花样年
FANTASIA

Fantasia Holdings Group Co., Limited
花樣年控股集團有限公司
(Incorporated in Cayman Islands with limited liability)
(Stock Code: 01777)

ANNOUNCEMENT OF 2011 ANNUAL RESULTS AND CHANGE OF CHAIRMAN OF NOMINATION COMMITTEE

FINANCIAL HIGHLIGHTS

– The Group's total revenue has increased by 25.1% to RMB5,592 million in 2011 from RMB4,471 million in 2010

– Gross profit margin remained high at 42.8% in 2011 as compared to 43.0% in 2010

– The Group's profit for the year attributable to the owners of the Company increased by 42.9% to RMB1,154 million in 2011 from RMB807 million in 2010

– Earnings per share has increased by 35.3% to RMB0.23 in 2011 from RMB0.17 in 2010

– The Board proposed the payment of a final dividend of HK4.00 cents per share

The Board of Directors (the "Board") of Fantasia Holdings Group Co., Limited (the "Company") is pleased to announce the audited financial results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2011 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	**2011** *RMB'000*	2010 *RMB'000*
Revenue	*3*	**5,592,350**	4,471,234
Cost of sales and services		**(3,200,650)**	(2,546,440)
Gross profit		**2,391,700**	1,924,794
Other income, gains and losses	*4*	**46,922**	32,199
Change in fair value of investment properties		**182,980**	320,461
Recognition of change in fair value of completed properties for sale upon transfer to investment properties		**191,142**	67,326
Selling and distribution expenses		**(262,433)**	(131,278)
Administrative expenses		**(309,972)**	(238,724)
Finance costs	*5*	**(108,471)**	(180,131)
Impairment loss recognised in respect of goodwill		**(1,321)**	(5,375)
Share of results of associates		**171**	406
Gain on disposal of an associate		**3,533**	–
Gain on disposal of a subsidiary		**17,589**	–
Profit before taxation	*6*	**2,151,840**	1,789,678
Income tax expense	*7*	**(942,199)**	(828,708)
Profit for the year		**1,209,641**	960,970
Other comprehensive income (expense)			
Surplus on revaluation of properties		**11,795**	–
Deferred taxation liability arising from revaluation of properties		**(2,949)**	–
Other comprehensive income for the year (net of income tax)		**8,846**	–
Total comprehensive income for the year		**1,218,487**	960,970

	Notes	**2011**	2010
		RMB'000	*RMB'000*
Profit for the year attributable to:			
Owners of the Company		**1,153,624**	807,281
Non-controlling interests		**56,017**	153,689
		1,209,641	960,970
Total comprehensive income attributable to:			
Owners of the Company		**1,162,470**	807,281
Non-controlling interests		**56,017**	153,689
		1,218,487	960,970
Earnings per share – Basic (RMB)	*9*	**0.23**	0.17

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2011

	Notes	2011 RMB'000	2010 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**529,215**	374,434
Investment properties		**2,443,694**	1,697,677
Interests in associates		**1,077**	17,795
Advance to an associate		**–**	72,041
Prepaid lease payments		**163,307**	346,045
Premium on prepaid lease payments		**440,275**	359,203
Prepayment		**11,890**	43,370
Land development expenditure		**1,335,848**	393,849
Deposits paid for acquisition of subsidiaries		**8,084**	–
Deposits paid for acquisition of a property project		**104,900**	37,000
Deferred tax assets		**220,826**	157,504
		5,259,116	3,498,918
CURRENT ASSETS			
Properties for sale		**10,222,320**	7,644,582
Prepaid lease payments		**6,413**	6,881
Premium on prepaid lease payments		**11,157**	6,101
Deposits paid for acquisition of land use rights		**–**	763,095
Trade and other receivables	*10*	**1,216,377**	977,179
Amounts due from related parties		**3,262**	7,500
Amounts due from customers for contract works		**16,359**	15,939
Tax recoverable		**51,143**	5,580
Restricted bank deposits		**315,134**	85,161
Bank balances and cash		**1,021,355**	2,371,452
		12,863,520	11,883,470
CURRENT LIABILITIES			
Trade and other payables	*11*	**2,268,829**	1,686,718
Deposits received for sale of properties		**2,619,004**	1,834,067
Amounts due to related parties		**2,547**	100,549
Tax payable		**1,527,259**	1,104,147
Borrowings – due within one year		**2,100,069**	2,132,381
		8,517,708	6,857,862
NET CURRENT ASSETS		**4,345,812**	5,025,608
TOTAL ASSETS LESS CURRENT LIABILITIES		**9,604,928**	8,524,526

	2011	2010
	RMB'000	*RMB'000*
NON-CURRENT LIABILITIES		
Deferred tax liabilities	**212,347**	128,121
Borrowings – due after one year	**2,640,933**	2,642,605
Senior notes	**752,367**	787,330
	3,605,647	3,558,056
	5,999,281	4,966,470
CAPITAL AND RESERVES		
Share capital	**457,093**	429,389
Reserves	**5,361,531**	4,072,745
Equity attributable to owners of the Company	**5,818,624**	4,502,134
Non-controlling interests	**180,657**	464,336
	5,999,281	4,966,470

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

1. GENERAL

The Company was incorporated in the Cayman Islands on 17 October 2007 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "SEHK") with effect from 25 November 2009. The address of the registered office of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business in Hong Kong is Room 1103, Top Glory Tower, 262 Gloucester Road, Causeway Bay, Hong Kong while its principal place of business in the People's Republic of China (the "PRC") is 27/F, Block A, Hailrun Complex, No.6021 Shennan Boulevard, Shenzhen 518040, Guangdong Province, the PRC.

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

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

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

The application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and revised Standards and Interpretations issued but not yet effective

The Group has not early applied the following new and revised Standards, Amendments or Interpretations that have been issued but are not yet effective.

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

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

HKFRS 9 Financial Instruments

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

Key requirements of HKFRS 9 are described as follows:

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

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

The directors anticipate that the adoption of HKFRS 9 in the future will not have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities.

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

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

Key requirements of these five standards are described below:

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

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

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

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

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

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

HKFRS 13 Fair Value Measurement

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

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

The directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new Standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

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

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

Amendments to HKAS 12 Deferred Tax – Recovery of Underlying Assets

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

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

3. REVENUE AND SEGMENT INFORMATION

	2011	2010
	RMB'000	*RMB'000*
Sales of properties *(Note)*	**5,396,289**	4,320,413
Rental income from investment properties	**37,887**	17,727
Agency fee from provision of property agency services	**10,571**	36,845
Management fee and installation services fee from provision of property operation services	**124,895**	89,228
Hotel operations	**22,708**	7,021
	5,592,350	4,471,234

Note: The properties sold by the Group are mainly represented by residential properties.

The segment information reported externally was analysed on the basis of their products and services supplied by the Group's operating divisions which is consistent with the internal information that are regularly reviewed by the directors of the Company, the chief operating decision maker, for the purposes of resource allocation and assessment of performance. This is also the basis of organisation in the Group, whereby the management has chosen to organise the Group around differences in products and services.

Inter-segment revenue are eliminated on consolidation.

The Group has five reportable and operating segments as follows:

Property development	–	developing and selling of properties in the PRC
Property investment	–	leasing of investment properties
Property agency services	–	provision of property agency and other related services
Property operation services	–	provision of property management, installation of security systems and other related services
Hotel operations	–	provision of hotel accommodation, hotel management and related services, food and beverage sales and other ancillary services

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by each segment without allocation of central administration costs and directors' salaries, interest income, imputed interest income on non-current interest-free advance to an associate, exchange gain, share of results of associates, gain on disposal of an associate, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resources allocation and assessment of segment performance.

For the purposes of monitoring segment performance and allocating resources between segments, the chief operating decision maker also reviews the segment assets attributable to each operating segment, which comprises assets other than interests in associates, advance to an associate, restricted bank deposits, bank balances and cash and other corporate assets.

The following is an analysis of the Group's revenue, results and other material items by reportable and operating segment under review:

Segment revenues, results, assets and other material items for 31 December 2011:

	Property development *RMB'000*	Property investment *RMB'000*	Property agency services *RMB'000*	Property operation services *RMB'000*	Hotel operations *RMB'000*	Total *RMB'000*
External revenues	5,396,289	37,887	10,571	124,895	22,708	5,592,350
Inter-segment revenues	3,617	1,835	7,430	158,781	–	171,663
Segment result	1,839,573	400,483	42,396	68,366	(39,869)	2,310,949
Segment assets	13,319,848	2,445,142	2,011	302,290	422,111	16,491,402
Amounts included in the measure of segment profit or loss or segment assets:						
Additions to non-current assets *(note)*	51,822	524,753	144	8,185	153,284	738,188
Change in fair value of investment properties	–	182,980	–	–	–	182,980
Recognition of change in fair value of completed properties for sale upon transfer to investment properties	–	191,142	–	–	–	191,142
Release of prepaid lease payments	4,736	–	–	–	88	4,824
Release of premium on prepaid lease payments	6,864	–	–	–	–	6,864
Depreciation of property, plant and equipment	7,771	–	338	2,450	10,687	21,246
Loss (gain) on disposal of property, plant and equipment	33	–	–	(25)	(13)	(5)
(Reversal) allowance on bad and doubtful debts, net	(2,334)	–	–	2,069	–	(265)

Inter-segment revenues are charged at prevailing market rate.

Segment revenues, results, assets and other material items for 31 December 2010:

	Property development *RMB'000*	Property investment *RMB'000*	Property agency services *RMB'000*	Property operation services *RMB'000*	Hotel operations *RMB'000*	Total *RMB'000*
External revenues	4,320,413	17,727	36,845	89,228	7,021	4,471,234
Inter-segment revenues	5,184	–	32,511	18,557	5	56,257
Segment result	1,606,296	403,384	7,409	36,244	(14,836)	2,038,497
Segment assets	10,522,812	1,703,856	10,959	105,042	329,400	12,672,069
Amounts included in the measure of segment profit or loss or segment assets:						
Additions to non-current assets *(note)*	39,390	795,848	872	6,332	175,693	1,018,135
Change in fair value of investment properties	–	320,461	–	–	–	320,461
Recognition of change in fair value of completed properties for sale upon transfer to investment properties	–	67,326	–	–	–	67,326
Release of prepaid lease payments	8,039	–	–	–	–	8,039
Release of premium on prepaid lease payments	3,997	–	–	–	–	3,997
Depreciation of property, plant and equipment	5,287	–	1,582	1,777	2,294	10,940
Gain on disposal of property, plant and equipment	(11)	–	(66)	–	–	(77)
Allowance on bad and doubtful debts, net	2,400	–	–	537	–	2,937

Inter-segment revenues are charged at prevailing market rate.

Note: Additions to non-current assets comprise mainly additions to property, plant and equipment and investment properties and exclude interests in associates, advance to an associate, prepayment, deposits paid for acquisition of subsidiaries and a property project, deferred tax assets.

Reconciliation:

	2011	2010
	RMB'000	*RMB'000*
Revenue:		
Total revenue for reportable segments	**5,764,013**	4,527,491
Elimination of inter-segment revenues	**(171,663)**	(56,257)
Group's total revenues	**5,592,350**	4,471,234
Profit or loss:		
Segment result	**2,310,949**	2,038,497
Elimination of inter-segment result	**(50,728)**	(43,134)
Unallocated amounts:		
Unallocated income	**38,053**	20,917
Unallocated corporate expenses	**(40,346)**	(41,502)
Finance costs	**(108,471)**	(180,131)
Impairment of loss recognised in respect of goodwill	**(1,321)**	(5,375)
Share of results of associates	**171**	406
Gain on disposal of an associate	**3,533**	–
Profit before taxation	**2,151,840**	1,789,678
Assets:		
Total assets for reportable segments	**16,491,402**	12,672,069
Unallocated assets:		
Interests in associates	**1,077**	17,795
Advance to an associate	**–**	72,041
Restricted bank deposits	**62,198**	85,161
Bank balances and cash	**1,274,291**	2,371,452
Corporate assets	**293,668**	163,870
Group's total assets	**18,122,636**	15,382,388

	2011	2010
	RMB'000	*RMB'000*
Other material items:		
Release of prepaid lease payments		
Reportable segment totals	**4,824**	8,039
Unallocated amount	**–**	–
Group's total	**4,824**	8,039
Release of premium on prepaid lease payments		
Reportable segment totals	**6,864**	3,997
Unallocated amount	**–**	–
Group's total	**6,864**	3,997
Depreciation of property, plant and equipment		
Reportable segment totals	**21,246**	10,940
Unallocated amount	**228**	118
Group's total	**21,474**	11,058
Additions to non-current assets		
Reportable segment totals	**738,188**	1,018,135
Unallocated amount	**568**	69
Group's total	**738,756**	1,018,204
Gain on disposal of property, plant and equipment		
Reportable segment totals	**(5)**	(77)
Unallocated amount	**–**	–
Group's total	**(5)**	(77)
(Reversal) allowance on bad and doubtful debt, net		
Reportable segment totals	**(265)**	2,937
Unallocated amount	**–**	–
Group's total	**(265)**	2,937
Impairment loss recognised in respect of goodwill		
Reportable segment totals	**1,321**	5,375
Unallocated amount	**–**	–
	1,321	5,375

The Group's revenue from external customers is derived solely from its operations in the PRC, and non-current assets of the Group are mainly located in the PRC.

During the years ended 31 December 2011 and 2010, there was no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

4. OTHER INCOME, GAINS AND LOSSES

	2011 *RMB'000*	2010 *RMB'000*
Interest income	**8,941**	15,781
Imputed interest income on non-current interest-free advance to an associate	**537**	3,593
Forfeiture income on deposits received	**1,148**	378
Government grant *(note)*	**5,797**	10,133
Net exchange gain	**28,573**	1,618
Others	**1,926**	696
	46,922	32,199

Note: The amount represents the grants received from the relevant PRC government to encourage the development of real estate industry. The subsidies are unconditional and granted on a discretionary basis to the Group during the year.

5. FINANCE COSTS

	2011 *RMB'000*	2010 *RMB'000*
Interest on:		
– borrowings wholly repayable within five years	**294,931**	239,575
– borrowings not wholly repayable within five years	**30,247**	1,742
– senior notes	**75,029**	74,589
– amounts due to related parties	**1,744**	7,098
Less: Amount capitalised in properties under development for sale	**(256,522)**	(139,657)
Amount capitalised in land development expenditure	**(32,039)**	–
Amount capitalised in investment properties under development	**(4,663)**	–
Amount capitalised in construction in progress	**(256)**	(3,216)
	108,471	180,131

In 2010, certain amount of borrowing costs capitalised arose on the general borrowing pool and were calculated by applying the capitalisation rates of 6.06% per annum to expenditure on qualifying assets. In 2011, all the borrowing cost capitalised arose on the specific borrowings.

6. PROFIT BEFORE TAXATION

	2011 *RMB'000*	2010 *RMB'000*
Profit before taxation has been arrived at after charging (crediting):		
Directors' emoluments	**8,617**	10,104
Other staff's salaries and allowances	**218,619**	181,983
Retirement benefit scheme contributions	**22,052**	13,575
Share-based payment	**1,578**	–
Total staff costs	**250,866**	205,662
Less: Amount capitalised in properties under development for sale	**(67,475)**	(36,690)
	183,391	168,972
Auditor's remuneration	**4,069**	3,221
Release of prepaid lease payments	**4,824**	8,039
Release of premium on prepaid lease payments	**6,864**	3,997
Depreciation of property, plant and equipment	**21,474**	11,058
Gain on disposal of property, plant and equipment	**(5)**	(77)
(Reversal) allowance on bad and doubtful debts, net	**(265)**	2,937
Cost of properties recognised as an expense	**2,771,307**	2,014,859
Contract cost recognised as an expense	**39,318**	27,456
Rental expenses in respect of rented premises under operating leases	**7,688**	8,636
Gross rental income from investment properties	**(37,887)**	(17,727)
Less: direct operating expenses from investment properties that generated rental income	**3,658**	2,130
	(34,229)	(15,597)

7. INCOME TAX EXPENSE

	2011 *RMB'000*	2010 *RMB'000*
Current tax:		
PRC taxes		
EIT	**520,569**	360,752
LAT	**403,675**	440,801
	924,244	801,553
Deferred tax		
Current year	**18,768**	34,800
Underprovision of deferred tax assets	**(813)**	(7,645)
	17,955	27,155
	942,199	828,708

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the income of the Group neither arise in nor is derived from Hong Kong.

The Group's PRC enterprise income tax is calculated based on the applicable tax rate on assessable profits, if applicable.

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights and all property development expenditures.

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

	2011	2010
	RMB'000	*RMB'000*
Profit before taxation	**2,151,840**	1,789,678
Tax at PRC enterprise income tax rate of 25% (2010: 25%) *(note i)*	**537,960**	447,420
Tax effect of share of results of associates	**(43)**	(102)
Tax effect of income not taxable for tax purposes	**(1,131)**	(898)
Tax effect of expenses not deductible for tax purposes *(note ii)*	**58,271**	33,525
Tax effect of tax losses not recognised	**60,575**	40,418
Utilisation of tax losses previously not recognised	**(5,858)**	(3,076)
Tax effect of different tax rates of subsidiaries	**(9,518)**	(11,535)
LAT	**403,675**	440,801
Tax effect of LAT	**(100,919)**	(110,200)
Underprovision of deferred tax assets	**(813)**	(7,645)
Income tax expense for the year	**942,199**	828,708

Notes:

(i) Majority of the assessable profits of the Group were derived from subsidiaries situated in Shenzhen and Chengdu of the PRC and the applicable enterprise income tax rate of those subsidiaries were 25%.

(ii) The amounts for the years ended 31 December 2011 and 2010 mainly relate to the tax effect of expenses incurred by offshore companies, including the interest on senior notes and professional fees.

8. DIVIDENDS

	2011	2010
	RMB'000	*RMB'000*
Final dividend for 2010 of HK4.00 cents per share (2009: HK1.75 cents) *(Note i)*	**165,888**	75,100
Dividends paid to non-controlling shareholders *(Note ii)*	**8,722**	3,297

Notes:

(i) Subsequent to the end of the reporting period, a final dividend for 2011 of HK4.00 cents (2010: final dividend for 2010 of HK4.00 cents) per share amounting to HK$208,289,000 in aggregate has been proposed by the directors for approval by the shareholders in the annual general meeting. The final dividends proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(ii) The amount represents dividends paid by the PRC subsidiaries to their non-controlling shareholders.

9. EARNINGS PER SHARE

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

	2011	2010
	RMB'000	*RMB'000*
Earnings		
Earnings for the purpose of basic earnings per share (Profit for the year attributable to owners of the Company)	**1,153,624**	807,281

	2011	2010
Number of Shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**5,041,481,175**	4,873,888,750

The weighted average number of ordinary shares during the year ended 31 December 2011 has been adjusted for the effect of the subscription shares.

The computation of diluted earnings per share does not assume the exercise of the Company's options because the exercise price of those options was higher than the average market price for shares from grant date on 29 August 2011 to the end of year 2011.

10. TRADE AND OTHER RECEIVABLES

Trade receivables are mainly arisen from sales of properties, rental income derived from investment properties, agency fee income in respect of property rentals, service and management income in respect of property management.

Considerations in respect of properties sold are received in accordance with the terms of the related sales and purchase agreements, normally within 30–90 days from date of delivery of the properties to the customers under the sales and purchase agreements.

Rental income from investment properties is received in accordance with the terms of the relevant lease agreements, normally within 30 days from the issuance of invoices.

Management and service fee income is received in accordance with the terms of the relevant property service agreements, normally within 30–90 days from the issuance of invoices.

Hotel operation income is in the form of cash sales.

	2011	2010
	RMB'000	*RMB'000*
Trade receivables	**410,171**	116,301
Other receivables	**93,568**	90,403
Prepayments and other deposits	**57,032**	44,733
Prepayments for suppliers	**280,925**	336,598
Prepayments for construction work	**293,111**	339,971
Other tax prepayment *(Note)*	**81,570**	49,173
	1,216,377	977,179

Notes: During the year ended 31 December 2011, the Group is required to prepay business tax amounting to approximately RMB142,902,000 (2010: RMB159,252,000) in accordance with the relevant PRC tax rules in respect of its pre-sale of property development projects. As at 31 December 2011, amount of approximately RMB81,029,000 (2010: RMB48,938,000) has been prepaid and included in other tax prepayment.

Included in prepayments for construction work are amounts of approximately RMB23,486,000 (2010: RMB28,287,000) in relation to property development projects that are expected to be completed after one year from the end of the reporting periods.

The following is an aged analysis of trade receivables of the Group net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period:

	2011	2010
	RMB'000	*RMB'000*
0 to 30 days	**214,728**	87,063
31 to 90 days	**150,069**	10,229
91 to 180 days	**25,401**	5,544
181 to 365 days	**16,072**	10,576
Over 1 year	**3,901**	2,889
	410,171	116,301

For property investment and property operating services, before accepting any new customer, the Group would assess the potential customer's credit quality and defined credit rating limits of each customers. Limits attributed to customers are reviewed once a year.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date and no impairment is necessary for those balances which are not past due.

At 31 December 2011, included in the Group's trade receivable balance are debtors with aggregate carrying amount of approximately RMB45,374,000 (2010: RMB19,009,000) which are past due for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and amounts are still considered recoverable based on historical experience. The Group does not hold any collateral over these balances.

Ageing of trade receivables which are past due but not impaired

	2011	2010
	RMB'000	*RMB'000*
91 to 180 days	**25,401**	5,544
181 to 365 days	**16,072**	10,576
Over 1 year	**3,901**	2,889
	45,374	19,009

Movement in the allowance for doubtful debts in respect of trade and other receivables

	2011	2010
	RMB'000	*RMB'000*
Balance at the beginning of the year	**2,937**	1,520
Impairment losses reversed	**(2,812)**	(103)
Impairment losses written off	**–**	(1,520)
Impairment losses recognised	**2,547**	3,040
Balance at the end of the year	**2,672**	2,937

As at 31 December 2011, included in the allowance for doubtful debts are individually impaired trade and other receivables with an aggregate balance of RMB2,672,000 (2010: RMB2,937,000) of which the debtors have been in dispute with the Group.

11. TRADE AND OTHER PAYABLES

	2011	2010
	RMB'000	*RMB'000*
Trade payables	**1,696,289**	1,319,641
Other payables	**254,332**	220,721
Other tax payables	**104,674**	36,520
Payroll payable	**50,403**	20,192
Welfare payable	**695**	2,895
Retention payable	**29,330**	16,442
Consideration payable	**128,267**	63,900
Accruals	**4,839**	6,407
	2,268,829	1,686,718

Trade payables principally comprise amounts outstanding for purchase of materials for the construction of properties for sale and ongoing expenditures. The average credit period for purchase of construction materials ranged from 6 months to 1 year.

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

	2011	2010
	RMB'000	*RMB'000*
0 to 60 days	**1,325,615**	881,583
61 to 180 days	**261,680**	346,243
181 to 365 days	**23,344**	67,903
1–2 years	**94,931**	37,944
2–3 years	**16,238**	1,272
Over 3 years	**3,811**	1,138
	1,725,619	1,336,083

At 31 December 2011, the balances of approximately RMB29,330,000 (2010: RMB16,442,000) with age over 1 year represent the retention money of approximately 5% to 10% of the construction contract price.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In 2011, under the continuous implementation of the macro-control policy of "purchase-restriction, loan-restriction and price-restriction", the Chinese real estate market entered a new era. Being fully aware of the mid-term effect of the control measures on the real estate market, the Group has renounced the view of bullish market and has made proactive response to the market adjustment. Leveraging on the growing contribution from various regions under the strategic development of market penetration and expansion upon the listing of the Group, the leading competitiveness of the urban complexes products offered by the earlier product transformation undertaken few years ago earlier, further optimization of the professional and vertical management system for real estate conglomerate, the Group, by adhering to the strategy of flexible marketing approach and prudent investment, has achieved outstanding results in the sluggish market.

Contract Sales and Projects Development

During the reporting period, the Group recorded contract sales of RMB7,005 million and contract sales area of 746,104 square meters, of which, RMB3,893 million and 307,861 square meters were derived from urban complexes projects, accounting for 55% of the total sales. The product transformation undertaken by Fantasia few years ahead has not only effectively relieved some of our pressure caused by the controlling policy of "purchase-restriction, loan-restriction and price-restriction", but has also positioned us well to achieve results well beyond the annual target in a bearish market.

During the reporting period, the contract sales contribution of our real estate business were mainly derived from 9 cities, including Chengdu and Shenzhen, and 18 projects, namely Shenzhen Meinian International Complex, Chengdu Fantasia Town, Chengdu Meinian International Plaza, Chengdu Future Plaza, Chengdu Funian Plaza, Dungguan Wonderland and Huizhou Fantasia Special Town, as compared to 7 cities and 15 projects for the same period last year. This reflects that the Group has achieved rapid development in gaining presence in the core cities with strategic importance after listing while its business development in the newly entered cities has become more mature and this has in turn allowed a more balanced business development of the Group and a continuous growth in the contribution from different regions.

Pearl River Delta

Pearl River Delta, taking the lead in China's economic reform and open-up, is one of the most important drivers for economic growth in China, and the area in which Fantasia undertook strategic transformation by the earliest time. The Group is developing a Greater Shenzhen Zone, with Shenzhen being the center and Huizhou and Dongguan being the radiated regions, while speeding up the business development in Guilin market as to further expand our strategic penetration and coverage around the Pearl River Delta.

Shenzhen Meinian International Complex represents 55% of the market supply of the same project type in Shenzhen during the same period, with its sales speed surpassing other projects under sales over 2 times, and is completely sold in nine months. Huizhou Fantasia Special Town has marked a new sales record of real estate market in the Huiyang district where the residence products were sold out within a day, a week and a month, respectively. As the first project for Fantasia to tap into the market in Guilin, Guilin Fantasia Town, prior to its launching, has brought new life to the market and drawn extensive attention for its superior geographic location in the future urban center district, sound district planning and ancillary facilities and the resources planning for the awesome and spectacular view of an enormous lake. The project received an active market response immediately after its launching with total sales reached RMB435.6 million, ranking it into the top three of high-end product sales in the local market and the model of high-end products in Guilin district.

During the reporting period, the Group recorded contract sales area of approximately 320,847 square meters in Pearl River Delta; and recorded contract sales of approximately RMB3,233 million, attributing 43% and 46% of the Group's total contract sales area and total contract sales respectively.

As at 31 December 2011, the Group had 4 projects or phases of projects under construction in Pearl River Delta, with a total planned gross floor area of approximately 842,931 square meters and saleable area of approximately 649,285 square meters. The Group also had 4 projects or phases of projects to be developed, with a total planned gross floor area of approximately 2,465,551 square meters.

Chengdu-Chongqing Economic Zone

As the new experimental zone for urban-rural comprehensive reform, under the coordination of the state, Chengdu-Chongqing Economic Zone has become a significant fourth pole of the Chinese economy. Progressive development of emerging industries with strategic importance, such as the modern services segment and the high-tech technology segment, allows Chengdu to be a first mover during the Twelfth Five-Year Plan period.

The Group entered Chengdu market in 2001. With brand reputation we gained over the last decade, the Group has been one of the strongest property developers in the Chengdu area. During the reporting period, despite the increasing market pressure, Fantasia, with its favorable corporate brand image, in particular, the measures took to strengthen its leading position in the market of urban and commercial complexes, and its customer-oriented approach, remained as a model in the property market of the high-tech district in Chengdu by carrying out product value sales and maintaining a closer and more interactive relationship with our customers. Our property sales, in general, stays at the forefront of the property market in Chengdu.

During the reporting period, the Group recorded contract sales area of approximately 348,682 square meters in Chengdu-Chongqing zone; and recorded contract sales of approximately RMB2,841 million, attributing 47% and 41% of the property total contract sales area and total contract sales to the Group, respectively, an increase of 38% and 37% respectively as compared to 2010.

As at 31 December 2011, the Group had 5 projects or phases of projects under construction in Chengdu-Chongqing zone, with a total planned gross floor area of approximately 715,224 square meters. The saleable area was approximately 580,716 square meters. Other than the projects under construction, the Group still had 4 projects or phases of projects to be developed in Chengdu-Chongqing Economic Zone, with a total planned gross floor area of approximately 2,460,224 square meters. The Group also entered into framework agreements in respect of 2 projects, with a total planned gross floor area expected to be approximately 4,913,863 square meters. After over 2 years of primary land development, it is expected that Chengdu Pixian Project and Wuguiqiao Project, will enter the phases of land listing in the first half 2012 and this would allow our Company to further expand its areas of land bank in Chengdu area.

Beijing-Tianjin Metropolitan Area

Beijing-Tianjin area, which is the core of the Capital Economic Circle and the hinterland of Bohai Economic Rim Region, has a prominent strategic position. This area enjoys the convenience of being the national political, economic and cultural center, making it one of the most attractive areas in China. Tianjin has become a star which shines the brightest with the development in Binhai New Area.

During the reporting period, the Group reported contract sales area of approximately 29,745 square meters and contract sales of RMB449 million in Beijing-Tianjin Metropolitan Area, representing 4% and 6% of the property total contract sales area and total contract sales of the Group, respectively.

As at 31 December 2011, the Group had 2 projects or phases of projects under construction in Beijing-Tianjin Metropolitan Area, with an aggregate planned gross floor area of approximately 130,108 square meters, and estimated saleable area of approximately 98,181 square meters, and also 2 projects or phases of projects to be developed, with an aggregate planned gross floor area of approximately 635,630 square meters.

Yangtze River Delta

Yangtze River Delta is the leader of China's economic development. It is an essential showpiece, where big cities with distinctive characteristics scatter all over this area, for China to open to the Asia Pacific Region. Due to its extensive geographic coverage, strategic development and its capacity to accommodate various scales and types of real estates, the area has a high possibility of ranking as a world-class city zone where cities of each level in the region shall become important focuses for the growth of China's real estate industry. The Group has been paying strong attention to the development of the region.

During the reporting period, the markets in Suzhou and Wuxi were greatly impacted by the macro-control policies on real estate industry, and the Group's business in the area was seriously affected. The Group recorded contract sales area of approximately 46,830 square meters, and contract sales of approximately RMB482 million in the Yangtze River Delta, representing 6% and 7% of the property total contract sales area and total contract sales of the Group.

As at 31 December 2011, the Group had 3 projects or phases of projects under construction in Yangtze River Delta, with the aggregate planned gross floor area of approximately 510,401 square meters, and estimated saleable area of approximately 402,330 square meters, and 3 phases of projects to be developed, with the aggregate planned gross floor area of approximately 510,299 square meters.

During the reporting period, the gross floor area of newly developed and completed projects were approximately 1,888,223 square meters and 700,197 square meters respectively, and the gross floor area of projects under construction and to be developed were approximately 2,198,664 square meters, and 6,071,704 square meters, respectively.

Newly Developed Projects

During the reporting period, the Group had 11 projects or phases of projects which were newly developed, with a total planned gross floor area of approximately 1,888,223 square meters.

Completed Projects

During the reporting period, the Group had 7 projects or phases of projects which were completed, with a total gross floor area of approximately 700,197 square meters.

Projects under Construction

As at 31 December 2011, the Group had 14 projects or phases of projects under construction, with a total planned gross floor area of approximately 2,198,664 square meters and a planned gross saleable area of approximately 1,730,482 square meters. As at 31 December 2011, the Group has achieved accumulated contract sales of approximately 452,218 square meters with respect to the above projects.

Urban complexes and boutique upscale residences are the core product series of the Group. At present, the Group has 6 projects or phases of projects of urban complexes which are under construction, namely Shenzhen Funian Plaza, Phase 1 of Guilin Fantasia Town, Chengdu Future Plaza, Chengdu Funian Plaza, Tianjin Future Plaza and Wuxi Hailrun Complex, with a total planned gross floor area of approximately 108 million square meters, representing approximately 49% of the total gross floor area of projects under construction. The Group also owned 5 projects or phases of projects of boutique upscale residences which are under construction, namely Phase 1 and 2 of Dongguan Wonderland, Phase 2.1 of Chengdu Belle Epoque, Phase 1.1 of Tiajin Love Forever Project, Land 6 and 4 of Suzhou Lago Paradise and Phase 1 and 2 of Wuxi Love Forever Project, with a total gross floor area of approximately 0.66 million square meters, representing approximately 30% of the total gross floor area of projects under construction. The Group also owned 3 projects or phases of projects of mid-to-high end residences which are under construction, namely Phase 2 of Huizhou Fantasia Special Town, Phase 3 and 4.1 of Chengdu Fantasia Town and Dali Human Art Wisdom, with a total gross floor area of approximately 0.46 million square meters, representing approximately 21% of the total gross floor area of projects under construction.

Projects to be Developed

As at 31 December 2011, the Group had 13 projects or phases of projects to be developed, with a total planned gross floor area of approximately 6,071,704 square meters, of which, the total planned gross floor area of 4 projects in Chengdu-Chongqing Economic Zone was approximately 2,460,224 square meters, with a proportion of approximately 41%; and the total planned gross floor area of 4 projects in the Pearl River Delta was approximately 2,465,551 square meters, with a proportion of approximately 41%; and the 3 projects in Yangtze River Delta had a total planned gross floor area of approximately 510,299 square meters, with a proportion of approximately 8% and the 2 projects in Beijing-Tianjin Metropolitan Area had a total planned gross floor area of approximately 635,630 square meters, with a proportion of approximately 10%.

Our Land Bank

During the reporting period, the Group adhered to its prudent investment strategy. Over the whole year, we only undertook one land acquisition project of TCL King Electronics (Shenzhen) Company Limited (TCL王牌電子(深圳)有限公司) in Shekou, Shenzhen where land resource is scarce.

As at 31 December 2011, the planned gross floor area of the Group's land bank amounted to approximately 8.27 million square meters, and the planned gross floor area of properties with framework agreements signed amounted to 4.96 million square meters.

Property Management Business

The property operation business of the Group experienced continuous rapid growth during the reporting period. Shenzhen Colour Life Services Group Co., Limited (深圳市彩生活服務集團有限公司), a subsidiary of the Group, acquired a number of property management companies. As of 31 December 2011, the Group managed a total of 318 projects, representing a growth of 38.8% as compared to last year, with the area under management totaling about 30 million square meters, representing a year-on-year increase of 60.3%. In 2011, Colour Life Services Group (彩生活服務集團) has expanded its business development to 16 core cities where 6 cities were newly entered, namely Zhaoqing, Shenyang, Qinhuangdao, Zhuhai, Tieling and Guangzhou while Xian and Shanghai were the cities where we have commenced the operation of our property service business. This has formulated an initial strategic layout which covers the core cities scattered all over the nation. Colour Life Services Group (彩生活服務集團) has become a large-scale property service group with 2 quality corporations for first class property and 2 quality corporations for second class property, indicating a significant rise in the reputation of the property services brand of Colour Life. In order to face challenges brought by the rising labor cost of property services and accommodate the demand for community services in an era of mobile communication, the Group has taken the initiative to promote Colour Life V2.0 model on the basis of information technology infrastructure and we believe this would further increase our service efficiency for the community, the replicability of our property management and the ability of seamlessly integrating the offline business to online business, while enhancing our leading favorable position relative to the majority of traditional property management companies which engage in fundamental property management only. We plan to start the modification in regard to Colour Life V2.0 model for the communities managed under Colour Life Services Group (彩生活服務集團) in 2012, establish 50 Colour Life shops (空間店) around China, optimize Colour Life online service and transaction platform with SOLOMO model, boost Colour Life's ability to explore and integrate the peripheral commercial resources of the community by adopting innovative and interactive Colour pad as a terminal access for customers' mutual connection and Colour Life space as a physical terminal access for the customers to experience online shopping while introducing and expanding the application of Colour Life online platform to the peripheral commercial entities in the community and thus contributing to the development of Colour Life Service Group as a leading integrated services provider for offering services to mini commercial areas with radius of 5 miles long extending from the community. In 2011, Colour Life Property was elected as one of the "Leading Property Management Enterprises in Shenzhen City over the Past 30 Years" (深圳市物業管理30年標杆企業), and again ranked the top 35 amongst China Property Management Enterprises.

As a high-end property service brand of the Group and with its studies undertaken for more than 1 year, Fantasia Property Management (International) (花樣年國際) has progressively set up its high-end service standard based on the concept of "British Golden Key" management, and has been considering its exposure towards other promising businesses, such as providing asset management and senior housing services for high-end customers. By integrating the resources of multi-industries, including real estate industry, financial industry and health industry, and building a sharing platform between external professional providers and property owners, we are capable of beefing up our core competence as to face the challenges within the service sector in the coming future. In 2011, a subsidiary company under Fantasia Property Management International obtained ISO9000, ISO14000 and OHSAS18000 integrated system certifications and began to earn reputation and recognition among the customers on the platform of the Group's high-end projects.

Hotel Construction and Management Business

2011 marks the third anniversary in which the Group entered the hotel industry. While optimizing the hotel refurbishment, brand management and operation system of the Group, we have been proactively soliciting elites in the hotel industry and providing cross-training programmes through internal and external platform. We now have a professional hotel management team and a professional hotel construction team. All of such effort will propel the development of the Group's hotel industry.

During the reporting period, in addition to our cooperation with well-known hotel management groups, such as Rhombus International and Capella (嘉佩樂), we have also entered into entrusted management agreement or arrived the intention of cooperation with Starwood Hotels & Resorts Worldwide, Inc. (喜達屋酒店管理集團) in respect of hotel projects in Guilin Fantasia Town hotel project Grande Valley hotel project, Chengdu Meinian hotel project and Chengdu Pixian County hotel project and this would allow us to further expand our cooperation platform with international well-known hotel management groups. Meanwhile, we have also established the positioning of the private brand of "U" hotel and "HYDE" hotel and formulated our investment and development model with our analysis undertaken. Leveraging on the optimized management system of our hotel groups, we will effectively drive the development, construction and operation of private brand hotels. Construction of Chengdu Rhombus Hotel (成都隆堡酒店) and Shenzhen U Hotel has completed. Shenzhen U Hotel has commenced its operation. In the coming 3–5 years, the Group will set up approximately 12 hotels in regions such as Shenzhen, Tianjin, Chengdu, Suzhou and Guilin, with a total gross floor area of about 0.25 million square meters.

Financial Review

Revenue

Revenue of the Group mainly consists of revenue derived from (i) the sales of our developed properties, (ii) the lease of investment properties, (iii) the provision of property agency and related services, (iv) the provision of property operation and related services and (v) the provision of hotel management and related services. For the year ended 31 December 2011, turnover of the Group amounted to approximately RMB5,592 million, representing an increase of 25.1% from approximately RMB4,471 million in 2010. Profit for the year attributable to the equity holders of the Company was approximately RMB1,154 million, representing an increase of 42.9% from approximately RMB807 million in 2010.

Property Development

We recognize revenue from the sale of a property when the significant risks and rewards of ownership have been transferred to the purchaser, i.e., when the relevant property has been completed and the possession of the property has been delivered to the purchaser. Revenue from property development represents proceeds from sales of our properties held for sales. Revenue derived from property development increased by 24.9% to approximately RMB5,396 million in 2011 from approximately RMB4,320 million in 2010. This increase was due primarily to an increase in total gross floor area ("GFA") and an increase in the average selling price of properties sold to our customers.

Property Investment

Revenue generated from property investment increased by 113.7% to approximately RMB38 million in 2011 from approximately RMB18 million in 2010. The increase was due primarily to the continuing growth of the investment properties.

Property Agency Services

Revenue derived from property agency services decreased by 71.3% to approximately RMB10 million in 2011 from approximately RMB37 million in 2010. Due to the restructuring of the Company's business, the property agency services business has been disposed of in January 2011 in order for the management to concentrate on the major business, but we maintained the property agency services in the second hand market as a value-added service in the property operation business team.

Property Operation Services

Revenue derived from property operation services increased by 40.0% to approximately RMB125 million in 2011 from approximately RMB89 million in 2010. This increase was due primarily to an increase in the GFA of properties that we managed during 2011.

Hotel Services

Revenue derived from hotel services increased by 223.4% to approximately RMB23 million in 2011 from approximately RMB7 million in 2010. This increase was due primarily to an increase in occupancy rate of the hotel during 2011.

Gross Profit and Margin

Gross profit increased by 24.3% to approximately RMB2,392 million in 2011 from approximately RMB1,925 million in 2010, while our gross profit margin remained high at 42.8% in 2011 as compared to 43.0% in 2010. This increase in gross profit was in line with the increase in the total revenue in 2011.

Other Income, Gain and Losses

Other income, gain and losses increased by 45.7% to approximately RMB47 million in 2011 from approximately RMB32 million in 2010. The amount mainly represented the exchange gain resulting from the translation of our US dollar bank borrowings. During the year, Renminbi against United States Dollar continued to appreciate and thus the other income, gain and losses increased.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 99.9% to approximately RMB262 million in 2011 from approximately RMB131 million in 2010. This increase was due primarily to an increase in general selling, marketing and advertising activities resulting from an increase in the number of properties that were pre-sold in 2011 as compared to that in 2010. Our contract sales in 2011 was approximately RMB7,005 million while that in 2010 was approximately RMB3,892 million.

Administrative Expenses

Our administrative expenses increased by 29.8% to approximately RMB310 million in 2011 from approximately RMB239 million in 2010. This increase was due primarily to the increase in number of offices and staff cost in new locations due to our expansion.

Finance Costs

Our finance costs decreased by 39.8% to approximately RMB108 million in 2011 from approximately RMB180 million in 2010. The total finance costs incurred during the year was increased, which was due primarily to an increase in bank loans and senior notes to finance the business operation and development, but it was offset by the increase in capitalisation of interest expenses, which resulted in decrease in finance costs.

Income Tax Expenses

Our income tax expenses increased by 13.7% to approximately RMB942 million in 2011 from approximately RMB829 million in 2010. This increase was due primarily to an increase in enterprises income tax and land appreciation tax as a result of increase in properties sold and recognized in 2011 as compared to that in 2010, and was offset by the tax benefit granted from the local tax authority.

Profit Attributable to Owners of the Company

Profit attributable to owners of the Company increased by 42.9% to approximately RMB1,154 million in 2011 from approximately RMB807 million in 2010. This increase was due primarily to an increase in properties recognised in 2011 as compared to that in 2010. Our net profit margin maintained at a high level of 20.6% in 2011 as compared to 18.1% in 2010.

Liquidity, Financial and Capital Resources

Cash Position

As at 31 December 2011, the Group's bank balances and cash was approximately RMB1,336 million (2010: approximately RMB2,457 million), representing a decrease of 45.6% as compared to that as at 31 December 2010. A portion of our cash are restricted bank deposits that are restricted for use of property development. These restricted bank deposits will be released upon completion of the development of the relevant properties in which such deposits relate to. As at 31 December 2011, the Group's restricted cash was approximately RMB315 million (2010: approximately RMB85 million), representing an increase of 270.0% as compared to that as at 31 December 2010.

Current Ratio and Gearing Ratio

As at 31 December 2011, the Group has current ratio (being current assets over current liabilities) of approximately 1.51 compared to that of 1.73 as at 31 December 2010. The gearing ratio was 71.4% as at 31 December 2011 compared to that of 69.0% as at 31 December 2010. The gearing ratio was measured by net debt (aggregated bank borrowings and senior notes net of bank balances and cash and restricted cash) over the equity attributable to owners of the Company. The total debt (being aggregated bank borrowings and senior notes) over total assets ratio continued to be healthy, maintaining at 30.3% (2010: 36.2%) as of 31 December 2011.

Borrowings and Charges on the Group's Assets

As at 31 December 2011, the Group had an aggregate bank borrowings and senior notes of approximately RMB4,741 million and approximately RMB752 million, respectively. Amongst the bank borrowings, approximately RMB1,896 million will be repayable within 1 year, approximately RMB2,153 million will be repayable between 2 to 5 years and approximately RMB692 million will be repayable after 5 years. The senior notes were repayable between 2 to 5 years.

As at 31 December 2011, a substantial part of the bank borrowings were secured by land use rights and properties of the Group. The senior notes were jointly and severally guaranteed by certain subsidiary companies of the Group and by pledge of their shares.

Exchange Rate Risk

The Group mainly operates in the PRC. Other than the foreign currency denominated bank deposits, bank borrowings and senior notes, the Group does not have any other material direct exposure to foreign exchange fluctuations. Appreciation in RMB would have a positive effect on the value on paying interest and repayment of foreign currency bank borrowings and senior notes. During 2011, though the exchange rates of RMB against U.S. dollar and the Hong Kong dollar kept on increasing, the directors of the Company (the "Directors") expect that any fluctuation of RMB's exchange rate will not have material adverse effect on the operation of the Group.

Commitments

As at 31 December 2011, the Group had committed payment for the construction and acquisition of subsidiaries amounting to approximately RMB2,871 million (2010: RMB1,765 million) and RMB5 million (2010: nil), respectively.

As at 31 December 2010, the Group had committed payment for the land premium on land acquisitions amounting to approximately RMB140 million.

Contingent Liabilities

As at 31 December 2011, the Group had provided guarantees amounting to approximately RMB2,479 million (2010: approximately RMB1,690 million) in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with accrued interests thereon and any penalty owed by the defaulted purchasers to banks. The Group is then entitled to take over the legal title of the related properties. The guarantee period commences from the dates of grant of the relevant mortgages loans and ends after the purchaser obtained the individual property ownership certificate. In the opinion of the Directors, no provision for the guarantee contracts was recognized in the financial statement for the year ended 31 December 2011 as the default risk is low.

Employees and Remuneration Policies

As at 31 December 2011, the Group had approximately 6,929 employees (2010: 4,199 employees). Total staff costs, including the Directors' emoluments, for the year ended 31 December 2011 amounted to approximately RMB251 million (2010: approximately RMB206 million). Remuneration is determined by reference to their performance, skills, qualifications and experiences of the staff concerned and according to the prevailing industry practice. Besides salary payments, other staff benefits include contribution of the mandatory provident fund (for Hong Kong employees) and state-managed retirement pension scheme (for PRC employees), a discretionary bonus program and a share option scheme of the Company (the "Share Option Scheme").

The Company adopted the Share Option Scheme on 27 October 2009. In August 2011, the Group has granted share options to subscribe 74,230,000 shares of the Company (the "Shares") in conformity with the Share Option Scheme to some of the directors and employees of the Group, at an exercise price of HK$0.836 per share, and none of the share options were exercised by the grantees or cancelled by the Company as at 31 December 2011.

DIVIDEND

The Board proposed the payment of a final dividend of HK4.00 cents per share for the year ended 31 December 2011 to shareholders whose names appear on the register of members of the Company on 21 May 2012. The proposed final dividend will be paid on or about 30 May 2012 after the receipt of approval by shareholders of the Company at annual general meeting of the Company.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed for the following periods:

(a) For the purpose of determining shareholders who are entitled to attend and vote at the forthcoming annual general meeting to be held on 11 May 2012 ("AGM"), the register of members of the Company will be closed on Monday, 7 May 2012 to Friday, 11 May 2012, both days inclusive. In order to qualify for attending and voting at the AGM, all transfer documents should be lodged for registration with Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 4 May 2012.

(b) For the purpose of determining shareholders who qualify for the final dividend, the register of members of the Company will be closed on Thursday, 17 May 2012 to Monday, 21 May 2012, both days inclusive. In order to qualify for the final dividend, all transfer documents should be lodged for registration with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 16 May 2012.

ANNUAL GENERAL MEETING

The AGM will be held on 11 May 2012 and the Notice of Annual General Meeting will be published and dispatched in the manner as required by the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange") in due course.

ADOPTION OF AMENDED AND RESTATED ARTICLES OF ASSOCIATION

To conform with the latest amendments to the Listing Rules which became effective on 1 January 2012, the Board intends to put forward to the shareholders of the Company (the "Shareholders") at the upcoming AGM a proposal to adopt an amended and restated articles of association of the Company (the "amended and restated Articles of Association"). A circular containing, among others, the summary of the principal provisions of the amended and restated Articles of Association and the notice of the AGM will be dispatched to the Shareholders as soon as practicable.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices ("Code on Corporate Governance") contained in Appendix 14 of the Listing Rules on the Stock Exchange, except for the following deviation:

Code A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Mr. Pan Jun is the chairman and chief executive officer of the Company. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The balance of power and authority is ensured by the operations of the Board, which comprises experienced and high caliber individuals and meets regularly to discuss issues affecting operations of the Company. The Board believes that this structure is conductive to strong and consistent leadership, enabling the Group to make and implement decisions promptly and efficiently. The Board has full confidence in Mr. Pan and believes that his appointment to the posts of chairman and chief executive officer is beneficial to the business prospects of the Company.

Audit Committee

The Company has established an audit committee in compliance with the Listing Rules to fulfill the functions of reviewing and monitoring the financial reporting and internal control of the Company. The audit committee of the Company currently comprises four independent non-executive Directors, including Mr. Ho Man, Mr. Liao Martin Cheung Kong JP, Mr. Huang Ming and Mr. Xu Quan, while Mr. Ho Man is the chairman of the audit committee. The audit committee is to review important accounting policies, supervise the Company's financial reporting processes, monitor the performance of the external auditor and the internal audit department, review and evaluate the effectiveness of the Company's financial reporting procedures and internal control and ensure the compliance with applicable statutory accounting and reporting requirements, legal and regulatory requirements, internal rules and procedures approved by the Board.

The annual results of the Company have been reviewed by the audit committee.

Remuneration Committee

The Company has established a remuneration committee in compliance with the Listing Rules. The remuneration committee currently comprises an executive Director, Mr. Pan Jun, and four independent non-executive Directors, Mr. Huang Ming, Mr. Ho Man, Mr. Liao Martin Cheung Kong JP and Mr. Xu Quan, while Mr. Huang Ming is the chairman of the committee. The remuneration committee is responsible for advising the Board on the remuneration policy and framework of the Company's Directors and senior management member(s), as well as reviewing and determining the remuneration of all executive Directors and senior management member(s) with reference to the Company's objectives from time to time.

Nomination Committee and Change of Chairman of Nomination Committee

The Company has established a nomination committee in compliance with the Listing Rules. The nomination committee currently comprises two executive Directors, Mr. Pan Jun and Ms. Zeng Jie, Baby, and four independent non-executive Directors, Mr. Ho Man, Mr. Liao Martin Cheung Kong JP, Mr. Huang Ming and Mr. Xu Quan.

In order to comply with the forthcoming amendments to the Listing Rules which will be effective on 1 April 2012, the Board announces that Ms. Zeng Jie, Baby cease to be the chairman of the nomination committee of the Company and Mr. Pan Jun has been appointed as chairman of the nomination committee of the Company with effect from 12 March 2012. Ms. Zeng Jie, Baby shall remain as a member of the nomination committee.

The nomination committee is primarily responsible for considering and nominating suitable candidates to become members of the Board. Criteria adopted by the committee in considering the suitability of a candidate for directorship includes his/her qualifications, experience, expertise and knowledge as well as the requirements under the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct regarding directors' securities transactions. The Company has made specific enquiry with all Directors whether the Directors have complied with the required standard set out in the Model Code regarding directors' securities transactions during the year ended 31 December 2011 and all Directors confirmed that they have complied with the Model Code.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company is empowered by the applicable Companies Law of the Cayman Islands and the Articles of the Association to repurchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange. There was no purchase, sale or redemption by the Company or any of its subsidiaries, of the Company's listed shares during the year ended 31 December 2011.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within knowledge of its directors, the Company has maintained a sufficient public float throughout the year ended 31 December 2011.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This results announcement is published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.cnfantasia.com). The annual report of the Company for the year ended 31 December 2011 containing all the information required by the Listing Rules will be dispatched to the Company's shareholders and published on the above websites in due course.

SCOPE OF WORK OF DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2011 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

ACKNOWLEDGEMENT

Looking back, it has been the 15th anniversary in which Fantasia entered the Chinese real estate market and during such 15 years, the Chinese society has experienced significant changes while Fantasia has also turned itself into a large scale real estate group with its brand recognized in the main stream from an immature and small-scale corporation under the rapid development of The Chinese economy where urbanization and industrialization took place. It is forecasted that China will become a moderately developed country upon its completion of industrialization movement while it is also expected that a different picture will be exhibited in the way of the development of real estate and service industry in the coming 15 years. Being fully aware that "services" will be the main theme in the Experience Economy era, Fantasia will develop its business in a different way in the next 15 years. Throughout the past 15 years, with the understanding and support of all our staff, shareholders, investors and partners who are always on our side, Fantasia has made outstanding achievement during its development. In the coming 15 years, where waves and tides of opportunities and possibilities are available and worth expecting, we sincerely ask all of you to join us altogether in a journey full of challenging competitions and remarkable achievements with the hope of bringing blessing and bliss to everyone by our utmost efforts. 15 years of blessing and bliss will be conveyed to you starting from 2012.

By order of the Board
Fantasia Holdings Group Co., Limited
Pan Jun
Chairman

Hong Kong, 12 March 2012

As at the date of this announcement, the executive Directors are Mr. Pan Jun, Ms. Zeng Jie, Baby, Mr. Feng Hui Ming and Mr. Chan Sze Hon; the independent non-executive Directors are Mr. Ho Man, Mr. Liao Martin Cheung Kong, JP, Mr. Huang Ming and Mr. Xu Quan.