on that date. On May 20, 2010, the Company disposed of its full 80% shares of Dongguan Bojuehongye Hotel Investment Co. Ltd.

(2) ***Subsidiaries excluded from the scope of consolidation for the current reporting period***

Unit: RMB

Name of the subsidiary	Net Assets at year end	Net Profit for the period
Shenzhen Wensheng Investment Management Co., Ltd *(Note 1)*	(585,454.00)	(144,500.00)
Wuhan Gemdale Hongye Real Estate Investment Co., Ltd *(Note 2)*	19,972,281.71	(4,360.68)

Note 1: According to the shareholders' resolution, the former subsidiary of the Company, Shenzhen Wensheng Investment Management Co., Ltd. was dissolved on November 30, 2010. Therefore, Shenzhen Wensheng Investment Management Co., Ltd has been excluded from the scope of consolidated balance sheet as of December 31, 2010, while its operating results and cash flows are still included in the corresponding consolidated income statement and cash flow statement up to the date of completion of dissolution.

Note 2: According to the shareholders' resolution, the former subsidiary of the Company, Wuhan Gemdale Hongye Real Estate Investment Co., Ltd, was dissolved on November 26, 2010. Therefore, Shenzhen Wensheng Investment Management Co., Ltd was excluded from the scope of consolidated balance Sheet as of December 31, 2010, while its operating results and cash flows were still included in the corresponding consolidated income statement and cash flow statement up to the date of completion of dissolution.

3. Exchange Rate of Major Financial Statements' Items for Foreign Operation

For the Company's foreign operating subsidiaries, all asset and liability items on the balance sheet are translated at the spot exchange rate prevailing at the balance sheet date, i.e. HKD 1.0000 = RMB 0.8509. Shareholders' equity items except for inappropriate profits are translated at the spot exchange rates at the dates on which such items arose; all items in the income statement as well as items reflecting the amount of profit distribution are translated at average rate for the accounting period of the consolidated financial statements.

(VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Currency Funds

Unit: RMB

	Closing balance			Opening balance		
Items	Original currency	Exchange rate	Equivalent RMB	Original currency	Exchange rate	Equivalent RMB
Cash:						
RMB	2,184,282.01	1.0000	2,184,282.01	2,567,794.99	1.0000	2,567,794.99
HKD	221,986.82	0.8509	188,888.58	346,529.50	0.8805	305,119.23
USD	29,795.98	6.6227	197,329.84	12,225.25	6.8282	83,476.46
EUR	3,455.00	8.8065	30,426.46	3,455.00	9.7971	33,848.98
Subtotal			2,600,926.89			2,990,239.66
Bank deposit:						
RMB	11,858,289,796.98	1.0000	11,858,289,796.98	9,069,140,765.75	1.0000	9,069,140,765.75
HKD	3,834,817.56	0.8509	3,263,046.26	3,437,453.79	0.8805	3,026,678.06
USD	153,799,289.10	6.6227	1,018,566,560.75	25,535,260.20	6.8282	174,359,864.32
Subtotal			12,880,119,403.99			9,246,527,308.13
Other currency funds:						
RMB	748,679,434.68	1.0000	748,679,434.68	326,819,382.84	1.0000	326,819,382.84
HKD	–	–	–	–	–	–
USD	–	–	–	9,124,998.71	6.8282	62,307,316.19
Subtotal			748,679,434.68			389,126,699.03
Total			13,631,399,765.56			9,638,644,246.82

Note: Other currency funds mainly represent deposits pledged for mortgages and deposits for bank borrowings.

2. Account Receivable

(1) Disclosure of accounts receivable by categories is as follows:

Unit: RMB

CATEGORIES	Closing balance				Opening balance			
	Carrying amount		Bad debt provision		Carrying amount		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Accounts receivable that are individually significant and for which bad debt provision has been assessed individually	–	–	–	–	–	–	–	–
Accounts receivable for which bad debt provision has been assessed by portfolios								
Receivables that are significant with the impairment tests performed individually but for which bad debt provision is not assessed	–	–	–	–	–	–	–	–
Receivables that use percentage of total receivables outstanding for bad debt provision	13,046,340.62	100.00	652,317.06	5.00	11,968,152.15	100.00	598,407.61	5.00
Subtotal of portfolios	13,046,340.62	100.00	652,317.06	5.00	11,968,152.15	100.00	598,407.61	5.00
Accounts receivable that are not individually significant but for which bad debt provision has been assessed individually	–	–	–	–	–	–	–	–
Total	13,046,340.62	100.00	652,317.06	5.00	11,968,152.15	100.00	598,407.61	5.00

Individually significant accounts are accounts receivables with individual amount larger than RMB5,000,000.00 (inclusive).

The aging analysis of accounts receivable is as follows:

Unit: RMB

AGING	Closing balance				Opening balance			
	Amount (RMB)	Proportion (%)	Bad debts provision (RMB)	Carrying amount	Amount (RMB)	Proportion (%)	Bad debts provision	Carrying amount (RMB)
Within 1 year	6,207,670.54	47.58	310,383.55	5,897,286.99	10,444,465.25	87.27	522,223.26	9,922,241.99
1 to 2 years	6,696,634.18	51.33	334,831.71	6,361,802.47	1,381,651.00	11.54	69,082.55	1,312,568.45
2 to 3 years	–	–	–	–	–	–	–	–
Over 3 years	142,035.90	1.09	7,101.80	134,934.10	142,035.90	1.19	7,101.80	134,934.10
Total	13,046,340.62	100.00	652,317.06	12,394,023.56	11,968,152.15	100.00	598,407.61	11,369,744.54

The account receivable with provision for bad debts calculating at 5% of the balance:

Unit: RMB

Category	Carrying amount	Percentage of provision	Bad debt provision
		(%)	
The account receivable with provision for bad debts calculating at 5% of the balance	13,046,340.62	5.00	652,317.06

(2) There are no amounts due from shareholders who hold more than 5% (including 5%) of shareholding of the Company.

(3) Details of total amount of top five outstanding amounts are as follow:

Unit: RMB

Company name	Relation with the Company	Amount	Aging	Proportion of the outstanding amount to the total accounts receivable
				(%)
Carrefour (China) Management and Consulting Service Co., Ltd .	Customer	4,447,506.91	within 2 year	34.09
Shanghai Jinzuo Food & Entertainment Management Co., Ltd.	Customer	1,426,021.26	within 2 year	10.93
Shanghai Maodu Investment Management Co., Ltd.	Customer	716,020.50	within 1 year	5.49
Shanghai Pudong Development Bank Co., Ltd . .	Customer	468,952.00	within 1 year	3.59
Shanghai Fengqian Sports Equipment Co., Ltd.	Customer	375,329.00	within 2 years	2.88
Total		7,433,829.67		56.98

(4) There was no amount due from related party in the fiscal year ending balance for account receivable.

3. Other Receivables

(1) *Disclosure of other receivables by categories is as follows:*

Unit: RMB

CATEGORIES	Closing balance – Carrying amount – Amount	Closing balance – Carrying amount – Proportion (%)	Closing balance – Bad debt provision – Amount	Closing balance – Bad debt provision – Proportion (%)	Opening balance – Carrying amount – Amount	Opening balance – Carrying amount – Proportion (%)	Opening balance – Bad debt provision – Amount	Opening balance – Bad debt provision – Proportion (%)
Other receivable that are individually significant and for which bad debt provision has been assessed individually	–	–	–	–	–	–	–	–
Other receivable for which bad debt provision has been assessed by portfolios								
Other receivables that are significant with the impairment tests performed individually but for which bad debt provision is not assessed	1,272,659,866.53	88.03	–	–	1,375,656,035.00	93.71	–	–
Other receivables that use percentage of total receivables outstanding for bad debt provision	173,010,173.80	11.97	8,650,508.69	5.00	92,291,132.39	6.29	4,614,556.62	5.00
Subtotal of portfolios	1,445,670,040.33	100.00	8,650,508.69	0.60	1,467,947,167.39	100.00	4,614,556.62	0.31
Other receivable that are not individually significant but for which bad debt provision has been assessed individually	–	–	–		–	–	–	–
Total	1,445,670,040.33	100.00	8,650,508.69	0.60	1,467,947,167.39	100.00	4,614,556.62	0.31

Individually significant accounts are other receivables with individual amount larger than RMB5,000,000.00 (inclusive).

The aging analysis of other receivables is as follows:

Unit: RMB

AGING	Closing balance – Amount (RMB)	Closing balance – Proportion (%)	Closing balance – Bad debt provision	Closing balance – Carrying amount (RMB)	Opening balance – Amount (RMB)	Opening balance – Proportion (%)	Opening balance – Bad debts provision	Opening balance – Carrying amount (RMB)
Within 1 year	443,531,966.58	30.68	7,138,003.50	436,393,963.08	1,299,026,814.62	88.49	3,558,373.48	1,295,468,441.14
1 to 2 year	998,424,892.20	69.06	1,328,944.63	997,095,947.57	165,946,680.97	11.31	907,499.55	165,039,181.42
2 to3 year	2,892,255.63	0.20	144,612.78	2,747,642.85	2,383,521.20	0.16	119,176.06	2,264,345.14
Over 3 years	820,925.92	0.06	38,947.78	781,978.14	590,150.60	0.04	29,507.53	560,643.07
Total	1,445,670,040.33	100.00	8,650,508.69	1,437,019,531.64	1,467,947,167.39	100.00	4,614,556.62	1,463,332,610.77

The other receivables with provision for bad debts calculating at 5% of the balance:

Unit: RMB

Category	Balance	Percentage (%)	Bad debt reserve
The other receivable with provision for bad debts calculating at 5% of the balance	173,010,173.80	5.00	8,650,508.69

(2) There are no other receivables due from shareholders who hold more than 5% (including 5%) of shares of the Company.

(3) Details of total amount of top five outstanding amounts are as follows:

Unit: RMB

Name of company	Relationship	Amount	Aging	Proportion of the outstanding amounts to the total of other receivables
				(%)
Shanghai Jiabao Group Co., Ltd. .	Minority shareholder of subsidiary	923,847,000.00	Within 2 years	63.90
Shenzhen Gemdale Dabaihui Real Estate Development Co., Ltd	Associated companies	262,500,000.00	Within 2 years	18.16
Xinbei District, Changzhou Bureau of Land and Resources *(Note1)*	Government sector	50,000,000.00	Within 1 year	3.46
Shaoxing Center of Bid	Cooperation partner	20,000,000.00	Within 1 year	1.38
Xi'an Sobao Real Estate Development Co. Ltd.	Government sector	10,900,000.00	Within 1 year	0.75
Total		1,267,247,000.00		87.65

Note: This balance is the deposit for #2 and #3 lands located in Feilong District, Changzhou as a demonstration project for green community. According to the evaluation of the project from the Company, it would satisfy all the requirements from the government, hence there are no any significant risks on recoverability of the deposit part.

(4) Other receivables of related parties:

Unit: RMB

Name of company	Relation	Amount	Proportion of the outstanding amounts to the total of other receivables
			(%)
Shenzhen Gemdale Dabaihui Real Estate Development Co., Ltd	Associated company	262,500,000.00	18.16

4. Advances to Suppliers

(1) *The aging analysis of advances to suppliers is as follows:*

Unit: RMB

	Closing balance		Opening balance	
Aging	Amount	Proportion	Amount	Proportion
		(%)		(%)
Within 1 year	8,146,496,997.10	91.71	1,738,307,003.56	99.28
1 to 2 years .	735,304,461.70	8.28	12,448,007.10	0.71
2 to 3 years .	135,142.61	0.01	12,036.00	—
Over 3 years	120,000.00	—	100,133.90	0.01
Total	8,882,056,601.41	100.00	1,750,867,180.56	100.00

(2) *Total amount of top five outstanding details are as following:*

Unit: RMB

Name of company	Relationship	Amount	Aging	Descriptions
Xiaoshan District Hangzhou Bureau of Land & Resources .	Government sector	3,509,435,385.05	Within 2 year	Note 1
Shanghai Pudong Bureau of Land and Development	Government sector	2,286,000,000.00	Within 1 year	Note 2
Beijing Fangshan Bureau of Land & Resources	Government sector	1,910,000,000.00	Within 1 year	Note 3
Shaoxing Bureau of Land & Resources .	Government sector	447,900,000.00	Within 2 year	Note 4
Xinbei District Changzhou Bureau of Land & Resources	Government sector	250,000,000.00	Within 1 year	Note 5
Total		8,403,335,385.05		

Note 1: This was the prepayment to Xiaoshan District Hangzhou Bureau of Land & Resources for Xiaochu (2009) #47 land in Xiaoshan area, according to the signed land use right transfer contract (#3301092009A21051).

Note 2: This was the prepayment to Shanghai Pudong Bureau of Land and Development for Land #A1,according to the land use right transfer contract (Hupu Guitu (2010) #81).Real estate development.

Note 3: This was the prepayment to Beijing Fangshan Bureau of Land & Resources for Land #3 and #5 in the subway station of University of Technology and Science, Changyang Town, Fangshan District, Beijing, according to the signed land use right transfer contract Jingdi Chu(He)Zi (2010) #4080).

Note 4: This was the prepayment to Shaoxing Bureau of Land & Resources for 14 pieces of lands in Keqiao District in Shaoxing, according to the signed land use right transfer contract (#3306212009A21).

Note 5: This was the prepayment to Xinbei District Changzhou Bureau of Land & Resources for land #2 and #3 in Feilong District in Changzhou, according to the signed land use right transfer contract by Xinbei District Changzhou Bureau of Land & Resources.

(3) There are no prepayments to shareholders who hold more than 5% (including 5%) of shares of the Company.

(4) Disclosure of advances to suppliers by categories is as follows:

Unit: RMB

Categories	**Closing balance**	**Opening balance**
Individually significant payments *(Note)*	8,851,755,410.34	1,700,504,450.00
Individually insignificant payments but with significant risks after being grouped with similar credit risk characteristics	—	—
Other insignificant payments	30,301,191.07	50,362,730.56
Total	8,882,056,601.41	1,750,867,180.56

Individually significant accounts are advances to suppliers with individual amount larger than RMB5,000,000.00 (inclusive). Individually insignificant accounts but with significant risks after being grouped with similar credit risk characteristics are advances to suppliers with insignificant amount but with aging over 5 years.

5. Inventories

(1) *Categories of inventories*

Unit: RMB

Categories	Closing balance Cost	Closing balance Provision for decline in value	Closing balance Carrying amount	Opening balance Cost	Opening balance Provision for decline in value	Opening balance Carrying amount
Material on hand	1,893,993.49	–	1,893,993.49	1,364,287.45	–	1,364,287.45
Goods on hand	2,061,169.85	–	2,061,169.85	57,973.45	–	57,973.45
Properties under construction	42,936,096,639.74	–	42,936,096,639.74	37,150,656,561.20	68,594,900.00	37,082,061,661.20
Completed projects	2,515,446,148.67	–	2,515,446,148.67	3,460,781,104.96	–	3,460,781,104.96
Total	45,455,497,951.75	–	45,455,497,951.75	40,612,859,927.06	68,594,900.00	40,544,265,027.06

The details of properties under construction are as follow:

Unit: RMB

Project name	Beginning date	Estimated completion date	Total estimated investment RMB'100M	Opening balance	Closing balance
Shanghai Green World 4th phase	2008.7	2011.12 for 4th phase	26.13	923,813,099.18	86,549,688.49
Shanghai Wanliuyu	2007.12	2009.10–2010.12	21.40	357,996,716.22	–
Beijing Gemdale Mingjing	2007.6	2010.3	16.34	616,279,881.43	–
Tianjin Green World 3rd phase	2008.1	2010.12–2012.12	19.30	1,000,343,202.28	730,798,979.81
Beijing Yangshan (Beijing Daxing Land #16)	2009.11	2011.12–2012.12	30.97	1,580,241,741.15	2,016,188,799.66
Tianjin International Plaza Project	2010.4	2011.12–2013.12	60.41	2,410,762,567.48	2,642,309,899.20
Tianjin Tuanbohu Project	2011.10	2012.12–2014.12	43.44	784,496,560.19	797,387,719.47
Shanghai Zhaoxiang Project	2010.7	2012.3–2012.12	75.18	3,053,079,334.23	3,520,433,737.31
Ningbo Dongyu Project (Meixu Residence Project)	2010.4	2012.6	14.06	802,612,033.48	993,744,018.76
Guangzhou Lihucheng plot A 2nd phase & plot B	2007.3	2011.9–2012.12	51.24	886,756,203.89	1,279,637,679.21
Dongguan Gemdale Green Garden Project 3rd phase	2007.11	2010.12	2.59	84,100,565.65	–
Dongguan Dengbohu (New Century Tangxia) Project 2nd 3rd phase	2008.8	Phase 2nd 2009.12–2011.12 Phase 3rd 2012.1–2013.6	7.03	357,008,359.71	194,070,713.35
Dongguan Huangjiang Project	2010.6	2012.3–2015.12	36.46	1,149,567,075.00	1,229,251,059.91
Foshan Jiulongbi Project 2nd Phase	2008.1	2011.7	6.60	305,650,043.10	472,875,799.98
Foshan Daliang Project	2010.6	2012.12	15.65	256,520,490.43	589,411,555.31
Wuhan Green Spring Bank	2009.3	2010.12–2012.3	10.68	364,651,167.28	426,991,684.28
Wuhan Mingjun (Wuhan Jinghan Road) Project	2010.3	2013.5	10.26	520,443,670.05	581,596,538.36
Wuhan West Line Story Project (Haogou Project)	2009.10	2011.12	7.99	350,015,727.07	540,195,686.72
Shenzhen Shangtangdao Project	2007.10	2nd phase 2011.1	8.92	1,185,968,446.38	704,620,523.65

Unit: RMB

Project name	Beginning date	Estimated completion date	Total estimated investment RMB'100M	Opening balance	Closing balance
Shenzhen Gemdale Mingzuo	2007.11	2010.1	1.65	102,627,479.37	—
Shenzhen Tianyuewan (Shenzhen Guanlan) Project	2010.3	2011.12–2012.12	49.78	2,442,545,677.64	2,731,442,845.45
Fuzhuo Mendao (Zhuhai Science Park)	2005.8	2nd phase 2011.12, B2 Land 2nd 3rd phase 2011.09	6.68	96,212,927.39	225,044,284.96
Shenyang Gemdale International Garden Project 3rd phase	2008.4	2010.1	3.03	245,681,067.26	—
Shenyang Gemdale International Garden Project 4th phase	2009.9	2011.10	3.01	82,260,445.60	211,091,818.55
Nanjing Mingjing (Nanjing Suo Street) Project	2008.1	2009.9–2010.10	19.30	1,388,161,200.44	—
Xi'an Gemdale Furong Lake Bank 2nd phase	2008.11	2010.1–2011.3	7.12	364,507,085.07	73,693,977.58
Xi'an Hucheng Dajing	2009.05	2010.12–2015.12	86.12	2,929,204,502.55	2,729,514,351.23
Nanjing Zizaicheng (Nanjing Banqiao) Project	2009.4	2010.12–2015.2	71.83	2,833,459,935.37	3,133,989,632.94
Hangzhou Zizaicheng #24, #25	2008.7	2010.12–2013.12	65.37	3,755,838,312.42	3,046,790,762.01
Hangzhou Zizaicheng #41	2010.3	2012.5–2013.6	39.00	1,637,038,068.52	1,859,421,248.98
Shenyang Binhe International Community (Shenyang Changqing)	2008.4	1st–5th Phase 2010.1–2012.12	74.15	1,899,085,442.88	2,289,173,083.01
Zhuhai Yindun Shan (Zhuhai Hongshan Building #1) Project	2010.11	2012.11	3.23	104,964,103.13	111,315,886.28
Shanghai Tianyue (Shanghai Xujing) Land	2009.11	2011.12	21.01	600,484,234.64	930,286,381.57
Shanghai Baoshan Industrial Park Project	2010.5	2012.3–2012.12	27.55	1,151,130,000.00	1,354,642,014.23
Shenzhen Baohe	2011.5	2013.3	14.91	—	645,708,000.00
Shenzhen Gemdale Industrial Park	—	—	—	861,433.40	861,894.40
Wuhan Shengaimilun (Wuhan Nongkeyuan)	2010.6	2010.12-2014.12	18.24	526,287,761.32	642,405,351.20
Dongguan Wanjiang	2010.7	2012.11	6.30	—	169,882,233.88
Zhuhai Yindun Shan (Zhuhai Hongshan Building #3) Project	2009.9	2011.11	8.38	—	539,023,393.85
Ningbo Cixi	2011.5	2013.10	27.79	—	1,402,205,421.08
Wuhan Lanfeixi Bank	2010.7	2012.6–2017.4	43.37	—	1,430,320,912.38
Wuhan International Park 3rd Phase	2009.10	2011.12	0.79	—	68,338,957.13
Shenyan Tanju 1st Phase	2010.5	2011.7–2012.12	9.44	—	445,690,620.35
Shenyang Mingjing	2010.6	2011.12–2014.6	31.53	—	771,756,358.60

Unit: RMB

Project name	Beginning date	Estimated completion date	Total estimated investment RMB'100M	Opening balance	Closing balance
Xi'an Xiyang Road	—	—	133.44	—	6,850,000.00
Yantai Gaoxin District University of Chinese Agriculture	2010.11	2012.12–2013.9	10.23	—	300,630,112.01
Daliang Minsheng Square	2011.6	2013.12	10.02	—	371,613,698.00
Changsha Guanyinyan	2011.2	2012.1–2018.5	30.56	—	65,340,853.75
Total			1,391.86	37,150,656,561.20	42,936,096,639.74

The details of completed projects are as following:

Unit: RMB

Project name	Completion date	Opening balance	Increase	Decrease	Closing balance
Shenzhen Golden Bay Garden	2001.9	3,703,471.29	—	3,703,471.29	—
Haijing No. 21 Department	2002.10	2,962,431.05	—	—	2,962,431.05
Shenzhen Mingzuo	2010.01	—	132,371,505.90	132,158,184.97	213,320.93
Shenzhen Gemdale Tennis Garden	1st phase in 2004.12 2nd phase in 2005.9	85,072,874.53	2,889,420.54	86,003,117.70	1,959,177.37
Shenzhen Gemdale Mingjin	2007.11	145,635,833.57	3,233.17	—	145,639,066.74
Shenzhen Gemdale Meilong Toen	2006.12–2009.12	9,511,024.76	18,335,411.40	21,225,501.56	6,620,934.60
Guangzhou Lihucheng plot A 1st phase & 2nd phase	1st phase of plot A from 2007.12 to 2008.12, Parts 2nd phase of plot A from 2008.11 to 2010.12	266,056,497.52	70,662,744.10	257,421,915.78	79,297,325.84
Shanghai Green Chunxiao	3rd phase in 2005.3	19,347,573.61	30,820.53	—	19,378,394.14
Shanghai Green Spring Bank	1st phase in 2004.3, 2nd phase in 2005.6	14,572,450.40	81,874.30	10,837,344.43	3,816,980.27
Shanghai Green Town 1st & 2nd phases	1st phase in 2007.7, 2nd phase in 2009.5	215,192,468.15	—	916,334.52	214,276,133.63
Shanghai Green World 1, 2, 3 phases, D in 4th phase	2006.06–2010.12	401,248,909.46	1,808,381,370.11	1,597,132,104.75	612,498,174.82
Shanghai Wanliuyu	2008.12 – 2010.12	148,703,176.23	667,569,412.68	552,827,324.28	263,445,264.63
Shanghai Weiweilai	2009.12	35,107,308.70	29,923,013.32	62,929,311.30	2,101,010.72
Beijing International Gemdale Center	2007.9	1,284,093,771.84	15,215,148.00	1,299,308,919.84	—
Ningbo Gemdale International Garden	2007.12 – 2008.12	20,760,757.04	4,434,591.67	16,403,351.85	8,791,996.86
Beijing International Garden North Area	2004.12	—	25,372.00	25,372.00	—

Unit: RMB

Project name	Completion date	Opening balance	Increase	Decrease	Closing balance
Beijing Mingjing . . .	2009.9–2010.03	79,731,402.78	810,157,034.62	833,794,753.74	56,093,683.66
Tianjin Green World 1st, & 2nd phases and 3rd phases. . .	2007.6–2010.12	2,813,292.72	731,344,189.73	708,140,079.44	26,017,403.01
Xi'an Shanglinyuan. . .	2007.12–2008.12	5,620,517.39	7,184,950.40	11,224,588.56	1,580,879.23
Xi'an Gemdale Furong Lake Bank Project 1st & 2nd phase . .	2008.12–2010.12	59,508,641.28	544,322,035.48	579,367,932.09	24,462,744.67
Xi'an Huchengdajing #3 Project	2010.12	–	755,546,707.01	645,102,514.32	110,444,192.69
Wuhan Gemdale Green Town.	2006.12–2008.12	27,514,566.48	20,135,363.69	35,814,223.65	11,835,706.52
Dongguan Gemdale Green Town	2007.1	17,934,105.47	5,464,555.60	17,878,661.07	5,520,000.00
Dongguan Gemdale Green Garden Project	2008.12–2010.10	133,689,237.35	251,122,106.12	274,183,925.16	110,627,418.31
Dongguan Dengbohu (Dongguan New Century Tangxia) Project 1st phase & 2nd phase	1st phase in 2008.12, 2nd phase in 2009.12–2010.4	101,261,400.42	353,848,679.67	385,386,799.66	69,723,280.43
Foshan Jiulongbi 1st phase	1st phase in 2009.3	270,725,687.97	48,920,714.64	239,295,157.36	80,351,245.25
Zhuhai Mendao (Zhuhai Science Park)	1st phase 2008.06、B2 Land 1st 2010.12	21,739,755.46	2,068,044.62	327,858.57	23,479,941.51
Beijing Green Town 6 .	2008.7–2009.11	57,480,696.70	–	47,781,011.96	9,699,684.74
Shenyang International Park	2008.12–2010.1	30,793,252.79	286,603,927.03	297,537,744.37	19,859,435.45
Nanjing Mingjing (Nanjing Suojie). . .	2009.9–2010.10	–	1,778,688,447.76	1,585,818,590.87	192,869,856.89
Shenzhen Shangtangdao. . . .	2010.1	–	875,130,306.57	788,452,270.49	86,678,036.08
Nanjing Zizaicheng 1st phase	2010.12.1st phase	–	240,993,747.17	150,798,039.71	90,195,707.46
Hangzhou Zizaicheng 24# 25#.	25# 2010.12	–	1,099,888,501.85	1,037,791,736.41	62,096,765.44
Wuhan Green Spring Bank phase 1	2010.12	–	186,343,646.38	183,351,552.38	2,992,094.00
Wuhan International Park phase1–2 . . .	2009.12–2010.1	–	29,826,140.11	792,113.56	29,034,026.55
Shenyang Binghe International Community (Shenyang Changqin) phase 1–3	2010.1–2010.11	–	1,287,047,091.13	1,163,049,846.14	123,997,244.99
Shenyang Tanqu (Shenyang Hunannanhai) 1st Phase	2010.12	–	82,872,470.45	65,985,880.26	16,886,590.19
Total		3,460,781,104.96	12,147,432,577.75	13,092,767,534.04	2,515,446,148.67

(2) *Provision for decline in value of inventory*

Unit: RMB

Categories of inventories	Opening balance	Addition	Decrease		Closing balance
			Reversal	Written-off	
Properties under construction.	68,594,900.00	—	53,642,543.10	14,952,356.90	—
Completed projects .	—	—	—	—	—
Total	68,594,900.00	—	53,642,543.10	14,952,356.90	—

(3) *Details of provision for decline in value of inventory*

Project	The basis of provision for decline in value of inventory	The reason of reversal in current period	The Proportion of reversal in current period to the inventories closing balance
			(%)
Properties under construction	Estimate NRV lower than inventory carrying value	Estimate NRV higher than inventory carrying value	0.12%
Completed projects	Not applicable	Not applicable	Not applicable

6. Other Current Assets

Unit: RMB

Project	Closing balance	Opening balance
Current asset arising from prepaid tax.	1,454,799,048.42	898,543,167.25
Other non-current assets due within 1 year . . .	—	—
Total	1,454,799,048.42	898,543,167.25

7. Long-term Equity Investments

Unit: RMB

Investee	Categories of company	Registered place	Corporate representative	Nature of the business	Registered capital	Proportion of investee's registered capital	The company's attributable voting rights in investee (%)	Total assets of the investee at the year end	Total liabilities of the investee at the year end	Total revenue for the year	Total operating incomein current year	Total net profit in current year
I. Associate												
Shanghai Pufa Gemdale Real Estate Development Co., Ltd.	Limited company	Shanghai	Ge Peijian	Real estate development	10,000,000.00	49	49	92,807,393.03	26,124,753.08	66,682,639.95	20,286,039.30	4,755,915.77
Shanghai Hejian Property Management Co., Ltd *(Note 1)*	Limited company	Shanghai	JOHN LANGLOIS	Property Management	372,988,600.00	22.86	22.86	268,524,119.30	–	268,524,119.30	–	(2,283,515.37)
Shenzhen Gemdale Business Manage Co., Ltd	Limited company	Shenzhen	Zhu Zhongmin	Real estate development	100,000,000.00	35	35	1,922,322,104.68	1,853,282,990.07	69,039,114.61	–	(11,592,244.42)
UBS/Gemdale China Real Estate Fund I, L.P. *(Note 2)*	Limited company	Cayman Islands	N/A	Investment	USD41,931,488.22	8.33	8.33	325,227,709.42	70,626,602.93	254,601,106.49	–	(23,456,930.56)
Tianjin Wenyu Equity Investment Funds Ltd (Limited Partner) *(Note3)*	Limited Partnership	Tianjin	N/A	Investment	N/A	N/A	N/A	–	–	–	–	–
Tianjin Wenying Equity Investment Funds Ltd.(Limited Partner) *(Note 3)*	Limited Partnership	Tianjin	N/A	Investment	N/A	N/A	N/A	185,924,918.66	336,493.84	185,588,424.82	–	(4,111,575.18)
II. Joint ventures												
UBS/Gemdale Investment Management Limited	Limited company	Mauritius	Ke LING	Investment Real estate development	USD20,000.00	50	50	6,060,608.80	4,280,173.13	1,780,435.67	9,662,536.94	1,690,968.73
UBS/Gemdale Investment G.P. Ltd *(Note 4)*	Limited company	Cayman Islands	N/A	Investment	USD0.02	50	50	0.14	–	0.14	–	–

Note 1: Shanghai Hejian Property Management Co., Ltd was under dissolution and liquidation procedure at the end of 2010 after test, there isn't any significant identified impairment regarding the balance of the long-term equity investments.

Note 2: The Company held 8.33% shares of the total fund raising for the UBS/Gemdale China Real Estate Fund I, L.P. which was a limited partnership funds in USD account. This fund had invested in Shenyang International Garden 4th phase (the Shenyang Tianyu Project) and Shenyang Tiexi Project. According to the agreements, the associated company, UBS/Gemdale Investment G.P. Ltd, the general partner, who is in charge for the daily management and has control to major operation management. Thus, in the scope of consolidation for the current reporting period, the UBS/Gemdale China Real Estate Fund I, L.P was considered as an associate company.

Note 3: On March 26, 2010, Tianjin Wenying Equity Investment Funds Ltd. (Limited Partnership) and Tianjin Wenyu Equity Investment Funds Ltd. (Limited Partnership) were incorporated by the subsidiary, Wensheng (Tianjin) Investment Management Co. Ltd, which works as a general partner and other investors. Wensheng (Tianjin) Investment Management Co. Ltd has invested RMB 3,600,000.00, 2% of the total fund raising, in Tianjin Wenying Equity Investment Funds Ltd and hasn't invested in Tianjin Wenyu Equity Investment Funds Ltd. until the end of the year 2010.

According to the agreement, Wensheng (Tianjin) Investment Management Co. Ltd was the general partner in both funds, the Tianjin Wenying Equity Investment Funds Ltd. (Limited Partnership) and the Tianjin Wenyu Equity Investment Funds Ltd. (Limited Partnership) and was in charge for the daily management and having control power to major operation decision. Thus, in the scope of consolidation for the current reporting period, both Tianjin Wenying Equity Investment Funds Ltd. (Limited Partnership) and Tianjin Wenyu Equity Investment Funds Ltd. (Limited Partnership) were considered as an associate company.

Note 4: On April 9, 2010, the subsidiary, Famous Business Co. Ltd purchased 50% shares of the UBS/Gemdale Investment G.P. Ltd and shares the joint control power with UBS. The company was the general partner for UBS/Gemdale China Real Estate Fund I, L.P. after the transaction.

Note 5: The capability of transferring funds from the investees under long-term equity investments as at December 31, 2010 to the Company was not restricted.

8. Long-term Equity Investments

(1) Details of long-term equity investments are as follow:

Unit: RMB

Investee	Method	Initial investment cost	Opening balance	Increase/ Decrease	Closing balance	Proportion of investee's shareholdings (%)	The company's attributable voting rights in investee (%)	The note for the differences of shareholding Proportion and voting rights Proportion	Provision for impairment	Accrued provision for impairment this year	Cash dividends this year
Shanghai Pufa Gemdale Real Estate Development Co., Ltd	Equity method	142,119,980.00	30,344,094.85	2,330,398.73	32,674,493.58	49	49	N/A	—	—	—
Shanghai Hejian Property Management Co., Ltd.	Equity method	85,249,600.00	62,378,863.65	(994,249.99)	61,384,613.66	22.86	22.86	N/A	—	—	—
Shenzhen Gemdale Dabaihui Real Estate Development Co., Ltd	Equity method	35,000,000.00	29,455,179.05	(5,291,488.94)	24,163,690.11	35	35	N/A	—	—	—
Wuhan Gemdale Famous Property Development Co., Ltd *(Note 1)*	Equity method	620,496,080.00	625,810,645.44	(625,810,645.44)	—	Note 1	Note 1	N/A	—	—	—
UBS/Gemdale InvestmentManagement Limited	Equity method	65,955.86	51,892.45	837,296.99	889,189.44	50	50	N/A	—	—	—
UBS/Gemdale China Real Estate Fund I, L.P.	Equity method	23,079,833.54	—	21,161,913.86	21,161,913.86	8.33	8.33	N/A	—	—	—
UBS/Gemdale China Real Estate Fund I, G.P. Ltd.	Equity method	0.07	—	0.07	0.07	50	50	N/A	—	—	—
Tianjin Wenying Equity Investment Funds Ltd. (Limited Partner)	Equity method	3,600,000.00	—	3,600,000.00	3,600,000.00	N/A	N/A	N/A	—	—	—
Total		909,611,449.47	748,040,675.44	(604,166,774.72)	143,873,900.72				—	—	—

Note 1: Please refer to V (1), Note 31 for detail information.

9. Investment Properties

The investment properties which are measured by cost method:

Unit: RMB

Items	Opening balance	Increase	Decrease (Note)	Closing balance
I. Total cost	142,645,161.28	1,289,093,771.84	—	1,431,738,933.12
1. House and buildings	142,645,161.28	1,289,093,771.84	—	1,431,738,933.12
2. Land use right	—	—	—	—
II. Accumulated depreciation and amortization	66,776,519.46	19,993,083.56	—	86,769,603.02
1. House and buildings	66,776,519.46	19,993,083.56	—	86,769,603.02
2. Land use right	—	—	—	—
III. Total net value of investment properties	75,868,641.82	1,269,100,688.28	—	1,344,969,330.10
1. House and buildings	75,868,641.82	1,269,100,688.28	—	1,344,969,330.10
2. Land use right	—	—	—	—
IV. Total accumulated provision for impairment of investment properties	—	—	—	—
1. House and buildings	—	—	—	—
2. Land use right	—	—	—	—
V. Total carrying value of investment properties	75,868,641.82	1,269,100,688.28	—	1,344,969,330.10
1. House and buildings	75,868,641.82	1,269,100,688.28	—	1,344,969,330.10
2. Land use right	—	—	—	—

Note: The total transaction amount, transferred from inventory account into investment properties account was RMB1,289,093,771.84.

The depreciation and amortization for this fiscal year was RMB19,993,083.56. The accrued provision for impairment of the investment properties was nil this year.

As at December 31, 2010, the property certificate attached to the investment properties amounting to RMB3,257,911.40 was not yet obtained.

10. Fixed Assets

(1) The details of fixed assets:

Unit: RMB

Items	Balance at Opening balance	Increase		Decrease	Balance at Closing balance
I. Total cost	160,235,565.52		25,710,635.82	6,603,419.72	179,342,781.62
Including: House and buildings	72,090,361.14		–	103,499.99	71,986,861.15
Electronic equipments and furniture	36,419,069.36		11,141,946.38	3,126,178.16	44,434,837.58
Transportation Vehicles	37,590,141.34		13,088,287.04	1,810,338.37	48,868,090.01
Other equipments	14,135,993.68		1,480,402.40	1,563,403.20	14,052,992.88
II. Total accumulated depreciation	86,646,630.16	**Increase**	**Accrued Depreciation**	6,165,039.67	98,422,261.51
Including: House and buildings	25,039,636.49	–	3,674,050.41	–	28,713,686.90
Electronic equipments and furniture	26,706,072.51	179,741.76	7,702,371.79	2,880,944.10	31,707,241.96
Transportation Vehicles	24,730,532.11	215,308.00	5,296,457.48	1,763,020.45	28,479,277.14
Other equipments	10,170,389.05	17,831.88	854,909.70	1,521,075.12	9,522,055.51
III. Total net value of fixed assets	73,588,935.36		7,769,964.80	438,380.05	80,920,520.11
Including: House and buildings	47,050,724.65		(3,674,050.41)	103,499.99	43,273,174.25
Electronic equipments and furniture	9,712,996.85		3,259,832.83	245,234.06	12,727,595.62
Transportation Vehicles	12,859,609.23		7,576,521.56	47,317.92	20,388,812.87
Other equipments	3,965,604.63		607,660.82	42,328.08	4,530,937.37
IV. Total accumulated provision for impairment of fixed assets	–		–	–	–
Including: House and buildings	–		–	–	–
Electronic equipments and furniture	–		–	–	–
Transportation Vehicles	–		–	–	–
Other equipments	–		–	–	–
V. Total carrying value of fixes assets	73,588,935.36		7,769,964.80	438,380.05	80,920,520.11
Including: House and buildings	47,050,724.65		(3,674,050.41)	103,499.99	43,273,174.25
Electronic equipments and furniture	9,712,996.85		3,259,832.83	245,234.06	12,727,595.62
Transportation Vehicles	12,859,609.23		7,576,521.56	47,317.92	20,388,812.87
Other equipments	3,965,604.63		607,660.82	42,328.08	4,530,937.37

Note: The cost of fixed assets increased by RMB537,874.95, accumulated depreciation increased by RMB412,881.64 and net book value increased by RMB124,993.31 respectively with the impact of the consolidation scope changes.

The depreciation for this year was RMB17,527,789.38. The amount of construction in progress transferred to fixed assets was nil.

(2) The details of the fixed assets' property certificates which have not been obtained as follows:

As at December 31, 2010, the property certificate attached to the fixed assets amounting to RMB636,354.23 was not yet obtained.

11. Construction in Progress

(1) The details of construction in progress were listed as follows:

Unit: RMB

Items	Closing balance			Opening balance		
	Book value	Provision for impairment	Net value	Book value	Provision for impairment	Net value
Building project	2,553,233.20	—	2,553,233.20	807,467.65	—	807,467.65

12. Goodwill

Unit: RMB

Reason for Goodwill's formation	Opening balance	Increase	Decrease	Closing balance	Provision for impairment in the end of the year
Increase arising from business combination *(Note)*	7,643,930.97	—	—	7,643,930.97	—

Note: This arises from the business combination of Wuhan Ao Qiang Real Estate Development Co., Ltd in 2007. There is no any impairment of the goodwill at the year then ended.

13. Long-term Prepayments

Unit: RMB

Items	Opening balance	Increase	Amortization this year	Other decrease	Closing balance	The reason for other decrease
Financial consulting and other fees	6,630,980.37	2,215,000.00	7,193,606.64	—	1,652,373.73	—
Improvement expenses for fixed assets under lease — Decoration expenses	1,359,777.30	4,556,444.91	717,058.68	—	5,199,163.53	—
Others.	460,756.24	4,831,763.00	790,851.27	—	4,501,667.97	—
Total	8,451,513.91	11,603,207.91	8,701,516.59	—	11,353,205.23	—

14. Deferred Tax Assets/deferred Tax Liabilities

(1) The deferred tax assets and liabilities which are recognized:

Unit: RMB

Items	Closing balance	Opening balance
Deferred tax assets:		
Impairment losses on assets	2,051,630.91	17,982,977.81
Unrealized profit in inventories	33,948,536.03	46,148,702.29
Employee benefits payable	108,151,242.84	66,717,086.10
Deductible losses	207,476,175.45	163,264,645.20
Others	428,855.31	2,277,594.13
Total	352,056,440.54	296,391,005.53
Deferred tax liabilities:		
Investment on subsidiaries	5,817,031.47	7,643,930.97
	2,095,569.20	—
Total	7,912,600.67	7,643,930.97

Note: Based on the Company and its subsidiaries' profit forecast, it was estimated that there was probably sufficient taxable income in the future periods so as to utilize the deductible temporary differences and deductible tax loss, thereby the Company and its subsidiaries recognize the above deferred tax assets.

(2) Details of the deferred tax assets is not recognized:

Unit: RMB

Items	Closing balance	Opening balance
Deductible losses	89,084,491.42	122,381,631.56

(3) Deductible losses, which are not recognized as the deferred tax assets, will be expired in the year as followings:

Unit: RMB

Year	Closing balance	Opening balance
2011	161,524.60	161,524.60
2012	20,385,402.07	32,787,500.94
2013	36,480,676.20	58,422,577.33
2014	31,010,028.69	31,010,028.69
2015	1,046,859.86	—
Total	89,084,491.42	122,381,631.56

(4) The deductible temporary differences which lead to deductible temporary differences of the assets and liabilities:

Unit: RMB

Items	Deductible temporary differences
Closing balance:	
Deductible temporary differences and deductible losses:	
Provision for impairment	8,297,607.67
Unrealized profit in inventories	135,794,144.11
Employee benefits payable	450,630,178.52
Deductible losses	832,106,486.97
Others	1,723,856.69
Subtotal	1,428,552,273.96
Tax payable temporary differences:	
Investment on subsidiaries	23,268,125.89
Others	8,382,276.80
Subtotal	31,650,402.69
Opening balance:	
Deductible temporary differences and deductible losses:	
Provision for impairment	73,807,864.23
Unrealized profit in inventories	185,527,491.78
Employee benefits payable	302,899,746.73
Deductible losses	668,246,438.22
Others	11,200,148.33
Subtotal	1,241,681,689.29
Tax payable temporary differences:	
Investment on subsidiaries	30,575,723.89
Subtotal	30,575,723.89

15. Provision for Impairment Losses on Assets

Unit: RMB

Items	Opening balance	Provided for this year	Deduction		Closing balance
			Reversal	Elimination	
Provision for bad debts	5,212,964.23	6,139,056.30	1,811,004.91	238,189.87	9,302,825.75
Provision for obsolete stocks	68,594,900.00	—	53,642,543.10	14,952,356.90	—
Total	73,807,864.23	6,139,056.30	55,453,548.01	15,190,546.77	9,302,825.75

16. Short-term Loans

(1) Categories of short-term loans:

Unit: RMB

Items	Closing balance	Opening balance
Pledge loans	—	—
Mortgage loans	—	—
Guaranteed loan *(Note 1)*	—	200,000,000.00
Credit loan	200,000,000.00	153,275,000.00
Trust loans	—	500,000,000.00
Total	200,000,000.00	853,275,000.00

Note 1: The loan was guaranteed by the financial institutions.

17. Accounts Payable

(1) Details of the account payable are as followings:

Unit: RMB

Items	Closing balance	Opening balance
Buildings project and land value payable	2,953,289,556.30	2,879,036,206.52

(2) Accounts payable do not include accounts payable to shareholders of the Company that hold 5% or more than 5% of shares with voting power of the Company.

18. Advances from Customers

Aging analysis of advance from customers was as followings:

Unit: RMB

	Closing balance		Opening balance	
Aging	Amount	%	Amount	%
Within 1 year	18,254,995,475.31	96.74	11,677,441,958.90	94.48
1 to 2 years	612,734,516.98	3.25	682,321,820.07	5.52
2 to 3 years	1,773,292.30	0.01	576,264.08	—
Over 3 years	461,795.23	—	—	—
Total	18,869,965,079.82	100	12,360,340,043.05	100.00

Details of the receipts arising from pre-sale of properties are as follows:

Unit: RMB

Name of project	Opening balance	Closing balance	Estimated time of completion	Pre-sold Proportion
Shanghai Green World 4th phase	2,946,685,830.35	1,558,690,982.96	4th phase A 2011.12	85.99%
Green Town 6 North Area . . .	11,821,967.09	590,003.09	Completed	99.22%
Tianjin Green World	888,405,248.00	1,451,069,654.00	2010.12–2012.12	84.97%
Wuhan Gemdale Green Town	2,882,135.00	10,742,614.00	Completed	99.80%
Wuhan West Bank Story (Wuhan Haogou).	—	917,330,139.00	2011.12	96.02%
Wuhan Green Spring Bank . .	93,769,011.00	413,495,002.00	2010.12–2012.3	59.56%
Guangzhou Lihu City Town A and B 1st phase.	56,624,249.00	290,509,901.00	2011.9-2012.12	67.85%
Dongguan Gemdale Green Garden	4,938,525.00	9,569,224.00	Completed	88.11%
Dongguan Dengbohu (Dongguan Xinshiji Tangxia) Project	139,839,532.94	232,345,654.00	2nd phase 2009.12–2011.12 3rd 2012.01–2013.6	55.71%
Foshan Jiulongbi	9,568,883.00	653,686,640.12	2nd phase 2011.7	89.81%
Xi'an Gemdale Furong Lake Bank Project	973,307,280.76	220,579,392.76	Completed	97.52%
Xi'an Gemdale South Lake . .	312,046,659.00	1,317,340,292.00	2010.12–2015.12	17.19%
Shenyang Gemdale International Garden	354,167,403.55	854,830.00	Completed	98.96%
Shenzhen Gemdale Mingzuo .	430,707,102.51	30,999.51	Completed	99.82%
Shenyang Binhe International Community (Sheyang Changqing) Project	827,383,207.00	687,726,571.00	phase 4th–5th 2010.1-2012.12	52.38%
Shanghai Weiweilai	8,581,737.00	27,941.00	Completed	100.00%
Shanghai Wanliuyu.	341,792,278.00	83,991,431.00	Completed	94.83%
Nanjing Mingjin (Nanjing Suo Street) Project	1,804,347,359.38	9,705,045.00	Completed	90.43%
Fuzhuo Mendao (Zhuhai Gemdale Zhuhai Industrial Park)	14,797,240.00	186,697,813.75	B2 2nd and 3rd phase 2011.9 2nd phase 2011.12	25.10%
Beijing Gemdale Mingjing . . .	900,162,038.11	17,930,409.37	Completed	97.88%
Hanghou Sandun Project #25 #24 Land	1,522,561,853.00	3,143,669,242.00	2010.12-2013.12	56.47%
Nanjing Zizaicheng (Nanjing Banqiao).	270,919,143.00	2,030,053,780.00	2010.12-2015.2	29.77%
Shenzhen Shangtangdao 1st phase	396,205,359.20	850,942,371.00	2nd phase in 2011.1	79.71%
Hangzhou Zizaicheng #41. . .	—	563,698,549.00	2012.5–2013.6	16.70%
Shenyang International Garden 4th phase.	—	456,384,108.00	2011.10	98.44%
Shenyang Tanqu (Shenyang Hunan Huahai)	—	350,010,540.00	2010.12–2012.12	37.54%
Shenyang Mingjing (Shenyang Tiexi)	—	423,148,047.00	2011.12–2014.6	16.52%
Ningbo Dongyu (Ningbo Meixu)	—	115,956,056.00	2012.6	16.04%
Shanghai Tianyu (Shanghai Xujing).	—	620,161,168.88	2011.12	38.03%
Tianjing International Square B District	—	365,721,020.03	2011.12	21.97%
Zhuhai Yidunshan (Zhuhai Hongshan #3)	—	423,020,613.30	2011.11	32.39%
Beijing yangshan (Bejing Daxng).	—	1,374,256,620.69	2011.12–2012.12	39.05%

19. Employee Benefits Payable

Unit: RMB

Items	Opening balance	Accrued in the year	Payment in the year	Closing balance
I. Wages or salaries, bonuses, allowances, subsidies	436,990,037.67	786,488,312.77	606,773,196.32	616,705,154.12
II. Staff welfare	214,884.45	14,155,689.03	14,308,477.23	62,096.25
III. Social security contributions	31,617.70	34,796,266.29	34,794,514.05	33,369.94
Including: Premiums or contributions on medical insurance	—	7,930,359.15	7,898,096.03	32,263.12
Basic pension insurance	28,740.60	24,737,609.55	24,766,350.15	—
Annuity fee	—	22,996.67	22,996.67	—
Unemployment insurance	2,877.10	1,025,917.55	1,027,689.26	1,105.39
Work injury insurance	—	623,601.42	623,601.42	—
Maternity insurance	—	455,781.95	455,780.52	1.43
IV. Housing funds	—	7,824,126.83	7,746,495.54	77,631.29
VI. Union running costs and employee education costs	25,715,907.21	27,617,028.68	8,487,235.96	44,845,699.93
VII. Non-monetary welfare	—	477,746.15	477,746.15	—
VIII. Compensation to employees for termination	—	598,808.06	598,808.06	—
IX. Others	—	—	—	—
Total	462,952,447.03	871,957,977.81	673,186,473.31	661,723,951.53

20. Tax Payable

Unit: RMB

Items	Closing balance	Opening balance
Income tax	455,872,400.46	194,302,901.31
VAT	15,788.71	(31,077.33)
Business tax	77,927,436.14	32,070,144.92
Land appreciation tax	15,392,231.81	18,201,238.66
Property tax	436,245.19	442,458.79
Others	21,356,291.46	16,206,945.88
Total	571,000,393.77	261,192,612.23

21. Interest Payable

Unit: RMB

Items	Closing balance	Opening balance
Interest for long-term borrowings	12,745,791.76	—
Interest for Corporate Bonds *(Note 1)*	52,616,700.00	52,616,700.00
Interest for short-term borrowings	—	21,385,570.40
Total	65,362,491.76	74,002,270.40

Note 1: This was the corresponding interest accrued for the outstanding Corporate Bonds of RMB1,200,000,000.00; please refer to Note (VI) 27 for details.

22. Dividends Payable

Unit: RMB

Name of the company	Closing balance	Opening balance	The reason for unpayment over one year
Beijing Hongyun Property Co., Ltd	43,440,000.00	43,440,000.00	*Note*

Note: Divided payment procedure has not been carried out.

23. Other Payables

(1) Details of other payables are as follows:

Unit: RMB

Items	Closing balance	Opening balance
Accrued land appreciation tax	2,117,257,430.60	1,393,961,314.15
Current accounts	1,916,552,126.55	3,560,157,315.15
Security deposit, cash pledge and so on	116,127,946.04	164,851,297.69
Others	184,496,820.13	98,089,953.75
Total	4,334,434,323.32	5,217,059,880.74

(2) Other payables do not include the amount due to shareholders of the Company which holds 5% or more than 5% of the shares with voting right of the Company.

(3) Details of significant other payables are as follows:

Unit: RMB

Company name and item	Closing balance	Aging	Nature
Shenzhen Haolida Investment Co., Ltd	98,775,799.13	within one year	Borrowing from minority's interests of this company
	217,200,000.00	1 to 2 years	Borrowing from minority's interests of this company
Total	315,975,799.13		
Tianjin Renai Co. Ltd	259,845,941.90	1 to 2 years	Borrowing from minority's interests of this company
ING REAL ESTATE CHINA OPP FD CO.	220,415,081.66	3 years above	Borrowing from minority's interests of this company
Wuhan High technology Agriculture Co. Ltd.	128,000,000.00	1 to 2 years	Current accounts between cooperation partner and the company
Shenzhen Weijun Real Estate Development Co. Ltd	105,000,000.00	within one year	Borrowing from minority's interests of this company
Beijing Huayue Investment Co. Ltd	96,007,600.00	within one year	Current accounts between cooperation partner and the company
Dongguan New Century Real Estate Development Co. Ltd	82,177,158.90	2 to 3 years	Current accounts between cooperation partner and the company
Shenzhen Ketuo Construction Development Co. Ltd . . .	72,005,700.00	within one year	Current accounts between cooperation partner and the company
Huaying Real Estate Development Co. Ltd . . .	72,005,700.00	within one year	Current accounts between cooperation partner and the company
Land appreciation tax (LAT) *(Note)*	2,117,257,430.60		

Note: According to the State Taxation Administration [2006] No. 187 "Notice about relevant issues of administration and finalization of land appreciation tax ("LAT") of Real Estate Development Company" and other related regulations, the Company provided LAT and accounted to the profit or loss account during current year.

24. Non-current Liabilities Due Within One Year

(1) Details of the non-current liabilities due without one year are as follows:

Unit: RMB

Items	Closing balance	Opening balance
Long-term loans due within one year	4,847,000,000.00	2,400,000,000.00
Bond payable due within one year	—	—
Long-term account payable due within one year	—	—
Total	4,847,000,000.00	2,400,000,000.00

(2) ***Long-term loans due within one year***

A. *Long-term loans due within one year*

Unit: RMB

Items	Closing balance	Opening balance
Pledged loans	—	—
Mortgaged loans	—	—
Guaranteed loans	—	—
Credit loans	4,030,000,000.00	2,400,000,000.00
Trust Loans *(Note 1)*	817,000,000.00	—
Total	4,847,000,000.00	2,400,000,000.00

Note 1: According to the Trust Loan Contract signed between the Company's subsidiary Shanghai Jinheng Real Estate Development Co., Ltd and Pingan Trust Investing Co., Ltd on November 19, 2010, Pingan Trust Investing Co., Ltd provided a loan of RMB817,000,000.00 (with a term of 1.5-year at 8.5% p.a., or extended term of 2-year at 9.5% p.a.) in the form of issuing the prioritized trust fund to the public.

B. *Top five amount of the long-term loans due within one year*

Unit: RMB

					Closing balance		Opening balance	
Credit institution	Inception date	Maturity date	Currency	Interest rate	Amount of original currency	Amount of reporting currency	Amount of original currency	Amount of reporting currency
				(%)				
Pingan Trust	2009-12-28	2011-6-17	RMB	Based on market rate	–	817,000,000.00	–	–
Bank of China Shenzhen Futian Branch	2009-3-23	2011-3-23	RMB	Based on market rate	–	400,000,000.00	–	–
Bank of China Shezhen Futian n Branch	2009-3-23	2011-3-23	RMB	Based on market rate	–	300,000,000.00	–	–
Bank of China Shezhen Futian n Branch	2009-3-17	2011-3-17	RMB	Based on market rate	–	300,000,000.00	–	–
Industrial and Commercial Bank of China Shenzhen Hongli Branch	2009-9-28	2011-9-28	RMB	Based on market rate	–	300,000,000.00	–	–
Total						2,117,000,000.00		–

25. Other Current Liabilities

Unit: RMB

Items	Closing balance	Opening balance
Financial guarantee contracts *(Note)*	3,052,296.54	3,052,296.54

Note: As at December 31, 2010, guarantees given by the Company and subsidiaries in respect of bank mortgage loans granted to property purchases. The Company accrued such guarantees according to average bank guarantee fee rate.

26. Non-current Liabilities Due Within One Year

(1) *Categories of long-term loans*

Unit: RMB

Items	Closing balance	Opening balance
Pledged loans *(Note 1)*	79,472,402.45	—
Mortgaged loans	—	—
Guaranteed loans *(Note 2)*	3,612,682,961.23	2,199,964,106.76
Credit loans	14,371,454,004.08	9,900,000,000.00
Trust loans *(Note 3)*	—	817,000,000.00
Total	18,063,609,367.76	12,916,964,106.76

The above loans carry interest rates ranging from 1.6100% to 8.5000%.

Note 1: Pledged loans were pledged with shares of the Company's subsidiaries last year. The pledge of shares was cancelled during the year.

Note 2: Guaranteed loans are guaranteed by financial institutions.

Note 3: Please refer to Note VI 24(2) for details.

(2) *Top five amount of the long-term loans:*

Unit: RMB

Credit institution	Inception date	Maturity date	Currency	Interest rate	Closing balance: Amount of original currency	Closing balance: Amount of reporting currency	Opening balance: Amount of original currency	Opening balance: Amount of reporting currency
				(%)				
Industrial and Commercial Bank of China Shenzhen Hongli Branch......	2010-6-12	2013-6-12	RMB	Based on market interest rate	—	500,000,000.00	—	—
Bank of China Shenzhen Futian Branch......	2009-3-17	2012-3-17	RMB	Based on market interest rate	—	500,000,000.00	—	500,000,000.00
Bank of China Shenzhen Futian Branch......	2010-3-19	2013-3-18	RMB	Based on market interest rate	—	400,000,000.00	—	—
Industrial and Commercial Bank of China Shenzhen Hongli Branch......	2009-8-27	2012-2-17	RMB	Based on market interest rate	—	400,000,000.00	—	400,000,000.00
China Construction Bank Shenzhen Chengjian Branch...........	2010-6-2	2013-6-2	RMB	Based on market interest rate	—	400,000,000.00	—	—
Total...............						2,200,000,000.00		900,000,000.00

27. Bonds Payable

Unit: RMB

Category	Par value	Issue date	Term of the bond	Issue amount	Opening interest payable	Accrued interest for the period	Interest paid during the period	Closing interest payable	Closing balance
Debentures . . .	1,200,000,000.00	2008-3-10	8 years	1,200,000,000.00	52,616,700.00	66,000,000.00	66,000,000.00	52,616,700.00	1,190,146,914.48

Note: Based on the approval "Zheng Jian Fa Xing Zi [2007] 457" issued by China Securities Regulatory Commission, the Company issued 12,000,000 bonds on March 10, 2008 with par value of RMB100 and total amounting to RMB1.2 billion, to open public investors through internet and to institutional investors through placement. The bonds have a term of 8 years with coupon rate of 5.5%, which will not change during the bond term. The interest was calculated as simple interest, and no compound interest was accrued. It was irrevocably guaranteed by China Construction Bank Shenzhen branch. The bonds were listed on March 20, 2008 on the Shanghai Stock Exchange. The proceeds of the bonds were used to repay commercial bank loans of RMB0.3 billion and to provide additional working capital to the Company.

28. Share Capital

Unit: RMB

	Opening balance	Increase (Decrease) New issue of shares	Bonus issue	Capitalization of surplus reserves	Others	Total	Closing balance
2010 *(Note 1)*:							
I. Restricted tradable shares							
1. State-owned shares	–	–	–	–	–	–	–
2. State-owned legal person shares	–	–	–	–	–	–	–
3. Other domestic shares	–	–	–	–	–	–	–
4. Other foreign shares	–	–	–	–	–	–	–
5. Others	302,571,429.00	–	–	242,057,143.00	(544,628,572.00)	(302,571,429.00)	–
Total restricted tradable shares	302,571,429.00	–	–	242,057,143.00	(544,628,572.00)	(302,571,429.00)	–
II. Tradable shares							
1. Ordinary shares denominated in RMB	2,181,600,000.00	–	–	1,745,280,000.00	544,628,572.00	2,289,908,572.00	4,471,508,572.00
2. Foreign capital shares listed domestically	–	–	–	–	–	–	–
3. Foreign capital shares listed overseas	–	–	–	–	–	–	–
4. Others	–	–	–	–	–	–	–
Total tradable shares	2,181,600,000.00	–	–	1,745,280,000.00	544,628,572.00	2,289,908,572.00	4,471,508,572.00
III. Total shares	2,484,171,429.00	–	–	1,987,337,143.00	–	1,987,337,143.00	4,471,508,572.00

Unit: RMB

		Increase (Decrease)					
2009 *(Note 2)*:							
I. Restricted tradable shares							
1. State-owned shares	36,826,006.00	—	—	11,047,802.00	(47,873,808.00)	(36,826,006.00)	—
2. State-owned legal person shares	—	—	—	—	—	—	—
3. Other domestic shares	—	—	—	—	—	—	—
4. Other foreign shares	—	—	—	—	—	—	—
5. Others	—	302,571,429.00	—	—	—	302,571,429.00	302,571,429.00
Total restricted tradable shares	36,826,006.00	302,571,429.00	—	11,047,802.00	(47,873,808.00)	265,745,423.00	302,571,429.00
II. Tradable shares							
1. Ordinary shares denominated in RMB	1,641,327,840.00	—	—	492,398,352.00	47,873,808.00	540,272,160.00	2,181,600,000.00
2. Foreign capital shares listed domestically	—	—	—	—	—	—	—
3. Foreign capital shares listed overseas	—	—	—	—	—	—	—
4. Others	—	—	—	—	—	—	—
Total tradable shares	1,641,327,840.00	—	—	492,398,352.00	47,873,808.00	540,272,160.00	2,181,600,000.00
III. Total shares	1,678,153,846.00	302,571,429.00	—	503,446,154.00	—	806,017,583.00	2,484,171,429.00

Note 1: In accordance with the resolution passed in 2009 annual general meeting on March 30, 2010, the Company issued scrip dividends to shareholders on the basis of eight new additional shares for every ten shares outstanding on December 31, 2009 (1,987,337,143 new shares in total). After the scrip dividends, through the uitilisation of capital reserve, were issued, the registered capital of the Company was raised to RMB4,471,508,572. The increase in share capital of the Company during the year was audited by Wuzhou Songde Lianhe CPA Firm (Wu Zhou Song De Yan Zi [2010] No 3-002).

Other share capital movement during current year represented the conversion from restricted to tradable shares.

Note 2: In accordance with the resolution passed in 2008 annual general meeting on May 8, 2009, the Company issued scrip dividends to shareholders on the basis of three new additional shares for every ten shares outstanding on December 31, 2008 (503,446,154 new shares in total). After the scrip dividends, through the capitalization of capital reserve, were issued, the registered capital of the Company was increased to RMB2,181,600,000.

As approved in by the paper (Zhengjian Faxing Zi [2009] No.657) issued by China Securities Regulatory Commission on July 21, 2009, the Company issued 302,571,429 ordinary shares (A share, par value RMB14.00) through private placement to nine specified targets at price of RMB14.00 per share, which consequently increased registered capital up RMB2,484,171,429. Relevant variation of business registration had been accomplished on December 17, 2009.

Other movement in current year represents the conversion to tradable shares.

Increase in share capital of the Company during the year has been audited by Wuzhou Songde Lianhe CPA Firm (Wu Zhou Song De Yan Zi [2009] No.0207).

29. Capital Reserve

Unit: RMB

Items	Opening balance	Increase during the year	Decrease during the year	Closing balance
2010:				
Share premium *(Note 1)*	7,995,992,888.23	—	1,987,337,143.00	6,008,655,745.23
Including: Capital invested by investors	7,995,992,888.23	—	1,987,337,143.00	6,008,655,745.23
Conversion option of convertible corporate bonds is exercised	—	—	—	—
Debts converted to capital	—	—	—	—
Differences arising from business combination involving enterprises under common control	—	—	—	—
Others	—	—	—	—
Other comprehensive income	—	—	—	—
Other capital reserves	(766,827.00)	137,446,437.82	—	136,679,610.82
Including: Equity component split from convertible corporate bonds	—	—	—	—
Fair value of equity-settled share-paid equity instrument *(Note 2)*	—	137,446,437.82	—	137,446,437.82
Balance of removal subsidy from Government for public interest	—	—	—	—
Transfer from capital reserve under the previous accounting system	—	—	—	—
Others	(766,827.00)	—	—	(766,827.00)
Total	7,995,226,061.23	137,446,437.82	1,987,337,143.00	6,145,335,356.05
Share premium	4,704,625,036.23	3,794,814,006.00	503,446,154.00	7,995,992,888.23
Including: Capital invested by investors *(Note 3)*	4,704,625,036.23	3,794,814,006.00	503,446,154.00	7,995,992,888.23
Conversion option of convertible corporate bonds is exercised	—	—	—	—
Debts converted to capital	—	—	—	—
Differences arising from business combination involving enterprises under common control	—	—	—	—
Others	—	—	—	—
Other comprehensive income	—	—	—	—
Other capital reserves	(766,827.00)	—	—	(766,827.00)
Including: Equity component split from convertible corporate bonds	—	—	—	—
Fair value of equity-settled share-paid equity instrument	—	—	—	—
Balance of removal subsidy from Government for public interest	—	—	—	—
Transfer from capital reserve under the previous accounting system	—	—	—	—
Others	(766,827.00)	—	—	(766,827.00)
Total	4,703,858,209.23	3,794,814,006.00	503,446,154.00	7,995,226,061.23

Note 1: The movements represent the share premium arising from the Company's non-public issue of shares, as well as scrip dividends issued. The details are shown in Note (VI)28.

Note 2: On March 19, 2010, the total 99,370,000 shares options have been approved and will granted to certain directors, senior managements and other key personnel of Gemdale as the Share Incentive Scheme. This option was in force for a term of seven years. Every selected member would receive 20% of the entitlement for every year from the first year to the fifth year.

Every year, the subject shares to be unlocked shall not exceed 20% of the aggregate number of the subject share from the first year to the fifth year and the option was available until the last trade day in the seventh year. Before every option providing year, the company would grant option to relative personnel who subject to the satisfaction of unlocking conditions stipulated by the Share Incentive Scheme, as planned. The exercising prince for the option was RMB14.12 per share. According to the Black-Scholes Model, the fair value of the option as at the grant day was RMB5.26 per share.

After the adoption of the proposals including transferring capital reserve into share capital and dividend distribution, the exercising price becomes RMB7.79 per share. The total option amount was 146,736,000 shares at the end of 2010 due to parts of resignations. The Share Incentive Scheme leads to a decrease of RMB137,446,437.82 in the balance of the net profit attributes to the owners of the Company for the year and an increase of RMB137,446,437.82 in the balance of the capital reserve.

Note 3: The movement represents the scrip dividends issued in 2009. The details are shown in Note (VI). 28.

30. Surplus Reserve

Unit: RMB

Items	Opening balance	Increase during the year	Decrease during the year	Closing balance
2010:				
Statutory surplus reserve	408,796,137.55	210,978,682.00	–	619,774,819.55
Discretionary surplus reserve	91,364,540.70	–	–	91,364,540.70
Reserve fund	–	–	–	–
Venture expansion fund	–	–	–	–
Others	–	–	–	–
Total	500,160,678.25	210,978,682.00	–	711,139,360.25
Statutory surplus reserve	267,542,934.93	141,253,202.62	–	408,796,137.55
Discretionary surplus reserve	91,364,540.70	–	–	91,364,540.70
Reserve fund	–	–	–	–
Venture expansion fund	–	–	–	–
Others	–	–	–	–
Total	358,907,475.63	141,253,202.62	–	500,160,678.25

Statutory surplus reserve can be used to offset accumulated losses, to expand operations or to convert into capital of the Company.

31. Unappropriated Profits

Unit: RMB

Items	Amount	Appropriation Proportion
2010:		
Before adjustment: Unappropriated profits at the end of 2009	3,922,649,562.10	
Adjust: Total unappropriated profits at the beginning of 2010 (Add+, Less-)		
After adjustment: Unappropriated profits at the end of 2010	3,922,649,562.10	
Add: Net profit attributes to the owners of the company for the year	2,694,043,630.78	
Less: Appropriation to statutory surplus reserve *(Note 1)*	210,978,682.00	10%
Appropriation to discretionary surplus reserve	—	
Appropriation to generic risk reserve	—	
Common share payable	—	
Common share converted to share capital	—	
Dividends payable — last year's cash dividends *(Note 2)*	248,417,142.90	
Unappropriated profits at end of year	6,157,297,367.98	
2009:		
Before adjustment: Unappropriated profits at the end of 2009	2,455,484,996.37	
Adjust: Total unappropriated profits at the beginning of 2010 (Add+, Less-)	—	
After adjustment: Unappropriated profits at the end of 2010	2,455,484,996.37	
Add: Net profit attributes to the owners of the company for the year	1,776,233,152.95	
Less: Appropriation to statutory surplus reserve *(Note 1)*	141,253,202.62	10%
Appropriation to discretionary surplus reserve	—	
Appropriation to generic risk reserve	—	
Common share payable	—	
Common share converted to share capital	—	
Dividends payable — last year's cash dividends *(Note 2)*	167,815,384.60	
Unappropriated profits at end of year	3,922,649,562.10	

(1) *Appropriation to statutory surplus reserve*

In accordance with the Company's Articles of the Associations, statutory surplus reserve was appropriated at 10% of the net profit and may not be appropriated when the aggregate amount was beyond 50% of the registered capital of the Company.

(2) *Cash dividends approved in the shareholders' meeting during the year*

In 2009 the shareholders general meeting approved to distribute cash dividend of RMB1.0 per ten shares (tax inclusive) based on 2,484,171,429 shares (par value of RMB1.00 per share) in issue to all shareholders on March 30, 2010.

(3) *Profit distribution proposed after the balance sheet date*

The board of directors proposed in 2010 to distribute a cash dividend of RMB0.6 per ten shares (tax inclusive) based on 4,471,508,572 shares (par value of RMB1 per share) in issue to all shareholders, and at the same time to issue scrip dividends to shareholders at eight new shares for every ten shares outstanding. The remaining unappropriated profit was all carried forward to subsequent years. This proposal of profit appropriation was pending for approval in the shareholders' meeting.

32. Operating Income and Operating Costs

(1) *Operating income*

Unit: RMB

Items	2010	2009
Principal operating activities income	19,585,679,956.27	12,086,059,090.50
Other operating activities income	6,849,825.81	12,113,074.58
Operating costs	12,133,691,974.72	7,656,955,220.80

(2) *Principal operating activities (Category by industries)*

Unit: RMB

	2010		2009	
Name of industries	Operating income	Operating costs	Operating income	Operating costs
Sales of properties	19,034,845,309.31	11,683,850,385.57	11,662,649,259.99	7,332,872,369.43
Property lease	148,467,616.60	20,292,192.54	123,223,090.98	10,443,376.74
Property management	340,035,078.77	360,830,548.54	270,337,629.88	282,493,670.48
Others	62,331,951.59	68,297,315.35	29,849,109.65	30,964,685.67
Total	19,585,679,956.27	12,133,270,442.00	12,086,059,090.50	7,656,774,102.32

The aggregate amount of operating income from the top five customers was RMB188,280,000.00 (2009: RMB53,980,000.00), which accounts for 0.96% (2009: 0.45%) of the total operating income.

33. Tax and Surcharges on Operations

Unit: RMB

Items	2010	2009	Tax Rate
Business tax	959,161,954.41	616,175,014.28	5%
Urban construction and maintenance tax	36,781,196.86	15,397,901.86	1%–7%
Education surcharge	24,312,620.80	16,021,526.48	3%–4%
Land appreciation tax	985,638,015.49	520,015,241.99	Base on progression rate 30%–60%
Others	10,048,126.70	7,798,175.67	—
Total	2,015,941,914.26	1,175,407,860.28	

34. Selling and Distribution Expenses

Unit: RMB

Items	2010	2009
Payroll and salaries	37,276,282.31	39,424,766.99
Printing and office supply fee	5,693,388.57	7,062,374.99
Activities and business entertainment fee	5,490,541.51	4,945,910.16
Property related fee	2,067,273.37	1,819,075.54
Marketing service fee	457,999,576.93	338,223,176.65
Others	5,823,885.25	20,065,545.95
Total	514,350,947.94	411,540,850.28

35. Administrative Expenses

Unit: RMB

Items	2010	2009
Payroll and salaries	650,287,225.65	341,917,602.11
Printing and office supply fee	27,991,464.38	25,846,733.37
Activities and business entertainment fee	73,211,842.04	52,979,411.35
Property related fee	57,733,672.61	55,894,974.36
Corporate culture service fee	11,599,477.49	12,012,746.52
The board meeting fee	2,556,269.62	2,420,982.21
Others	1,111,630.64	4,516,771.85
Total	824,491,582.43	495,589,221.77

36. Financial Expenses

Unit: RMB

Items	2010	2009
Interest expense	1,106,248,923.70	815,766,810.17
Less: Capitalized interest expenses	1,009,867,038.68	641,208,039.71
Less: Interest income	122,939,526.02	80,404,623.70
Exchange differences	8,155,835.13	2,176,584.11
Less: Capitalized exchange differences	—	298,194.32
Others	50,542,999.41	84,204,195.65
Total	32,141,193.54	180,236,732.20

37. Investment Income

(1) Details of the investment income are as followings:

Unit: RMB

Items	2010	2009
Gains on long-term equity investment income recognised at cost	—	—
Gains on long-term equity investment income recognised under equity method	84,542,278.62	17,024,420.44
Gains on disposal of long-term equity investments	—	345,043.36
Gains on held-for-trading financial assets	—	—
Gains on held-to-maturity investments	—	—
Gains on available-for-sale financial assets	—	—
Gains on disposal of held-for-trading financial assets	—	—
Gains on disposal of held-to-maturity investments	134,269.11	1,246,575.34
Gains on disposal of available-for-sale financial assets	—	—
Total	84,676,547.73	18,616,039.14

(2) Gains on long-term equity investment income recognised under equity method:

Unit: RMB

Investee companies	2010	2009	The reason of fluctuation
Shanghai Pufa Gemdale Real Estate Development Co., Ltd	2,330,398.73	609,191.78	—
Shanghai Hejian Assets Management Co., Ltd	(994,249.99)	333,529.85	—
Shenzhen Gemdale Dabaihui Real Estate Development Co, Ltd	(5,291,488.94)	(1,494,478.13)	—
Wuhan Gemdale Famous Real Estate Development Co., Ltd	89,595,262.33	17,550,224.75	Investee company's surplus increased
UBS/Gemdale Investment Management Limited.	853,635.22	25,952.19	—
UBS/Gemdale China Real Estate Fund I, L.P.	(1,951,278.73)	—	
Total	84,542,278.62	17,024,420.44	

Note: There is no significant restriction on the remittance of the above investment income.

38. Impairment Loss in Respect of Assets

Unit: RMB

Items	2010	2009
I. Bad debt losses	4,328,051.39	1,632,318.97
II. Write-down of inventories	(53,642,543.10)	(275,726,116.84)
III. Impairment on available-for-sale financial assets	—	—
IV. Impairment on held-to-maturity investments	—	—
V. Impairment on long-term equity investments	—	—
VI. Impairment on investment properties	—	—
VII. Impairment on fixed assets	—	—
VIII. Impairment on construction materials	—	—
IX. Impairment on construction in progress	—	—
X. Impairment on bearer biological assets	—	—
XI. Impairment on oil and natural gas assets	—	—
XII. Impairment on intangible assets	—	—
XIII. Impairment on goodwill	—	—
Total	(49,314,491.71)	(274,093,797.87)

39. Non-operating Income

(1) Details of the non-operating income are as followings:

Unit: RMB

Items	2010	2009	Amounts included in non-recurring profit or loss of current year
Total gains on disposal of non-current assets	217,156.05	3,100,822.08	217,156.05
Including: Gains on disposal of fixed assets	217,156.05	3,100,822.08	217,156.05
Gains on disposal of intangible assets	—	—	—
Gains on debt restructuring	—	—	—
Gains on exchange of non-monetary assets	—	—	—
Donation	—	—	—
Government grants.	16,019,141.70	22,106,611.77	16,019,141.70
Penalty income	2,329,037.06	1,929,105.50	2,329,037.06
Others.	6,358,244.68	7,125,962.53	6,358,244.68
Total	24,923,579.49	34,262,501.88	24,923,579.49

(2) Details of the government grants are as followings:

Unit: RMB

Items	2010	2009	Remarks
Financial awards *(Note)* . . .	16,019,141.70	22,106,611.77	income related
Total	16,019,141.70	22,106,611.77	

Note: Financial awards represent the enterprise development awards provided by local government.

40. Non-operating Expenses

Unit: RMB

Items	2010	2009	Amounts included in non-recurring profit or loss of current year
Total losses on disposal of non-current assets	281,415.95	1,261,924.44	281,415.95
Including: Losses on disposal of fixed assets	281,415.95	1,261,924.44	281,415.95
Losses on disposal of intangible assets	—	—	—
Losses on debt restructuring	—	—	—
Losses on exchange of non-monetary assets	—	—	—
Donations	230,875.50	1,551,322.88	230,875.50
Penalty expenses	861,953.19	2,215,830.47	861,953.19
Others	3,211,286.06	2,292,658.94	3,211,286.06
Total	4,585,530.70	7,321,736.73	4,585,530.70

41. Income Tax Expenses

Unit: RMB

Items	2010	2009
Current income tax expense calculated by law of tax and relevant rules	1,148,795,691.58	627,019,773.72
Adjusted deferred tax expense	(55,389,938.49)	(62,330,929.86)
Total	1,093,405,753.09	564,688,843.86

Reconciliation of income tax expenses to the accounting profit is as follows:

Unit: RMB

	2010	2009
Accounting profit/loss	4,226,241,257.42	2,498,092,881.91
Income tax expense calculated at 22% (2009: 20%)	929,773,076.63	499,618,576.38
Tax effect of expenses that are not deductible for tax purposes	55,479,121.49	29,309,045.84
Tax effect of non-taxable income	(18,486,993.08)	(3,403,975.76)
Effect of unrecognised deductible losses and deductible temporary differences for tax purposes	261,714.97	1,084,712.07
Effect of using previously unrecognised deductible losses and deductible temporary differences for tax purposes	(9,126,829.03)	(63,168,614.89)
Changes in opening balances of deferred tax assets/liabilities due to the adjustment in tax rate	(6,229,651.03)	(6,961,340.10)
Effect of different tax rates of subsidiaries operating in other jurisdictions	141,735,313.14	108,210,440.32
Income tax expense	1,093,405,753.09	564,688,843.86

42. The Calculation Process of the Basic Earnings Per Share and Diluted Earnings Per Share

For the purpose of calculating basic earnings per share, the net profit for the current period attributable to ordinary shareholders was as follows:

Unit: RMB

	2010	2009
Net profit for the current period attributable to ordinary shareholders	2,694,043,630.78	1,776,233,152.95
Including: Net profit attributes to continuous operation	2,695,186,741.44	1,780,529,596.94
Net profit attributes to discontinuing operation	(1,143,110.66)	(4,296,443.99)

For the purpose of calculating basic earnings per share, the denominator is determined by the weighted average number of outstanding ordinary shares and the calculation process is as follows:

Unit: RMB

	2010	2009 (Restated)
Number of ordinary shares outstanding at the beginning of period	4,471,508,572	2,181,600,000
Add: Weighted average number of ordinary shares issued during the period	—	100,857,143
Less: Weighted average number of ordinary shares repurchased during the period	—	—
Weighted average number of ordinary shares	4,471,508,572	2,282,457,143

Earnings per share

Unit: RMB

	2010	2009 (Restated)
Calculation on the basis of Net profit attributable to shareholders:		
Earnings per share	0.600	0.430
Calculation on the basis of Net continuous operating profit attributable to shareholders:		
Earnings per share	0.603	0.433
Calculation on the basis of Net discontinuous operating profit attributable to shareholders:		
Earnings per share	(0.000)	(0.001)

43. Other Comprehensive Income

Unit: RMB

Items	2010	2009
1. Gain or loss from Held-for-trading financial assets	—	—
Less: Tax effect of Held-for-trading financial assets	—	—
Those previously recorded in Other comprehensive income but transferred to current year's profit or loss account	—	—
Subtotal	—	—
2. Proportional share in Investee's Other comprehensive income, under equity method	—	—
Less: Tax effect of Proportional share in Investee's Other comprehensive income, under equity method	—	—
Those previously recorded in Other comprehensive income but transferred to current year's profit or loss account	—	—
Subtotal	—	—
3. Gain or loss from Cash flow hedging instruments	—	—
Less: Tax effect of Cash flow hedging instruments	—	—
Those previously recorded in Other comprehensive income but transferred to current year's profit or loss account	—	—
Adjustment to amounts of hedged items at initial recognition	—	—
Subtotal	—	—
4. Translation differences arising on translation of financial statements denominated in foreign currencies	99,762,369.06	648,542.24
Less: Those transferred to current year's profit or loss account for those disposal overseas operation	—	—
Subtotal	99,762,369.06	648,542.24
5. Others	—	—
Less: Tax effect of others in Other comprehensive income	—	—
Those previously recorded in Other comprehensive income but transferred to current year's profit or loss account	—	—
Sub-total	—	—
Total	99,762,369.06	648,542.24

44. Notes to Cash Flow Statements

(1) *Other cash received relating to operating activities*

Unit: RMB

Items	2010	2009
Current accounts	—	384,333,110.71
Deposits pledged for mortgages	4,258,810.53	—
Temporary receipt of maintenance funds	497,881.16	1,009,421.55
Interest income on bank deposits	122,939,526.02	80,404,623.70
Deposits	113,678,453.74	—
Revenue from penalty and breached contracts	2,329,037.06	1,929,105.50
Others	18,118,575.85	24,128,891.54
Total	261,822,284.36	491,805,153.00

(2) *Other cash payments relating to operating activities*

Unit: RMB

Items	2010	2009
Current accounts	1,343,694,350.03	—
Cash paid for general and administrative expenses	108,773,701.76	92,168,484.85
Cash paid for operating expenses	475,746,570.18	352,323,927.37
Payments of deposits and maintenance funds	359,552,735.65	559,048,420.93
Advances to employees	8,151,054.52	4,483,807.03
Donations	230,875.50	1,551,322.88
Payments on behalf	—	4,410,990.61
Collateralized mortgage security deposit	—	51,465,190.55
Payments for penalty and breached contracts	861,953.19	2,215,830.47
Handling charges	6,380,030.56	9,111,313.87
Others	30,052,327.48	4,283,807.90
Total	2,333,443,598.87	1,081,063,096.46

(3) *Other cash payments relating to financing activities*

Unit: RMB

Items	2010	2009
Payment of financial consultancy fees, guarantee fees etc.	32,780,444.82	38,641,923.56

45. Supplementary Information to Cash Flow Statement

(1) *Supplementary information to the cash flow statements*

Unit: RMB

Supplementary information	2010	2009
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	3,132,835,504.33	1,933,404,038.05
Add: Provision for asset impairment	(49,314,491.71)	(274,093,797.87)
Depreciation of fixed assets, oil and gas assets and bearer biological assets	17,527,789.38	19,473,295.03
Amortization of intangible assets	—	—
Depreciation of investment properties	19,993,083.56	5,534,157.07
Amortization of long-term prepaid expenses	8,701,516.59	32,914,219.07
Loss (gains) on disposal of fixed assets, intangible assets and other long-term assets (less gains)	64,259.90	(1,838,897.64)
Write-off of fixed assets (less gains)	—	—
Losses on changes in fair values (less gains)	—	—
Financial expenses (less gains)	1,124,533,081.62	858,925,005.73
Losses arising from investments (less gains)	(84,676,547.73)	(18,616,039.14)
Decrease in deferred tax assets (less gains)	(55,658,608.19)	(62,330,929.86)
Increase in deferred tax liabilities (less decrease)	268,669.70	—
Decrease in inventories (less gains)	(6,155,977,224.73)	(11,672,190,695.42)
Decrease in operating receivables (less gains)	(7,292,217,686.59)	(2,916,804,936.70)
Increase in operating payables (less decrease)	6,151,145,138.96	9,232,722,560.73
Others	144,009,867.96	—
Net cash flow from operating activities	(3,038,765,646.95)	(2,862,902,020.95)

Unit: RMB

Supplementary information	2010	2009
2. Significant investing and financing activities that do not involve cash receipts and payments:		
Conversion of debt into capital	—	—
Convertible bonds due within one year	—	—
Fixed assets acquired under finance leases	—	—
3. Net changes in cash and cash equivalents:		
Closing balance of cash	12,882,720,330.88	9,249,517,547.79
Less: Opening balance of cash	9,249,517,547.79	4,273,378,593.14
Add: Closing balance of cash equivalents	—	
Less: Opening balance of cash equivalents.	—	
Net increase in cash and cash equivalents	3,633,202,783.09	4,976,138,954.65

(2) ***Information related to cash flows from acquisition or disposal of subsidiaries and other operating companies during the year***

Unit: RMB

Items	2010	2009
1. Information related to cash flows from acquire of subsidiaries and other operating companies during the year:		
(1). Acquire price of subsidiaries and other operating companies.	338,214,900.00	165,434,780.00
(2). Cash and cash equivalents received from acquire of subsidiaries and other operating companies	330,564,900.00	140,254,780.00
Less: cash and cash equivalents held by the subsidiaries and other operating companies	8,681,176.98	53,894.51
(3). Net cash inflow on acquire of subsidiaries and other operating companies *(Note)*.	321,883,723.02	140,200,885.49
(4). Acquire net assets of subsidiaries	321,152,293.33	188,822,159.41
Current assets	1,082,035,556.87	398,722,476.51
Non-current assets.	4,185,079.16	45,450.00
Current liabilities	765,068,342.70	209,945,767.10
Non-current liabilities	—	—

Unit: RMB

Items	2010	2009
2. Information related to cash flows from disposal of subsidiaries and other operating companies during the year:	—	
(1). Disposal price of subsidiaries and other operating companies	—	11,231,045.50
(2). Cash and cash equivalents received from disposal of subsidiaries and other operating companies	92,281.71	4,186,360.86
Less: cash and cash equivalents held by the subsidiaries and other operating companies	92,281.71	3,496,753.80
(3). Net cash inflow on disposal of subsidiaries and other operating companies	—	689,607.06
(4). Disposal net assets of subsidiaries	19,972,281.71	2,397,813.42
Current assets	19,972,281.71	8,906,826.37
Non-current assets	—	4,906,616.58
Current liabilities	—	11,415,629.53
Non-current liabilities	—	—

Note: The substance of the acquiring subsidiaries stated above is the acquisitions of assets in essence (i.e. acquiring the Land resource held on hand) in the form of share transfer, thereby, related cash flows are recognized as cash flows from operating activities in consolidated cash flow statements.

(3) ***Cash and Cash Equivalents***

Unit: RMB

Items	Closing balance	Opening balance
1. Cash	12,882,720,330.88	9,249,517,547.79
Including: Cash on hand	2,600,926.89	2,990,239.66
Bank demand deposits	12,880,119,403.99	9,246,527,308.13
Other monetary funds that can be readily withdrawn on demand	—	—
Governable deposits in Central Bank	—	—
Deposit from other banks	—	—
Loan from other banks	—	—

Items	Closing balance	Opening balance
2. Cash equivalents	–	–
Including: Investment in debt securities due within three months	–	–
3. Cash and cash equivalent balances	12,882,720,330.88	9,249,517,547.79

(VII) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

1. Details of the Parent Company of the Company

The Company had no parent company.

2. Details of the Subsidiaries of the Company

The details of the subsidiaries of the Company are shown in Note (V)

3. Details of the Associates and Joint Ventures of the Company

The details of the associates and jointly ventures of the Company are shown in Note VI, 7 and Note VI, 8.

4. Details of other Related Parties of the Company:

Names of other related parties	Relationship between other related parties and the company	Company code
Directors, general managers and vice general managers, etc.	Key management	Not applicable

5. Details of related Party Transactions

(1) *Related party transactions in respects of sales & purchase of products, or rendering & accepting services*

Unit: RMB

Related parties	The content of related parties transaction	Related parties transaction pricing method and policies process	2010		2009	
			Amount	Proportion to similar transaction amounts	Amount	Proportion to similar transaction amounts
				(%)		(%)
Shenzhen Gemdale Dabaihui Real Estate Development Co.,Ltd. .	Consulting Service	Implement according to agreement	2,000,000.00	100	1,447,375.00	100
Wuhan Gemdale Famous Real Estate Development Co., Ltd .	Brand royalty Fee	Implement according to agreement	–	–	17,800,000.00	100
Shanghai Hejian Property Management Co., Ltd .	Entrusted loans	Implement according to agreement	–	–	53,275,000.00	100

(2) *Related parities' guarantee*

Unit: RMB

Warrantor	Warrantee	Guaranteed amount	Starting date of Guarantee	Due date of Guarantee	Guarantee terminated or not
The Company .	Shenzhen Gemdale Dabaihui Real Estate Development Co.,Ltd	140,000,000.00	2010.05.25	2013.05.25	No
The Company .	Shenzhen Gemdale Dabaihui Real Estate Development Co.,Ltd	138,250,000.00	2010.07.15	2014.07.15	No

Note: Shenzhen Gemdale Dabaihui Real Estate Development Co, Ltd, an associate of the Company, was engaged in the development of Shenzhen Gangxia Old City Reconstruction Project. The Company's subsidiary SZ Gemdale Old City Reconstruction Co., Ltd holds 35% of the share of Shenzhen Gemdale Dabaihui Real Estate Development Co, Ltd. The Company provides direct interest-bearing loan or loan guarantee (provided the accumulated amounts of these two types of sponsion within the limit of RMB600,000,000.00) to Shenzhen Gemdale Dabaihui Real Estate Development Co, Ltd., all of its shareholders simultaneously provide direct interest-bearing loan or loan guarantee in proportion of their shareholdings in Shenzhen Gemdale Dabaihui Real Estate Development Co, Ltd. This proposal has been approved both in the Board of Directors' Meeting held on April 8, 2010 and in the shareholders' meeting held on April 24, 2010. Up to December 31, 2010, the Company has provided Joint-liability loan guarantee of RMB278,250,000.00 to Shenzhen Gemdale Dabaihui Real Estate Development Co, Ltd, while Shenzhen Junwei Property Co., Ltd, the Minority Interest in SZ Gemdale Old City Reconstruction Co., Ltd, has provided counter-guarantee to the Company through the mortgage of its 40% of shares in SZ Gemdale Old City Reconstruction Co., Ltd.

(3) *Related Party Equity Transaction*

The subsidiary Famous Business Co. Ltd had sold 49% of the Noble Business. Co. Ltd to UG China Real Estate Fund I Holding Company Limited. Which was 100% held by UBS/Gemdale China Real Estate Fund I, L.P. Detail information is available in Notes (V)1.7.

The associated company, Tianjin Wenying equity investment Funds Ltd. (Limited Partner) had increased the register capital as RMB17,339.000,000.00 for the subsidiary, Wuhan Gemdale Real Estate Development CO. Ltd, during the fiscal year and held 23.6% shares after this transaction.. Detail information is available in Notes (V)1.11.

The subsidiary, Famous Business Co. Ltd. had sole 45% shares of Quansheng Business Co. Ltd. to China Real Estate Fund I Holding Company Limited. Which was 100% held by UBS/Gemdale China Real Estate Fund I, L.P. Detail information is available in Notes (V)1.16.

(4) ***Compensation for key management personnel***

Unit: RMB000'

Item	2010	2009
Compensation for key management personnel	14,033	15,982

6. Amounts due to/due from related parties

Unit: RMB

Item	Related parties	Closing balance	Opening balance
Other Receivable	Shenzhen Gemdale Dabaihui Real Estate Development Co,Ltd	262,500,000.00	262,500,000.60
Other Payable	UG China Real Estate Fund I Holding Company Limited	35,696,354.10	—

(VIII) SHARE-BASED PAYMENTS

1. Summary of share-based payments

Unit: RMB

	2010	2009
Total amounts of the Company's equity instruments granted during the period	178,866,000.00	—
Total amounts of the Company's equity instruments vested during the period	—	—
Total amounts of the Company's equity instruments lapsed during the period	32,130,000.00	—
Total amounts of equity instruments outstanding at the end of the period	146,736,000.00	—
Total amounts of equity instruments exercisable at the end of the period	—	—

	2010	2009
Range of exercise price and remaining contractual life of the Company's share options outstanding at the end of the period	The exercise price is RMB7.79 and the share options are effective for a period of 7 years from grant day. The remaining contractual life is 6.25 years at current year end.	—
Range of exercise price and remaining contractual life of the Company's other equity instruments outstanding at the end of the period	—	—

Explanations of share-based payments:

Note: Range of exercise price and remaining life of each type of equity instrument outstanding at the end of the year related to share-based payments

Share-based payment plan	Equity instrument	Range of exercise price	Remaining contractual life
A share options plan of Gemdale Corporation	Share options	7.79	The share options are effective for a period of 7 years from grant day. The remaining contractual life is 6.25 years at current year end.

2. Equity-settled share-based payments

Unit: RMB

	2010	2009
The method of determining the fair value of equity instruments at the grant date	Black-Scholes Model	N/A

	2010	2009
The method of determining the best estimate of the number of equity instruments expected to be vested.	At each balance sheet date during the vesting period, the company makes the best estimate according to the subsequent latest information of change in the number of employees who are granted with options that may vest, etc. and revises the number of equity instruments expected to vest.	N/A
Reasons for the significant difference between the estimate in the current period and that in the prior period .	N/A	N/A
Amounts of equity-settled share-based payments accumulated in capital reserve.	137,446,437.82	N/A
Total expense recognised arising from equity-settled share-based payments	144,009,867.96	N/A

Explanations of equity-settled share-based payments:

The method of determining the fair value of equity instruments

Fair values are calculated by using Black-Scholes model and the inputs to the model are as follows:

Unit: RMB

	2010	2009
Weighted average share price.	13.96	N/A
Weighted average exercise price.	14.12	N/A
Expected fluctuation	42.32%	N/A
Expected life	5 years	N/A
Risk-free interest rate.	2.6968%	N/A
Expected dividend yield	0.75%	N/A

The estimated movements were calculated by the stock price movements in last five years. The estimated exercising years was calculated based on the best estimations of the managements and the board and adjusted the model for the effects of non-transferability, exercise restrictions, and exercise patterns.

(IX) CONTINGENCIES

1. The Contingent Liabilities arising from Pending Litigations and Pending Arbitrations and its Financial Effect

At the end of the year, the Company had no significant pending litigations and pending arbitrations.

2. The Contingent Liabilities arising from Guarantees provided to other Companies and its Financial Effect

(1) As at December 31, 2010, the outstanding guaranteed amount, which was provided by the Company to the commercial residential property with guarantee for the secured bank borrowings, was RMB943,012,000.00. For the reasons that, it was believed that the above guarantee represents little risk to the Company since no any default of contracts incur so far, and fair values of these properties are higher than their sales proceeds.

(2) The Company had provided joint-liability guarantee for bank loan of RMB278,250,000.00 raised by Shenzhen Gemdale Dabaihui Real Estate Development Co, Ltd, while Shenzhen Junwei Property Co., Ltd, the Minority Interest in SZ Gemdale Old City Reconstruction Co., Ltd, had provided counter-guarantee to the Company through mortgage of its 40% of share in SZ Gemdale Old City Reconstruction Co., Ltd.

(X) COMMITMENTS

1. Significant Commitments

(1) *Capital commitments*

Unit: RMB'000

	Closing balance	Opening balance
Capital commitments contracted but not recognised in the financial statements:		
— Commitment for acquisition of long-term assets	5,915,146	7,939,241
— Significant outsourcing contracts	—	—
— External investment commitment	—	—
Total	5,915,146	7,939,241

(2) ***Operating lease commitments***

As of the balance sheet date, the Company has the following commitments in respect of non-recoverable operating leases:

Unit: RMB'000

	Closing balance	Opening balance
Minimum lease payments under non-cancellable operating leases:		
1st year subsequent to the balance sheet date	10,108	2,761
2nd year subsequent to the balance sheet date	10,402	2,559
3rd year subsequent to the balance sheet date	9,445	1,659
Subsequent periods	1,539	4,242
Total	31,494	11,221

(3) ***Other committed issues***

A. In November 2009, the Company and Pingan Trust Investing Co., Ltd entered into an agreement of Real Estate Investment Trust Fund, which stipulated that, Pingan Trust Investing Co., Ltd provided fund total of RMB1,617,000,000.00 to Shanghai Jinheng Real Estate Development Co., Ltd through publicly issued trust, of which, amount of RMB817,000,000.00 (with a term of 1.5 years at 8.5% p.a., or extended term of 2 years at 9.5% p.a.) through funds from prioritized trust served as a project loan, while amount of RMB800,000,000.00 (with normal term of 3) served as capital injection. Shanghai Jinheng Real Estate Development Co., Ltd was engaged in the development of Land of Shanghai Qingpu District Zhaoxiang area.

Meanwhile, according to the Trust Interest Transfer Contract simultaneously signed between the above two parties, the Company was liable to purchase the beneficial interest of Trust, at the moment when Shanghai Jinheng Real Estate Development Co., Ltd cleared all the above project loan and its associated interest, and when all other conditions also meet. It was believed that, based on future profit and cash flow forecast at current stage, the pace of project development & sales was concurrent with the term of Trust, and consideration of the beneficial interest of Trust was expected to be small according to the calculation method agreed on the contract.

(XI) EVENTS AFTER THE BALANCE SHEET DATE

1. Description of Significant Events after the Balance Sheet date

Item	Explanation	Effects on the financial positions and operating results	Reasons for not being able to estimate such effects
Newly established subsidiary	On January 10, 2011, Beijing Gemdale Huida Real Estate development Co., Ltd was incorporated with registered capital of RMB20 million in Beijing. The Company holds 100% of the share of Beijing Gemdale Huida Real Estate Development Co., Ltd, which is engaged in the development of Beijing Fanshan Institute of Technology Project.	Not applicable	Not applicable
Increasing registered capital of subsidiary	On January 26, 2011, Shenzhen Gemdale Beicheng Real Estate Real Estate Development Co., Ltd increased the registered capital to RMB140 million. The proportion of ownership interest for this company was changed to 82.39%.	Not applicable	Not applicable
Newly established subsidiary	On January 28, 2011, Shanghai Hangjin Real Estate Development Co., Ltd was incorporated with registered capital of RMB10 million in Shanghai. The Company holds 100% of the share of Shanghai hangjin Real Estate Development Co., Ltd, which is engaged in the development of the land in Hangtou Pudong Shanghai.	Not applicable	Not applicable
Newly established subsidiary	On February 1, 2011, Wuhan Gemdale Huigu Property Co., Ltd was incorporated with registered capital of RMB50 million in Wuhan by the Company together with Wuhan Gemdale Famous Real Estate Development Co., Ltd. The Company totally holds 100% of the share of Wuhan Gemdale Huigu Property Co., Ltd which is engaged in the development of the High-tech project in Donghu Wuhan.	Not applicable	Not applicable

Item	Explanation	Effects on the financial positions and operating results	Reasons for not being able to estimate such effects
Newly established subsidiary	On March 9, 2011, Changzhou Jinjiu Real Estate Development Co., Ltd was incorporated with registered capital of RMB10 million in Changzhou. The Company holds 100% of the share of Changzhou Jinjiu Real Estate Development Co., Ltd which is engaged in the development of the land in FeiLong No.2 Changzhou.	Not applicable	Not applicable
Newly established subsidiary	On March 9, 2011, Changzhou Jinkun Real Estate Development Co., Ltd was incorporated with registered capital of RMB10 million in Changzhou. The Company holds 100% of the share of Changzhou Jinkun Real Estate Development Co., Ltd which is engaged in for development of the land in FeiLong No.3 Changzhou.	Not applicable	Not applicable
Sold the share of subsidiary	On March 9, 2011, the company sold 30% of the share of Rongyao Business Co. Ltd and the proportion of ownership interest for this company was changed to 70%.	Not applicable	Not applicable
Interest payment for corporate bonds. .	On March 3, 2011 the Company announced that, as stated in "explanatory document of Gemdale Corporation's public issue of bonds", the Company will pay the interest for the period from March 10, 2010 to March 9, 2011 on March 10, 2011.	Result in decrease of balances of RMB66 million in both accounts of Currency Funds and Interest Payable.	Not applicable

2. Description of Profit Appropriation after the Balance Sheet date

Unit: RMB

	Amount
Proposed cash dividends	268,290,514.32
Distributed cash dividends as approved	Pending for approval in the shareholders' meeting

(XII) OTHER SIGNIFICANT EVENTS

1. Borrowing Costs

Unit: RMB

Items	Amount of borrowing costs capitalised during the year	Capitalisation rate
Inventories	1,009,867,038.68	4.9750%
Bearer biological assets	—	—
Welfare biological assets	—	—
Construction in progress	—	—
Intangible assets	—	—
Sub-total of borrowing costs capitalised during the year	1,009,867,038.68	
Borrowing costs recognised in profit or loss during the year	96,381,885.02	
Total of borrowing costs	1,106,248,923.70	

2. Segment Reporting

Based on the Company's internal organization framework, administrative needs and internal reporting system, four reporting segments are identified. The Company's executive management periodically evaluates the operating results of these segments for the purposes of allocating resources and assessing performances. Each segment of the Company mainly specializes in sales of property, lease of property and rendering of property management services. Information of segment reporting was disclosed on the basis of accounting policies and measurement standards employed by each segment in reporting to executive management.

These accounting policies and measurement standards are in compliance with those utilized in preparation of financial statements.

Unit: RMB

	Pearl river delta segment		Chang river delta segment		Huanbohai segment		Other segments		Unallocated items		Inter-segment elimination		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Operating income:														
Revenue arising from external transactions	3,387,440,996.72	3,643,699,549.72	8,741,288,713.67	5,430,584,023.19	2,338,100,175.79	2,179,981,822.55	5,125,699,895.90	843,906,769.62	–	–	–	–	19,592,529,782.08	12,098,172,165.08
Revenue arising from inter-segment transactions	171,322,496.65	109,554,684.46	21,647,402.32	17,841,840.67	5,110,075.13	8,881,334.93	300,000.00	–	–	–	(198,379,974.10)	(136,277,860.06)	–	–
Total operating income	3,558,763,493.37	3,753,254,234.18	8,762,936,115.99	5,448,425,863.86	2,343,210,250.92	2,188,863,157.48	5,125,999,895.90	843,906,769.62	–	–	(198,379,974.10)	(136,277,860.06)	19,592,529,782.08	12,098,172,165.08
Adjustment items:													–	–
Total operating income in financial statements													19,592,529,782.08	12,098,172,165.08
Operating cost	2,395,790,026.65	2,361,344,472.73	6,583,377,394.81	4,093,710,503.20	2,017,217,107.06	1,947,754,110.65	3,702,076,463.30	677,228,660.44	–	–	(172,586,032.46)	(111,723,869.00)	14,525,874,959.36	8,968,313,878.02
Segmental operating profit (loss)	1,162,973,466.72	1,391,909,761.45	2,179,558,721.18	1,354,715,360.66	325,993,143.86	241,109,046.83	1,423,923,432.60	166,678,109.18	–	–	(25,793,941.64)	(24,553,991.06)	5,066,654,822.72	3,129,858,287.06
Adjustment items:														
Interest expenses	945,428,161.82	677,322,209.44	–	–	–	–	–	–	–	–	–	–	945,428,161.82	677,322,209.44
Gains from changes in fair values	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Investment income	2,124,747,407.88	1,396,503,192.95	–	–	123,000,000.00	–	71,307,691.95	15,661,219.36	–	–	(2,234,378,552.10)	(1,393,548,373.17)	84,676,547.73	18,616,039.14
Operating profit	2,342,292,712.78	2,111,090,744.96	2,179,558,721.18	1,354,715,360.66	448,993,143.86	241,109,046.83	1,495,231,124.55	182,339,328.54	–	–	(2,260,172,493.74)	(1,418,102,364.23)	4,205,903,208.63	2,471,152,116.76
Non-operating income	1,784,398.29	94,790,251.91	10,334,413.93	1,288,637.81	11,707,307.89	22,183,082.39	1,097,459.38	909,529.77	–	–	–	(84,909,000.00)	24,923,579.49	34,262,501.88
Non-operating expenses	1,455,704.15	2,914,818.80	2,300,375.90	3,223,572.05	309,077.92	991,972.06	520,372.73	191,373.82	–	–	–	–	4,585,530.70	7,321,736.73
Total Profit	2,342,621,406.92	2,202,966,178.07	2,187,592,759.21	1,352,780,426.42	460,391,373.83	262,300,157.16	1,495,808,211.20	183,057,484.49	–	–	(2,260,172,493.74)	(1,503,011,364.23)	4,226,241,257.42	2,498,092,881.91
Income tax expenses	80,406,550.62	132,921,107.26	553,231,532.39	320,803,188.18	87,823,002.28	91,301,961.00	361,670,010.67	42,551,625.90	–	–	10,274,657.13	(22,889,038.48)	1,093,405,753.09	564,688,843.86
Net profit	2,262,214,856.30	2,070,045,070.81	1,634,361,226.82	1,031,977,238.24	372,568,371.55	170,998,196.16	1,134,138,200.53	140,505,858.59	–	–	(2,270,447,150.87)	(1,480,122,325.75)	3,132,835,504.33	1,933,404,038.05
Segmental Total Assets	54,107,122,355.65	40,526,385,739.12	28,465,743,216.84	23,883,777,734.44	11,714,948,601.66	13,911,730,780.57	16,334,570,859.67	7,829,195,313.02	–	–	(38,309,421,822.84)	(31,685,351,031.41)	72,312,963,210.98	54,465,738,535.74
Adjustment items:													503,574,272.23	1,052,075,611.94
Total Assets in financial statements	54,392,219,769.98	40,866,630,793.04	28,566,567,556.33	23,947,795,988.34	11,786,692,684.11	13,976,148,310.75	16,346,530,759.60	8,366,539,994.30	–	–	(38,275,473,286.81)	(31,639,300,938.75)	72,816,537,483.21	55,517,814,147.68
Segmental Total Liabilities	22,493,990,400.51	15,627,642,528.68	22,207,456,284.03	18,717,277,433.63	9,268,199,129.18	10,887,383,573.83	11,762,478,762.53	7,479,299,560.08	–	–	(38,338,658,974.97)	(31,527,969,610.11)	27,393,465,601.28	21,183,633,486.11
Adjustment items:													24,417,471,374.67	17,483,620,563.51
Total Liabilities in Financial statements	46,043,109,174.51	32,243,179,161.22	23,024,456,284.03	19,534,277,433.63	9,313,734,698.38	10,930,823,573.83	11,762,478,762.53	7,479,299,560.08	–	–	(38,332,841,943.50)	(31,520,325,679.14)	51,810,936,975.95	38,667,254,049.62
Supplementary information:													–	–
Depreciation and Amortization	19,331,285.91	16,433,701.68	4,237,811.08	2,600,936.24	10,206,594.47	3,451,951.30	3,745,181.48	2,520,862.88	–	–	–	–	37,520,872.94	25,007,452.10
Impairment losses recognized in current period	7,439,705.65	32,300,281.07	173,948.34	228,128.51	574,998.99	296,235.65	512,863.61	89,573.84	–	–	–	–	8,701,516.59	32,914,219.07
Interest income	1,230,918,322.02	886,265,854.54	19,430,090.47	15,862,226.93	37,402,292.03	2,223,463.56	5,001,284.33	1,144,982.62	–	–	(1,169,812,462.83)	(825,091,903.95)	122,939,526.02	80,404,623.70
Interest expenses	1,041,974,969.75	736,714,122.77	121,990,129.00	108,715,361.19	92,804,648.84	153,887,095.49	9,424,600.26	334,094.96	–	–	(1,169,812,462.83)	(825,091,903.95)	96,381,885.02	174,558,770.46
Impairment loss recognized during the year	(1,724,523.53)	(255,689,274.29)	1,171,089.78	812,707.80	25,155.43	456,280.31	(48,786,213.39)	(19,673,511.69)	–	–	–	–	(49,314,491.71)	(274,093,797.87)
Investment income recognized from Long-term equity investments accounted for using the equity method	13,231,763.71	1,363,201.08	–	–	–	–	71,310,514.91	15,661,219.36	–	–	–	–	84,542,278.62	17,024,420.44
The amount of Long-term equity investments accounted for using the equity method	143,873,900.72	241,579,456.08	–	–	–	–	–	506,461,219.36	–	–	–	–	143,873,900.72	748,040,675.44
Non-current assets other than Long-term equity investments	111,872,815.74	122,970,884.56	9,265,158.39	6,498,763.23	1,302,832,865.22	10,985,165.29	25,040,597.29	18,261,745.66	–	–	(9,215,148.00)	–	1,439,796,288.64	158,716,558.74
Capital expenditures	17,596,451.70	6,719,702.58	5,925,802.55	1,492,512.50	8,364,785.63	4,900,112.58	7,727,065.45	4,409,461.46	–	–	–	–	39,614,105.33	17,521,789.12
Including:														
Construction in progress	1,745,765.55	807,467.65	–	–	–	–	–	–	–	–	–	–	1,745,765.55	807,467.65
Purchase of Fixed Assets	13,318,923.15	5,838,234.93	5,832,802.55	1,374,333.50	4,374,080.92	4,900,112.58	4,954,325.25	3,389,810.16	–	–	–	–	28,480,131.87	15,502,491.17
Purchase of Intangible Assets	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Non-cash expenses other than depreciation and amortization	–	–	–	–	–	–	–	–	–	–	–	–	–	–

3. Financial Instruments and Risk Management

The Company's major financial instruments include equity investments, borrowings, account receivables, account payables, etc. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(1) *Risk management objectives and policies*

The Company's risk management objectives are to achieve proper balance between risks and yield, minimize the adverse impacts of risks on the performance of the Company's operations, and maximize the benefits of the shareholders and other equity investors. Based on these risk management objectives, the Company's basic risk management strategy was to identify and analyze the Company's exposure to various risks, establish appropriate bottom line for risk tolerance, implement risk management, and to ensure appropriate measures are implemented on a timely and effective manner to monitor these exposures within certain limits.

1.1 *Market Risk*

1.1.1 Currency Risk

Currency risk is the risk that losses will occur because of changes in foreign exchange rates. The Company's exposure to the currency risk is primarily associated with USD and HKD. Other than the Company's certain subsidiaries with borrowings denominated in USD, the Company's other principal activities are denominated and settled in RMB. As at December 31, 2010, the Company's assets and liabilities are all denominated in RMB except those in USD and HKD set out below. Currency risk arising from these assets and liabilities denominated in foreign currencies may have impact on the Company's performance.

Unit: RMB

Items	Closing balance	Opening balance
Cash and cash equivalents (HKD)	3,451,934.84	3,331,797.29
Cash and cash equivalents (USD)	1,018,763,890.59	236,750,656.97
Other receivables (HKD)	25,732.91	1,612,597.33
Other receivables (USD)	6,057,088.37	1,610,836.30
Other payables (HKD)	17,018.00	17,610.00
Other payables (USD)	261,680,222.56	331,658,453.76
Long-term loans (USD)	3,824,609,250.00	2,199,964,106.76

The Company closely monitors the effects of changes in the foreign exchange rates on the Company's currency risk exposure. The Company currently does not take any measures to hedge against currency risk exposure.

1.1.2 Interest risk — risk of changes in cash flows

The Company's loans are mainly denominated in RMB and supplemented with loans in foreign currencies. Foreign currency loans are mainly USD loans with floating rate of interest. Their interest rates will not be influenced by base rate adjusted by the People's Bank of China. As for RMB loans, the Company arranges for suitable proportion of short-term loans and long-term loans.

1.2 *Credit Risk*

As at December 31, 2010, the Company's maximum exposure to credit risk which will cause a financial loss to the Company due to failure to discharge an obligation by the counterparties and financial guarantees issued by the Company is arising from:

- The carrying amount of the respective recognized financial assets as stated in the consolidated balance sheet;

- The amount of financial guarantees contract disclosed in Note (VI) 25 "Other Non-current Liabilities".

For the reasons that, no default of contract happens so far, and fair values of these properties are higher than their sold amounts, it is believed that the above guarantee represents little risk to the Company.

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

The Company had adopted a policy of only dealing with creditworthy counterparties. The Company had no significant concentration of credit risk.

1.3 *Liquidity Risk*

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

The following is the maturity analysis for financial assets and financial liabilities held by the Company which is based on undiscounted remaining contractual obligations:

Unit: RMB

	Within 1 year	1–5 years	Over 5 years
Financial Assets:			
Cash and cash equivalents	13,631,390,765.56	—	—
Account receivables.	13,046,340.62	—	—
Other receivables	1,445,670,040.33	—	—
Financial Liabilities:			
Short-term loans	207,478,000.00	—	—
Account payables	2,953,289,556.30	—	—
Other payables	4,334,434,323.32	—	—
Interest payable	65,362,491.76	—	—
Dividend payable	—	—	—
Long-term loan due within one year	4,980,489,600.00	—	—
Long-term loan	—	19,519,679,369.65	—
Bonds payable	13,383,300.00	264,000,000.00	1,213,383,300.00

(2) ***Fair Value***

Fair values of the 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 on active markets are determined with reference to quoted market bid prices and ask prices respectively;

- The fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions;

- The fair value of derivative instruments are determined with reference to quoted market prices. Where such quoted prices are not available, the fair value of a non-option-based derivative is estimated using discounted cash flow analysis and the applicable yield curve. For an option-based derivative, the fair value is estimated using option pricing model (for example, the binomial model).

The management considers that the carrying amounts of financial assets and financial liabilities stated at amortized cost in the financial statements approximate their fair values.

(3) *Sensitivity analysis*

The Company adopts sensitivity analysis techniques to analyze how the entity's profit and loss for the period and owners' equity would have been affected by changes in the relevant risk variables that were reasonably possible. As it is unlikely that risk variables will change in an isolated manner, and the interdependence between risk variables will have significant effect on the amount ultimately influenced by the changes in a single risk variable, the following items are based on the assumption that each risk variable has changes on a stand-alone basis.

3.1 *Currency risk*

3.1.1 The assumption for the sensitivity analysis on currency risk is that all the cash flow hedges and hedges of a net investment in a foreign operation are highly effective.

3.1.2 On the basis of the above assumption, where all other variables are held constant, the reasonably possible changes in the foreign exchange rate may have the following pre-tax effect on the profit or loss for the period or equity:

Unit: RMB

		2010		2009	
Item	**Changes in exchange rate**	**Effects on profits**	**Effects on equity**	**Effects on profits**	**Effects on equity**
All foreign currencies .	1% increase against RMB	(30,167,256.87)	(30,167,256.87)	(22,883,342.83)	(22,883,342.83)
All foreign currencies .	1% decrease against RMB	30,167,256.87	30,167,256.87	22,883,342.83	22,883,342.83

3.2 *Sensitivity analysis on interest rate risk*

3.2.1 The sensitivity analysis on interest rate risk is based on the following assumptions:

- Changes in the market interest rate may influence the interest income or expense of the variable rate financial instruments；
- For fixed rate financial instruments measured at fair value, changes in the market interest rate only influence their interest income or expense；
- For derivative financial instruments designated as hedging instruments, changes in the market interest rate influence their fair values, and all the hedges of interest rate risk are expected to be highly effective；
- Changes in the fair value of derivative financial instruments and other financial assets and liabilities are calculated at the market interest rate as at the balance sheet date, using the method of discounted cash flow analysis.

3.2.2 On the basis of the above assumptions, where all other variables are held constant, the reasonably possible changes in the interest rate may have the following pre-tax effect on the profit or loss for the period or equity:

Unit: RMB

		2010		2009	
Item	**Changes in Interest Rate**	**Effects on profit**	**Effects on equity**	**Effects on profit**	**Effects on equity**
External borrowings .	1% increase	(17,564,882.57)	(17,564,882.57)	(32,420,756.65)	(32,420,756.65)
External borrowings .	1% decrease	17,564,882.57	17,564,882.57	32,420,756.65	32,420,756.65

(XIII) NOTES TO KEY ITEMS IN THE PARENT'S FINANCIAL STATEMENTS

1. Other Receivables

(1) The composition of other receivables is as follows:

Unit: RMB

	Closing balance				Opening balance			
	Carrying amount		Bad debt provision		Carrying amount		Bad debt provision	
Categories	**Amount**	**Proportion**	**Amount**	**Percentage**	**Amount**	**Proportion**	**Amount**	**Percentage**
		(%)		(%)		(%)		(%)
Other receivable that are individually significant and for which bad debt provision has been assessed individually	–	–	–	–	–	–	–	–
Other receivable for which bad debt provision has been assessed by portfolios								
Other receivables that are significant with the impairment tests performed individually but for which bad debt provision is not assessed	28,347,815,737.13	99.98	–	–	23,451,988,995.03	100.00	–	
Other receivables that use percentage of total receivables outstanding for bad debt provision	5,047,521.22	0.02	252,376.06	5.00	1,004,010.20	–	50,200.51	5.00
Subtotal of portfolios	28,352,863,258.35	100.00	252,376.06	–	23,452,993,005.23	100.00	50,200.51	–
Other receivable that are not individually significant but for which bad debt provision has been assessed individually	–	–	–	–	–	–	–	–
Total	28,352,863,258.35	100.00	252,376.06	–	23,452,993,005.23	100.00	50,200.51	–

Individually significant accounts are other receivables with individual amount of and more than RMB5,000,000.00.

The ageing analysis of other receivables is as follows:

Unit: RMB

	Closing balance				Opening balance			
Ageing	Amount	Proportion	Bad debts provision	Carrying amount	Amount	Proportion	Bad debts provision	Carrying amount
		(%)				(%)		
Within 1 year	28,352,425,791.28	100.00	230,502.70	28,352,195,288.58	23,452,472,677.66	100.00	24,184.13	23,452,448,493.53
1 to 2 years.	103,028.19	–	5,151.41	97,876.78	168,856.00	–	8,442.80	160,413.20
2 to 3 years.	–	–	–	–	222.37	–	11.12	211.25
Over 3 years	334,438.88	–	16,721.95	317,716.93	351,249.20	–	17,562.46	333,686.74
Total	28,352,863,258.35	100.00	252,376.06	28,352,610,882.29	23,452,993,005.23	100.00	50,200.51	23,452,942,804.72

The composition of the bad debt provision using the percentage of account balance for other receivable:

Unit: RMB

The composition	Closing balance	The percentage	Bad Debt Provision
		(%)	
Other insignificant other receivable.	5,047,521.22	5.00	252,376.06

(2) There are no other receivables due from shareholders of the Company who hold 5% and more than 5% of shares of the Company.

There are no other receivables due from shareholders of the Company who hold 5% and more than 5% of shares of the Company.

(3) Top five outstanding amounts of other receivables:

Unit: RMB

Debtors	Relations with the Company	Amounts	Aging	Proportion of the outstanding amounts to the total other receivables
				(%)
Hangzhou Gemdale Xiangminhu Real Estate Development Co., Ltd.	The Company's subsidiary	2,780,588,399.75	Within 1 years	9.81
Shenzhen Gemdale Beicheng Real Estate Real Estate Development Co., Ltd.	The Company's subsidiary	2,720,485,378.33	Within 1 years	9.60
Gemdale (Group) Tianjin Investment Co., Ltd	The Company's subsidiary	2,171,400,400.56	Within 1 years	7.66
Hangzhou Gemdale Zizaicheng Real Estate Development Co., Ltd.	The Company's subsidiary	1,424,443,530.58	Within 1 years	5.02
Gemdale (Group) Nanjing Zhiye Real Estate Development Co. Ltd..	The Company's subsidiary	1,423,858,946.69	Within 1 years	5.02
Total		10,520,776,655.91		37.11

2. Long-term Equity Investments

(1) Details of long-term equity investments are as follows:

Unit: RMB

Name of investee	Initial investment cost	Opening balance	Movements	Closing balance	% of ownership held by the Company	% of voting power held by the Company	Reasons for case where the proportion of ownership interest held by the Company is not consistent with the proportion of voting power held by the Company	Impairment	Impairment provision in current year	Cash dividends announced in current year
Under equity method										
Shanghai Pufa Gemdale Real Estate Development Co., Ltd	142,119,980.00	30,344,094.85	2,330,398.73	32,674,493.58	49	49		–	–	–
Shanghai Hejian Assets Management Co., Ltd.	85,249,600.00	62,378,863.65	(994,249.99)	61,384,613.66	22.86	22.86		–	–	–
Wuhan Gemdale Famous Real Estate Development Co., Ltd	129,696,080.00	119,349,426.08	(119,349,426.08)	–	18.40	18.40		–	–	–
Subtotal	357,065,660.00	212,072,384.58	(118,013,277.34)	94,059,107.24				–	–	–
Under cost method										
BJ Gemdale Hongye Real estate development Co., Ltd	37,000,000.00	37,000,000.00	557,528.84	37,557,528.84	70	70		–	–	–
BJ Gamdale Xingye Property Co., Ltd	144,000,000.00	144,000,000.00	1,667,738.39	145,667,738.39	80	80		–	–	28,000,000.00
BJ Gamdale Yuanjing Real estate development Co., Ltd	96,000,000.00	96,000,000.00	3,005,807.57	99,005,807.57	80	80		–	–	123,000,000.00
Beijing Gemdale Weisheng Real estate development Co., Ltd	10,000,000.00	10,000,000.00	3,757,259.46	13,757,259.46	50	50		–	–	123,000,000.00
SZ Gemdale Property Management Co., Ltd.	49,500,000.00	6,000,000.00	46,427,545.76	52,427,545.76	99	99		–	–	22,150,000.00
SZ Gemdale Hotel Co., Ltd.	4,800,000.00	4,800,000.00	–	4,800,000.00	80	80		–	–	1,600,000.00
SZ Sichuang Management Consulting Co., Ltd.	900,000.00	900,000.00	–	900,000.00	90	90		–	–	–
Gemdale Corporation Shanghai Real Estate Development Co., Ltd	45,000,000.00	45,000,000.00	661,762.47	45,661,762.47	100	100		–	–	–
Shanghai Nanxiang Garden Real Estate Development Co., Ltd	14,006,666.81	14,006,666.81	–	14,006,666.81	90	90		–	–	–
SZ Hongjin Gemdale Tennis Co., Ltd.	111,213,950.35	111,213,950.35	16,386,499.31	127,600,449.66	95	95		–	–	6,650,000.00
Shanghai Green Fengfan Real Estate Development Co., Ltd	140,000,000.00	140,000,000.00	2,448,278.74	142,448,278.74	70	70		–	–	159,817,000.00
SZ Gemdale Residence Development Co., Ltd.	25,600,000.00	25,600,000.00	–	25,600,000.00	80	80		–	–	200,000,000.00
Gemdale Corporation Wuhan Real Estate Development Co., Ltd	59,961,322.16	59,961,322.16	11,032,837.45	70,994,159.61	90	90		–	–	121,500,000.00
Wuhan Gemdale Hongye Real Estate Development Co., Ltd	18,000,000.00	18,000,000.00	(18,000,000.00)	–	90	90		–	–	–
Gemdale Corporation Zhuhai Investment Co., Ltd.	27,000,000.00	27,000,000.00	841,487.60	27,841,487.60	90	90		–	–	–
Gemdale (Corporation) Tianjin Real Estate Development Co., Ltd	197,200,000.00	197,200,000.00	3,584,113.86	200,784,113.86	98.60	98.60		–	–	152,830,000.00
SZ Gemdale Tennis Center Co., Ltd	800,000.00	800,000.00	–	800,000.00	80	80		–	–	–
Famous Business Co., Ltd	1,060,900.00	1,060,900.00	7,674,768.62	8,735,668.62	100	100		–	–	–
Guangzhou Dongling Real Estate Development Co., Ltd	504,000,000.00	504,000,000.00	747,988.98	504,747,988.98	80	80		–	–	–
Xi'an Gemdale Property Investment Co., Ltd.	140,000,000.00	140,000,000.00	6,163,983.26	146,163,983.26	100	100		–	–	189,000,000.00
Dongguan Gemdale Property Investment Co., Ltd.	61,710,118.00	61,710,118.00	1,406,717.94	63,116,835.94	62.08	62.08		–	–	–
Ningbo Jinjie Real Estate Development Co., Ltd.	50,478,333.76	50,478,333.76	1,454,423.02	51,932,756.78	100	100		–	–	10,770,000.00
Shenzhen Gemdale Property Project Management Co., Ltd	9,000,000.00	9,000,000.00	–	9,000,000.00	90	90		–	–	900,000.00
SZ Gemdale Old City Reconstruction Co., Ltd.	24,300,000.00	24,300,000.00	–	24,300,000.00	60	60		–	–	–
Shanghai Shenxiang Real Estate Development Co., Ltd	20,000,000.00	20,000,000.00	–	20,000,000.00	100	100		–	–	459,000,000.00
Shenzhen Gemdale Xincheng Real Estate Development Co., Ltd	10,000,000.00	10,000,000.00	–	10,000,000.00	100	100		–	–	–
Gemdale Corporation Nanjing Real Estate Development Co., Ltd	20,000,000.00	620,000,000.00	(599,515,192.33)	20,484,807.67	*Note*	*Note*	*Note*	–	–	76,000,000.00
Zhuhai Green Investment Co., Ltd.	10,000,000.00	10,000,000.00	–	10,000,000.00	100	100		–	–	–
Wuhan Aoqiang Real Estate Development Co., Ltd.	240,330,000.00	240,330,000.00	–	240,330,000.00	100	100		–	–	–

Unit: RMB

Name of investee	Initial investment cost	Opening balance	Movements	Closing balance	% of ownership held by the Company	% of voting power held by the Company	Reasons for case where the proportion of ownership interest held by the Company is not consistent with the proportion of voting power held by the Company	Impairment	Impairment provision in current year	Cash dividends announced in current year
Gemdale Corporation Nanjing Property Co., Ltd.	20,000,000.00	20,000,000.00	865,727.99	20,865,727.99	100	100		–	–	–
Dongguan New Century Runcheng Industry Investment Co., Ltd	11,730,000.00	11,730,000.00	–	11,730,000.00	51	51		–	–	14,438,769.65
Guangzhou Jiangan Real Estate Development Co., Ltd	27,000,000.00	10,000,000.00	17,000,000.00	27,000,000.00	100	100		–	–	–
Shenzhen Gemdale Industry Section Reconstruction Co., Ltd	6,000,000.00	6,000,000.00	–	6,000,000.00	60	60		–	–	–
Hangzhou Gemdale Zhongtian Real Estate Development Co., Ltd	180,000,000.00	180,000,000.00	1,329,758.18	181,329,758.18	60	60		–	–	–
Shanghai Jingjiu Real Estate Development Co., Ltd.	10,000,000.00	10,000,000.00	3,030,047.95	13,030,047.95	100	100		–	–	377,000,000.00
Hangzhou Gemdale Zizaicheng Real Estate Development Co., Ltd	100,000,000.00	100,000,000.00	–	100,000,000.00	100	100		–	–	–
Ruijinfangrong (Beijing) Investment Consulting Co., Ltd.	500,000.00	500,000.00	–	500,000.00	100	100		–	–	–
Shenzhen Ruijintongde Investment Co., Ltd.	100,000.00	100,000.00			100	100		–	–	–
Shenzhen Gemdale Building Engineering Co., Ltd.	4,000,000.00	4,000,000.00			80	80		–	–	–
Shanghai Jinshen Real Estate Development Co., Ltd	10,000,000.00	10,000,000.00	1,679,512.29	11,679,512.29	100	100		–	–	–
Shanghai Jinheng Real Estate Development Co., Ltd	832,650,000.00	832,650,000.00	2,415,793.39	834,795,793.39	51	51		–	–	–
Foshan Shunde Gemdale Real Estate Development Co., Ltd	10,000,000.00	10,000,000.00			100	100		–	–	–
Shenzhen Gemdale Beicheng Real Estate Development Co., Ltd	10,000,000.00	10,000,000.00			100	100		–	–	–
Beijing Gemdale Hongyun Real Estate Development Co., Ltd	111,000,000.00	111,000,000.00			70	70		–	–	–
Hubei Wanhao Science & Technology Development Co., Ltd	75,180,000.00	75,180,000.00			70	70		–	–	–
Tianjin Tuanbohu Development Co., Ltd .	90,254,780.00	90,254,780.00	–	90,254,780.00	70	70		–	–	–
Dongguan Gemdale Baodao Property Co., Ltd.	10,000,000.00	8,000,000.00	2,000,000.00	10,000,000.00	80	80		–	–	–
Shaoxing Gemdale Shenxing Real Estate Development Co. Ltd.	306,000,000.00	–	306,688,773.19	306,688,773.19	51	51		–	–	–
Shanghai Gemdale Baobao Real Estate Development Co. Ltd.	20,000,000.00	–	20,000,000.00	20,000,000.00	100	100		–	–	–
Dongguan Bojuehongye Hotel Investment Co. Ltd..	8,000,000.00	–	–	–	–	–		–	–	–
Shenyang Gemdale Tianbang Real Estate Development Co. Ltd.	50,000,000.00	–	52,103,719.00	52,103,719.00	100	100		–	–	–
Hangzhou Gemdale Xiangmihu Real Estate Development Co. Ltd.	504,418,113.81	–	504,958,328.08	504,958,328.08	60	60		–	–	–
Zhuhai Hejiada Investment Consulting Co. Ltd..	101,984,881.72	–	101,984,881.72	101,984,881.72	51	51		–	–	–
Yantai Jinxiangtai Real Estate Development Co. Ltd.	124,950,000.00	–	124,950,000.00	124,950,000.00	51	51		–	–	–
Cixi Jinqi Real Estate Development Co. Ltd..	60,000,000.00	–	60,000,000.00	60,000,000.00	100	100		–	–	–
Beijing Gemdale Rongqiao Real Estate Development Co. Ltd.	750,000,000.00	–	750,779,155.19	750,779,155.19	60	60		–	–	–
Shenzhen Gemdale Baocheng Real Estate Development Co. Ltd.	10,000,000.00	–	10,000,000.00	10,000,000.00	100	100		–	–	–
Tianjin Wenfu Equity Investment Funds Ltd. (Limited Partnership)	4,000,000.00	–	4,000,000.00	4,000,000.00	100	100		–	–	–
Hunan Jinli Real Estate Development Co. Ltd..	80,000,000.00	–	80,000,000.00	80,000,000.00	63.82	63.82		–	–	–
Wuhan Gemdale Famous Real Estate Development Co. Ltd.	120,201,756.14	–	120,201,756.14	120,201,756.14	18.40	18.40		–	–	–
Subtotal	5,719,830,822.75	4,117,776,071.08	1,654,021,002.06	5,771,797,073.14				–	–	2,065,655,769.65
Total of long-term equity investment	6,0796,896,482.75	4,329,848,455.66	1,536,007,724.72	5,865,856,180.38				–	–	2,065,655,769.65

Note: For detail, please refer to description of Note (V)1.

(2) Details and key financial information of joint ventures and associates

Unit: RMB

Name of investee	Type of company	Place of incorporation	Representative of artificial person	Business nature	Registered capital	% of ownership held by the Company	% of voting power held by the Company	Total assets of the investee at current year end	Total liabilities of the investee at current year end	Total net assets of the investee at current year end	Total revenue of the investee for current year	Total net profit of the investee for current year
Associates:												
Shanghai Pufa Gemdale Real Estate Development Co., Ltd	Limited company	Shanghai	Ge peijian	Real estate development	10,000,000.00	49.00	49.00	92,807,393.03	26,124,753.08	66,682,639.95	20,286,039.30	4,755,915.77
Shanghai Hejian Assets Management Co., Ltd . .	Limited company	Shanghai	JOHN LANGLOIS	Assets management	372,988,600.00	22.86	22.86	268,524,119.30	–	268,524,119.30	–	(2,283,515.37)

(3) There is no restriction in the ability of the investees to transfer funds to the Company at December 31, 2010.

3. Operating Income and Cost

(1) *Operating income*

Unit: RMB

Items	2010	2009
Principal operating income	540,714,017.76	101,560,812.98
Other operating income	2,000,000.00	2,809,750.61
Operating cost	145,916,391.56	6,062,679.92

(2) *Principal operating income (by industry)*

Unit: RMB

	2010		2009	
Industry	Operating income	Operating cost	Operating income	Operating cost
Revenue from sales of properties	433,684,866.00	132,158,184.97	—	—
Property lease income	22,303,982.63	13,497,984.27	26,069,871.48	6,036,285.72
Others.	84,725,169.13	260,222.32	75,490,941.50	26,394.20
Total	540,714,017.76	145,916,391.56	101,560,812.98	6,062,679.92

4. Investment Income

(1) *Details of investment income*

Unit: RMB

Items	2010	2009
Long-term equity investment income recognised under equity method	19,620,896.16	2,831,727.02
Dividend from investment carried at cost	2,065,655,769.65	1,363,532,128.32
Gains/losses on disposal of long-term equity investments	(25,406.64)	(6,741,213.72)
Gains/losses on disposal of held-to-maturity investments	134,269.11	1,246,575.34
Gains/losses on held-for-trading financial assets	—	—
Total	2,085,385,528.28	1,360,869,216.96

(2) *Long-term equity investment income recognised under equity method*

Unit: RMB

Name of investee	2010	2009	Reasons for fluctuation
Shanghai Pufa Gemdale Real Estate Development Co., Ltd	2,330,398.73	609,191.78	—
Shanghai Hejian Assets Management Co., Ltd	(994,249.99)	333,529.85	—
Wuhan Gemdale Famous Real Estate Development Co., Ltd	18,284,747.42	1,889,005.39	Increased profitability of investee
Total	19,620,896.16	2,831,727.02	

5. Particulars of material transactions between the company and above related parties during the year are as follows

(1) *Borrowings and lendings of funds*

The Company sets up a funds settlement center to manage and control funds within the Group. Each subsidiary is entitled to borrow money from the funds settlement center depending on progress of development project and a fee for using the funds is charged by the parent company.

(2) *Current accounts' balances of related parties*

Unit: RMB

Account	Related parties	Closing balance	Opening balance
Other receivables	SZ Sichuang Management Consulting Co., Ltd	12,601,615.87	6,281,462.51
	SZ Gemdale Tennis Center Co., Ltd.	1,808,287.06	126,382.58
	Shenzhen Gemdale Property Project Management Co., Ltd.	–	40,000.00
	SZ Gemdale Old City Reconstruction Co., Ltd.	196,563,864.07	296,021,332.57
	Shenzhen Gemdale Xincheng Real Estate Development Co., Ltd	–	794,779,816.99
	Shenzhen Ruijintongde Investment Co., Ltd	325.00	25.00
	Shenzhen Gemdale Beicheng Real Estate Development Co. Ltd.	2,720,485,378.33	2,466,765,191.54
	Shezhen Wensheng Investment Management Co. Ltd.	–	440,954.00
	Shenzhen Gemdale Baocheng	650,104,038.00	–
	Guangzhou Dongling Real Estate development Co., Ltd	161,073,936.56	104,638,604.20
	Guangzhou Jiangan Real Estate Development Co., Ltd.	–	15,623,710.86
	Dongguan Gemdale Property Investment Co., Ltd	128,110,222.56	60,471,251.41
	Dongguan New Century Runcheng Industry Investment Co., Ltd	81,873,456.72	208,111,187.46
	Dongguan Gemdale Baodao Real Estate Development Co. Ltd.	1,307,160,770.08	1,234,356,075.00
	Gemdale Corporation Zhuhai Investment Co., Ltd	344,371,763.30	71,006,510.16
	Zhuhai Green Investment Co., Ltd	107,628,700.14	95,553,599.63
	Zhuhai Hejiada Investment Consulting Co. Ltd.	232,031,287.19	–
	Gemdale (Foshan) Real Estate Development Co., Ltd	276,987,144.33	268,331,200.66
	Foshan Shunde Gemdale Real Estate Development Co. Ltd	587,125,488.03	249,963,185.81
	Ruijin Fangrong (Beijing) Investment Consulting Co. Ltd.	1,359,495.87	58,462.00
	Beijing Gemdale Hongyun Real Estate Development Co., Ltd	566,826,665.16	719,062,211.62
	Beijing Gemdale Rongqiao Real Estate Development Co., Ltd	246,043.54	132,600,050.70
	Gemdale (Group) Tianjin Real Estate Development Co. Ltd	233,186,304.33	392,841,127.11
	Gemdale (Group) Tianjin Investment Co. Ltd.	2,171,400,400.56	1,991,837,413.37
	Tianjin Tuanbohu Development Co., Ltd	432,413,712.45	339,489,100.00
	Wensheng (Tianjin) Consulting Management Co. Ltd.	4,125,358.32	–
	Tianjin Wenfu Equity Investment Funds Ltd. (Limited Partnership)	910,400,000.00	–
	Shanghai Nanxiang Garden Real Estate Development Co., Ltd	13,893,069.59	11,993,830.14
	Shanghai Jinheng Real Estate Development Co., Ltd	992,475,598.00	2,258,932,052.23
	Shanghai Jinshen Real Estate Development Co., Ltd	362,115,997.66	591,807,631.27
	Shanghai Gemdale Baoshan Real Estate Development Co.Ltd	1,338,539,278.08	–
	Shaoxing Gemdale Shenxing Real Estate Development Co. Ltd.	158,291,071.40	–
	Ningbo Jinxiang Real Estate Development Co., Ltd	854,946,392.70	783,021,005.87
	Cixi Jinqi Real Estate Development Co. Ltd.	1,411,015,625.37	–
	Gemdale Corporation Nanjing Property Co., Ltd	1,423,858,946.69	2,639,946,589.07
	Hangzhou Gemdale Zhongtian Real Estate Development Co., Ltd	23,401,731.86	1,272,371,112.20
	Hangzhou Gemdale Zizaicheng Real Estate Development Co., Ltd	1,424,443,530.58	1,616,745,276.79
	Hangzhou Gemdale Xiangmihu Real Estate Development	2,780,588,399.75	–
	Gemdale Corporation Wuhan Real Estate Development Co., Ltd	1,061,857,157.60	503,942,225.28
	Wuhan Aoqiang Real Estate Development Co., Ltd	–	62,508,087.92
	Wuhan Gemdale Weisheng Real Estate Development Co., Ltd.	891,298,018.40	393,260,633.90
	Hubei Wanhao Science & Technology Development Co., Ltd.	–	73,805,000.00
	Wuhan Guanggu Agricultural Development Co., Ltd	404,397,903.56	173,805,000.00
	Shenyang Gemdale Changqing Property Investment Co., Ltd	–	11,846,641.83
	Shenyang Gemdale Hongye Real Estate Development Co., Ltd	90,234.11	14,495,208.46
	Shenyang Gemdale Quansheng Real Estate Development Co. Ltd	101,164,075.85	–
	Xi'an Gemdale Real Estate Investment Co. Ltd.	137,605,298.69	–
	Shanxi Gemdale Jiahe Property Co., Ltd	–	1,335,304,966.48
	Yantai Jinxangtai Real Estate Development Co. Ltd.	52,135,369.77	–
	Dalian Rongyao Real Estate Development Co. Ltd.	2,642,400.00	–
	Hunan Jinli Real Estate Development Co. Ltd..	203,571,380.00	–
	Total	24,766,215,737.13	21,192,184,116.62

Unit: RMB

Account	Related parties	Closing balance	Opening balance
Other Payables	SZ Gemdale Hotel Co., Ltd.	2,536,932.26	4,330,641.28
	SZ Hongjin Tennis Co., Ltd.	56,924,140.59	66,963,845.80
	SZ Gemdale Residence Development Co., Ltd	401,816,417.75	815,771,864.07
	SZ Gemdale Property Management Co., Ltd	68,521,387.36	45,846,930.97
	SZ Gemdale Old City Reconstruction Co., Ltd.	8,689,510.20	8,700,008.37
	SZ Gemdale Xincheng Real Estate Development Co. Ltd.	156,350,621.85	—
	Guangzhou Jiangan Real Estate Development Co. Ltd..	6,312.13	—
	Famous Business Co., Ltd	20,831,632.12	25,958,370.61
	BJ Gamdale Xingye Property Co., Ltd	201,680,077.48	35,852,505.28
	BJ Gamdale Yuanjing Real Estate Development Co., Ltd	13,392,218.36	106,076,656.23
	BJ Gemdale Hongye Real Estate Development Co., Ltd	33,516,369.55	31,000,273.75
	Beijing Gemdale Weisheng Real Estate Development Co., Ltd	105,489,101.00	318,241,944.58
	Gemdale Shanghai Real Estate Development Co. Ltd.	102,812,988.78	98,453,956.16
	Shanghai Shenjin Real Estate Development Co., Ltd	151,587,577.25	195,665,231.72
	Shanghai Green Fengfan Real Estate Development Co., Ltd	2,152,999,016.14	1,631,421,270.30
	Shanghai Jingjiu Real Estate Development Co., Ltd	856,511,364.96	614,276,321.15
	Shanghai Shenxiang Real Estate Development Co., Ltd	242,129,000.45	857,830,999.24
	Shanghai Wangyue Investment Co. Ltd.	12,000,000.00	—
	Ningbo Jinjie real Estate Development Co., Ltd	48,255,720.44	89,828,565.88
	Gemdale Nanjing Real Estate Development Co. Ltd	211,188,211.05	845,929,370.23
	Wuhan Aoqiang Real Estate Development Co. Ltd.	211,208,944.94	—
	Wuhan Gemdale Famous Real Estate Development Co. Ltd.	570,558,500.00	—
	Shenyang Gemdale Changqing Real Estate Development Co. Ltd.	414,066,849.31	—
	Gemdale Corporation (Shenyang) Property Co., Ltd	414,169,763.60	426,507,042.89
	Shenyang Gemdale Shicheng Real Estate Development Co. Ltd.	187,745,992.44	—
	Shenyang Gemdale Tianbang Real Estate Development Co. Ltd	46,107,871.74	—
	Xi'an Gemdale Real Estate Development Co. Ltd.	—	208,281,403.51
	Shanxi Gemdale Jiahe Real Estate Development Co. Ltd.	276,029,688.97	—
	Total	6,967,126,210.72	6,426,937,202.02

(XIV) APPROVAL OF FINANCIAL STATEMENTS

The Company's financial statements and the consolidated financial statements were approved by the board of directors and authorized for issue on March 16, 2011.

1. Non-recurring Profit or Loss

Unit: RMB

Items	2010	2009
Profit or loss on disposal of non-current assets	(64,259.90)	2,183,941.00
Tax refunds or reductions with ultra vires approval or without official approval documents	—	—
Government grants (Except for subsidies which have closely related to the Company's business and are in amount and quantities fixed in accordance with the national standard)	16,019,141.70	22,106,611.77
Money lending income (Except for money lending income earned from non-financial institutions by financial institutions whose qualification was approval by relevant government department)	—	—

Unit: RMB

Items	2010	2009
The excess of attributable fair value of identifiable assets and liabilities over the consideration paid for subsidiaries recognised on business	—	—
Profit or loss on exchange of non-monetary assets	—	—
Profit or loss on entrusted investments	—	—
Impairment losses provided for each asset due to force majeure	—	—
Profit or loss on debt restructuring	—	—
Business restructuring expenses (e.g., expenditure for layoff of employees, integration expenses, etc.)	—	—
Profit or loss relating to the unfair portion in transactions with unfair transaction price	—	—
Net profit or loss of subsidiaries recognised as a result of business combination of enterprises under common control from the beginning of the period up to the business combination date	—	—
Profit or loss arising from provisions other than those related to principal business activities of the company	—	—
Except for those designated as effective hedging transactions related to the Company's common business, changes in fair values through profit or loss of held-to-maturity investments, financial assets and financial liabilities, as well as disposal profit or loss of financial assets and financial liabilities.	—	—
Bad debt reversion of receivables for which impairment tests are performed separately	—	—
Profit or loss on entrusted loans	—	—
Changes in fair value recognized in profit or loss for those Investment Property measured at fair value	—	—
Effect of one-off adjustment on profit or loss of current period according to regulations in fields of Tax, Accounting, etc.	—	—
Commission fee revenue from entrusted operation	—	—
Investment income from Held-to-maturity Investment	134,269.11	1,246,575.34
Other non-operating income or expenses	4,383,166.99	2,995,255.74
Other non-recurring profit or loss	—	—
Tax effects of non-recurring profit or loss	(5,162,183.89)	(5,090,085.18)
Minority Interest effects (tax exclusive) of non-recurring profit or loss	(3,235,077.53)	(4,124,952.82)
Total	12,075,056.48	19,317,345.85

2. Return on Net Assets and Earnings Per Share ("EPS")

The return on net assets and EPS has been prepared by Gemdale Corporation ("Company") in accordance with *Information Disclosure and Presentation Rules for Companies Making Public Offering No. 9 — Calculation and Disclosure of Return on Net Assets and Earnings per Share (Revised 2010)* issued by China Securities Regulatory Commission.

Profit for the reporting period	Weighted average return on net assets (%)	EPS	
		Weighted average EPS	Diluted EPS
Net profit attributable to ordinary shareholders	16.55	0.60	N/A
Net profit attributable to ordinary shareholders after deducting non-recurring profit or loss	16.47	0.60	N/A

3. Analysis of changes in Financial Statements Items ("F/S Items")

The analysis of changes in financial statements items has been prepared by Gemdale Corporation ("Company") in accordance with *Information Disclosure and Presentation Rules for Companies Making Public Offering No. 15 — General Provisions on Financial Reporting (Revised 2010)* issued by China Securities Regulatory Commission ("CSRC").

Unit: RMB

	F/S items	Closing balance	Opening balance	Change by	Causes for changes
1	Currency funds	13,631,399,765.56	9,638,644,246.82	41.42%	Increases in respect of real estate sales and borrowings;
2	Advances to suppliers	8,882,056,601.41	1,750,867,180.56	407.29%	Increases in prepayments of land;
3	Inventories	45,455,497,951.75	40,544,265,027.06	12.11%	Significantly increase in development size
4	Investment properties	1,344,969,330.10	75,868,641.82	1672.76%	Transfer huge amount inventories into investment properties
5	Long-term prepayments	11,353,205.23	8,451,513.91	34.33%	Increasing in financial consulting fee ;
6	Advances from customers	18,869,965,079.82	12,360,340,043.05	52.67%	Increases in sales and increases in advanced from customers
7	Employees benefits payable	661,723,951.53	462,952,447.03	42.94%	Increases in accrued labor expenses;
8	Other payable	4,334,434,323.32	5,217,059,880.74	(16.92%)	Minority shareholders withdrawal borrowings
9	Long-term borrowings	18,063,609,367.76	12,916,964,106.76	39.84%	Increased financing needs due to swelling development size;
10	Equity	4,471,508,572.00	2,484,171,429.00	80.00%	Capital reserve transfers into as equity
11	Capital reserve	6,145,335,356.05	7,995,226,061.23	(23.14%)	Decrease due to the transferring from capital reserve into equity ;
12	Minority shareholders' equity	3,325,415,213.98	1,841,614,823.23	80.57%	Minority shareholders increase investments to the company

Unit: RMB

	F/S items	2010	2009	Change by	Causes for changes
13	Revenue	19,592,529,782.08	12,098,172,165.08	61.95%	Increases in sales volume;
14	Cost	12,133,691,974.72	7,656,955,220.80	58.47%	Increases in sales volume;
15	Business Tax	2,015,941,914.26	1,175,407,860.28	71.51%	Increases in sales volume;
16	Financial Expense	32,141,193.54	180,236,732.20	(82.17%)	More projects, higher financial expenses;
17	Impairment loss in respect of assets	(49,314,491.71)	(274,093,797.87)	(82.01%)	Reversion of previously recorded provisions for the decline in value of inventories;
18	Investment Revenue	84,676,547.73	18,616,039.14	354.86%	Attributable profit accounted for under equity method from Joint ventures and associates;
19	Revenue from non-operating income	24,923,579.49	34,262,501.88	(27.26%)	Increased finance premiums;
20	Expense from non-operating income	4,585,530.70	7,321,736.73	(37.37%)	Decreased donations.

The supplementary information provided by Management was signed by the following personnel of Gemdale Corporation:

Legal Representative: *Chief Accountant:* *Person in charge of the Accounting Body:*

March 16, 2011

Deloitte.
德勤

To the Directors of Famous Commercial Limited
輝煌商務有限公司
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Famous Commercial Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 3 to 50, which comprise the consolidated statement of financial position as at 31 December 2011, and 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 International Financial Reporting Standards, 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 our agreed terms of engagement 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 International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2011, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte Touche Tohmatsu CPA Ltd.
Shenzhen Branch

16 July 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	Notes	2011	2010
		HK$'000	HK$'000
Turnover	7	3,317,326	959,930
Cost of sales		(2,274,053)	(721,193)
Gross profit		1,043,273	238,737
Other income	9	67,351	24,608
Other gains and losses	11	(3,564)	(19,764)
Other expenses		(8,806)	(521)
Selling and distribution costs		(94,040)	(40,687)
Administrative expenses		(142,946)	(91,797)
		861,268	110,576
Share of profits of associates	15	64,979	43,566
Finance costs	10	(82,781)	(37,409)
Profit before tax		843,466	116,733
Income tax expense	12	(381,130)	(81,405)
Profit for the year	13	462,336	35,328
Other comprehensive income:			
Exchange differences arising on translation of foreign operations		153,438	89,053
Total comprehensive income for the year		615,774	124,381
Profit for the year attributable to:			
Owners of the Company		305,177	14,075
Non-controlling interests		157,159	21,253
		462,336	35,328
Total comprehensive income attributable to:			
Owners of the Company		415,721	89,406
Non-controlling interests		200,053	34,975
		615,774	124,381

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Non-current Assets			
Property, plant and equipment	14	5,137	1,261
Interests in associates	15	1,060,465	939,246
Goodwill	30	3,450	3,450
Deferred tax assets	27	56,713	11,558
		1,125,765	955,515
Current Assets			
Stock of properties	19	4,985,357	2,855,194
Other receivables	20	119,842	124,647
Deposits and prepayments		34,999	11,271
Amount due from ultimate holding company	18	2,074,151	842,594
Amount due from a fellow subsidiary	17	800,642	1,187,877
Amount due from an associate	17	—	6,361
Amount due from a jointly controlled entity	17	—	8,408
Tax prepaid		20,004	90,026
Pledged bank deposits	21	299	299
Bank balances and cash	21	3,574,562	2,470,373
		11,609,856	7,597,050
Current Liabilities			
Trade and other payables	22	741,574	282,684
Pre-sales deposits		1,495,148	2,235,818
Amount due to ultimate holding company	18	1,443,197	561,451
Amounts due to fellow subsidiaries	23	2,864	789
Tax payables		154,600	16,066
Amounts due to non-controlling interests	24	—	300,989
Borrowings — due within one year	26	7,306,402	4,494,781
		11,143,785	7,892,578
Net Current Assets (Liabilities)		466,071	(295,528)
		1,591,836	659,987
Capital and Reserves			
Share capital	25	1,000	1,000
Reserves		754,941	305,877
Equity attributable to owners of the Company		755,941	306,877
Non-controlling interests		785,577	337,868
Total Equity		1,541,518	644,745
Non-current Liabilities			
Deferred tax liabilities	27	50,318	15,242
		1,591,836	659,987

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	Attributable to owners of the Company							
	Share capital	Translation reserve	Other reserve	Statutory surplus reserve	Retained profits	Total	Non-controlling capital interests	Total
	HK$'000	HK$'000	HK$'000 (note a)	HK$'000 (note b)	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2010	1,000	128,977	4,545	9,803	98,772	243,097	50,093	293,190
Profit for the year	–	–	–	–	14,075	14,075	21,253	35,328
Net exchange differences arising on translation	–	75,331	–	–	–	75,331	13,722	89,053
Total comprehensive income for the year	–	75,331	–	–	14,075	89,406	34,975	124,381
Issuance of share capital of a subsidiary	–	–	–	–	–	–	251,363	251,363
Changes in ownership interests in subsidiaries	–	–	191	–	–	191	(184)	7
Disposal of a subsidiary	–	(67,840)	33,359	–	–	(34,481)	–	(34,481)
Recognition of equity-settled share-based payments	–	–	8,664	–	–	8,664	1,621	10,285
Transfer to statutory surplus reserve	–	–	–	17,481	(17,481)	–	–	–
At 31 December 2010	1,000	136,468	46,759	27,284	95,366	306,877	337,868	644,745
Profit for the year	–	–	–	–	305,177	305,177	157,159	462,336
Net exchange differences arising on translation	–	110,544	–	–	–	110,544	42,894	153,438
Total comprehensive income for the year	–	110,544	–	–	305,177	415,721	200,053	615,774
Dividends paid to non-controlling interests	–	–	–	–	–	–	(134,771)	(134,771)
Contributions from non-controlling interests	–	–	–	–	–	–	43,348	43,348
Partial disposal of subsidiaries	–	–	20,751	–	–	20,751	391,485	412,236
Disposal of a subsidiary	–	(11,908)	39,068	–	–	27,160	37,536	64,696
Acquisition of additional interests in subsidiaries	–	–	(20,033)	–	–	(20,033)	(91,109)	(111,142)
Recognition of equity-settled share-based payments	–	–	5,465	–	–	5,465	1,167	6,632
Transfer to statutory surplus reserve	–	–	–	22,832	(22,832)	–	–	–
At 31 December 2011	1,000	235,104	92,010	50,116	377,711	755,941	785,577	1,541,518

Note a: Other reserve represents the gain on disposal of associates to ultimate holding company and considered as deemed contribution, the impact of changes in the Group's interests in subsidiaries that do not result in a loss of control, gain on disposal of subsidiaries to fellow subsidiaries and the impact of recognition of equity-settled share-based payments.

Note b: Statutory surplus reserve of the Group represents general and development fund reserve applicable to subsidiaries which are established in accordance with the relevant regulations in the People's Republic of China.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
OPERATING ACTIVITIES			
Profit before tax		843,466	116,733
Adjustments for:			
Share of profits of associates		(64,979)	(43,566)
Share-based payment expenses		6,632	10,285
Interest expenses		82,781	37,409
Depreciation of property, plant and equipment		867	793
Interest income		(28,796)	(15,198)
Impairment loss recognised in respect of other receivables		1,298	807
Operating cash flows before movements in working capital		841,269	107,263
Increase in stock of properties		(1,572,151)	(1,631,087)
(Increase) decrease in other receivables, deposits and prepayments		(55,373)	151,449
Increase in restricted bank balances		—	(1)
Increase (decrease) in amounts due to fellow subsidiaries		2,066	(4,085)
(Decrease) increase in trade and other payables		(134,655)	20,408
(Decrease) increase in pre-sales deposits		(225,088)	1,769,458
Cash (used in) generated from operations		(1,143,932)	413,405
Interest paid		(189,976)	(79,233)
Interest received		28,796	15,198
Income taxes paid		(208,541)	(115,369)
NET CASH (USED IN) FROM OPERATING ACTIVITIES		(1,513,653)	234,001
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(4,763)	(851)
Disposal of subsidiary	29	(179,044)	(40,873)
Repayment from an associate		6,361	—
Repayment from a fellow subsidiary		387,235	—
Advances to an associate		—	(6,361)
Repayment from a jointly controlled entity		8,408	1,118
Acquisition of subsidiaries	28	9,118	—
Acquisition of associates		(56,240)	(419,508)
Advances to ultimate holding company		(1,184,587)	(310,304)
Net proceeds on disposal of property, plant and equipment		6	—
Acquisition of additional interests in subsidiaries from non-controlling interests		(111,142)	—

	Notes	2011	2010
		HK$'000	HK$'000
NET CASH (USED IN) INVESTING ACTIVITIES		(1,124,648)	(776,779)
FINANCING ACTIVITIES			
Disposal of partial interests in subsidiaries		412,236	7
New bank loans raised		2,929,994	2,017,162
Repayment of bank loans		(118,373)	(20,921)
Repayment to ultimate holding company		(557,171)	(32,881)
Advances from ultimate holding company		1,409,864	244,102
Contributions from non-controlling interests of subsidiaries		43,348	251,363
Repayment to non-controlling interests of subsidiaries		(300,989)	(14,016)
Dividends paid to non-controlling interests		(134,771)	—
NET CASH FROM FINANCING ACTIVITIES		3,684,138	2,444,816
NET INCREASE IN CASH AND CASH EQUIVALENTS		1,045,837	1,902,038
CASH AND CASH EQUIVALENTS AT 1 JANUARY		2,470,373	519,967
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		58,352	48,368
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		3,574,562	2,470,373

1. GENERAL

The Company is a company with limited liability incorporated in Hong Kong. The Company's immediate and ultimate holding company is Gemdale Corporation ("Gemdale"), which is established in the People's Republic of China (the "PRC") with limited liability and its shares are listed on the Shanghai Stock Exchange. The registered office and principal place of business of the Company is situated at 5/F., Heng Shan Centre, 145 Queen's Road East, Wanchai, Hong Kong.

The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in investment holding and property development.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company. The consolidated financial statements are prepared solely for the information of the board of directors of the Company for the purpose of the issue of bonds by a subsidiary of the Company.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

In the current year, the Group has applied a number of new and revised standards and amendments ("new and revised IFRSs") issued by the International Accounting Standards Board ("IASB") and interpretations ("IFRIC-Int") issued by the International Financial Reporting Interpretation Committee of IASB.

The adoption of the new and revised IFRSs and IFRIC-Int has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

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

Amendments to IFRSs	Annual Improvements to IFRSs 2009-2011 Cycle[1]
Amendments to IFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[2]
Amendments to IFRS 1	Government Loans[1]
Amendments to IFRS 7	Disclosures — Transfers of Financial Assets[2]
Amendments to IFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities[1]
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures[3]
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
IFRS 9	Financial Instruments[3]
IFRS 10	Consolidated Financial Statements[1]
IFRS 11	Joint Arrangements[1]
IFRS 12	Disclosure of Interests in Other Entities[1]
IFRS 13	Fair Value Measurement[1]
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income[5]
Amendments to IAS 12	Deferred Tax: Recovery of Underlying Assets[4]
IAS 19 (Revised 2011)	Employee Benefits[1]
IAS 27 (Revised 2011)	Separate Financial Statements[1]
IAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[1]
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities[6]
IFRIC 20	Striping Costs in the Production Phase of a Surface Mine[1]

1 Effective for annual periods beginning on or after 1 January 2013
2 Effective for annual periods beginning on or after 1 July 2011
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

IFRS 9 “Financial Instruments” (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. IFRS 9 “Financial Instruments” (as revised in October 2010) adds requirements for financial liabilities and for derecognition.

- Under IFRS 9, all recognised financial assets that are within the scope of IAS 39 “Financial Instruments: Recognition and Measurement” are subsequently measured at either 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 accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under IFRS 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 presentation 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. Previously, under IAS 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 application of IFRS 9 may have an impact on amounts reported in respect of the Group's financial assets and financial liabilities and the management of the Group is in the process of ascertaining the financial impact.

The five new or revised standards on consolidation, joint arrangements and disclosures were issued by the IASB in June 2011 and are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five new or revised standards are applied early at the same time. The directors of the Company anticipate that these new or revised standards will be applied in the Group's consolidated financial statements for financial year ending 31 December 2013.

IFRS 10 replaces the parts of IAS 27 "Consolidated and Separate Financial Statements" that deal with consolidated financial statements. Under IFRS 10, there is only one basis for consolidation, that is control. In addition, IFRS 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) ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in IFRS 10 to deal with complex scenarios. Overall, the application of IFRS 10 requires extensive judgement.

IFRS 11 replaces IAS 31 "Interests in Joint Ventures and SIC-13 Jointly Controlled Entities — Non-Monetary Contributions by Venturers". IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under IFRS 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 IAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportionate accounting. Accordingly, the application of IFRS11 will result in changes in the accounting for the Group's jointly controlled entities that are currently accounted for using proportional consolidation.

The directors of the Company are in progress of making an assessment of the impact of these new and revised IFRSs upon initial application. However, it is not yet in the position to state whether they would have a significant impact on the Group's result of operation and financial position.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards.

The consolidated financial statements have been prepared on the historical cost basis.

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 and 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.

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 the results in the non-controlling interests having a deficit balance. Prior to 1 January 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

Changes in the Group's ownership interests in existing subsidiaries on or after 1 January 2010

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 of the net assets attributable to the change in interests and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured 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 Company had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings). 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 IAS 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.

Business combinations

Business combinations that took place prior to 1 January 2010

Acquisition of businesses was accounted for using the purchase method. The cost of the acquisition was measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that met the relevant conditions for recognition were generally recognised at their fair value at the acquisition date.

Goodwill arising on acquisition was recognised as an asset and initially measured at cost, being the excess of the cost of the acquisition over the Group's interest in the recognised amounts of the identifiable assets, liabilities and contingent liabilities recognised. If, after assessment, the Group's interest in the recognised amounts of the acquiree's identifiable assets, liabilities and contingent liabilities exceeded the cost of the acquisition, the excess was recognised immediately in profit or loss.

The non-controlling interest in the acquiree was initially measured at the non-controlling interest's proportionate share of the recognised amounts of the assets, liabilities and contingent liabilities of the acquiree.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Interests 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, interests 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 IAS 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 IAS 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 IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

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

Interests in jointly controlled entities

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

The Group reports its interests in jointly controlled entities using proportionate consolidation, except when the investment is classified as held for sale, in which case it is accounted for in accordance with "IFRS 5 Non-current Assets Held for Sale and

Discontinued Operations". The Group's share of each of the assets, liabilities, income and expenses of jointly controlled entities are combined with the equivalent items in the consolidated financial statements on a line-by-line basis.

Any goodwill arising on the acquisition of the Group's interest in a jointly controlled entity is accounted for in accordance with the Group's accounting policy for goodwill arising in a business combination.

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

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

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a jointly controlled entity. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 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 IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

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

Property, plant and equipment

Property, plant and equipment held for use in the production or supply of goods or services, or for administrative purposes, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment losses on assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. 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. 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, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

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 and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are loans and receivables. 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 financial asset, 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.

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 other receivables, amounts due from ultimate holding company/ a fellow subsidiary/an associate/a jointly controlled entity 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 loss on financial assets below).

Impairment of financial assets

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

For financial assets, 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; or
- the disappearance of an active market for that financial asset because of financial difficulties.

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of amount due from an associate, amount due from ultimate holding company, amount due from a fellow subsidiary and amount due from a jointly controlled entity, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When amount due from an associate, amount due from ultimate holding company, amount due from a fellow subsidiary or amount due from a jointly controlled entity is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

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

Financial liabilities and equity instruments

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

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial liabilities (including trade and other payables, amounts due to fellow subsidiaries, non-controlling interests and borrowings) are measured at amortised cost, using the effective interest method.

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 paid or received that form as 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.

Financial guarantee contracts

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

Derecognition

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 expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Stock of completed properties

Stocks of completed properties are stated at the lower of cost and net realisable value. Cost represents land and development costs attributed to the completed properties.

Properties under development

Properties under development which are developed in the ordinary course of business are included in current assets at the lower of cost and net realisable value.

The cost of properties under development comprise land costs, constructions costs, borrowing costs capitalised according to the Group's accounting policy and directly attributable expenses incurred during the development period.

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 functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. 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.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve).

From 1 January 2010 onwards, on the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to 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 lease. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

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 income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and jointly controlled entities except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. 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 the 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. 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. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and service provided in the normal course of business.

Sales of properties

Revenue from sale 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 revenue recognition criteria are included in the consolidated statement of financial position under current liabilities.

Property rentals

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

Interest income

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

Service income

Service income is recognised when services are provided.

Retirement benefit costs

Payments to state-managed retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results 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 key assumptions concerning the future, and other key sources of estimation uncertainty at the end of 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, are discussed below:

(a) Estimated impairment of other receivables, amount due from ultimate holding company, a fellow subsidiary, an associate and a jointly controlled entity

Where 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. effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

(b) Impairment for properties under development and completed properties held for sale

Properties under development for sale and completed properties for sale are stated at the lower of the cost and net realisable value with carrying amount. The net realisable value is the estimated selling price less estimated selling expenses and estimated cost of completion (if any), which are determined based on best available information. Where there is any decrease in the estimated selling price arising from any changes to the property market conditions in the PRC, there may be impairment loss recognised on the properties under development for sale and completed properties for sale.

(c) Recognition of deferred tax assets

The amount of the deferred tax assets included in the financial statements of the Group is recognised only to the extent that is probable that future taxable profits will be available against which the temporary differences and unused tax losses can be utilised. The recognition of deferred tax assets requires the Group to make judgement, based on assessment regarding future financial performance, about the amount of future taxable profits and the timing of when these will be realised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred assets and income tax expenses in the periods in which such estimate is changed.

(d) Land Appreciation Tax ("LAT")

PRC LAT is levied on the appreciation of land value, being the proceeds from the sales of properties less deductible expenditure including the amortisation of land use rights, borrowing costs and all property development expenditure.

The subsidiaries engaging in property development business in the PRC are subject to LAT, which have been included in the tax expenses. However, the implementation of these taxes varies amongst various PRC cities and the Group has not finalised its LAT returns with various tax authorities. 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 on the tax expense and provisions for LAT in the period in which such determination is made.

5. 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 stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which mainly includes advances from ultimate holding company, non-controlling interests and borrowings disclosed in notes 18, 24 and 26 respectively, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising share capital, reserves and retained profits, and non-controlling interests.

The directors of the Company review the capital structure periodically. As part of this review, the directors of the Company assess budgets of major projects taking into account of the provision of funding. Based on the operating budgets, the directors consider the cost of capital and the risks associated with each class of capital and balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

6. FINANCIAL INSTRUMENTS

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expenses), for each class of financial asset, financial liability and equity instrument are disclosed in note 3.

a. Categories of financial instruments

	2011	2010
	HK$'000	HK$'000
Financial assets		
Loans and receivables at amortised cost (including cash and cash equivalents)	6,501,018	4,538,924
Financial liabilities		
Liabilities at amortised cost	9,453,547	5,614,598

b. Financial risk management objectives and policies

The Group's major financial instruments include borrowings, other receivables, trade and other payables, amounts due from/to fellow subsidiaries, amounts due from/to ultimate holding company, amount due from a jointly controlled entity, amounts due to non-controlling interests, amount due from an associate and bank balances and cash. Details of the financial instruments are disclosed in respective notes.

Management monitors and manages the financial risks relating to the Group through internal risk assessment which analyses exposures by degree and magnitude of risks. These risks include market risk (including interest rate risk and currency risk), credit risk and liquidity risk. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

There has been no change to the Group's exposure to these kinds of risks or the manner in which it manages and measures these risks.

(i) *Market risk*

The Group's activities expose it primarily to the financial risks of changes in interest rates and changes in foreign exchange rates.

Interest rate risk

The Group's cash flow interest rate risk relates primarily to its variable-rate borrowings amounting to approximately HK$7,306 million and HK$4,495 million at 31 December 2011 and 2010 respectively. The variable-rate bank loans with original maturities ranging from one to three years are for financing development of property projects. Increase in interest rates would increase interest expenses. The Group currently does not have interest rate hedging policy. However, management monitors interest rate exposure on dynamic basis and will consider hedging significant interest rate exposure should the need arise. The Group's cash flow interest rate risks are mainly concentrated on the fluctuation of interest rate arising from their United States Dollar ("US$") denominated borrowings. The management considers the exposure to interest rate risk in relation to bank balances is insignificant due to the low level of bank interest rate.

The Group's fair value interest rate risk relates primarily to its corresponding fixed-rate bank deposits. Management will also consider hedging significant interest rate exposure should the need arise.

Interest rate risk sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates on variable-rate borrowings. The analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 100 basis point increase or decrease is used as it represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2011 and 2010 would decrease/increase respectively by approximately HK$23,878,000 and HK$15,916,000 after capitalising finance costs in properties under development. This is mainly attributable to the Group's exposure to cash flow interest rates on its variable-rate bank loans.

Currency risk

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuation arise. The Group currently does not have hedging policy in respect of the foreign currency risk. However, the management closely monitors foreign exchange exposure to ensure appropriate measures are implemented on a timely and effective manner.

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

	2011	2010
	HK$'000	HK$'000
Assets		
US$	2,262,927	2,391,923
Liabilities		
US$	7,225,737	4,501,356

Currency risk sensitivity analysis

The Group mainly exposes to the currency of US$. The sensitivity analysis includes outstanding foreign currency denominated monetary items. The sensitivity analysis includes external loans as well as loans to foreign operation within the Group where the loan is denominated in a currency other than the functional currency of the lender or the borrower. The exposure of US$ against HK$ is considered insignificant as HK$ is pegged to US$.

(ii) *Credit risk*

As at 31 December 2011 and 2010, 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 are arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position.

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

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

Other than concentration of credit risk on liquid funds as well as amounts due from ultimate holding company, fellow subsidiary, jointly controlled entity and associate, the Group does not have any other significant concentration of credit risk. The Group would closely monitor the financial positions including the net assets backing of ultimate holding company, fellow subsidiary, jointly controlled entity and associate. In addition, the Group reviews the recoverable amounts of the individual debts to ensure that adequate impairment losses are made for the irrecoverable amounts. In this regard, the directors consider that the Group's credit risk is mitigated.

(iii) *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 loans and ensures compliance with loan covenants.

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 flat rate at the end of the reporting period.

Liquidity and interest risk tables

	Weighted average effective interest rate	Repayable on demand or less than 1 month	Total undiscounted cash	Carrying amount at flows 31.12.2011
	%	HK$'000	HK$'000	HK$'000
2011				
Trade and other payables . . .	—	701,084	701,084	701,084
Amount due to ultimate holding company	6.39	1,443,197	1,443,197	1,443,197
Amounts due to fellow subsidiaries	—	2,864	2,864	2,864
Borrowings — variable rate. .	2.47	7,306,402	7,306,402	7,306,402
		9,453,547	9,453,547	9,453,547

	Weighted average effective interest rate	Repayable on demand or less than 1 month	Total undiscounted cash	Carrying amount at flows 31.12.2010
	%	HK$'000	HK$'000	HK$'000
2010				
Trade and other payables . . .	—	256,588	256,588	256,588
Amount due to ultimate holding company	6.26	561,451	561,451	561,451
Amounts due to fellow subsidiaries	—	789	789	789
Borrowings — variable rate. .	1.72	4,494,781	4,494,781	4,494,781
Amounts due to non-controlling interests.	—	300,989	300,989	300,989
		5,614,598	5,614,598	5,614,598

Borrowings with a repayment on demand clause are included in the "Repayable on demand or less than 1 month" time band in the above maturity analysis. As at 31 December 2011 and 2010, the aggregate undiscounted principal amounts of these bank loans amounted to approximately HK$7,306,402,000 and HK$4,494,781,000 respectively. Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such borrowings will be repaid from one to three years after the reporting date in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows in respect of borrowings outstanding at 31 December 2011 will amount to approximately HK$7,578,509,000.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is based on interest rates outstanding at the end of the reporting period and 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.

c. Fair value

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

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

7. TURNOVER

	2011	2010
	HK$'000	HK$'000
Sales of completed properties	3,317,326	959,930

8. SEGMENT INFORMATION

Based on the Group's internal organisation framework, administrative needs and internal reporting system, three reporting segments are identified. The Group's executive management, being the chief operating decision maker, periodically evaluates the operating results of these segments for the purposes of allocating resources and assessing performances. The Group's operating and reportable segments based on business in different regions under IFRS 8 are as follows: (i) Shenyang and Dalian Areas, (ii) Foshan Area and (iii) Hong Kong Area. Shenyang and Dalian Areas and Foshan Area segments specialise in sales of properties in those regions and Hong Kong Area is principally engaged in provision of finance for Gemdale group.

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segments:

	Shenyang and Dalian Areas	Foshan Area	Hong Kong Area	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2011				
Revenue	2,092,130	1,225,196	—	3,317,326
Profit (loss)	481,252	287,585	(171,707)	597,130
Year ended 31 December 2010				
Revenue	615,358	344,572	—	959,930
Profit (loss)	107,371	(8,445)	(64,761)	34,165

Reconciliation of reportable segment profit (loss) to the consolidated profit for the year

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3.

Segment profit represents the profit earned by each segment before interest capitalisation on consolidation and without allocation of share of results of associates, other gains and losses, PRC Enterprise Income Tax ("EIT") excluding LAT, and deferred tax. LAT has been allocated into segment results. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

	2011	2010
	HK$'000	HK$'000
Reportable segment profit	597,130	34,165
Unallocated items:		
Effect of interest capitalisation on consolidation	43,341	12,283
Share of profits of associates	64,979	43,566
Other gains and losses	(3,564)	(19,764)
PRC income tax expenses (excluding LAT)	(239,550)	(34,922)
Consolidated profit for the year	462,336	35,328

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment:

	Shenyang and Dalian Areas	Foshan Area	Hong Kong Area	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2011				
Assets	6,752,480	506,190	4,290,006	11,548,676
Liabilities	3,426,785	176,768	7,540,232	11,143,785
At 31 December 2010				
Assets	4,760,877	1,238,727	1,575,731	7,575,335
Liabilities	1,906,574	1,133,900	4,852,104	7,892,578

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to reportable segments before the effect of interest capitalisation on consolidation and other than interests in associates, goodwill and deferred tax assets;
- all liabilities are allocated to reportable segments other than deferred tax liabilities.

	2011	2010
	HK$'000	HK$'000
Reportable segment assets.	11,548,676	7,575,335
Unallocated items:		
Effect of interest capitalisation on consolidation	66,317	22,976
Interests in associates	1,060,465	939,246
Goodwill	3,450	3,450
Deferred tax assets	56,713	11,558
Consolidated total assets	12,735,621	8,552,565
Reportable segment liabilities	11,143,785	7,892,578
Unallocated item:		
Deferred tax liabilities.	50,318	15,242
Consolidated total liabilities	11,194,103	7,907,820

Other segment information

	Shenyang and Dalian Areas	Foshan Area	Hong Kong Area	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2011				
Amounts included in the measurement of segment results and segment assets:				
Additions to non-current assets	3,938	136	689	4,763
Depreciation and amortisation. .	628	120	119	867
Impairment loss on receivables recognised in profit	1,213	57	28	1,298
Year ended 31 December 2010				
Amounts included in the measurement of segment results and segment assets:				
Additions to non-current assets	724	30	97	851
Depreciation and amortisation. .	463	329	1	793
Impairment loss on receivable recognised in profit	651	116	40	807

Note: Non-current assets exclude interests in associates and deferred tax assets.

Revenue from major products and services

An analysis of the Group's turnover for the year from its major products is set out in note 7.

Information about major customers

These were no customers who accounted for over 10% of the Group's revenue for the year ended 31 December 2011 and 2010.

9. OTHER INCOME

	2011	2010
	HK$'000	HK$'000
Interest income	28,796	15,198
Government grant	97	111
Management fee income	36,748	8,756
Sundry income	1,710	543
	67,351	24,608

10. FINANCE COSTS

	2011	2010
	HK$'000	HK$'000
Interest on borrowings and amount due to ultimate holding company wholly repayable within five years	189,976	79,233
Less: Capitalised in properties under development for sale	(107,195)	(41,824)
	82,781	37,409

Borrowing costs of amount due to ultimate holding company capitalised are calculated by applying an average capitalisation rate of 6.79% and 5.56% per annum and borrowing costs of bank loans capitalised are calculated by applying an average capitalisation rate of 2.47% and 1.72% to expenditure on qualifying assets for the year ended 31 December 2011 and 2010 respectively.

11. OTHER GAINS AND LOSSES

	2011	2010
	HK$'000	HK$'000
Exchange losses	(3,564)	(19,764)

12. INCOME TAX EXPENSE

	2011	2010
	HK$'000	HK$'000
Current tax:		
PRC EIT	231,071	33,105
LAT	146,580	46,483
PRC withholding income tax	15,646	5,366
	393,297	84,954
Deferred tax *(note 27)*		
Current year	(12,167)	(3,549)
Total	381,130	81,405

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong. The income tax rate is 16.5% for Hong Kong companies.

Under the Law of the PRC EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the statutory tax rate of the Company's PRC subsidiaries is 25% from 1 January 2008 onwards.

The provision for LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT has been provided at ranges of progressive rates of the appreciation value, with certain allowable deductions.

Details of deferred tax are set out in note 27.

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

	2011	2010
	HK$'000	HK$'000
Profit before tax	843,466	116,733
Tax at the applicable tax rate of 25%	210,866	29,183
LAT	146,580	46,483
Tax effect of LAT of deductible for income tax expense *(note)*	(36,645)	(11,621)
Tax effect of expenses not deductible for tax purpose	36,687	18,282
Tax effect of share of results of associates	(16,245)	(10,891)
Withholding income tax provision	15,646	5,366
Deferred tax on undistributed earnings of PRC subsidiaries and associates	24,241	4,603
Income tax expense for the year	381,130	81,405

Note: In the PRC, the LAT can be deductible before calculating the income tax expense.

13. PROFIT FOR THE YEAR

	2011	2010
	HK$'000	HK$'000
Profit for the year has been arrived at after charging:		
Depreciation of property, plant and equipment	867	793
Auditor's remuneration	329	127
Staff costs including directors' emoluments	82,291	40,100
Rental expenses in respect of land and buildings under operating leases	7,783	2,231
Impairment loss recognised in respect of other receivables	1,298	807
Cost of stock of properties recognised as expenses	2,093,481	702,899

14. PROPERTY, PLANT AND EQUIPMENT

	Office equipment	Electronic equipment	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000
COST				
At 1 January 2010	147	2,526	3,710	6,383
Exchange adjustments	17	79	60	156
Additions	594	146	111	851
Disposal of a subsidiary	(32)	(650)	(2,320)	(3,002)
At 31 December 2010	726	2,101	1,561	4,388
Exchange adjustments	39	134	108	281
Additions	550	2,135	2,078	4,763
Disposals	(9)	—	—	(9)
Disposal of a subsidiary	(115)	—	(116)	(231)
At 31 December 2011	1,191	4,370	3,631	9,192
DEPRECIATION				
At 1 January 2010	60	1,671	1,078	2,809
Exchange adjustments	4	60	43	107
Provided for the year	55	351	387	793
Disposal of a subsidiary	(3)	(375)	(204)	(582)
At 31 December 2010	116	1,707	1,304	3,127
Exchange adjustments	7	81	59	147
Provided for the year	124	469	274	867
Eliminated on disposals	(3)	—	—	(3)
Disposal of a subsidiary	(45)	—	(38)	(83)
At 31 December 2011	199	2,257	1,599	4,055
CARRYING VALUES				
At 31 December 2011	992	2,113	2,032	5,137
At 31 December 2010	610	394	257	1,261

The above items of property, plant and equipment are depreciated on a straight-line basis over the following useful lives:

Office equipment	5 years
Electronic equipment	3 years
Motor vehicles	4 years

15. INTERESTS IN ASSOCIATES

	2011	2010
	HK$'000	HK$'000
Cost of investments, unlisted	918,590	862,350
Share of post-acquisition profits and other comprehensive income, net of dividends received	141,875	76,896
	1,060,465	939,246

Set out below are the particulars of the principal associates at 31 December 2011 and 2010 which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors of the Company, result in particulars of excessive length.

Name of entity	Place of incorporation and operations	Proportion of ownership interest	Principal activity
2011:			
Dongguan Gemdale Property Investment Co., Ltd.	PRC	34.9%	Property development
Hangzhou Gemdale Xianghu Real Estate Development Co., Ltd.	PRC	40%	Property development
Shenyang Gemdale Changqing Property Investment Co., Ltd.	PRC	25%	Property development
Gemdale Corporation Yangzhou Real Estate Development Co., Ltd.	PRC	49%	Property development
2010:			
Dongguan Gemdale Property Investment Co., Ltd.	PRC	34.9%	Property development
Hangzhou Gemdale Xianghu Real Estate Development Co., Ltd.	PRC	40%	Property development
Shenyang Gemdale Changqing Property Investment Co., Ltd	PRC	25%	Property development

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

	2011 HK$'000	2010 HK$'000
Total assets	10,680,778	8,585,792
Total liabilities	(7,159,294)	(5,255,256)
Net assets	3,521,484	3,330,536
Group's share of net assets of the associates	1,060,465	939,246
Revenue	1,598,864	2,350,444
Profits and total comprehensive income for the year	242,553	183,416
Group's share of profit and total comprehensive income of the associates for the year	64,979	43,566

16. INTERESTS IN JOINTLY CONTROLLED ENTITIES

Set out below are the particulars of the jointly controlled entities at 31 December 2011 and 2010.

Name of entity	Proportion of nominal value of share capital held by the Group 2011	Proportion of nominal value of share capital held by the Group 2010	Principal activity
UBS/Gemdale Investment Management Limited	50%	50%	Investment holding
UBS/Gemdale Investment G.P. Ltd.	50%	50%	Investment holding

The summarised financial information in respect of the Group's interests in jointly controlled entities which are accounted for using proportionate consolidation with the line-by-line reporting format is set out below:

	2011 HK$'000	2010 HK$'000
Current assets	7,610	3,561
Current liabilities	(2,531)	(2,515)
Net assets	5,079	1,046
Revenue recognised in profit or loss	12,732	5,581
Expenses recognised in profit or loss	(8,693)	(4,596)
Profit and total comprehensive income recognised for the year	4,039	985

17. AMOUNT DUE FROM AN ASSOCIATE/A JOINTLY CONTROLLED ENTITY/A FELLOW SUBSIDIARY

All the amounts due from an associate, a jointly controlled entity and a fellow subsidiary are unsecured, interest-free and repayable on demand.

At the end of each reporting period, the Group have the following amounts denominated in foreign currency of the relevant group entities:

	2011 HK$'000	2010 HK$'000
Amount due from an associate denominated in US$	—	6,361
Amount due from a fellow subsidiary denominated in US$	797,590	1,187,877

18. AMOUNT DUE FROM/(TO) ULTIMATE HOLDING COMPANY

The amount due from the ultimate holding company bears fixed interest rate at 0.36% per annum for the year ended 31 December 2011 and 2010 respectively, is unsecured and repayable on demand.

The amount due to the ultimate holding company is unsecured, bears fixed interest rate at 5.60% to 7.98% and 4.86% to 7.84% per annum for the year ended 31 December 2011 and 2010 respectively.

19. STOCK OF PROPERTIES

	2011	2010
	HK$'000	HK$'000
Completed properties	8,866	137,087
Properties under development	4,976,491	2,718,107
	4,985,357	2,855,194

Included in the amounts are properties under development for sale of HK$2,940 million and HK$1,444 million, which are not expected to be realised within twelve months after the end of each reporting period at 31 December 2011 and 2010 respectively.

20. OTHER RECEIVABLES

	2011	2010
	HK$'000	HK$'000
Other receivables	51,363	23,011
PRC taxes prepaid	68,479	101,636
	119,842	124,647

In light of the deposits nature of the balance and subsequent settlement position, the management of the Group believes that there is no further allowance other than the impairment loss of HK$1,298,000 and HK$807,000, provided against other receivables for the year ended 31 December 2011 and 2010 respectively. As at 31 December 2011, included in the other receivables approximately HK$4,907,000 (2010: nil) is denominated in US$.

21. BANK BALANCES AND CASH/PLEDGED BANK DEPOSITS

Bank balances and pledged bank deposits both carry interest at market rates which range from 0.05% to 0.5% and 0.05% to 0.2% per annum for the year ended 31 December 2011 and 2010 respectively.

At the end of each reporting period, the Group have the following bank balances and cash denominated in foreign currency:

	2011	2010
	HK$'000	HK$'000
Bank balances and cash denominated in US$	1,460,430	1,197,685

22. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade and other payables presented based on invoice date at the end of the reporting period:

	2011	2010
	HK$'000	HK$'000
Trade payables, aged		
0–30 days	210,211	12,928
31–90 days	45,975	16,483
Over 90 days	270,575	189,764
	526,761	219,175
Other payables	212,070	59,706
PRC other taxes payable	2,743	3,803
	741,574	282,684

Other payables mainly represent intention money received from potential investors for participation in property development projects of a fellow subsidiary at 31 December 2011 and of the Group at 31 December 2010, deposit payable, retention payable and accrued expenses.

At the end of each reporting period, the Group have the following trade and other payables denominated in foreign currency:

	2011	2010
	HK$'000	HK$'000
Trade and other payables denominated in US$	114,335	6,575

23. AMOUNTS DUE TO FELLOW SUBSIDIARIES

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

24. AMOUNTS DUE TO NON-CONTROLLING INTERESTS

The amounts due to non-controlling interests were unsecured, interest-free and repayable on demand.

25. SHARE CAPITAL

	Number of shares	Nominal value
	'000	HK$'000
Authorised		
Ordinary shares of HK$1 each		
At 31 December 2011 and 31 December 2010	1,000	1,000
Issued and fully paid		
At 31 December 2011 and 31 December 2010	1,000	1,000

Share option scheme

The directors of the Company are also directors of Gemdale. The Gemdale's share incentive scheme (the "Share Incentive Scheme") was adopted pursuant to a resolution passed on 19 March 2010 for the primary purpose of providing incentives to certain directors, senior management and other key personnel (the "Eligible Participants") of Gemdale and its subsidiaries. This Share Incentive Scheme is in force for a term of seven years. On 19 March 2010, the number of shares granted under the Share Incentive Scheme was 99,370,000 shares. Every selected member would receive 20% of the entitlement for every year from the first year to the fifth year.

Gemdale granted options to the Eligible Participants who subject to the satisfaction of conditions stipulated by the Share Incentive Scheme, as planned, to subscribe for shares of Gemdale. The exercise price for each option was Renminbi ("RMB") 14.12 per share. According to the Black-Scholes Model, the fair value of the option as at the grant date was RMB5.26 per share. After the issue of stock dividends by converting share premium of Gemdale into share capital of Gemdale in 2010, the exercise price was adjusted to RMB7.79 per share and the number of share options granted was adjusted to 178,866,000 shares.

Details of options granted to the Eligible Participants of Gemdale are as follows:

Date of grant	Vesting period	Exercisable period	Number of options outstanding at 31 December 2011	Number of options outstanding at 31 December 2010
19 March 2010.	19 March 2010 to 18 March 2011	19 March 2011 to 19 March 2017	4,867,200	5,389,200
19 March 2010.	19 March 2010 to 18 March 2012	19 March 2012 to 19 March 2017	4,867,200	5,389,200
19 March 2010.	19 March 2010 to 18 March 2013	19 March 2013 to 19 March 2017	4,867,200	5,389,200
19 March 2010.	19 March 2010 to 18 March 2014	19 March 2014 to 19 March 2017	4,867,200	5,389,200
19 March 2010.	19 March 2010 to 18 March 2015	19 March 2015 to 19 March 2017	4,867,200	5,389,200
			24,336,000	26,946,000

The following table discloses movements of the Gemdale 's share options held by the directors and employees during the year:

Date of grant	Adjusted exercise price per share	Number of shares under options granted: Outstanding at 1 January 2011	Movements during the year: Granted	Movements during the year: Cancelled	At 31 December 2011: Outstanding	At 31 December 2011: Exercisable	Closing price of shares at date of exercise
	RMB						RMB
Directors:							
19 March 2010. .	7.79	16,254,000	—	—	16,254,000	3,250,800	N/A
Employees:							
19 March 2010. .	7.79	10,692,000	—	(2,610,000)	8,082,000	1,616,400	N/A
Total		26,946,000	—	(2,610,000)	24,336,000	4,867,200	N/A

Date of grant	Adjusted exercise price per share	Number of shares under options granted: Outstanding at 1 January 2010	Movements during the year: Granted	Movements during the year: Cancelled	At 31 December 2010: Outstanding	At 31 December 2010: Exercisable	Closing price of shares at date of exercise
	RMB						RMB
Directors:							
19 March 2010. .	7.79	—	16,254,000	—	16,254,000	—	N/A
Employees:							
19 March 2010. .	7.79	—	10,692,000	—	10,692,000	—	N/A
Total		—	26,946,000	—	26,946,000	—	N/A

No share options were exercised during the year ended 31 December 2011and 2010. The number of share options outstanding at 31 December 2011and 2010 was 24,336,000 and 26,946,000 respectively. The estimated aggregate fair value of the options granted on 19 March 2010 was approximately HK$109,542,000.

The fair value was calculated using the Black-Scholes Pricing Model. The inputs into the model were as follows:

Closing price of the Gemdale's shares on grant date	RMB13.96
Exercise price	RMB14.12
Expected volatility	42.32%
Expected option life	5 years
Risk-free interest rate.	2.69%
Expected dividend yield	0.75%

Expected volatility was determined by using the historical volatility of the Gemdale's share price over the past 5 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.

26. BORROWINGS

	2011 HK$'000	2010 HK$'000
Bank loans	7,306,402	4,494,781
Secured	233,165	93,398
Unsecured	7,073,237	4,401,383
	7,306,402	4,494,781
Carrying amount of bank loans that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	7,306,402	4,494,781

The secured loans are secured by equity interests in certain subsidiaries.

As at 31 December 2011 and 2010, the Group has been granted uncommitted revolving loan facilities to the extent of approximately HK$8,971,564,000 and HK$5,505,815,000 respectively by a bank to support the Group's investment activities and general working capital requirements. These bank loans are supported by corporate counter-guarantee given by the ultimate holding company. The bank loans are denominated in US$, bear interest at LIBOR plus certain spreads per annum and are repayable within three years from the withdrawal date of loan principal. The effective interest rate is 2.47% and 1.72% per annum for the year ended 31 December 2011 and 2010 respectively. As at 31 December 2011 and 2010, these facilities were utilised to the extent of approximately HK$7,073,237,000 and HK$4,401,383,000 respectively. As at 31 December 2011 and 2010, the Group has available uncommitted unutilised loan facilities of approximately HK$1,898,327,000 and HK$1,104,432,000 respectively.

At the end of each reporting period, the Group's bank loans denominated in foreign currency were as below:

	2011 HK$'000	2010 HK$'000
Borrowings denominated in US$	7,111,402	4,494,781

27. DEFERRED TAX

The following is the analysis of the deferred tax balances for reporting purposes:

	2011 HK$'000	2010 HK$'000
Deferred tax assets	56,713	11,558
Deferred tax liabilities	(50,318)	(15,242)
	6,395	(3,684)

The following are the major deferred tax assets (liabilities) recognised by the Group and movements thereon during the current and prior years.

	General allowance for doubtful debts	Unused tax losses	Undistributed profits of associates and subsidiaries	Effect of capitalisation of interest	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2010 . . .	125	15,045	(4,894)	(20,713)	(10,437)
(Charge) credit to profit or loss *(note 12)*.	(27)	11,250	(4,603)	(3,071)	3,549
Disposal of subsidiary	(99)	(14,974)	—	18,039	2,966
Exchange adjustment .	1	237	—	—	238
At 31 December 2010.	—	11,558	(9,497)	(5,745)	(3,684)
(Charge) credit to profit or loss *(note 12)*.	—	47,243	(24,241)	(10,835)	12,167
Acquisition of subsidiaries *(note 28)*.	—	477	—	—	477
Disposal of subsidiary *(note 29)*.	—	(2,577)	—	—	(2,577)
Exchange adjustment .	—	12	—	—	12
At 31 December 2011.	—	56,713	(33,738)	(16,580)	6,395

28. ACQUISITION OF SUBSIDIARIES

On 11 November 2011, the Company entered into an agreement with independent third parties for the acquisition of 100% interest in Taurus Holding Limited, Taurus Investment Limited and Dalian Tianyi Real Estate Development Co., Ltd. for a total cash consideration of USD2,000. The acquirees are mainly engaged in property development. The transaction is accounted for as acquisition of assets.

The net assets acquired in the transaction are as follows:

	HK$'000
Stock of properties	601,850
Other receivables	675
Deferred tax assets	477
Bank balances and cash.	9,133
Trade and other payables	(612,120)
Net assets acquired	15
Total consideration, satisfied by cash	15
Net cash outflow arising on acquisition:	
Consideration paid.	15
Less: bank balances and cash acquired.	(9,133)
Cash outflow arising on acquisition	(9,118)

29. DISPOSALS OF INTERESTS IN SUBSIDIARIES

(a) During the year ended 31 December 2011, the Company disposed of 49% and 30% equity interests in two wholly-owned subsidiaries, Glory Investment Management Limited and Glory Commercial Limited, to an independent third party at a consideration of approximately HK$412,234,000 and HK$2,000 respectively, resulting in an excess of consideration over net assets disposed amounting to HK$20,751,000 recognised in the consolidated statement of changes in equity. The Group still retains control over these two subsidiaries.

(b) During the year ended 31 December 2011, a subsidiary, in which the Group and non-controlling interests respectively hold 51% and 49% equity interests, disposed of 100% equity interest in Shenyang Gemdale Hongye Real Estate Development Co., Ltd. for a consideration of HK$231,639,000 to a fellow subsidiary of the Company, resulting in the gain on disposal of HK$76,604,000 recognised in the consolidated statement of changes in equity. Shenyang Gemdale Hongye Real Estate Development Co., Ltd. then ceased to be a subsidiary of the Company.

The aggregate net assets of Shenyang Gemdale Hongye Real Estate Development Co., Ltd. at the date of disposal were as follows:

	HK$'000
Property, plant and equipment	148
Deferred tax assets	2,577
Stock of properties	308,997
Amounts due from fellow subsidiaries	9
Other receivables	35,827
Prepaid income tax	23,788
Bank balances and cash	410,683
Trade and other payables	(33,287)
Pre-sales deposits	(581,799)
	166,943
The gain on disposal is calculated as follows:	
Cash consideration	231,639
Release of translation reserve	11,908
	243,547
Net assets of subsidiary disposed of	(166,943)
Gain on disposal recognised in equity	76,604
Gain on disposal recognised in equity attributable to:	
Owners of the Company	39,068
Non-controlling interests	37,536
	76,604
Net cash inflow arising on disposal:	
Cash consideration received	231,639
Less: bank balances and cash disposed of	(410,683)
Cash outflow from disposal of subsidiary	(179,044)

The disposed subsidiary had insignificant contribution to the Group's revenue, profit, operating, investing and financing cash flows for the year ended 31 December 2011.

(c) For the year ended 31 December 2010, the Company disposed of 49% and 45% equity interests in two subsidiaries, Noble Commercial Company Limited and Allwin Commercial Limited, to an independent third party at a consideration of approximately HK$4,000 and HK$3,000 respectively. An amount of HK$191,000 representing the sum between the disposal proceeds and the net liabilities attributable to non-controlling interests of HK$184,000 has been recognised directly in equity. The Group still retains control over these two subsidiaries.

(d) For the year ended 31 December 2010, the Group disposed of 75% equity interest in a subsidiary, Shenyang Gemdale Changqing Property Investment Co., Ltd., to a fellow subsidiary of the Company, Shenyang Gemdale Tianbang Real Estate Development Co., Ltd. at a cash consideration of approximately HK$1,191,745,000 resulting in the gain on disposal amounting to HK$33,359,000 recognised in the consolidated statement of changes in equity. At the date of disposal, the fair value of the 25% retained interest in Shenyang Gemdale Changqing Property Investment Co., Ltd. approximated its carrying amount of the net asset value of this associate attributable to the Group.

The aggregate net assets of the subsidiary at the date of disposal were as follows:

	HK$'000
Property, plant and equipment	2,420
Deferred tax liabilities	(2,966)
Stock of properties	2,644,271
Prepayments and other receivables	58,828
Bank balances and cash	44,741
Trade and other payables	(164,642)
Pre-sales deposits	(940,210)
Amount due to ultimate holding company	(13,462)
Tax prepaid	5,988
Net assets disposed of	1,634,968
The gain on disposal is calculated as follows:	
Consideration	1,191,745
Release of translation reserve	67,840
Interest in associate	408,742
	1,668,327
Net assets of subsidiary disposed of	(1,634,968)
Gain on disposal recognised in the consolidated statement of changes in equity	33,359
Net cash outflow arising on disposal:	
Cash consideration received	3,868
Less: bank balances and cash disposed of	(44,741)
	(40,873)

The disposed subsidiary had insignificant contribution to the Group's revenue, profit, operating, investing and financing cash flows for the year ended 31 December 2010.

30. GOODWILL

	2011 & 2010
	HK$'000
COST	
At 31 December	3,450

At the end of the reporting period, the amount represents goodwill arising from acquisition of subsidiaries, including the entire equity interests in Dignity Commercial Company Limited, Kudos International Company Limited and Gemdale Corporation (Shenyang) Property Co., Ltd, Dignity Commercial Company Limited and Kudos International Company Limited are principally engaged in investment holding while Gemdale Corporation (Shenyang) Property Co., Ltd is principally engaged in residential property development.

At the end of each reporting period, management determines that there is no impairment of goodwill based on the estimated recoverable amount of the cash-generating units to which the goodwill relates. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of cash generating units to exceed its aggregate recoverable amount.

31. CASH AND CASH EQUIVALENTS

For the purposes of the consolidated statement of cash flows, cash and cash equivalents include cash on hand and in banks. Cash and cash equivalents at the end of the reporting period as shown in consolidated statement of cash flows can be reconciled to the related items in the consolidated statement of financial position as follows:

	2011	2010
	HK$'000	HK$'000
Bank balances and cash	3,574,861	2,470,672
Less: restricted bank deposits	(299)	(299)
	3,574,562	2,470,373

32. OPERATING LEASE COMMITMENTS

The Group as lessee

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

	2011	2010
	HK$'000	HK$'000
Within one year	–	360

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated and rentals are fixed.

33. PROJECT AND OTHER COMMITMENTS

At the end of each reporting period, the Group had the following commitments contracted but not provided for in the consolidated financial statements:

	2011	2010
	HK$'000	HK$'000
Commitment for the property development projects	829,379	316,826

34. RETIREMENT BENEFITS SCHEME

The Group's full-time employees are covered by a government sponsored defined contribution pension scheme, and are entitled to a monthly pension from their retirement dates. The PRC government is responsible for the pension liability to these retired employees. The Group is required to make annual contributions of HK$1,497,000 and HK$1,605,000 to the retirement plan at a rate of 18% to 22% of employees' basic salaries for the year ended 31 December 2011 and 2010 respectively.

35. RELATED PARTY TRANSACTIONS AND BALANCES

Other than the transactions and balances disclosed elsewhere in these consolidated financial statements, the Group entered into the following material related party transactions:

(a) At 31 December 2011 and 2010, the Company's ultimate holding company provided guarantees to banks for bank loans made to the Group to the extent of approximately HK$7,306 million and HK$4,495 million respectively.

(b) For the year ended 31 December 2010, the Company's subsidiary, Gemdale (Foshan) Real Estate Development Co., Ltd., paid trademark right expenses of approximately HK$25,380,000 (2011: nil) to the ultimate holding company.

(c) For the year ended 31 December 2011 and 2010, the following subsidiaries of the Company paid interests to the ultimate holding company as follows:

	2011	2010
	HK$'000	HK$'000
Wensheng (Tianjing) Investment Management Co., Ltd.	1,418	—
Shenyang Gemdale Hongye Real Estate Development Co., Ltd.	—	1,028
Shenyang Gemdale Quansheng Real Estate Development Co., Ltd.	2,758	15,455
Shenyang Gemdale Shicheng Real Estate Development Co., Ltd.	—	3,321
Dalian Rongyao Real Estate Development Co., Ltd.	797	3,064
Shenyang Rongyao Real Estate Development Co., Ltd.	30,634	2,050
	35,607	24,918

(d) For the year ended 31 December 2011 and 2010, the Group received interest income of approximately HK$5,341,000 and HK$1,837,000 respectively from the ultimate holding company.

(e) No emoluments were paid to the directors and other key management personnel of the Company for the year ended 31 December 2011 and 2010. The emoluments of the directors and other key management personnel were borne by the ultimate holding company.

36. PARTICULARS OF SUBSIDIARIES

The following are the particulars of the principal subsidiaries at 31 December 2011 and 2010 which, in the opinion of the directors, principally affected the results, assets or liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Name of entity	Paid up issued ordinary held by the Company	Proportion of nominal value of issued ordinary/ registered capital/ registered capital 2011	2010	Principal activities
		%	%	
Gemdale Corporation (Shenyang) Property Co., Ltd.#	US$37,700,000	100	100	Property development
Gemdale (Foshan) Real Estate Development Co., Ltd.#	US$43,800,000	100	51	Property development
Shenyang Gemdale Hongye Real Estate Development Co., Ltd.# *(see note 29(b))*	US$10,000,000	—	51	Property development
Shenyang Gemdale Shicheng Real Estate Development Co., Ltd.#	US$37,000,000	100	100	Property development
Shenyang Gemdale Quansheng Real Estate Development Co., Ltd.#	US$72,000,000	55	55	Property development
Dalian Rongyao Real Estate Development Co., Ltd.#	US$60,000,000	70	100	Property development
Shenyang Rongyao Real Estate Development Co., Ltd.#	US$7,000	51	100	Property development
Dalian Tianyi Real Estate Development Co., Ltd.#	US$77,000,000	100	—	Property development

These companies are incorporated in the PRC and these English names are translated from the official Chinese names and not the legal names.

Deloitte.
德勤

To the Directors of Famous Commercial Limited
輝煌商務有限公司
(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Famous Commercial Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 3 to 52, which comprise the consolidated statements of financial position as at 31 December 2010 and 2009, and consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the two years ended 31 December 2010, 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 International Financial Reporting Standards, 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 our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2010 and 2009, and of the Group's profit and cash flows for each of the two years ended 31 December 2010 in accordance with International Financial Reporting Standards.

Deloitte Touche Tohmatsu CPA Ltd.
Shenzhen Branch

16 July 2012

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended 31 December 2010 and 2009

	Notes	2010 HK$'000	2009 HK$'000	2008 HK$'000
Turnover	7	959,930	1,608,458	644,043
Cost of sales		(721,193)	(1,403,887)	(488,890)
Gross profit		238,737	204,571	155,153
Other income	9	24,608	3,822	3,134
Other gains and losses	11	(19,764)	(2,107)	16,381
Other expenses		(521)	(91)	(18)
Selling and distribution costs		(40,687)	(52,943)	(56,285)
Administrative expenses		(91,797)	(48,221)	(18,625)
		110,576	105,031	99,740
Share of profits (losses) of associates	15	43,566	18,839	(8,081)
Finance costs	10	(37,409)	(4,707)	(3,472)
Profit before tax		116,733	119,163	88,187
Income tax expense	12	(81,405)	(36,744)	(58,325)
Profit for the year	13	35,328	82,419	29,862
Other comprehensive income:				
Exchange differences arising on translation of foreign operations		89,053	5,263	82,425
Total comprehensive income for the year		124,381	87,682	112,287
Profit (loss) for the year attributable to:				
Owners of the Company		14,075	26,639	38,725
Non-controlling interests		21,253	55,780	(8,863)
		35,328	82,419	29,862
Total comprehensive income attributable to:				
Owners of the Company		89,406	31,637	110,705
Non-controlling interests		34,975	56,045	1,582
		124,381	87,682	112,287

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

At 31 December 2010 and 2009

	Notes	2010 HK$'000	2009 HK$'000	2008 HK$'000
Non-current Assets				
Property, plant and equipment	14	1,261	3,574	3,287
Interests in associates	15	939,246	67,678	48,839
Goodwill	29	3,450	3,450	3,450
Deferred tax assets	27	11,558	15,170	8,462
		955,515	89,872	64,038
Current Assets				
Stock of properties	19	2,855,194	3,723,023	3,607,620
Other receivables	20	124,647	72,959	40,349
Deposits and prepayments		11,271	271,812	155,077
Amount due from ultimate holding company	18	842,594	508,087	—
Amount due from a fellow subsidiary	17	1,187,877	—	—
Amount due from an associate	17	6,361	—	7,696
Amount due from a jointly controlled entity	17	8,408	9,526	—
Tax prepaid		90,026	50,053	22,083
Pledged bank deposits	21	299	298	296
Bank balances and cash	21	2,470,373	519,967	244,358
		7,597,050	5,155,725	4,077,479
Current Liabilities				
Trade and other payables	22	282,684	419,254	215,370
Pre-sales deposits		2,235,818	1,353,545	602,937
Amount due to ultimate holding company	18	561,451	334,856	797,173
Amounts due to fellow subsidiaries	23	789	4,874	1,087
Tax payables		16,066	726	11,407
Amounts due to non-controlling interests	24	300,989	315,005	314,799
Borrowings — due within one year	26	4,494,781	2,405,481	1,778,242
		7,892,578	4,833,741	3,721,015
Net Current (Liabilities) Assets		(295,528)	321,984	356,464
		659,987	411,856	420,502

	Notes	2010 HK$'000	2009 HK$'000	2008 HK$'000
Capital and Reserves				
Share capital	25	1,000	1,000	1,000
Reserves		305,877	242,097	210,460
Equity attributable to owners of the Company		306,877	243,097	211,460
Non-controlling interests		337,868	50,093	(5,952)
Total Equity		644,745	293,190	205,508
Non-current Liabilities				
Borrowings — due after one year	26	—	93,059	195,830
Deferred tax liabilities	27	15,242	25,607	19,164
		15,242	118,666	214,994
		659,987	411,856	420,502

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Years ended 31 December 2010 and 2009

	Attributable to owners of the Company							
	Share capital	Translation reserve	Other reserve	Statutory surplus reserve	Retained profits	Total	Non-controlling interests	Total
	HK$'000	HK$'000	HK$'000 (note a)	HK$'000 (note b)	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2008	1,000	51,999	—	—	43,211	96,210	(7,534)	88,676
Profit (loss) for the year	—	—	—	—	38,725	38,725	(8,863)	29,862
Net exchange differences arising on translation	—	71,980	—	—	—	71,980	10,445	82,425
Total comprehensive income for the year	—	71,980	—	—	38,725	110,705	1,582	112,287
Disposal of associates	—	—	4,545	—	—	4,545	—	4,545
At 31 December 2008	1,000	123,979	4,545	—	81,936	211,460	(5,952)	205,508
Profit for the year	—	—	—	—	26,639	26,639	55,780	82,419
Net exchange differences arising on translation	—	4,998	—	—	—	4,998	265	5,263
Total comprehensive income for the year	—	4,998	—	—	26,639	31,637	56,045	87,682
Transfer to PRC statutory surplus reserve	—	—	—	9,803	(9,803)	—	—	—
At 31 December 2009	1,000	128,977	4,545	9,803	98,772	243,097	50,093	293,190
Profit for the year	—	—	—	—	14,075	14,075	21,253	35,328
Net exchange differences arising on translation	—	75,331	—	—	—	75,331	13,722	89,053
Total comprehensive income for the year	—	75,331	—	—	14,075	89,406	34,975	124,381
Issuance of share capital of a subsidiary	—	—	—	—	—	—	251,363	251,363
Changes in ownership interests in subsidiaries	—	—	191	—	—	191	(184)	7
Disposal of a subsidiary	—	(67,840)	33,359	—	—	(34,481)	—	(34,481)
Recognition of equity-settled share-based payments	—	—	8,664	—	—	8,664	1,621	10,285
Transfer to PRC statutory surplus reserve	—	—	—	17,481	(17,481)	—	—	—
At 31 December 2010	1,000	136,468	46,759	27,284	95,366	306,877	337,868	644,745

Note a: The other reserve represents the gain on disposal of associates to ultimate holding company and considered as deemed contribution, the impact of changes in the Group's interest in subsidiaries that do not result in a loss of control and gain on disposal of a subsidiary to fellow subsidiary, and the impact of recognition of equity-settled share-based payments.

Note b: Statutory surplus reserve of the Group represents general and development fund reserve applicable to subsidiaries which are established in accordance with the relevant regulations in the People's Republic of China (the "PRC").

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years ended 31 December 2010 and 2009

	2010	2009	2008
	HK$'000	HK$'000	HK$'000
OPERATING ACTIVITIES			
Profit before tax	116,733	119,163	88,187
Adjustments for:			
Share of profits of associates	(43,566)	(18,839)	8,081
Share-based payment expenses	10,285	—	—
Interest expenses	37,409	4,707	3,472
Depreciation of property plant and equipment	793	1,590	833
Interest income	(15,198)	(2,084)	(2,765)
Impairment loss recognised in respect of other receivables	807	277	261
Loss on disposal of property, plant and equipment	—	5	20
Operating cash flows before movements in working capital	107,263	104,819	98,089
Increase in stock of properties	(1,631,087)	(14,075)	(1,545,450)
Decrease (increase) in other receivables, deposits and prepayments	151,449	(149,622)	(174,875)
(Increase) decrease in restricted bank balances	(1)	(2)	29
(Decrease) increase in amounts due to fellow subsidiaries	(4,085)	3,787	1,087
Increase in trade and other payables	20,408	203,884	191,752
Increase in pre-sales deposits	1,769,458	750,608	284,485
Cash generated from (used in) operations	413,405	899,399	(1,144,883)
Interest paid	(79,233)	(99,587)	(128,841)
Interest received	15,198	2,084	2,765
Income taxes paid	(115,369)	(75,666)	(46,935)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	234,001	726,230	(1,317,894)

	Notes	2010 HK$'000	2009 HK$'000	2008 HK$'000
INVESTING ACTIVITIES				
Purchase of property, plant and equipment		(851)	(1,875)	(1,533)
Disposal of subsidiary	28	(40,873)	—	—
Disposal of associates		—	—	38,265
Repayment from an associate		—	7,696	—
Advances to an associate		(6,361)	—	(7,696)
Advances to a jointly controlled entity		—	(9,526)	—
Repayment from a jointly controlled entity		1,118	—	—
Acquisition of associates		(419,508)	—	—
Advance to ultimate holding company		(310,304)	(508,087)	—
Dividend received from associates		—	—	31,033
Dividend received from former associates		—	—	52,966
Net proceeds on disposal of property, plant and equipment		—	—	61
NET CASH (USED IN) FROM INVESTING ACTIVITIES		(776,779)	(511,792)	113,096
FINANCING ACTIVITIES				
Disposal of partial interests in subsidiaries		7	—	—
New bank loans raised		2,017,162	732,867	1,406,766
Repayment of bank loans		(20,921)	(208,400)	(859,785)
Repayment to ultimate holding company		(32,881)	(493,377)	(34,054)
Advance from ultimate holding company		244,102	29,934	425,539
Contributions from non-controlling interests of subsidiaries		251,363	—	—
Advance from (repayment to) non-controlling interests of subsidiaries		(14,016)	206	(2,066)
NET CASH FROM (USED IN) FINANCING ACTIVITIES		2,444,816	61,230	936,400
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		1,902,038	275,668	(268,398)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		519,967	244,358	503,711
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		48,368	(59)	9,045
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	30	2,470,373	519,967	244,358

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended 31 December 2010 and 2009

1. GENERAL

The Company is a company with limited liability incorporated in Hong Kong. The Company's immediate and ultimate holding company is Gemdale Corporation ("Gemdale"), which is established in the People's Republic of China (the "PRC") with limited liability and its shares are listed on Shanghai Stock Exchange. The registered office and principal place of business of the Company is situated at 5/F, Heng Shan Centre, 145 Queen's Road East, Wanchai, Hong Kong.

The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in investment holding and property development.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company. The consolidated financial statements are prepared solely for the information of the board of directors of the Company for the purpose of the issue of bonds by a subsidiary of the Company.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSS")

In the current year, the Group has applied a number of new and revised standards and amendments ("new and revised IFRSs") issued by the International Accounting Standards Board ("IASB") and interpretations ("IFRIC-Int") issued by the International Financial Reporting Interpretation Committee of IASB.

The adoption of the new and revised IFRSs and IFRIC-Int has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

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

IFRSs (Amendments)	Improvement IFRSs 2010[1]
IFRSs (Amendments)	Annual Improvements to IFRSs 2009–2011 Cycle[8]
IAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[7]
IAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[6]
IAS 19 (Revised 2011)	Employee Benefits[8]
IAS 24 (Revised 2009)	Related Party Disclosures[4]
IAS 27 (Revised 2011)	Separate Financial Statements[8]
IAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[8]
IAS 32 (Amendment)	Offsetting Financial Assets and Financial Liabilities[9]
IFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[5]
IFRS 1 (Amendments)	Government Loans[8]
IFRS 1 (Amendments)	Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters[3]
IFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets[5]
IFRS 7 (Amendments)	Disclosures — Offsetting Financial Assets and Financial Liabilities[8]
IFRS 9	Financial Instruments[10]

IFRS 9 and IFRS 7 (Amendments)	Mandatory Effective Date of IFRS 9 and Transition Disclosures[10]
IFRS 10	Consolidated Financial Statements[8]
IFRS 10, IFRS 11 and IFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[8]
IFRS 11	Joint Arrangements[8]
IFRS 12	Disclosure of Interests in Other Entities[8]
IFRS 13	Fair Value Measurement[8]
IFRIC 14 (Amendments)	Prepayments of a Minimum Funding Requirement[4]
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments[3]
IFRIC 20	Striping Costs in the Production Phase of a Surface Mine[8]

1 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate
2 Effective for annual periods beginning on or after 1 February 2010
3 Effective for annual periods beginning on or after 1 July 2010
4 Effective for annual periods beginning on or after 1 January 2011
5 Effective for annual periods beginning on or after 1 July 2011
6 Effective for annual periods beginning on or after 1 January 2012
7 Effective for annual periods beginning on or after 1 July 2012
8 Effective for annual periods beginning on or after 1 January 2013
9 Effective for annual periods beginning on or after 1 January 2014
10 Effective for annual periods beginning on or after 1 January 2015

IFRS 9 "Financial Instruments" (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. IFRS 9 "Financial Instruments" (as revised in October 2010) adds requirements for financial liabilities and for derecognition.

- Under IFRS 9, all recognised financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at either 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 accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under IFRS 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 presentation 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. Previously, under IAS 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 application of IFRS 9 may have an impact on amounts reported in respect of the Group's financial assets and financial liabilities and the management of the Group is in the process of ascertaining the financial impact.

The five new or revised standards on consolidation, joint arrangements and disclosures were issued by the IASB in June 2011 and are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five new or revised standards are applied early at the same time. The directors of the Company anticipate that these new or revised standards will be applied in the Group's consolidated financial statements for financial year ending 31 December 2013.

IFRS 10 replaces the parts of IAS 27 "Consolidated and Separate Financial Statements" that deal with consolidated financial statements. Under IFRS 10, there is only one basis for consolidation, that is control. In addition, IFRS 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) ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in IFRS 10 to deal with complex scenarios. Overall, the application of IFRS 10 requires extensive judgement.

IFRS 11 replaces IAS 31 "Interests in Joint Ventures and SIC-13 Jointly Controlled Entities — Non-Monetary Contributions by Venturers". IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under IFRS 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 IAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportionate accounting. Accordingly, the application of IFRS11 will result in changes in the accounting for the Group's jointly controlled entities that are currently accounted for using proportional consolidation.

The directors of the Company are in progress of making an assessment of the impact of these new and revised IFRSs upon initial application. However, it is not yet in the position to state whether they would have a significant impact on the Group's result of operation and financial position.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards.

The consolidated financial statements have been prepared on the historical cost basis.

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 and 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.

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 the results in the non-controlling interests having a deficit balance. Prior to 1 January 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

Changes in the Group's ownership interests in existing subsidiaries on or after 1 January 2010

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 of the net assets attributable to the change in interests and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured 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 Company had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings). 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 IAS 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.

Business combinations

Business combinations that took place prior to 1 January 2010

Acquisition of businesses was accounted for using the purchase method. The cost of the acquisition was measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that met the relevant conditions for recognition were generally recognised at their fair value at the acquisition date.

Goodwill arising on acquisition was recognised as an asset and initially measured at cost, being the excess of the cost of the acquisition over the Group's interest in the recognised amounts of the identifiable assets, liabilities and contingent liabilities recognised. If, after assessment, the Group's interest in the recognised amounts of the acquiree's identifiable assets, liabilities and contingent liabilities exceeded the cost of the acquisition, the excess was recognised immediately in profit or loss.

The non-controlling interest in the acquiree was initially measured at the non-controlling interest's proportionate share of the recognised amounts of the assets, liabilities and contingent liabilities of the acquiree.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Interests 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, interests 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 IAS 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 IAS 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 IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

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

Interests in jointly controlled entities

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

The Group reports its interests in jointly controlled entities using proportionate consolidation, except when the investment is classified as held for sale, in which case it is accounted for in accordance with "IFRS 5 Non-current Assets Held for Sale and Discontinued Operations". The Group's share of each of the assets, liabilities, income and expenses of jointly controlled entities are combined with the equivalent items in the consolidated financial statements on a line-by-line basis.

Any goodwill arising on the acquisition of the Group's interest in a jointly controlled entity is accounted for in accordance with the Group's accounting policy for goodwill arising in a business combination

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

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

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a jointly controlled entity. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 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 IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

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

Property, plant and equipment

Property, plant and equipment held for use in the production or supply of goods or services, or for administrative purposes, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment losses on assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. 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. 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, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

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 and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are loans and receivables. 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 financial asset, 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.

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 other receivables, amounts due from ultimate holding company/ a fellow subsidiary/an associate/a jointly controlled entity 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 loss on financial assets below).

Impairment of financial assets

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

For financial assets, 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; or
- the disappearance of an active market for that financial asset because of financial difficulties.

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of amount due from an associate, amount due from ultimate holding company, amount due from a fellow subsidiary and amount due from a jointly controlled entity, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When amount due from an associate, amount due from ultimate holding company, amount due from a fellow subsidiary or amount due from a jointly controlled entity is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

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

Financial liabilities and equity instruments

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

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial liabilities (including trade and other payables, amounts due to ultimate holding company, fellow subsidiaries, non-controlling interests and borrowings) are measured at amortised cost, using the effective interest method.

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 paid or received that form as 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.

Financial guarantee contracts

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

Derecognition

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 expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Stock of completed properties

Stocks of completed properties are stated at the lower of cost and net realisable value. Cost represents land and development costs attributed to the completed properties.

Properties under development

Properties under development which are developed in the ordinary course of business are included in current assets at the lower of cost and net realisable value.

The cost of properties under development comprise land costs, constructions costs, borrowing costs capitalised according to the Group's accounting policy and directly attributable expenses incurred during the development period.

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 functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. 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.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve).

From 1 January 2010 onwards, on the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to 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 lease. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

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 income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and jointly controlled entities except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. 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 the 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. 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. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and service provided in the normal course of business.

Sales of properties

Revenue from sale 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 revenue recognition criteria are included in the consolidated statement of financial position under current liabilities.

Property rentals

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

Interest income

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

Service Income

Service income is recognised when services are provided.

Retirement benefit costs

Payments to state-managed retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results 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 key assumptions concerning the future, and other key sources of estimation uncertainty at the end of 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, are discussed below:

(a) Estimated impairment of other receivables, amounts due from ultimate holding company, a fellow subsidiary, an associate and a jointly controlled entity

Where 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. effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

(b) Impairment for properties under development and completed properties held for sale

Properties under development for sale and completed properties for sale are stated at the lower of the cost and net realisable value with carrying amount. The net realisable value is the estimated selling price less estimated selling expenses and estimated cost of completion (if any), which are determined based on best available information. Where there is any decrease in the estimated selling price arising from any changes to the property market conditions in the PRC, there may be impairment loss recognised on the properties under development for sale and completed properties for sale.

(c) Recognition of deferred tax assets

The amount of the deferred tax assets included in the financial statements of the Group is recognised only to the extent that is probable that future taxable profits will be available against which the temporary differences and unused tax losses can be utilised. The recognition of deferred tax assets requires the Group to make judgement, based on assessment regarding future financial performance, about the amount of future taxable profits and the timing of when these will be realised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred assets and income tax expenses in the periods in which such estimate is changed.

(d) Land Appreciation Tax ("LAT")

PRC LAT is levied on the appreciation of land value, being the proceeds from the sales of properties less deductible expenditure including the amortisation of land use rights, borrowing costs and all property development expenditure.

The subsidiaries engaging in property development business in the PRC are subject to LAT, which have been included in the tax expenses. However, the implementation of these taxes varies amongst various PRC cities and the Group has not finalised its LAT returns with various tax authorities. 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 on the tax expense and provisions for LAT in the period in which such determination is made.

(e) Financial guarantee

For properties under development that are presold, the Group provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of the properties for an amount up to 70% of the purchase price of individual property. These financial guarantee contracts issued by the Group are recognised initially at its fair value less transaction costs and subsequently at the higher of: (i) the amount determined in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with IAS 18 "Revenue". The initial estimation of fair value and the subsequent assessment requires management's estimation of market prices of the relevant properties and probability of default by the property purchasers. If the actual deviates adversely from the management's estimates, a material provision for loss may arise.

5. 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 stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which mainly includes advances from ultimate holding company, non-controlling interests and borrowings disclosed in notes 18, 24 and 26 respectively, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising share capital, reserves and retained profits, and non-controlling interests.

The directors of the Company review the capital structure periodically. As part of this review, the directors of the Company assess budgets of major projects taking into account of the provision of funding. Based on the operating budgets, the directors consider the cost of capital and the risks associated with each class of capital and balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

6. FINANCIAL INSTRUMENTS

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expenses), for each class of financial asset, financial liability and equity instrument are disclosed in note 3 to the financial statements.

a. Categories of financial instruments

	2010	2009	2008
	HK$'000	HK$'000	HK$'000
Financial assets			
Loans and receivables at amortised cost (including cash and cash equivalents)	4,538,924	1,052,075	266,513
Financial liabilities			
Liabilities at amortised cost	5,614,598	3,557,844	3,301,003

b. Financial risk management objectives and policies

The Group's major financial instruments include borrowings, other receivables, trade and other payables, amounts due from/to fellow subsidiaries, amounts due from/to ultimate holding company, amount due from a jointly controlled entity, amounts due to non-controlling interests, amount due from an associate and bank balances and cash. Details of the financial instruments are disclosed in respective notes.

Management monitors and manages the financial risks relating to the Group through internal risk assessment which analyses exposures by degree and magnitude of risks. These risks include market risk (including interest rate risk and currency risk), credit risk and liquidity risk. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

There has been no change to the Group's exposure to these kinds of risks or the manner in which it manages and measures these risks.

(i) *Market risk*

The Group's activities expose it primarily to the financial risks of changes in interest rates and changes in foreign exchange rates.

Interest rate risk

The Group's cash flow interest rate risk relates primarily to its variable-rate borrowings amounting to approximately HK$4,495 million, HK$2,498 million, HK$1,974 million at 31 December 2010, 2009 and 2008, respectively. The variable-rate bank loans with original maturities ranging from one to two years are for financing development of property projects. Increase in interest rates would increase interest expenses. The Group currently does not have interest rate hedging policy. However, management monitors interest rate exposure on dynamic basis and will consider hedging significant interest rate exposure should the need arise. The Group's cash flow interest rate risks are mainly concentrated on the fluctuation of interest rate arising from their United States Dollar ("US$") denominated borrowings. The management considers the exposure to interest rate risk in relation to bank balances is insignificant due to the low level of bank interest rate.

The Group's fair value interest rate risk relates primarily to its corresponding fixed-rate bank deposits. Management will also consider hedging significant interest rate exposure should the need arise.

Interest rate risk sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates on variable-rate borrowings. The analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 100 basis point increase or decrease is used as it represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's profit for the years ended 31 December 2010, 2009 and 2008 would decrease/increase respectively by approximately HK$15,916,000, HK$886,000 and HK$399,000 after capitalising of finance costs in properties under development. This is mainly attributable to the Group's exposure to cash flow interest rates on its variable-rate bank loans.

Currency risk

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuation arise. The Group currently does not have hedging policy in respect of the foreign currency risk. However, the management closely monitors foreign exchange exposure to ensure appropriate measures are implemented on a timely and effective manner.

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

	2010	2009	2008
	HK$'000	HK$'000	HK$'000
Assets			
US$	2,391,923	270,335	53,706
Liabilities			
US$	4,501,356	2,498,540	1,989,654

Currency risk sensitivity analysis

The Group mainly exposes to the currency of US$. The sensitivity analysis includes outstanding foreign currency denominated monetary items. The sensitivity analysis includes external loans as well as loans to foreign operation within the Group where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower. The exposure of US$ against HK$ is considered insignificant as HK$ is pegged to US$.

(ii) ***Credit risk***

As at 31 December 2010, 2009 and 2008, 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 are arising from:

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

- the amount of contingent liabilities in relation to financial guarantees issued by the Group as disclosed in note 33.

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

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

Other than concentration of credit risk on liquid funds as well as amounts due from ultimate holding company, fellow subsidiary, jointly controlled entity and associate, the Group does not have any other significant concentration of credit risk. The Group would closely monitor the financial positions including the net assets backing of ultimate holding company, fellow subsidiary, jointly controlled entity and associate. In addition, the Group reviews the recoverable amounts of the individual debts to ensure that adequate impairment losses are made for the irrecoverable amounts. In this regard, the directors consider that the Group's credit risk is mitigated.

For properties that are presold but development has not been completed, the Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of the properties for an amount up to 70% of the purchase price of individual property. If a purchaser defaults on the payment of its mortgage during the period of guarantee, the bank holding the mortgage may demand the Group to repay the outstanding loan and any interest accrued thereon. Under such circumstances, the Group is able to retain the customer's sales deposit and sell the property to recover any amounts paid by the Group to the bank. In this regard, the management considers that the Group's credit risk is significantly reduced.

(iii) *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 loans and ensures compliance with loan covenants.

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 flat rate at the end of the reporting period.

Liquidity and interest risk tables

	Weighted average effective interest rate	Repayable on demand or less than 1 month	1–3 months	3 months to 1 year	1–2 years	Total undiscounted cash flows	Carrying amount at 31.12.2010
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2010							
Trade and other payables.	–	256,588	–	–	–	256,588	256,588
Amount due to ultimate holding company . .	6.26	561,451	–	–	–	561,451	561,451
Amount dues to fellow subsidiaries	–	789	–	–	–	789	789
Borrowings — variable rate.	1.72	4,494,781	–	–	–	4,494,781	4,494,781
Amounts due to non-controlling interests. . .	–	300,989	–	–	–	300,989	300,989
Financial guarantee contracts	–	–	–	–	–	–	–
		5,614,598	–	–	–	5,614,598	5,614,598

	Weighted average effective interest rate	Repayable on demand or less than 1 month	1–3 months	3 months to 1 year	1–2 years	Total undiscounted cash flows	Carrying amount at 31.12.2010
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2009							
Trade and other payables.	–	404,569	–	–	–	404,569	404,569
Amount due to ultimate holding company . .	6.47	334,856	–	–	–	334,856	334,856
Amounts due to fellow subsidiaries	–	4,874	–	–	–	4,874	4,874
Borrowings — variable rate.	1.53	2,405,481	682	3,067	101,385	2,510,615	2,498,540
Amounts due to non-controlling interests. . .	–	315,005	–	–	–	315,005	315,005
Financial guarantee contracts	–	71,250	–	–	–	71,250	–
		3,536,035	682	3,067	101,385	3,641,169	3,557,844

	Weighted average effective interest rate	Repayable on demand or less than 1 month	1–3 months	3 months to 1 year	1–2 years	Total undiscounted cash flows	Carrying amount at 31.12.2010
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2008							
Trade and other payables	–	213,872	–	–	–	213,872	213,872
Amount due to ultimate holding company	6.58	797,173	–	–	–	797,173	797,173
Amounts due to fellow subsidiaries	–	1,087	–	–	–	1,087	1,087
Borrowings — variable rate	5.27	1,779,156	1,826	8,218	218,263	2,007,463	1,974,072
Amounts due to non-controlling interests	–	314,799	–	–	–	314,799	314,799
Financial guarantee contracts	–	42,930	–	–	–	42,930	–
		3,149,017	1,826	8,218	218,263	3,377,324	3,301,003

Borrowings with a repayment on demand clause are included in the "Repayable on demand or less than 1 month" time band in the above maturity analysis. As at 31 December 2010, 2009 and 2008, the aggregate undiscounted principal amounts of these bank loans amounted to approximately HK$4,494,781,000, HK$2,405,481,000 and HK$1,569,978,000 respectively. Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such borrowings will be repaid from one to three years after the reporting date in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows in respect of borrowings outstanding at 31 December 2010 will amount to approximately HK$4,669,170,000.

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.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is based on interest rates outstanding at the end of the reporting period and 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.

c. Fair value

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

- The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

- The fair value of financial guarantee contracts is determined using option pricing models where the main assumptions are the probability of default by the specified counterparty extrapolated from market-based credit information and the amount of loss, given the default.

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

7. TURNOVER

	2010	2009	2008
	HK$'000	HK$'000	HK$'000
Sales of completed properties	959,930	1,608,458	644,043

8. SEGMENT INFORMATION

Based on the Group's internal organisation framework, administrative needs and internal reporting system, three reporting segments are identified. The Group's executive management, being the chief operating decision maker, periodically evaluates the operating results of these segments for the purposes of allocating resources and assessing performances. The Group's operating and reportable segments based on business in different regions under IFRS 8 are as follows: (i) Shenyang and Dalian Areas, (ii) Foshan Area and (iii) Hong Kong Area. Shenyang and Dalian Areas and Foshan Area segments specialise in sales of properties in those regions and Hong Kong Area is principally engaged in provision of finance for Gemdale group.

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segments:

Year ended 31 December 2010

	Shenyang and Dalian Areas	Foshan Area	Hong Kong Area	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	615,358	344,572	—	959,930
Profit (loss).	107,371	(8,445)	(64,761)	34,165

Year ended 31 December 2009

	Shenyang and Dalian Areas	Foshan Area	Hong Kong Area	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	310,685	1,297,773	—	1,608,458
Profit (loss).	38,599	86,874	(50,824)	74,649

Year ended 31 December 2008

	Shenyang and Dalian Areas	Foshan Area	Hong Kong Area	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	644,043	—	—	644,043
Profit (loss).	109,704	(26,388)	(68,297)	15,019

Reconciliation of reportable segment profit (loss) to the consolidated profit for the year

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3.

Segment profit represents the profit earned by each segment before interest capitalisation on consolidation and without allocation of share of results of associates, other gains and losses, PRC Enterprise Income Tax excluding LAT, and deferred tax. LAT has been allocated into segment results. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

	2010	2009	2008
	HK$'000	HK$'000	HK$'000
Reportable segment profit	34,165	74,649	15,019
Unallocated items:			
Effect of interest capitalisation on consolidation	12,283	24,415	58,435
Share of profits (losses) of associates	43,566	18,839	(8,081)
Other gains and losses	(19,764)	(2,107)	16,381
PRC income tax expenses (excluding LAT)	(34,922)	(33,377)	(51,892)
Consolidated profit for the year	35,328	82,419	29,862

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment:

At 31 December 2010

	Shenyang and Dalian Areas	Foshan Area	Hong Kong Area	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Assets	4,760,877	1,238,727	1,575,731	7,575,335
Liabilities	1,906,574	1,133,900	4,852,104	7,892,578

At 31 December 2009

	Shenyang and Dalian Areas	Foshan Area	Hong Kong Area	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Assets	3,535,732	874,551	666,166	5,076,449
Liabilities	1,206,047	727,970	2,992,783	4,926,800

At 31 December 2008

	Shenyang and Dalian Areas	Foshan Area	Hong Kong Area	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Assets	2,262,733	1,550,126	209,472	4,022,331
Liabilities	615,768	1,015,628	2,285,449	3,916,845

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to reportable segments before the effect of interest capitalisation on consolidation and other than interests in associates, goodwill and deferred tax assets;

- all liabilities are allocated to reportable segments other than deferred tax liabilities.

	2010	2009	2008
	HK$'000	HK$'000	HK$'000
Reportable segment assets	7,575,335	5,076,449	4,022,331
Unallocated items:			
Effect of interest capitalisation on consolidation	22,976	82,850	58,435
Interests in associates	939,246	67,678	48,839
Goodwill	3,450	3,450	3,450
Deferred tax assets	11,558	15,170	8,462
Consolidated total assets	8,552,565	5,245,597	4,141,517
Reportable segment liabilities	7,892,578	4,926,800	3,916,845
Unallocated item:			
Deferred tax liabilities	15,242	25,607	19,164
Consolidated total liabilities	7,907,820	4,952,407	3,936,009

Other segment information

Year ended 31 December 2010

	Shenyang and Dalian Areas	Foshan Area	Hong Kong Area	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Amounts included in the measurement of segment results and segment assets:				
Additions to non-current assets	724	30	97	851
Depreciation and amortisation	463	329	1	793
Impairment loss on receivable recognised in profit	651	116	40	807

Year ended 31 December 2009

	Shenyang and Dalian Areas	Foshan Area	Hong Kong Area	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Amounts included in the measurement of segment results and segment assets:				
Additions to non-current assets	1,866	9	—	1,875
Depreciation and amortisation	971	619	—	1,590
Impairment loss on receivable recognised in profit	192	85	—	277

Year ended 31 December 2008

	Shenyang and Dalian Areas	Foshan Area	Hong Kong Area	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Amounts included in the measurement of segment results and segment assets:				
Additions to non-current assets	1,368	165	—	1,533
Depreciation and amortisation	613	220	—	833
Impairment loss on receivable recognised in profit	244	17	—	261

Note: Non-current assets exclude interests in associates and deferred tax assets.

Revenue from major products and services

An analysis of the Group's turnover for the year from its major products is set out in note 7.

Information about major customers

These were no customers who accounted for over 10% of the Group's revenue for each of the three years ended 31 December 2010.

9. OTHER INCOME

	2010	2009	2008
	HK$'000	HK$'000	HK$'000
Interest income	15,198	2,084	2,765
Government grant	111	182	—
Management fee income	8,756	—	—
Sundry income	543	1,556	369
	24,608	3,822	3,134

10. FINANCE COSTS

	2010	2009	2008
	HK$'000	HK$'000	HK$'000
Interest on borrowings and amount due to ultimate holding company wholly repayable within five years	79,233	99,587	128,841
Less: Capitalised in properties under development for sale	(41,824)	(94,880)	(125,369)
	37,409	4,707	3,472

Borrowing costs of amount due to ultimate holding company capitalised are calculated by applying an average capitalisation rate of 5.56%, 5.31% and 7.13% per annum and borrowing costs of bank loans capitalised are calculated by applying an average capitalisation rate of 1.72%, 1.53% and 5.27% to expenditure on qualifying assets for the year ended 31 December 2010, 2009 and 2008, respectively.

11. OTHER GAINS AND LOSSES

	2010	2009	2008
	HK$'000	HK$'000	HK$'000
Loss on disposal of property, plant and equipment	—	(5)	(20)
Exchange (loss) gain	(19,764)	(2,102)	16,401
Total other gains and losses	(19,764)	(2,107)	16,381

12. INCOME TAX EXPENSE

	2010	2009	2008
	HK$'000	HK$'000	HK$'000
Current tax:			
PRC Enterprise Income Tax ("EIT")	33,105	29,506	29,627
LAT	46,483	3,367	6,433
PRC withholding income tax	5,366	4,130	—
	84,954	37,003	36,060
Deferred tax *(note 27)*:			
Current year	(3,549)	(259)	22,265
Total	81,405	36,744	58,325

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

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

The provision for LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT has been provided at ranges of progressive rates of the appreciation value, with certain allowable deductions.

Details of deferred tax are set out in note 27.

The income tax expense for the years can be reconciled to the profit before tax per the consolidated statements of comprehensive income as follows:

	2010	2009	2008
	HK$'000	HK$'000	HK$'000
Profit before tax	116,733	119,163	88,187
Tax at the applicable tax rates of 25%	29,183	29,791	22,047
LAT	46,483	3,367	6,433
Tax effect of LAT of deductible before income tax *(note)*	(11,621)	(842)	(1,608)
Tax effect of expenses not deductible for tax purpose	18,282	15,995	16,425
Tax effect of income not taxable for tax purpose	—	(274)	(2,599)
Tax effect of tax losses not recognised	—	—	11,052
Utilisation of tax losses previously not recognised	—	(11,052)	—
Tax effect of share of results of associates	(10,891)	(4,710)	2,020
Withholding income tax provision	5,366	4,130	—
Deferred tax on undistributed earnings of PRC subsidiaries and associates	4,603	339	4,555
Income tax expense for the year	81,405	36,744	58,325

Note: In the PRC, the LAT can be deductible before calculating the income tax expense.

13. PROFIT FOR THE YEAR

	2010	2009	2008
	HK$'000	HK$'000	HK$'000
Profit for the year has been arrived at after charging:			
Depreciation of property, plant and equipment	793	1,590	833
Auditors' remuneration	127	96	76
Staff costs including directors' emoluments	40,100	19,792	10,753
Rental expenses in respect of land and buildings under operating leases	2,231	1,939	1,967
Impairment loss recognised in respect of other receivables	807	277	261
Cost of stock of properties recognised as expenses	702,899	1,321,494	455,156

14. PROPERTY, PLANT AND EQUIPMENT

	Note	Office equipment	Electronic equipment	Motor vehicles	Total
		HK$'000	HK$'000	HK$'000	HK$'000
COST					
At 1 January 2008 .		104	1,486	1,311	2,901
Exchange adjustments		7	86	76	169
Additions.		13	869	651	1,533
Disposals		—	(87)	—	(87)
At 31 December 2008		124	2,354	2,038	4,516
Exchange adjustments		—	6	6	12
Additions.		23	186	1,666	1,875
Disposals		—	(20)	—	(20)
At 31 December 2009		147	2,526	3,710	6,383
Exchange adjustments		17	79	60	156
Additions.		594	146	111	851
Disposal of a subsidiary.	28	(32)	(650)	(2,320)	(3,002)
At 31 December 2010		726	2,101	1,561	4,388
DEPRECIATION					
At 1 January 2008 .		15	195	147	357
Exchange adjustments		2	25	18	45
Provided for the year		20	498	315	833
Eliminated on disposals		—	(6)	—	(6)

	Note	Office equipment HK$'000	Electronic equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At 31 December 2008		37	712	480	1,229
Exchange adjustments		—	3	2	5
Provided for the year		23	971	596	1,590
Eliminated on disposals		—	(15)	—	(15)
At 31 December 2009		60	1,671	1,078	2,809
Exchange adjustments		4	60	43	107
Provided for the year		55	351	387	793
Disposal of a subsidiary.	28	(3)	(375)	(204)	(582)
At 31 December 2010		116	1,707	1,304	3,127
CARRYING VALUES					
At 31 December 2010		610	394	257	1,261
At 31 December 2009		87	855	2,632	3,574
At 31 December 2008		87	1,642	1,558	3,287

The above items of property, plant and equipment are depreciated on a straight-line basis over the following useful lives:

Office equipment	5 years
Electronic equipment	3 years
Motor vehicles	4 years

15. INTERESTS IN ASSOCIATES

	2010 HK$'000	2009 HK$'000	2008 HK$'000
Cost of investments, unlisted	862,350	33,402	33,402
Share of post-acquisition profits and other comprehensive income, net of dividends received	76,896	34,276	15,437
	939,246	67,678	48,839

Set out below are the particulars of the principal associates at 31 December 2010, 2009 and 2008 which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors of the Company, result in particulars of excessive length.

Name of entity	Place of incorporation and operations	Proportion of ownership interest	Principal activity
2010:			
Dongguan Gemdale Property Investment Co., Ltd.	PRC	34.9%	Property development
Hangzhou Gemdale Xianghu Real Estate Development Co., Ltd.	PRC	40%	Property development
Shenyang Gemdale Changqing Property Investment Co., Ltd	PRC	25%	Property development
2009:			
Dongguan Gemdale Property Investment Co., Ltd.	PRC	34.9%	Property development
Shenzhen Wensheng Investment Management Co., Ltd.	PRC	50%	Property development
2008:			
Dongguan Gemdale Property Investment Co., Ltd.	PRC	34.9%	Property development

During the year of 2008, the Company disposed of 25% equity interest in each of two associates, Gemdale Corporation Wuhan Real Estate Development Co., Ltd. and Ningbo Jinjie Real Estate Development Co., Ltd., to the ultimate holding company at a cash consideration of approximately HK$23,544,000 and HK$14,721,000 respectively resulting in a gain on disposal of approximately HK$4,545,000 recognised as deemed contribution from ultimate holding company in the consolidated statement of changes in equity.

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

	2010	2009	2008
	HK$'000	HK$'000	HK$'000
Total assets	8,585,792	329,073	447,296
Total liabilities	(5,255,256)	(134,326)	(317,200)
Net assets	3,330,536	194,747	130,096
Group's share of net assets of the associates	939,246	67,678	48,839
Revenue	2,350,444	322,075	266,613
Profits (losses) and total comprehensive income for the year	183,416	54,198	(23,153)
Group's share of profit (loss) and total comprehensive income of the associates for the year	43,566	18,839	(8,081)

16. INTERESTS IN JOINTLY CONTROLLED ENTITIES

Set out below are the particulars of the jointly controlled entities at 31 December 2010, 2009 and 2008.

Name of entity	Proportion of nominal value of share capital held by the Group			Principal activities
	2010	2009	2008	
UBS/Gemdale Investment Management Limited	50%	50%	50%	Investment holding
UBS/Gemdale Investment G.P. Ltd.	50%	N/A	N/A	Investment holding

The summarised financial information in respect of the Group's interests in jointly controlled entities which are accounted for using proportionate consolidation with the line-by-line reporting format is set out below:

	2010	2009	2008
	HK$'000	HK$'000	HK$'000
Current assets	3,561	93	29
Current liabilities	(2,515)	(17)	—
Net assets	1,046	76	29
Revenue recognised in profit or loss	5,581	—	—
Expenses recognised in profit or loss	(4,596)	(19)	(48)
Profits (losses) and total comprehensive income recognised for the year	985	(19)	(48)

17. AMOUNTS DUE FROM AN ASSOCIATE/A JOINTLY CONTROLLED ENTITY/A FELLOW SUBSIDIARY

All the amounts due from an associate, a jointly controlled entity and a fellow subsidiary are unsecured, interest-free and are repayable on demand.

At the end of each reporting period, the Group have the following amounts denominated in foreign currency of the relevant group entities:

	2010	2009	2008
	HK$'000	HK$'000	HK$'000
Amount due from an associate denominated in US$	6,361	—	7,696
Amount due from a jointly controlled entity denominated in US$	—	1,831	—
Amount due from a fellow subsidiary denominated in US$	1,187,877	—	—

18. AMOUNT DUE FROM/(TO) ULTIMATE HOLDING COMPANY

The amount due from the ultimate holding company bears fixed interest rate at 0.36% per annum, is unsecured and repayable on demand.

The amount due to the ultimate holding company is unsecured, bears fixed interest rate at 4.86% to 7.84% per annum and repayable on demand.

19. STOCK OF PROPERTIES

	2010	2009	2008
	HK$'000	HK$'000	HK$'000
Completed properties	137,087	342,635	220,609
Properties under development	2,718,107	3,380,388	3,387,011
	2,855,194	3,723,023	3,607,620

Included in the amounts are properties under development for sale of HK$1,444 million, HK$2,511 million and HK$1,880 million, which are not expected to be realised within twelve months after the end of each reporting period at 31 December 2010, 2009 and 2008 respectively.

20. OTHER RECEIVABLES

	2010	2009	2008
	HK$'000	HK$'000	HK$'000
Other receivables	23,011	14,197	14,163
PRC taxes prepaid	101,636	58,762	26,186
	124,647	72,959	40,349

In light of the nature of the balance and subsequent settlement position, the management of the Group believes that there is no further allowance other than the impairment loss of HK$807,000, HK$277,000 and HK$261,000 provided against other receivables for the year ended 31 December 2010, 2009 and 2008 respectively.

21. BANK BALANCES AND CASH/PLEDGED BANK DEPOSITS

Bank balances and pledged bank deposits both carry interest at market rates which range from 0.05% to 0.2%, 0.8% to 2.8% and 0.01% to 1.71% per annum for the year ended 31 December 2010, 2009 and 2008 respectively.

At the end of each reporting period, the Group have the following bank balances and cash denominated in foreign currency of the relevant group entities:

	2010	2009	2008
	HK$'000	HK$'000	HK$'000
Bank balances and cash denominated in US$	1,197,685	268,504	46,010

22. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade and other payables presented based on the invoice date at the end of the reporting period:

	2010	2009	2008
	HK$'000	HK$'000	HK$'000
Trade payables, aged 0–30 days	12,928	18,176	15,119
31–90 days	16,483	36,352	465
Over 90 days	189,764	265,152	153,211
	219,175	319,680	168,795
Other payables	59,706	94,137	46,276
PRC taxes payable	3,803	5,437	299
	282,684	419,254	215,370

Other payables mainly represent intention money received from potential investors for participation in property development projects, retention payable and accrued expenses.

At the end of each reporting period, the Group have the following trade and other payables denominated in foreign currency of the relevant group entities:

	2010	2009	2008
	HK$'000	HK$'000	HK$'000
Trade and other payables denominated in US$	6,575	–	15,582

23. AMOUNTS DUE TO FELLOW SUBSIDIARIES

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

24. AMOUNTS DUE TO NON-CONTROLLING INTERESTS

The amounts due to non-controlling interests are unsecured, interest-free and repayable on demand.

25. SHARE CAPITAL

	Number of shares	Nominal value
	'000	HK$'000
Authorised		
Ordinary shares of HK$1 each		
At 1 January 2008, 31 December 2008, 31 December 2009 and 31 December 2010	1,000	1,000
Issued and fully paid		
Ordinary shares of HK$1 each		
At 1 January 2008, 31 December 2008, 31 December 2009 and 31 December 2010	1,000	1,000

Share option scheme

The directors of the Company are also directors of Gemdale. The Gemdale's share incentive scheme (the "Share Incentive Scheme") was adopted pursuant to a resolution passed on 19 March 2010 for the primary purpose of providing incentives to certain directors, senior management and other key personnel (the "Eligible Participants") of Gemdale and its subsidiaries. This Share Incentive Scheme is in force for a term of seven years. On 19 March 2010, the number of shares granted under Share Incentive Scheme was 99,370,000 shares. Every selected member would receive 20% of the entitlement for every year from the first year to the fifth year.

Gemdale granted options to the Eligible Participants who subject to the satisfaction of conditions stipulated by the Share Incentive Scheme, as planned, to subscribe for shares of Gemdale. The exercise price for each option was RMB14.12 per share. According to the Black-Scholes Model, the fair value of the option as at the grant date was RMB5.26 per share. After the issue of stock dividends by converting share premium of Gemdale into share capital of Gemdale in 2010, the exercise price was adjusted to RMB7.79 per share and the number of share options granted was adjusted to 178,866,000 shares.

Details of options granted to the Eligible Participants of the Group are as follows:

Date of grant	Vesting period	Exercisable period	Number of options outstanding at 31 December 2010
19 March 2010.	19 March 2010 to 18 March 2011	19 March 2011 to 19 March 2017	5,389,200
19 March 2010.	19 March 2010 to 18 March 2012	19 March 2012 to 19 March 2017	5,389,200
19 March 2010.	19 March 2010 to 18 March 2013	19 March 2013 to 19 March 2017	5,389,200
19 March 2010.	19 March 2010 to 18 March 2014	19 March 2014 to 19 March 2017	5,389,200
19 March 2010.	19 March 2010 to 18 March 2015	19 March 2015 to 19 March 2017	5,389,200
			26,946,000

The following table discloses movements of the Gemdale 's share options held by the directors and employees during the year:

		Number of shares under options granted					
			Movements during the year		At 31 December 2010		
Date of grant	Adjusted exercise price per share	Outstanding at 1 January 2010	Granted	Cancelled	Outstanding	Exercisable	Closing price of shares at date of exercise
	RMB						RMB
Directors:							
19 March 2010	7.79	—	16,254,000	—	16,254,000	—	N/A
Employees:							
19 March 2010	7.79	—	10,692,000	—	10,692,000	—	N/A
Total		—	26,946,000	—	26,946,000	—	N/A

No share options were exercised during the year ended 31 December 2010. The number of share options outstanding at 31 December 2010 was 26,946,000. The estimated aggregate fair value of the options granted on 19 March 2010 was approximately HK$109,542,000.

The fair value was calculated using the Black-Scholes Pricing Model. The inputs into the model were as follows:

Closing price of the Gemdale's shares on grant date	RMB13.96
Exercise price	RMB14.12
Expected volatility	42.32%
Expected option life	5 years
Risk-free interest rate	2.69%
Expected dividend yield	0.75%

Expected volatility was determined by using the historical volatility of the Gemdale's share price over the past 5 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.

26. BORROWINGS

	2010 HK$'000	2009 HK$'000	2008 HK$'000
Bank loans	4,494,781	2,498,540	1,974,072
Secured	93,398	—	404,094
Unsecured	4,401,383	2,498,540	1,569,978
	4,494,781	2,498,540	1,974,072
The bank loans are repayable as follows:			
Within one year	—	—	208,264
More than one year, but not exceeding two years	—	93,059	195,830
	—	93,059	404,094
Carrying amount of bank loans that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	4,494,781	2,405,481	1,569,978
	4,494,781	2,498,540	1,974,072
Less: Amounts classified as current liabilities	(4,494,781)	(2,405,481)	(1,778,242)
Amounts classified as non-current liabilities	—	93,059	195,830

The secured loans are secured by equity interests in certain subsidiaries.

As at 31 December 2010, 2009 and 2008, the Group has been granted uncommitted revolving loan facilities to the extent of approximately HK$5,505,815,000, HK$2,652,180,000 and HK$1,971,564,000, respectively, by a bank to support the Group's investment activities and general working capital requirements. These bank loans are supported by corporate counter-guarantee given by the ultimate holding company. The bank loans are denominated in US$, bear interest at LIBOR plus certain spread per annum and are repayable within five years from the withdrawal date of loan principal. The effective interest rate is 1.72%, 1.53% and 5.27% per annum for the year ended 31 December 2010, 2009 and 2008 respectively. As at 31 December 2010, 2009 and 2008, these facilities were utilised to the extent of approximately HK$4,401,383,000, HK$2,405,481,000 and HK$1,569,978,000 respectively. As at 31 December 2010, 2009 and 2008, the Group has available uncommitted unutilised loan facilities of approximately HK$1,104,432,000, HK$246,699,000 and HK$401,586,000 respectively.

At the end of each reporting period, the Group's bank loans denominated in foreign currency were as below:

	2010	2009	2008
	HK$'000	HK$'000	HK$'000
Borrowings denominated in US$	4,494,781	2,498,540	1,974,072

27. DEFERRED TAX

The following is the analysis of the deferred tax balances for reporting purposes:

	2010	2009	2008
	HK$'000	HK$'000	HK$'000
Deferred tax assets	11,558	15,170	8,462
Deferred tax liabilities	(15,242)	(25,607)	(19,164)
	(3,684)	(10,437)	(10,702)

The following are the major deferred tax assets (liabilities) recognised by the Group and movements thereon during the current and prior years.

	General allowance for doubtful debts	Unused tax losses	Undistributed profits of associates and subsidiaries	Effect of capitalisation of interest	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2008	—	11,121	—	—	11,121
Credit (charge) to profit or loss *(Note 12)*	100	(3,201)	(4,555)	(14,609)	(22,265)
Exchange adjustment	3	439	—	—	442
At 31 December 2008	103	8,359	(4,555)	(14,609)	(10,702)
Credit (charge) to profit or loss *(Note 12)*	22	6,680	(339)	(6,104)	259
Exchange adjustment	—	6	—	—	6
At 31 December 2009	125	15,045	(4,894)	(20,713)	(10,437)
(Charge) credit to profit or loss *(Note 12)*	(27)	11,250	(4,603)	(3,071)	3,549
Disposal of subsidiaries *(Note 28)*	(99)	(14,974)	—	18,039	2,966
Exchange adjustment	1	237	—	—	238
At 31 December 2010	—	11,558	(9,497)	(5,745)	(3,684)

At 31 December 2008, the Group had unused tax losses of approximately HK$44,377,000 available for offset against future profits. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams. The tax losses will expire within five years from the end of the reporting period. These tax losses were utilised during the year ended 31 December 2009.

28. DISPOSALS OF INTERESTS IN SUBSIDIARIES

(a) For the year ended 31 December 2010, the Company disposed of 49% and 45% equity interests in two subsidiaries, Noble Commercial Company Limited and Allwin Commercial Limited, to an independent third party at a consideration of approximately HK$4,000 and HK$3,000 respectively. An amount of HK$191,000 representing the sum between the disposal proceeds and the net liabilities attributable to non-controlling interest of HK$184,000 has been recognised directly in equity. The Group still retains control over these two subsidiaries.

(b) For the year ended 31 December 2010, the Group disposed of 75% equity interest in a subsidiary, Shenyang Gemdale Changqing Property Investment Co., Ltd., to a fellow subsidiary of the Company, Shenyang Gemdale Tianbang Real Estate Development Co., Ltd. at a cash consideration of approximately HK$1,191,745,000 resulting in an excess of consideration over net assets disposed amounting to HK$33,359,000 recognised in the consolidated statement of change in equity. At the date of disposal, the fair value of the 25% retained interest in Shenyang Gemdale Changqing Property Investment Co., Ltd., approximated its carrying amount of the net asset value of this associate attributable to the Group. At 31 December 2010, the consideration to the extent of HK$3,868,000 was settled by this fellow subsidiary. In the opinion of the directors of the Company, the outstanding consideration due from this fellow subsidiary will be settled in 2011.

The aggregate net assets of the subsidiary at the date of disposal were as follows:

	HK$'000
Property, plant and equipment	2,420
Deferred tax liabilities	(2,966)
Stock of properties	2,644,271
Prepayments and other receivables	58,828
Bank balances and cash	44,741
Trade and other payables	(164,642)
Pre-sales deposits	(940,210)
Amount due to ultimate holding company	(13,462)
Tax prepaid	5,988
Net assets disposed of	1,634,968
The gain on disposal is calculated as follows:	
Consideration	1,191,745
Release of exchange translation reserve	67,840
Interest in associate	408,742
	1,668,327
Net assets of subsidiary disposed of	(1,634,968)
Gain on disposal recognised in the consolidated statement of change in equity	33,359
Net cash outflow arising on disposal:	
Cash consideration received	3,868
Less: bank balances and cash disposed of	(44,741)
	(40,873)

During the year, the disposed subsidiary had insignificant contribution to the Group's revenue, profit, operating, investing and financing cash flows.

29. GOODWILL

	2010, 2009 and 2008
	HK$'000
COST	
At 31 December	3,450

At the end of the reporting period, the amount represents goodwill arising from acquisition of subsidiaries, including the entire equity interests in Dignity Commercial Company Limited, Kudos International Company Limited and Gemdale Corporation (Shenyang) Property Co., Ltd, Dignity Commercial Company Limited and Kudos International Company Limited are principally engaged in investment holding while Gemdale Corporation (Shenyang) Property Co., Ltd is principally engaged in residential property development.

At the end of each reporting period, management determines that there is no impairment of goodwill based on the estimated recoverable amount of the cash-generating units to which the goodwill relates. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of cash generating units to exceed its aggregate recoverable amount.

30. CASH AND CASH EQUIVALENTS

For the purposes of the consolidated statements of cash flows, cash and cash equivalents include cash on hand and in banks. Cash and cash equivalents at the end of the reporting period as shown in consolidated statements of cash flows can be reconciled to the related items in the consolidated statements of financial position as follows:

	2010	2009	2008
	HK$'000	HK$'000	HK$'000
Bank balances and cash	2,470,672	520,265	244,654
Less: restricted bank deposits	(299)	(298)	(296)
	2,470,373	519,967	244,358

31. OPERATING LEASE COMMITMENTS

The Group as lessee

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

	2010	2009	2008
	HK$'000	HK$'000	HK$'000
Within one year	360	321	420

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated and rentals are fixed.

32. PROJECT AND OTHER COMMITMENTS

At the end of each reporting period, the Group had the following commitments contracted but not provided for in the consolidated financial statements:

	2010	2009	2008
	HK$'000	HK$'000	HK$'000
Commitment for the property development projects	316,826	936,031	885,551

33. CONTINGENT LIABILITIES

As at 31 December 2010, 2009 and 2008, the outstanding guaranteed amount, which was provided by the Group to banks in respect of the secured bank borrowings to the purchasers of commercial and residential properties sold by the Group, was approximately Nil, HK$71,250,000 and HK$42,930,000 respectively. The directors considered that the fair values of these financial guarantee contracts at their initial recognition and at the end of each reporting period are insignificant on the basis of short maturity periods and low default rates.

34. RETIREMENT BENEFITS SCHEME

The Group's full-time employees are covered by a government sponsored defined contribution pension scheme, and are entitled to a monthly pension from their retirement dates. The PRC government is responsible for the pension liability to these retired employees. The Group is required to make annual contributions HK$1,605,000, HK$1,169,000 and HK$958,000 to the retirement plan at a rate of 18% to 22% of employees' basic salaries.

35. RELATED PARTY TRANSACTIONS AND BALANCES

Other than the transactions and balances disclosed elsewhere in these consolidated financial statements, the Group entered into the following material related party transactions:

(a) At 31 December 2010, 2009 and 2008, the Company's ultimate holding company provided guarantees to banks for bank and other loans made to the Group to the extent of approximately HK$4,495 million, HK$2,499 million and HK$1,974 million, respectively.

(b) For the year ended 31 December 2010, 2009 and 2008, the Company's subsidiary, Gemdale (Foshan) Real Estate Development Co., Ltd., paid trademark right expenses of approximately HK$25,380,000 HK$15,891,000 and nil to the ultimate holding company respectively.

(c) For the year ended 31 December 2010, 2009 and 2008, the following subsidiaries of the Company paid interests to the ultimate holding company as follows:

	2010	2009	2008
	HK$'000	HK$'000	HK$'000
Gemdale (Foshan) Real Estate Development Co., Ltd..	—	30,201	30,917
Shenyang Gemdale Hongye Real Estate Development Co., Ltd	1,028	109	—
Shenyang Gemdale Changqing Property Investment Co., Ltd.	—	16,240	10,847
Shenyang Gemdale Quansheng Real Estate Development Co., Ltd	15,455	—	—
Shenyang Gemdale Shicheng Real Estate	3,321	—	—
Dalian Rongyao Real Estate Development Co., Ltd..	3,064	—	—
Shenyang Rongyao Real Estate Development Co., Ltd	2,050	—	—
	24,918	46,550	41,764

(d) For the year ended 31 December 2010, 2009 and 2008, the Group received interest income of approximately HK$1,837,000, HK$1,278,000 and HK$126,000 from the ultimate holding company.

(e) No emoluments were paid and payable to the directors and other key management personnel of the Company for the year ended 31 December 2010, 2009 and 2008. The emoluments of the directors and other key management personnel were borne by the ultimate holding company.

36. EVENTS AFTER THE END OF THE REPORTING PERIOD

(a) On 9 March 2011, the Company entered into an agreement with an independent third party to dispose of 30% equity interest in a subsidiary, Glory Commercial Limited, a limited liability company incorporated in Hong Kong, which is engaged in investment holding, at a consideration of US$300. Such disposal resulted in a gain to be recognised in the consolidated statement of change in equity.

(b) On 23 June 2011, the Company entered into an agreement with an independent third party to dispose of 49% equity interest in Glory Investment Management Limited, a private limited liability company incorporated in Hong Kong, which is engaged in investment holding, at a consideration of US$53,000,000. Such disposal resulted in a gain to be recognised in the consolidated statement of change in equity.

37. PARTICULARS OF SUBSIDIARIES

The following are the particulars of the principal subsidiaries at 31 December 2010, 2009 and 2008 which, in the opinion of the directors, principally affected the results, assets or liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Name of entity	Paid up issued ordinary/ registered capital	Proportion of nominal value of issued ordinary/registered capital held by the Company			Principal activities
		2010	2009	2008	
		%	%	%	
Gemdale Corporation (Shenyang) Property Co., Ltd.#	US$37,700,000	100	100	100	Property development
Gemdale (Foshan) Real Estate Development Co., Ltd.#	US$43,800,000	51	51	51	Property development
Shenyang Gemdale Hongye Real Estate Development Co., Ltd.#	US$10,000,000	51	100	—	Property development
Shenyang Gemdale Shicheng Real Estate Development Co., Ltd.#	US$37,000,000	100	100	—	Property development
Shenyang Gemdale Quansheng Real Estate Development Co., Ltd.#	US$72,000,000	55	—	—	Property development
Dalian Rongyao Real Estate Development Co., Ltd.#	US$60,000,000	100	—	—	Property development
Shenyang Rongyao Real Estate Development Co., Ltd.#	US$7,000	100	—	—	Property development
Shenyang Gemdale Changqing Property Investment Co., Ltd. (see note 28(b))	US$199,997,000	—	100	100	Property development

These companies are incorporated in the PRC and these English names are translated from the official Chinese names and not the legal names.

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