瑞安房地產
SHUI ON LAND

Repositioning and Consolidation for Future Growth

2012 Shui On Land Limited Annual Report

Stock Code 272

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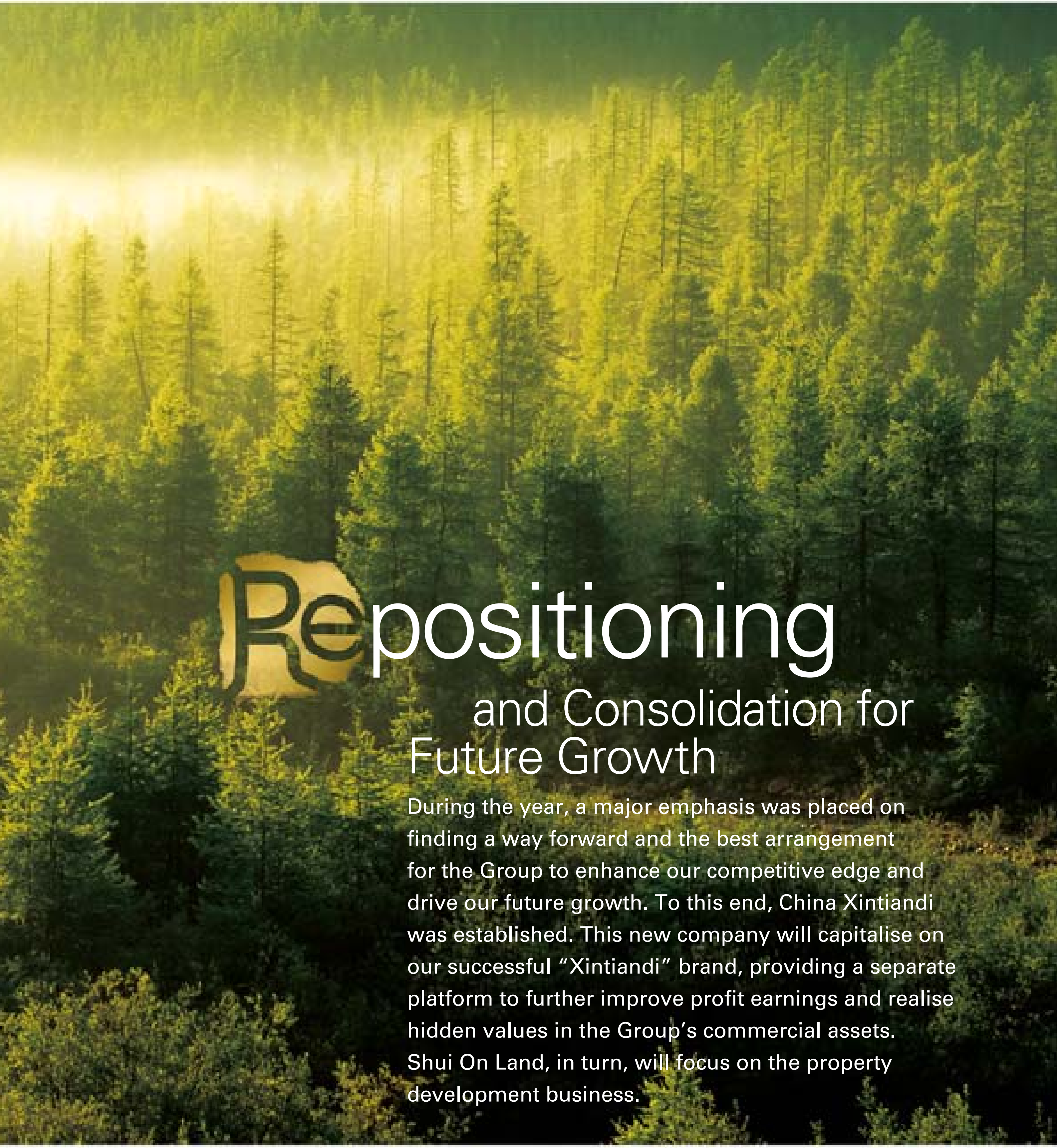

Repositioning

and Consolidation for Future Growth

During the year, a major emphasis was placed on finding a way forward and the best arrangement for the Group to enhance our competitive edge and drive our future growth. To this end, China Xintiandi was established. This new company will capitalise on our successful "Xintiandi" brand, providing a separate platform to further improve profit earnings and realise hidden values in the Group's commercial assets. Shui On Land, in turn, will focus on the property development business.

Innovative Property Developer in China

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A Pioneer in Customisation to Fulfill Customers' Needs

Shui On Land is one of China's most visionary and innovative property developers. To meet the rapid growth of housing demand and of our customer's changing needs, we are accelerating the completion of our projects while focusing on our core value of innovation by introducing both customisation and standardisation.

The structure of social and family life has undergone significant changes in recent years and the needs and lifestyles of our customers have also changed. To cater to these individual preferences, we have pioneered the customisation of floor plans and materials, allowing customers to choose their own designs. We have also introduced the standardisation of unit sizes and construction materials to meet our accelerated completion targets. These combined strategies have not only helped to enhance the flexibility and functionality of our products, but also to conserve the use of the earth's resources.

In this, as in all our aspects of our business, we remain market leaders.

Vision

To be the premier and most innovative property developer in China

Brand Promise

Innovation • Quality • Excellence

Shui On Spirit

Integrity • Dedication • Innovation • Excellence

We sustain our vision by integrating quality into all of our operations and aspiring to world-class standards of excellence in management, planning, execution and corporate governance.

Our Commitment to

Investors

We are committed to providing attractive and sustainable returns for our investors based on a well-planned, long-term growth trajectory and strategic direction.

Customers

The expectations of our customers are always at the forefront of our thinking and planning, enabling us to provide high quality and add value to all our projects.

Community

We continually look for innovative ways to build and contribute to the community.

Environment

As an experienced and socially responsible property developer, Shui On Land considers respect for the environment to be a key ingredient for the long-term development of the communities in which we are involved.

Employees

Shui On Land believes that care for our employees and for the development of their talents is crucial to the long-term success of the Group.


Reorganisation
and Growth

Our long-standing and dual focus on both the residential and commercial property market has raised a number of challenges in terms of management and operations. The establishment of China Xintiandi will help address this issue.

Financial Highlights

Operating Results for the Year Ended 31 December

	2012 HK$'million	2011 HK$'million	2012 RMB'million	2011 RMB'million
Turnover	**5,926**	10,249	**4,821**	8,484
Represented by:				
Property development	**4,353**	9,158	**3,541**	7,581
Property investment	**1,535**	1,026	**1,249**	849
Others	**38**	65	**31**	54
Gross profit	**2,532**	4,471	**2,060**	3,701
Increase in fair value of investment properties	**3,316**	3,257	**2,698**	2,696
Share of results of associates	**100**	165	**82**	137
Profit attributable to shareholders	**2,494**	4,141	**2,029**	3,428
Basic earnings per share	**HK$0.43**	HK$0.80	**RMB0.35**	RMB0.66
Dividend per share				
Interim paid	**HK$0.025**	HK$0.025	**HK$0.025**	HK$0.025
Proposed final	**HK$0.035**	HK$0.10	**HK$0.035**	HK$0.10
Full year	**HK$0.06**	HK$0.125	**HK$0.06**	HK$0.125

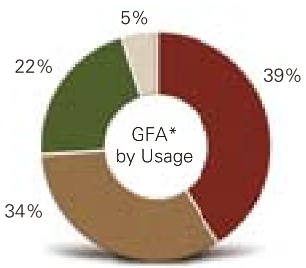
Note:
Except for dividend per share that is originally denominated in HK dollar, all of the HK dollar figures presented above are shown for reference only and have been arrived at based on the exchange rate of RMB1.000 to HK$1.229 for 2012 and RMB1.000 to HK$1.208 for 2011 being the average exchange rates that prevailed during the respective years.

Financial Position as of 31 December

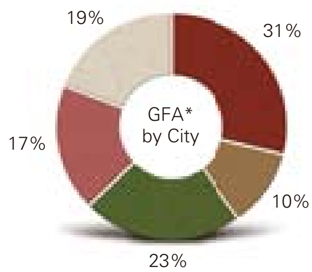
	2012 RMB'million	2011 RMB'million
Total bank balances and cash	**8,633**	6,370
Total assets	**89,617**	68,604
Total equity	**37,268**	29,471
Total debt	**34,668**	25,488
Bank and other borrowings	**18,803**	16,743
Convertible bonds	**2,346**	2,225
Notes	**13,519**	6,520
Net gearing ratio*	**70%**	65%

* Calculated on the basis of the excess of the sum of bank loans, convertible bonds and notes over the sum of bank balances and cash by total equity.

Landbank as of 31 December 2012



	million sq.m.
Residential	4.3
Office	3.9
Retail	2.3
Hotel/Serviced Apartmen	0.5
Total leasable and saleable GFA	11.0
Attributable GFA	8.1



	million sq.m.
Shanghai	2.9
Wuhan	1.1
Chongqing	2.4
Foshan	1.5
Dalian	3.1
Total leasable and saleable GFA	11.0
Attributable GFA	8.1

* Percentages are calculated based on attributable GFA

Turnover

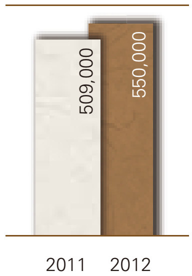
(RMB'million)

Total GFA Completed

(sq.m.)

Investment Property Portfolio – Leasable GFA

(sq.m.)



Rental and Related Income

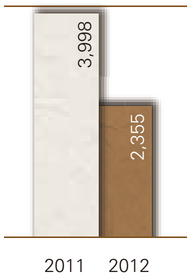
(RMB'million)

Gross Profit Margin

(%)

Profit for the Year

(RMB'million)



Profit Attributable to Shareholders

(RMB'million)

Basic Earnings Per Share

(RMB/share)

Shareholders' Equity

(RMB'million)

Shareholders' Equity Per Share

(RMB/share)

Net Gearing Ratio

(%)

Total Bank Balances and Cash

(RMB'million)

Achievement Highlights

We are progressing on schedule to achieving the goals outlined in our Three-Year Plan. Our chosen strategy and direction have continued to strengthen our performance and our ability to sustainable growth. Our efforts towards achieving these goals have been recognised with a number of awards in 2012.

LEED

Several projects achieved LEED Pre-certification and Certification from the United States Green Building Council (USGBC) including:

March

KIC Lots 5-5/5-7/5-8 achieved LEED – Core & Shell (CS) Certification Gold level.

June

Dalian Tiandi Aspen and Maple Tower, Site D22 achieved LEED – Core & Shell (CS) Certification Silver level.

November

Rui Hong Xin Cheng achieved LEED – Neighbourhood Development (ND) 2009 Version Stage 2 Pre-certification Gold level.

THE HUB Lot D17 Three Showroom Offices (Tower 1, Tower 2, Tower 3) achieved LEED – Core & Shell (CS) Pre-certification Gold level.

December

THE HUB Lot D19 One Showroom Office (Tower 5) achieved LEED – Core & Shell (CS) Pre-certification Silver level.

Chinese Green Building Rating

Several projects received specialist Chinese Green Building Design Label from the Ministry of Housing and Urban-Rural Development of the People's Republic of China.

3 Star rating:

- Shanghai Taipingqiao Lot 126 (Corporate Avenue Phase II, Tower 5)
- Wuhan Tiandi Lot B20 Wuhan Tiandi Central Clubhouse
- THE HUB Lot D17 three Showroom Offices (Tower 1, Tower 2, Tower 3) and Xintiandi street

2 Star rating:

- THE HUB Lot D17 hotel
- Wuhan Tiandi Lots B9/B11
- Rui Hong Xin Cheng Lot 6

March

Rui Hong Xin Cheng Lots 4/6 achieved Performance Assessment of Residential Buildings, AA from the Ministry of Housing and Urban-Rural Development of the People's Republic of China.

Wuhan Tiandi Lots A1/2/3 retail podium became the first project in China to obtain a "very good" rating in BREEAM interim certification.

May

The Group received the "2012 Top 50 China Real Estate Listed Companies with the Strongest Comprehensive Strength" listing from China Real Estate Appraisal.

June

The Group received the "Corporate Governance Asia Recognition Awards 2012 – The Best of Asia 2012" from Corporate Governance Asia.

Wuhan Tiandi Lots A1/2/3 won three awards from the 2012 Asia Pacific Property Awards.

Foshan Lingnan Tiandi was approved as a low-carbon pilot community by the People's Government of Foshan Chancheng District.

July

The Group's Annual Report 2011 received three awards at the international ARC Awards 2012 including:

Bronze Award (Interior Design – Real Estate Development/Services: Various & Multi-Use Category);

Honors (Chairman's Statement – Property Category);

Honors (Interior Design – Property Category)

The Group received the "China Outstanding Enterprises Award 2012" presented by the Hong Kong Economic Digest Magazine.

The Group received the "Advanced Collectives Award in Creating Shanghai Special Commercial District" presented by the Shanghai Municipal Commission of Commerce.

Knowledge and Innovation Community Lot 311 received the "Outstanding Community in 2012 Shanghai Energy and Land Conservation" award from the Shanghai Municipal Housing Security and Administration Bureau.

August

Rui Hong Xin Cheng won the "2012 Habitat Demonstration Gold Medal" in the 10th Shanghai Most Popular Housing Selecting Activity presented by Shanghai Evening Post.

November

Wuhan Tiandi obtained the "2012 The Best City Operator" from Chutian Metropolis Daily.

Wuhan Tiandi received the "2012 The Leader of New Business Landmark in Wuhan" from the Yangtze Daily Newspaper Group.

Chongqing Tiandi received the "Top 10 Chongqing Commercial Real Estate Developer" award from the Chongqing Real Estate Association.

December

The Group's Interim Report 2012 and Annual Report 2011 won two honourable titles in the Mercury Awards 2012/2013 accordingly.

The winning awards include:
Silver in Design: Interim Report – (Shui On Land Interim Report 2012);

Honour in Annual Reports – Overall Presentation: Property Development – (Shui On Land Annual Report 2011)

Ruihong Tiandi and The View at Rui Hong Xin Cheng received "The Most Study Value Housing" and "The Most Anticipated Housing" listings respectively from CBN Property Reporter.

Rui Hong Xin Cheng • The View received the "2012 Shanghai Super Good Housing" listing from www.SouFun.com.

Chongqing Tiandi received the "Chongqing International Business District" award from the Chongqing Foreign Trade & Economic Relations Commission.

With stringent control measures imposed on the property market, we remain confident on the future prospects and continue to adapt and fine-tune our business operations to place the Group in an advantageous position as the market adjusts to new environment and condition.


Remaining
Firm in Adversity

> China Xintiandi became a fully separated operation within Shui On Land from 1 March 2013. In my capacity as Executive Chairman, I have taken on the initial lead in the establishment and positioning of the new company.

Vincent H. S. LO
Chairman

Chairman’s Statement

I must apologise for the poor results of Shui On Land (SOL) last year. The global economic conditions and austerity measures in the Chinese Mainland’s property markets presented immense challenges, but I do not want to give any excuses for our poor performance. Suffice to say we have learned from this and we are going to improve our performance and the bottom line going forward.

For the year ended 31 December 2012, SOL generated a turnover of RMB4,821 million (HK$5,926 million), down by 43% from the figure of RMB8,484 million achieved in 2011. Profit attributable to shareholders fell 41% against 2011 to RMB2,029 million (HK$2,494 million), resulting in basic earnings per share of RMB0.35 (HK$0.43). These decreases were primarily due to fewer properties being delivered in comparison to 2011.

Despite the year’s challenges, I remain fully confident in the Group’s ongoing growth and prospects. The Group has been on a long term growth track for the past few years, although we have had some ups and downs due to our relatively long development cycle, one of the factors behind our rather sluggish delivery.

We expect business performance to improve in 2013, on the back of the RMB6.3 billion locked-in sales which will be recognised in 2013 and beyond, and the strong sales experienced in the first two months of 2013. This cash inflow, together with capital raised from our successful debt issues in 2012, will provide solid financing both for our ongoing operations as well as our future endeavours. We held cash and bank balances of RMB8.6 billion as of 31 December 2012.

The implementation of the first Three-Year Plan, albeit falling short of the overall delivery target, has achieved a number of favourable outcomes including the diversification of income from markets outside Shanghai, the growth of Investment Property (IP) assets and increases in rental income, significant progress in large-scale relocations carried out in Shanghai, as well as the expansion of our quality landbank.

The growth in IP assets is of particular strategic significance as it lays a solid foundations for the planned spin-off of our commercial property business.

China Xintiandi

This growth in our commercial portfolio has increased the complexity of our business. Early 2012, I announced our plan to spin-off Shui On Land's commercial property business under a new company, China Xintiandi, to be listed on The Stock Exchange of Hong Kong. This spin-off will focus the business of managing, designing, leasing, marketing, enhancing and redeveloping PRC commercial properties under our recognised "Xintiandi" brand. In turn, this will enable SOL to focus on the property development business.

We have submitted an application for the spin-off of China Xintiandi to The Stock Exchange of Hong Kong. However, to realise the benefits of our strategy pending completion of the spin-off process, China Xintiandi became a fully separated operation within SOL from 1 March 2013. In my capacity as Executive Chairman, I have taken on the initial lead in the establishment and positioning of the new company. I am also delighted to announce that three of Hong Kong's leading business figures have agreed to join China Xintiandi as independent non-executive directors. I would like to welcome Dr. Lawrence Wong, former CEO of the Hong Kong Jockey Club, Mr. Raymond Lai, former Executive Director and CFO of the Hong Kong Airport Authority, and Mr. Anthony Nightingale, former Managing Director of Jardine Matheson, to our new venture. I look forward to their valuable contribution and wise counsel on the development and growth of China Xintiandi.

With Shui On Land and China Xintiandi each focusing on their strengths and clear business strategy, they will be able to realise their full potential, maximising profits as well as operating with greater synergy.

Building on Our Strengths

While 2012 may have been a slower year, it has nevertheless been a period of substantial consolidation. The first half of the year saw the launch of Foshan Lingnan Tiandi, our new landmark project in Guangdong Province, which was favourably received by the market. Developed along our tried and proven "Tiandi" concept, which focuses on preserving the cultural environment while breathing new life into the area, the project is rapidly emerging as a showcase for the region.

Our other projects too remain firmly on track. Residential flats on two land parcels in Rui Hong Xin Cheng and the Knowledge and Innovation Community were launched in Shanghai to strong demand, while THE HUB, China's first mixed-use commercial centre to be directly linked to a comprehensive transport hub, is proceeding apace. Located in the Hongqiao Commercial Zone in Shanghai, the development will serve a population of some 75 million people who live within an hour's travel of the development as well as more than one million passengers who will pass through the Hongqiao Transportation Hub daily when it is completed in 2014.

We will also benefit from the completion of relocation and resettlement activities on seven land parcels in our Taipingqiao and Rui Hong Xin Cheng projects in Shanghai. Having expended a great deal of time, resources and effort in what has proven to be a complicated and long drawn-out process, the completion of these relocation activities in 2012 and 2013 will provide increased momentum for the development of these projects. The first of these, Corporate Avenue Phase II, Tower 5 and Tower 3, an office and retail project within our Taipingqiao development, is due for completion in 2013 and 2014 respectively. One of the few new mixed-use developments to be launched in a prime location in Shanghai in the foreseeable future, it will generate an estimated annual rental income of about RMB700 million when fully leased.

"I must apologise for the poor results of Shui On Land last year. I do not want to give any excuse for our poor performance. Suffice to say we have learned from this and we are going to improve performance and the bottom line going forward."

We also continue to build on the many advantages we hold in the marketplace. In view of our highly attractive landbank, one of the best among property developers in the Chinese Mainland, we have been able to site our developments in prime locations that offer a host of lifestyle benefits. Coupled with our customisation services, where in many instances customers can design their own requirements; our unique three-year warranty that comes with the purchase of our residential premises; as well as our pioneering strategy to offer one-stop services to customers in 2013, we are set not only to improve service delivery but also to maintain our premium pricing strategy.

Prospects and Future Outlook

In view of the ongoing volatility in both the global and local marketplace, progress is expected to remain slow over the next 12 months. With the number of property transactions in the Chinese market picking up visibly and with prices moving upwards towards the end of 2012 and beginning of 2013, the Central Government has recently introduced further measures to control investment and speculative activities which will add uncertainty to the market and dampen transactions, making 2013 difficult to forecast.

However, we can look forward with confidence. The establishment of China Xintiandi as a separate operation will allow clearer focus on the separate businesses of property development and asset management. Furthermore, going forward, Shui On Land will not just focus on large-scale projects, we will also be actively looking for and taking part in small-to-medium-sized schemes to fill profit gaps. The foundations have been laid for our reorganisation, which will unearth the full potential of our commercial assets and deliver higher value to shareholders. Our strategic partnership with Mitsui Fudosan Co., Ltd. (Mitsui Fudosan) is going well and, moving forward with clear vision and purpose, we launched our second strategic Three-Year Plan in 2013. A major focus of this Plan is to expedite development and hasten the harvesting of our projects to bring in profits to the Group and our shareholders more quickly.

Appreciation

In conclusion, I would like to thank every one of you who has contributed to our achievements. To our shareholders and business partners, thank you for your loyalty and support. To my fellow Directors, management and all staff, thank you for your sound advice, dedication and hard work.

As we look to 2013, I have no doubt that with your ongoing help and support we will continue to build a bright and successful future for Shui On Land.

Vincent H. S. LO
Chairman

Hong Kong, 28 March 2013

CEO Report

The year 2012 saw the conclusion of the Group's first Three-Year Plan. Designed to accelerate development, increase production and improve productivity, its implementation took place in a time of global recession and economic chaos, from the sub-prime problems in the United States to the Eurozone debt crisis, coupled with the Chinese Government's stringent policies to restrict property prices for home purchases. As such, 2012 proved to be a disappointing year – not only did the Group fall short of the target to deliver one million sq.m. of space, but fewer properties too were delivered in comparison to 2011.

Although we did not achieve the target established under the first Three-Year Plan, we have nonetheless witnessed, as the Chairman has noted, significant growth in our investment property assets and rental income during the period. This is a key objective in our strategy – the achievement of overall long-term growth underpinned by the delivery of solid results over the years.

Highlights

Despite the difficulties, 2012 proved to be a year of consolidation. Locked-in sales as of 31 December 2012 rose to RMB6,305 million, an increase of 29% against the figure of RMB4,877 million recorded at the end of December 2011.

In the first two months of 2013, the Group achieved a further RMB2,524 million in contracted sales. These sales are planned for delivery to customers, and will be recognised as turnover, in 2013 and beyond.

In 2012, contracted property sales from general property sales and car parks were RMB5,562 million, a decrease of 5% from the RMB5,872 million recorded in 2011. A total GFA of 260,300 sq.m. was sold and pre-sold, representing a growth of 18% compared to 221,100 sq.m. in 2011. There was less en-bloc sales contracted in 2012 compared to 2011.

"With the launch of the second Three-Year Plan in 2013, the focus is on repositioning with continuous consolidation to ensure future growth. I have no doubt that our reorganisation and consolidation will drive ongoing growth and future development."

Freddy C. K. LEE
Managing Director & CEO

> **Although we did not achieve the target established under the first Three-Year Plan, we have nonetheless witnessed significant growth in our investment property assets and rental income during the period.**

The year also saw the delivery of projects launched in Shanghai at the Knowledge and Innovation Community and Rui Hong Xin Cheng, to highly positive responses. The former generated satisfactory sales with some 78% being sold within two months while the latter, riding the pick-up experienced towards the end of the year, achieved a strong take-up rate with over 96% of the 353 units being sold on the day of the launch. These activities achieved total sales of RMB2 billion.

The high point was the launch of Foshan Lingnan Tiandi, which has since emerged as a showcase for the region, with numerous visits from government dignitaries and other interested parties. Developed in line with our highly acclaimed "Tiandi" brand, the project has taken off. With over 53 tenants, the retail and entertainment hub currently enjoys an occupancy rate of 87% while sales were brisk with all the smaller apartments selling out. By the end of the year, the project's contracted sales had reached over RMB720 million. The strategic partnership with Mitsui Fudosan Co., Ltd. (Mitsui Fudosan) to co-develop Lot 18 of the project, which will mainly be residential apart from some community retail facilities on the podium, also expanded, with the addition of two more sites, Lots 6 and 16, during the year.

While proving to be a complex and drawn-out process, several land parcels in Shanghai Taipingqiao and Rui Hong Xin Cheng are now complete and construction has begun.

The Group strove to increase the number of cleared sites for development in Shanghai and invested a total of RMB13,556 million in relocation costs and RMB4,452 million for land acquisitions during the year.

We believe that the capital investment in relocation at the sites in Shanghai in the first Three-Year Plan will contribute significant business growth in the years to come. The development of Corporate Avenue Phase II, Tower 5 and Tower 3 in our Taipingqiao project, for example, will add a further value of approximately RMB12 billion to the Group's total commercial portfolio when they are completed at the end of 2013 and 2014 respectively.

A revised master-plan was unveiled for Rui Hong Xin Cheng during the year. An integrated and sustainable city redevelopment comprising office, retail, hotel, entertainment and cultural facilities in addition to its residential positioning, Ruihong Tiandi is set to become a new lifestyle hub for Shanghai. This one-stop retail and entertainment complex will include the Hall of the Sun, accommodating China's largest international gourmet market; the Hall of the Moon, an entertainment hub; as well as the Hall of the Stars, catering to young shoppers with a range of sports, technology and electronic gadgets.

Development of THE HUB, located at Hongqiao Commercial Zone right next to Shanghai's second airport and high-speed rail station, is also progressing smoothly. With its first phase scheduled for a soft opening in 2014, a number of buildings were topped out during the year and pre-leasing activities have commenced to a strong market response.

Chongqing Tiandi is also developing apace. The completion and occupation of office buildings with approximately 336,000 sq.m. of space at the end of 2013 will round out the comprehensiveness of its master-plan, while creating greater synergies for its retail and residential facilities.

Strategy and Development – the Second Three-Year Plan

A major target under the Group's first Three-Year Plan was the decentralisation of activities coupled with the improvement of overall efficiencies. I am delighted to report that this has been achieved – despite the increase in productivity, the total number of staff fell from 1,400 to 1,265, while the number of departments also reduced from 37 to 13. The Group completed a total GFA of 1,612,000 sq.m. of property during the first Three-Year Plan (from 2010 to 2012), compared to the completion of a total GFA of 409,000 sq.m. of property from 2007 to 2009, the three years immediately preceding the first Three-Year Plan, a nearly three-fold increase.

With the launch of the second Three-Year Plan in 2013, the focus is on repositioning with continuous consolidation to ensure future growth. We will thus be optimising the decentralisation of the organisation structure through tighter corporate level controls and by active monitoring of progress to achieve timely completion. To actualise these goals and reinforce performance management, three cross-function task forces, viz, "Standardised Product Lines", "Customisation and One-Stop Service", and "Cost Control and Development Schedule" have been established. Their dedicated focus and activities are set to pave the way for the success of the second Three-Year Plan.

A further target is to accelerate the development of cleared sites to hasten the realisation of value in our investment property portfolio and drive further growth. Hand-in-hand with this aim to expedite delivery and returns to investors, we are also seeking to balance our property mix. As such, the Group's strategy into the future is not to just focus on large-scale projects, but also to actively look for and participate in small-to-medium-sized residential projects in the cites in which we have a presence.

A key aspect of this reorganisation is the establishment and proposed spin-off of China Xintiandi. With the new company focusing on the management and enhancement of our investment property portfolio, Shui On Land in turn will concentrate on its core role as a leading property developer.

These activities have continued to be supported by the Group's commitment to care for the environment. Fully committed to sustainability in every aspect of our projects, Shui On Land hosted our first sustainable development forum, "Sustainable Community • Cultural Continuity", in June 2012 to share green experiences and explore the industry's latest developments. Many of the Group's developments have also received certification from the U.S. Green Building Council under their LEED (Leadership in Energy and Environmental Design) – Neighbourhood Development (ND) Gold level (stage 2) over the years. In line with this commitment, Foshan Lingnan Tiandi became the first property in the world to gain its LEED – ND Pre-certification Gold level under the Council's LEED – ND 2009 Version.

Looking ahead, I have no doubt that our reorganisation and consolidation will drive ongoing growth and future development – from the launch of China Xintiandi to improving cost controls, accelerating delivery to enhance shareholder value, closing the gap between strategy and implementation and ensuring best quality services for customers.

Appreciation

In conclusion, I would like to thank the Chairman and the Board for unfailing support during this challenging year. My thanks also go to our staff for their loyalty and hard work – their ongoing dedication will provide an invaluable contribution to the Group's future success.

Freddy C. K. LEE
Managing Director & CEO

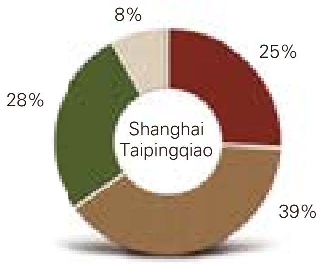
Hong Kong, 28 March 2013


Revealing
Hidden Values

In designing and planning our developments, we seek to create unique experience for the community. As seen in our development in Hongqiao, we aim to optimise the site's full potential with direct connection to a transport hub that will have a passenger throughput of over one million per day when completed in 2015.

Shanghai Taipingqiao

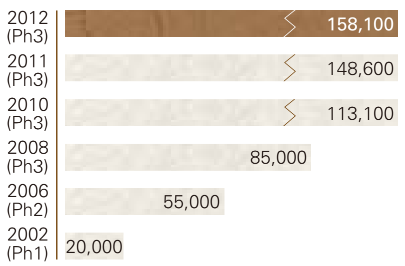
GFA by Usage



	sq.m.
Residential	256,000
Office	390,000
Retail	278,000
Hotel/Serviced Apartment	76,000
Total Leasable and Saleable GFA	1,000,000

Residential ASP

(RMB/sq.m.)



Site location: The Taipingqiao project is located in the Huangpu District, along with one of Shanghai's main commercial thoroughfares, Huai Hai Middle Road. The 110-year-old Huai Hai Middle Road has been transformed into a world-class commercial area and home to the flagship stores of a host of luxury brands. Metro Lines 1, 8 and 10 connect this project to major urban areas of Shanghai. Metro Line 13, which is currently under construction, will also serve the community when completed.

Master-plan: The project is a large-scale city-core redevelopment, with an emphasis on the preservation and restoration of historic buildings and the establishment of an integrated community. It blends the classic architecture of "Old Shanghai" with modern features and amenities. The project consists of four main zones: Shanghai Xintiandi is the historic restoration zone, Corporate Avenue and Shui On Plaza constitute the corporate headquarters zone, Lakeville is the up-market residential zone, and Xintiandi Style with

1. Taipingqiao
2. Rui Hong Xin Cheng
3. Knowledge and Innovation Community (KIC)
4. THE HUB

Shanghai

Shanghai is an economic metropolis of China and the country's leading commercial, financial and shipping centre. Shanghai is one of the four municipalities of the PRC, home to a total population of 23.8 million by the end of 2012. Since the 1980s, Shanghai has been one of the fastest developing cities in the world. In 2012, its total GDP stood at RMB2.01 trillion, and GDP per capita at RMB84,459. Currently, approximately 1,048 financial institutions have a presence in Shanghai, 403 multinational corporations have set up their regional headquarters there and 350 research and development centres of foreign companies have been established in the city.

Huangpu District, Shanghai

Huangpu District is located in central Shanghai, on the west side of the Huangpu River, facing Pudong Lujiazui Financial District. Approved by the State Council, the existing Huangpu District has been extended since June 2011 to include the old Luwan District.

The Bund, also located in Huangpu District, is famous for its historical buildings overlooking the Huangpu River. Extending from the Bund westward are several major commercial streets, including East Nanjing Road, Fuzhou Road and Huai Hai Road. The 5,500-metre-long Huai Hai Road is a well-known shopping area in Shanghai. Another landmark of the Huangpu District is the People's Square, where the Shanghai Municipal Government is located.

The contemporary architectural design of Corporate Avenue Phase II

Outlook of Shanghai Taipingqiao

Langham Xintiandi Hotel mark the retail, hotel and theatre zone. The Group has been developing the project in phases since 1996.

The acquisition of Shanghai Shui On Plaza and Langham Xintiandi Hotel was completed in March 2012. These two properties, together with Xintiandi, Xintiandi Style and Corporate Avenue Phase 1, a total GFA of 259,000 sq.m. in this project, are currently held as investment properties and hotel properties in the Group's portfolio. Corporate Avenue Phase 2 (Lots 126 & 127) are under construction. The development will comprise two towers of office buildings with a GFA of 105,000 sq.m., incorporating a retail podium with a GFA of 50,000 sq.m.. They are scheduled to be completed between 2013 and 2014. Corporate Avenue Phase 2 will have a more modern appearance and the tenant mixes will be expanded and enhanced by introducing new Hong Kong and international elements.

In residential terms, Lakeville Phases 1 to 3 with a GFA of more than 253,000 sq.m., have been sold and delivered since 2002. The initial ASP was RMB20,000 per sq.m.. In 2012, the ASP stood at RMB158,100 per sq.m.. Both batches 1 & 2 of Lakeville Phase 4 (Lot 116) are now under relocation. As of the end of 2012, 85% of area residents had signed relocation agreements. The Group owns 50% of this site. Further relocation consultations for the remaining 496,000 sq.m. of GFA for various land lots have yet to commence.

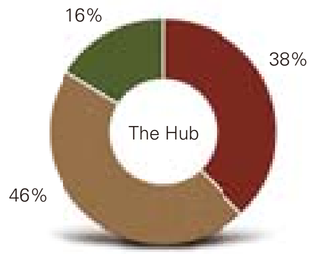
The following table shows the usage mix of the project as of 31 December 2012 based on the Group's Master-plan:

	Approximate/Estimated leasable and saleable area							
	Residential sq.m.	Office sq.m.	Retail sq.m.	Hotel/ serviced apartment sq.m.	**Subtotal GFA sq.m.**	Clubhouse, carpark and other facilities sq.m.	**Total GFA sq.m.**	Group's interest %
Completed properties								
Xintiandi	–	5,000	47,000	5,000	**57,000**	12,000	**69,000**	97.0%
Corporate Avenue	–	76,000	7,000	–	**83,000**	16,000	**99,000**	99.0%
The Lakeville and Lakeville Regency	–	–	–	–	**–**	26,000	**26,000**	99.0%
Casa Lakeville and Xintiandi Style	–	–	27,000	–	**27,000**	24,000	**51,000**	99.0%
Shui On Plaza	–	30,000	28,000	–	**58,000**	8,000	**66,000**	80.0%
Langham Xintiandi Hotel	–	–	1,000	33,000	**34,000**	19,000	**53,000**	66.7%
Subtotal	**–**	**111,000**	**110,000**	**38,000**	**259,000**	**105,000**	**364,000**	
Properties under development								
Lot 126	–	50,000	23,000	–	**73,000**	35,000	**108,000**	99.0%
Lot 127	–	55,000	27,000	–	**82,000**	37,000	**119,000**	99.0%
Lot 116	90,000	–	–	–	**90,000**	–	**90,000**	50.0%
Subtotal	**90,000**	**105,000**	**50,000**	**–**	**245,000**	**72,000**	**317,000**	
Properties for future development								
Subtotal	**166,000**	**174,000**	**118,000**	**38,000**	**496,000**	**44,000**	**540,000**	**99.0%**
Total	**256,000**	**390,000**	**278,000**	**76,000**	**1,000,000**	**221,000**	**1,221,000**	

Shanghai Xintiandi has become an iconic landmark in Shanghai

Shanghai
THE HUB

GFA by Usage



	sq.m.
Office	105,000
Retail	128,000
Hotel/Serviced Apartment	44,000
Total Leasable and Saleable GFA	277,000

Site Location: THE HUB, is located at the heart of the Hongqiao Central Business District (CBD) and is linked directly to the Hongqiao Transportation Hub. The Transportation Hub consists of the Shanghai High Speed Rail Station that connects to all major cities in China, Terminal 2 of the Shanghai Hongqiao International Airport, and five Shanghai Metro lines.

Master-plan: THE HUB comprises a large retail component, offices, a performing arts and exhibition center and a hotel, spanning a total GFA of 277,000 sq.m.. The Group acquired this land for RMB3.2 billion through a public land auction in September 2010. As China's economy approaches a world pinnacle, Shanghai's major role as a world-class financial and trading centre grows increasingly prominent. Hongqiao CBD will be not only a new CBD in Shanghai, but also the CBD of the Yangtze River Delta, giving the area greater global exposure and significance. At the centre of the Hongqiao CBD, THE HUB is set to become a new business, cultural and lifestyle landmark.

The site comprises two parts, Lot D17 and Lot D19. The piling and basement construction works commenced in 2011 and superstructure construction was underway in the second half of 2012. Office areas #2, #3, and the Xintiandi entertainment area in Lot D17 with a total GFA of 75,000 sq.m. are expected to be completed in 2013, while the remaining construction works are scheduled to be completed in 2014.

Greater Hongqiao Area, Shanghai

The Greater Hongqiao Area is one of the four key economic drivers for Shanghai's 12th Five Year Plan (2011 – 2015). The other three drivers are the EXPO Area, the Greater Pudong Area and the Disneyland Area. The planned site in the Greater Hongqiao Area is three times larger than the Pudong Lujiazui Financial Zone. The aim is to balance the development of western and eastern Shanghai and to ease traffic congestion in the city core. "West Gate" is an alternate and fitting name, referring to the area's role as a gateway for people and companies worldwide to enter China through the Yangtze River Delta via its comprehensive transportation network.

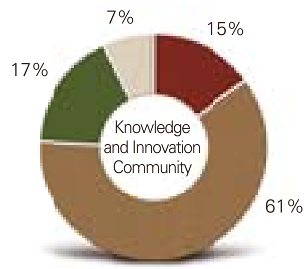
A modern international commercial centre of the Yangtze River Delta and East Asia – THE HUB

The following table shows the usage mix of the project as of 31 December 2012:

	Approximate/Estimated leasable and saleable area							
	Residential sq.m.	Office sq.m.	Retail sq.m.	Hotel/ serviced apartment sq.m.	**Subtotal GFA sq.m.**	Clubhouse, carpark and other facilities sq.m.	**Total GFA sq.m.**	Group's interest %
Properties under development								
Lot 6 (D17)	–	78,000	18,000	44,000	**140,000**	42,000	**182,000**	100.0%
Lot 6 (D19)	–	27,000	110,000	–	**137,000**	68,000	**205,000**	100.0%
Total	–	**105,000**	**128,000**	**44,000**	**277,000**	**110,000**	**387,000**	

Shanghai
Knowledge and Innovation Community

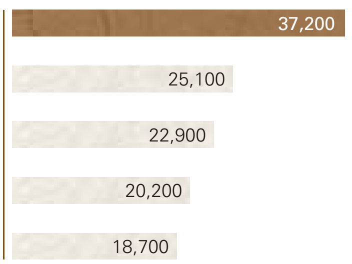
GFA by Usage



	sq.m.
Residential	53,000
Office	213,000
Retail	60,000
Hotel/Serviced Apartment	22,000
Total Leasable and Saleable GFA	347,000

Residential ASP

(RMB/sq.m.)



Site location: The Knowledge and Innovation Community project is located in the immediate vicinity of major universities and colleges in Yangpu District, northeast of downtown Shanghai. The project is well connected to the city centre via the public transportation network, including the Middle-Ring Highway, over 30 public transportation routes and Metro Lines 10.

Master-plan: The project is designed to be a multi-functional community with a lifestyle characterised by health and sustainability. Through the project, the Group is facilitating the transformation of the Yangpu District from an industrial and manufacturing area to a knowledge and innovation centre. The project draws on readily available educational and human resources in the vicinity to create an environment that fosters innovation, commercialisation, technology development, cultural activities, research and business incubation, growth and development.

Since 2003, more than 243,000 sq.m. of GFA have been progressively developed as office and retail properties , of which 171,000 sq.m. have been retained in the Group's investment property portfolio in this project. The occupancy rate remains stable, with established technology companies, including EMC, Oracle, EBAO, VMware, PCCW and IBM as tenants. In addition to 14,000 sq.m. of GFA sold in 2011, the remaining office and retail portion comprising 4,600 sq.m. of GFA in C2 Lot 5-5 was contracted sold in 2012 to the Shanghai Branch of the Industrial and Commercial Bank of China, Limited ("ICBC") for a total consideration of RMB170 million.

For residential developments, 78,400 sq.m. of GFA have been sold and delivered. ASP of contracted sales has risen from RMB18,700 per sq.m. in 2007 to RMB37,900 per sq.m. in 2012. The launch of Jiangwan Regency in October 2012, resulted in sales of 41,500 sq.m. out of 53,400 sq.m. of GFA during the last two months of 2012. Jiangwan Regency is scheduled to be delivered in the second half of 2013. Construction is also underway at Lot 311 of office towers and retail space, comprising a GFA of 96,000 sq.m. and a hotel development with a GFA of 22,000 sq.m..

Yangpu District, Shanghai

Yangpu District is close to Hongkou District. The heart of the district, the Wujiaochang – KIC – Jiangwanxincheng area, is designated by the Shanghai municipal government as one of the city's four urban sub-centres. Yangpu District has been transformed into a knowledge industry and support services hub to complement one of Shanghai's development goals: becoming the value-added service centre of China. The district is also home to more than 10 universities and colleges, including Fudan University, Tongji University and Shanghai Finance University; and 22 key state laboratories and 65 scientific research institutes, giving the district an unparalleled competitive advantage in becoming the intellectual hub of Shanghai.

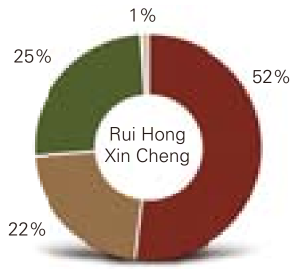
KIC commits to building up the think tank in Shanghai

The following table shows the usage mix of the project as of 31 December 2012 based on the Master-plan:

	Approximate/Estimated leasable and saleable area							
	Residential sq.m.	Office sq.m.	Retail sq.m.	Hotel/ serviced apartment sq.m.	**Subtotal GFA sq.m.**	Clubhouse, carpark and other facilities sq.m.	**Total GFA sq.m.**	Group's interest %
Completed properties								
KIC Village R1	–	6,000	7,000	–	**13,000**	12,000	**25,000**	86.8%
KIC Village R2 (Lots 7-9,8-2)	–	7,000	3,000	–	**10,000**	8,000	**18,000**	86.8%
KIC Village R2 (Lot 7-7)	–	6,000	1,000	–	**7,000**	18,000	**25,000**	86.8%
KIC Plaza Phase 1	–	29,000	21,000	–	**50,000**	25,000	**75,000**	86.8%
KIC Plaza Phase 2	–	39,000	10,000	–	**49,000**	30,000	**79,000**	86.8%
KIC C2 (Lots 5-5,5-7,5-8)	–	30,000	12,000	–	**42,000**	12,000	**54,000**	86.8%
Subtotal	**–**	**117,000**	**54,000**	**–**	**171,000**	**105,000**	**276,000**	
Properties under development								
Lot 311 Phase 1	53,000	–	–	–	**53,000**	20,000	**73,000**	99.0%
Lot 311 Phase 2	–	90,000	6,000	22,000	**118,000**	46,000	**164,000**	99.0%
Lot 12-8	–	5,000	–	–	**5,000**	–	**5,000**	86.8%
Subtotal	**53,000**	**95,000**	**6,000**	**22,000**	**176,000**	**66,000**	**242,000**	
Properties for future development								
Subtotal	**–**	**–**	**–**	**–**	**–**	**–**	**–**	
Total	**53,000**	**212,000**	**60,000**	**22,000**	**347,000**	**171,000**	**518,000**	

Shanghai
Rui Hong Xin Cheng

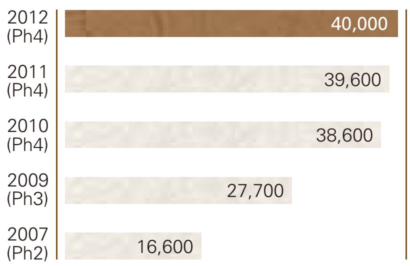
GFA by Usage



	sq.m.
Residential	653,000
Office	272,000
Retail	318,000
Hotel/Serviced Apartment	10,000
Total Leasable and Saleable GFA	1,253,000

Residential ASP

(RMB/sq.m.)



Site location: The Rui Hong Xin Cheng project, also known as Rainbow City, is located in Hongkou District, which is adjacent to the North Bund and the North Sichuan Road business district. It is served by Metro Lines 4, 8 and 10 as well as two tunnels, Xinjian Road Tunnel and Dalian Road Tunnel, connecting Rui Hong Xin Cheng to Lujiazui CBD and Pudong commercial district.

Master-plan: Rui Hong Xin Cheng is a large-scale city-core redevelopment project in Shanghai. According to the plan, the development will become a community whose enhancements include office buildings, retail podiums, hotels, entertainment, cultural and residential properties. Upon completion it will be a fashionable urban living centre in Northeast Shanghai.

Since 1998, the Group has developed, sold and delivered more than 451,000 sq.m. in GFA of residential units developed in four phases. The ASP of contracted sales has progressively risen from RMB16,600 per sq.m. in 2007 to RMB40,000 per sq.m. in 2012. Jing Ting, residential Phase 5 (Lot 6) is under construction. The first stage of pre-sale was held on 22 December 2012, offering a GFA of 47,000 sq.m. and achieving a take-up rate of over 96% by 31 December 2012. The ASP of subscribed sales was recorded at RMB44,500 per sq.m.. Six more blocks also from Phase 5, with a GFA of 71,000 sq.m., will be launched during 2013. Phase 5 is scheduled to be delivered in 2014.

On the commercial side, 47,000 sq.m. of GFA have been developed into retail podiums and retained in the Group's investment property portfolio.

Relocation negotiations are currently underway at Lots 2, 3, 9 and 10 which encompass a total planned GFA of 569,000 sq.m.. The four sites are to be developed as residential apartments, offices, shopping centres, a hotel and an entertainment area. As of 31 December 2012, 76%, 92%, 83%, and 77% respectively of residents had signed relocation agreements. Further relocation work for the remaining 500,000 sq.m. of GFA for Lots 1, 7, 167A and 167B has yet to commence.

Hongkou District

Hongkou District is situated in downtown Shanghai. It has a long history and deep cultural roots. It is currently being transformed into a modern, integrated district with bustling commerce, an environment that accentuates quality of life, unique culture and efficient public services. The North Bund area of Hongkou District is the landmark shipping and logistics services development hub for Shanghai, which serves more than 3,000 shipping and logistics companies. Shipping services, knowledge industries, leisure and entertainment services and the real estate industry are the main economic driving forces for the Hongkou District.

Rui Hong Xin Cheng will become a world-class integrated community

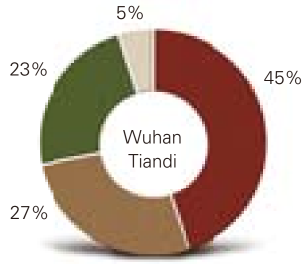
The following table shows the usage mix of the project as of 31 December 2012 based on the Master-plan:

	Approximate/Estimated leasable and saleable area							
	Residential sq.m.	Office sq.m.	Retail sq.m.	Hotel/ serviced apartment sq.m.	**Subtotal GFA sq.m.**	Clubhouse, carpark and other facilities sq.m.	**Total GFA sq.m.**	Group's interest %
Completed properties								
The Palette 1	–	–	5,000	–	**5,000**	13,000	**18,000**	79.8%
The Palette 3	–	–	28,000	–	**28,000**	21,000	**49,000**	79.0%
The Palette 5	–	–	2,000	–	**2,000**	3,000	**5,000**	79.0%
The Palette 2	–	–	12,000	–	**12,000**	23,000	**35,000**	79.0%
Subtotal	**–**	**–**	**47,000**	**–**	**47,000**	**60,000**	**107,000**	
Properties under development								
RHXC Phase 5 Lot 6	118,000	–	19,000	–	**137,000**	51,000	**188,000**	79.0%[1]
Subtotal	**118,000**	**–**	**19,000**	**–**	**137,000**	**51,000**	**188,000**	
Properties for future development								
Subtotal	**535,000**	**272,000**	**252,000**	**10,000**	**1,069,000**	**12,000**	**1,081,000**	**79.0%[2]**
Total	**653,000**	**272,000**	**318,000**	**10,000**	**1,253,000**	**123,000**	**1,376,000**	

1 The group has a 99.0% effective interest in the non-retail portion.
2 The group has a 79.8% interest in Lot 167A and Lot 167B and 79.0% interest in the remaining lots.

Wuhan
Wuhan Tiandi

GFA by Usage



	sq.m.
Residential	491,000
Office	287,000
Retail	250,000
Hotel/Serviced Apartment	50,000
Total Leasable and Saleable GFA	1,078,000

Residential ASP

(RMB/sq.m.)

Site A	
2012 (Ph3)	37,300
2011 (Ph3)	32,000
2010 (Ph2)	20,200
2009 (Ph2)	14,300
2008 (Ph1)	13,400

Site B	
2012 (Ph1 & 2)	22,000

Site location: The Wuhan Tiandi project is situated in the city centre of Hankou District. It has a prime location on the Yangtze River waterfront, with an unparalleled view of the Yangtze River and scenic Jiangtan Park. In December 2008, the municipal government formally approved plans for a "Riverside Business Zone" which includes the Wuhan Tiandi project. The Riverside Business Zone is designed to be one of the city's financial and business centres, as well as an innovation hub and a cultural destination.

Master-plan: Wuhan Tiandi is a large-scale mixed-use redevelopment comprising two major sites. Site A includes office towers, retail, food and beverage, and entertainment facilities, together with some residential blocks. Site B is mainly composed of residential and office buildings, together with a retail centre. The total land area is 61 hectares. Through preserving local historical architecture while injecting new commercial value, the project has become a landmark in Wuhan. With a total GFA of 46,000 sq.m., the retail and food and beverage component has been in operation since 2007, and is included in the Group's investment property portfolio.

Residential developments in Wuhan Tiandi have been well received by the market. A case in point is Site A with

1 Wuhan Tiandi

Wuhan

Situated at the junction of the Yangtze and Han rivers, Wuhan is the capital city of Hubei Province. As the largest city and a centre of manufacturing, commerce, and transportation in central China, Wuhan is a focal point for the "rise of central China" national strategy, playing a key role in regional economic development. The city's four pillar industries are iron and steel, automotive, machinery and information technology (IT). The Wuhan government has established zones to foster growth in the automotive and IT sectors, in an attempt to restructure its economy towards higher-value-added industries. The city's East Lake High-tech Development Zone was approved as the second National Innovation Model Park after the Zhongguan Cun technology hub of Beijing in 2009. Wuhan's commerce has expanded rapidly in recent years. Its retail sales rose by 15.8% in 2012 to RMB342.7 billion, making Wuhan one of the Top 10 cities in terms of retail sales value. Meanwhile, Wuhan's strategic value as a transportation hub is further enhanced by its emergence as a major hub within China's high speed railway (HSR) framework. Two most important high speed railway (HSR) lines, the Shanghai – Wuhan – Chongqing – Chengdu HSR line and the Beijing – Wuhan – Guangzhou HSR line intersect in Wuhan. With the Beijing – Guangzhou line fully completed in 2012, travel from Wuhan to Beijing or Guangzhou takes only about four hours. Furthermore, expansion work began in 2009 at Wuhan's Tianhe International Airport (ranked 14th among Chinese airports in 2011). The expansion project is scheduled for completion by 2015, when annual passenger flow is expected to reach 35 million.

Wuhan Tiandi leads the international trend of the riverside's lifestyle

Day view of Wuhan Tiandi

a total GFA of 204,000 sq.m., where all the residential units placed on the market since 2008 have been sold and delivered. The ASP of contracted sales reached RMB38,600 per sq.m. for the river view units (Lots A11 and A12) in 2012. In addition, basement construction of the shopping centre at Site A (Lots A1/2/3 retail podium) has commenced. Phase1 of Lots A1/2/3 including the retail podium and a portion of office and hotel works with a total GFA of 149,000 sq.m. are slated for completion in 2014.

Wuhan Tiandi Site B has been under development since 2011. According to the Master-plan, a total of 543,000 sq.m. of GFA or 81% of the site is planned for residential use. The remaining parcel of 129,000 sq.m. of GFA is earmarked as retail and office space. Wuhan Tiandi B9 (Lot B9) units were ready for delivery as of yearend 2012. Wuhan Tiandi B11 (Lot B11) was also launched for pre-sale in 2012 and is scheduled for delivery during 2013. Currently, another phase for residential development (Lot B13) is under construction and is expected to be launched for pre-sale during 2013.

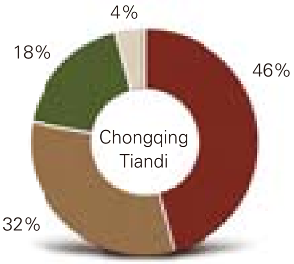
The following table shows the usage mix of the project as of 31 December 2012 based on the Master-plan:

	Approximate/Estimated leasable and saleable area							
	Residential sq.m.	Office sq.m.	Retail sq.m.	Hotel/ serviced apartment sq.m.	**Subtotal GFA sq.m.**	Clubhouse, carpark and other facilities sq.m.	**Total GFA sq.m.**	Group's interest %
Completed properties								
Wuhan Tiandi (Lots A4-1/2/3)	–	–	46,000	–	**46,000**	25,000	**71,000**	75.0%
Wuhan Tiandi B9	13,000	–	1,000	–	**14,000**	18,000	**32,000**	75.0%
Subtotal	**13,000**	**–**	**47,000**	**–**	**60,000**	**43,000**	**103,000**	
Properties under development								
Wuhan Tiandi B11	54,000	–	1,000	–	**55,000**	13,000	**68,000**	75.0%
Lots A1/A2/A3 – Phase1	–	32,000	110,000	7,000	**149,000**	119,000	**268,000**	75.0%
Wuhan Tiandi B13	56,000	–	–	–	**56,000**	21,000	**77,000**	75.0%
Lot A2 – Office Tower	–	36,000	–	–	**36,000**	–	**36,000**	75.0%
Lot A3 – Office Tower	–	50,000	–	–	**50,000**	–	**50,000**	75.0%
Lot A1 – Office Tower	–	134,000	–	33,000	**167,000**	–	**167,000**	75.0%
Subtotal	**110,000**	**252,000**	**111,000**	**40,000**	**513,000**	**153,000**	**666,000**	
Properties for future development								
Subtotal	**368,000**	**35,000**	**92,000**	**10,000**	**505,000**	**4,000**	**509,000**	**75.0%**
Total	**491,000**	**287,000**	**250,000**	**50,000**	**1,078,000**	**200,000**	**1,278,000**	

Wuhan Tiandi becomes a favorite destination for tourists

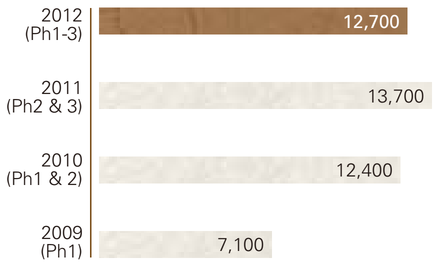
Chongqing
Chongqing Tiandi

GFA by Usage



	sq.m.
Residential	1,110,000
Office	786,000
Retail	430,000
Hotel/Serviced Apartment	103,000
Total Leasable and Saleable GFA	2,429,000

Residential ASP*



1 Chongqing Tiandi

Site location: The Chongqing Tiandi project is located in Yuzhong district, the traditional central business district of Chongqing.

Master-plan: Chongqing Tiandi is an urban redevelopment project. The project Master-plan includes a man-made lake with pavilions and a promenade along the waterfront, a commercial core comprising Grade A office buildings, exhibition and conference facilities, luxury-standard hotels, and retail and entertainment outlets. Residential clusters on the hillside were designed to replicate Chongqing's traditional hill-town characteristics and to offer scenic views of the lake and river. This project is to be developed with the goal of establishing a service hub to support Chongqing's extensive modern industrial and agricultural sectors.

Since 2008, residential Phases 1 to 3 of the residential development, The Riviera, have been progressively

* The ASP of Chongqing residential sales is based on net floor area, a common market practice in the region.

Chongqing

Chongqing is strategically located to the east of Sichuan Province in the Sanxia (or Three Gorges) area, in the upstream section of the Yangtze River. It is the only municipality in western China (the other three being Beijing, Shanghai and Tianjin). Chongqing, together with its five neighboring provinces, covers a regional market with a population of 305 million people, and is emerging as the regional economic hub of western China. The strategic status of Chongqing will gain traction, as the new leadership of China strives for re-balancing and urbanisation, both of which favor Chongqing because of its inland location and relatively low urbanisation rate.

Sustained investment in key infrastructure projects connecting the western region to Chongqing, and Chongqing to the rest of China, have enabled Chongqing to play a dominant role as the catalyst for growth in western China. In 2012, GDP growth in Chongqing reached 13.6%. This was 5.8% higher than the national average and the second fastest in China. FDI remained robust, with the number of top-500 global companies that have a presence in Chongqing increasing from 200 in 2011 to 225 in 2012.

Rendering of The Waterfront at Chongqing Tiandi

Night view of Chongqing Tiandi

completed and delivered to customers. Phase 4 and Phase 5 are currently under construction and scheduled for pre-sale launch in 2013. The ASP of the residential units sold to date has risen from RMB7,100 per sq.m. in 2009 to RMB12,700 sq.m. in 2012.

In the commercial sector, construction proceeds on various office buildings together with retail shopping centres and hotel facilities occupying a total GFA of 956,000 sq.m. at Lots B11, B12-3, B12-4 and B13. Of the total area, 663,000 sq.m. of GFA are designated as office space, 268,000 sq.m. of GFA are for a retail shopping centre and the remaining 25,000 sq.m. are for hotel development. Lot B 12-1 with a GFA of 98,000 sq.m. for office use and 2,000 sq.m. for retail use was completed in late 2012 and scheduled for delivery in the first half of 2013.

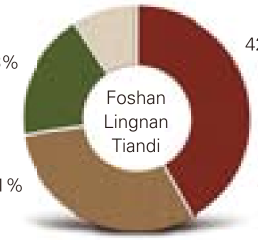
The following table shows the usage mix of the project as of 31 December 2012 based on the Master-plan:

	Approximate/Estimated leasable and saleable area							
	Residential sq.m.	Office sq.m.	Retail sq.m.	Hotel/ serviced apartment sq.m.	**Subtotal GFA sq.m.**	Clubhouse, carpark and other facilities sq.m.	**Total GFA sq.m.**	Group's interest %
Completed properties								
The Riviera Phase 1 (Lot B1-1/01)	1,000	–	2,000	–	**3,000**	13,000	**16,000**	79.4%
Chongqing Tiandi (Lot B3/01)	–	–	49,000	–	**49,000**	25,000	**74,000**	79.4%
The Riviera Phase 2 (Lot B2-1/01)	35,000	–	7,000	–	**42,000**	45,000	**87,000**	79.4%
The Riviera Phase 3 (Lot B19/01)	31,000	–	6,000	–	**37,000**	32,000	**69,000**	79.4%
Residential Phase 4 Stage 1 (Lot B20-5/01)	15,000	–	–	–	**15,000**	3,000	**18,000**	79.4%
Lot B12-1/02	–	98,000	2,000	–	**100,000**	28,000	**128,000**	79.4%
Subtotal	**82,000**	**98,000**	**66,000**	**–**	**246,000**	**146,000**	**392,000**	
Properties under development								
Super High Rise Phase 1 (Lot B11-1/02)	–	119,000	11,000	–	**130,000**	53,000	**183,000**	59.5%
Super High Rise Phase 2 (Lot B11-1/02)	–	259,000	104,000	25,000	**388,000**	114,000	**502,000**	59.5%
Residential Phase 4 Stage 2 (Lot B20-5/01)	68,000	–	–	–	**68,000**	20,000	**88,000**	79.4%
Residential Phase 5 (Lot B18/02)	180,000	–	5,000	–	**185,000**	45,000	**230,000**	79.4%
Lot B12-3/02	–	70,000	39,000	–	**109,000**	29,000	**138,000**	79.4%
Lot B12-4/02	–	63,000	31,000	–	**94,000**	24,000	**118,000**	79.4%
Lot B13/03	–	152,000	83,000	–	**235,000**	57,000	**292,000**	79.4%
Subtotal	**248,000**	**663,000**	**273,000**	**25,000**	**1,209,000**	**342,000**	**1,551,000**	
Properties for future development								
Subtotal	**780,000**	**25,000**	**91,000**	**78,000**	**974,000**	**218,000**	**1,192,000**	**79.4%**
Total	**1,110,000**	**786,000**	**430,000**	**103,000**	**2,429,000**	**706,000**	**3,135,000**	

Riverside view of Chongqing Tiandi

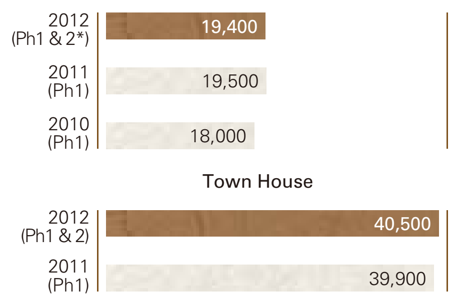
Foshan
Foshan Lingnan Tiandi

GFA by Usage



	sq.m.
Residential	605,000
Office	450,000
Retail	258,000
Hotel/Serviced Apartment	128,000
Total Leasable and Saleable GFA	1,441,000

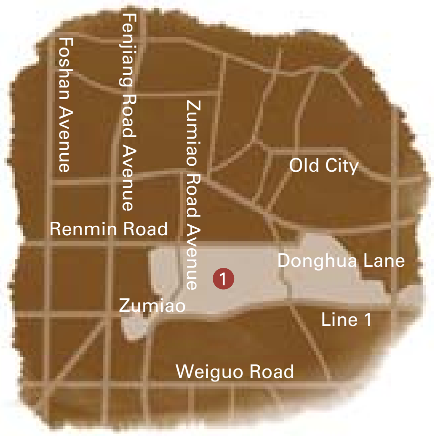
Residential ASP



* Lowrise Ph1 & Low/midrise Ph2 & Retail.

Site Location: The Foshan Lingnan Tiandi project is well located in the old town centre of central Chancheng District, Foshan's traditional downtown area and public transportation hub. Two subway stations of the Guangzhou – Foshan line connect to the project site.

Master-plan: The project is a large-scale urban redevelopment, comprising office, retail, hotel and cultural facilities and residential complexes in an integrated community. The centrepiece of Foshan's cultural heritage is Zumiao, the aforementioned, immaculately preserved, ancient Taoist temple. This and another well-known historic area, the Donghuali, are national grade heritage sites and located within the project. The Foshan municipal government's plan is to upgrade the area into a business and commercial zone, focusing on business, culture, and tourism.



1 Foshan Lingnan Tiandi

Foshan

Despite the global headwinds, Foshan remains one of the most vital cities within the Pearl River Delta, supported by its economic dynamism along with a rich historical and cultural heritage. Only 28 km to the southwest of Guangzhou city centre, Foshan is advantageously located within the Pearl River Delta Economic zone. In 2012, the city had the third largest economy in the region, after Guangzhou and Shenzhen. Foshan's traditionally leading industries, including ceramics, home appliances, electronics, furniture, aluminum and stainless steel, still have strong competitive advantages nationwide, and are expected to accelerate their processes of transformation and upgrading. Recently, the Foshan government implemented a series of policies to support technological innovations and industrial reforms by enterprises. The three-year Plan of Foshan Urban Renewal Activity initiated in February 2012 will significantly improve the city's image, infrastructure, industrial facilities, and the productivity of manufacturing industries. As a key project in Foshan, Guandong Financial High-Tech Service Zone in Nanhai District will play an important role in integrating financial services and local industrial development. Moreover, a key initiative to enhance Foshan's cultural profile, is to reconstruct and revitalise the historic and cultural buildings in and around Zumiao, a 900-year-old Taoist temple. They will eventually form the highlights of a national 5A-grade tourist destination, in which SOL's project, Lingnan Tiandi, plays an integral part.

Foshan Lingnan Tiandi gradually becomes the hotspot for people having good taste

Marco Polo Lingnan Tiandi Foshan Hotel has an unique and decent appearance

Residential sales have achieved excellent results since the first launch in 2010 of the Foshan Lingnan Tiandi project. Low-rise apartments at The Regency Phase 1 (Lot 4) and the townhouses at The Legendary Phase 1 (Lot 14) were delivered to buyers commencing 2011. In 2012, the market launch of subsequent low-rise and mid-rise apartments at The Regency Phase 2 (Lot 5) and the townhouses at The Legendary Phase 2 (Lot 15) featured different sizes and layouts to accommodate varying requirements of purchasers. The ASP of contracted sales for the apartments including the retail portion recorded RMB19,400 per sq.m. while the ASP of the townhouses reached RMB40,500 per sq.m. in 2012. Residential developments located at Lots 6, 16, 18 and E and offering a further GFA of 173,000 sq.m. are also under development and scheduled for pre-sale starting from 2013.

The first stage of the Foshan Lingnan Tiandi in Lot 1 with a GFA of 16,000 sq.m. was completed and opened in late 2011. Phases 2 and 3 of the Tiandi area (Lot 1) with a total GFA of 41,000 sq.m. of retail and hotel space, are currently under development, and are scheduled for completion in 2013 and 2014. Development work is underway for other retail space located at Lot G, Lot 6, Lot 16, Lot 18 and Lot E. Completion is planned for 2013 to 2015. In addition, the Marco Polo Lingnan Tiandi Foshan Hotel at Lot D was completed and opened for operation in May 2012.

The following table shows the usage mix of the project as of 31 December 2012 based on the Master-plan:

	Approximate/Estimated leasable and saleable area							
	Residential sq.m.	Office sq.m.	Retail sq.m.	Hotel/ serviced apartment sq.m.	**Subtotal GFA sq.m.**	Clubhouse, carpark and other facilities sq.m.	**Total GFA sq.m.**	Group's interest %
Completed properties								
The Regency Phase 1 (Lot 4)	–	–	–	–	**–**	5,000	**5,000**	100.0%
The Legendary Phase 1 (Lot 14)	2,000	–	–	–	**2,000**	5,000	**7,000**	100.0%
Lingnan Tiandi Stage 1 (Lot 1 ph1)	–	–	16,000	–	**16,000**	1,000	**17,000**	100.0%
Lot D	–	–	14,000	38,000	**52,000**	25,000	**77,000**	100.0%
The Regency Phase 2 (Lot 5)	39,000	–	1,000	–	**40,000**	16,000	**56,000**	100.0%
The Legendary Phase 2 stage 1 (Lot 15 ph1)	12,000	–	–	–	**12,000**	8,000	**20,000**	100.0%
Lot 13b	–	–	–	–	**–**	5,000	**5,000**	100.0%
Subtotal	**53,000**	**–**	**31,000**	**38,000**	**122,000**	**65,000**	**187,000**	
Properties under development								
The Legendary Phase 2 stage 2 (Lot 15 ph2)	–	–	1,000	–	**1,000**	–	**1,000**	100.0%
Lot G	–	–	2,000	–	**2,000**	–	**2,000**	100.0%
Lingnan Tiandi Stage 2 (Lot 1 ph2)	–	–	26,000	10,000	**36,000**	2,000	**38,000**	100.0%
Lingnan Tiandi Stage 3 (Lot 1 ph3)	–	–	5,000	–	**5,000**	–	**5,000**	100.0%
Lot 6	44,000	–	4,000	–	**48,000**	29,000	**77,000**	55.9%
Lot 16	12,000	–	1,000	–	**13,000**	10,000	**23,000**	55.9%
Lot 18	99,000	–	5,000	–	**104,000**	59,000	**163,000**	100.0%
Lot E	18,000	–	58,000	–	**76,000**	53,000	**129,000**	100.0%
Subtotal	**173,000**	**–**	**102,000**	**10,000**	**285,000**	**153,000**	**438,000**	
Properties for future development								
Subtotal	**379,000**	**450,000**	**125,000**	**80,000**	**1,034,000**	**28,000**	**1,062,000**	100.0%
Total	**605,000**	**450,000**	**258,000**	**128,000**	**1,441,000**	**246,000**	**1,687,000**	

Zumiao Avenue at Foshan Lingnan Tiandi features various trendy botiques

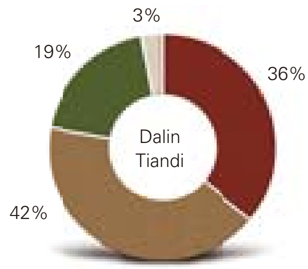
Dalian
Dalian Tiandi

Site location: Dalian Tiandi is an integrated mixed-use development set in the scenic city of Dalian in China's northeast Liaoning Province.

Master-plan: The Dalian Tiandi project offers a green, highly modern, trendsetting lifestyle community to attract green living enthusiasts and knowledge workers. Situated at the midpoint of South Lvshun Road Software Industry Belt, Dalian Tiandi extends across a 12.5 km range. Upon completion, it is envisioned to be a suburban centre. To date, a total of 207,000 sq.m. of GFA has been developed into office spaces, with tenants including established technology companies such as IBM, Ambow, and Chinasoft.

In terms of its residential profile, the ASPs of townhouses and residential apartments reached RMB23,800 per sq.m. and RMB10,000 per sq.m. respectively in 2012. A total GFA of 975,000 sq.m. is currently under development, planned for different uses.

GFA by Usage



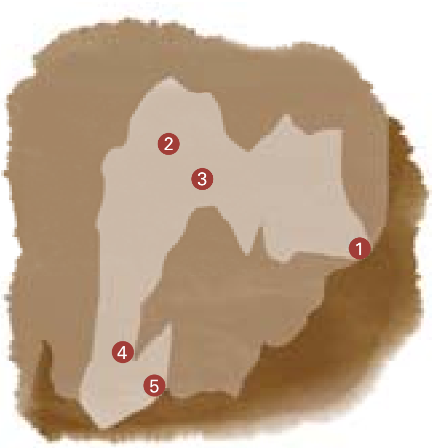
	sq.m.
Residential	1,121,000
Office	1,332,000
Retail	604,000
Hotel/Serviced Apartment	82,000
Total Leasable and Saleable GFA	3,139,000

Residential ASP

(RMB/sq.m.)

Apartment	
2012	10,000
2011	11,500
2010	11,500

Town House	
2012	23,800
2011	23,200
2010	18,600



1. Hekou Bay
2. Huangnichuan North
3. Huangnichuan South
4. Nanhaitou
5. Resort Hotel Site

Dalian

Dalian is a port city in Liaoning Province and is the major gateway for China's northeast region. It is an important northeastern economic hub that has an advantageous coastal location and world-class infrastructure. The city has a proven track record in developing information technology outsourcing ("ITO") and business process outsourcing ("BPO") industries. Rapid economic growth momentum is sustainable under a clear development blueprint, effective government leadership, and a sound business environment that will continue to attract capital and talent. Dalian recorded annual GDP growth of 10.3% in 2012 and leads in terms of property investment and living standards in Liaoning Province. Dalian is one of the leading inward investment destinations, attracting more than US$12.3 billion FDI in 2012, and realising rapid growth of 12.2%. Within Dalian's reach is the opportunity to be recognised as a world-class, high-end service outsourcing hub within China by building on its market-leading positions in a niche segment market.

The commercial complex IT Tiandi at Dalian Tiandi

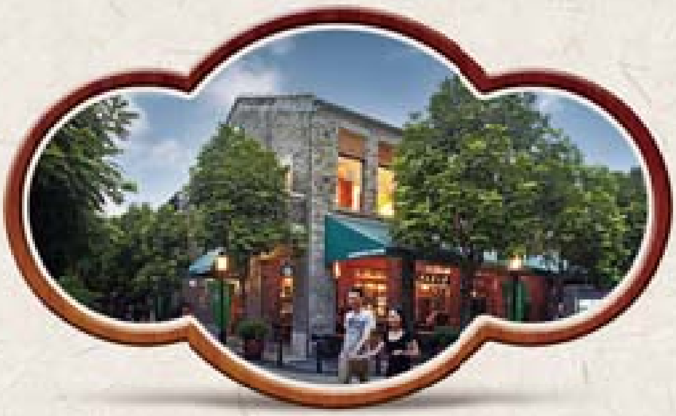
IT Tiandi at Dalian Tiandi provides a world-class experience of life

The following table shows the usage mix of the project as of 31 December 2012 based on the Master-plan:

	Approximate/Estimated leasable and saleable area							
	Residential sq.m.	Office sq.m.	Retail sq.m.	Hotel/ serviced apartment sq.m.	**Subtotal GFA sq.m.**	Clubhouse, carpark and other facilities sq.m.	**Total GFA sq.m.**	Group's interest %
Completed properties								
Huangnichuan North								
Lot D22(Software Office)	–	42,000	–	–	**42,000**	15,000	**57,000**	48.0%
Lot B02 (Ambow Training School)	–	113,000	–	–	**113,000**	4,000	**117,000**	48.0%
Lot D14 (SO2/SO4)	–	52,000	–	–	**52,000**	10,000	**62,000**	48.0%
Lot E06 (Villas)	23,000	–	–	–	**23,000**	–	**23,000**	48.0%
Lot E06 (Mid/high-rises)	20,000	–	–	–	**20,000**	53,000	**73,000**	48.0%
Lot E29	–	–	–	–	**–**	11,000	**11,000**	48.0%
Lot C10 (Engineer Apartment)	38,000	–	–	–	**38,000**	8,000	**46,000**	48.0%
Subtotal	**81,000**	**207,000**	**–**	**–**	**288,000**	**101,000**	**389,000**	
Properties under development								
Huangnichuan North								
Site C -D14 (SO5)	–	36,000	–	–	**36,000**	15,000	**51,000**	48.0%
Site C -D10 (IT Tiandi)	–	–	41,000	33,000	**74,000**	22,000	**96,000**	48.0%
Site C-C14	33,000	–	–	–	**33,000**	24,000	**57,000**	48.0%
Site C-C22	21,000	–	–	–	**21,000**	10,000	**31,000**	48.0%
other lots	305,000	14,000	–	–	**319,000**	136,000	**455,000**	48.0%
Hekou Bay								
Site A -B09	32,000	–	–	–	**32,000**	17,000	**49,000**	48.0%
Site A -B13	44,000	–	–	–	**44,000**	21,000	**65,000**	48.0%
Site A -C01	15,000	–	1,000	–	**16,000**	5,000	**21,000**	48.0%
Site A -B02 (SO)	–	30,000	–	–	**30,000**	36,000	**66,000**	48.0%
other lots	61,000	109,000	200,000	–	**370,000**	56,000	**426,000**	48.0%
Subtotal	**511,000**	**189,000**	**242,000**	**33,000**	**975,000**	**342,000**	**1,317,000**	
Properties for future development[1]								
Subtotal	**529,000**	**936,000**	**362,000**	**49,000**	**1,876,000**	**8,000**	**1,884,000**	**48.0%**
Total	**1,121,000**	**1,332,000**	**604,000**	**82,000**	**3,139,000**	**451,000**	**3,590,000**	

1 Dalian Tiandi has a landbank of 3.6 million sq.m. in GFA. As of 31 December 2012, approximetely 3.3 million sq.m. had been acquired. The remaining GFA of approximately 0.3 million sq.m. will be acquired through public bidding in due course.


Greenville at Dalian Tiandi



Maintaining our competitive edge in the market as one of China's leading property developers, we have redefined the quality of our customer services. The popularity of our residential units in Foshan Lingnan Tiandi is due as much to our quality and customised services as to our unique three-year warranty. We are also introducing a 24-hour service call centre as well as relationship managers in 2013.


Redefining
Qualities

Business Review

For the year ended 31 December 2012, the Group recorded turnover of RMB4,821 million, with property sales and rental and related income from investment properties accounting for RMB3,541 million or 73% and RMB1,249 million or 26%, respectively, of total turnover. The remaining sum of RMB31 million or 1% was generated from other income. In comparison with turnover of RMB8,484 million for the year 2011, this was a drop of 43% due to fewer properties being delivered and recognised as property sales in 2012. Rental and related income increased by 47% to RMB1,249 million in 2012.

As of 31 December 2012, total locked-in sales for delivery in 2013 and beyond stood at RMB6,305 million (including the contributions of Dalian associates) with GFA of 380,000 sq.m..

In the first two months of 2013, the Group achieved RMB2,524 million in contracted sales that are planned for delivery to customers and will be recognised as turnover in 2013 and beyond.

Property Sales

Recognised Property Sales

Recognised property sales decreased by 53% to RMB3,541 million, amounting to a total GFA of 199,700 sq.m. for the reporting year in which fewer properties were delivered and recognised as property sales. In particular, the contribution from property sales of Shanghai projects in 2012 decreased substantially by 84% to RMB489 million (including carparks and others), compared to RMB3,054 million in 2011 (including carparks and others).

Recognised property sales for Dalian Tiandi stood at RMB509 million, and its related profit was recorded in the share of results of associates.

The Group's developments reflected a stable average selling price ("ASP") in 2012. The ASP for Shanghai Taipingqiao rose by 6% to RMB158,100 per sq.m.. The ASP in Shanghai RHXC, Chongqing Tiandi, Foshan Lingnan Tiandi and Dalian Tiandi remained stable in 2012.

The 23% decrease in recognised ASP was mainly due to a change in product mix. In 2011, 40% of the property sales in turnover of the Group came from Shanghai where ASP was higher. In 2012, the difference was that 34% of property sales in turnover of the Group came from Chongqing Tiandi which commands a lower ASP.

Foshan Lingnan Tiandi gathers a bunch of well-known fashionable stores and international cuisines

The View at Rui Hong Xin Cheng locates in premier location, with superior transportation, natural environments as well as high quality

The table below summarises by project the recognised sales (stated after the deduction of business tax of 5% and other surcharges/taxes) for 2012 and 2011:

Project	2012 Sales revenue RMB' million	2012 GFA sold sq.m.	2012 ASP RMB per sq.m.	2011 Sales revenue RMB' million	2011 GFA sold sq.m.	2011 ASP RMB per sq.m.	ASP Growth rate %
Shanghai Taipingqiao	**157**	**1,050**	**158,100**	827	5,900	148,600	**6%**
Shanghai Rui Hong Xin Cheng ("RHXC")	**200**	**5,350**	**39,600**	2,133	57,700	39,200	**1%**
Shanghai Knowledge and Innovation Community ("KIC")							
Soho Office	**53**	**2,700**	**20,800**	47	2,300	21,700	**(4%)**
Office	**–**	**–**	**–**	528	14,400	38,900	**–**
Wuhan Tiandi							
Site B Residential	**1,087**	**52,800**	**21,800**	–	–	–	**–**
Site A Residential	**151**	**4,700**	**34,100**	1,491	49,100	32,200	**6%**
Site A Office	**–**	**–**	**–**	858	58,800	15,500	**–**
Chongqing Tiandi[1]	**1,184**	**115,300**	**13,300**	1,083	107,300	13,400	**(1%)**
Foshan Lingnan Tiandi							
Apartments & Retail	**226**	**13,300**	**18,000**	695	40,800	18,100	**(1%)**
Townhouses	**211**	**5,500**	**40,700**	366	9,800	39,600	**3%**
Subtotal	**3,269**	**200,700**	**17,300**	8,028	346,100	24,600	**(30%)**
Carparks and others	**294**	**–**	**–**	166	–	–	**–**
Dalian Tiandi							
Mid/high-rises	**414**	**38,000**	**11,600**	–	–	–	**–**
Villas	**95**	**4,200**	**24,000**	332	18,700	18,800	**28%**
Total	**4,072**	**242,900**		8,526	364,800		
Recognised as:							
– property sales in turnover of the Group[2]	**3,541**	**199,700**	**18,800**	7,581	329,400	24,400	**(23%)**
– disposal of investment properties[2]	**22**	**1,000**		613	16,700		
– turnover of associates	**509**	**42,200**		332	18,700		
Total	**4,072**	**242,900**		8,526	364,800		

1 ASP of Chongqing residential sales is based on net floor area, a common market practice in the region.

2 Sales of commercial properties are recognised as "turnover" if the properties concerned are designated for sale prior to the commencement of development. Sales of commercial properties previously designated as held for capital appreciation or rental income are recognised as "disposal of investment properties".

Greenville at Dalian Tiandi

Contracted Property Sales

In 2012, contracted property sales from general property sales and carparks (including those from Dalian associates) were RMB5,562 million, a decrease of 5% from RMB5,872 million in 2011. A total GFA of 260,300 sq.m. was sold and pre-sold, representing growth of 18% compared to 221,100 sq.m. in 2011. A change in product mix resulted in a 20% reduction in ASP, which stood at RMB21,400 per sq.m..

The ASPs of Shanghai Taipingqiao, Shanghai RHXC and Foshan Lingnan Tiandi townhouses remained stable in 2012.

In 2012, contracted property sales for Wuhan Tiandi came primarily from the pre-sale of a new development site – Wuhan Tiandi B9 and B11 in Site B – which is located north of No.2 Yangtze River Bridge. The ASP was RMB22,000 per sq.m. during the reporting period. The selling price was lower than the ASP of The Riverview Phase 3 located at Site A and already at a mature stage, with an advantageous waterfront position facing the Yangtze River in Wuhan Tiandi and providing immediate access to the Wuhan Tiandi entertainment hub area. By contrast, Wuhan Tiandi B9 and B11 are situated at the construction zone of Site B and in the initial stage of construction.

As more small units and apartments with garden and city views in Phase 3 of Chongqing Tiandi The Riviera were sold during 2012, the ASP decreased by 7% to RMB12,700 per sq.m..

In 2012, only one *en-bloc* commercial property sale was completed, for a total consideration of RMB170 million, providing a total GFA of 4,600 sq.m. for office and retail use at an ASP of RMB37,000 per sq.m.. The property is located at Shanghai KIC C2 Lot 5-5. *En-bloc* sales of a total GFA of 306,400 sq.m. for a total value of RMB4,795 million were contracted in 2011.

In addition to the contracted property sales outlined above, a total GFA of 80,200 sq.m. was subscribed and subject to formal sale and purchase agreements as of 31 December 2012, with a total value of RMB2,667 million. The Group achieved RMB2,524 million of contracted sales in the first two months of 2013.

The table below provides an analysis by project of contracted sales (stated before the deduction of business tax of 5% and other surcharges/taxes) for 2012 and 2011:

Project	2012 Contracted amount RMB' million	2012 GFA sold sq.m.	2012 ASP RMB per sq.m.	2011 Contracted amount RMB' million	2011 GFA sold sq.m.	2011 ASP RMB per sq.m.	ASP Growth rate %
General property sales:							
Shanghai Taipingqiao	**166**	**1,050**	**158,100**	877	5,900	148,600	**6%**
Shanghai RHXC	**14**	**350**	**40,000**	1,434	36,200	39,600	**1%**
Shanghai KIC							
Office	**69**	**2,600**	**26,500**	50	2,300	21,700	**22%**
Residential	**1,573**	**41,500**	**37,900**	–	–	–	**–**
Wuhan Tiandi							
Site A Residential & Retail	**123**	**3,300**	**37,300**	1,618	50,500	32,000	**17%**
Site B Residential	**1,376**	**62,500**	**22,000**	–	–	–	**–**
Chongqing Tiandi[1]	**792**	**75,800**	**12,700**	903	79,900	13,700	**(7%)**
Foshan Lingnan Tiandi							
Low/mid-rises & Retail	**493**	**25,400**	**19,400**	47	2,400	19,500	**(1%)**
Townhouses	**227**	**5,600**	**40,500**	432	10,800	39,900	**2%**
Subtotal	**4,833**	**218,100**	**22,200**	5,361	188,000	28,500	**(22%)**
Dalian Tiandi							
Villas	**84**	**3,500**	**23,800**	82	3,500	23,200	**3%**
Mid/high-rises	**387**	**38,700**	**10,000**	341	29,600	11,500	**(13%)**
Carparks and others	**258**	**–**	**–**	88	–	–	**–**
Subtotal for general property sales	**5,562**	**260,300**	**21,400**	5,872	221,100	26,600	**(20%)**
***En-bloc* commercial property sales:**							
Wuhan Tiandi							
A5 (Offices & Retail)	**–**	**–**	**–**	963	58,800	16,400	**–**
Shanghai KIC							
C2 Lot 5-5 (Offices & Retail)	**170**	**4,600**	**37,000**	600	14,400	41,700	**(11%)**
Chongqing Tiandi							
B12-3 & B12-4 (Offices)	**–**	**–**	**–**	1,559	133,700	11,700	**–**
B12-1 (Offices & Retail)	**–**	**–**	**–**	1,673	99,500	16,800	**–**
Subtotal for *en-bloc* commercial property sales	**170**	**4,600**	**37,000**	4,795	306,400	15,600	
Grand total	**5,732**	**264,900**	**21,600**	10,667	527,500	20,200	

1 ASP of Chongqing residential sales is based on net floor area, a common market practice in the region.

Residential GFA Available for Sale and Pre-sale in 2013

The Group has approximately 606,900 sq.m. of residential GFA spanning six Group projects, available for sale and pre-sale during 2013 as summarised below:

Project		Available for sale and pre-sale in 2013 GFA in sq.m.
Shanghai RHXC	Jing Ting (High-rises)	117,700
Shanghai KIC	Jiangwan Regency (Lot 311 Mid-rises & townhouses)	11,900
Wuhan Tiandi	Wuhan Tiandi B9, B11 and B13 (Low/mid/high-rises)	113,600
Chongqing Tiandi	The Riviera Phases 2 – 5 (Low/mid/high-rises)	135,600
Foshan Lingnan Tiandi	Regency Phases 1 – 3 (Low/mid/high-rises)	71,200
	Legendary Phases 1 – 3 (Townhouses)	25,100
Dalian Tiandi	Huangnichuan (Mid/high-rises)	19,400
	Huangnichuan (Villas)	20,900
	Hekou Bay (Mid/high-rises)	91,500
Total		**606,900**

By way of a cautionary note, the actual market launch dates depend on and will be affected by factors such as construction progress, changes in market environments, and changes in government regulations.

Ring Hong Xin Cheng offers a cohesive blend of qualitative cosmopolitan experiences

Investment Property

Rental and related income from investment properties rose significantly by 47% to RMB1,249 million in 2012. The sum of RMB1,056 million was generated by rental and related income from the investment properties, representing an annual growth of 26%. The remaining sum of RMB193 million was generated from hotel operations.

The increase was mainly due to rental growth from the existing completed investment property portfolio and income from newly acquired, mature investment properties, namely Shanghai Shui On Plaza and Shanghai Langham Xintiandi Hotel. These acquisitions were completed on 16 March 2012.

For 2012, a total GFA of 149,000 sq.m. of investment properties including hotel properties was newly completed, of which 97,000 sq.m. was held by subsidiaries of the Group and 52,000 sq.m. was held by associate companies. The two major properties completed in 2012 were the Shanghai Langham Xintiandi Hotel with 33,000 sq.m. and Marco Polo Lingnan Tiandi Foshan Hotel with 38,000 sq.m.. The rental and related income generated from this portfolio of investment properties was recorded in the Group's turnover.

Rental income and the related profit of investment property located in Dalian Tiandi were recorded in the share of results of associates.

The table below provides an analysis of the rental and related income from investment properties for 2012, 2011 and 2010 and the percentage of leases in GFA by property that are slated to expire from 2013 to 2015:

	Product	Leasable GFA	Rental & related income RMB'million			Year on year change		**Leases expire in % of GFA**		
Project		sq.m.	**2012**	2011	2010	**2012**	2011	**2013**	**2014**	**2015**
Shanghai Taipingqiao										
Xintiandi, Xintiandi Style and Langham Xintiandi Hotel Retail Portion	Offices/ Retail	80,000	**361**	342	277	**6%**	23%	**29%**	**22%**	**23%**
Corporate Avenue Phase 1	Offices/ Retail	83,000	**240**	232	231	**3%**	–	**31%**	**19%**	**41%**
Shui On Plaza	Offices/ Retail	50,000	**101**	–	–	**–**	–	**20%**	**15%**	**8%**
Sub-total		213,000	**702**	574	508	**22%**	13%	**27%**	**19%**	**27%**
Shanghai RHXC	Retail	47,000	**54**	41	45	**32%**	(9%)	**5%**	**7%**	**14%**
Shanghai KIC	Offices/ Retail	167,000	**155**	102	58	**52%**	76%	**22%**	**31%**	**33%**
Wuhan Tiandi	Retail	46,000	**58**	48	34	**21%**	41%	**19%**	**27%**	**23%**
Chongqing Tiandi	Retail	47,000	**16**	17	8	**(6%)**	113%	**6%**	**8%**	**36%**
Foshan Lingnan Tiandi	Retail	30,000	**53**	35	13	**51%**	169%	**3%**	**4%**	**9%**
Hangzhou Xihu Tiandi[1]	Retail	–	**18**	18	18	**–**	–	**54%**	**26%**	**20%**
Total		550,000[2]	**1,056**	835	684	**26%**	22%	**21%**	**21%**	**27%**

1 Hangzhou Xihu Tiandi has a leasable GFA of 6,000 sq.m. and features restaurants, cafes and other entertainment properties. The Group has the right to use the properties for a term of 20 years expiring in 2023 pursuant to the joint venture contract for the establishment of Hangzhou Xihu Tiandi Management Co., Ltd..

2 A total GFA of 29,000 sq.m. was occupied as office use of the Group. They are located at Shanghai Shui On Plaza (8,000 sq.m.), Shanghai KIC (4,000 sq.m.) and Chongqing Tiandi (17,000 sq.m.). A total GFA of 76,000 sq.m. was developed as hotel properties, namely, Shanghai Langham Xintiandi Hotel (33,000 sq.m.), Shanghai 88 Xintiandi Hotel (5,000 sq.m.), and Marco Polo Lingnan Tiandi Foshan Hotel (38,000 sq.m.).

The Riverview at Wuhan Tiandi sets the benchmark of top residence in Wuhan

As of 31 December 2012, a portfolio of completed investment properties with approximately 550,000 sq.m. in GFA (excluding hotel and self-use properties) was held by subsidiaries of the Group.

The carrying value of the completed investment properties (excluding hotel and self-use properties) with a total GFA of 550,000 sq.m., was RMB22,089 million. Of this sum, RMB750 million (representing 3% of the carrying value) arose from increased fair value during 2012. Contributing factors included an increase in rental and related income generated from the existing completed investment property portfolio, in particular for Shanghai KIC and Wuhan Tiandi, completion of new investment properties, and the completed acquisition of Shanghai Shui On Plaza. The properties located in Shanghai, Wuhan, Foshan and Chongqing, respectively contributed 87%, 5%, 5% and 3% of the carrying value.

The carrying value of the investment properties under development at valuation for a total GFA of 1,041,000 sq.m. was RMB14,746 million. Of this sum, RMB1,948 million (representing 13% of the carrying value) arose from increased fair value during 2012. The increase was mainly due to the accelerated construction works of Corporate Avenue Phase 2 located at the Taipingqiao project and THE HUB project in Shanghai, various office buildings and retail shopping centres in Chongqing, the retail and entertainment area in Foshan Lingnan Tiandi, and the retail podium at Wuhan Tiandi Lots A1/A2/A3. Except for the super-high-rise office buildings in Chongqing, the rest of the portfolio was planned for progressive completion between 2013 to 2015.

The carrying value of Shanghai Langham Xintiandi Hotel, Shanghai 88 Xintiandi Hotel as well as the newly completed Marco Polo Lingnan Tiandi Foshan Hotel was RMB2,435 million. These projects were carried at either the original acquisition cost or the construction cost, net of accumulated depreciation.

The carrying value of the remaining commercial-use landbank acquired on or before 2007, was stated at cost of RMB9,789 million.

The table below summarises the carrying value of the investment properties at valuation as of 31 December 2012 together with the change in fair value for 2012:

Project	Leasable GFA sq.m.	Increase/ (decrease) in fair value for 2012 RMB' million	Carrying value as of 31 December 2012 RMB' million	Carrying value per GFA RMB per sq.m.	Valuation gain /(loss) to carrying value %
Completed investment properties at valuation					
Shanghai Taipingqiao					
Xintiandi, Xintiandi Style and Langham Xintiandi Hotel Retail Portion	80,000	125	6,191	77,400	2%
Corporate Avenue Phase 1	83,000	135	4,481	54,000	3%
Shui On Plaza	50,000	65	2,741	54,800	2%
Shanghai RHXC	47,000	21	1,001	21,300	2%
Shanghai KIC	167,000	123	4,787	28,700	3%
Wuhan Tiandi	46,000	193	1,152	25,000	17%
Chongqing Tiandi	47,000	134	727	15,500	18%
Foshan Lingnan Tiandi	30,000	(46)	1,009	33,600	(5%)
Subtotal	**550,000**	**750**[1]	**22,089**	**40,200**	**3%**
Investment properties under development at valuation					
Shanghai Taipingqiao	155,000	588	5,487	35,400	11%
Shanghai RHXC	19,000	44	295	15,500	15%
Shanghai KIC	5,000	(3)	25	5,000	(12%)
THE HUB	233,000	421	4,458	19,100	9%
Wuhan Tiandi	110,000	323	889	8,100	36%
Chongqing Tiandi	493,000	427	2,890	5,900	15%
Foshan Lingnan Tiandi	26,000	148	702	27,000	21%
Subtotal	**1,041,000**	**1,948**	**14,746**	**14,200**	**13%**
Total	**1,591,000**	**2,698**	**36,835**	**23,200**	**7%**

1 Valuation gain of RMB42 million from investment properties completed in 2012 was recognised during the development stage.

Lakeside view of Corporate Avenue at Chongqing Tiandi

The table below summarises the carrying value of the hotel properties as of 31 December 2012:

Project	GFA sq.m.	Carrying value as of 31 December 2012 RMB' million	Carrying value per GFA RMB per sq.m.
Shanghai Taipingqiao			
Shanghai Langham Xintiandi Hotel	33,000	1,822	55,200
Shanghai 88 Xintiandi Hotel	5,000	70	14,000
Foshan Lingnan Tiandi			
Marco Polo Lingnan Tiandi Foshan Hotel	38,000	543	14,300
Total	**76,000**	**2,435**	**32,000**

Rendering of The View at Rui Hong Xin Cheng

The table below summarises the portfolio of completed investment properties together with their respective occupancy rates:

	Leasable GFA (sq.m.)				Occupancy rate			
Project	Office	Retail	Hotel/ serviced apartments	Total	31 December 2012	31 December 2011	31 December 2010	Group's interest
Completed before 2012								
Shanghai Taipingqiao								
Shanghai Xintiandi	5,000	47,000	5,000	57,000	100%	100%	93%	97.0%
Shanghai Xintiandi Style	–	27,000	–	27,000	100%	96%	89%	99.0%
Shanghai Corporate Avenue	76,000	7,000	–	83,000	100%	100%	99%	99.0%
Shanghai Shui On Plaza	30,000	28,000	–	58,000	100%	N/A	N/A	80.0%
Shanghai RHXC								
The Palette 1	–	5,000	–	5,000	100%	100%	100%	79.8%
The Palette 3	–	28,000	–	28,000	98%	100%	100%	79.0%
The Palette 5	–	2,000	–	2,000	53%	39%	N/A	79.0%
The Palette 2	–	12,000	–	12,000	86%	N/A	N/A	79.0%
Shanghai KIC			–					
KIC Plaza Phase 1	29,000	21,000	–	50,000	84%	77%	81%	86.8%
KIC Plaza Phase 2	39,000	10,000	–	49,000	77%	79%	17%	86.8%
KIC Village R1 and R2	19,000	11,000	–	30,000	84%	75%	39%	86.8%
KIC Plaza C2	30,000	12,000	–	42,000	54%	33%	N/A	86.8%
Hangzhou Xihu Tiandi								
Phase 1	–	6,000	–	6,000	100%	100%	100%	100.0%
Wuhan Tiandi								
Wuhan Tiandi (Lot A4-1)	–	16,000	–	16,000	91%	98%	94%	75.0%
Wuhan Tiandi (Lots A4-2 and 3)	–	30,000	–	30,000	84%	91%	70%	75.0%
Chongqing Tiandi								
The Riviera Phase 1	–	2,000	–	2,000	94%	100%	100%	79.4%
The Riviera Phase 2 (Stage 1)	–	2,000	–	2,000	91%	96%	N/A	79.4%
Chongqing Tiandi (Lot B3/01)								
Phase 1	–	10,000	–	10,000	97%	100%	98%	79.4%
Phase 2	–	39,000	–	39,000	69%	59%	45%	79.4%
Foshan Lingnan Tiandi								
Lot 1 Phase 1	–	16,000	–	16,000	87%	22%	N/A	100.0%
Dalian Tiandi								
Software office buildings (D22)	42,000	–	–	42,000	76%	91%	65%	48.0%
Ambow training school	113,000	–	–	113,000	100%	100%	N/A	48.0%
Subtotal	**383,000**	**331,000**	**5,000**	**719,000**				
New completion in 2012								
Shanghai Taipingqiao								
Langham Xintiandi Hotel	–	1,000	33,000	34,000				66.7%
Chongqing Tiandi								
The Riviera Phase 2 (Stages 2 and 3)	–	5,000	–	5,000				79.4%
The Riviera Phase 3	–	6,000	–	6,000				79.4%
Foshan Lingnan Tiandi								
Marco Polo Lingnan Tiandi Foshan Hotel (Lot D)	–	14,000	38,000	52,000				100.0%
Dalian Tiandi								
Software office buildings (D14 – SO2/SO4)	52,000	–	–	52,000				48.0%
Subtotal	**52,000**	**26,000**	**71,000**	**149,000**				
Total leasable GFA	**435,000**	**357,000**	**76,000**	**868,000**				
Investment property held by:								
– Subsidiaries of the Group	228,000	357,000	76,000	661,000				
– Associated companies	207,000	–	–	207,000				
As of 31 December 2012	**435,000**	**357,000**	**76,000**	**868,000**				
As of 31 December 2011	356,000	303,000	5,000	664,000				

Note: Hotels and self-use properties are classified as property, plant and equipment in the consolidated financial statements.

Review of the First Three-Year Plan 2010 – 2012

Accelerate Development and Target to Complete 1 million sq.m. in 2012

Set in late 2009, the first Three-Year Plan was designed to accelerate development and increase asset turnover of the Group on the back of the stringent property policy environment in China. Most of the Group's sites cleared for development were located at Chongqing, Wuhan, Foshan and Dalian; while relocation progress of the two city re-development projects in Shanghai was slow.

The Group adopted a system of project-based decentralisation to foster timely decision-making by the project management teams, and simultaneously initiated standardisation through strategic partnerships with suppliers and advisers, and customisation of the luxury and premium products segment for better sales.

Target to Complete 1 million sq.m. of GFA in 2012

The Group did not achieve the development goal to deliver 1 million sq.m. in 2012 due to the changed market conditions. Various phases of developments in different projects have been deferred to rationalise the inventory level and capital expenditure.

Increased Production and Improved Productivity

Compared to the completion of a total GFA of 409,000 sq.m. of property from 2007 to 2009, the Group completed a total GFA of 1,612,000 sq.m. of property during the first Three-Year Plan (from 2010 to 2012), a nearly three-fold increase. As most of the sites available for development were located in Chongqing, Wuhan, Foshan and Dalian, 81% of the completed property in the past three years was in these cities. Only 19% of the completed property was contributed by projects located in Shanghai. As of 31 December 2012, a total of 772,000 sq.m. was delivered to customers and recognised as turnover and disposal of investment properties, 477,000 sq.m. were completed and held for investment, 71,000 sq.m. were completed and held as hotel properties, and 292,000 sq.m. were completed for delivery to customers in 2013 and beyond.

New Initiative on *en-bloc* Sales of Commercial Property to Increase Saleable Resources and Asset Churn to Enhance Cash Flow Management

With a total GFA landbank of 6.5 million sq.m. for commercial use as of 31 December 2009, the Group set a new initiative to sell selected non-core commercial property under development on an *en-bloc* basis during the first Three-Year Plan. The customers were primarily large financial institutions purchasing property for self-use and investment purposes.

In 2011, the Group completed four *en-bloc* sales transactions with a total GFA of 306,000 sq.m. for a total consideration of RMB4.8 billion. The sum of 73,000 sq.m. of the office area located in Shanghai KIC and Wuhan, was delivered to customers. Delivery to customers of the remaining 233,000 sq.m. of GFA located in Chongqing is planned for 2013 and beyond.

The transactions concluded in 2011 increased asset churn and enhanced cash flow management of the Group. Additionally, maintaining single ownership of the office buildings allowed for better asset management. Introducing new tenants was also beneficial to the value of sites in the vicinity owned by the Group.

More Cleared Sites for Development in Shanghai

For the year 2012, a total of RMB489 million in recognised property sales stemmed from projects in Shanghai compared to RMB3,054 million in 2011 and RMB2,261 million in 2010, respectively. The gap widened in 2012 due to fewer cleared sites being available for development in Shanghai during the first Three-Year Plan. Therefore, the Group strove to increase the number of cleared sites for development in Shanghai and invested a total of RMB13,556 million in relocation costs and RMB4,452 million for land acquisition.

In 2010, the Group acquired Lot 311 in Shanghai KIC at Yangpu District and THE HUB at Shanghai Hongqiao transportation hub, comprising a total GFA of 437,000 sq.m. for a total consideration of RMB4,452 million. The full amount of land premium was paid. Phase 1 residential of Lot 311 at Shanghai KIC, named as Jiangwan Regency, was launched for pre-sale in October 2012. By late 2012, RMB1,573 million in contracted sales had been achieved. The remaining area is to be developed into offices for sale and hotel property for investment purposes. These developments are planned to be completed in phases from 2013 to 2015. THE HUB at Shanghai Hongqiao transportation hub is currently under construction and is planned for completion progressively between 2013 and 2014.

Details of new sites acquired in Shanghai in 2010 are provided below:

Project	Product type	GFA sq.m.	Land Cost RMB' million
Shanghai KIC Lot 311	Residential, offices, retail & hotel	159,000	1,264
Shanghai THE HUB	Offices, retail & hotel	278,000	3,188
Total		**437,000**	**4,452**

Sites Cleared During the First Three-Year Plan

In addition, relocation of Lot 6 of Shanghai Rui Hong Xin Cheng and Lots 126 & 127 of Shanghai Taipingqiao for a total GFA of 292,000 sq.m., which commenced since 2005 under the previous relocation method of one-on-one negotiation, was completed during the first Three-Year Plan. A total relocation cost of 4,705 million had been paid as of 31 December 2012.

The site located at Rui Hong Xin Cheng (Lot 6) was cleared in late 2011 and is being developed into Phase 5 residential and retail for a total GFA of 137,000 sq.m.. The first batch launch for pre-sale was held in December 2012 for delivery to customers in 2014. The ASP achieved was RMB 44,500 per sq.m..

Two sites, namely Lots 126 & 127 located at Shanghai Taipingqiao were cleared in 2011 and late 2012.

They are being developed into two office buildings and a retail shopping centre with a total GFA of 155,000 sq.m.. Lots 126 and 127 are planned for completion in 2013 and 2014, respectively. They are estimated to contribute RMB700 million in annual rental income when fully leased.

Sites Where Relocation Commenced During the first Three-Year Plan

Thanks to the introduction by the City Government of Shanghai in 2010 of the "Sunshine Relocation Method" (two rounds of consultations and a transparent compensation package), the Group took the opportunity to accelerate the relocation process. The relocation of Lots 2, 3, 9 and 10 in Shanghai Rui Hong Xin Cheng and Lot 116 in Shanghai Taipingqiao proceeded by phases from late 2009 through 2012, yielding a total GFA of 659,000 sq.m.. As of 31 December 2012, 80% of the residents had agreed to be relocated. It is estimated that relocation at the aforementioned sites should be completed by phases from 2013 to 2014. The Group had invested a total of RMB8,851 million for these sites as of 31 December 2012.

The Group believes that the capital investment in relocation at the sites in Shanghai in the first Three-Year Plan, is likely to contribute significant business growth in the coming years. In the core city centre of Shanghai, there is very limited land supply available by public land auction. Advantageously, the Group holds the re-development rights for Taipingqiao and Rui Hong Xin Cheng, two core city projects. They provide a strong pipeline for the Group in both residential and commercial property developments in Shanghai in the future.

Details of the relocation progress for the respective lots are provided below:

Project	Percentage of relocation as of 31 December 2012	Leasable and saleable GFA sq.m.	Relocation cost paid as of 31 December 2012 RMB' million	Relocation completion year
Sites cleared during the first Three-Year Plan				
Taipingqiao Lot 126 (Corporate Avenue Phase 2 No. 5 office building & shopping centre)	100%	73,000	1,109	2011
Taipingqiao Lot 127 (Corporate Avenue Phase 2 No. 3 office building & shopping centre)	100%	82,000	1,502	2012
Rui Hong Xin Cheng Lot 6 (Jing Ting residential and retail)	100%	137,000	2,094	2011
Total		**292,000**	**4,705**	

Project	Percentage of relocation as of 31 December 2012	Leasable and saleable GFA sq.m.	Relocation cost paid as of 31 December 2012 RMB' million	Estimated outstanding relocation cost as of 31 December 2012 RMB' million	Estimated relocation completion year
Sites where relocation commenced during the first Three-Year Plan					
Taipingqiao Lot 116 (Phase 4 Residential)	85%	90,000	3,073	900	2013
RHXC Lot 3 (Rui Hong Tiandi – Hall of the Moon)	92%	72,000	1,477	279	2013
RHXC Lot 9 (Phase 6 residential)	83%	84,000	1,439	500	2013
RHXC Lot 2 (Phase 7 residential)	76%	105,000	1,314	545	2013
RHXC Lot 10 (Rui Hong Tiandi – Hall of the Sun and office buildings)	77%	308,000	1,548	1,691	2014
Total	**80%**	**659,000**	**8,851**	**3,915**	

Wuhan Tiandi has become the supreme high-end urban complex in Wuhan

Rental Growth, Asset Appreciation and Completion of New Investment Property Portfolio

A total GFA of 319,000 sq.m. of investment property and hotel properties, excluding investment property held by Dalian associates, was completed during the first Three-Year Plan. In 2012, the Group completed the acquisition of Shanghai Shui On Plaza and Langham Xintiandi Hotel located adjacent to Xintiandi at the Taipingqiao project, further enriching the investment property portfolio of the Group. Including the hotel properties, the total completed investment property portfolio held by the Group's subsidiaries, grew substantially, from 310,000 sq.m. at the end of 2009 to 661,000 sq.m. in 2012.

Rental and related income increased from RMB643 million in 2009 to RMB1,249 million in 2012. The aggregated carrying value of the completed investment property grew from RMB9,384 million as of 31 December 2009 to RMB22,089 million as of 31 December 2012.

The Group estimates that the total GFA of 1,041,000 sq.m. of investment property under construction at valuation should yield a gross development value of RMB40 billion upon completion, thereby contributing significant growth to the new investment property portfolio in the years ahead.

Volatile Turnover and Reported Earnings

The turnover and the reported earnings of the Group in the past three years were volatile, being subject to a variance of contributions from high margin projects in Shanghai in the year of reporting. In particular, for 2012, only RMB489 million in property sales came from projects located in Shanghai, compared to RMB3,054 million in property sales in 2011.

In addition, as mentioned above, there was a total GFA of 191,000 sq.m. of residential property and a GFA of 102,000 sq.m. of office and ancillary retail space located at various projects that were pending delivery and being recognised as turnover. Of these pending items, 153,000 sq.m. had been pre-sold subject to certain formal handover procedures for being recognised as turnover. The Group anticipates the sale and delivery of these properties during 2013.

During the first Three-Year Plan, the Group recorded RMB9 billion in reported earnings, with RMB2.5 billion classified as core earnings. Although fair value gain in the valuable investment properties is not classified as core earnings according to accounting standards, such gain is reflected in the balance sheet. The asset value is yet to be realised.

The Second Three-Year Plan

2013 – 2015

Sustainable and Balanced Growth

The implementation of the first Three-Year Plan laid the groundwork for the pursuit of sustainable long-term growth of the Group. While the Group's operating performance inevitably saw some volatility as a result of challenges in the business environment, Shui On Land remains firmly on the path of growth. Gearing, while high, remained relatively stable as the Group grew its investment property portfolio and allocated capital for relocating sites in Shanghai during the review period.

For the second Three-Year Plan, which will progressively unfold from 2013 to 2015, the Group has established overarching targets to accelerate the development of the cleared sites in Shanghai and other cities; realise the value of its investment property portfolio for sustainable earnings growth and deleverage the balance sheet.

Re-organization of the Group

Establishment of China Xintiandi ("CXTD")

To unlock the underlying asset value of the Group's portfolios, CXTD began operations as a separately managed, wholly-owned subsidiary of the Group on 1 March 2013, as part of the process for the proposed separate listing of CXTD (the "Proposed Spin-off") on the Hong Kong Stock Exchange. Shui On Land, from an operational point of view, will become a developer focusing on property development and property sales to increase the asset turnover of the Group, leaving the asset management role to CXTD. CXTD will focus principally on managing, designing, leasing, marketing, enhancing and redeveloping premium retail, office, entertainment and hotel properties in affluent urban areas in China, excluding Hong Kong, the Macao Special Administrative Region and Taiwan. This arrangement will ensure clearer focus on the two distinct and separate businesses.

The Group is building and operating a prime investment property portfolio that pinpoints advantageous locations in Shanghai and other first-to-second-tier Chinese cities, thereby boosting its premium brand recognition in China. The newly established and separately operated CXTD will continue to leverage its experience in running Xintiandi, Grade A office, high-end retail and shopping malls as well as five-star hotels. CXTD aims to provide better service and expertise to cater to increasing domestic and international demand.

As of 31 December 2012, the Group held a portfolio of completed investment properties at valuation and hotel properties with approximately 626,000 sq.m. in GFA, at the carrying value of RMB24,524 million.

In addition, among the investment properties under development at valuation with approximate total GFA of 1,041,000 sq.m., major investment projects include Corporate Avenue Phase 2 in Taipingqiao project, THE HUB connecting to Shanghai Hongqiao airport, various office buildings and retail shopping centres in Chongqing, the retail and entertainment area in Foshan Lingnan Tiandi, and the retail podium at Wuhan Tiandi Lots A1/A2/A3. With the exception of the super-high-rise office buildings in Chongqing, the rest of the portfolio is planned for progressive completion between 2013 and 2015. The estimated gross development value of the portfolio is approximately RMB40 billion upon completion. The underlying value of the portfolio is yet to be realised.

CXTD's portfolio is yet to be finalised. Further information will be released upon the approval for the Proposed Spin-off on the Hong Kong Stock Exchange.

There is no assurance that the Proposed Spin-off will take place or as to when it may take place. The Proposed Spin-off is subject to, among other factors, the approval by the Listing Committee of the Hong Kong Stock Exchange, the prevailing market conditions, the final decisions of the board of directors of Shui On Land, the final decisions of the board of directors of CXTD, the approval from the shareholders and bondholders of Shui On Land and ultimately its timing will be dependent on prevailing market conditions.

Property Development Business

During the first Three-Year Plan, decentralisation and project-based management allowed for timely and market driven decisions, in particular, on pricing and on timing launch schedules to coincide with favourable market conditions.

While production and productivity increased during the first Three-Year Plan, the Group's project teams experienced challenges in aligning planned completion schedule and budgets. This was largely due to the nature of the projects, which are typically large-scale developments offering a full range of property types from low to high-rise residential properties, Five-star hotels, software offices to grade A office towers, Xintiandi entertainment hubs to large-scale shopping malls. These properties have very different development cycles and economic returns, cash flow and capital management.

In addition, during the first Three-Year Plan, strategic partnerships with suppliers and advisers were the focus of the Group's standardisation strategy. The strategy was designed to ensure that product quality could be maintained when production was accelerated. The Group believes there is room for further improvement in shortening the development cycle as well as in streamlining the construction costs for different types of products across different projects.

The Performance & Exhibition Centre at THE HUB

Ruihong Tiandi at Rui Hong Xin Cheng composes of four themed commercial blocks, namely Hall of the Sun, Hall of the Moon, Hall of the Stars & a boutique fashion district

In the second Three-Year Plan, the decentralised organization structure will be further optimised by tightening Group level control and active monitoring of the development progress to ensure timely completion. The Group has established three cross-function and cross-project task forces to achieve the goals set for the second Three-Year Plan as well as to reinforce performance management.

Development Cost and Schedule Control

The Product Line Standardisation & Development task force and the Cost Control task force are focusing on optimising the development cycle through achieving better time and process management when carrying out market research, project positioning and architectural design so as to reduce repetitive or abortive work, and to ensure timely completion. The teams are working with different project companies to establish a company standard for development costs and scheduling for each building type and geographical location. The teams are working on enhancing the cost and progress control system on both the operations and management levels; expanding the materials library to incorporate related cost data and establish the centralised procurement system; as well as building up a regular review system.

Broaden Product Lines for Wider Market Catchment

To better position the Group against changes in the macroeconomic policy environment, the Group plans to broaden its residential product lines to cater to the preferences and needs of a wider buyers' market. The Production Standardisation & Development task force is also working with individual project teams to further explore product segmentation and positioning. Construction cost budgets and delivery criteria are to be better standardised for timely completion.

The Customisation and One Stop Services task force is tasked with the goal of exceeding customer expectations by developing a premier value proposition which will be achieved through the implementation of innovative, customised products and one stop services. This task force consists of principally management-level staff from the Group's project development, sales and marketing, construction and property management offices.

Property Completed in 2012 and Development Plan for 2013 and 2014

The table below summarises the projects that were completed in 2012 and are planned for completion in 2013 and 2014:

Project	Residential sq.m.	Office sq.m.	Retail sq.m.	Hotel/ serviced apartments sq.m.	Subtotal sq.m.	Clubhouse, carpark and other facilities sq.m.	Total sq.m.
Actual delivery in 2012							
Shanghai Taipingqiao	–	–	1,000	33,000	34,000	19,000	53,000
Shanghai RHXC	–	–	–	–	–	–	–
Shanghai KIC	–	–	–	–	–	–	–
THE HUB	–	–	–	–	–	–	–
Wuhan Tiandi	66,000	–	1,000	–	67,000	18,000	85,000
Chongqing Tiandi	174,000	98,000	13,000	–	285,000	69,000	354,000
Foshan Lingnan Tiandi	67,000	–	15,000	38,000	120,000	54,000	174,000
Dalian Tiandi[1]	96,000	52,000	–	–	148,000	82,000	230,000
Total	**403,000**	**150,000**	**30,000**	**71,000**	**654,000**	**242,000**	**896,000**
Plan for delivery in 2013							
Shanghai Taipingqiao	–	50,000	23,000	–	73,000	35,000	108,000
Shanghai RHXC	–	–	–	–	–	–	–
Shanghai KIC	53,000	–	–	–	53,000	20,000	73,000
THE HUB	–	59,000	16,000	–	75,000	43,000	118,000
Wuhan Tiandi	54,000	–	1,000	–	55,000	13,000	68,000
Chongqing Tiandi	77,000	252,000	84,000	–	413,000	131,000	544,000
Foshan Lingnan Tiandi	12,000	–	28,000	10,000	50,000	12,000	62,000
Dalian Tiandi[1]	33,000	–	41,000	–	74,000	24,000	98,000
Total	**229,000**	**361,000**	**193,000**	**10,000**	**793,000**	**278,000**	**1,071,000**
Plan for delivery in 2014							
Shanghai Taipingqiao	–	55,000	27,000	–	82,000	37,000	119,000
Shanghai RHXC	118,000	–	19,000	–	137,000	50,000	187,000
Shanghai KIC	–	95,000	6,000	–	101,000	46,000	147,000
THE HUB	–	46,000	112,000	44,000	202,000	68,000	270,000
Wuhan Tiandi	56,000	32,000	110,000	7,000	205,000	140,000	345,000
Chongqing Tiandi	124,000	–	10,000	–	134,000	43,000	177,000
Foshan Lingnan Tiandi	44,000	–	9,000	–	53,000	29,000	82,000
Dalian Tiandi[1]	91,000	–	1,000	–	92,000	43,000	135,000
Total	**433,000**	**228,000**	**294,000**	**51,000**	**1,006,000**	**456,000**	**1,462,000**

1 Dalian Tiandi is a project developed by associates of the Group.

As a cautionary note, the actual completion date depends on and will be affected by construction progress, changes in the market environments, changes in government regulations and other factors.

Landbank at a Glance

The new business axis Ruihong Tiandi at Rui Hong Xing Cheng

As of 31 December 2012, the Group's landbank, including the contribution of its Dalian associates, stood at a GFA of 13.2 million (a total of 11.0 million sq.m. of leasable and saleable area, and a total GFA of 2.2 million sq.m. for clubhouses, car parking spaces and other facilities) spread across nine development projects located in the prime areas of six major PRC cities: Shanghai, Hangzhou, Wuhan, Chongqing, Foshan and Dalian.

Of the total leasable and saleable GFA of 11.0 million sq.m., the sum of 1.2 million sq.m. was completed, and held for sale and/or investment. Approximately 3.8 million sq.m. were under development, and the remaining 6.0 million sq.m. were held for future development.

Relocation is underway on a total leasable and saleable GFA of 659,000 million sq.m., with 80% of residents having agreed to relocation terms.

Relocation costs of RMB8.8 billion have already been paid, while the costs of the remaining relocation works will be subject to actual relocation progress. Relocation at these sites is planned for completion from 2013 to 2014. Relocation plans and the timetable for the remaining 1 million sq.m. of GFA located at Shanghai Taipingqiao and Rui Hong Xin Cheng have yet to be determined. The relocation plans of these sites are subject to final proposal and agreement terms among relevant parties.

The Group's total landbank as of 31 December 2012, including that of its associates, is summarised below:

Project	Approximate/Estimated leasable and saleable GFA					Clubhouse, carpark and other facilities		Group's interest
	Residential sq.m.	Office sq.m.	Retail sq.m.	Hotel/ serviced apartments sq.m.	**Subtotal sq.m.**	sq.m.	**Total sq.m.**	%
Completed properties:								
Shanghai Taipingqiao	–	111,000	110,000	38,000	**259,000**	105,000	**364,000**	99.0%[1]
Shanghai RHXC	–	–	47,000	–	**47,000**	60,000	**107,000**	79.0%[2]
Shanghai KIC	–	117,000	54,000	–	**171,000**	105,000	**276,000**	86.8%
Hangzhou Xihu Tiandi	–	–	6,000	–	**6,000**	–	**6,000**	100.0%
Wuhan Tiandi	13,000	–	47,000	–	**60,000**	43,000	**103,000**	75.0%
Chongqing Tiandi	82,000	98,000	66,000	–	**246,000**	146,000	**392,000**	79.4%
Foshan Lingnan Tiandi	53,000	–	31,000	38,000	**122,000**	65,000	**187,000**	100.0%
Dalian Tiandi	81,000	207,000	–	–	**288,000**	101,000	**389,000**	48.0%[3]
Subtotal	**229,000**	**533,000**	**361,000**	**76,000**	**1,199,000**	**625,000**	**1,824,000**	
Properties under development:								
Shanghai Taipingqiao	90,000	105,000	50,000	–	**245,000**	72,000	**317,000**	99.0%[1]
Shanghai RHXC	118,000	–	19,000	–	**137,000**	51,000	**188,000**	79.0%[2]
Shanghai KIC	53,000	95,000	6,000	22,000	**176,000**	66,000	**242,000**	99.0%[4]
THE HUB	–	105,000	128,000	44,000	**277,000**	110,000	**387,000**	100.0%
Wuhan Tiandi	110,000	252,000	111,000	40,000	**513,000**	153,000	**666,000**	75.0%
Chongqing Tiandi	248,000	663,000	273,000	25,000	**1,209,000**	342,000	**1,551,000**	79.4%[5]
Foshan Lingnan Tiandi	173,000	–	102,000	10,000	**285,000**	153,000	**438,000**	100.0%[6]
Dalian Tiandi	511,000	189,000	242,000	33,000	**975,000**	342,000	**1,317,000**	48.0%[3]
Subtotal	**1,303,000**	**1,409,000**	**931,000**	**174,000**	**3,817,000**	**1,289,000**	**5,106,000**	
Properties for future development:								
Shanghai Taipingqiao	166,000	174,000	118,000	38,000	**496,000**	44,000	**540,000**	99.0%
Shanghai RHXC	535,000	272,000	252,000	10,000	**1,069,000**	12,000	**1,081,000**	79.0%[2]
Wuhan Tiandi	368,000	35,000	92,000	10,000	**505,000**	4,000	**509,000**	75.0%
Chongqing Tiandi	780,000	25,000	91,000	78,000	**974,000**	218,000	**1,192,000**	79.4%
Foshan Lingnan Tiandi	379,000	450,000	125,000	80,000	**1,034,000**	28,000	**1,062,000**	100.0%
Dalian Tiandi	529,000	936,000	362,000	49,000	**1,876,000**	8,000	**1,884,000**	48.0%[3]
Subtotal	**2,757,000**	**1,892,000**	**1,040,000**	**265,000**	**5,954,000**	**314,000**	**6,268,000**	
Total landbank GFA	**4,289,000**	**3,834,000**	**2,332,000**	**515,000**	**10,970,000**	**2,228,000**	**13,198,000**	

1 The Group has a 99.0% interest in all the remaining lots, except for Shanghai Xintiandi, Lot 116, Shui On Plaza and Langham Xintiandi Hotel, in which the Group has 97.0%, 50.0%, 80.0% and 66.7% effective interests, respectively.

2 The Group has a 79.8% interest in Phase 1, Lot 167A and Lot 167B of Shanghai Rui Hong Xin Cheng project, a 99.0% interest in the non-retail portion of Lot 6 (Phase 5) and a 79.0% interest in all remaining phases.

3 Dalian Tiandi is expected to have a landbank of 3.6 million sq.m. in GFA. As of 31 December 2012, approximately 3.3 million sq.m. had been acquired. The remaining GFA of approximately 0.3 million sq.m. is expected to be acquired through public bidding in due course.

4 The Group has a 99.0% and an 86.8% interest respectively in KIC Lot 311 and KIC Lot 12-8.

5 The Group has a 79.4% interest in Chongqing Tiandi, except for Lot B11-1/02 in which the Group has a 59.5% effective interest. The development of super-high-rise office towers is planned for Lot B11-1/02.

6 The Group has a 100.0% interest in Foshan Lingnan Tiandi, except for Lot 6, Lot 16, and Lot 18. For Lots 6 and 16, the Group has 55.9% effective interest and the joint venture partner, Mitsui Fudosan Residential Co., Ltd. ("Mitsui") has 44.1% effective interest. Pursuant to another sale and purchase agreement, the Group sold 45.08% effective interest in Lot 18 to Mitsui. The transaction was completed on 4 February 2013.

Financial Review

"In 2012, the Group raised new funds from the debt capital markets that amounted to RMB10,089 million. These proceeds were mainly used to finance funding needs under the Three-year Plan."

Daniel Y. K. WAN
Managing Director & CFO

Report from the CFO

Extraordinary is a fitting description for how global debt capital markets performed in 2012, especially compared to 2011 when gloom over high government debt in the United States and Europe drove global uncertainty and market volatility. Overall global debt capital market activity during the full year of 2012 marked the strongest annual period since 2009, with the volume of high yield corporate debt setting a new record since 1980. Against this backdrop, the Group raised new funds from the debt capital markets that amounted to RMB10,089 million, including USD- and SGD-denominated 3- year senior notes equivalent to RMB6,952 million. In addition, the Group issued 5-year non-callable USD-denominated perpetual capital securities equivalent to RMB3,137million. These proceeds were mainly used to finance funding needs under the Three-Year Plan.

The Group continues to maintain a close business relationship with its bankers in Hong Kong and mainland China. In addition, the Group has widened its network and established new relationships with several Taiwan and Singapore banks. Thanks to the continual support of the banks, in 2012 the Group obtained new facilities amounting to RMB7,679 million and refinanced RMB6,010 million in loans with an upsize of the existing facilities by RMB722 million.

The increased debt for the accelerated Three-Year Plan development inevitably increased the gearing ratio to 70% as of 31 December 2012. The Group continues to closely monitor the gearing ratio and maintain adequate liquidity to meet debt obligations and development needs. However, the Group is also considering new sources of funding other than debt instruments. For example, there is the potential of spinning off certain commercial properties by way of a separate listing of China Xintiandi Limited (currently a wholly-owned subsidiary of the Group) in Hong Kong. On 28 May 2012, the Group submitted a listing application to The Stock Exchange of Hong Kong Limited for the proposed initial public offering of China Xintiandi. Preparation work is currently in progress to obtain listing approval with careful consideration as to the appropriate timing for the proposed listing in order to monetize the value from the Group's commercial properties.

I would like to express my gratitude to the shareholders, investors and bankers whose confidence and continuous support the Group deeply values. Their loyalty is the encouragement that spurs the Group to seek and to reap the best of business opportunities ahead.

Daniel Y. K. WAN
Managing Director & CFO

Financial Review

Turnover of the Group dropped by 43% to RMB4,821 million (2011: RMB8,484 million), primarily due to the decrease in recognised property sales in 2012.

Property sales declined by 53% to RMB3,541 million (2011: RMB7,581 million) as a result of the decreased in area handed over in 2012 from 329,400 sq.m. to 199,700 sq.m.. Details of property sales during the year ended 31 December 2012 are contained in the paragraph headed "Property Sales" in the Business Review Section.

Rental and related income from investment properties of the Group rose by 47% to RMB1,249 million (2011: RMB849 million), principally due to additional income of RMB101 million and RMB169 million contributed through the acquisitions of Shanghai Shui On Plaza and Shanghai Langham Xintiandi Hotel. These acquisitions were completed in March 2012. Other than the revenue contributed by these newly acquired properties, rental income grew by 15% in the year 2012. Details of the business performance of investment properties are contained in the paragraph headed "Investment Property" in the Business Review Section.

Gross profit for 2012 declined to RMB2,060 million (2011: RMB3,701 million) with gross profit margin maintained at 43% (2011: 44%).

Other income increased by 16% to RMB282 million (2011: RMB244 million). It consisted of interest income of RMB181 million (2011: RMB152 million), accounting gain from acquisition of Shanghai Langham Xintiandi Hotel of RMB50 million (2011: nil) together with grants received from local government and sundry income of RMB51 million (2011: RMB92 million).

Selling and marketing expenses increased by 6% to RMB207 million (2011: RMB195 million) mainly due to the increase in contracted sales achieved by the Group (excluding sales by associates) by 16% to 218,100 sq.m. (2011: 188,000 sq.m. omitting *en-bloc* sales that incurred fewer marketing and promotional expenses).

General and administrative expenses increased by 16% to RMB738 million (2011: RMB634 million) mainly due to the increase in depreciation expense by RMB109 million to RMB176 million (2011: RMB67 million). This increase resulted from the acquisition of Shanghai Langham Xintiandi Hotel in March 2012 and the completion of Marco Polo Lingnan Tiandi Foshan Hotel in May 2012.

The various factors described above brought about a reduction in *Operating profit* by 55% to RMB1,397 million (2011: RMB3,116 million).

Increase in fair value of investment properties reached RMB2,698 million (2011: RMB2,696 million), of which RMB708 million (2011: RMB1,648 million) was derived from completed investment properties and RMB1,990 million (2011: RMB1,048 million) from investment properties under development or construction. Details of the investment properties are contained in the paragraph headed "Investment Property" in the Business Review Section.

Share of results of associates was RMB82 million (2011: RMB137 million), which included a revaluation gain on the investment properties under development or construction (net of related taxes) amounting to RMB88 million (2011: RMB95 million) attributable to the Group.

Finance costs after netting off exchange gain of RMB54 million (2011: RMB311 million) was RMB459 million (2011: net gain of RMB94 million). With the new issues of notes in 2012 that amounted to RMB6,952 million, total interest costs increased to RMB2,487 million (2011: RMB1,800 million). Of these interest costs, 80% (2011: 89%) or RMB2,002 million (2011: RMB1,608 million) were capitalised as cost of property development, with the remaining 20% (2011: 11%) interest relating to mortgage loans on completed properties and borrowings for general working capital purposes were expensed.

Profit before taxation decreased by 39% to RMB3,718 million (2011: RMB6,060 million), as a result of the various factors outlined above.

Taxation decreased by 34% to RMB1,363 million (2011: RMB2,062 million). The effective tax rate for the year 2012 was 29.9% (2011: 26.0%), after excluding the land appreciation tax of RMB334 million (2011: RMB641 million) (which was assessed based on the appreciation value of the sold properties) together with its corresponding enterprise income tax effect of RMB83 million (2011: RMB160 million). The increase in effective tax rate resulted from the increase in interest from offshore borrowings that are not deductible in the PRC.

Profit attributable to shareholders of the Company for 2012 was RMB2,029 million, a decrease of 41% when compared to 2011 (2011: RMB3,428 million). Return on equity for 2012 was 7.3% (2011: 14%), which was calculated based on profit attributable to shareholders for the year divided by shareholders' equity at the beginning of the year.

Profit attributable to shareholders excluding the increase in fair value of investment properties is as follows:

	2012 RMB'million	2011 RMB'million	Change %
Profit attributable to shareholders of the Company	**2,029**	3,428	-41%
Less:			
Increase in fair value of investment properties of the Group (net of deferred tax effect and share of non-controlling interests)	**(1,740)**	(1,761)	
Share of increase in fair value of investment properties of associates (net of tax effect)	**(88)**	(95)	
Profit attributable to shareholders of the Company before revaluation of investment properties	**201**	1,572	-87%

Earnings per share RMB0.35 (2011: RMB0.66) was calculated based on a weighted average of approximately 5,773 million shares (2011: 5,212 million shares) in issue during the year ended 31 December 2012.

Dividend payable to shareholders of the Company has to comply with certain covenants under the senior notes and perpetual capital securities as follows:

- Dividend payable to the shareholders of the Company (together with any redemption, repurchase or acquisition of the Company's shares) should not exceed 20% of the Company's consolidated net income (which approximates profit attribute to shareholders of the Company but adjust for, among others, exchange differences, gain/loss from non-ordinary course asset disposals and extraordinary or non-recurring gains based on the terms of the senior notes) for any two semi-annual periods unless certain conditions pursuant to the terms of the senior notes have been met.
- In the case where the Company opts for deferring the payment of coupons to the owners of perpetual capital securities, no dividend payments should be made to the shareholders of the Company unless all coupons so deferred has been paid in full.

The Board has resolved to recommend the payment of 2012 final dividend of HK$0.035 per share (2011: HK$0.10 per share) to shareholders of the Company. On 28 March 2013, the Company announced a proposed rights issue of rights shares on the basis of 1 rights share for every 3 existing shares. If the rights shares (in their fully-paid form) are allotted and issued on or before the record date for the 2012 final dividend and shareholders approve the 2012 final dividend at the forthcoming annual general meeting, then holders of fully-paid rights shares whose names appear on the register of members of the Company on the record date for the 2012 final dividend will be entitled to receive the 2012 final dividend of HK$0.035 per share on the same basis as holders of existing shares in issue. In such case the aggregate amount of the 2012 final dividend will be HK$280 million (equivalent to RMB226 million).

Together with the 2012 interim dividend of HK$0.025 (2011: HK$0.025) paid in October 2012 amounted to RMB122 million, the total dividend for 2012 was RMB348 million (2011: RMB580 million). This represents a dividend payout ratio of 17% (2011: 17%).

In addition, the Company has RMB2,720 million convertible bonds in issue with conversion price of HK$4.47 at a fixed rate of RMB1.00 to HK$1.1439 and share options exercisable with exercise price ranged from HK$2.61 to HK$11.78. If all these convertible bonds and share options are to be converted into new ordinary shares of the Company on or before the record date for the 2012 final dividend, then holders of convertible bonds and share options whose names appear on the register of members of the Company on the record date for the 2012 final dividend will be entitled to receive the 2012 final dividend of HK$ 0.035 per share on the same basis as holders of existing shares in issue and holders of fully-paid rights shares. In such case the aggregate amount of the 2012 final dividend will be HK$315 million (equivalent to RMB255 million).

Capital Structure, Gearing Ratio and Funding

In January and February 2012 respectively, the Group issued SG$250 million 8% senior notes and US$475 million 9.75% senior notes, each with a maturity of three years.

On 6 August 2012, the Group issued a further US$400 million in 9.75% senior notes at 102.785% of the principal amount plus accrued interest from 16 February 2012 to 6 August 2012. The effective finance cost on this notes issue was 8.5% per annum (excluding direct expenses incurred). These additional notes will mature in February 2015, and were consolidated and formed a single class with the US$ notes issued in February 2012.

The proceeds from these notes issues were used to finance the land relocations of existing projects and for working capital purposes.

The structure of the Group's borrowings as of 31 December 2012 is summarised below:

	Total (in RMB equivalent) RMB'million	Due within one year RMB'million	Due in more than one year but not exceeding two years RMB'million	Due in more than two years but not exceeding five years RMB'million	Due in more than five years RMB'million
Bank borrowings – RMB	**9,735**	2,084	2,529	3,912	1,210
Bank borrowings – HK$	**6,561**	2,643	1,059	2,859	–
Other borrowings – US$	**2,507**	376	279	1,852	–
	18,803	5,103	3,867	8,623	1,210
Convertible bonds – RMB	**2,346**	2,346	–	–	–
Notes – RMB	**6,554**	2,980	–	3,574	–
Notes – SG$	**1,298**	–	–	1,298	–
Notes – US$	**5,667**	–	–	5,667	–
Total	**34,668**	**10,429**	**3,867**	**19,162**	**1,210**

In addition, on 4 December 2012, the Group issued US$500 million perpetual capital securities guaranteed by the Company with an annual coupon of 10.125% ("Perpetual Capital Securities"). These Perpetual Capital Securities have no fixed maturity and are redeemable at the Group's option on or after 10 December 2017 at their principal amounts together with any accrued, unpaid or deferred coupon payments. The coupon payments on the Perpetual Capital Securities are payable semi-annually in arrears and may be deferred at the discretion of the Group. The Perpetual Capital Securities are classified as equity instruments in the financial statements as there are no fixed maturity terms and the Group does not have a contractual obligation to make the coupon payments.

Total cash and bank deposits amounted to RMB8,633 million as of 31 December 2012 (31 December 2011: RMB6,370 million), which included RMB2,163 million (31 December 2011: RMB2,512 million) of deposits pledged to banks and RMB183 million (31 December 2011: RMB335 million) of restricted bank deposits which can only be applied to designated property development projects of the Group.

As of 31 December 2012, the Group's net debt balance was RMB26,035 million (31 December 2011: RMB19,118 million) and its total equity was RMB37,268 million (31 December 2011: RMB29,471 million). The Group's net gearing ratio was 70% as of 31 December 2012 (31 December 2011: 65%), calculated on the basis of the excess of the sum of convertible bonds, notes, bank borrowings net of bank balances and cash (including pledged bank deposits and restricted bank deposits) over the total equity.

Total undrawn banking facilities available to the Group were approximately RMB7,578 million as of 31 December 2012 (31 December 2011: RMB6,406 million).

Pledged Assets

As of 31 December 2012, the Group had pledged certain land use rights, completed properties for investment and sale, properties under development, accounts receivable and bank and cash balances totalling RMB43,203 million (31 December 2011: RMB28,963 million) to secure its borrowings of RMB16,692,million (31 December 2011: RMB13,981 million).

The boutique fashion district at Ruihong Tiandi will feature the Korean and Japanese trends

The Lingnan styled architecture at Foshan Lingnan Tiandi

Capital and Other Development Related Commitments

As of 31 December 2012, the Group had contracted commitments for development costs and capital expenditure in the amount of RMB14,442 million (31 December 2011: RMB11,967 million).

Future Plans for Material Investments and Sources of Funding

On 9 September 2011, the Group entered into a sales and purchase agreement with certain subsidiaries of Shui On Company Limited (a substantial shareholder) to acquire 80% interest in Shanghai Shui On Plaza and 66.7% interest in Shanghai Langham Xintiandi Hotel. These acquisitions were completed on 16 March 2012 at a final consideration of RMB1,766 million. An aggregate of 626,909,643 new and fully paid ordinary shares of the Company was issued as consideration to the sellers. These new shares ranked pari passu with the existing shares of the Company.

The Group shall continue to focus on the development of the existing landbank which is spread throughout prime locations. As appropriate opportunities arise, the Group may participate in projects of various sizes wherein its competitive strengths provide advantages. The Group may also pursue other plans, including different ways to acquire land development rights for the purpose of undertaking property projects or to leverage its master planning expertise towards increasing the scale of current operations.

Cash Flow Management and Liquidity Risk

Management of the Group's cash flow is the responsibility of the Group's treasury function at the corporate level.

The Group's objective is to maintain a balance between continuity of funding and flexibility through a combination of internal resources, bank borrowings, and debt or equity securities, as appropriate. The Group is comfortable with the present financial and liquidity position, and will continue to maintain a reasonable liquidity buffer to ensure sufficient funds are available to meet liquidity requirements at all times.

Exchange Rate and Interest Rate Risks

The revenue of the Group is denominated in RMB. The convertible bonds and the notes issued in 2010 and 2011 were also denominated in RMB. As a result, the coupon payments and the repayment of the principal amounts of the convertible bonds and notes issued in 2010 and 2011 do not expose the Group to any exchange rate risk. A portion of the revenue, however, is converted into other currencies to meet our foreign-currency-denominated debt obligations, such as bank borrowings denominated in HK$ and US$, and senior notes denominated in SG$ and US$ issued in 2012. As a result, to the extent that the Group may have a net currency exposure, this exposure would be subject to fluctuations in foreign exchange rates.

The relatively stable currency regime of the RMB is maintained by the PRC Central Government, which permits the exchange rate to fluctuate only within a predefined range to a portfolio of various currencies. Given these defined circumstances, the Group does not expect any material adverse effects of the exchange rate fluctuation between the RMB and US$/HK$/SG$. Nevertheless, the Group continues to monitor closely its exposure to exchange rate risk, and is prepared to employ derivative financial instruments to hedge against its exchange rate risk, if necessary.

The Group's exposure to interest rate risk results from fluctuations in interest rates. Most of the Group's bank borrowings consist of variable rate debt obligations with original maturities ranging from two to four years for project construction loans, and two to ten years for mortgage loans. Increases in interest rates would raise interest expenses relating to the outstanding variable rate borrowings and cost of new debt. Fluctuations in interest rates may also lead to significant fluctuations in the fair value of the debt obligations.

At 31 December 2012, the Group had various outstanding loans that bear variable interests linked to Hong Kong Inter-bank Borrowing Rates ("HIBOR"), London Inter-bank Borrowing Rates ("LIBOR") and Singapore Inter-bank Borrowing Rates ("SIBOR"). The Group has hedged against the variability of cash flow arising from interest rate fluctuations by entering into interest rate swaps in which the Group would receive interest at variable rates at HIBOR or LIBOR and pay interest at fixed rates ranging from 0.63% to 1.45% based on the notional amount of HK$3,530 million and US$150 million, in aggregate. The Group continues to monitor closely its exposure to interest rate risk, and may further consider additional derivative financial instruments to hedge against its remaining exposure to interest rate risk, if necessary.

Save as disclosed above, as of 31 December 2012, the Group did not hold any other derivative financial instruments which were linked to exchange rate or interest rates. The Group continues to monitor closely its exposure to exchange rate and interest rate risks, and may employ derivative financial instruments to hedge against risk when necessary.

Tiandi Hui at Wuhan Tiandi will be the first environmental friendly and family-oriented one-stop shopping centre in Wuhan

Market Outlook

2013 marks the start of a new stage in economic reform under China's fifth generation of political leaders. The new leadership team has demonstrated its desire to sustain the country's strong economic performance while retooling the economy to achieve more balanced growth. Encouragingly, growth momentum has gradually, if slowly, strengthened since 4Q 2012, despite lingering external risks which could flare up to disrupt this nascent recovery – the Euro-area debt crisis could worsen, mis-handling of the US debt ceiling problem could dampen economic growth, and geopolitical conflicts could spin out of control and impact local, regional and international markets. Against this backdrop of risks and uncertainties, the Chinese authorities have stated as their policy goal to achieve economic growth at an annual rate of around 7.5%, with promises of fiscal measures to combat any worsening of the fragile global economy. At the same time, with reform providing the key thrust in the government's policy initiatives, efforts are being made to address a number of long-standing issues in China's economic system.

The residential property market stands to benefit from the improving economic outlook this year, though such benefit would have to be balanced against various property tightening measures. Housing prices have stabilised and sales transactions picked up strongly in early 2013. Although housing policy was further tightened in March, which will negatively influence buyers' expectations and lead to a reduction in demand from upgraders in the short term, we expect the impact shall not last long. As with previous control measures to restrain demand, it is likely the current policy may result in a further accumulation of pent-up demand and thus the resumption of price growth momentum after a temporary short period of adjustment. Recent trends indicate that a moderation of housing supply this year in most Tier-1 and 2 cities will be a key factor in support of housing prices, which should help to mitigate the policy impact on developers' financial position.

The commercial property market sector outperformed market expectation in 2012, and the outlook for this market remains generally positive as China continues her economic re-balancing using domestic consumption and services sector as the major engines of growth. The goal to double per-capita income and achieve a moderately prosperous society by 2020 points to the rapid emergence of a sizable middle-class consumer group, with various policies being implemented to boost urban household incomes. Our projects, strategically located in the

Rui Hong Xin Cheng is the first sustainable development community in East China that achieved the LEED – Neighborhood Development Pilot Version Stage 2 Gold level (Pre-certification) urban centre of key economic hubs with outstanding growth prospects throughout China - Shanghai, Chongqing, Wuhan, Foshan and Dalian, stand to benefit from this important trend.

Benefiting from the financial liberalisation of the government's reform agenda, Shanghai is well on course to becoming an international financial centre by 2020. Its commercial office and retail property sectors thus offer promising development and investment prospects. In 2012, a further 50 multinationals moved their regional headquarters to Shanghai, bringing the total to 403. In recent years, many major international retailers have also opened new stores at a steady rate in the city, reflecting their optimism with regard to the market's prospects. According to Savills, Shanghai Grade A office and retail rentals increased by 10.3% and 4.5% respectively in 2012. The commercial property market is thus expected to maintain strong growth momentum into 2013, riding on the rapidly rising purchasing power of consumers.

Chongqing and Wuhan are emerging as the regional economic hubs of Western and Central China respectively. Chongqing's GDP growth reached 13.6% in 2012, 5.8% higher than the national average. Foreign direct investment (FDI) remained robust, with the number of top-500 global companies in Chongqing rising from 200 in 2011 to 225 in 2012. Propelled by the strong demand, average rents for Grade A offices grew by 12.0% in 2012, according to Jones Lang LaSalle. Yuzhong District, along with Liangjiang New Area, were also selected for fast-track development by the "national services industry comprehensive reform pilot programme" last year. This special status means that Yuzhong District, where our Chongqing Tiandi project is located, will experience accelerated development of tertiary sector activities. This should benefit Chongqing's Grade A office market, not only helping to raise our project profile but also making Chongqing Tiandi an integral part of Chongqing's new financial core.

Wuhan's role as a transportation hub in central China was further boosted with the commencement of the Beijing-Guangzhou high-speed rail line. Completed at the end of 2012, this new line makes it possible to travel from Wuhan to either Beijing or Guangzhou within four hours. Supported by solid economic fundamentals, Wuhan's GDP grew by a robust 11.9% in 2012. Its consumer market has also expanded rapidly. Retail sales rose 15.8% in 2012 to RMB343 billion, putting Wuhan among the top ten Chinese Mainland cities ranked by retail sales value. The city's commercial property market also remained buoyant in 2012. According to DTZ, Grade A offices in Wuhan enjoyed an impressive 22.4% in rental growth while average prime retail rentals increased by 4.3%.

Foshan and Dalian possess enormous yet underdeveloped potential as leisure and retail hubs for China's economic hinterland. Despite the slowdown in GDP growth to 8.0% in 2012 in view of external headwinds, Foshan remains one of China's richest cities, with total household savings increasing by 10.8% to RMB521 billion. In February 2012, Foshan rolled out a three-year urban renewal plan aiming to significantly improve the city's image, infrastructure and industrial facilities. The city has also launched a series of policies supporting innovation and industrial reform among business enterprises, with investment funds of up to RMB10 billion over the next five years to support these activities.

Dalian, a major port city in China, has the advantage of being located on the coast and having world-class infrastructure. In 2012, Dalian recorded GDP growth of 11.0%. It also continued to be one of the leading destinations for incoming investment, attracting more than USD12.3 billion in FDI. This strong economic momentum has also driven speedy growth in its consumer markets. As the major gateway city to China's Northeast region, Dalian is in a favourable position to attract visitors from its outlying provinces. In 2012, Dalian's retail sales increased 16% to RMB223 billion, making it one of the top-three retailing centres in China's Northeastern region.

We believe that our mixed-use property development model gives us a major competitive strength that offers risk diversification and flexibility in China's frequently changing real estate market. The value of our commercial properties, including our Tiandi-style and Transport Hub developments, will benefit from the improved regional integration resulting from the high-speed rail network, growing middle-class affluence as well as the government's policies to increase household consumption and service sector development. At the same time, in view of the fragility of the global economic environment, and the constant changes in government policies that may affect our business, we will strive to strengthen our cash flow management with the raising of revenue contributions from both our residential and commercial real estate portfolio.

Reinforcing
Our Commitment

Upholding the Shui On Land philosophy, our motto is: Shui On Spirit – *Integrity* • *Dedication* • *Innovation* • *Excellence*. Reflecting this spirit throughout our activities, we see these values leading us to a bright and successful future.

Corporate Governance Report

The Board of Directors (the "Board") of the Company is pleased to present the Corporate Governance Report for the year ended 31 December 2012.

The Company is committed to enhancing its corporate governance practices appropriately to the conduct and growth of its business, and to pursue a right balance between conformance and performance in its corporate governance. From time to time, the Company reviews its corporate governance practices to ensure they comply with Appendix 14 (the "CG Code") of the Main Board Listing Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and align with its latest developments. The Board believes that good corporate governance is essential to the success of the Company, the enhancement of shareholders' value, and stakeholders' confidence in the Company.

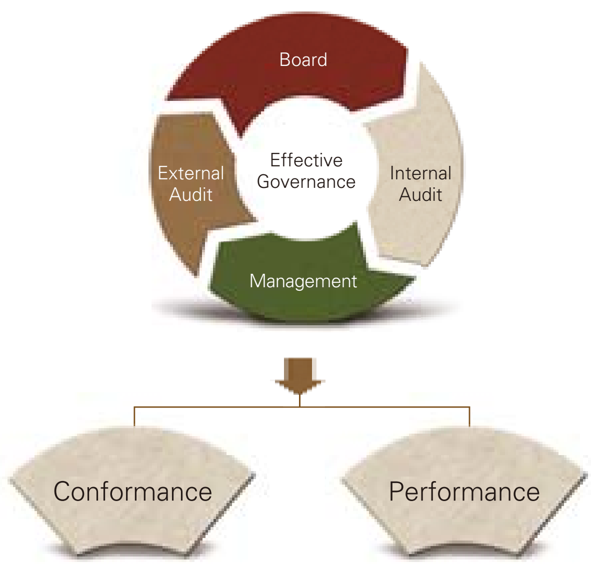
The fruitful results of good corporate governance practices have enabled the Company to leverage its competitive advantages from many perspectives. The trust and support from the Company's stakeholders have become drivers and enablers of our continuing success and growth. The Company has experienced these benefits during its on-shore and off-shore fund raisings as well as when entering into long term strategic partnership with renowned companies. From an ethical perspective, our integrity has won the trust of the PRC Government which has in consequence granted us more new opportunities on large scale metropolitan development projects.

In reflection of this, the Company was proud to receive a number of awards from various organisations for high standards of corporate governance and investor relations during 2012. These awards are listed in the "Awards Received" section of this report.

Corporate Governance Practices of the Company

The Board has reviewed the corporate governance practices of the Company along with the adoption and improvement of the various procedures and documentation, which are detailed in this report. The Company has applied the principles of and complied with all the applicable code provisions of the CG Code during the year ended 31 December 2012.

Shui On Land Corporate Governance Framework



The Company pursues a right balance between conformance and performance in its corporate governance.

SOL Board members visit THE HUB to keep abreast of the project development

Board of Directors

The Board is responsible for the leadership and control of the Company and oversees the Company's businesses, strategic decisions and performance. The Board has reserved for its decision or consideration matters concerning principally the Company's overall strategy, annual operating budget, annual and interim results, recommendations on Directors' appointments or re-appointments, material contracts and transactions as well as other significant policies and financial matters. The Board has delegated the daily operations and administration of the Company to the management. The respective functions of the Board and management of the Company have been posted on the Company's website (Please visit www.shuionland.com). The Board will review this document once a year. In addition, the Board has established respective Board committees and has delegated to these Board committees various responsibilities set out in their terms of reference.

All Directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary (who reports to the Chairman of the Board and the Chief Executive Officer ("CEO") of the Company), with a view to ensuring that the Board procedures and all applicable rules and regulations are followed. In addition, a written procedure has been established to enable the Directors, in the discharge of their duties, to seek independent professional advice in appropriate circumstances at a reasonable cost to be borne by the Company.

The Board has the full support of the CEO, Managing Directors and the senior management in discharging its responsibilities.

Board Composition

As a commitment to good corporate governance, Article No. 97(1) of the Company's Articles of Association stipulates that subject to the conditions under Article No. 135, the Board shall include a majority of Independent Non-executive Directors ("INEDs").

During the year ended 31 December 2012, there was no change to the composition of the Board and the majority of the members of the Board were INEDs. The Board is currently made up of nine members in total, with three Executive Directors, one Non-executive Director and five INEDs. The composition of the Board reflects the necessary balance of skills and experience desirable for effective leadership of the Company and independence in decision-making.

The current Board of the Company comprises the following Directors:

Executive Directors
Mr. Vincent H. S. LO (Chairman of the Board, member of Remuneration Committee, and chairman of Nomination and Finance Committees)
Mr. Freddy C. K. LEE (Managing Director and Chief Executive Officer, and member of Finance Committee)
Mr. Daniel Y. K. WAN (Managing Director and Chief Financial Officer, and member of Finance Committee)
Non-executive Director
Mr. Frankie Y. L. WONG (Member of Audit and Finance Committees)
INEDs
Sir John R. H. BOND (Member of Nomination and Finance Committees)
Dr. William K. L. FUNG (Chairman of Remuneration Committee, and member of Finance Committee)
Professor Gary C. BIDDLE (Chairman of Audit Committee, and member of Remuneration, Nomination and Finance Committees)
Dr. Roger L. McCARTHY (Member of Audit Committee)
Mr. David J. SHAW

The above list of Directors and a description of their roles and functions were posted on the websites of the Company and the Stock Exchange (Please visit www.hkexnews.hk).

The brief biographical details of the Directors are set out in the "Biographies of Directors and Senior Management" section on pages 108 to 113.

Currently, the Company has five INEDs representing more than half of the Board. The number of INEDs who have the appropriate professional qualifications or accounting or related financial management expertise exceeds the requirement as stipulated under Rule 3.10 of the Listing Rules. The Board has received from each INED an annual confirmation of his independence and considers that all the INEDs are independent under the guidelines set out in Rule 3.13 of the Listing Rules. None of the Directors has any relationship with any other Directors.

All Directors, including the Non-executive Director and INEDs, bring a wide spectrum of valuable business experience, knowledge and professionalism to the Board to ensure its efficient and effective functioning. INEDs are invited to serve on the Board committees of the Company. Their active participation in Board and Board committee meetings brings independent judgment on issues relating to the Company's strategies, performance and management processes, taking into account the interests of shareholders of the Company. Site visits to the Company's projects are arranged from time to time to allow members of the Board keep abreast of the project developments.

Appointment, Re-election and Removal of Directors

The procedures and process of appointment, re-election and removal of Directors are governed by the Company's Articles of Association, a copy of which has been posted on the Company's website for public inspection. The Board with the recommendation of the Nomination Committee is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment of Directors and assessing the independence of INEDs.

The appointment of the Non-executive Director of the Company is subject to retirement by rotation and re-election of Directors pursuant to the Company's Articles of Association, the Listing Rules and any other applicable laws.

All Directors appointed to fill a casual vacancy should be subject to election by shareholders at the first annual general meeting after their appointment and every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

The Board reviews its own structure, size and composition regularly to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company.

Article No. 103 of the Company's Articles of Association also allows a qualified shareholder to propose a person, other than a retiring director of the Company or a person recommended by the Directors, for election as a director of the Company. The detailed requirements and procedure for such action have been posted on the Company's website.

Training, Induction and Continuing Development for Directors

Each newly appointed Director receives comprehensive, formal and tailored induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

The Directors are continually updated on the legal and regulatory developments, as well as business and market changes, to facilitate the discharge of their responsibilities.

During the year ended 31 December 2012, the Company had organized two training sessions for the Directors. A briefing session on the new CG Code was conducted internally during a Board meeting in January 2012 of which Mr. Vincent H. S. LO, Mr. Freddy C. K. LEE, Mr. Daniel Y. K. WAN, Mr. Frankie Y. L. WONG, Dr. William K. L. FUNG, Professor Gary C. BIDDLE, Dr. Roger L. McCARTHY and Mr. David J. SHAW had attended this training session. Relevant reading materials were also circulated to all Directors for perusal. On 22 August 2012, the Company had invited an external professional advisor to provide training to the Directors on the new statutory price sensitive information disclosure regime under the Securities and Futures (Amendment) Ordinance 2012 which became effective on 1 January 2013. The seminar facilitated interaction between the Directors and the advisor on the new developments which are of relevance to the Directors' duties and responsibilities. Mr. Vincent H. S. LO, Mr. Freddy C. K. LEE, Mr. Daniel Y. K. WAN, Mr. Frankie Y. L. WONG, Professor Gary C. BIDDLE and Dr. Roger L. McCARTHY attended this training session and briefing materials were sent to all Directors for perusal. Mr. David J. SHAW, in his role as Adviser to the Board of HSBC Holdings plc, also attended Board and committee meetings within HSBC at which briefings or presentations were given on changes to the CG Code and on certain other Hong Kong regulatory or listing changes. In addition, individual Directors had also participated in the forums and workshops organized by external professional consultants for continuous professional development. All Directors had provided the Company with their training records in respect of the year ended 31 December 2012.

Board and Board Committees Meetings and Shareholders' Meetings

Number of Meetings and Directors' Attendance

The Company held an annual general meeting, an extraordinary general meeting and five full Board meetings in the year 2012. The Company has already set a schedule for its regular Board meetings and Board committee meetings in the year 2013 in observance of the CG Code.

The attendance records of each Director at the Board meetings and shareholders' meetings are set out as below:

Name of Directors	Attendance/Number of Board Meetings held during tenure	Attendance of the Annual General Meeting held on 7 June 2012	Attendance of the Extraordinary General Meeting held on 18 January 2012
Executive Directors			
Mr. Vincent H. S. LO (Chairman)	5/5	√	
Mr. Freddy C. K. LEE	5/5	√	√
Mr. Daniel Y. K. WAN	5/5	√	√
Non-executive Director			
Mr. Frankie Y. L. WONG	5/5	√	
INEDs			
Sir John R. H. BOND	4/5	√	
Dr. William K. L. FUNG	5/5	√	
Professor Gary C. BIDDLE	5/5		
Dr. Roger L. McCARTHY	5/5	√	√
Mr. David J. SHAW	5/5		√

Practice and Conduct of Meetings

All Directors are given an opportunity to include matters in the agenda for regular Board meetings. Annual meeting schedules and the draft agenda of each meeting are made available to Directors in advance. Board and Board committee meetings are scheduled at least one year in advance to facilitate the maximum attendance of Directors.

Notices of regular Board meetings are served to all Directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given. Board papers together with appropriate, complete and reliable information are sent to all Directors at least three days or such other period as specified in the terms of reference of the relevant Board committee before each Board or committee meeting to keep the Directors abreast of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management whenever necessary.

The senior management attends all regular Board meetings and when necessary, other Board and committee meetings to advise on business developments, financial and accounting matters, statutory compliance, corporate governance and other major aspects of the Company.

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

According to current Board practice, any material transaction that involves a conflict of interests for a substantial shareholder or a Director, will be considered and dealt with by the Board at a duly convened Board meeting. The interested Directors shall abstain from voting and shall not be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

Chairman and Chief Executive Officer

During the year ended 31 December 2012, the Company has complied with the code provision A.2.1 of the CG Code in respect of the separation of roles of Chairman and CEO.

The division of responsibilities between the Chairman and the CEO is defined and posted on the Company's website.

Model Code for Securities Transactions

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 regarding securities transactions by the Directors and relevant employees.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2012.

To comply with the code provision A.6.4 of the CG Code, the Company established and adopted a Code for Securities Transactions by Relevant Employees, on terms no less exacting than the Model Code, to regulate dealings in the shares of the Company by certain employees of the Company or any of its subsidiaries who are considered to be likely in possession of unpublished price sensitive information in relation to the Company or its shares because of their offices or employments.

No incident of non-compliance with these written guidelines by the relevant employees was noted by the Company.

Board Committees

During the year ended 31 December 2012, the Board has four Board committees, namely, the Remuneration Committee, the Audit Committee, the Nomination Committee and the Finance Committee, for overseeing particular aspects of the Company's affairs.

The four Board committees of the Company are established with defined written terms of reference and approved by the Board which set out the committees' respective duties. The terms of reference of the Board committees have been reviewed from time to time to cope with the latest amendments of the Stock Exchange's Listing Rules. These are now posted on the Company's and the Stock Exchange's websites and are available to shareholders.

Except for the Finance Committee, the majority of the members of each Board committee are INEDs. The list of the chairman and members of each Board committee is set out in "Corporate Information" section on page 207.

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

Remuneration Committee

During the year ended 31 December 2012, the Remuneration Committee consisted of three members, namely Dr. William K. L. FUNG, Mr. Vincent H. S. LO and Professor Gary C. BIDDLE. Dr. William K. L. FUNG and Professor Gary C. BIDDLE are INEDs. The chairman of the Remuneration Committee is Dr. William K. L. FUNG.

The primary functions of the Remuneration Committee are to evaluate the performance and make recommendations on the remuneration packages of the Directors and senior management, and to evaluate and make recommendations on employee benefit arrangements.

The Human Resources Department is responsible for collection and administration of the human resources data and making recommendations to the Remuneration Committee for consideration. The Remuneration Committee shall consult the CEO of the Company about these recommendations on remuneration policy and structure and remuneration packages.

The Remuneration Committee normally meets to review the remuneration policy and structure and to determine the annual remuneration packages of the Executive Directors and the senior management and other related matters.

The Remuneration Committee had not held meeting during the year ended 31 December 2012.

Details of the remuneration of the Directors for the year ended 31 December 2012 are set out in note 10 to the financial statements.

Audit Committee

During the year ended 31 December 2012, the Audit Committee consisted of three members. The members of the Audit Committee during the year were:

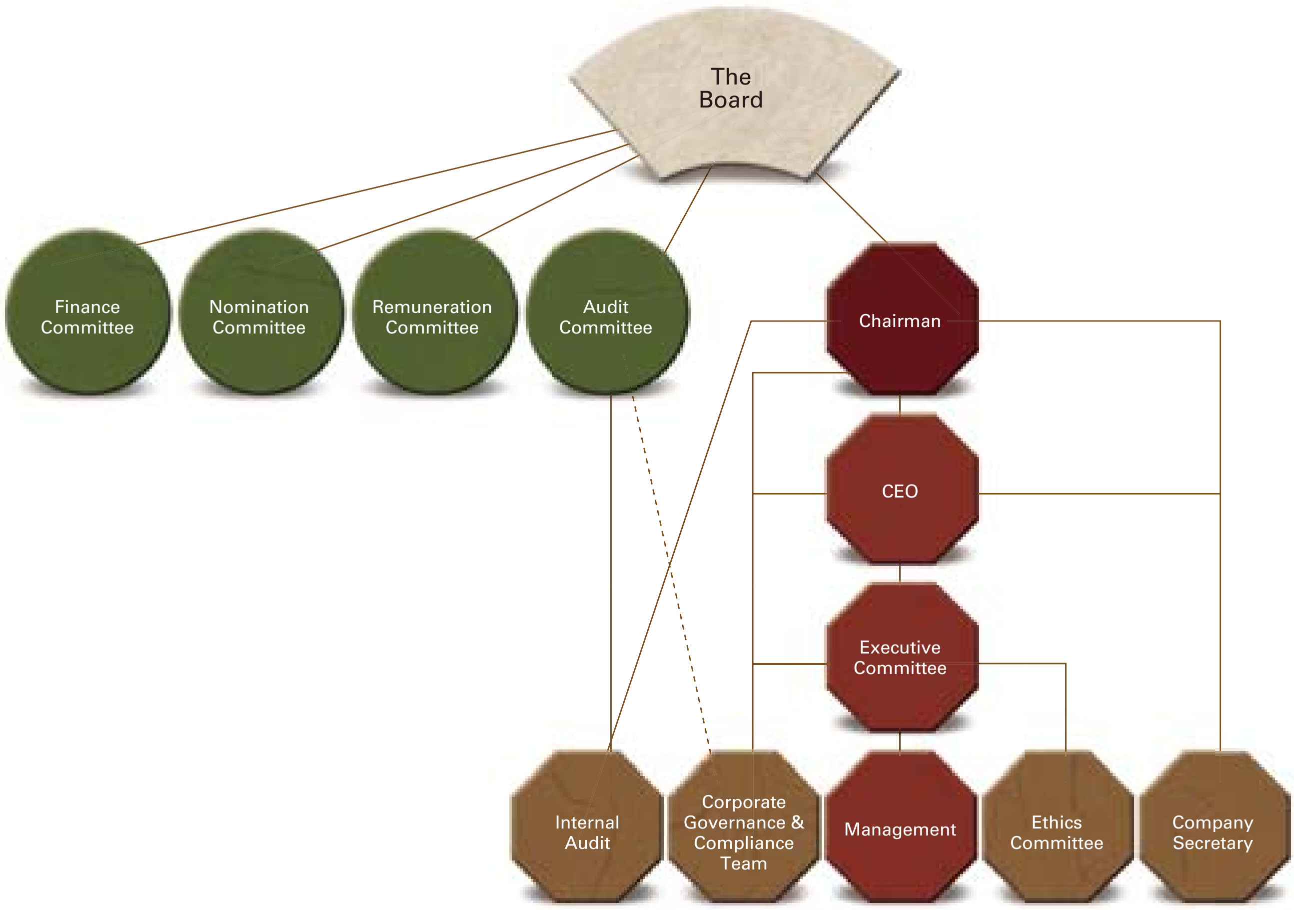
Professor Gary C. BIDDLE

Dr. Roger L. McCARTHY

Mr. Frankie Y. L. WONG

Professor Gary C. BIDDLE and Dr. Roger L. McCARTHY are INEDs. The chairman of the Audit Committee is Professor Gary C. BIDDLE. All members of the Audit Committee have no previous relationships to the Company's existing external auditors.

Shui On Land Corporate Governance Organisation



In January 2012, the Audit Committee was assigned with the duties to assist the Board and its Chairman in performing the corporate governance duties as required under the CG Code. The terms of reference of the Audit Committee have been revised accordingly and the updated terms of reference posted on the Company's website.

The main duties of the Audit Committee include the followings:

- To review the financial statements and reports and consider any significant or unusual items raised by the qualified accountant, compliance officer, internal auditor or external auditors before submission to the Board.
- To review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendation to the Board on the appointment, reappointment and removal of external auditors.
- To review the adequacy and effectiveness of the Company's financial controls, internal control and risk management systems and associated procedures.
- To develop and review the Company's policies and practices on corporate governance and make recommendations to the Board.

The Audit Committee has reviewed the Group's interim and annual results for the year ended 31 December 2012, including the accounting principles and practices adopted by the Company, in conjunction with the Company's external auditors.

There are no material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The Audit Committee has the same view as the Board regarding the selection, appointment, resignation or dismissal of external auditors.

Finance Committee (From left to right): Mr. Frankie Y. L. WONG, Professor Gary C. BIDDLE, Dr. William K. L. FUNG, Mr. Vincent H. S. LO (Chairman), Sir John R. H. BOND, Mr. Freddy C. K. LEE, Mr. Daniel Y. K. WAN

Two meetings were held by the Audit Committee during the year ended 31 December 2012 and these meetings were attended by all three members.

The Audit Committee also held separate meetings with the external auditors, the internal auditor and the finance executives once during the year to discuss on pertinent issues of the Company without the Executive Directors being present.

The Audit Committee reviewed the risk assessment conducted by the internal auditors on the Audit Committee meetings and made summary reports to the Board. The Committee reviewed and commented on all draft announcements and circulars required under the Stock Exchange's rules before their formal issuance. It also uses a self assessment checklist to review and enhance the performance of the Audit Committee on a semi-annual basis. Periodically, the members of the Audit Committee visit the Company's projects to keep abreast of their development.

Nomination Committee

The Nomination Committee currently comprises three members, Mr. Vincent H. S. LO, Sir John R. H. BOND and Professor Gary C. BIDDLE. Sir John R. H. BOND and Professor Gary C. BIDDLE are INEDs. The chairman of the Nomination Committee is Mr. Vincent H. S. LO.

The primary functions of the Nomination Committee are to review the structure, size and composition of the Board, identify individuals suitably qualified to become members of the Board, and assess the independence of INEDs.

Meetings are held on need basis. No meeting was held by the Nomination Committee during the year ended 31 December 2012. During a Board meeting held on 18 January 2013, the terms of reference of the Nomination Committee were revised to include the latest change in the CG Code which will take effect from 1 September 2013 concerning diversity of board members. The revised terms of reference have been posted on the Company's website.

Finance Committee

During the year ended 31 December 2012, the Directors who were members of the Finance Committee were Mr. Vincent H. S. LO, Sir John R. H. BOND, Dr. William K. L. FUNG, Professor Gary C. BIDDLE, Mr. Freddy C. K. LEE, Mr. Daniel Y. K. WAN and Mr. Frankie Y. L. WONG. Sir John R. H. BOND, Dr. William K. L. FUNG and Professor Gary C. BIDDLE are INEDs. The chairman of the Finance Committee is Mr. Vincent H. S. LO.

Four meetings were held by the Finance Committee during the year ended 31 December 2012, and the attendance records are set out as below:

Name of Committee Members	Attendance/Number of Meetings held during tenure
Mr. Vincent H. S. LO (Chairman)	4/4
Mr. Freddy C. K. LEE	4/4
Mr. Daniel Y. K. WAN	4/4
Mr. Frankie Y. L. WONG	4/4
Sir John R. H. BOND	3/4
Dr. William K. L. FUNG	4/4
Professor Gary C. BIDDLE	4/4

The primary functions of the Finance Committee are to stipulate and monitor the financial strategies, policies and guidelines of the Company.

During the year ended 31 December 2012, major tasks of the Finance Committee included the setting and formulation of high-level financial policies and guidelines; reviews and approval of annual budgets, profit forecasts, financial plannings and results, and treasury updates; evaluations of proposals on fund raising, acquisition and disposal of material assets, reduction of gearing ratios, acquisitions/mergers, spin-off plans, and making recommendations to the Board on such matters.

Risk Assessment/ Management

Strategic Planning

A Three-Year Strategic Plan (the "Three-Year Plan") was formulated in the third quarter of 2009, covering the period from 2010 to 2012. The Three-Year Plan expedited the development of the Company especially in turning the Company into a more project-driven and decentralised organisation.

During the year ended 31 December 2012, strategic action plans were developed, executed, implemented and monitored by relevant executives and management to achieve its medium-term goals and objectives. The Company has also developed balanced scorecards for the Company, projects and departments to strengthen and measure the alignment of individual performance in attaining these goals and objectives. The formulation of the second Three-Year Strategic Plan covering the period from 2013 to 2015 (the "Second Three-Year Plan") has also been started in the last quarter of 2012.

Resources Planning and Cost Control

During the year ended 31 December 2012, the Company's main focus on resources planning was still the raising of funds through various means to expedite completion of the maturing projects as well as further strengthening its capabilities in managing its retail resources to meet the future challenges. This has been done successfully and enabling the Company to focus more on its deliveries targeted in the Company's Second Three-Year Plan.

The Company continues to focus on managing costs in the short and long run, enhancing of the cost consciousness culture and behaviour of the Company, and reviewing and monitoring the Company's expenditure.

Enterprise Risk Management

Risk assessments are conducted semi-annually by the Internal Audit Department and presented to the Company's Executive Committee ("EXCOM") and the Audit Committee for review. The Company is implementing its continuous and integrated risk assessment and management framework. This enterprise risk management framework includes the introduction of Control and Risk Self-Assessment Process to the Company as an important step. This process enables the Company to change its risk assessment and management process from a punctuated one to a continuous one; to take both a "top down" and "bottom up" approach; and to promote management's participation in, ownership of and accountability towards their relevant risk assessment and management processes.

The Audit Committee has required management to present a report on risk assessment/management at every Audit Committee meeting.

Internal Control

Internal audit and management conduct reviews of the effectiveness of the Company's system of internal controls, including those of its subsidiaries and major associates. The Audit Committee reviews the summary report of the internal auditors on the effectiveness of the Company's system of internal controls and reports to the Board on such summary results.

The Company is also in the course of updating its detailed internal control documentation and evaluation system in order to cope with the ongoing organisational changes. This comprises an Internal Control System (INCOS) documentation of the Company's financial and operational processes together with

Construction site of Wuhan Tiandi

their key controls and weaknesses, and a Grid Rating System that scores the effectiveness of the key controls implemented.

Internal Audit

During the year ended 31 December 2012, the Chief Internal Auditor of the Internal Audit Department reports functionally to the Chairman, and has full and free access to the Audit Committee. The internal audit charter allows the internal auditors to have unrestricted access to all functions, records, property and personnel while maintaining appropriate confidentiality in performing their work.

The Internal Audit Department helps the Company to accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes. The Internal Audit Department operates in a partnership relationship with management, preparing semi-annual audit plans based on a risk assessment methodology and upon agreement with the Company's EXCOM and the Audit Committee.

The Internal Audit Department issues reports to the Chairman, CEO and relevant management covering various operational and financial processes and projects of the Company. It provides summary reports to the Audit Committee together with the status of implementation of their recommendations in each Audit Committee meeting.

Ethical Corporate Culture

The Company has in place various policies, including its Code of Conduct and Business Ethics, governing business ethics and best practices. The Company emphasises integrity as an important foundation of its corporate culture and a strategic choice, and leverages it as one of its competitive advantages. New staff have to go through an introduction to ethics in their orientation, and have to join an ethics training session conducted by a member of the Ethics Committee or from senior management upon completion of their probation. Certain staff are carefully selected and designated with the duties of ethics experts. Their mission is to further enhance the ethical awareness and standard of the Company through providing coaching and training to other staff. Training is developed with the assistance from the ICAC of Hong Kong and various training sessions were delivered to staff during the year 2012.

Before the end of each year, all managers and above, together with some selected staff, must complete an ethical e-course. Upon completion they have to make an on-line declaration of their commitment to abide by the Company's Code of Conduct and Business Ethics in all their business dealings on an annual basis.

Anti-fraud Measures

An Irregularities Reporting System (a whistle-blowing system) was installed for reporting on violations of the Company's Code of Conduct and Business Ethics as well as complaints about integrity related matters from staff, vendors, customers and business partners. Telephone hotlines and special e-mail and mail boxes were set up to enable any such complaints to reach the chairman of the Audit Committee or the secretary of the Ethics Committee. At each Audit Committee meeting, a summary report of the complaints received and their follow up results are to be tabled for review.

The Ethics Committee also issued an Irregularity Report Policy. This policy clarifies the Company's treatments and procedures on handling potential violations reported, but at the same time tries to avoid abuse by disgruntled employees or ex-employees.

An Incident Reporting Procedure was formulated to enable the systematic, timely and uniform reporting of incidents such as potential fraud to the Chief Financial Officer by personnel involved in internal control activities related to financial and/or automated information systems.

An Anti-fraud Assessment Framework was used to facilitate the annual assessment of risks on potential frauds by individual projects and departments. The results were examined and appropriate control measures were established to mitigate those risks. The annual results are to be summarised and presented to the Audit Committee for review.

Responsibilities in Respect of the Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2012.

The Board is responsible for overseeing the preparation of financial statements of the Company and reviewing the same to ensure that such financial statements give a true and fair view of the state of affairs of the Company and that relevant statutory requirements and applicable accounting standards are complied with.

The management provides such explanation and information to the Board so as to enable the Board to make an informed assessment of the financial information and position of the Company that is put to the Board for approval.

The statement of the external auditors of the Company about their reporting responsibilities in regard to the financial statements is set out in the "Independent Auditor's Report" on page 129.

External Auditors and Auditors' Remuneration

The remuneration paid/payable to the external auditors of the Company in respect of audit services and non-audit services for the year ended 31 December 2012 is set out as follows:

Services rendered for the Company		Fee paid/payable (HK$ 'M)
Audit services:		6.0
Non-audit services:		12.5
• Review of interim report for the six months ended 30 June 2012	1.3	
• Assurance services on spin-off and internal control review of China Xintiandi Ltd.	7.5	
• Comfort letters on senior notes/perpetual capital securities issued by the Company	3.2	
• Tax compliance review	0.2	
• Others	0.3	
Total:		**18.5**

Communications with Shareholders and Investors/ Investor Relations

The Company believes that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Company's business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of corporate information, which enables shareholders and investors to make the most informed investment decisions. The goal of our communication activities is to provide a true and fair view of the Company. A Shareholders' Communication Policy has been posted on the Company's website.

The Company has taken its own initiative to disclose price-sensitive information in a timely manner, and to comply with the latest statutory requirements of the Securities and Futures (Amendment) Ordinance 2012 and its accompanied Guidelines on Disclosure of Inside Information which took effect on 1 January 2013. Connected and major transactions have to be reviewed and assessed by either the Audit Committee or an independent board of the Board for such purposes before these are submitted to shareholders' meeting for approval and/or public disclosure.

The Company leverages various channels and platforms including its annual and interim results announcements, press conferences and analyst briefings, and various industry conferences to ensure the timely release of important messages. An electronic investors' newsletter is published quarterly to provide more timely and relevant information pertaining to the Company's business development including all its projects.

In 2012, a number of "Investors and Analysts Day" were held in Shanghai, Chongqing and Foshan to further enhance investors' understanding of the development progress of the Company's projects, as well as the market sentiment in these cities. In addition, investors and analysts are also frequently invited to the Company's marketing and promotional events to gain updated information. These initiatives are all well accepted by the investment community.

Information released by the Company to the Stock Exchange are also posted on the Company's website, which is regularly being updated with corporate developments. Key events regarding financial results, business developments and operations are also announced on a timely basis to investors through our corporate website. Upon free subscription, alert emails on the Company's public announcements, press releases and investors' newsletters will be sent automatically to registered shareholders and investors. Application forms for requests for site visits and management meetings, and contact persons in the investor relations team can also be found on the Company's website.

To maintain and improve the visibility of the Company in the financial community, the Company held numerous road shows and participated in investor conferences during the year ended 31 December 2012. The management and the investor relations team met hundreds of investors personally, discussing the Company as well as its development and strategies in conference calls and video meetings.

Major Investor Relations Events in 2012/2013

2012	Event
January	BNP Paribas Property Day, Hong Kong Nomura China Property Corporate Day, Hong Kong
March	2011 Annual Results Global Roadshow, Hong Kong, Singapore
April	2011 Annual Results Global Roadshow, Europe, USA, Beijing, Shanghai, Tokyo and Taipei HSBC 3rd Annual Asian Property Conference, Hong Kong
May	Macquarie Greater China Conference, Hong Kong The 10th BOCI Investors Conference, Beijing Barclays Capital Asia Property Conference, Hong Kong Morgan Stanley 3rd Annual Hong Kong Investor Summit, Hong Kong Investor and Analyst Day, Shanghai, Chongqing and Foshan
June	JP Morgan China Conference, Beijing HSBC London and Paris Conference, London and Paris
July	DBSV Pulse of Asia Conference, Singapore Citi China/HK Property Conference, Hong Kong BAML Greater China Property Day, Hong Kong
August	2012 Interim Results Global Roadshow, Hong Kong, Singapore Europe and USA
September	UBS Hong Kong/China Property Conference 2012, Hong Kong BAML Global Real Estate Conference, New York Daiwa Property Conference, Singapore
October	Jefferies Corporate Day, Hong Kong
November	BAML China Conference, Beijing Morgan Stanley 11th Annual Asia Pacific Summit, Singapore
December	KGI Investor Conference, Taiwan

2013	Event
January	Nomura China Property Corporate Day, Hong Kong DBS Vickers Pulse of Asia Conference, Singapore DB Access China Conference 2013, Beijing UBS Great China Conference, Shanghai Investor and Analyst Day for Corporate Avenue II No.3 Groundbreaking Ceremony, Shanghai

The general meetings of the Company provide the best opportunity for the exchange of views between the Board and the shareholders. The Chairman of the Board as well as chairmen of the Audit, Remuneration, Nomination and Finance Committees or, in their absence, other members of the respective committees and, where applicable, the independent board committee, are available to answer questions at the shareholders' meetings. The chairman of the independent board committee is also available to answer questions at any general meeting about approval of a connected transaction or any other transaction that is subject to independent shareholders' approval.

To enhance communications with shareholders in the Company's annual general meetings, the conducting language has been changed to Cantonese with simultaneous interpretation in English. Most of the Directors were present at the Annual General Meeting held on 7 June 2012 and the meeting provided a useful forum to exchange views with the Board.

To further enhance and provide more direct communications with the Company's shareholders, a "Networking with Shareholders" session was conducted immediately after the Annual General Meeting. During the session, shareholders were provided with a chance to discuss matters face to face with senior management of the Company. Previous sessions were well attended by shareholders. The meetings included discussion of the latest business initiatives and long-term development strategy of the Company as well as answering shareholders' questions.

The Company continues to enhance communications and relationships with its investors. Designated members of the senior management maintain regular dialogue with institutional investors and analysts to keep them abreast of the Company's development. Enquiries from investors are dealt with in an informative and timely manner.

Shareholders' Rights

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

The rights of shareholders and the procedures for demanding a poll on resolutions at shareholders' meetings are contained in the Company's Articles of Association.

Poll results are made available by way of an announcement, which is published in accordance with the Listing Rules as soon as possible.

Pursuant to Article No. 66 of the Company's Articles of Association, shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right to require an extraordinary general meeting of the Company ("EGM") to be called by the Board by written requisition to the Board or the Company Secretary of the Company. Shareholders should specify the business they wish to discuss at the EGM in the written requisition. Shareholders may put forward proposals at general meetings of the Company in the same manner as set out above.

The Board shall arrange to hold such EGM within two months after deposit of such requisition. If within 21 days of deposit of the written requisition the Board fails to proceed to convene such EGM, the shareholders themselves may do so in the same manner, and all reasonable expenses incurred by the shareholders shall be reimbursed to the shareholders by the Company.

Shareholders may at any time direct their enquiries about the Company to the Board by writing to the Company's place of business in Hong Kong, 34/F, Shui On Centre, 6-8 Harbour Road, Wan Chai, Hong Kong or by email to sol.ir@shuion.com.cn.

Shareholders may also put forward their enquiries to the Board at the general meetings of the Company.

Awards Received

With respect to the financial year ended 31 December 2012, the Company received several awards relating to corporate governance, communications with shareholders and investors, and investor relations. These are shown in the table on this page.

List of Awards to Shui On Land

Time of Award	Name of Award	Presented/Organised by
Corporate Governance Related		
2012	The Outstanding China Property Developers Awards 2012	Hong Kong Economic Digest
	Corporate Governance Asia Recognition Awards 2012 – The Best of Asia 2012	Corporate Governance Asia
	2012 Top 50 China Real Estate Listed Companies with Strongest Comprehensive Strengths	China Real Estate Appraisal
Communications with Shareholders and Investors/Investor Relations Related		
2012	Bronze Award (Interior Design - Real Estate Development Service; Various & Multi-Use) Honours (Chairman's Statement – Property Category) Honours (Interior Design – Property Category)	ARC Awards 2012
2013	Silver in Design (2012 Interim Report) Honor in Annual Reports (Overall Presentation: Property Development 2011 Annual Report)	Mercury Awards 2012/13

Corporate Governance Enhancement

Enhancing corporate governance is not simply a matter of applying and complying with the CG Code but also about promoting and developing an ethical and healthy corporate culture. We are committed to maintaining a high standard of corporate governance within a sensible framework with an emphasis on the principles of transparency, integrity, accountability, sustainable development and independence. We will continue to review and, where appropriate, improve our current practices on the basis of our experience, regulatory changes and developments. We have also experienced the trust of our shareholders, especially our minority shareholders, noting that they and the investment analyst community have lent the Company full support based on their recognition of our efforts to enhance corporate governance. All views and suggestions from our shareholders to promote our transparency are welcome.

Corporate Social Responsibilities

All events held at Wuhan Tiandi become spotlights of the city

At Shui On Land, we take our corporate social responsibilities (CSR) very seriously, and CSR principles are conscientiously adhered to in the planning and operation of all our projects. Hand-in-hand with this commitment, we aim to provide our valued customers with quality products and services, together with sustainable communities as well as comfortable living spaces.

Community Development

Our goal is to build a better future together with the communities we are involved in, knowing that an outstanding business must not only benefit the economy but also help raise people's living standards, enhance communities and strengthen a city's competitiveness. We therefore take an active role in designing and implementing a variety of programmes that focus on improving the well-being of communities, in the firm belief that the healthy development of our cities will benefit the Group in turn.

Nurturing Talent and Promoting Entrepreneurship

Human talent is fundamental to a society's economic growth. Supporting the long-term social development of our society, we are committed to nurturing young talent and promoting innovation.

In 2011 Shui On Land and Fudan University jointly developed a course for young entrepreneurs, aiming to sow the seeds of entrepreneurship in the hearts and minds of university students through a systematic, objective-based and contemporary curriculum. Resources from various avenues are also tapped to kindle the spirit of innovation among budding entrepreneurs, helping to ignite the birth and growth of new enterprises.

In 2012, the Group disbursed a second sponsorship of RMB1.8 million. In September that year, Fudan University launched its Jujing Cup Entrepreneurship Contest. At the same time, both Shui On Land and Fudan University organised the Fudan-Shui On Entrepreneurship Forum and Entrepreneurship Café to inspire and counsel contestants and young students with entrepreneurial ambitions.

In May 2012, the Knowledge & Innovation Community (KIC) sponsored an undergraduate exhibition at Tongji University's College of Design and Innovation. The aim was to promote the development of creative initiatives centred on Chinese Design, while at the same time introducing Tongji designs to KIC to bring about cooperation and knowledge sharing between them.

Promoting Growth with Cultural Exchanges

Promoting local traditions and cultures is an important feature of Shui On Land's commitment to cultural conservation.

Yalu Shuchang, located in Shanghai Taipingqiao, has hosted performances in the art form *pingtan* for 91 years. Supporting the continuation and intangible value of this form of cultural heritage, we continued our sponsorship of the Yalu-Xintiandi Cultural Development Fund to finance the ongoing activities of Yalu Shuchang after its move, and to support and develop *pingtan*. The Development Fund was established in January 2011 in Shanghai Xintiandi to expand the growth and to explore new models of support for the development of this century-old art form.

Chongqing Tiandi also promoted Chongqing's traditional arts and culture with the sponsoring of several thematic events in the Chongqing and World Cultural Carnival 2012. This event included a number of exhibitions that highlighted Chongqing's culture as well as screenings of films that showcased local customs and conditions.

Committed to preserving and promoting Lingnan culture, Foshan Lingnan Tiandi sponsored the traditional local celebration, Foshan Autumn Carnival 2012. More than 600 performers joined a parade in Foshan Lingnan Tiandi, which attracted almost 300,000 spectators to the venue. Foshan Lingnan Tiandi also donated a HK$1 million sponsorship to the Wai Yin Association for the conservation of Lingnan's traditional culture. Eight Miss Hong Kong contestants took part in the making of *Beauty with Classics*. This video, which promoted the Lingnan culture, was subsequently broadcasted on TVB to good reviews.

Our promotion of these diverse cultural exchanges around the world, exemplify Shui On Land's philosophy to promote "Growth through Culture".

Promoting dance as a sport in China, we organised the Shui On-Yongye Cup IDSF Grand Slam Finals 2012 with a RMB1.5 million title sponsorship. This event is now in its seventh year of operation. The contest was held on 8 December, attracting over 1,000 pairs of top competitive dancers.

Shui On Land also sponsored the China Development Forum organised by the National Development and Reform Commission, an event that invited the world's largest multi-national corporations to brainstorm ideas for China's future economic development.

Building Harmony Together: The Community's Caring Company

To help build a society where we can all live in harmony, caring for the underprivileged in our society has long been on the Group's philanthropic agenda.

In Shanghai, the Shui On Seagull Club continues its donation and education drives in rural areas. Many staff members also serve the community by doing volunteer work.

KIC holds regular flea market to advocate green life concept

PR launch of the Commercial Cluster at Chongqing Tiandi

On 1 December 2012, the Shui On Seagull Club Charity Walk was held in Shanghai's Gucun Park. Over 90 employees took part in the walk while 811 staff members donated a total sum of RMB114,183.91. The donations will be used for the Club's rural education projects, including repairs on facilities such as classrooms and school fields in poverty-stricken areas, as well as buying books and teaching aids.

In Wuhan, volunteers from the Shui On Seagull Club visited the orphans at the "Children of Madaifu" in Huangpi. The children were invited to the New Year's Day party in Wuhan Tiandi, where they enjoyed themselves immensely. The 11 boxes of clothing collected by the "Winter Build-up" activity reached Xinjiang's Qiaha Elementary School in early January, providing warmth and comfort over the Chinese New Year period. The "Community Cool-down" activity in July saw the elderly and poorer citizens living in Tangjiadun Xincun in the Jianghan District receiving gifts of cooking oil, rice, fruits and fans, helping them to stay cool during the sweltering summer heat. A Charity Walk also took place in October in Jinligou, Huangpi. Donations were collected on behalf of the Wuhan Municipal Children's Welfare Institution, to buy electrical appliances and health foods for the orphans, and improve their living conditions.

To break the ice between neighbours in Chongqing, Chongqing Tiandi sponsored the "Happy Community and Neighbourhood mini-movie competition". Over 30 film companies, emerging directors, high school teachers and students country-wide took part in the competition. With the actors in these mini-movies mainly consisting of ordinary people, audiences were touched by the genuine depiction of people's lives in the films.

In Dalian, members of Dalian Tiandi's IT Tiandi did their part for charity by auctioning items from U Plus, a retail outlet that sells creative merchandise. A fund was set up using the donations to help poorer students from the Zhongxin Elementary School in the Changling Township of Zhuanghe City to buy books. In September, Dalian Tiandi and the Dalian Maritime University worked together to jointly donate audio equipment to the audio database for visually-impaired children in a school for the deaf and blind. Using the audio equipment, visually-impaired children will be able to learn more about the world by listening to the classic books and publications available. In October,

Rui Hong Xin Cheng supports the development of domestic artistic creation through holding various events the Shui On Seagull Club volunteers also visited Zhongxin Elementary School in the Changling Township of Zhuanghe City to donate money, books and clothing.

In Hangzhou, the Shui On Seagull Club organised the Library Books Donation and Charity Sale, which saw the participation of both employees and tenants. The money collected from a charity walk was also used to buy 200 new books, which were donated to Yunhe County's Chongtou Township Elementary School in Zhejiang's Lishui City.

Employee Training and Development

The identification of high-calibre employees at an early stage, and preparing management and leadership responsibilities for them to take on through custom-made training programmes, is a major objective in our development programmes for the sustainable growth of the Group.

Management Cadet (MC) Programme

This fast-track development programme was established in 2002 for all internal staff with at least three years' working experience, focusing on their potential for taking up core management positions in an accelerated time frame. As of 31 December 2012, there were seventeen management cadets, 15 of whom have completed the programme.

Functional Executive (FE) Programme

Established in 2009, the Functional Executive Programme is designed to develop professionals and managers who will eventually take on senior functional management positions. A customised training programme is designed for each functional executive. As of 31 December 2012, there were seven functional executives in the programme.

Management Trainee (MT) Programme

Established in 1997, this programme aims to prepare fresh graduates to take up management positions. Under mentorship guidance, the trainees undergo rigorous three-year training in personal development and management skills. The Group recruited five new members in 2012. As of 31 December 2012, thirteen management trainees were in the programme.

Graduate Trainee (GT) Programme

Aiming to develop fresh graduates to take up relevant professional positions in the Group, this programme provides industry-specific training, while also imparting knowledge on essential management techniques. The duration of the course varies for the different professional streams. Throughout the programme, job rotation arrangements are made for each trainee, together with six-to-twelve month secondment to external professional institutions as applicable. As of 31 December 2012, there were eighty-one graduate trainees in the programme.

Summer Internship Programme

Established in 2001, this programme provides four to eight weeks of summer internship for university students both from the Hong Kong SAR and the Chinese Mainland. A total of sixty students joined this summer internship programme in 2012. Of this number, thirty-one applied and thirteen were given the "Green Path", gaining faster access to our management trainee or graduate trainee recruitment activities.

The English photographer master Rankin's exhibition at Chongqing Tiandi

Sustainable Development

Shui On Land is a premier property developer in Hong Kong and the Chinese Mainland. While expanding our operations, we also lead the industry in sustainable development.

Setting Goals for Sustainability

We issued our Sustainable Development Policy and set up the Sustainable Development Committee in 2006 to highlight our commitment to sustainability in the forefront of our policies and processes. Meeting regularly over the last six years, Committee members have laid down a series of measures for sustainable development and extended the concept to every aspect of our projects and development. This has enhanced the environmental quality of our projects, providing a cleaner, more economically efficient and safer living and working environment for residents.

To ensure the sustainable development of the Group's business economically, socially and environmentally, we have set Six Major Guidelines in our quest for sustainability:

- all large-scale master-planning projects should get their LEED-ND certification
- all newly-built commercial projects should be certified by LEED or by China Green Buildings (CGB)
- all newly-built residential projects should be certified by CGB
- all residential properties and apartments should be handed over to owners with quality finishing
- all operating real estate developments will reduce their carbon emissions by 20%
- all newly-built commercial projects should be equipped with energy-consumption monitoring systems

Accolades and Recognitions

In 2012, the Group's activities in sustainable development were recognised both by governmental and professional organisations. Commended by the Development and Reform Commission of Shanghai Huangpu District, among other governmental and charitable bodies, the Group's Corporate Avenue and Shui On Plaza received an award of RMB50,000 in December for energy conservation. Also in December, the Dalian Environmental Protection Volunteers Association certified Dalian Tiandi as an Environmentally Advanced Unit. In March, Wuhan Tiandi's Lots A1/2/3 retail podium became the first project in China to obtain a "very good" rating in BREEAM interim certification. BREEAM Environmental Assessment Method is the world's leading assessment method for building environments.

In the same month, Lots 5-5/5-7/5-8 in our Knowledge & Innovation Community received its LEED-Core & Shell (CS) Certification Gold level from the US Green Building Council, and Lots 4 and 6 in Rui Hong Xin Cheng received Performance Assessment of Residential Buildings, AA from China's Ministry of Housing and Urban-Rural Development. In June, the Aspen and Maple Tower on Site D22 in Dalian Tiandi received their LEED-Core & Shell (CS) Certification Silver level. In November, Rui Hong Xin Cheng received its LEED-Neighbourhood Development Pilot Version Stage 2 Gold level (Pre-certification). Lot 6 in Rui Hong Xin Cheng passed the professional assessment and received Chinese Green Building Design Label, 2 Star, three Showroom Offices on Lot D17 in THE HUB received its LEED-Core & Shell (CS) Pre-certification Gold level.

The business development A123 at Wuhan Tiandi gains Asia Pacific Property Awards 2012 in three categories

In December, Lot 126 of Shanghai Taipingqiao, three Showroom Offices and Xintiandi Street on Lot D17 in THE HUB, and Lot B20 in Wuhan Tiandi (Wuhan Tiandi Central Clubhouse) passed the professional assessment, receiving Chinese Green Building Design Label, 3 Star from the Ministry of Housing and Urban-Rural Development of the People's Republic of China. Among the three, Lot 126 of Shanghai Taipingqiao was the first development in the country to be assessed according to the Technical Conditions for Green Super High-rise Building Assessment and to receive a rating. The hotel component of Lot D17 in THE HUB and Lots B9 and B11 in Wuhan Tiandi passed the professional assessment, receiving Chinese Green Building Design Label, 2 Star. A Showroom Office on Lot D19 in THE HUB also received its LEED-Core & Shell (CS) Pre-certification Silver level that month.

The Better Use of Resources

With a profound awareness and understanding of the impact of greenhouse emissions on the global environment, the Group is actively pursuing certification on the control of greenhouse emissions. We have also listed emissions control as one of the Six Major Guidelines in the Group's sustainable development, where our aim is to reduce carbon emissions at all our operating real estate developments by 20% in the period from 2011 to 2016. This reflects Shui On Land's contribution and commitment to reducing global warming and environmental pollution.

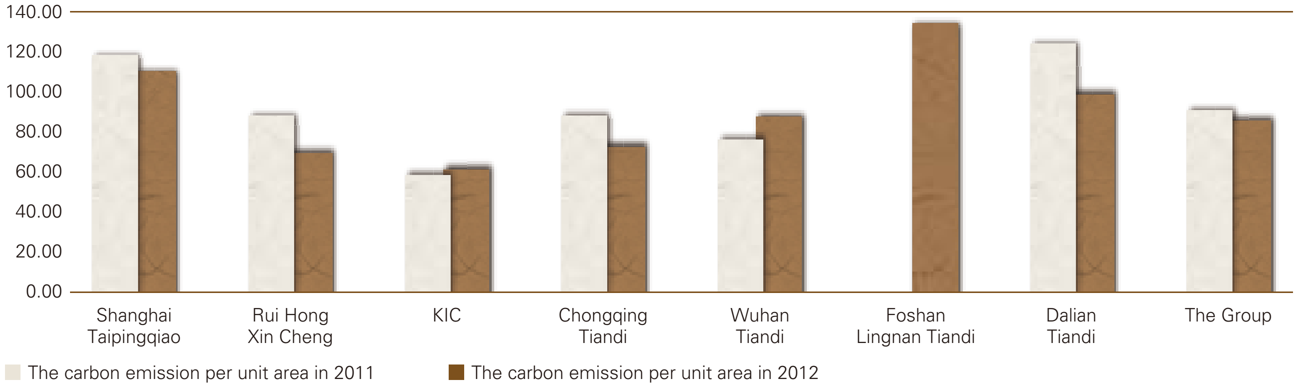
We have adopted various emission reduction measures in the operation of each of our properties. In Shanghai Taipingqiao for example, energy saving initiatives include dimming lighting in public areas when they are not in use, as well as turning off lighting and air-conditioning in public areas during non-working hours. Reducing energy usage, older equipment and ordinary fluorescent lighting have been replaced with energy saving alternatives. The Group is also using more energy-efficient office equipment when refurbishing project offices, and adopting energy saving and emission control measures such as turning off office lights during lunch hours, encouraging staff to turn office equipment off at the end of the working day, and turning air-conditioning temperatures up in the summer months.

THE HUB shopping mall's top-off ceremony

To measure carbon emission data more accurately, from 2012 onwards, all the Group's operating projects will undergo carbon verification. To ensure the accuracy and fairness of this certification data, we have chosen internationally renowned product and quality certification body TUV Rheinland, who with a five-year contract, will act as an independent carbon certification body for the Group. To facilitate longitudinal comparisons, carbon certification on 2011 data will also be conducted and used as the baseline for comparison. This will form an important basis for the objective computation of the effectiveness of the Group's sustainability efforts.

According to TUV Rheinland's certification, the Group's property operations in 2011 generated 65,221.94 tonnes of CO_2e. The carbon emission per unit area was thus 91.06 tonnes of CO_2e per 1,000 sq. m.. In 2012, with an additional 162,849.68 sq. m. in built area among our operating properties, carbon emissions increased by 15.28% to 75,189.49 tonnes of CO_2e. However, the carbon emission per unit area was 85.53 tonnes per 1,000 sq. m., a decrease of 6.07%. This accounts for 30.35% of our emission reduction target. Projects with no additional operating areas saw different levels of carbon emission reductions. For example, Shanghai Taipingqiao clocked a reduction of between 3% and 13%, while the Group's head office saw a decrease of 9.63%.

Comparison of the Carbon Emissions Per Unit Area of the Group's Properties



* Foshan Lingnan Tiandi was not operating yet in 2011

The conservation of energy and the judicious use of resources are also important measures of our green achievements.

In view of Hongqiao CBD's designation as "Shanghai's first low-carbon CBD", the Group worked with the government to install a Combined Cooling, Heating and Power (CCHP) system in THE HUB. The main fuel for this system is natural gas, which powers gas-fired generators such as gas turbines, micro-turbines or internal combustion engine generators. The electricity produced is supplied to users, and the residual heat produced by the system's power generation is collected by heat recovery equipment (e.g. Heat Recovery Steam Generator or residual heat direct-fired units) and channelled to users for their heating and cooling needs. This facility will exponentially increase the primary energy utilisation of the entire system and bring about cascading utilisation. The integrated energy efficiency can reach up to 80-90%.

The Shanghai Windows Project 2012 at Shanghai Xintiandi

In the commercial podium at Wuhan Tiandi's Lots A1/2/3, China's first development to receive an interim BREEAM – "Very Good" Level, a water leakage detection system and an organic waste microbial processor have been installed. Organic waste generated by the development (e.g. food waste) can be broken down into carbon dioxide, steam, organic fertiliser, and so on. Waste production is reduced and the use of recycled resources increased.

The Group's Shanghai Feng Cheng Property Management Co., Ltd. (Feng Cheng) is also implementing measures to reduce energy consumption and carbon emissions in line with our sustainability strategy. Feng Cheng is stepping up the control and management of equipment operations replacing traditional lighting equipment with more energy-efficient LED lighting and installing a management system for itemised energy measurement, to excellent results. Shui On Plaza also worked with the relevant government departments to install an energy

The weekly fashion-themed art performance at Shanghai Xintiandi

management system. Through the system's real-time monitoring as well as its data collection and analysis, property operations will gain a comprehensive picture of the building's service operations and energy use. This will help to lower operating costs and reduce carbon emissions. It will also provide design parameters for future projects. In 2012 Feng Cheng collected and analysed the energy utilisation data of the built operational areas in development projects in Shanghai, Wuhan and Chongqing. The total energy consumption saw a significant year-on-year decrease, and electricity costs were down by an encouraging RMB2.1 million.

Product Optimisation for Greater Customer Satisfaction

With the innovative use of the most advanced and best designs, work processes and materials technologies from around the world as well as through continuous learning and research, we continue to improve quality and achieve higher comfort levels throughout our developments.

We installed an outdoor environment simulation system in our Rui Hong Xin Cheng development, for example. In the early planning stages, highly qualified sustainable design consultants conducted studies on the environmental data based on the project design blueprint and location. Using software simulation, the consultants analysed the outdoor microclimate of the planned area, conducting wind and solar radiation simulations. The results were then used to evaluate the overall comfort levels of the location, and also to identify areas of discomfort, such as areas with excessively strong winds in winter, excessively high temperatures in summer, low wind flows or long periods of air stagnation, and so on. Targeting these areas of discomfort, the overall microclimate is improved by adjusting plans, changing landscape designs, and enhancing insulation and at doors and windows. Comfort and energy conservation are improved, and more comfortable and useable outdoor areas are achieved.

Shanghai Xintiandi 2013 New Year Lighting Ceremony

The Group has also installed a CO_2 control system in THE HUB. Using specialised equipment, indoor levels of carbon dioxide can be measured. Based on this data, the indoor fresh air supply is automatically adjusted to ensure quality indoor air for enhanced comfort and work efficiency.

In view of their environmental benefits, popularity and improving performance, the Group has installed a number of "recharging" parking lots for "new energy" vehicles in Shanghai Taipingqiao, Knowledge & Innovation Community as well as THE HUB. These new energy vehicles, which Shanghai is actively developing, can therefore charge their batteries even when they are in the city centre. By removing customers' concerns about the recharging of their vehicles, the Group is actively contributing towards the creation of an energy-saving city.

Mobilisation for Development

The Group has always believed that protecting the environment requires the joint efforts of every sector of the community. We thus share our knowledge and experience with the industry and the public, discussing how sustainable development can be achieved, and how it can help to bring progress to the community.

The Group also held the 2012 Shui On Land Sustainable Development Forum in Foshan Lingnan Tiandi in June. Under the theme "Sustainable Community • Cultural Continuity", the forum attracted experts from China and overseas who shared the latest know-how and global trends in sustainable development with hundreds of professionals, while also presenting their ideas on sustainability to promote long-term social development.

At the project level, Feng Cheng's management launched a major signature drive among its managed projects in March to encourage members of the public to go green. In the same month, Wuhan Tiandi responded to the Earth Hour initiative. This global event, launched by the World Wide Fund for Nature (WWF), placed models of little environmental guards at road junctions and car parks to spread the green message to visitors. From 20:30 - 21:30 on 31 March 2012, Wuhan Tiandi turned off its lights, observing Earth Hour in line with the rest of the world and seeking to awaken the "environmentalist" within us all.

In June, Rui Hong Xin Cheng and Hongkou District's Environmental Protection Bureau and Education Bureau held the environmental protection event "Green Love Lights Up Our Lives", to promote green and healthy lifestyles. At the same time, Dalian Tiandi staged a green activity in conjunction with the Dragonboat Festival, encouraging staff to exchange their old newspapers for festive gifts such as dumplings and colourful wrist bands. The month also saw Wuhan Tiandi organising the 2012 Wuhan Tiandi Children's Green Fairground, which spread the environmental protection message among the city's children.

In August, Dalian Tiandi organised a tree adoption event for children. Children participating in the event were taken to the Low Carbon Park, built by Dalian Tiandi and the first park in Dalian to promote environmentally-friendly practices. There, they were encouraged to adopt trees and practice green living principles. In September, Dalian Tiandi organised the Green Riders programme, arranging visits to the Low Carbon Park and Low Carbon Experience Hall. The event attracted over 300 bicycling enthusiasts who demonstrated their healthy and sustainable lifestyle. In December, the Knowledge & Innovation Community, in conjunction with WWF, launched Earth Hour 2013 with development representatives.

Shui On Land firmly believes that sustainable development depends on the collective efforts of both management and staff. To encourage our employees to be eco-friendly and more environmentally conscious in their daily lives, we implement a "Green Office" campaign. We also organise activities such as green cultivation, tree planting, refuse separation, growing your "own vegetables", exchanging unwanted articles, etc. Our aim is to create a safer and more energy efficient living and working environment – efforts which have received enthusiastic responses from our staff.

The Group also provides staff with professional training courses related to green issues to enhance their knowledge and understanding on sustainability. During the year, a renowned environmental management consultancy was appointed to organise the LEED 201 Training Course for our Internal Planning, Development and Design Department and our Procurement and Quality Management Department. The course provided information on the LEED assessment system and participants who passed the examination were given a training certificate by USGBC.

Rankin Photo Exhibition "Visually Hungry" kicks off its China tour at Shanghai Xintiandi

Sustainable Development Initiatives

Corporate	Achieve/Target-Green Building Certification	Features
1. Shui On Land Ltd HQ – 26/F, Shui On Plaza	Achieved LEED-Commercial Interiors (CI) Certification Silver level	CO_2 sensor to increase indoor air quality; daylight sensors; addition of task lights; water conserving sanitary fixtures.
2. Shui On Land Ltd HQ – 25/F, Shui On Plaza	Achieved LEED-Commercial Interiors (CI) Certification Silver level	
3. KIC Project Office – KIC Plaza Building 10	Achieved LEED-Commercial Interiors (CI) Certification Gold level	Lighting power and lighting controls; double Low-E glazing window with thermal break; water saving sanitary fittings; HVAC zoning controls; low emitting materials; materials reuse; thermal comfort design; long-term commitment.
4. Chongqing Project Office – Lot B12/01	Target: to achieve LEED-Commercial Interiors (CI) Certification Gold level	BMS intelligent management system; demand control ventilation; water savingdsnitary fittings; thermal comfort design.
Projects – Master Planning stage	**Achieve/Target-Green Building Certification**	**Features**
1. Wuhan Tiandi	Achieved LEED-Neighbourhood Development Pilot Version Stage 2 Gold level (Pre-certification)	Energy, water and waste savings by mixing land uses, connecting to public transit systems, utilising existing cultural and architectural characteristics, building at appropriate densities and orienting the development to maximise solar and wind access; district-wide infrastructure, including centralised heating and cooling, water source heat pumps, rainwater collection and recycling, and comprehensive green roof systems.
2. Chongqing Tiandi	Achieved LEED-Neighbourhood Development Pilot Version Stage 2 Gold level (Pre-certification)	
3. Dalian Tiandi	Registered for LEED-Neighbourhood Development (ND) Pilot Version	Encourage use of public transit systems and appropriate development densities to preserve the unique natural environment; orient buildings to maximise natural wind ventilation to mitigate temperature extremes; use of solar and wind energy for solar hot water system and wind turbines, Non-potable rainwater system, grey water recycling and green roof; carbon assessment for master plan, encourage low carbon life style.
4. Foshan Lingnan Tiandi	Achieved LEED-Neighbourhood Development Pilot Version Stage 2 Gold level (Pre-certification)	City core site selection with high existing development density and small pedestrian-friendly blocks; preservation and adaptive reuse of 22 heritage architecture sites and numerous historic buildings; integrated public transport systems; improved indoor air quality through building orientation and wind harvesting; high performance building fabric; reuse and recycling of project construction materials; use of solar energy and daylight, centralised air conditioning; green roof and green wall, rainwater recycling; carbon assessment for master plan, encourage low carbon life style.
5. Rui Hong Xin Cheng	Achieved LEED-Neighborhood Development Pilot Version Stage 2 Gold level (Pre-certification)	Located in a dense urban area; extending the street scale and the context of the original community, with a reasonable street scale and a compact development, to save the rare land resources of downtown and improve the added value of the land; mixed develop land uses, creating a distinctive and multi-function integrated community; encouraging alternative trip model by transit vehicle, walkable street and pedestrian system, all of them will also be integrated into road design and transport system; connecting the community public centre and the urban public transportation system through the pedestrian system, to bring an accessible and convenience environment, and reducing the transportation carbon emissions at the same time; adopt enhanced exterior wall thermal insulation, energy-efficient municipal infrastructure and lighting equipment, at least level II energy efficient air conditioning and water heat equipment, etc. to maximise the reduction of the energy consumption; adopt grey water reuse, high-efficiency irrigation, water efficient plumbing fixtures, etc. to save and optimise the utilisation of water resources; adopt green roof, exterior landscape and open space optimisation, to improve the both indoor and outdoor environments and air quality, and minimise the heat island effect; encourage waste separation and adopt waste recycling strategy to minimise the environment impact of waste disposal; use a carbon footprint assessment to assess and encourage a low carbon development.

Projects – Development stage	Achieve/Target-Green Building Certification	Features
1. Wuhan Tiandi Lot A4, Wuhan (Entertainment & Retail)	Achieved LEED-Core & Shell (CI) Certification Gold level	Outdoor radiant cooling/heating; outdoor spot cooling/heating; rain water collection & recycling; green roof; double Low-E coated window glazing; recycling and local material utilisation; natural ventilation; low-flow plumbing fixtures and water saving sanitary fittings.
2. Wuhan Tiandi Lot A5, Wuhan (Office)	Achieved LEED-Core & Shell (CS) Pre-certification Gold level	Increased green ratio; high performance glass curtain wall; low-flow plumbing fixtures and water saving fittings; low-emitting materials/ finishes; high performance HVAC system.
3. Wuhan Tiandi Lots A1/2/3, Wuhan (Office & Hotel & Retail)	Achieved BREEAM Pre-certification "Very Good" level	Water leakage detection, food composting, energy wheel, CO_2 sensor control; day-lighting sensor for atrium, double Low-E coated window glazing, occupancy sensor in back of house area, recycling and local material utilisation.
4. Wuhan Tiandi Lot A1, Wuhan (Office & Hotel)	Registered for LEED-Core & Shell (CS) Certification	Water leakage detection, food composting, energy wheel, CO_2 sensor control; day-lighting sensor for atrium, double Low-E coated window glazing, occupancy sensor in back of house area, recycling and local material utilisation.
5. Wuhan Tiandi Lot B9, Wuhan (Residential)	Achieved Chinese Green Building 2 Star rating	Rainwater collection and recycling; water saving sanitary fittings; water saving landscape irrigation system; natural ventilation; underground car park; reasonable location; roof garden and water feature; permeable paving material.
6. Wuhan Tiandi Lot B11, Wuhan (Residential)	Achieved Chinese Green Building 2 Star rating	Rainwater collection and recycling; water saving sanitary fittings; water saving landscape irrigation system; natural ventilation; underground car park; reasonable location; roof garden and water feature; permeable paving material.
7. Wuhan Tiandi Lot B20 Club House, Wuhan (Residential)	Achieved Chinese Green Building 3 Star rating	Rainwater collection and recycling; water saving sanitary fittings; Water saving landscape irrigation; recycling material; roof garden and water feature; CO_2 sensor; permeable paving material.
8. Chongqing Tiandi Lots B3/01, Chongqing (Entertainment & Retail)	Achieved LEED-Core & Shell (CS) Certification Gold level	Outdoor radiant cooling; water source heat pump; rainwater collection & recycling; double Low-E coated window glazing; recycling and local material utilisation; natural ventilation; low-flow plumbing fixtures and water saving sanitary fittings.
9. Chongqing Tiandi Lot B-11, Chongqing (Office; Hotel & Retail)	Achieved LEED-Core & Shell (CS) Pre-certification Gold level	High performance glass curtain wall; high efficiency HVAC system with variable primary flow system; CO_2 sensors; daylight control; occupancy sensors; heat recovery; high performance lighting with low LPD; 40% reduction in potable water use.
10. Chongqing Tiandi Lot B-12, Chongqing (Office & Retail)	Achieved LEED-Core & Shell (CS) Pre-certification Gold level	High efficiency chillers and boilers; high efficiency pumps and fans; high performance envelop; water saving sanitary fittings; native plant species and no irrigation; rainwater collection and recycling; recyclable storage; recycling and local material utilisation; green roof; occupancy sensors; daylight sensors; low emitting material.

Projects – Development stage	Achieve/Target-Green Building Certification	Features
11. Chongqing Tiandi Lot B13, Chongqing (Office & Retail)	Target: to achieve LEED-Core & Shell (CS) Certification Gold level	Rainwater collection and recycling; water-saving fixtures; green roof; native plant species and no irrigation; recyclable storage; high performance envelop; high efficiency chillers and boilers; occupancy sensors; daylight sensors; high efficiency pumps and fans; low emitting material.
12. Shanghai Taipingqiao Lot 126, Shanghai (Office & Retail)	Achieved LEED-Core & Shell (CS) Pre-certification Gold level and Chinese Green Building 3 Star rating. This is the first high-rise building to be qualified using Green High-rise Building Evaluation Technical Details	High efficiency HVAC system; improved indoor air quality with CO_2 sensor; low-flow plumbing fixtures and water saving sanitary fittings; high performance curtain wall with shading devices; light pollution reduction; low-emitting material (low VOC) finishes.
13. Shanghai Taipingqiao Lot 127, Shanghai (Office & Retail)	Achieved LEED-Core & Shell (CS) Pre-certification Gold level	High efficiency HVAC system; improved indoor air quality with CO_2 sensor; low-flow plumbing fixtures and water saving sanitary fittings; high performance curtain wall with shading devices; light pollution reduction; low-emitting material (low VOC) finishes.
14. Rui Hong Xin Cheng Lot 4, Shanghai (Residential & Retail)	Achieved Chinese Green Building 2 Star rating. On 15 November 2010, received allowance from Shanghai Government to drive energy-saving projects	External wall insulation, grey water collection & recycling; photo voltaic for landscape lighting; water saving landscape irrigation system; double Low-E coated glazing window with thermal break; water-saving sanitary fittings.
15. Rui Hong Xin Cheng Lot 6, Shanghai (Residential & Retail)	Target: to achieve Chinese Green Building 2 Star rating	External wall insulation; grey water collection & recycling; photo voltaic for landscape lighting; water saving landscape irrigation system; double Low-E coated window glazing with thermal break and water saving sanitary fittings.
16. Rui Hong Xin Cheng Lot 3, Shanghai (Retail)	Achieved LEED-Core & Shell (CS) Pre-certification Gold level; Target: to achieve Chinese Green Building 1 Star rating	Green roof; low water saving sanitary fittings; rainwater collection and recycling; high efficiency HVAC system; LED lighting; curtain wall design with Low light pollution.
17. Rui Hong Xin Cheng Lot 10, Shanghai (Retail)	Target: to achieve LEED-Core & Shell (CS) Certification Gold level; Target: to achieve Chinese Green Building 2 Star rating	Green roof; low water saving sanitary fittings; rainwater collection and recycling; high efficiency HVAC system; LED lighting; curtain wall design with Low light pollution.
18. KIC Plaza Phase II, Shanghai (Office)	Achieved LEED-Core & Shell (CS) Pre-certification Silver level	Double Low-E coated glazing; low-emitting materials; improved indoor air quality with CO_2 sensor; low-flow plumbing fixtures and water saving sanitary fittings.
19. KIC Lots 5-5/5-7/5-8, Shanghai (Office)	Achieved LEED-Core & Shell (CS) Pre-certification Gold level	Double Low-E coated glazing; low emitting materials; low-flow plumbing fixtures and water saving sanitary fittings; hybrid ventilation; daylight control & occupancy sensor; high performance chillers; heat recovery; rain water recovery.
20. KIC Village Phase II, Lots 7-7/7-9, Shanghai (Office & Residential)	Achieved Chinese Green Building 2 Star rating	External wall insulation; rainwater collection & recycling; photo voltaic for landscape lighting; water saving landscape irrigation system; double Low-E coated glazing window with thermal break; water saving sanitary fittings.

Projects – Development stage	Achieve/Target-Green Building Certification	Features
21. KIC Lots 5-3/6-1, Shanghai (Office)	Target: to achieve LEED-Core & Shell (CS) Certification Platinum level; Target: to achieve Chinese Green Building 2 Star rating	Rainwater and grey-water collection and recycling; high performance envelope; water saving sanitary fittings; green roof; ice-storge system; high performance VOV system; Low-Emitting materials; environmental friendly refrigerant; green electric; regional/recycling materials; CO_2 sensor; water saving landscape irrigation; double Low-E coated glazing window; solar hot water.
22. KIC Lot C3-05, Shanghai (Office)	Target: to achieve Chinese Green Building 2 Star rating	Energy saving HVAC; green roof; water saving landscape irrigation; water saving sanitary fittings; solar energy system(hot water and landscape lighting); rainwater and grey-water collection and recycling.
23. KIC Lots C3-04/3-07/3-08, Shanghai (Residential)	Target: to achieve Chinese Green Building 2 Star rating	Rainwater collection and recycling; energy saving HVAC; double Low-E coated glazing window with thermal break; water saving landscape irrigation; water saving sanitary fittings; solar energy system(hot water and landscape lighting).
24. Dalian Tiandi Aspen and Maple Towers, Site D22, Dalian	Achieved LEED-Core & Shell (CS) Pre-certification Silver level	Preferred parking for low-E and fuel-efficient vehicles; parking for bicycle; green roof; reuse rainwater and grey-water; water-saving sanitary; building commissioning; environmental friendly refrigerant; solar hot water; solar lamp; external wall insulation; Low-E tempered glass; fresh air heat recovery; recycling materials; regional materials; Low-E materials.
25. Dalian Tiandi Site D14, Dalian	Achieved LEED-Core & Shell (CS) Pre-certification Gold level	Preferred parking for low-E and fuel-efficient vehicles; green roof; reuse rainwater and grey water; water-saving sanitary; building commissioning; environmental friendly refrigerant; solar hot water; solar lamp; external wall insulation; Low-E tempered glass; fresh air heat recovery; recycling materials; regional materials; Low-Emitting materials.
26. THE HUB Lot D17, Shanghai (Office & Hotel & Retail)	Achieved LEED-Core & Shell (CS) Pre-certification Gold level, and achieved Chinese Green Building 3 Star rating(for Office & Retail); Target: to achieve Chinese Green Building 2 Star rating(for Hotel)	Rainwater/reclaimed water collection and recycling; façade shading system; solar hot water; green roof; water saving landscape irrigation; combined cooling heating and power; nature ventilation; nature daylight; indoor air quality sensors; high efficiency lighting; hot recovery; water saving sanitary fittings; Low-E glazing window; Low-Emitting material; recycling and local material utilisation.
27. THE HUB Lot D19, Shanghai (Office & Retail & Exhibition)	Achieved LEED-Core & Shell (CS) Pre-certification Silver level; Target: to achieve Chinese Green Building 3 Star rating(for Office & Exhibition); Target: to achieve Chinese Green Building 2 Star rating(for Retail)	Rainwater/reclaimed water collection and recycling; façade shading system; solar hot water; green roof; water saving landscape irrigation; combined cooling heating and power; nature ventilation; nature daylight; indoor air quality sensors; high efficiency lighting; hot recovery; water saving sanitary fittings; Low-E glazing window; Low-Emitting material; recycling and local material utilisation.
28. Foshan Lingnan Tiandi Lot 4, Foshan (Residential & Retail)	Achieved Green Community Certification of Guangdong Province	Double Low-E glazing; water saving sanitary; LED lighting; day lighting; rain water/grey water collection and recycling; water saving landscape irrigation.

Biographies of Directors and Senior Management

Board of Directors

Executive Directors:

Mr. Vincent H. S. LO, GBS, JP
aged 64, has served as our Chairman since the inception of our Company in February 2004. Mr. Lo leads the Board of Directors in deciding on the Company's direction and to set corporate strategies. Mr. Lo was the Chief Executive Officer of our Company from 2004 to 16 March 2011. He is also the Chairman of the Shui On Group, which he founded in 1971, Chairman of SOCAM Development Limited, a Non-executive Director of Great Eagle Holdings Limited and a Non-executive Director of Hang Seng Bank Limited.

Mr. Lo was honoured with the "Ernst & Young China Entrepreneur Of The Year 2009" and also, as "Entrepreneur Of The Year 2009" in the China Real Estate Sector. He was also awarded the Gold Bauhinia Star (GBS) in 1998 and appointed Justice of the Peace in 1999 by the Government of the Hong Kong Special Administrative Region (HKSAR). Mr. Lo was made an Honorary Citizen of Shanghai in 1999 and Foshan in 2011. He was named Businessman of the Year at the Hong Kong Business Awards in 2001, and won the Director of the Year Award from The Hong Kong Institute of Directors in 2002 and Chevalier des Arts et des Lettres by the French government in 2005. In 2012, the 4th World Chinese Economic Forum honoured Mr. Lo with the Lifetime Achievement Award for Leadership in Property Sector.

In addition to his business capacity, Mr. Lo has been active in community services. He participated in the preparatory works of the establishment of the Hong Kong Special Administrative Region. He currently serves as a Member of The Twelfth National Committee of Chinese People's Political Consultative Conference, the Hong Kong's representative to the Asia Pacific Economic Cooperation (APEC) Business Advisory Council, Member of The Airport Authority Hong Kong, the President of Council for the Promotion & Development of Yangtze, an Economic Adviser of the Chongqing Municipal Government, the Honorary Life President of the Business and Professionals Federation of Hong Kong, a Vice Chairman of the Chamber of International Commerce Shanghai and the Honorary Court Chairman of The Hong Kong University of Science and Technology.

Mr. Freddy C. K. LEE
aged 51, is the Managing Director and Chief Executive Officer of the Company. Mr. Lee joined the Shui On Group in 1986 and has over 15 years of working experience in construction management and 12 years of working experience in property development in the People's Republic of China. Besides being responsible for the operations and management of the Company, Mr. Lee is also responsible for the implementation of the Company's Three-Year Plan. Mr. Lee holds a Master's degree in Construction Management from the City University of Hong Kong and a Bachelor's degree in Quantity Surveying from Reading University, England. Mr. Lee is currently a member of the Royal Institution of Chartered Surveyors in the United Kingdom and a member of the Hong Kong Institute of Surveyors.

Mr. Daniel Y. K. WAN
aged 54, is the Managing Director and Chief Financial Officer of the Company responsible for all aspects relating to our finance and accounting, legal, company secretarial and information technology affairs. He is also responsible for the day to day management of the Company together with the other senior executives. Mr. Wan joined the Company in March 2009. He has extensive experience in the financial industry with over 20 years in senior management position. Prior to joining the Company, Mr. Wan was the General Manager and Group Chief Financial Officer of The Bank of East Asia, Ltd.

Mr. Wan holds a Bachelor of Business Administration degree from The Chinese University of Hong Kong and a Master of Business Administration degree from The University of Wales. He is a fellow member of The Association of Chartered Certified Accountants, fellow member of The Hong Kong Institute of Certified Public Accountants and a member of The Institute of Chartered Accountants in England and Wales. Mr. Wan was a member of the Accounting Standards Advisory Panel of the Hong Kong Society of Accountants, member of the Auditing Standards Committee of the Hong Kong Society

of Accountants, member of the Board of Review (Inland Revenue), member of the Small and Medium Enterprises Committee, member of the Travel Industry Compensation Fund Management Board, Chairman of the Investment Committee of the Travel Industry Compensation Fund and part-time member of the Central Policy Unit.

Non-executive Director:

Mr. Frankie Y. L. WONG

aged 64, has been appointed as a Non-executive Director of the Company since 17 August 2011 and is Non-executive Director of SOCAM Development Limited ("SOCAM"). He was the Vice Chairman of SOCAM from 1997 to 2004 and from April 2010 to August 2011 and the Chief Executive Officer of SOCAM from July 2004 to March 2010. Mr. Wong joined the Shui On Group in 1981. He was a Director of the Company from May 2004 to May 2006 prior to the listing of the Company on The Stock Exchange of Hong Kong Limited in October 2006. He is also one of the Trustees of the Shui On Provident and Retirement Scheme. Prior to joining the Shui On Group, Mr. Wong had many years of banking experience with several major international banks in Hong Kong. He graduated with a Bachelor of Science degree in Economics and a Master of Arts degree from the London School of Economics and Political Science and The University of Lancaster in the United Kingdom respectively. Mr. Wong is currently an Independent Non-executive Director of Solomon Systech (International) Limited, which is listed in Hong Kong, a Non-executive Director of Walcom Group Limited, a company listed on the Alternative Investment Market of the London Stock Exchange plc. and a director of Sichuan Shuangma Cement Co., Ltd. (四川雙馬水泥股份有限公司), a company listed on the Shenzhen Stock Exchange.

Independent Non-executive Directors:

Sir John R. H. BOND

aged 71, has served as an Independent Non-executive Director of our Company since September 2006. He was previously the Group Chairman of HSBC Holdings plc and was with HSBC from 1961 until May 2006. He was the Chairman of Vodafone Group Plc until 26 July 2011. He is currently the Chairman of Xstrata plc, a Non-executive Director of A. P. Moller Maersk and an Advisory Director of Northern Trust Corporation. He is also a member of the Mayor of Shanghai's International Business Leaders' Advisory Council, a participant in the China Development Forum, a member of the International Advisory Board to the Tsinghua University School of Economics and Management and a member of the Mitsubishi International Advisory Committee.

Dr. William K. L. FUNG, SBS, JP
aged 64, has served as an Independent Non-executive Director of our Company since May 2006. Dr. Fung has been the Group Chairman of Li & Fung Limited since 14 May 2012 and before that, was the Executive Deputy Chairman (2011 – May 2012) and the Group Managing Director (1986 – 2011) of Li & Fung Limited. He has held key positions in major trade associations. He is past Chairman of the Hong Kong General Chamber of Commerce, Hong Kong Exporters' Association and the Pacific Economic Cooperation Committee. He has been awarded the Silver Bauhinia Star by the Hong Kong Special Administrative Region Government in 2008. Dr. Fung graduated from Princeton University with a Bachelor of Science degree in Engineering and also holds an MBA degree from the Harvard Graduate School of Business. He was conferred Honorary Doctorate degrees of Business Administration by Hong Kong University of Science and Technology and by the Hong Kong Polytechnic University. Dr. Fung is an Independent Non-executive Director of VTech Holdings Limited, Sun Hung Kai Properties Limited and The Hongkong and Shanghai Hotels, Limited and an Independent Director of Singapore Airlines Limited. He is also a Non-executive Director of other listed Fung Group (formerly known as Li & Fung Group) companies including Convenience Retail Asia Limited and Trinity Limited. He is a director of the Fung Global Institute, an independent non-profit think-tank based in Hong Kong.

Professor Gary C. BIDDLE
aged 61, has served as an Independent Non-executive Director of our Company since May 2006. Chair Professor Gary Biddle is Chair of Accounting and PCCW Professor at the University of Hong Kong. He earned his MBA and Ph.D. degrees from the University of Chicago. He previously served as professor at

University of Chicago, University of Washington, Dean of the Faculty of Business and Economics at University of Hong Kong and Associate Dean of the School of Business and Management of Hong Kong University of Science and Technology, where he also was a member of the Council, Court, Senate and held the title of Synergis-Geoffrey Yeh Chair Professor. He also teaches at leading business school globally, including Columbia Business School (New York), London Business School (London), IMD (Switzerland) and Fudan University and CEIBS (China). Professor Biddle is a member of the American Accounting Association, American Institute of Certified Public Accountants, Washington Society of Certified Public Accountants, American Chamber of Commerce, Hong Kong Business and Professionals Federation, Hong Kong Institute of Certified Public Accountants and Hong Kong Institute of Directors and he is past President and co-founding Council Member of the Hong Kong Academic Accounting Association. Professor Biddle first visited China in 1984 and made Hong Kong home in 1996. His research appears in the premier academic journals globally and in financial publications including CNN, The Economist and Wall Street Journal. He is a recognized expert in financial accounting, economic forecasting, value creation, valuation, corporate governance and performance metrics, including EVA®. He has won over 20 teaching awards. Professor Biddle is an Independent Non-executive Director and Audit Committee Chair of leading listed companies also including Kingdee International Software Group Company Limited and has chaired the remuneration committee of closely-held Chinachem Group.

Dr. Roger L. McCARTHY

aged 64, has served as an Independent Non-executive Director of our Company since May 2006. Dr. McCarthy is currently the principal of McCarthy Engineering. He was formerly Chairman Emeritus of Exponent, Inc. (NASDAQ symbol "EXPO"). He was also Chairman of Exponent Science and Technology Consulting Co., Ltd. (Hangzhou)(毅博科技諮詢(杭州)有限公司), a wholly owned subsidiary of Exponent, Inc., which he founded in 2005 to expand Exponent Inc.'s services to the PRC. Dr. McCarthy holds five academic degrees: an Arts Bachelor (A.B.) in Philosophy and a Bachelor of Science in Mechanical Engineering (B.S.E.M.E.) from the University of Michigan; and an S.M. degree in Mechanical Engineering, the professional degree of Mechanical Engineer (Mech.E.), and a Ph.D. in Mechanical Engineering all from the Massachusetts Institute of Technology ("MIT"). He graduated from the University of Michigan Phi Beta Kappa, summa cum laude, the Outstanding Undergraduate in Mechanical Engineering in 1972. He was a National Science Foundation fellow. In 1992, Dr. McCarthy was appointed by the first President Bush to the President's Commission on the National Medal of Science. Dr. McCarthy is one of approximately 165 US Mechanical Engineers elected to the National Academy of Engineering. He currently serves on the External Advisory Boards of the Department of Mechanical Engineering at the University of Michigan, and he delivered the 2008 commencement address for the University of Michigan's College of Engineering. He is currently a member of the US National Academies Panel on Mechanical Science and Engineering at the Army Research Laboratory (2013-2014 Term) and the National Academy of Engineering/National Research Council Committee on Options for Implementing the Requirement of Best Available and Safest Technologies for Offshore Oil and Gas Operations.

Mr. David J. SHAW

aged 66, has served as an Independent Non-executive Director of our Company since May 2006. Mr. Shaw is employed by the HSBC Group as Adviser to the Board of HSBC Holdings plc, a London-based appointment which he took up in June 1998. Mr. Shaw is a solicitor, admitted in England and Wales and in Hong Kong. He was a partner of Norton Rose from 1973 until 1998 and during that period spent approximately 20 years working in Hong Kong. Mr. Shaw obtained a law degree from Cambridge University. He is a Non-executive Director of HSBC Bank Bermuda Limited which is part of the HSBC Group. He is also an Independent Non-executive Director of Kowloon Development Company Limited.

Senior Management

Mr. TANG Ka Wah

aged 53, is Director – Chongqing and is also an Executive Director of Shui On Development Limited. He is responsible for all aspects of our project in Chongqing. He joined the Shui On Group in 1985 and has over 27 years of working experience in the construction industry. He is a member of the Institution of Structural Engineers and a member of the Hong Kong Institution of Engineers. Mr. Tang is a chartered engineer. He holds a Bachelor's degree in Engineering from The University of Hong Kong and a Master's degree in Business Administration – E-Commerce from the West Coast Institute of Management & Technology, West Australia.

Mr. Charles W. M. CHAN
aged 57, is an Executive Director of Shui On Development Limited ("SOD"), Project Director – KIC Project as well as the Executive Director of Dalian Software Park Shui On Development Ltd. He has taken the role of Chairman of Dalian Tiandi Executive Committee and is responsible for the overall development of Dalian Tiandi project. Mr. Chan also leads the Shanghai KIC project and works closely with other directors of SOD on the overall management and development of SOD. He joined the Shui On Group in January 2004. Prior to joining our Company, Mr. Chan was Deputy Managing Director of Frasers Property (China) Limited, Executive Director of SunCorp Technologies Limited, Vice President of Citibank N.A. and Manager of PricewaterhouseCoopers. He is a fellow of the Hong Kong Institute of Certified Public Accountants and an associate of the Institute of Chartered Accountants in Australia. Mr. Chan holds a Bachelor's degree in Economics from the University of Sydney.

Mr. Albert K. B. CHAN
aged 53, is the Director of Development Planning and Design. Mr. Chan joined Shui On in 1997, and has more than 25 years of experience in planning, design and real estate development. Mr. Chan manages the conceptualization, site feasibility studies, masterplanning and design of developments for the Company. From 1997 to 2001, he led the planning and design effort for the Shanghai Xintiandi development. He also focuses on mixed-use development, new product development, product standardization efforts, and chairs the Sustainable Development Committee of the Company. Prior to joining Shui On, Mr. Chan worked at the New York City Department of Design and Construction and at Cooper, Robertson + Partners. Mr. Chan holds a Bachelor's degree in Architectural Design from the University of Minnesota, a Master's degree in Architecture from the University of California, Berkeley, and a Master's degree in Science in Architecture and Urban Design from Columbia University. He also holds an MBA from New York University. He is a Registered Architect of New York State, an associate member of the American Institute of Architects, a member of the American Planning Association, a member of the Urban Land Institute ("ULI") and juror of the ULI Award of Excellence.

Mr. UY Kim Lun
aged 49, is Director of Legal Affairs and Company Secretary of our Company. He joined our Company in 2005 and is responsible for the legal, company secretarial and compliance issues of our Company. Mr. Uy holds a Bachelor's degree, with honours, in Laws and a Postgraduate Certificate in Laws from The University of Hong Kong. He was admitted as a solicitor in Hong Kong in 1991 and in England and Wales in 1994. He has over 21 years of post-qualification experience and has worked in the legal departments of several blue-chip companies in Hong Kong before joining our Company.

Mr. Bryan K. W. CHAN
aged 38, is currently the Project Director for THE HUB. He is fully in charge of the Group's mixed used development project adjacent to the Hongqiao Transportation Hub in Hongqiao, Shanghai. Mr. Chan joined the Company in February 2009 as Director of Corporate Development. Prior to joining our Company, Mr. Chan had been an adviser to the Commercial Division of the Company and has extensive experience in both retail and real estate industries. Mr. Chan received a Bachelor of Arts degree in Economics from Northwestern University and a Master's of Accounting degree from the University of Southern California. He is a member of the Urban Land Institute (ULI), International Council of Shopping Centers (ICSC), Shanghai Youth Federation, Shanghai Youth Entrepreneurs Association and Ming Hang District Political Consultative Committee.

Ms. Jessica Y. WANG
aged 38, is currently the Project Director for the Rui Hong Xin Cheng project. She is responsible for all aspects of our project in Rui Hong Xin Cheng, Shanghai. Ms. Wang joined the Group in August 1997 and has over 18 years of working experience in the property development industry in PRC. Prior to joining the Group, Ms. Wang was engaged in sales & marketing in one of the well-known real estate company. Ms. Wang received a Bachelor of Engineering degree in Shanghai University of Technology. Ms. Wang has completed the courses of Executive Master of Business Administration of Real Estate (EMBA) jointly organized by Shanghai Fudan University and Hong Kong University and the China New Entrepreneur Development Program in Center for Sustainable Development and Global Competitiveness in Stanford University. Ms. Wang is a member of Hong Kou District Political Consultative Committee, Chairman of Hong Kou District Association of Enterprises with Foreign Investment, Director of Shanghai Federation of Industry & Commerce Real Estate Chamber of

Commerce, Vice Chairman of Hong Kou District non-Party Intellectuals Association, Chairman of Hong Kou District Overseas Returned Entrepreneurs Association, Director of Hong Kou District Overseas Chinese Friendship Association and a member of Hong Kou District Youth Entrepreneurs Association.

Mr. Matthew Q. GUO
aged 38, is currently the Project Director for the Wuhan project. He is responsible for all aspects of our Wuhan Tiandi project. To support the implementation of the Company's second Three-Year Plan, Mr. Guo has been appointed as Managing Director of Feng Cheng Property Management on 1 April 2013 to lead the Group's property management business to provide more value added services to our property developments. Mr. Guo joined the Group in 1997 and has over 15 years of working experience in the property development industry in the PRC. In addition to the Wuhan Tiandi project, Mr. Guo was involved in other projects of the Group including Shanghai Xintiandi, Taipingqiao Park, The Lakeville Phase I and the Yangpu Knowledge and Innovation Community project in Shanghai. Mr. Guo holds a Bachelor's degree in urban planning from the Tongji University.

Mr. Alex H. M. WONG
aged 57, is currently the Project Director for the Foshan project. He is responsible for all aspects of this large scale city centre redevelopment project in Foshan, Guangdong. Mr. Wong initially joined the Group in 1978, left in 1994 and rejoined in 2008. Mr. Wong has over 30 years working experience in the property development and construction industry in the PRC and Hong Kong. Mr. Wong holds a Bachelor of Applied Science Degree from the University of Toronto, Canada.

Mr. Raphael S. P. PUI
aged 50, is Director – Commercial. He is responsible for the Sales & Marketing functions of the Chongqing project, Wuhan project and Dalian Tiandi project. He joined our Company in 2004 and has over 24 years of working experience in the real estate industry. Prior to joining our Company, Mr. Pui took the management role in the asset management function at the American International Assurance Co. Ltd., and The HongKong and Shanghai Hotels, Ltd. Mr. Pui holds a Bachelor's degree in Business Administration at the University of Texas at Austin.

Mr. Tommy W. C. CHUNG
aged 52, is Director of Corporate Development of Shui On Development Limited. He joined the Company in 2008 and is responsible for the development of corporate strategy, management of strategic partners, joint venture investments, loyalty platform and hospitability business.

Before joining the Company, Mr. Chung was the President of Global Business of PCCW. Prior to that, Mr. Chung had served in several technology companies in Europe, Singapore and Hong Kong. Mr. Chung holds a Bachelor's degree in Civil Engineering, Master's degree in Philosophy and Master's degree in Business Administration from University of Hong Kong.

Miss Stephanie B. Y. LO
aged 30, is Director – Product Development for China Xintiandi Limited, a wholly owned subsidiary of the Company. She takes lead in product conceptualization and product positioning for new commercial projects, driving asset enhancement schemes for existing projects with a view to maximizing the value of the Company's asset portfolio. She is the daughter of Mr. Lo. Miss Lo joined our Group in August 2012 and has over 9 years of working experience in architecture and interior design as well as other art enterprises. Prior to joining our Group, Miss Lo was working for various architecture and design firms in New York City, amongst which was Studio Sofield, a firm well-known for its capability in retail design. She holds a Bachelor of Arts degree in architecture from Wellesley College in Massachusetts.

Mr. Thomas Y. W. TAM
aged 51, is currently the Executive Director – Commercial of China Xintiandi. He is responsible for the leasing, branding and marketing of China Xintiandi's office and retail asset portfolios. He joined our Group in 2012. Prior to joining the Group, he was the founder of TCBL Consulting Limited and served as its Joint Managing Director. He has more than 27 years of experience working for major Hong Kong developers and conglomerates, including Cheung Kong Group, CITIC Pacific, and Hongkong Land. Mr. Tam has become involved in China real estate industry since 1993. He holds a Professional Diploma in Estate Management from the Hong Kong Polytechnic University. He is a Member of Hong Kong Institute of Surveyors and Royal Institution of Chartered Surveyors.

Mr. Alan W. K. TIN
aged 55, is currently the Director – Corporate Services of China Xintiandi responsible for the human resources, administration and IT matters. He joined the Shui On Group in 1989 and has over 25 years of working experience in human resource management. He holds a Master's degree in Business Administration and is a Fellow Member and an Executive Council Member of the Hong Kong Institute of Human Resource Management.

Directors' Report

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2012.

Principal Activities

The Company acts as an investment holding company. The activities of its subsidiaries, associates and jointly controlled entities are set out in notes 46, 17 and 18 respectively to the consolidated financial statements.

Results and Appropriations

The results of the Group for the year ended 31 December 2012 are set out in the consolidated income statement on page 130.

An interim dividend of HK$0.025 per share was paid to the shareholders on 11 October 2012.

The Board has resolved to recommend to the shareholders of the Company at the forthcoming annual general meeting (the "AGM") the payment of a final dividend of HK$0.035 per share for the year ended 31 December 2012 (2011: HK$0.10 per share), amounting to HK$210 million or equivalent to RMB170 million (2011: HK$583 million or equivalent to RMB473 million) in aggregate. On 28 March 2013, the Company announced a proposed rights issue of rights shares on the basis of 1 rights share for every 3 existing shares. If the rights shares (in their fully-paid form) are allotted and issued on or before the record date for the proposed 2012 final dividend and shareholders approve the 2012 final dividend at the AGM, then holders of the fully-paid rights shares whose names appear on the register of members of the Company on the record date for the 2012 final dividend will be entitled to receive the 2012 final dividend of HK$0.035 per share on the same basis as holders of existing shares in issue. In such case the aggregate amount of the 2012 final dividend will be approximately HK$280 million (equivalent to approximately RMB226 million).

The final dividend is expected to be paid on or about 18 June 2013 to shareholders whose names appear on the register of members of the Company on 4 June 2013.

Investment Properties

Details of the movements in the investment properties of the Group during the year are set out in note 13 to the consolidated financial statements.

Property, Plant and Equipment

Details of the movements in the property, plant and equipment of the Group during the year are set out in note 14 to the consolidated financial statements.

Share Capital

Details of share capital of the Company during the year ended 31 December 2012 are set out in note 28 to the consolidated financial statements.

Distributable Reserves of the Company

The Company's reserves available for distribution to shareholders as of 31 December 2012 were RMB12,019 million (2011: RMB10,153 million).

Directors

The Directors of the Company during the year and up to the date of this report were:

Executive Directors:
Mr. Vincent H. S. LO
Mr. Freddy C. K. LEE
Mr. Daniel Y. K. WAN

Non-executive Director:
Mr. Frankie Y. L. WONG

Independent Non-executive Directors:
Sir John R. H. BOND
Dr. William K. L. FUNG
Professor Gary C. BIDDLE
Dr. Roger L. McCARTHY
Mr. David J. SHAW

In accordance with the provisions of the Company's Articles of Association, Mr. Freddy C. K. LEE, Mr. Daniel Y. K. WAN and Dr. Roger L. McCARTHY will retire by rotation at the AGM and being eligible, will offer themselves for re-election.

Directors' Interests in Securities

At 31 December 2012, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which (i) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO); or (ii) were recorded in the register required to be kept under section 352 of the SFO; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

(a) Long position in the shares and the underlying shares of the Company

Name of Directors	Number of ordinary shares: Personal interests	Family interests	Other interests	Interests in the underlying shares: Share options (Note 4)	Other equity derivatives	Total	Approximate percentage of interests to the issued share capital of the Company (Note 6)
Mr. Vincent H. S. LO	–	1,387,141 (Note 1)	3,294,769,562 (Note 2)	–	276,182,711 (Note 5)	3,572,339,414	59.52%
Mr. Freddy C. K. LEE	286,000	208,500 (Note 3)	–	13,577,747 (Note 3)	–	14,072,247	0.23%
Mr. Daniel Y. K. WAN	–	–	–	9,575,766	–	9,575,766	0.15%
Dr. William K. L. FUNG	4,133,593	–	–	–	–	4,133,593	0.06%
Professor Gary C. BIDDLE	228,860	–	–	–	–	228,860	0.0038%

Notes:

(1) These interests were beneficially owned by Ms. Loletta CHU ("Mrs. Lo"), the spouse of Mr. Vincent H. S. LO ("Mr. Lo"). Mr. Lo was deemed to be interested in 1,387,141 shares under Part XV of the SFO.

(2) These interests were beneficially owned by Shui On Company Limited ("SOCL") through its controlled corporations, comprising 1,468,577,844 shares, 1,527,879,950 shares, 3,508,943 shares, 22,385,953 shares, 100,000,000 shares and 172,416,872 shares held by Shui On Properties Limited ("SOP"), Shui On Investment Company Limited ("SOI"), Chester International Cayman Limited ("Chester International"), New Rainbow Investments Limited ("NRI"), Lanvic Limited ("Lanvic") and Boswell Limited ("Boswell") respectively whereas SOP, Chester International, Lanvic and Boswell are all wholly-owned subsidiaries of SOI. SOCL is owned by the Bosrich Unit Trust, the trustee of which is Bosrich Holdings (PTC) Inc. ("Bosrich"). The units of the Bosrich Unit Trust are the property of a discretionary trust of which Mr. Lo is a discretionary beneficiary and HSBC International Trustee Limited ("HSBC Trustee") is the trustee. Accordingly, Mr. Lo, Mrs. Lo, Bosrich and HSBC Trustee were deemed to be interested in such shares under Part XV of the SFO.

(3) Mr. Freddy C. K. LEE was deemed to be interested in 208,500 shares and 943,861 share options held by his spouse under Part XV of the SFO.

(4) These represent the interests of share options granted to the Directors and/or their respective associate(s) under the share option scheme adopted by the Company on 8 June 2007 to subscribe for shares.

(5) In respect of such interests, Chester International is taken to be interested in 276,182,711 shares as a result of the equity swap transactions entered into between Chester International as equity swap receiver and Standard Chartered Bank, Singapore Branch as equity swap payer on 7 September 2010 and 8 September 2010 respectively. As mentioned above, Chester International is a wholly-owned subsidiary of SOI. Accordingly, Mr. Lo is deemed to be interested in such 276,182,711 shares under Part XV of the SFO.

(6) These percentages have been compiled based on the total number of issued shares (i.e. 6,001,294,642 shares) at 31 December 2012.

(b) Interests in the debentures of the Company

Name of Director	Nature of Interests	Amount of Debentures
Dr. William K. L. FUNG	Interest of controlled corporation	RMB12,700,000

(c) Interests in the debentures of the associated corporation of the Company

Name of Director	Name of Associated Corporation	Nature of Interests	Amount of Debentures
Sir John R. H. BOND	Shui On Development (Holding) Limited	Personal interests	RMB5,000,000
Dr. William K. L. FUNG	Shui On Development (Holding) Limited	Family interests	USD500,000

Save as disclosed above, at 31 December 2012, none of the Directors or the chief executive of the Company had an interest or short position in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register of interests required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' Interests in Shares

At 31 December 2012, the persons or corporations (other than a Director or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Name of shareholders	Capacity/ Nature of interests	Total number of ordinary shares and underlying shares	Approximate percentage of interests in the Company (Note 5)
Mrs. Lo	Family and Personal	3,572,339,414 (Notes 1, 3 & 4)	59.52%
HSBC Trustee	Trustee	3,570,952,273 (Notes 2, 3 & 4)	59.50%
Bosrich	Trustee	3,570,952,273 (Notes 2, 3 & 4)	59.50%
SOCL	Interests of Controlled Corporation	3,570,952,273 (Notes 2, 3 & 4)	59.50%

Notes:

(1) In respect of such interests, 3,296,156,703 shares were comprised of 1,387,141 shares beneficially held by Mrs. Lo and 3,294,769,562 shares in which Mr. Lo, the spouse of Mrs. Lo, had a deemed interest under Part XV of the SFO mentioned in note (2) below. Accordingly, Mrs. Lo was also deemed to be interested in 3,294,769,562 shares under Part XV of the SFO.

(2) These interests were beneficially owned by SOCL through its controlled corporations, comprising 1,468,577,844 shares, 1,527,879,950 shares, 3,508,943 shares, 22,385,953 shares, 100,000,000 shares and 172,416,872 shares held by SOP, SOI, Chester International, NRI, Lanvic and Boswell respectively whereas SOP, Chester International, Lanvic and Boswell are all wholly-owned subsidiaries of SOI. SOCL is owned by the Bosrich Unit Trust, the trustee of which is Bosrich. The units of the Bosrich Unit Trust are the property of a discretionary trust, of which Mr. Lo is a discretionary beneficiary and HSBC Trustee is the trustee. Accordingly, Mr. Lo, Mrs. Lo, Bosrich and HSBC Trustee were deemed to be interested in such shares under Part XV of the SFO.

(3) In respect of such interests, Chester International is taken to be interested in 276,182,711 shares as a result of the equity swap transactions entered into between Chester International as equity swap receiver and Standard Chartered Bank, Singapore Branch as equity swap payer on 7 September 2010 and 8 September 2010 respectively. As mentioned above, Chester International is a wholly-owned subsidiary of SOI. Accordingly, Mr. Lo is deemed to be interested in such 276,182,711 shares under Part XV of the SFO.

(4) All the interests stated above represent long positions.

(5) These percentages have been compiled based on the total number of issued shares (i.e. 6,001,294,642 shares) at 31 December 2012.

Save as disclosed above, at 31 December 2012, the Directors are not aware of any other person or corporation (other than a Director or chief executive of the Company), having an interest or short position in the shares or underlying shares of the Company as recorded in the register of interests required to be kept by the Company under Section 336 of the SFO.

Share Options

Particulars of the Company's share option scheme (the "Share Option Scheme") adopted by the Company on 8 June 2007 (the "Adoption Date") are set out in note 37 to the consolidated financial statements.

The following table sets out the movement of the Company's share options during the year under review:

Name or category of Eligible participants	Date of grant	Exercise price per share HK$	At 1 January 2012	Granted during the period	Exercised during the period	Lapsed during the period	At 31 December 2012	Period during which the share options are exercisable
Directors								
Mr. Freddy C. K. LEE	20 June 2007	7.00	3,469,386	–	–	(127,551)	3,341,835	20 June 2009 – 19 June 2016
	2 June 2008	7.34	661,734	–	–	(24,329)	637,405	2 June 2010 – 1 June 2017
	18 January 2012	2.61	–	6,919,000	–	–	6,919,000	Q2 2013 (Note 2) – 17 January 2020
	3 September 2012	5.35	–	1,869,158	–	(133,512)	1,735,646	3 October 2012 – 28 October 2018
Mr. Daniel Y. K. WAN	18 January 2012	2.61	–	3,501,000	–	–	3,501,000	Q2 2013 (Note 2) – 17 January 2020
	3 September 2012	5.35	–	6,542,056	–	(467,290)	6,074,766	3 October 2012 – 28 October 2018
Sir John R. H. BOND	20 June 2007	7.00	500,000	–	–	(500,000)	–	20 June 2007 – 19 June 2012
Professor Gary C. BIDDLE	20 June 2007	7.00	500,000	–	–	(500,000)	–	20 June 2007 – 19 June 2012
Dr. Roger L. McCARTHY	20 June 2007	7.00	500,000	–	–	(500,000)	–	20 June 2007 – 19 June 2012
Mr. David J. SHAW	20 June 2007	7.00	500,000	–	–	(500,000)	–	20 June 2007 – 19 June 2012
Mr. LEUNG Chun Ying (Note 1)	20 June 2007	7.00	500,000	–	–	(500,000)	–	20 June 2007 – 19 June 2012
Dr. Edgar W. K. CHENG (Note 1)	20 June 2007	7.00	500,000	–	–	(500,000)	–	20 June 2007 – 19 June 2012
Sub-total			**7,131,120**	**18,831,214**		**(3,752,682)**	**22,209,652**	
Consultants								
Mr. Richard K. N. HO	20 June 2007	7.00	1,000,000	–	–	(200,000)	800,000	20 June 2007 – 19 June 2016
Dr. Thomas K. F. LEUNG	20 June 2007	7.00	500,000	–	–	(500,000)	–	20 June 2007 – 19 June 2012
Sub-total			**1,500,000**			**(700,000)**	**800,000**	
Employees (in aggregate)	20 June 2007	7.00	64,206,027	–	–	(6,837,418)	57,368,609	20 June 2009 – 19 June 2016
	1 August 2007	8.18	808,631	–	–	(24,174)	784,457	1 August 2009 – 31 July 2016
	2 October 2007	10.00	1,679,722	–	–	(105,453)	1,574,269	2 October 2009 – 1 October 2016
	1 November 2007	11.78	497,855	–	–	(49,643)	448,212	1 November 2009 – 31 October 2016
	3 December 2007	9.88	116,156	–	–	(14,675)	101,481	3 December 2009 – 2 December 2016
	2 January 2008	8.97	2,848,402	–	–	(124,224)	2,724,178	2 January 2010 – 1 January 2017
	1 February 2008	8.05	1,269,992	–	–	(412,402)	857,590	1 February 2010 – 31 January 2017
	3 March 2008	7.68	490,381	–	–	(38,832)	451,549	3 March 2010 – 2 March 2017
	2 May 2008	7.93	4,440,654	–	–	(678,717)	3,761,937	2 May 2010 – 1 May 2017
	2 June 2008	7.34	9,908,845	–	–	(791,874)	9,116,971	2 June 2010 – 1 June 2017
	2 July 2008	6.46	696,537	–	–	(250,858)	445,679	2 July 2010 – 1 July 2017
	4 September 2009	4.90	17,110,429	–	–	(2,578,710)	14,531,719	3 November 2010 – 2 November 2017
	18 January 2012	2.61	–	30,351,000	–	(1,010,000)	29,341,000	Q2 2013 (Note 2) – 17 January 2020
	3 September 2012	5.35	–	15,373,805	–	(1,304,246)	14,069,559	3 October 2012 – 28 October 2018
	3 September 2012	5.35	–	14,953,227	–	(405,901)	14,547,326	5 November 2012 – 4 November 2019
Sub-total			**104,073,631**	**60,678,032**	**–**	**(14,627,127)**	**150,124,536**	
Total			**112,704,751**	**79,509,246**	**–**	**(19,079,809)**	**173,134,188**	

Notes:

(1) Dr. Edgar W. K. CHENG resigned as Independent Non-executive Director of the Company on 3 November 2011 and Mr. LEUNG Chun Ying resigned as Non-executive Director of the Company on 31 December 2011. Their share options were lapsed on 20 June 2012 in accordance with the Share Option Scheme.

(2) The vesting date is a date during the period from 1 April 2013 to 30 June 2013 as determined by the Remuneration Committee of the Company.

Summary of the Share Option Scheme are as follows:

(i) Purpose

The purpose of the Share Option Scheme is to provide a strategic driver to enhance shareholder value of the Company through achieving excellent business results and rapid growth; and to build a high performing organization with loyal staff and other key contributors who are committed to achieving the vision and goals of the Company.

(ii) Qualifying participants

The Board may offer to grant an option to any employee including employee who has been newly promoted or recruited by the Company and/or its subsidiaries and non-executive director, consultant or other contributor of the Company or its subsidiaries as recommended by the Chairman.

(iii) Maximum number of shares

The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme must not in aggregate exceed 10% of the issued share capital of the Company at the date of approval of the Share Option Scheme or 30% of the issued share capital of the Company from time to time. No options may be granted under the Share Option Scheme if this will result in such limit exceeded. At 31 December 2012, the number of shares available for issue in respect thereof is 418,009,717 shares.

(iv) Limit for each participant

The total number of shares of the Company issued and to be issued upon exercise of options (whether exercised or outstanding) granted in any 12-month period to each participant must not exceed 1% of the shares of the Company in issue.

(v) Option period

The period within which the shares must be taken up under an option for an employee shall be for such period as the Board may from time to time determine, and initially as at the Adoption Date, shall be a period ranging from 5 years for the first to the third tranch to 1 year for the seventh tranch of the option unless otherwise adjusted by the Board in its absolute discretion in certain circumstances set out in the Share Option Scheme. In the case of an option granted to a qualifying participant recommended by the Chairman, the option period shall be for such period as the Board may from time to time determine in accordance with the recommendations of the Chairman, which initially at the Adoption Date, shall not be more than 5 years from the date of the relevant grant. In all cases, the option period shall not exceed 10 years from the date of grant of the relevant option.

(vi) Acceptance and payment on acceptance

An offer shall remain open for acceptance by the qualifying participant concerned for a period of 30 days from the date of the offer (or such longer period as the Board may specify in writing). HK$1.00 is payable by the grantee to the Company on acceptance of the offer of the option.

(vii) Subscription price

The subscription price in respect of any particular option shall be at least the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the 5 business days immediately preceding the date of grant; and (iii) the nominal value of a share. The Board will be given the authority to determine the subscription price in its discretion in accordance with the terms of the Share Option Scheme.

(viii) Remaining life of the Share Option Scheme

The Board shall be entitled at any time within 10 years commencing on 8 June 2007 to make an offer for the grant of an option to any qualifying participants.

Arrangement to Purchase Shares or Debentures

Other than the share option holdings disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Purchase, Sale or Redemption of Shares

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the year ended 31 December 2012.

Corporate Governance

The Company is committed to maintaining a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the "Corporate Governance Report" on pages 82 to 93.

Connected Transactions

Certain related party transactions as disclosed in note 41 to the consolidated financial statements also constituted non-exempt connected transactions of the Company and are required to be disclosed in accordance with Chapter 14A of the Listing Rules. The following transactions are the connected transactions of the Company and its subsidiaries during the year under review, certain of which are ongoing.

(1) Acquisition of the issued share capital in Rimmer Investments Limited ("Rimmer") and Magic Garden Investments Limited ("Magic Garden")

On 9 September 2011, Rich Bright Holdings Limited, an indirect wholly-owned subsidiary of the Company, entered into an agreement with Cassidy Enterprises Corp. ("Cassidy") and SOI in relation to the sale and purchase of the entire issued share capital of Rimmer and 66.7% of the entire issued share capital of Magic Garden ("Acquisition of RI Shares and MGI Shares"). SOI, being a substantial shareholder of the Company, is a connected person of the Company for the purpose of the Listing Rules. Cassidy, being a subsidiary of SOI, is also a connected person of the Company for the purpose of the Listing Rules. Given Cassidy and SOI are connected persons of the Company, the Acquisition of RI Shares and MGI Shares constituted connected transactions of the Company under the Listing Rules. In addition, with effect from the completion of the Acquisition of RI Shares and MGI Shares on 16 March 2012, the Langham Xintiandi Hotel Related Transactions (as defined in the circular of the Company dated 6 October 2011) became continuing connected transactions of the Company, details of which are set out in item 11 of this section.

(2) Leases of property by the Group from the subsidiaries of SOCL

In the ordinary course of the Group's business, the Company or its subsidiaries, as tenant, have entered into a number of property leasing agreements with the subsidiaries of SOCL (the "Shui On Group"). As SOCL is a substantial shareholder of the Company, SOCL and each of its subsidiaries are connected persons of the Company under the Listing Rules.

In Shanghai, the Group has entered into property leasing agreements with Shanghai Jiu Hai Rimmer Properties Co. Ltd. ("Shanghai Jiu Hai Rimmer"), which was an indirect 80%-owned subsidiary of SOCL until 16 March 2012, for various units in Shui On Plaza at market rent. In Hong Kong, a subsidiary of the Company has entered into property leasing and licensing agreements with Shui On Centre Company Limited and SOI, both of which are wholly-owned by SOCL, for various units in Shui On Centre at prevailing market rent. These properties are for uses as offices.

The Company entered into a framework lease agreement with SOCL on 30 May 2006, the term of which was extended to 31 December 2009 by a supplemental agreement dated 4 September 2007 and further extended to 31 December 2012 by a second supplemental agreement dated 15 January 2010 (the "Framework Lease Agreement").

The Group set the maximum aggregate annual rent payable by the Group to the Shui On Group for leasing, sub-leasing and licensing of the properties in Shanghai for the year ended 31 December 2012 at RMB41 million. In addition, the Company expected that the total annual amount payable by the Group to the Shui On Group for leasing of the premises in Hong Kong for the year ended 31 December 2012 will not exceed HK$4.2 million.

Subsequent to the completion of the acquisition of interest of Shui On Plaza by the Group from SOI on 16 March 2012 (details of the transaction are set out in the circular of the Company dated 6 October 2011), Shanghai Jiu Hai Rimmer has become a subsidiary of the Company and the property leasing arrangements between Shanghai Jiu Hai Rimmer and the Group relating to Shui On Plaza became intra-group transactions instead of connected transactions of the Company. During the period from 1 January 2012 to 15 March 2012, an amount of RMB5.6 million were paid and/or are payable by the Group to the Shui On Group for leasing the premises in Shanghai under the property leasing agreements and the Framework Lease Agreement.

An amount of HK$2.7 million were paid and/or are payable by the Group to the Shui On Group for leasing the premises in Hong Kong under the property leasing agreements and the Framework Lease Agreement during the year under review. For the avoidance of doubt, the property leasing and licensing agreements in respect of Shui On Centre in Hong Kong continued to be connected transactions between the Group and the Shui On Group (excluding the Company and its subsidiaries) under the Framework Lease Agreement until 31 December 2012. Shui On Group and the Company expected that the total annual amount payable by the Group to the Shui On Group for the leasing of the premises in Hong Kong for each of the three financial years ending 31 December 2015 will be the de minimis transactions as referred to in Chapter 14A of the Listing Rules. Therefore, the relevant annual caps under the Framework Lease Agreement for the premises in Hong Kong have not been renewed upon expiry on 31 December 2012.

(3) Provision of construction services by SOCAM Development Limited ("SOCAM") to the Group

In the ordinary course of the Group's business, the Group entered into a number of construction contracts with Shui On Construction Co., Ltd. ("SOCC"), and Pat Davie (China) Limited (together, the "SOCAM Contractors"), which are the subsidiaries of SOCAM, as the contractors for construction works in relation to the Group's projects in the PRC. The construction contracts include renovation works, building decoration works, mechanical and electrical system materials procurement and building materials procurement. Mr. Lo and his associates are together currently holding more than 30% equity interest in SOCAM. Therefore, SOCAM and its subsidiaries, including the SOCAM Contractors, are the associates of a connected person of the Company.

On 4 June 2006, the Company entered into a construction services framework agreement with SOCC in respect of the provision of construction services as supplemented by a supplemental agreement dated 15 December 2008 to extend the term for three financial years to 31 December 2011. On 9 December 2011, the Company and Shui On Contractors Limited ("SOC"), a wholly-owned subsidiary of SOCAM, entered into a new framework agreement (the "New Construction Services Framework Agreement") to provide new guidelines and basis of annual caps on the provision of construction services by SOC and its subsidiaries (which form part of SOCAM group and include SOCC as one of its members) to the Group for a further term of three financial years expiring on 31 December 2014.

Under the New Construction Services Framework Agreement, for contracts with a contract sum of RMB5 million or more, construction contracts were generally put out to tender and contractors selected through a bidding process under which each potential contractor was assessed on its qualifications, reputation for reliability, quality and price. The construction contracts with SOCAM Contractors of over RMB5 million were entered into pursuant to and on the basis of bids tendered. For contracts of less than RMB5 million, the price was agreed with SOCAM Contractors with reference to the prevailing market rates.

The Group expected that the maximum annual fees for the construction services provided by SOC and its subsidiaries to the Group under the New Construction Services Framework Agreement for the three years ending 31 December 2014 would not exceed RMB970 million, RMB1,060 million and RMB1,250 milion respectively.

An amount of RMB933 million was paid and/or is payable by the Group to SOC and its subsidiaries for the construction services during the year under review.

(4) Provision of management services by Shui On Development Limited ("Shanghai SOD") to Richcoast Group Limited ("Richcoast") and its subsidiaries (collectively the "Dalian Group")

On 28 April 2008, Shanghai SOD, a wholly-owned subsidiary of the Company, Max Clear Holdings Limited ("Max Clear"), a wholly-owned subsidiary of SOCAM, Yida Group Company Limited ("Yida") and certain onshore companies of the Dalian Group entered into a management services agreement (the "Management Services Agreement") pursuant to which each of Shanghai SOD, Max Clear and Yida agreed to provide management services to the onshore companies of the Dalian Group for a term of three years commencing from 1 January 2008 to 31 December 2010. On 28 December 2010, Shanghai SOD, Max Clear, Yida and the then onshore companies of the Dalian Group (the "Dalian Onshore Group") entered into a renewed management services agreement to extend the term of the Management Services Agreement for three years to 31 December 2013.

In accordance with the Management Services Agreement as supplemented by the renewed management services agreement dated 28 December 2010, each of Shanghai SOD, Max Clear and Yida is entitled to receive an annual management services fee from the Dalian Onshore Group to be calculated at 1%, 1.5% and 1% respectively of the annual total budgeted construction cost for the Dalian project with respect to the provision of management services.

On 29 October 2012, Shanghai SOD, Max Clear, Yida and the Dalian Onshore Group entered into a further renewed management services agreement to, among other things, (a) further extend the term of the Management Services Agreement so that it will end on 31 December 2014 instead of 31 December 2013; (b) revise the scope of management services to be provided by Shanghai SOD and Max Clear to the Dalian Onshore Group; and (c) revise the relevant percentage ratios for calculating the annual management services fees payable by the Dalian Onshore Group (i) from 1% to 1.5% as to Shanghai SOD and (ii) from 1.5% to 1% as to Max Clear, in each case of the annual total budgeted construction cost for the Dalian project. The revisions in (b) and (c) above are effective from 29 October 2012.

The Dalian Group is effectively held as to 48% by the Group, 22% by SOCAM (a connected person of the Company) and 30% by Yida and thus, a connected person of the Company under the Listing Rules. In addition, the companies constituting the Dalian Group are the subsidiaries of the Company for the purposes of the Listing Rules, and Max Clear and Yida are connected persons of the Company by virtue of being the substantial shareholders of Richcoast.

The annual caps for the management services fees paid or payable by the Dalian Group to each of Shanghai SOD, Max Clear and Yida for the year ended 31 December 2012 must not exceed RMB18 million, RMB22 million and RMB15 million respectively.

The amounts of RMB11.3 million, RMB14.7 million and RMB10.4 million were paid and/or are payable to Shanghai SOD, Max Clear and Yida respectively for the management services fees during the year under review.

(5) Provision of construction services by Yida and its subsidiaries (the "Yida Group") for Dalian Tiandi

On 7 August 2008, Richcoast and Yida entered into a framework construction agreement, pursuant to which the Yida Group may enter into contracts with the Dalian Group to perform site formation and construction works, which include excavation and/or back filling, clearance of the construction site, removal of the construction garbage, setting up a drainage system and construction of the main structures on the land area constituting Dalian Tiandi for a term expiring no later than 31 December 2010. The term of the agreement was subsequently extended to 31 December 2011 by a supplemental agreement dated 17 July 2009 and further extended to 31 December 2012 by a second supplemental agreement dated 26 August 2010. On 23 November 2012, Richcoast and Yida entered into the third supplemental agreement to the framework construction agreement to provide guidelines and basis of annual caps for the provision of construction services by the Yida Group to the Dalian Group for a further term of three financial years ending 31 December 2015.

Yida, through its wholly-owned subsidiary, is a substantial shareholder of Richcoast, a subsidiary of the Company for the purposes of the Listing Rules. Therefore, the Yida Group is a connected person of the Company under the Listing Rules.

The annual cap for the payment made or to be made by the Dalian Group to the Yida Group for the year ended 31 December 2012 must not exceed RMB1,000 million.

An amount of RMB488 million was paid and/or is payable by the Dalian Group to the Yida Group for the construction services fees during the year under review.

(6) Use of aircraft owned by a subsidiary of SOCL

On 4 September 2009, the Company entered into an agreement with Top Dynasty Investment Limited ("Top Dynasty") pursuant to which the Group may use an aircraft owned by Top Dynasty for the purpose of transporting passengers for business of the Group. As Top Dynasty is a subsidiary of SOCL, the transactions contemplated under the agreement constitute continuing connected transactions of the Company under the Listing Rules.

The term of the agreement was extended to 31 December 2013 by a supplemental agreement dated 2 November 2010. The fees are calculated based on the actual travelling schedules of the passengers.

It was expected that the maximum annual fees payable by the Group to Top Dynasty and its affiliates under the agreement for the two years ending 31 December 2013 would not exceed RMB20.2 million and RMB21.1 million respectively.

An amount of RMB9.6 million was paid and/or is payable by the Group to Top Dynasty and its affiliates for the use of aircraft during the year under review.

(7) Continuing connected transactions with respect to the Super High Rise Project of Chonqgqing Shui On Tiandi Property Development Company Limited ("Chongqing Tiandi Development")

On 24 May 2011, Winnington Land Limited ("WLL") and Chongqing Tiandi Development entered into a project services framework agreement (the "CQ(SHR) Agreement") pursuant to which Chongqing Tiandi Development may enter into separate service contracts with WLL and its associates (the "WLL Group") to perform services with respect to the Super High Rise project of Chongqing Tiandi Development, from time to time in accordance with the terms of the CQ(SHR) Agreement for the three years ending 31 December 2013.

The ultimate controlling shareholder of WLL is an associate of Mr. Lo pursuant to Rule 14A.11(4)(c) of the Listing Rules, and is therefore an associate of a connected person of the Company. Accordingly, WLL, together with the WLL Group, are connected persons of the Company and the services fees payable by Chongqing Tiandi Development to the WLL Group under the CQ(SHR) Agreement constitute continuing connected transactions of the Company under the Listing Rules.

The annual caps for the services fees payable by Chongqing Tiandi Development to the WLL Group under the CQ(SHR) Agreement for the two years ending 31 December 2013 must not exceed RMB20.14 million and RMB21.88 million respectively.

An amount of RMB2.6 million was paid and/or is payable by Chongqing Tiandi Development to the WLL Group for the project services fees during the year under review.

Subsequent to the year ended 31 December 2012, WLL and Chongqing Tiandi Development mutually agreed to terminate the CQ(SHR) Agreement with effect from 1 February 2013.

(8) Continuing connected transactions with respect to the projects of Shanghai Rui Hong Xin Cheng Co., Ltd ("RHXC")

On 27 October 2009, Shui On Development (Holding) Limited ("SODH"), WLL and RHXC entered into a project services framework agreement pursuant to which RHXC may enter into separate service contracts with the Group and/or the WLL Group to perform services with respect to the property development projects of RHXC, from time to time in accordance with the terms of the framework agreement for the three years ended 31 December 2011. On 23 February 2012, RHXC and WLL entered into a new framework agreement (the "RHXC Agreement") to provide guidelines and basis of annual caps on the provision of services by the WLL Group to RHXC for a further term of three financial years expiring on 31 December 2014.

The ultimate controlling shareholder of WLL is an associate of Mr. Lo pursuant to Rule 14A.11(4)(c) of the Listing Rules, and is therefore an associate of a connected person of the Company. Accordingly, WLL, together with the WLL Group, are connected persons of the Company and the services fees payable by RHXC to the WLL Group under the RHXC Agreement constitute continuing connected transactions of the Company under the Listing Rules.

The annual caps for the services fees payable by RHXC to the WLL Group for the three years ending 31 December 2014 must not exceed RMB11.76 million, RMB20.58 million and RMB30 million respectively.

An amount of RMB5.5 million was paid and/or is payable by RHXC to the WLL Group for the project services fees during the year under review.

Subsequent to the year ended 31 December 2012, WLL and RHXC mutually agreed to terminate the RHXC Agreement with effect from 1 February 2013.

(9) Provision of services by Shanghai SOD to Shanghai Li Xing Hotel Company Limited ("Li Xing")

On 1 January 2007, Shanghai SOD and Li Xing entered into the services agreement (the "Li Xing Services Agreement") in relation to the provision of the services by Shanghai SOD to Li Xing, including but not limited to, construction management and construction site office administration for the property development projects at Lots 107 and 108 owned by Li Xing.

On 24 December 2009, SOI acquired 100% equity interest of Li Xing. SOI is an associate of Mr. Lo, a director of the Company, and therefore, Li Xing (being a subsidiary of SOI at the date of the relevant announcement) became a connected person of the Company. Accordingly, the provision of services by Shanghai SOD to Li Xing constitute continuing connected transactions of the Company under the Listing Rules. On 18 January 2010, Shanghai SOD and Li Xing entered into the supplemental agreement to restrict the term of the original agreement dated 1 January 2007 to not more than 3 years.

The annual cap for the services fees payable by Li Xing to Shanghai SOD for the year ended 31 December 2012 must not exceed RMB5 million.

During the year under review, Li Xing has not incurred any service fees to Shanghai SOD under the Li Xing Services Agreement.

The Li Xing Services Agreement was terminated effective on 31 March 2012.

(10) Continuing connected transactions with the Langham Hospitality Group with respect to 88 Xintiandi project

On 22 August 2011, SODH entered into a joint venture arrangement with Langham Hospitality Group Limited and its subsidiaries (the "Langham Hospitality Group") in relation to the 88 Xintiandi project for the purposes of owning and holding the 88 Xintiandi brand and trademarks for use by hotels and branded residences in the PRC as contemplated under the shareholders' deed dated 22 August 2011 and the related agreements.

Pursuant to the shareholders' deed and in furtherance of the 88 Xintiandi project, SODH and the Langham Hospitality Group further entered into the master agreement on 22 August 2011 pursuant to which the members of the Langham Hospitality Group may enter into separate services contracts with the Group for the provision of fitting-out, centralized services, marketing and management services, and the granting of licenses to the hotels and branded residences developed and/or owned by the Group or third parties under the 88 Xintiandi brand.

The Langham Hospitality Group is owned by Great Eagle Holdings Limited ("Great Eagle") which is an associate of Mr. Lo for the purposes of the Listing Rules. Accordingly, the transactions contemplated under the shareholders' deed and the master agreement constitute continuing connected transactions of the Company under the Listing Rules.

The annual caps for the services payable by the Group to the Langham Hospitality Group under the master agreement for each of the financial years ending 31 December 2025 shall not exceed RMB80 million.

An amount of RMB0.4 million was paid and/or is payable by the Group to the Langham Hospitality Group for the services during the year under review.

(11) Continuing connected transactions with the Langham Hotels International Limited ("Langham International") and Langham Hotels (Shanghai) Company Limited ("Langham Shanghai") with respect to Langham Xintiandi Hotel

On 1 April 2010, Li Xing entered into a hotel management agreement with Langham Shanghai and a license agreement with Langham International (collectively the "Langham Xintiandi Hotel Related Agreements"). Under the hotel management agreement, Langham Shanghai shall have the exclusive right to manage and operate

Langham Xintiandi Hotel for a term of 20 years from the opening of Langham Xintiandi Hotel renewable by Langham Shanghai for multiple 10-year periods subject to the terms therein. In addition, pursuant to the license agreement, Langham International has agreed to grant to Li Xing a non-exclusive and non-transferable license to use the "Langham" and other marks for the operation of Langham Xintiandi Hotel during the term of the hotel management agreement.

Langham Shanghai and Langham International are owned by Great Eagle which is an associate of Mr. Lo for the purposes of the Listing Rules. With effect from the completion of the Acquisition of RI Shares and MGI Shares on 16 March 2012, Li Xing became a subsidiary of the Company. Accordingly, the transactions contemplated under the Langham Xintiandi Hotel Related Agreements become continuing connected transactions of the Company under the Listing Rules.

The annual caps for the services payable by the Group to Langham Shanghai and Langham International under the Langham Xintiandi Hotel Related Agreements for the two years ending 31 December 2013 shall not exceed HK$98.959 million.

An aggregate amount of RMB6.1 million was paid and/or is payable by the Group to Langham Shanghai and Langham International during the year under review.

(12) Subscription of new shares in Foresight Profits Limited ("FPL") in relation to the Rui Hong Xin Cheng project

On 20 June 2012, SODH applied to FPL, a 75%-owned subsidiary of the Company, for the issuance of new shares at a total cash consideration of approximately RMB950.9 million (the "RHXC Subscription"). Following the completion of the RHXC Subscription, SODH's equity interest in the enlarged issued share capital of FPL was increased by approximately 4.81% from 75% to 79.81%, while Elegant Partners Limited's ("EPL") equity interest in FPL was diluted by approximately 4.81% from 25% to 20.19%. FPL remains as an indirect non wholly-owned subsidiary of the Company and its financial results will continue to be consolidated in the Company's financial statements.

Since the holding company of EPL holds a 49% interest in another subsidiary of the Company, EPL is an associate of a controller (as defined under Chapter 14A of the Listing Rules). The RHXC Subscription involves a transaction where EPL, a substantial shareholder of FPL, is an associate of a controller. Therefore, the RHXC Subscription constituted a connected transaction of the Company for the purposes of the Listing Rules.

(13) Disposal of the 49% interests in Glory Land Investment Limited ("Glory Land") to Mitsui and future buyback of Mitsui's interests in Glory Land with respect to Lots 6 and 16 of Foshan Lingnan Tiandi

On 22 August 2012, SODH and Mitsui entered into an agreement pursuant to which SODH agreed conditionally to sell and Mitsui agreed conditionally to purchase the 49% equity interests of the entire issued share capital of Glory Land and the related shareholder's loans (the "Disposal"). Upon completion of the Disposal on 9 November 2012, Glory Land is held as to 51% by SODH and 49% by Mitsui.

Upon occurrence of the buyback triggering event as stipulated in the announcement of the Company dated 22 August 2012, Mitsui will receive economic interest through dividend distribution (the "Buyback"). The Group expected that the maximum price for the Buyback payable by SODH to Mitsui shall not exceed RMB400 million.

Mitsui is a connected person of the Company by virtue of its 30% shareholding interest in Many Praises and its 44.1% shareholding interest in Value Land Investment Limited ("Value Land") as at 31 December 2012, whereby Many Praises and Value Land are the indirect non wholly-owned subsidiaries of the Company. Accordingly, each of the Disposal and the Buyback constituted a connected transaction of the Company under the Listing Rules.

Pursuant to Rule 14A.37 of the Listing Rules, the INEDs of the Company have reviewed the above continuing connected transactions referred to in items (2) to (11) and are of the opinion that the continuing connected transactions as stated in items (2) to (11) above have been:

(i) carried out in the usual and ordinary course of business of the Group;

(ii) conducted on normal commercial terms; and

(iii) entered into in accordance with the terms of the respective agreements.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions referred to in items (2) to (11) disclosed by the Group in the Annual Report in accordance with Main Board Listing Rule 14A.38. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Directors' Service Contracts

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

Directors' Interests in Contracts of Significance

Save for the related party transactions disclosed in note 41 to the consolidated financial statements, no contract to which the Company, or any of the subsidiaries of the Company was a party, and in which a Director of the Company had, at any time during the year, whether directly or indirectly, an interest, (being, in either case, in the opinion of the Directors, a contract of significance in relation to the Company's business and in which the Director's interest is or was material), subsisted at the end of the year or at any time during the year.

Directors' Interests in Competing Business

At 31 December 2012, the following Director or his associates is considered to have interests in the businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules as set out below:

Name of Director	Name of businesses which entity are considered to compete or are likely to compete with the businesses of the Group	Description of the businesses of the entity which are considered to compete with the businesses of the Group	Nature of interest of the Director in the entity
Mr. Lo	SOCL	Property investment in the PRC	Director and controlling shareholder
Mr. Lo	SOCAM	Property investment in the PRC	Director and controlling shareholder

There is a deed of non-competition dated 30 May 2006 (the "Deed") and entered into between Mr. Lo, SOCL and the Company pursuant to which Mr. Lo and SOCL have given certain undertakings to the Company, among others, that the Company is to be the flagship company of the Shui On Group (that is, SOCL and its subsidiaries and for the purpose of this section "Directors' Interests in Competing Business", excluding SOCAM and its subsidiaries) for the Shui On Group's property development and investment business in the PRC and concerning the Shui On Group's investment in future property development projects in the PRC. Such information has been disclosed in the Company's prospectus dated 20 September 2006. In respect of the year ended 31 December 2012, the Company has received from each of Mr. Lo and SOCL a confirmation on compliance with the non-competition undertakings as contemplated under the Deed.

Save as aforesaid, as of the date of this report, none of the Directors of the Company has an interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

Disclosure Under Rule 13.21 of the Listing Rules

On 23 December 2010, a written agreement (the "2013 Indenture") was entered into between the Company as guarantor, SODH as issuer and DB Trustees (Hong Kong) Limited ("DB") as trustee of the RMB3,000 million US$ settled 6.875% senior notes due 2013 issued by SODH (the "2013 Notes"), pursuant to which the 2013 Notes were issued. The 2013 Indenture provided that upon the occurrence of a Change of Control (as defined in the 2013 Indenture), SODH will make an offer to repurchase all outstanding 2013 Notes, at a purchase price equal to the U.S. Dollar Settlement Amount of 101% of the principal amount thereof plus accrued and unpaid interest, if any, at the date of repurchase. Details of the transaction are set out in the announcement of the Company dated 23 December 2010.

On 26 January 2011, a written agreement (the "2015 Indenture") was entered into between the Company as guarantor, SODH as issuer and DB as trustee of the RMB3,500 million US$ settled 7.625% senior notes due 2015 issued by SODH (the "2015 Notes"), pursuant to which the 2015 Notes were issued. The 2015 Indenture provided that upon the occurrence of a Change of Control (as defined in the 2015 Indenture), SODH will make an offer to repurchase all outstanding 2015 Notes, at a purchase price equal to the U.S. Dollar Settlement Amount of 101% of the principal amount thereof plus accrued and unpaid interest, if any, at the date of repurchase. Details of the transaction are set out in the announcement of the Company dated 26 January 2011.

On 20 April 2011, King Concord Limited as borrower, the Company as guarantor and Standard Chartered Bank (Hong Kong) Limited ("SCB"), United Overseas Bank Limited, Bank of China Limited, Macau Branch, The Bank of East Asia, Limited and Tai Fung Bank Limited as lenders, the mandated lead arrangers and SCB as coordinator, agent and security agent entered into a facility agreement in relation to a three-year term loan facility of up to HK$1,550 million (the "King Concord Loan"). Pursuant to the facility agreement, there is a requirement that Mr. Lo beneficially owns at least 35% of the issued share capital of the Company or acts as the Chairman of the Company or maintains control over the Company during the term of the facility agreement.

On 26 January 2012, a written agreement (the "2015 SODS Indenture") was entered into between the Company and SODH as guarantors, Shui On Development (Singapore) Pte. Ltd. ("Shui On Development (Singapore)") as issuer and DB as trustee of the S$250 million 8% senior notes due 2015 issued by Shui On Development (Singapore) (the "2015 SODS Notes"), pursuant to which the 2015 SODS Notes were issued. The 2015 SODS Indenture provided that upon the occurrence of a Change of Control (as defined in the 2015 SODS Indenture), the Company, SODH or Shui On Development (Singapore) will make an offer to repurchase all outstanding 2015 SODS Notes, at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, at the date of repurchase. Details of the transaction are set out in the announcement of the Company dated 26 January 2012.

On 29 February 2012, a written agreement (the "2015 SODH Indenture") was entered into between the Company as guarantor, SODH as issuer and DB as trustee of the US$475 million 9.75% senior notes due 2015 issued by SODH (the "2015 SODH Notes"), pursuant to which the 2015 SODH Notes were issued. The 2015 SODH Indenture provides that upon the occurrence of a Change of Control (as defined in the 2015 SODH Indenture), the Company or SODH will make an offer to repurchase all outstanding 2015 SODH Notes, at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, at the date of repurchase. Details of the transaction are set out in the announcement of the Company dated 1 March 2012.

On 20 July 2012, the Company announced that Hollyfield Holdings Limited and Shanghai Rui Hong Xin Cheng Co., Ltd. obtained a three-year term offshore loan facility of up to HK$850 million and a three-year term onshore loan facility of up to RMB1,200 million respectively (collectively as the "RHXC Loans"). Pursuant to the conditions of the RHXC Loans, there is a requirement that Mr. Lo beneficially owns at least 35% of the issued share capital of the Company or acts as the Chairman of the Company or maintains control over the Company during the continuance of the RHXC Loans. Details of the transaction are set out in the announcement of the Company dated 20 July 2012.

On 30 July 2012, the Company and SODH entered into a purchase agreement with Deutsche Bank AG, Singapore Branch, Standard Chartered Bank and UBS AG, Hong Kong Branch in connection with the issue of US$400 million 9.75% senior notes due 2015 (the "Additional 2015 SODH Notes"), to be consolidated and form a single class with the 2015 SODH Notes and rank pari passu with the 2015 SODH Notes. The Additional 2015 SODH Notes were issued pursuant to the 2015 SODH Indenture. Details of the transaction are set out in the announcement of the Company dated 7 August 2012.

On 10 December 2012, a written agreement (the "Trust Deed") was entered into between the Company as guarantor, SODH as issuer and DB as trustee of the US$500 million perpetual capital securities issued by SODH (the "Securities"), pursuant to which the Securities were issued. The Trust Deed provides that if (a) SODH fails to comply with any of the covenants set out in the terms and conditions of the Securities and such breach continues or (b) SODH does not redeem the Securities following the occurrence of a change of control (as defined in the terms and conditions of the Securities) or fails to make or consummate an offer to purchase, the then-prevailing distribution rate shall be increased by 3% per annum with effect from (and including) the date on which such change of control occurs, provided that the maximum aggregate increase in the distribution rate shall be 3% per annum. Details of the transaction are set out in the announcement of the Company dated 11 December 2012.

Any breach of the above obligations will cause a default in respect of the 2013 Notes, the 2015 Notes, the King Concord Loan, the 2015 SODS Notes, the 2015 SODH Notes, the Additional 2015 SODH Notes, the RHXC Loans and the Securities and may trigger cross defaults in other outstanding debts of the Group, in the aggregate amount of approximately RMB12,233 million at 31 December 2012.

Remuneration Policy

The remuneration policy of the Group to reward its employees is based on individual performance, qualifications and competence displayed.

The emoluments of the Directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

Provident and Retirement Fund Schemes

Details of the Group's provident and retirement fund schemes are shown in note 35 to the consolidated financial statements.

Pre-Emptive Rights

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

Sufficiency of Public Float

The Company has maintained a sufficient public float during the year ended 31 December 2012, as required under the Listing Rules.

Charitable Donations

During the year, the Group made charitable donations amounting to RMB4 million (2011: RMB14 million).

Major Customers and Suppliers

During the year, less than 30% of the Group sales were attributable to the top five customers of the Group. For the year ended 31 December 2012, payments to our single largest construction contractor, SOC, accounted for approximately 17% of our total payments for construction services. Details of the transactions with SOC are set out under the caption Connected Transactions point (3) "Provision of construction services by SOCAM Development Limited ("SOCAM") to the Group" on page 121. Our five largest construction contractors accounted for approximately 51% of our total payments for construction services. Except for the construction payments to SOC, none of our Directors, their associates or any shareholders holding more than 5% of the share capital of the Company holds any interest in our five largest construction contractors.

Auditor

A resolution will be submitted to the AGM to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Vincent H. S. LO
Chairman

28 March 2013

Deloitte.
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To the Shareholders of Shui On Land Limited

(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Shui On Land Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 130 to 206, which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with 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 2012, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

28 March 2013

	Notes	2012 RMB'million	2011 RMB'million
Turnover			
– The Company and its subsidiaries ("the Group")		**4,821**	8,484
– Share of associates		**271**	179
		5,092	8,663
Turnover of the Group	5	**4,821**	8,484
Cost of sales		**(2,761)**	(4,783)
Gross profit		**2,060**	3,701
Other income	6	**282**	244
Selling and marketing expenses		**(207)**	(195)
General and administrative expenses		**(738)**	(634)
Operating profit	7	**1,397**	3,116
Increase in fair value of investment properties	13	**2,698**	2,696
Gain on disposal of investment properties		**–**	17
Share of results of associates	17	**82**	137
Finance costs, inclusive of exchange differences	8	**(459)**	94
Profit before taxation		**3,718**	6,060
Taxation	9	**(1,363)**	(2,062)
Profit for the year		**2,355**	3,998
Attributable to:			
Shareholders of the Company		**2,029**	3,428
Owners of perpetual capital securities		**19**	–
Other non-controlling shareholders of subsidiaries		**307**	570
		326	570
		2,355	3,998
Earnings per share	12		
– Basic		**RMB0.35**	RMB0.66
– Diluted		**RMB0.31**	RMB0.58

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

	Notes	**2012** **RMB'million**	2011 RMB'million
Profit for the year		**2,355**	3,998
Other comprehensive (expense) income			
Exchange difference arising on translation of foreign operations		**(52)**	5
Fair value adjustments on interest rate swaps designated as cash flow hedges	33	**54**	68
Net adjustment of hedge reserve reclassified to profit or loss upon early termination of interest rate swaps	33	**(47)**	–
Other comprehensive (expense) income for the year		**(45)**	73
Total comprehensive income for the year		**2,310**	4,071
Total comprehensive income attributable to:			
Shareholders of the Company		**1,984**	3,501
Owners of perpetual capital securities		**19**	–
Other non-controlling shareholders of subsidiaries		**307**	570
		326	570
		2,310	4,071

	Notes	2012 RMB'million	2011 RMB'million
Non-current assets			
Investment properties	13	**46,624**	36,395
Property, plant and equipment	14	**3,782**	1,079
Prepaid lease payments	15	**671**	500
Interests in associates	17	**1,264**	1,057
Loans to associates	17	**1,659**	1,366
Accounts receivable	19	**102**	86
Pledged bank deposits	20	**1,720**	1,143
Deferred tax assets	34	**93**	154
		55,915	41,780
Current assets			
Properties under development for sale	16	**20,150**	17,247
Properties held for sale	21	**3,274**	987
Accounts receivable, deposits and prepayments	19	**2,606**	2,503
Loans receivable	22	**–**	152
Amounts due from associates	17	**484**	446
Amounts due from related companies	23	**210**	212
Amounts due from non-controlling shareholders of subsidiaries	24	**65**	50
Pledged bank deposits	20	**443**	1,369
Restricted bank deposits	20	**183**	335
Bank balances and cash	20	**6,287**	3,523
		33,702	26,824
Current liabilities			
Accounts payable, deposits received and accrued charges	25	**7,903**	5,068
Amounts due to related companies	23	**782**	368
Amounts due to associates	17	**11**	5
Amounts due to non-controlling shareholders of subsidiaries	24	**530**	404
Tax liabilities		**908**	1,855
Bank borrowings – due within one year	27	**5,103**	8,774
Convertible bonds	30	**2,346**	–
Notes	31	**2,980**	–
		20,563	16,474
Net current assets		**13,139**	10,350
Total assets less current liabilities		**69,054**	52,130

	Notes	2012 RMB'million	2011 RMB'million
Capital and reserves			
Share capital	28	**114**	102
Reserves		**31,367**	27,843
Equity attributable to shareholders of the Company		**31,481**	27,945
Perpetual capital securities	32	**3,093**	–
Other non-controlling shareholders of subsidiaries		**2,694**	1,526
		5,787	1,526
Total equity		**37,268**	29,471
Non-current liabilities			
Bank and other borrowings – due after one year	27	**13,700**	7,969
Convertible bonds	30	**–**	2,225
Notes	31	**10,539**	6,520
Derivative financial instruments designated as hedging instruments	33	**23**	150
Loans from non-controlling shareholders of subsidiaries	26	**2,484**	2,078
Deferred tax liabilities	34	**5,028**	3,710
Defined benefit liabilities	35	**12**	7
		31,786	22,659
Total equity and non-current liabilities		**69,054**	52,130

The consolidated financial statements on pages 130 to 206 were approved and authorised for issue by the Board of Directors on 28 March 2013 and are signed on its behalf by:

Vincent H. S. LO
DIRECTOR

Daniel Y. K. WAN
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

	Attributable to shareholders of the Company														
	Share capital RMB' million	Share premium RMB' million	Merger reserve RMB' million (note 29(a))	Special reserve RMB' million (note 29(b))	Share option reserve RMB' million	Exchange reserve RMB' million	Convertible bond equity reserve RMB' million	Hedge reserve RMB' million	Other reserves RMB' million (note 29(c))	Retained earnings RMB' million	Sub-total RMB' million	Perpetual capital securities RMB' million (note 32)	Other non-controlling shareholders of subsidiaries RMB' million	Sub-total RMB' million	Total RMB' million
At 1 January 2011	102	12,985	122	(71)	155	15	605	(98)	637	10,368	24,820	–	1,208	1,208	26,028
Profit for the year	–	–	–	–	–	–	–	–	–	3,428	3,428	–	570	570	3,998
Exchange difference arising on translation of foreign operations	–	–	–	–	–	5	–	–	–	–	5	–	–	–	5
Fair value adjustments on interest rate swaps designated as cash flow hedges (note 33)	–	–	–	–	–	–	–	68	–	–	68	–	–	–	68
Total comprehensive income for the year	–	–	–	–	–	5	–	68	–	3,428	3,501	–	570	570	4,071
Recognition of equity-settled share-based payment expenses	–	–	–	–	15	–	–	–	–	–	15	–	–	–	15
Capital injection	–	–	–	–	–	–	–	–	–	–	–	–	26	26	26
Acquisition of additional interests in a subsidiary (note 36(b)(ii))	–	–	–	(104)	–	–	–	–	–	–	(104)	–	(274)	(274)	(378)
Release of special reserve upon disposal of the related assets	–	–	–	40	–	–	–	–	–	–	40	–	–	–	40
Dividend paid to a non-controlling shareholder of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	(4)	(4)	(4)
Total dividends of HK$0.075 paid, comprising 2010 final dividend of HK$0.05 per share and 2011 interim dividend of HK$0.025 per share	–	–	–	–	–	–	–	–	–	(327)	(327)	–	–	–	(327)
At 31 December 2011	102	12,985	122	(135)	170	20	605	(30)	637	13,469	27,945	–	1,526	1,526	29,471
Profit for the year	–	–	–	–	–	–	–	–	–	2,029	2,029	19	307	326	2,355
Exchange difference arising on translation of foreign operations	–	–	–	–	–	(52)	–	–	–	–	(52)	–	–	–	(52)
Fair value adjustments on interest rate swaps designated as cash flow hedges (note 33)	–	–	–	–	–	–	–	54	–	–	54	–	–	–	54
Net adjustment of hedge reserve reclassified to profit or loss upon early termination of interest rate swaps (note 33)	–	–	–	–	–	–	–	(47)	–	–	(47)	–	–	–	(47)
Total comprehensive income for the year	–	–	–	–	–	(52)	–	7	–	2,029	1,984	19	307	326	2,310
Recognition of equity-settled share-based payment expenses	–	–	–	–	18	–	–	–	–	–	18	–	–	–	18
Issue of new shares	10	1,756	–	–	–	–	–	–	–	–	1,766	–	–	–	1,766
Capital injection	–	–	–	–	–	–	–	–	–	–	–	–	32	32	32
Acquisition of subsidiaries (Note 36(a))	–	–	–	–	–	–	–	–	–	–	–	–	661	661	661
Acquisition of additional interests in a subsidiary (note 36(b)(i))	–	–	–	–	–	–	–	–	(188)	–	(188)	–	188	188	–
Partial disposal of equity interests in subsidiaries (note 36(d))	–	–	–	–	–	–	–	–	138	–	138	–	–	–	138
Issue of perpetual capital securities	–	–	–	–	–	–	–	–	–	–	–	3,137	–	3,137	3,137
Expenses on issue of perpetual capital securities	–	–	–	–	–	–	–	–	–	–	–	(63)	–	(63)	(63)
Dividend paid to a non-controlling shareholder of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	(20)	(20)	(20)
Total dividends of HK$0.125 paid, comprising 2011 final dividend of HK$0.10 per share and 2012 interim dividend of HK$0.025 per share	–	–	–	–	–	–	–	–	–	(595)	(595)	–	–	–	(595)
Shares issued in lieu of cash dividend	2	411	–	–	–	–	–	–	–	–	413	–	–	–	413
At 31 December 2012	114	15,152	122	(135)	188	(32)	605	(23)	587	14,903	31,481	3,093	2,694	5,787	37,268

	2012 RMB'million	2011 RMB'million
Operating activities		
Profit before taxation	3,718	6,060
Adjustments for:		
Depreciation of property, plant and equipment	176	67
Release of prepaid lease payments	2	2
Net foreign exchange gain	(11)	(125)
Share of results of associates	(82)	(137)
Loss on disposal of property, plant and equipment	1	–
Gain on disposal of investment properties	–	(17)
Finance costs, inclusive of exchange differences	459	(94)
Interest income	(181)	(152)
Increase in fair value of investment properties	(2,698)	(2,696)
Increase in defined benefit liabilities	5	2
Equity-settled share-based payment expenses	18	15
Gain on acquisition of subsidiaries	(50)	–
Release of special reserve	–	40
Operating cash flows before movements in working capital	1,357	2,965
(Increase) decrease in accounts receivable, deposits and prepayments	(87)	1,079
Increase in properties under development for sale	(6,712)	(7,010)
Decrease in properties held for sale	2,178	4,485
Decrease (increase) in restricted bank deposits	152	(92)
Decrease (increase) in amounts due from related companies	79	(163)
(Decrease) increase in amounts due to related companies	(41)	273
Increase in amounts due from associates	(38)	–
Increase (decrease) in amounts due to associates	6	(24)
Increase (decrease) in accounts payable, deposits received and accrued charges	2,587	(265)
Cash (used in) generated from operations	(519)	1,248
Tax paid	(1,704)	(720)
Net cash (used in) from operating activities	(2,223)	528

	Notes	2012 RMB'million	2011 RMB'million
Investing activities			
Interest received		**137**	119
Purchase of property, plant and equipment		**(464)**	(237)
Additions to investment properties		**(3,617)**	(7,280)
Proceeds from disposal of investment properties		**24**	613
Additions to prepaid lease payments		**–**	(434)
Advances of loans to associates		**(374)**	(120)
Cash inflow from acquisition of subsidiaries	36(a)	**111**	–
Net cash inflow on disposal of subsidiaries	36(c)	**–**	342
Withdrawal of pledged bank deposits		**1,895**	645
Placement of pledged bank deposits		**(1,546)**	(1,272)
Repayment of loans receivable		**152**	445
Net cash used in investing activities		**(3,682)**	(7,179)
Financing activities			
Advance from non-controlling shareholders of subsidiaries		**193**	410
Repayment to non-controlling shareholders of subsidiaries		**(15)**	(733)
Capital injected by non-controlling shareholders of subsidiaries		**32**	26
Deposit received in respect of partial disposal of equity interests in subsidiaries	25(b)	**–**	352
Proceeds received in respect of partial disposal of equity interests in subsidiaries	36(d)	**138**	–
New bank borrowings raised		**10,001**	6,106
Repayment of bank and other borrowings		**(9,066)**	(2,082)
Issue of notes	31	**6,952**	3,500
Expenses on issue of notes	31	**(137)**	(70)
Issue of perpetual capital securities		**3,137**	–
Expenses on issue of perpetual capital securities		**(63)**	–
Settlement of interest rate swaps designated as cash flow hedges		**(73)**	–
Interest paid		**(2,220)**	(1,547)
Payment of dividends		**(182)**	(327)
Dividend payment to a non-controlling shareholder of a subsidiary		**(20)**	(4)
Net cash from financing activities		**8,677**	5,631
Net increase (decrease) in cash and cash equivalents		**2,772**	(1,020)
Cash and cash equivalents at the beginning of the year		**3,523**	4,662
Effect of foreign exchange rate changes		**(8)**	(119)
Cash and cash equivalents at the end of the year		**6,287**	3,523
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		**6,287**	3,523

1. General

Shui On Land Limited (the "Company") was incorporated on 12 February 2004 as an exempted company with limited liability in the Cayman Islands under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 4 October 2006. The Directors of the Company consider that its ultimate holding company is Shui On Company Limited ("SOCL"), a private limited liability company incorporated in the British Virgin Islands, after the completion of the acquisition of subsidiaries as described in note 36(a).

The addresses of the registered office and principal place of business of the Company are disclosed in the Corporate Information section of the annual report.

The Company acts as an investment holding company. The principal activities of the Company's subsidiaries are set out in note 46. The Company and its subsidiaries are hereinafter collectively referred to as the Group.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

2. Application of New and Revised International Financial Reporting Standards ("IFRSs")

In the current year, the Group has applied the following amendments to IFRSs, which are effective for the Group's financial year beginning on 1 January 2012.

Amendments to IFRS 7	Financial Instruments: Disclosures – Transfers of Financial Assets
Amendments to IAS 12	Deferred Tax: Recovery of Underlying Assets

The Group has applied for the first time the amendments to International Accounting Standards ("IAS") 12 Deferred Tax: Recovery of Underlying Assets. Under the amendments, investment properties that are measured using the fair value model in accordance with IAS 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 Group measures its investment properties using the fair value model. As a result of the application of the amendments to IAS 12, the Directors reviewed the Group's investment property portfolios and concluded that the investment properties held by the Group at the end of the reporting period, which are located in the People's Republic of China ("PRC"), are under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, and that the presumption set out in the amendments to IAS 12 is rebutted. Accordingly, the application of the amendments to IAS 12 does not have significant impact on the results and financial positions of the Group.

2. Application of New and Revised International Financial Reporting Standards ("IFRSs") (Continued)

Other than the above, the application of the above amendments to IFRSs 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 IFRSs issued but not yet effective

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 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]
Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities[2]
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]
IAS 19 (as revised in 2011)	Employee Benefits[1]
IAS 27 (as revised in 2011)	Separate Financial Statements[1]
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income[4]
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities[2]
IFRIC 20	Stripping 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 January 2014
3 Effective for annual periods beginning on or after 1 January 2015
4 Effective for annual periods beginning on or after 1 July 2012

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments was issued in November 2009 and revised in October 2010. It introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be 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 period. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting period. In addition, under IFRS 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.

IFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The Directors of the Company anticipate that IFRS 9 will be adopted in the Group's consolidated financial statements for the annual period beginning on 1 January 2015 and that the application of this new Standard will not have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities.

2. Application of New and Revised International Financial Reporting Standards ("IFRSs") (Continued)

IFRS 10 Consolidated Financial Statements

IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. The Standing Interpretations Committee ("SIC") 12 Consolidation - Special Purpose Entities will be withdrawn upon the effective date of IFRS 10. 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.

The Directors of the Company anticipate that the application of IFRS 10 may have significant impact on the amounts reported in the consolidated financial statements. Specifically, the application of IFRS 10 may affect the accounting for the Group's ownership interest in Richcoast Group Limited ("Richcoast") that is currently classified as the Group's associate. Taking into account the new definition of control and the additional guidance on control set out in IFRS 10, the application of IFRS 10 may result in significant impact if Richcoast is considered as a subsidiary of the Group under the new accounting standard. If Richcoast is consolidated as the Group's subsidiary, the assets and liabilities as well as income and expenses of Richcoast will be presented as separate line items in the consolidated statement of financial position and in the consolidated statement of comprehensive income, respectively, rather than being presented as one line item in the Group's consolidated financial statements. A detailed review is being performed by the Directors to determine and quantify the impact of the application of IFRS 10.

IFRS 13 Fair Value Measurement

IFRS 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 IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 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 IFRS 7 Financial Instruments: Disclosures will be extended by IFRS 13 to cover all assets and liabilities within its scope.

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

IFRS 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 valuation of the investment properties of the Group, which are measured at fair value at the end of each reporting period, and result in more extensive disclosures in the consolidated financial statements.

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 Presentation of Items of Other Comprehensive Income introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to IAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and other comprehensive income' and an 'income statement' is renamed as a 'statement of profit or loss'. The amendments to IAS 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 IAS 1 require items of other comprehensive income to be 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 do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to IAS 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 future accounting periods.

The Directors of the Company anticipate that the application of the other new and revised IFRSs will have no material impact on the results and the financial position of the Group.

3. Significant Accounting Policies

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

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

The significant accounting policies adopted are set out as follows:

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.

Income and expense of subsidiaries acquired or disposed of during the year are included in the consolidated income statement 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 in 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 shareholders of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Merger accounting for common control combinations

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

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

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

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

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted, based on 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 shareholders of the Company.

3. Significant Accounting Policies (Continued)

Changes in the Group's ownership interests in existing subsidiaries (Continued)

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs). 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

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another Standard.

3. Significant Accounting Policies (Continued)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties include land held for undetermined future use, which is regarded as held for capital appreciation purpose.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Construction costs incurred for investment properties under construction or development are capitalised as part of the carrying amount of the investment properties under construction or development.

Subsequent to initial recognition, investment properties are measured at their fair values at the end of each reporting period using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in the consolidated income statement for the period in which they arise.

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

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Hotels under development held for owner's operation are stated at cost less subsequent accumulated impairment losses, if any. Cost comprises development expenditure including professional charges directly attributable to the development and borrowing cost capitalised during the development period. No depreciation is provided on the cost of building until hotel operation commences.

Depreciation is recognised so as to write off the cost of buildings and hotel properties over their estimated useful lives or where shorter, the terms of leasehold land where the buildings and hotel properties are located, using the straight-line method.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment, other than buildings, hotel properties and hotels under development, over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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 derecognition of the asset (calculated as the difference between the sales proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Prepaid lease payments

Prepaid lease payments for leasehold land classified as operating leases are charged to the consolidated income statement on a straight-line basis over the period of the land use rights.

Properties under development for sale

Properties under development which are intended to be held for sale are carried at lower of cost and net realisable value and are shown as current assets. Cost includes the costs of land, development expenditure incurred and, where appropriate, borrowing costs capitalised during construction period.

Properties under development for sales are transferred to properties held for sale when the relevant completion certificates are issued by the respective government authorities.

3. Significant Accounting Policies (Continued)

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost is determined by apportionment of the total land and development costs attributable to the properties held for sale. Net realised value is determined based on prevailing market conditions.

Interests in associates

An associate is an entity over which the Group 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 these policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, forms 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 Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognised immediately in the consolidated income statement.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of 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 results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities 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 jointly controlled entities. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, forms part of the Group's net investment in the jointly controlled entity), 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 jointly controlled entity.

Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognised immediately in the consolidated income statement.

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

3. Significant Accounting Policies (Continued)

Impairment

At the end of the reporting period, the Group reviews the carrying amounts of its tangible 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. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been had no impairment loss been recognised for the asset (or a cash-generating unit) 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 the consolidated income statement.

Financial assets

The Group's financial assets are classified as loans and receivables.

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 accounts receivable, loans receivable, loans to associates, amounts due from associates, amounts due from related companies, amounts due from non-controlling shareholders of subsidiaries, pledged bank deposits, restricted bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses.

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at the end of the reporting period. Loans and receivables are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows of loans and receivables have been affected.

The 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 and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis.

Objective evidence of impairment for receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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

The carrying amount of loans and receivables is reduced by the impairment loss directly for all financial assets with the exception of the amount due from a jointly controlled entity and trade receivables, 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 the consolidated income statement. When the amount due from a jointly controlled entity and trade receivables are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to the consolidated income statement.

If, in a subsequent period, the amount of impairment loss of loans and receivables 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 the consolidated income statement 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 no impairment loss been recognised.

Financial liabilities and equity instruments

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Perpetual capital securities issued by the Group, which includes no contractual obligation for the Group to deliver cash or another financial asset to the holders or to exchange financial assets or financial liabilities with the holders under conditions that are potentially unfavourable to the Group, are classified as equity instruments and are initially recorded at the proceeds received.

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

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 an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Convertible bonds

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

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 bonds and the fair value assigned to the liability component, representing the conversion option for the holder to convert the bonds into the Company's own equity instruments, is included in equity (convertible bond equity reserve).

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

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

Notes

Notes issued by the Group are measured at amortised cost, using the effective interest method. Transaction costs are included in the carrying amount of the notes and amortised over the period of the notes using the effective interest method.

Other financial liabilities

The Group's other financial liabilities (including accounts payable, amounts due to related companies, amounts due to associates, amounts due to non-controlling shareholders of subsidiaries, loans from non-controlling shareholders of subsidiaries and bank and other borrowings) are subsequently measured at amortised cost, using the effective interest method.

Derivative financial instruments and hedging

Derivatives are initially recognised at fair value at the date derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in the consolidated income statement immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in consolidated income statement depends on the nature of the hedge relationship.

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Derivative financial instruments and hedging (Continued)

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

Hedge accounting

The Group designates certain derivatives as hedging instruments for cash flow hedges. At the inception of the hedge relationship the entity documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in cash flows of the hedged item.

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges are recognised in other comprehensive income and accumulated in hedge reserve. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated income statement as part of other income or other expenses. Amounts previously recognised in other comprehensive income and accumulated in hedge reserve are reclassified in the consolidated income statement in the periods when the hedged item is recognised in the consolidated income statement.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in hedge reserve at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the consolidated income statement. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in the consolidated income statement.

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 of obligation under the contract, as 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 the revenue recognition policy.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability.

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 the consolidated income statement.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the consolidated income statement.

3. Significant Accounting Policies (Continued)

Leasing

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

The Group as lessor

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

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when 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 the consolidated income statement in the period in which they are incurred.

Taxation

Taxation 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 before tax 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 temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those 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 associated with investments in subsidiaries and associates, and interests in joint ventures, 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.

3. Significant Accounting Policies (Continued)

Taxation (Continued)

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in IAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

Current and deferred tax is recognised in the consolidated income statement, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively.

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 carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in the consolidated income statement in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

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. RMB) 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 period, 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 exchange reserve). The exchange differences accumulated in equity in respect of the foreign operation are reclassified from equity to profit or loss on disposal of the foreign operation.

Equity-settled share-based payment transactions

Share options granted to employees (including Directors)

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

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in consolidated income statement, such that the cumulative expenses reflects the revised estimates, with a corresponding adjustment to share option reserve.

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

3. Significant Accounting Policies (Continued)

Equity-settled share-based payment transactions (Continued)

Share options granted to consultants

Share options issued in exchange for services are measured at the fair values of the services received, unless that fair value cannot be reliably measured, in which case the services received are measured by reference to the fair value of the share options granted. The fair values of the services received are recognised as expenses, with a corresponding increase in equity (share option reserve), when the counterparties render services, unless the services qualify for recognition as assets.

Retirement benefit costs

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

For defined retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of the reporting period. Actuarial gains and losses which exceed 10 per cent of the greater of the present value of the Group's defined benefit obligations and the fair value of plan assets at the end of the previous reporting period are amortised over the expected average remaining working lives of the participating employees. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the amended benefits become vested.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

Government grants

Government grants are recognised in the consolidated income statement over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants that are receivable for expenses or losses already incurred are recognised in the consolidated income statement in the period when they become receivable.

Revenue recognition

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

Revenue from properties developed for sale in the ordinary business is recognised upon delivery of properties to the purchasers pursuant to the sales agreements.

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. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased assets and recognised on straight-line basis over the lease term.

Revenue from hotel operation is recognised when the relevant services are provided.

Property management fee income and rental related income are recognised as revenue in the consolidated income statement when the services are rendered.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income 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 asset to that asset's net carrying amount on initial recognition.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the process of applying the Group's accounting policies, which are described in note 3, the Directors of the Company are required to make judgements, estimate 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 on-going 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.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the Directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the Directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in measuring the Group's deferred taxation on investment properties, the Directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is rebutted. As at 31 December 2012, the Group has recognised deferred taxes on revaluation of investment properties amounted to RMB3,728 million (2011: RMB2,526 million).

Perpetual capital securities

Pursuant to the terms of the Perpetual Capital Securities (as defined in note 32), a subsidiary of the Company, as an issuer of the Perpetual Capital Securities, can at its option redeem the Perpetual Capital Securities and at its discretion defer distributions on the Perpetual Capital Securities. However, the Company and the issuer will not be able to declare or pay any dividends if any distributions on the Perpetual Capital Securities are unpaid or deferred. In the opinion of the Directors of the Company, this restriction does not result in the Group having an obligation to redeem the Perpetual Capital Securities or make any distributions on the Perpetual Capital Securities. Accordingly, the Perpetual Capital Securities are classified as equity instruments. The carrying amount of the Perpetual Capital Securities is RMB3,093 million (2011: nil). Details of which are set out in note 32.

Key sources of estimation uncertainty

The following and those disclosed in note 40(b) are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Investment properties

The fair values of completed investment properties and certain investment properties under construction or development that are measured using the fair value model are determined based on the valuation performed by independent professional valuers. In determining the fair value, the valuers have based on a method of valuation which involves certain estimates of market condition. In relying on the valuation report, the Directors of the Company have exercised their judgement and are satisfied that the assumptions used in the valuation reflect market condition. The basis of valuation is disclosed in note 13. Changes to these assumptions would result in changes in the fair values of the Group's investment properties and the corresponding adjustments to the amount of gain or loss reported in the consolidated income statement.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (Continued)

Key sources of estimation uncertainty (Continued)

Land appreciation tax

The Group is subject to land appreciation tax in the PRC. However, the implementation and settlement of the tax varies amongst different tax jurisdictions in various cities of the PRC and the Group has not finalised its land appreciation tax calculation and payments with any local tax authorities in the PRC. Accordingly, significant judgement is required in determining the amount of the land appreciation tax and its related income tax provisions. The Group recognised the land appreciation tax based on management's best estimates. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax provisions in the periods in which such tax is finalised with local tax authorities.

5. Turnover and Segmental Information

An analysis of the turnover of the Group and share of turnover of associates for the year is as follows:

	2012			2011		
	Group	Share of associates	Total	Group	Share of associates	Total
	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
Property development:						
Property sales	3,541	244	3,785	7,581	160	7,741
Property investment:						
Rental income received from investment properties	952	27	979	744	19	763
Income from hotel operations	193	–	193	14	–	14
Property management fee income	36	–	36	38	–	38
Rental related income	68	–	68	53	–	53
	1,249	27	1,276	849	19	868
Others	31	–	31	54	–	54
Total	4,821	271	5,092	8,484	179	8,663

For management purposes, the Group is organised based on its business activities, which are broadly categorised into property development and property investment.

Principal activities of the two major reportable and operating segments are as follows:

Property development – development and sale of properties, mainly residential units

Property investment – offices and retail shops letting, property management and hotel operations

5. Turnover and Segmental Information (Continued)

For the year ended 31 December 2012

	Reportable Segment				
	Property development RMB'million	Property investment RMB'million	Total RMB'million	Others RMB'million	Consolidated RMB'million
Segment Revenue					
Turnover of the Group	3,541	1,249	4,790	31	4,821
Share of turnover of associates	244	27	271	–	271
Total segment revenue	3,785	1,276	5,061	31	5,092
Results					
Segment results of the Group	928	3,301	4,229	19	4,248
Interest income					181
Gain on acquisition of subsidiaries					50
Share of results of associates					82
Finance costs, inclusive of exchange differences					(459)
Net unallocated expenses					(384)
Profit before taxation					3,718
Taxation					(1,363)
Profit for the year					2,355
Other Information					
Amounts included in the measure of segment profit or loss or segment assets:					
Capital additions of completed investment properties and property, plant and equipment	58	4,918	4,976	495	5,471
Development costs for investment properties under construction or development and prepaid lease payments	–	4,904	4,904	–	4,904
Development costs for properties under development for sale	7,614	–	7,614	–	7,614
Depreciation of property, plant and equipment	63	100	163	13	176
Release of prepaid lease payments charged to consolidated income statement	–	2	2	–	2
Increase in fair value of investment properties	–	2,698	2,698	–	2,698
Financial Position					
Assets					
Segment assets	25,981	50,200	76,181	5	76,186
Interests in associates					1,264
Loans to associates					1,659
Amounts due from associates					484
Unallocated corporate assets					10,024
Consolidated total assets					89,617
Liabilities					
Segment liabilities	(6,900)	(736)	(7,636)	(2)	(7,638)
Amounts due to associates					(11)
Unallocated corporate liabilities					(44,700)
Consolidated total liabilities					(52,349)

5. Turnover and Segmental Information (Continued)

For the year ended 31 December 2011

	Reportable Segment				
	Property development RMB'million	Property investment RMB'million	Total RMB'million	Others RMB'million	Consolidated RMB'million
Segment Revenue					
Turnover of the Group	7,581	849	8,430	54	8,484
Share of turnover of associates	160	19	179	–	179
Total segment revenue	7,741	868	8,609	54	8,663
Results					
Segment results of the Group	2,781	3,190	5,971	43	6,014
Interest income					152
Share of results of associates					137
Finance costs, inclusive of exchange differences					94
Net unallocated expenses					(337)
Profit before taxation					6,060
Taxation					(2,062)
Profit for the year					3,998
Other Information					
Amounts included in the measure of segment profit or loss or segment assets:					
Capital additions of completed investment properties and property, plant and equipment	14	263	277	5	282
Development costs for investment properties under construction or development and prepaid lease payments	–	8,510	8,510	–	8,510
Development costs for properties under development for sale	7,784	–	7,784	–	7,784
Depreciation of property, plant and equipment	23	32	55	12	67
Release of prepaid lease payments charged to consolidated income statement	–	2	2	–	2
Increase in fair value of investment properties	–	2,696	2,696	–	2,696
Financial Position					
Assets					
Segment assets	20,832	38,067	58,899	27	58,926
Interests in associates					1,057
Loans to associates					1,366
Amounts due from associates					446
Unallocated corporate assets					6,809
Consolidated total assets					68,604
Liabilities					
Segment liabilities	(4,110)	(768)	(4,878)	(1)	(4,879)
Amounts due to associates					(5)
Unallocated corporate liabilities					(34,249)
Consolidated total liabilities					(39,133)

5. Turnover and Segmental Information (Continued)

Segment revenue represents the turnover of the Group and the share of turnover of associates.

Segment profit represents the profit earned by each segment without allocation of central administration costs, Directors' salaries, interest income, gain on acquisition of subsidiaries, share of results of associates, finance costs and exchange differences. This is the measure reported to the chief operating decision makers who are the Executive Directors of the Company for the purpose of resource allocation and performance assessment.

For the purpose of monitoring segment performances and allocating resources between segments:

– all assets are allocated to reportable segments other than interests in associates, loans to associates, amounts due from associates, amounts due from non-controlling shareholders of subsidiaries, deferred tax assets, amounts due from related companies, pledged bank deposits, restricted bank deposits, bank balances and cash and other unallocated corporate assets; and

– all liabilities are allocated to reportable segments other than amounts due to associates, amounts due to related companies, amounts due to non-controlling shareholders of subsidiaries, loans from non-controlling shareholders of subsidiaries, bank and other borrowings, tax liabilities, deferred tax liabilities, derivative financial instruments designated as hedging instruments and other unallocated corporate liabilities.

Over 90% of the Group's turnover and contribution to operating profit is attributable to customers in the PRC. Accordingly, no analysis of geographical segment is presented.

No geographical segment information of the Group's non-current assets is shown as the assets are substantially located in the PRC.

6. Other Income

	2012 RMB'million	2011 RMB'million
Interest income from banks	78	84
Interest income from amounts due from associates (notes 17 and 41)	17	9
Interest income from loans to associates (notes 17 and 41)	38	26
Interest income from a related company (notes 23 and 41)	4	–
Imputed interest income from loans to associates (notes 17 and 41)	44	33
Sundry income	14	89
Grants received from local government	37	3
Gain on acquisition of subsidiaries (note 36(a))	50	–
	282	244

7. Operating Profit

	2012 RMB'million	2011 RMB'million
Operating profit has been arrived at after charging (crediting):		
Auditor's remuneration	5	5
Depreciation of property, plant and equipment	177	69
Less: Amount capitalised to properties under development for sale	(1)	(2)
	176	67
Release of prepaid lease payments	14	7
Less: Amount capitalised to property, plant and equipment	(12)	(5)
	2	2
Loss on disposal of property, plant and equipment	1	–
Employee benefits expenses		
Directors' emoluments		
Fees	2	2
Salaries, bonuses and allowances	29	21
Retirement benefits costs	2	2
Share-based payment expenses	6	(4)
	39	21
Other staff costs		
Salaries, bonuses and allowances	404	346
Retirement benefits costs	27	23
Share-based payment expenses	12	19
	443	388
Total employee benefits expenses	482	409
Less: Amount capitalised to investment properties under construction or development and properties under development for sale	(146)	(106)
	336	303
Cost of properties sold recognised as an expense	2,178	4,485
Minimum lease payment under operating leases	43	40

8. Finance Costs, Inclusive of Exchange Differences

	2012 RMB'million	2011 RMB'million
Interest on bank loans		
– wholly repayable within five years	**910**	669
– not wholly repayable within five years	**153**	121
Interest on loans from non-controlling shareholders of subsidiaries wholly repayable within five years (note 26)	**151**	151
Imputed interest on loan from a non-controlling shareholder of a subsidiary (note 26)	**15**	–
Interest on amount due to a related company (notes 23 and 41)	**5**	–
Interest on convertible bonds (note 30)	**243**	230
Interest on notes (note 31)	**972**	485
Net interest expense from interest rate swaps designated as cash flow hedges	**38**	144
Total interest costs	**2,487**	1,800
Less: Amount capitalised to investment properties under construction or development and properties under development for sale	**(2,002)**	(1,608)
Interest expense charged to consolidated income statement	**485**	192
Net exchange gain on bank borrowings and other financing activities	**(54)**	(311)
Others	**28**	25
	459	(94)

Borrowing costs capitalised during the year ended 31 December 2012 arose on the general borrowing pool of the Group and were calculated by applying a capitalisation rate of approximately 7.6% (2011: 7.2%) per annum to expenditure on the qualifying assets.

9. Taxation

	2012 RMB'million	2011 RMB'million
PRC Enterprise Income Tax		
– Current provision	**419**	704
Deferred taxation (note 34)		
– Provision for the year	**610**	717
PRC Land Appreciation Tax		
– Provision for the year	**334**	641
	1,363	2,062

9. Taxation (Continued)

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

PRC Enterprise Income Tax has been provided for at the applicable income tax rate of 25% (2011: 25%) on the assessable profits of the companies in the Group during the year.

The PRC Enterprise Income Tax Law requires withholding tax to be levied on distribution of profits earned by a PRC entity to a Hong Kong resident company (which is the beneficial owner of the dividend received) for profits generated after 1 January 2008 at the rate of 5%. As at 31 December 2012 and 31 December 2011, deferred tax was provided for in full in respect of the temporary differences attributable to such profits.

The provision of Land Appreciation Tax is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. Land Appreciation Tax has been provided at ranges of progressive rates of the appreciation value, with certain allowable deductions including land costs, borrowing costs and the relevant property development expenditures.

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

	2012 **RMB'million**	2011 RMB'million
Profit before taxation	**3,718**	6,060
PRC Enterprise Income Tax at 25% (2011: 25%)	**930**	1,515
PRC Land Appreciation Tax	**334**	641
Tax effect of PRC Land Appreciation Tax	**(83)**	(160)
Deferred tax provided for withholding tax on income derived in the PRC	**(1)**	68
Tax effect of share of results of associates	**(20)**	(34)
Tax effect of expenses not deductible for tax purposes	**293**	211
Tax effect of income not taxable for tax purposes	**(77)**	(127)
Tax effect of tax losses not recognised	**14**	2
Tax effect of utilisation of tax losses previously not recognised	**(27)**	(54)
Tax charge for the year	**1,363**	2,062

10. Directors' and Chief Executive's Emoluments and Five Highest Paid Employees

The emoluments paid or payable to the Directors of the Company were as follows:

Name of Director	Notes	Fees RMB'000	Salaries RMB'000	Other benefits RMB'000	Performance related incentive payments RMB'000	Retirement benefit costs RMB'000	Share-based payment expenses RMB'000	2012 Total RMB'000	2011 Total RMB'000
Mr. Vincent H.S. LO	(a)	–	–	–	–	–	–	–	–
Mr. Freddy C.K. LEE	(a)	–	4,235	6,558	4,071	1,872	3,527	20,263	11,249
Mr. Daniel Y.K. WAN	(a)	–	4,833	5,355	3,660	–	2,733	16,581	8,456
Mr. Louis H.W. WONG	(b)	–	–	–	–	–	–	–	(1,143)
Mr. Frankie Y.L. WONG	(c)	366	–	–	–	–	–	366	122
Mr. LEUNG Chun Ying	(d)	–	–	–	–	–	–	–	248
Sir John R.H. BOND	(e)	325	–	–	–	–	–	325	331
Dr. William K.L. FUNG	(e)	366	–	–	–	–	–	366	373
Professor Gary C. BIDDLE	(e)	488	–	–	–	–	–	488	497
Dr. Roger L. McCARTHY	(e)	325	–	–	–	–	–	325	331
Mr. David J. SHAW	(e)	244	–	–	–	–	–	244	248
Dr. Edgar W.K. CHENG	(f)	–	–	–	–	–	–	–	278
Total for 2012		2,114	9,068	11,913	7,731	1,872	6,260	38,958	20,990
Total for 2011		2,428	8,319	8,578	4,438	1,501	(4,274)	20,990	

Notes:
(a) Executive Directors
(b) Executive Director resigned during the year 2011
(c) Non-executive Director appointed during the year 2011
(d) Non-executive Director resigned during the year 2011
(e) Independent Non-executive Directors
(f) Independent Non-executive Director resigned during the year 2011

Mr. Freddy C.K. LEE is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

Of the five highest paid individuals in the Group, two (2011: two) are Executive Directors of the Company whose emoluments are set out above. The emoluments of the remaining three (2011: three) individuals are as follows:

	2012 RMB'million	2011 RMB'million
Salaries	6	7
Other benefits	8	6
Performance related incentive payments	3	2
Retirement benefit costs	2	1
Share-based payment expenses	4	2
	23	18

10. Directors' and Chief Executive's Emoluments and Five Highest Paid Employees (Continued)

The emoluments of the remaining highest paid employees were within the following bands:

	2012 **Number of employees**	2011 Number of employees
Emolument bands		
HK$6,500,001 – HK$7,000,000	**–**	1
HK$7,000,001 – HK$7,500,000	**–**	1
HK$8,000,001 – HK$8,500,000	**1**	1
HK$9,500,001 – HK$10,000,000	**1**	–
HK$10,500,001 – HK$11,000,000	**1**	–
	3	3

No Directors waived any emoluments in the years ended 31 December 2012 and 31 December 2011.

11. Dividends

	2012 **RMB'million**	2011 RMB'million
Interim dividend paid in respect of 2012 of HK$0.025 per share (2011: HK$0.025 per share)	**122**	107
Final dividend proposed in respect of 2012 of HK$0.035 per share (2011: HK$0.10 per share)	**170**	473
	292	580

A final dividend for the year ended 31 December 2012 of HK$0.035 (equivalent to RMB0.028) per share, amounting to HK$210 million (equivalent to RMB170 million) in aggregate, was proposed by the Directors on 28 March 2013 and is subject to the approval of the shareholders at the forthcoming annual general meeting.

On 28 March 2013, the Company announced a proposed rights issue of rights shares on the basis of 1 rights share for every 3 existing shares (note 42). If the rights shares (in their fully-paid form) are allotted and issued on or before the record date for the 2012 final dividend and shareholders approve the 2012 final dividend at the forthcoming annual general meeting, then holders of fully-paid rights shares whose names appear on the register of members of the Company on the record date for the 2012 final dividend will be entitled to receive the 2012 final dividend of HK$0.035 per share on the same basis as holders of existing shares in issue. In such case the aggregate amount of the 2012 final dividend will be approximately HK$280 million (equivalent to RMB226 million).

In October 2012, an interim dividend in respect of 2012 of HK$0.025 (equivalent to RMB0.021) per share was paid to the shareholders. The 2012 interim dividend was paid in the form of cash and/or shares of the Company as the shareholders were given the option to elect to receive their dividend in new, fully paid shares in lieu of all or part of cash. 65.5% of the shareholdings elected to receive shares in lieu of cash dividends at share price of HK$2.932 per share and accordingly, 33,360,452 new and fully paid ordinary shares of the Company were issued. These new ordinary shares rank pari passu to the existing shares of the Company.

11. Dividends (Continued)

In June 2012, a final dividend in respect of 2011 of HK$0.10 (equivalent to RMB0.08) per share was approved by the shareholders of the Company at the annual general meeting on 7 June 2012. The 2011 final dividend was paid in July 2012 in the form of cash and/or shares of the Company as the shareholders were given the option to elect to receive their dividend in new, fully paid shares in lieu of all or part of cash. 70.5% of the shareholdings elected to receive shares in lieu of cash dividends at share price of HK$3.176 per share and accordingly, 129,436,566 new and fully paid ordinary shares of the Company were issued. These new ordinary shares rank pari passu to the existing shares of the Company.

In October 2011, an interim dividend in respect of 2011 of HK$0.025 (equivalent to RMB0.021) per share was paid to the shareholders of the Company.

A final dividend in respect of 2010 of HK$0.05 (equivalent to RMB0.042) per share was approved by the shareholders of the Company at the annual general meeting on 19 May 2011 and was paid to the shareholders of the Company in June 2011.

162,797,018 ordinary shares of the Company in aggregate were issued during the year ended 31 December 2012 on the shareholders' election to receive shares. Details of these shares issuance are set out in note 28.

12. Earnings Per Share

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

Earnings

	2012 RMB'million	2011 RMB'million
Earnings for the purposes of basic earnings per share and diluted earnings per share, being profit for the year attributable to shareholders of the Company	**2,029**	3,428

Number of shares

	2012 'million	2011 'million
Weighted average number of ordinary shares for the purpose of basic earnings per share	**5,773**	5,212
Effect of dilutive potential shares:		
Convertible bonds	**696**	669
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**6,469**	5,881
Basic earnings per share (note (b))	**RMB0.35**	RMB0.66
	HK$0.43	HK$0.80
Diluted earnings per share (note (b))	**RMB0.31**	RMB0.58
	HK$0.38	HK$0.70

Notes:

(a) There are no dilution effects for share options granted as the exercise prices of these share options granted were higher than the average market price for 2012 and 2011.

(b) The Hong Kong dollar figures presented above are shown for reference only and have been arrived at based on the exchange rate of RMB1.000 to HK$1.229 for 2012 and RMB1.000 to HK$1.208 for 2011, being the average exchange rates that prevailed during the respective years.

13. Investment Properties

	Completed investment properties	Investment properties under construction or development at fair value	Investment properties under construction or development at cost	Total
	RMB'million	RMB'million	RMB'million	RMB'million
At 1 January 2011	14,119	6,815	5,959	26,893
Additions	40	4,856	3,220	8,116
Disposal of subsidiaries (note 36(c))	–	–	(348)	(348)
Eliminated upon disposal	(596)	–	–	(596)
Transfers	–	344	(344)	–
Transfer upon completion	2,801	(2,801)	–	–
Transfer to property, plant and equipment (note 14)	(31)	(335)	–	(366)
Increase in fair value recognised in the consolidated income statement	1,648	1,048	–	2,696
At 31 December 2011	17,981	9,927	8,487	36,395
At 31 December 2011				
– Stated at fair value	17,981	9,927	–	27,908
– Stated at cost	–	–	8,487	8,487
At 1 January 2012	**17,981**	**9,927**	**8,487**	**36,395**
Additions	**3**	**1,981**	**2,734**	**4,718**
Acquisition of subsidiaries (note 36(a))	**2,676**	**189**	**–**	**2,865**
Eliminated upon disposal	**(24)**	**–**	**–**	**(24)**
Transfers	**–**	**1,432**	**(1,432)**	**–**
Transfer upon completion	**773**	**(773)**	**–**	**–**
Transfer to property, plant and equipment (note 14)	**(28)**	**–**	**–**	**(28)**
Increase in fair value recognised in the consolidated income statement	**708**	**1,990**	**–**	**2,698**
At 31 December 2012	**22,089**	**14,746**	**9,789**	**46,624**
At 31 December 2012				
– Stated at fair value	**22,089**	**14,746**	**–**	**36,835**
– Stated at cost	**–**	**–**	**9,789**	**9,789**

The investment properties are all situated in the PRC and held under long term leases of RMB5,786 million (2011: RMB3,510 million) and medium term leases of RMB40,838 million (2011: RMB32,885 million). All the completed investment properties are rented out under operating leases or are held for capital appreciation purposes.

In circumstances where the fair value of an investment property under construction or development is not reliably determinable, such investment properties under construction or development are measured at cost less impairment, if any, until when its fair value becomes reliably determinable upon finalisation of the development plan, land and relocation cost and construction costs.

The fair values of the Group's investment properties at 31 December 2012 and 31 December 2011 and at dates of transfer upon completion of development of investment properties under construction or development and at the dates of transfer to property, plant and equipment have been arrived at on the basis of valuations carried out on those dates by Knight Frank Petty Limited, independent qualified professional valuers not connected to the Group.

13. Investment Properties (Continued)

For completed investment properties, the valuations have been arrived at using direct comparison method and capitalisation of net income method, where appropriate. In the valuation, the market rentals of all lettable units of the properties are assessed by reference to the rentals achieved in the lettable units as well as other lettings of similar properties in the neighbourhood. The capitalisation rate adopted is made by reference to the yield rates observed by the valuer for the similar properties in the locality and adjusted based on the valuers' knowledge of the factors specific to the respective properties.

For investment properties under construction or development that are measured at fair value, the valuations have been arrived at assuming that the investment properties will be completed in accordance with the development proposals and the relevant approvals for the proposals have been obtained. The key inputs in the valuations include the market value of the completed investment properties, which are estimated with reference to sales evidence of similar properties in the nearest locality, with adjustments made to account for differences in locations and other factors specific to the respective properties based on the valuers' judgement. Costs of development are also taken into account including construction costs, finance costs and professional fees, as well as developer's profit margin which reflects the remaining risks associated with the development of the properties at the valuation date and the return that the developer would require for bringing them to completion status, which is determined by the valuers based on its analyses of recent land transactions and market value of similar completed properties in the respective locations.

14. Property, Plant and Equipment

	Land and buildings RMB'million	Hotel properties RMB'million	Hotels under development RMB'million	Furniture, fixtures, equipment and motor vehicles RMB'million	Total RMB'million
At Cost					
At 1 January 2011	434	91	–	247	772
Transfer from investment properties (note 13)	31	–	335	–	366
Additions	–	–	198	44	242
Disposals	–	–	–	(8)	(8)
At 31 December 2011	465	91	533	283	1,372
Acquisition of subsidiaries (note 36(a))	**456**	**1,826**	**–**	**34**	**2,316**
Transfer from investment properties (note 13)	**28**	**–**	**–**	**–**	**28**
Transfer from properties under development for sales (note 16)	**–**	**–**	**46**	**–**	**46**
Transfer from properties held for sale	**15**	**–**	**–**	**–**	**15**
Transfer upon completion	**–**	**623**	**(623)**	**–**	**–**
Additions	**34**	**–**	**343**	**99**	**476**
Disposals	**–**	**–**	**–**	**(11)**	**(11)**
At 31 December 2012	**998**	**2,540**	**299**	**405**	**4,242**
Accumulated Depreciation					
At 1 January 2011	38	18	–	176	232
Charge for the year	24	2	–	43	69
Eliminated on disposals	–	–	–	(8)	(8)
At 31 December 2011	62	20	–	211	293
Charge for the year	**31**	**85**	**–**	**61**	**177**
Eliminated on disposals	**–**	**–**	**–**	**(10)**	**(10)**
At 31 December 2012	**93**	**105**	**–**	**262**	**460**
Carrying Values					
At 31 December 2012	**905**	**2,435**	**299**	**143**	**3,782**
At 31 December 2011	403	71	533	72	1,079

14. Property, Plant and Equipment (Continued)

The carrying amounts of owner-occupied leasehold land and buildings of RMB593 million (2011: RMB100 million), hotel properties of RMB2,367 million (2011: nil) and hotels under development of RMB41 million (2011: RMB533 million) at the end of the reporting period are included in property, plant and equipment, as in the opinion of the Directors, allocations of the carrying amounts between the leasehold land and buildings elements could not be made reliably.

The land and buildings, hotel properties and hotels under development are all situated in the PRC and held under long term leases of RMB54 million (2011: RMB42 million) and medium term leases of RMB3,585 million (2011: RMB965 million).

The above items of property, plant and equipment, except for hotels under development, are depreciated on a straight-line basis at the following rates per annum:

Land and buildings	Over the shorter of the term of the lease, or 50 years
Hotel properties	Over the shorter of the term of the lease, or 50 years
Furniture, fixtures, equipment and motor vehicles	20% to 33-1/3%

15. Prepaid Lease Payments

	2012 RMB'million	2011 RMB'million
At beginning of the year	500	73
Additions	–	434
Transfer from properties under development for sale (note 16)	185	–
Release for the year (note 7)	(14)	(7)
At end of the year	671	500

The cost of prepaid lease payments represents the amount paid to the government of the PRC in respect of the land use rights held under medium term leases.

16. Properties Under Development for Sale

	2012 RMB'million	2011 RMB'million
At beginning of the year	17,247	14,308
Additions	7,614	7,784
Transfer to property, plant and equipment (note 14)	(46)	–
Transfer to prepaid lease payments (note 15)	(185)	–
Transfer to properties held for sale	(4,480)	(4,845)
At end of the year	20,150	17,247

The properties under development are all situated in the PRC and held under long term leases of RMB18,734 million (2011: RMB15,826 million) and medium term leases of RMB1,416 million (RMB1,421 million).

Included in the properties under development for sale as at 31 December 2012 is carrying value of RMB16,936 million (2011: RMB15,445 million) which represents the carrying value of the properties expected to be completed after more than twelve months from the end of the reporting period.

17. Interests in Associates/Loans to Associates/Amounts Due from Associates/Amounts Due to Associates

	Notes	2012 RMB'million	2011 RMB'million
Cost of investments, unlisted		**482**	357
Share of post-acquisition profits		**782**	700
		1,264	1,057
Loans to associates			
– Interest free	(a)	**727**	808
– Interest bearing ranging from 5% to 6.15% (2011: 5%) per annum	(b)	**932**	558
		1,659	1,366
Amounts due from associates	(c)	**484**	446
Amounts due to associates	(d)	**11**	5

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

	2012 RMB'million	2011 RMB'million
Total assets	**12,390**	10,868
Total liabilities	**(9,493)**	(8,294)
Net assets	**2,897**	2,574
Group's share of net assets of associates	**1,264**	1,057

	2012 RMB'million	2011 RMB'million
Revenue	**565**	372
Profit for the year	**133**	224
Group's share of results of associates for the year	**82**	137

Notes:

(a) These loans to associates represent the loans to subsidiaries of Richcoast, an associate of the Group, for financing the development and operation of Dalian Tiandi project in Dalian, the PRC. Pursuant to the joint venture agreement ("Joint Venture Agreement") dated 25 May 2007 entered into among Innovate Zone Group Limited ("Innovate Zone"), an indirect subsidiary of the Company, Main Zone Group Limited ("Main Zone"), a direct wholly-owned subsidiary of SOCAM Development Limited ("SOCAM", an associate of SOCL) and Many Gain International Limited ("Many Gain"), an independent third party, the loans are unsecured, interest-free and with no fixed terms of repayment until Many Gain has contributed its share of the shareholder's loan to the subsidiaries of Richcoast. Thereafter, the loans will bear interest at a rate of 5% per annum, subject to shareholders' approval. The loans are carried at amortised cost using the effective interest rate of 7.29% (2011: 5.4%) per annum.

(b) These loans to associates, represent the loans to subsidiaries of Richcoast, are unsecured, interest bearing ranging from 5% to 6.15% (2011: 5%) per annum and with no fixed terms of repayment.

(c) The amounts due from associates are unsecured, interest bearing at 6.1% (2011: 6.1%) per annum and repayable on demand.

(d) The amounts due to associates are unsecured, interest free and repayable on demand.

17. Interests in Associates/Loans to Associates/Amounts Due from Associates/Amounts Due to Associates (Continued)

Particulars of the Group's principal associates at 31 December 2012 and 31 December 2011 are as follows:

Name of associate	Form of legal entity	Proportion of nominal value of issued ordinary share capital/ registered capital held by the Group	Place of incorporation/ registration and operations	Principal activities
Richcoast (notes 1 and 2)	Sino-Foreign Joint Venture	61.54%	British Virgin Islands ("BVI")	Investment holding
Dalian Qiantong Science & Technology Development Co., Ltd. (note 3)	Sino-Foreign Joint Venture	48%	PRC	Software park development
Dalian Ruisheng Software Development Co., Ltd. (note 3)	Sino-Foreign Joint Venture	48%	PRC	Software park development
Dalian Delan Software Development Co., Ltd. (note 3)	Sino-Foreign Joint Venture	48%	PRC	Software park development
Dalian Jiadao Science & Technology Development Co., Ltd. (note 3)	Sino-Foreign Joint Venture	48%	PRC	Software park development
Dalian Software Park Shuion Fazhan Co., Ltd. (note 3)	Sino-Foreign Joint Venture	48%	PRC	Software park development
Dalian Software Park Shuion Kaifa Co., Ltd. (note 3)	Sino-Foreign Joint Venture	48%	PRC	Software park development

Notes:

1. The Group does not have control over Richcoast because the Group has the power to appoint only 4 out of the 10 directors of that company.
2. Pursuant to the Joint Venture Agreement dated 25 May 2007 entered into among Innovate Zone, Main Zone and Many Gain, whereby the parties agreed to form a joint venture company, Richcoast, which is owned 61.54%, 28.20% and 10.26% by Innovate Zone, Main Zone, and Many Gain, respectively, for the development and operation of Dalian Tiandi project.
3. These companies are non-wholly owned subsidiaries of Richcoast.

18. Interest in a Jointly Controlled Entity/Amount Due from a Jointly Controlled Entity

	2012 RMB'million	2011 RMB'million
Cost of investment, unlisted	–	–
Share of post-acquisition losses	–	–
	–	–
Amount due from a jointly controlled entity	11	11
Less: Allowance	(11)	(11)
	–	–

Particulars of the Group's jointly controlled entity at 31 December 2012 and 31 December 2011 are as follows:

Name of jointly controlled entity	Form of legal entity	Proportion of nominal value of issued ordinary share capital/ registered capital held by the Group 2012	2011	Place of incorporation/ registration and operations	Principal activities
Crystal Jade Food and Beverage (Hangzhou) Limited	Limited liability company	50%	50%	Hong Kong	Investment holding
Shanghai Li Xing Hotel Co., Limited ("Shanghai Li Xing")	Sino-Foreign Joint Venture	50%	–	PRC	Investment holding

The amount due from a jointly controlled entity is unsecured, interest free and repayable on demand.

19. Accounts Receivable, Deposits and Prepayments

	2012 RMB'million	2011 RMB'million
Non-current accounts receivable comprise:		
Rental receivables in respect of rent-free periods	102	86
Current accounts receivable comprise:		
Trade receivables	316	458
Prepayments of relocation costs (note)	1,695	1,815
Other deposits, prepayments and receivables	595	230
	2,606	2,503

Note:
The balance represents the amounts that will be capitalised to properties under development for sale as soon as the relocation has been completed, and such relocation process is in accordance with the Group's normal operating cycle. The balance is not expected to be realised within twelve months from the end of the reporting period.

Trade receivables comprise:

(i) receivables arising from sales of properties which are due for settlement in accordance with the terms of the relevant sales and purchase agreements; and

(ii) rental receivables which are due for settlement upon issuance of monthly debit notes to the tenants.

19. Accounts Receivable, Deposits and Prepayments (Continued)

The following is an ageing analysis (based on the repayment terms set out in the sales and purchase agreements or debit notes to the tenants) of trade receivables (net of allowance for bad and doubtful debts, if any) at the end of each reporting period:

	2012 RMB'million	2011 RMB'million
Not yet due	303	401
Past due within 30 days	2	32
Past due 31 – 60 days	3	23
Past due 61 – 90 days	2	1
Past due over 90 days	6	1
	316	458

Included in the Group's trade receivable balances are debtors with aggregate carrying amount of RMB13 million (2011: RMB57 million) which are past due at the end of the reporting period for which the Group has not provided for impairment loss. Based on the past experience, the Directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Ageing of trade receivables which are past due but not impaired:

	2012 RMB'million	2011 RMB'million
Past due within 30 days	2	32
Past due 31 – 60 days	3	23
Past due 61 – 90 days	2	1
Past due over 90 days	6	1
	13	57

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 date of the reporting period. Allowance for bad and doubtful debts are generally not required for rental receivables as the Group has collected rental deposits from the tenants to secure any potential losses from uncollectible debts.

20. Pledged Bank Deposits/Restricted Bank Deposits/Bank Balances

Pledged bank deposits represent deposits pledged to banks to secure the banking facilities granted to the Group. Deposits amounting to RMB1,720 million (2011: RMB1,143 million) have been pledged to secure long-term bank loans and are therefore classified as non-current assets.

Bank balances carry interest at market rates which range from 0.35% to 1.35% (2011: 0.5% to 1.5%) per annum. Pledged bank deposits carry interest at fixed rates which range from 0.35% to 1.35% (2011: 0.5% to 1.5%) per annum. The pledged bank deposits will be released upon the settlement of relevant bank borrowings.

Restricted bank deposits of RMB183 million (2011: RMB335 million) represent deposits placed by the Group with banks which can only be applied to designated property development projects of the Group. Restricted bank deposits carry interest at market rates which range from 0.35% to 1.35% (2011: 0.5% to 1.5%) per annum.

21. Properties Held For Sale

The Group's properties held for sale are situated in the PRC. All the properties held for sale are stated at cost.

22. Loans Receivable

The amount in 2011 represented entrusted loans which were denominated in RMB, unsecured, and carried fixed interest at rates which range from 6.4% to 6.7% per annum and had been fully settled in March 2012.

23. Amounts Due from/to Related Companies

The amounts due from related companies are unsecured, interest free and repayable on demand, except for an amount of RMB76 million (2011: nil) which is unsecured, carries interest at rates ranging from 6.1% to 6.6% per annum and repayable within one year from the end of the reporting period.

The amounts due to related companies are unsecured, interest free and repayable on demand, except for an amount of RMB100 million (2011: nil) which is unsecured, carries interest at rate of 6.1% per annum and repayable within one year from the end of the reporting period.

Related companies are subsidiaries of SOCL other than the Group or associates of SOCL.

24. Amounts Due from/to Non-Controlling Shareholders of Subsidiaries

The amounts due from non-controlling shareholders of subsidiaries are unsecured, interest free and repayable on demand, except for an amount of RMB31 million (2011: nil) which is unsecured, carries interest at rate of 6.6% per annum and an amount of RMB22 million (2011: nil) which is unsecured, carries interest at rate of 7.2% per annum, both are repayable within one year from the end of the reporting period.

The amounts due to non-controlling shareholders of subsidiaries are unsecured, interest free and repayable on demand.

25. Accounts Payable, Deposits Received and Accrued Charges

	2012 RMB'million	2011 RMB'million
Trade payables with aging analysis (based on invoice date):		
0 – 30 days	**2,443**	2,519
31 – 60 days	**29**	4
61 – 90 days	**16**	5
Over 90 days	**80**	11
	2,568	2,539
Retention payables (note (a))	**448**	224
Deed tax, business tax and other tax payables	**325**	397
Deposits received and receipt in advance from property sales	**3,551**	860
Deposits received and receipt in advance in respect of rental of investment properties	**324**	259
Deposit received in respect of partial disposal of equity interests in subsidiaries (note (b))	**352**	352
Accrued charges	**335**	437
	7,903	5,068

Notes:

(a) Retention payables are expected to be paid upon the expiry of the retention periods according to the respective contracts.

(b) Pursuant to a sale and purchase agreement dated 29 November 2011, entered into between Shui On Development (Holding) Limited ("SOD", a wholly owned subsidiary of the Company) and Mitsui Fudosan Residential Co., Ltd. ("Mitsui", a non-controlling shareholder of an associate's subsidiary), SOD agreed to dispose of, and Mitsui agreed to acquire from SOD, SOD's 49% equity interests in relation to Value Land Limited ("Value Land", an indirect wholly owned subsidiary of the Company which engages in the property development in Foshan, the PRC), for a consideration of RMB391 million. An amount of RMB352 million was received in December 2011 and the remaining balance of RMB39 million would be received upon completion of the transaction pursuant to the terms of the sales and purchase agreement. The transaction was completed on 4 February 2013. The Group holds 51% equity interest in Value Land and still has control over Value Land subsequent to the completion of this transaction.

26. Loans from Non-Controlling Shareholders of Subsidiaries

The carrying amounts of the loans from non-controlling shareholders of subsidiaries are analysed as follows:

Denominated in	Interest rate per annum	2012 RMB'million	2011 RMB'million
RMB	110% (2011: 110%) of People's Bank of China ("PBOC") Prescribed Interest Rate (note (a))	**1,648**	1,460
HK$	Interest free (notes (a) and (b))	**406**	–
United States dollars ("US$")	110% (2011: 110%) of PBOC Prescribed Interest Rate (note (a))	**430**	618
		2,484	2,078

Notes:

(a) The loans are unsecured and will not be demanded for repayment until the Group's subsidiaries are in a position to repay the loans, which are to be mutually agreed between both parties. The Directors are of the opinion that the loans are not repayable in the next twelve months from the end of the reporting period.

(b) The principal amounts of the loans are RMB456 million. The loans are carried at amortised cost at an effective interest rate of 6.7% per annum.

27. Bank and Other Borrowings

	2012 RMB'million	2011 RMB'million
Bank borrowings repayable within a period of:		
– Not more than 1 year or on demand	**5,103**	8,774
– More than 1 year, but not exceeding 2 years	**3,867**	3,490
– More than 2 years, but not exceeding 5 years	**8,623**	3,026
– More than 5 years	**1,210**	1,138
	18,803	16,428
Other borrowings repayable within a period of:		
– More than 1 year, but not exceeding 2 years	**–**	315
Total bank and other borrowings	**18,803**	16,743
Less: Amount due within one year shown under current liabilities	**(5,103)**	(8,774)
Amount due after one year	**13,700**	7,969

The carrying amounts of the Group's bank and other borrowings are analysed as follows:

Denominated in	Interest rate	2012 RMB'million	2011 RMB'million
RMB	90% to 140% (2011: 90% to 120%) of PBOC Prescribed Interest Rate	**9,735**	6,760
HK$	Hong Kong Interbank Offered Rates ("HIBOR") plus 1.5% to 4.6% (2011: HIBOR plus 2% to 4.5%)	**6,561**	9,166
US$	Singapore Interbank Offered Rates ("SIBOR") plus 2.75% to 3.5% (2011: SIBOR plus 2.75% to 3.5%)	**377**	502
US$	London Interbank Offered Rates ("LIBOR") plus 3.1% to 4.6% (2011: LIBOR plus 14%)	**2,130**	315
		18,803	16,743

As at 31 December 2012, the weighted average effective interest rate on the bank and other borrowings was 5.6% (2011: 4.9%), and are further analysed as follows:

	2012	2011
Denominated in RMB	**7.0%**	6.8%
Denominated in HK$	**4.0%**	3.3%
Denominated in US$	**4.3%**	7.8%

The bank and other borrowings at the end of the reporting period are secured by the pledge of assets as set out in note 38.

28. Share Capital

	Authorised		Issued and fully paid	
	Number of shares	US$'000	Number of shares	US$'000
Ordinary shares of US$0.0025 each				
At 1 January 2011 and 31 December 2011	12,000,000,000	30,000	5,211,587,981	13,029
Issue of shares in lieu of cash dividends (note 11)	–	–	162,797,018	407
Issue of new shares for the acquisition of equity interests in subsidiaries (note 36(a))	–	–	626,909,643	1,567
At 31 December 2012	**12,000,000,000**	**30,000**	**6,001,294,642**	**15,003**

	2012	2011
	RMB'million	RMB'million
Shown in the consolidated statement of financial position as	**114**	102

29. Reserves

(a) Merger reserve represents the aggregate of:

(i) the difference between the nominal value of the share capital and share premium on the shares issued by the Company and the aggregate of the share capital and share premium of the holding companies of the subsidiaries acquired;

(ii) the share of profit attributable to the deemed non-controlling shareholders exchanged upon the group reorganisation in 2004; and

(iii) the difference between the fair value and the carrying amount of the net assets attributable to the additional interest in the subsidiaries being acquired from a non-controlling shareholder upon the group reorganisation in 2004.

(b) Special reserve comprise:

(i) The difference between the fair value and the carrying amount of the net assets attributable to the additional interest in the subsidiaries being acquired from non-controlling shareholders, which will be recognised in the consolidated income statement upon the earlier of the disposal of the assets, disposal of the subsidiary of the assets which the assets relate, or when the related assets affect profit or loss.

During the year ended 31 December 2011, an amount of RMB40 million was released to the consolidated income statement upon the disposal by the subsidiaries of the assets to which it relates.

(ii) An amount of RMB104 million recognised against the special reserve in the year ended 31 December 2011 represents the difference between the fair value of the consideration paid and the carrying value of the net assets attributable to the additional interest in a residential development on a parcel of land of the Rui Hong Xin Cheng project.

29. Reserves (Continued)

(c) Other reserves comprise:

(i) An amount of RMB483 million represents payable waived in 2004 by Shui On Investment Company Limited ("SOI", a shareholder of the Company, which is wholly owned by SOCL), in respect of development costs of the same amount originally paid by Shanghai Shui On Property Development Management Co., Ltd., a fellow subsidiary of SOI, and recharged to certain subsidiaries of the Company.

(ii) Capital contribution of RMB21 million arising on the fair value adjustments at the initial recognition of an interest free loan advanced by a non-controlling shareholder of a subsidiary in 2005.

(iii) Non-distributable reserve of RMB99 million arising from the capitalisation of retained profits as registered capital of a subsidiary in the PRC in 2006.

(iv) An amount of RMB34 million recognised in the year ended 31 December 2010 represents the difference between the fair value of the consideration paid and the carrying amount of the net assets attributable to the additional interest of 16.8% in Yang Pu Centre Development Co., Ltd. being acquired from the non-controlling interests in 2010.

(v) An amount of RMB188 million recognised against the other reserve in the current year represents the Group's share of additional interest of 4.81% in carrying amount of the net assets of Foresight Profits Limited ("Foresight"). The Group acquired the additional interest through capital injection in Foresight.

(vi) An amount of RMB138 million recognised in the current year represents the difference between the fair value of the consideration received and the carrying amount of the net assets attributable to the partial disposal of equity interests of 49% in Glory Land Limited.

30. Convertible Bonds

On 29 September 2010, the Company issued RMB denominated US$ settled 4.5% convertible bonds with the aggregate principal amount of RMB2,720 million with initial conversion price of HK$4.87 at a fixed exchange rate of RMB1.00 to HK$1.1439. An adjustment had been made to the conversion price from HK$4.87 to HK$4.47 as a result of the dividends paid since the convertible bonds were issued.

Conversion may occur at any time between 10 November 2010 and 19 September 2015. The Company will, at the option of the holder of the bonds, be required to redeem all or some only of such holder's bonds on 29 September 2013 at an amount equal to the US$ equivalent of their RMB principal amount, together with accrued but unpaid interest.

If the bonds have not been converted or redeemed by the date of maturity, they will be redeemed at an amount equal to the US$ equivalent of their RMB principal amount, together with accrued but unpaid interest.

The Company may at any time after 29 September 2013 redeem all, but not some only, of the bonds for the time being outstanding at the US$ equivalent of their RMB principal amount, together with interest accrued to the date fixed for redemption, provided that the closing price of the shares of the Company translated into RMB at the prevailing rate applicable to the relevant trading day, for 20 out of 30 consecutive trading days prior to the date upon which notice of such redemption is published was at least 130% of the conversion price then in effect, translated into RMB at the fixed rate of RMB1.00 = HK$1.1439.

The Company may at any time redeem all, but not some only, of the bonds being outstanding at a redemption price equal to the US$ equivalent of their RMB principal amount, together with accrued but unpaid interest to the date fixed for redemption, if prior to the date of notice at least 90% in RMB principal amount of the bonds originally issued has already been converted, redeemed or purchased and cancelled.

30. Convertible Bonds (Continued)

The convertible bonds contain two components: equity and liability elements. The equity element of RMB605 million is presented in equity heading "convertible bond equity reserve". The movement of the liability component of the convertible bonds for the year is set out below:

	2012 RMB'million	2011 RMB'million
At 1 January	2,225	2,117
Interest charged during the year	243	230
Less: Interest paid	(122)	(122)
At 31 December	2,346	2,225

The effective interest rate of the liability component on initial recognition is 10.7% per annum.

The fair value of the liability component at inception date is determined based on the valuation carried out by an independent valuer.

31. Notes

	2012 RMB'million	2011 RMB'million
At 1 January	6,520	2,945
Issue of senior notes due 2015	6,952	3,500
Expenses on issue of senior notes	(137)	(70)
Interest charged during the year	972	485
Less: Interest paid	(794)	(340)
Exchange translation	6	–
At 31 December	13,519	6,520
Less: Amount due within one year shown under current liabilities	(2,980)	–
Amount due after one year	10,539	6,520

On 23 December 2010, SOD issued RMB3,000 million senior notes to independent third parties with a maturity of three years due on 23 December 2013 (the "2013 RMB Notes"). The 2013 RMB Notes are denominated in RMB and settled in US$, and bear coupon interest at rate of 6.875% per annum payable semi-annually in arrears.

On 26 January 2011, SOD further issued RMB3,500 million senior notes to independent third parties with a maturity of four years due on 26 January 2015 (the "2015 RMB Notes"). The 2015 RMB Notes are denominated in RMB and settled in US$, and bear coupon interest at rate of 7.625% per annum payable semi-annually in arrears.

On 26 January 2012, Shui On Development (Singapore) Pte. Ltd. ("SODSG"), a wholly-owned subsidiary of the Company, issued Singapore dollar ("SGD") 250 million (equivalent to RMB1,241 million) senior notes to independent third parties with a maturity of three years due on 26 January 2015 (the "2015 SGD Notes"). The 2015 SGD Notes are denominated and settled in Singapore dollar, and bear coupon interest at rate of 8% per annum payable semi-annually in arrears.

On 16 February 2012 and 29 February 2012, SOD issued US$400 million (equivalent to RMB2,520 million) senior notes and US$75 million (equivalent to RMB472 million) senior notes, respectively, to independent third parties with a maturity of three years due on 16 February 2015 (the "2015 US$ Notes"). The 2015 US$ Notes are denominated and settled in US$, and bear coupon interest at rate of 9.75% per annum payable semi-annually in arrears.

31. Notes (Continued)

On 6 August 2012, SOD further issued US$400 million senior notes at 102.785% of the principal amount plus accrued interest from 16 February 2012 to 6 August 2012 ("Additional Notes") (equivalent to RMB2,719 million) to independent third parties. These Additional Notes consolidate and form a single class with the 2015 US$ Notes and have the same term and maturity date of 16 February 2015. These Additional Notes are denominated in US$, and bear coupon interest at rate of 9.75% per annum payable semi-annually in arrears.

The principal terms of the notes

The 2013 RMB Notes were:

(a) senior in right of payment to any existing and future obligations of SOD expressly subordinated in right of payment to the Notes;

(b) at least pari passu in right of payment with all other unsecured, unsubordinated indebtedness of SOD (subject to any priority rights of such unsubordinated indebtedness pursuant to applicable law);

(c) guaranteed by the Company on a senior basis;

(d) effectively subordinated to the secured obligations (if any) of the Company and SOD, to the extent of the value of the assets serving as security therefore; and

(e) effectively subordinated to all existing and future obligations of the subsidiaries of SOD.

At any time prior to the date of maturity of the 2013 RMB Notes, SOD may at its option redeem the Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the Notes redeemed plus the applicable premium (see definition below) as of, and accrued and unpaid interest, if any, to (but not including) the redemption date, as set forth in the written agreement between the Company, SOD, and the trustee of the 2013 RMB Notes. In the opinion of the Directors, the fair value of the option to early redeem the 2013 RMB Notes is insignificant at initial recognition and at the end of the reporting period.

At any time on or before all the 2013 RMB Notes are matured or being fully redeemed, for every two semi-annual periods, dividend payments of the Company are limited to 20% of the profit attributable to the shareholders' after taking into account certain adjustments prescribed in the terms of the 2013 RMB Notes.

The 2015 RMB Notes were:

(a) senior in right of payment to any existing and future obligations of SOD expressly subordinated in right of payment to the Notes;

(b) at least pari passu in right of payment with all other unsecured, unsubordinated indebtedness of SOD (subject to any priority rights of such unsubordinated indebtedness pursuant to applicable law);

(c) guaranteed by the Company on a senior basis;

(d) effectively subordinated to the secured obligations (if any) of the Company and SOD, to the extent of the value of the assets serving as security therefore; and

(e) effectively subordinated to all existing and future obligations of the subsidiaries of SOD.

At any time prior to the date of maturity of the 2015 RMB Notes, SOD may at its option redeem the Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the Notes redeemed plus the applicable premium (see definition below) as of, and accrued and unpaid interest, if any, to (but not including) the redemption date, as set forth in the written agreement between the Company, SOD, and the trustee of the 2015 RMB Notes. In the opinion of the Directors, the fair value of the option to early redeem the 2015 RMB Notes is insignificant at initial recognition and at the end of the reporting period.

At any time on or before all the 2015 RMB Notes are matured or being fully redeemed, for every two semi-annual periods, dividend payments of the Company are limited to 20% of the profit attributable to the shareholders' after taking into account certain adjustments prescribed in the terms of the 2015 RMB Notes.

31. Notes (Continued)

The principal terms of the notes (Continued)

The 2015 SGD Notes were:

(a) senior in right of payment to any existing and future obligations of SODSG expressly subordinated in right of payment to the 2015 SGD Notes;

(b) at least pari passu in right of payment with all other unsecured, unsubordinated indebtedness of SODSG (subject to any priority rights of such unsubordinated indebtedness pursuant to applicable law);

(c) guaranteed by the Company on a senior basis;

(d) effectively subordinated to the secured obligations (if any) of the Company, SOD and SODSG, to the extent of the value of the assets serving as security thereof; and

(e) effectively subordinated to all existing and future obligations of the subsidiaries of SOD.

At any time prior to the date of maturity of the 2015 SGD Notes, SODSG may at its option redeem the 2015 SGD Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the 2015 SGD Notes redeemed plus the applicable premium (see definition below) as of, and accrued and unpaid interest, if any, to (but not including) the redemption date, as set forth in the written agreement between the Company, SODSG, and the trustee of the 2015 SGD Notes. In the opinion of the Directors, the fair value of the option to early redeem the 2015 SGD Notes is insignificant at initial recognition and at the end of the reporting period.

At any time on or before all the Notes or 2015 SGD Notes are matured or being fully redeemed, for every two semi-annual periods, dividend payments of the Company are limited to 20% of the profit attributable to shareholders after taking into account certain adjustments prescribed in the terms of the Notes and 2015 SGD Notes.

"Applicable premium" for the 2013 RMB Notes, 2015 RMB Notes and 2015 SGD Notes means with respect to the notes at any redemption date, the greater of (1) 1.00% of the principal amount of the notes and (2) the excess of (A) the present value at such redemption date of (i) the redemption amount of the notes, plus (ii) all required remaining scheduled interest payments due on the notes through the maturity date of the notes (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to 2.5%, over (B) the principal amount of the notes on such redemption date.

The 2015 US$ Notes were:

(a) senior in right of payment to any existing and future obligations of SOD expressly subordinated in right of payment to the 2015 US$ Notes;

(b) at least pari passu in right of payment with all other unsecured, unsubordinated indebtedness of SOD (subject to any priority rights of such unsubordinated indebtedness pursuant to applicable law);

(c) guaranteed by the Company on a senior basis;

(d) effectively subordinated to the secured obligations (if any) of the Company and SOD, to the extent of the value of the assets serving as security thereof; and

(e) effectively subordinated to all existing and future obligations of the subsidiaries of SOD.

At any time prior to the date of maturity of the 2015 US$ Notes, SOD may at its option redeem the 2015 US$ Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the 2015 US$ Notes redeemed plus the applicable premium (see definition below) as of, and accrued and unpaid interest, if any, to (but not including) the redemption date, as set forth in the written agreement between the Company, SOD, and the trustee of the 2015 US$ Notes. In the opinion of the Directors, the fair value of the option to early redeem the 2015 US$ Notes is insignificant at initial recognition and at the end of the reporting period.

31. Notes (Continued)

The principal terms of the notes (Continued)

The 2015 US$ Notes were: (Continued)

"Applicable premium" for the 2015 US$ Notes means with respect to the notes at any redemption date, the greater of (1) 1.00% of the principal amount of the notes and (2) the excess of (A) the present value at such redemption date of (i) the redemption amount of the notes, plus (ii) all required remaining scheduled interest payments due on the notes through the maturity date of the notes (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the adjusted treasury rate plus 100 basis points, over (B) the principal amount of the notes on such redemption date.

At any time on or before all the Notes or 2015 US$ Notes are matured or being fully redeemed, for every two semi-annual periods, dividend payments of the Company are limited to 20% of the profit attributable to shareholders after taking into account certain adjustments prescribed in the terms of the Notes and 2015 US$ Notes.

32. Perpetual Capital Securities

On 4 December 2012, SOD issued US$500 million (equivalent to RMB3,137 million) 10.125% guaranteed perpetual capital securities ("Perpetual Capital Securities") at an issue price of 100%. The Perpetual Capital Securities were issued for general corporate funding purposes and were guaranteed by the Company on a senior basis for the due payment of all sums which may be payable by SOD under the Perpetual Capital Securities. Distributions on the Perpetual Capital Securities are paid semi-annually in arrears from 10 June 2013 and can be deferred at the discretion of SOD. The Perpetual Capital Securities have no fixed maturity and are redeemable at SOD's option on or after 10 December 2017 at their principal amounts together with any accrued, unpaid or deferred distributions. While any distributions are unpaid or deferred, the Company and SOD cannot declare or, pay dividends or make distributions or similar periodic payments in respect of, or repurchase, redeem or otherwise acquire any securities of lower or equal rank, which includes the ordinary shares of the Company and SOD.

33. Derivative Financial Instruments Designated as Hedging Instruments

The derivative financial instruments are measured at fair value at the end of the reporting period. The fair value is determined based on valuation provided by the counterparty financial institution.

At 31 December 2012 and 31 December 2011, the Group has outstanding interest rate swaps to hedge against the variability of cash flows arising from the interest rate fluctuations. Under these swaps, the Group would receive interests at variable rates at HIBOR and pay interests at fixed rates ranging from 0.63% to 1.45% (2011: 0.69% to 3.58%) and receive interests at variable rates at LIBOR and pay interests at fixed rates ranging from 0.70%to 0.71% (2011: nil) based on the notional amounts of HK$3,530 million (2011: HK$8,210 million) and US$150 million (2011: nil) in aggregate as at 31 December 2012, respectively, and reduced ratably with repayment of the underlying bank borrowings. The Group has designated the interest rate swaps as hedges against the variability of interest payments of certain bank borrowings of the Group with principal amount of HK$3,530 million (2011: HK$8,210 million) and US$150 million (2011: nil) which bear variable interest rates at HIBOR plus spread ranging from 3.0% to 4.5% (2011: 2.4% to 3.65%) and LIBOR plus spread at 3.1% (2011: nil), and mature on or before June 2015 and March 2015, respectively. The principal terms of the interest rate swaps have been negotiated to match the terms of the related bank borrowings.

During the year ended 31 December 2012, fair value gain arising from the interest rate swaps of RMB54 million (2011: RMB68 million) has been deferred in equity as hedge reserve, which is expected to be recognised in the consolidated income statement at various dates upon the interest payments of the related bank borrowings are settled.

During the year ended 31 December 2012, certain interest rate swaps were early terminated due to early repayment of the relevant bank borrowings. Upon termination of the interest rate swaps, an amount of RMB47 million (2011: nil) which was previously recognised in other comprehensive income and accumulated in hedge reserve was reclassified to profit or loss.

34. Deferred Tax Assets/Liabilities

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

	Accelerated tax depreciation RMB'million	Revaluation of investment properties RMB'million	Tax losses RMB'million	Recognition of sales and related cost of sales RMB' million	Withholding tax on income derived in the PRC RMB' million	Others RMB' million	Total RMB' million
At 1 January 2011	1,025	1,931	(20)	(35)	118	(180)	2,839
Charge (credit) to consolidated income statement	80	595	3	(24)	68	(5)	717
At 31 December 2011	1,105	2,526	(17)	(59)	186	(185)	3,556
Charge (credit) to consolidated income statement	**67**	**672**	**(104)**	**(132)**	**(1)**	**108**	**610**
Acquisition of subsidiaries (note 36(a))	**148**	**530**	**(26)**	**–**	**21**	**96**	**769**
At 31 December 2012	**1,320**	**3,728**	**(147)**	**(191)**	**206**	**19**	**4,935**

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

	2012 RMB'million	2011 RMB'million
Deferred tax assets	**(93)**	(154)
Deferred tax liabilities	**5,028**	3,710
	4,935	3,556

At the end of the reporting period, the Group has unused tax losses of RMB734 million (2011: RMB267 million) available to offset against future profits. A deferred tax asset has been recognised in respect of such tax losses amounting to RMB587 million (2011: RMB66 million). No deferred tax asset has been recognised in respect of the remaining tax losses of RMB147 million (2011: RMB201 million) due to the unpredictability of future profit streams. The unrecognised tax losses will expire in the following years ending 31 December:

	2012 RMB'million	2011 RMB'million
2012	**–**	7
2013	**34**	135
2014	**7**	7
2015	**39**	43
2016	**52**	9
2017	**15**	–
	147	201

35. Provident and Retirement Fund Schemes

Hong Kong

The Group participates in both a defined benefit plan (the "Plan") which is registered under the Occupational Retirement Schemes Ordinance and in a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Schemes Ordinance in December 2000. The Plan was set up by the Group during 2004. The assets of the Plan are held separately from those of the Group and are invested in securities and funds under the control of trustees. Employees who were members of the Plan prior to the establishment of MPF Scheme were offered a choice of staying within the Plan or switching to the MPF Scheme, whereas all new employees joining the Group on or after 1 December 2000 are required to join the MPF Scheme.

The MPF Scheme

For members of the MPF Scheme, contributions are made by the employees at 5% of relevant income and by the Group at rates ranging from 5% to 10% of the employees' salaries, depending on the employees' length of services with the Group.

The Group's contributions to the MPF Scheme charged to the consolidated income statement as staff costs during the year ended 31 December 2012 are less than RMB1 million.

The Plan

Contributions to the Plan are made by the members at 5% of their salaries and by the Group which are based on recommendations made by the actuary of the Plan. The current employer contribution rate ranges from 5% to 10% of the members' salaries. Under the Plan, a member is entitled to retirement benefits which comprise the sum of any benefits transferred from another scheme and the greater of the sum of employer's basic contribution plus the member's basic contribution accumulated with interest at a rate of no less than 6% per annum before 1 September 2003 and 1% per annum in respect of contributions made on or after 1 September 2003 or 1.8 times the final salary times the length of employment with the Group on the attainment of the retirement age of 60. For members who joined the Plan before 1997, the retirement age is 60 for male members and 55 for female members. No other post-retirement benefits are provided.

The actuarial valuations of the plan assets and the present value of the defined benefit obligation are carried out at 31 December 2012 and 31 December 2011 by Ms. Elaine Hwang of Towers Watson Hong Kong Limited, who is a Fellow of the Society of Actuaries. The present value of the defined benefit obligations and the related current service cost are measured using the Projected Unit Credit Method.

The principal actuarial assumptions used as at the end of the reporting period are as follows:

		2012		2011
Discount rate		**0.5%**		1.4%
Expected rate of salary increase	**2013+:**	**5.0%**	2012+:	5.0%
Expected rate of return on plan assets		**7.0%**		7.0%

The actuarial valuation shows that the fair value of the plan assets attributable to the Group at 31 December 2012 was RMB41 million (2011: RMB33 million), representing 42% (2011: 38%) of the benefits that has accrued to members.

35. Provident and Retirement Fund Schemes (Continued)

Hong Kong (Continued)

The Plan (Continued)

Amounts recognised in the consolidated income statement for the years ended 31 December 2012 and 31 December 2011 in respect of the defined benefit plan are as follows:

	2012 RMB'million	2011 RMB'million
Current service cost	3	3
Interest cost	1	2
Expected return on plan assets	(2)	(3)
Net actuarial losses recognised during the year	4	2
Net amount charged to consolidated income statement as staff costs	6	4

The actual returns on plan assets allocated to the Group for the year ended 31 December 2012 are losses of RMB4 million (2011: gains of RMB5 million).

The amounts included in the consolidated statement of financial position arising from the Group's obligations in respect of the Plan are as follows:

	2012 RMB'million	2011 RMB'million
Present value of funded defined benefit obligations	98	86
Unrecognised actuarial losses	(45)	(46)
Fair value of plan assets	(41)	(33)
Defined benefit liabilities	12	7

Movements in the present value of the funded defined benefit obligations are as follows:

	2012 RMB'million	2011 RMB'million
At 1 January	86	85
Exchange realignment	–	(3)
Current service cost	3	3
Interest cost	1	2
Contributions from plan participants	1	1
Actuarial losses	7	15
Benefits paid	–	(17)
At 31 December	98	86

35. Provident and Retirement Fund Schemes (Continued)

Hong Kong (Continued)

The Plan (Continued)

Movements in the fair value of the plan assets are as follows:

	2012 RMB'million	2011 RMB'million
At 1 January	(33)	(53)
Exchange realignment	–	3
Expected return on plan assets	(2)	(3)
Actuarial (gains) losses	(2)	6
Contributions from the employer	(2)	(2)
Contributions from plan participants	(2)	(1)
Benefits paid	–	17
At 31 December	(41)	(33)

The major categories of plan assets at the end of the reporting period are as follows:

	2012 RMB'million	2011 RMB'million
Equities	23	18
Hedge funds	7	7
Bonds and cash	11	8
	41	33

The Group expects to make a contribution of RMB2 million (2011: RMB3 million) to the defined benefit plans during the next financial year.

PRC

According to the relevant laws and regulations in the PRC, certain subsidiaries established in the PRC are required to contribute a specific percentage of the payroll of their employees to retirement benefit schemes to fund the retirement benefits of their employees. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the respective schemes.

36. Acquisitions and Disposals

(a) Acquisition of subsidiaries

Pursuant to a sale and purchase agreement dated 9 September 2011 entered into between Rich Bright Holdings Limited ("Rich Bright", an indirect wholly-owned subsidiary of the Company), as the purchaser and Cassidy Enterprises Corp. ("Cassidy", an indirect wholly-owned subsidiary of SOI) and SOI, as sellers, Rich Bright agreed to acquire from Cassidy and SOI, respectively, the entire equity interest in Rimmer Investments Limited ("Rimmer", which indirectly owns Shui On Plaza, an office and retail complex located at Huangpu District, Shanghai, the PRC); and 66.7% equity interest in Magic Garden Investments Limited ("Magic Garden", which indirectly beneficially owns Langham Xintiandi Hotel located at Huangpu District, Shanghai, the PRC).

Langham Xintiandi Hotel is owned by Shanghai Lixing, a company established in the PRC of which the Group holds 50% equity interest through Landton Limited ("Landton", a wholly-owned subsidiary of Victorious Run Limited "VRL", a wholly-owned subsidiary of Magic Garden). In accordance with the shareholders' agreement entered into between Magic Garden, Shanghai Lixing, Landton, VRL and the other joint venturers of Shanghai Lixing, the Group solely has the ability to execute the right and control over, and is solely responsible for or entitled to, as appropriate, all costs incurred in the development, construction and operation of, and income arising from the operation of Langham Xintiandi Hotel. The related assets, liabilities, income and expenses of Langham Xintiandi Hotel are therefore consolidated in the consolidated financial statements of the Group.

SOCL was the substantial shareholder of the Company which indirectly held 48% of the issued shares of the Company prior to the acquisition. Upon completion of acquisition of Rimmer and Magic Garden, SOCL became the ultimate holding company of the Company. Mr. Vincent H.S. Lo, the Chairman of the Company, has controlling interest in SOCL.

On 16 March 2012, the acquisition of Rimmer and Magic Garden was completed. Upon completion of the transaction, Rimmer and Magic Garden became subsidiaries of the Company. In the opinion of the Directors, the acquisition of Rimmer and Magic Garden will complement the Group's strong established position in the PRC real estate market with a stronger presence in Shanghai and position the Group to capture the growth potential from the main financial and business hub of the PRC. The acquisition is expected to make a positive contribution to the income stream of the Group.

The consideration for the acquisition of Rimmer and Magic Garden was settled by the issuance of 626,909,643 shares of the Company and was determined based on the fair values of the assets and liabilities acquired at the date of acquisition. The fair values of the assets and liabilities acquired at the date of acquisition are set out as follows:

	Rimmer RMB'million	Magic Garden RMB'million	Total RMB'million
Investment properties	2,676	189	2,865
Property, plant and equipment	456	1,860	2,316
Accounts receivable, deposits and prepayments	4	28	32
Bank balances and cash	84	27	111
Amounts due from related companies	203	–	203
Amounts due to related companies	–	(581)	(581)
Loan from a non-controlling shareholder of a subsidiary	–	(306)	(306)
Accounts payable, deposits received and accrued charges	(35)	(213)	(248)
Amount due to a non-controlling shareholder of a subsidiary	(18)	–	(18)
Tax liabilities	(4)	–	(4)
Bank borrowings	(921)	(203)	(1,124)
Deferred tax liabilities	(675)	(94)	(769)
	1,770	707	2,477
Gain on acquisition of subsidiaries:			
Consideration transferred			1,766
Add: Non-controlling interests			661
Less: Fair values of assets and liabilities acquired			(2,477)
			(50)
Cash inflow arising on acquisition:			
Cash and cash equivalents acquired			111

36. Acquisitions and Disposals (Continued)

(a) Acquisition of subsidiaries (Continued)

The non-controlling interests in Rimmer and Magic Garden recognised at the acquisition date was measured with reference to the non-controlling interests' proportionate share of the fair value of net assets of Rimmer and Magic Garden and amounted to RMB661 million.

Included in the profit for the year ended 31 December 2012 is profit of RMB116 million attributable to Rimmer and Magic Garden. Turnover for the year ended 31 December 2012 includes RMB270 million generated from Rimmer and Magic Garden.

Had the acquisition of Rimmer and Magic Garden been completed on 1 January 2012, the Group's total turnover for the year would have been RMB4,884 million, and profit for the year would have been RMB2,386 million. The pro forma information is for illustrative purpose only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2012, nor is it intended to be a projection of future results.

(b) Acquisition of additional interests in subsidiaries

(i) During the year ended 31 December 2012, the share capital of Foresight, an indirect non-wholly-owned subsidiary of the Company which indirectly owns all ownership interest in a PRC enterprise which is engaged in Rui Hong Xin Cheng project, was increased, whereby SOD, which owned 75% equity interest in Foresight, subscribed the entire portion of the increase in share capital at a consideration of HK$1,174 million (equivalent to RMB952 million). Elegant Partners Limited ("EPL", a non-controlling shareholder which owned 25% of equity interest in Foresight) did not participate in injecting any additional capital into Foresight. Upon completion of the subscription, the equity interest of SOD in Foresight was increased by 4.81% from 75% to 79.81% and the equity interest of the non-controlling shareholder of Foresight was diluted from 25% to 20.19% by 4.81%.

An amount of RMB188 million recognised in the other reserve during the year ended 31 December 2012 represents the Group's share of additional interest in carrying amount of the net assets of Foresight.

(ii) During the year ended 31 December 2011, pursuant to a supplementary shareholder agreement entered into between SOD, Foresight, Hollyfield Holdings Limited, Selfers Limited, Silomax Limited (indirect subsidiaries of the Company) and EPL dated 1 April 2012, EPL agreed to dispose of, and SOD agreed to acquire from EPL, EPL's rights and interests in relation to a particular phase of the Rui Hong Xin Cheng project for a consideration of RMB378 million.

EPL agreed that the consideration of RMB378 million was advanced to Foresight to finance the Rui Hong Xin Cheng project, which is included in loan from non-controlling shareholder of subsidiaries. The amount owed to EPL is unsecured, interest bearing at 110% of PBOC Prescribed Interest Rate and will not be demanded for payment, until Foresight is in a position to repay the loan, which is to be mutually agreed between both parties. The Directors are in the opinion that the loan is not repayable in the next twelve months from the end of the reporting period.

36. Acquisitions and Disposals (Continued)

(c) Disposal of subsidiaries

During the year ended 31 December 2011, the Group disposed of certain subsidiaries which were engaged in the property development of a project in Hangzhou, the PRC to an independent third party for a cash consideration RMB438 million. The net assets disposed of in the transaction were as follows:

	RMB'million
Investment properties under construction or development	348
Bank balances and cash	96
Other payables and accrued charges	(6)
Net assets disposed of	438
Consideration received	(438)
Gain on disposal	–
Cash consideration in cash and cash equivalent	438
Less: cash and cash equivalent balances disposed of	(96)
Net cash inflow on disposal of subsidiaries	342

During the year ended 31 December 2011, the disposed subsidiaries did not contribute any turnover or results to the Group.

(d) Partial disposals of equity interests in subsidiaries

Pursuant to a sale and purchase agreement dated 22 August 2012 entered into between SOD, as seller, and Mitsui, as purchaser, Mitsui agreed to purchase 49% of the entire issued share capital of Glory Land Investment Limited ("Glory Land", an indirect wholly-owned subsidiary of the Company which engages in the property development in Foshan, the PRC) and the related shareholder's loans of RMB86 million from Mitsui, for a total cash consideration of RMB224 million.

Upon completion of the transaction, the Group's ownership interest in Glory Land has reduced to 51% and the Group continues to have control over Glory Land. The difference of RMB138 million between the fair value of the consideration received and the carrying amount of the net assets attributable to the partial disposal of equity interests of 49% in Glory Land is recognised directly in equity for the year ended 31 December 2012.

37. Share-Based Payment Transactions

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed by the shareholders on 8 June 2007 for the primary purpose of providing incentives to Directors, eligible employees and consultants. Under the Scheme, the total number of shares in respect of which options may be granted is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

At 31 December 2012, 173,134,188 share options (2011: 112,704,751 share options) remains outstanding under the Scheme, representing 2.9% (2011: 2.2%) of the shares of the Company in issue at that date. The Scheme allows the Board of Directors, when offering the grant of any option, to impose any condition including any performance target which must be met before the option shall vest and become exercisable. The exercise price is determined by the Directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

37. Share-Based Payment Transactions (Continued)

During the year ended 31 December 2012, an aggregate of 79,509,246 share options were granted to certain Directors and certain eligible employees. Details are as follows:

Date of grant	Exercise price HK$	Closing share price at date of grant HK$	Weighted average estimated fair value at date of grant HK$	Number of share options granted
18 January 2012	2.61	2.61	0.94	40,771,000
3 September 2012	5.35	2.83	0.54	38,738,246
				79,509,246

The fair values of the share options as at the grant date were calculated using the Binomial model. The inputs into the model were as follows:

	Granted on 18 January 2012	Granted on 3 September 2012
Expected volatility	50%	50%
Expected life	4.9 years	4.8 to 5.7 years
Risk-free rate	0.64% to 0.88%	0.18% to 0.35%
Expected dividend yield	2.4%	3.2%

Expected volatility was determined by using the volatility of the historical share price of the Company since its listing in October 2006.

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.

HK$1.00 is payable by each eligible participant to the Company on acceptance of an offer of options, to be paid within 1 month from the date of the offer.

The vesting period and the exercisable period of the share options granted to eligible employees and Directors on 18 January 2012 are as follows:

	Vesting period	Exercisable period
The first 50% of the grant:	From date of grant to any date in 2nd quarter of year 2013 to be determined by the remuneration committee	From any date in 2nd quarter of year 2013 to be determined by the remuneration committee to 17 January 2020
The second 25% of the grant:	From date of grant to 31 December 2013	From 1 January 2014 to 17 January 2020
The last 25% of the grant:	From date of grant to 31 December 2014	From 1 January 2015 to 17 January 2020

37. Share-Based Payment Transactions (Continued)

The vesting period and the exercisable period of the share options granted to eligible employees and Directors for the remaining grants are as follows:

	Vesting period	Exercisable period
The first 1/7 of the grant:	From date of grant to the 2nd anniversary	From the 2nd to the 7th anniversary to the date of grant
The second 1/7 of the grant:	From date of grant to the 3rd anniversary	From the 3rd to the 8th anniversary to the date of grant
The third 1/7 of the grant:	From date of grant to the 4th anniversary	From the 4th to the 9th anniversary to the date of grant
The fourth 1/7 of the grant:	From date of grant to the 5th anniversary	From the 5th to the 9th anniversary to the date of grant
The fifth 1/7 of the grant:	From date of grant to the 6th anniversary	From the 6th to the 9th anniversary to the date of grant
The sixth 1/7 of the grant:	From date of grant to the 7th anniversary	From the 7th to the 9th anniversary to the date of grant
The last 1/7 of the grant:	From date of grant to the 8th anniversary	From the 8th to the 9th anniversary to the date of grant

The vesting period and the exercisable period of the share options granted to a consultant are as follows:

	Vesting period	Exercisable period
The first 1/5 of the grant:	Unconditional and fully vested at the date of grant	Before the 5th anniversary to the date of grant
The second 1/5 of the grant:	From date of grant to the 1st anniversary	Before the 6th anniversary to the date of grant
The third 1/5 of the grant:	From date of grant to the 2nd anniversary	Before the 7th anniversary to the date of grant
The fourth 1/5 of the grant:	From date of grant to the 3rd anniversary	Before the 8th anniversary to the date of grant
The last 1/5 of the grant:	From date of grant to the 4th anniversary	Before the 9th anniversary to the date of grant

The Group has recognised the total expense of RMB18 million (2011: RMB15 million) in the consolidated income statement in relation to share options granted by the Company.

During the years ended 31 December 2012 and 31 December 2011, none of the share options have been exercised.

37. Share-Based Payment Transactions (Continued)

The movement in the Company's share options is set out below:

Date of grant	Exercise price HK$	Number of options: At 1 January 2012	Granted during the year	Replacement during the year	Lapsed during the year	At 31 December 2012
20 June 2007	7.00	72,175,413	–	–	(10,664,969)	61,510,444
1 August 2007	8.18	808,631	–	–	(24,174)	784,457
2 October 2007	10.00	1,679,722	–	–	(105,453)	1,574,269
1 November 2007	11.78	497,855	–	–	(49,643)	448,212
3 December 2007	9.88	116,156	–	–	(14,675)	101,481
2 January 2008	8.97	2,848,402	–	–	(124,224)	2,724,178
1 February 2008	8.05	1,269,992	–	–	(412,402)	857,590
3 March 2008	7.68	490,381	–	–	(38,832)	451,549
2 May 2008	7.93	4,440,654	–	–	(678,717)	3,761,937
2 June 2008	7.34	10,570,579	–	–	(816,203)	9,754,376
2 July 2008	6.46	696,537	–	–	(250,858)	445,679
4 September 2009	4.90	17,110,429	–	–	(2,578,710)	14,531,719
18 January 2012	2.61	–	40,771,000	–	(1,010,000)	39,761,000
3 September 2012	5.35	–	38,738,246	–	(2,310,949)	36,427,297
		112,704,751	79,509,246	–	(19,079,809)	173,134,188
Categorised as:						
Directors		7,131,120	18,831,214	–	(3,752,682)	22,209,652
Consultant		1,500,000	–	–	(700,000)	800,000
Employees		104,073,631	60,678,032	–	(14,627,127)	150,124,536
		112,704,751	79,509,246	–	(19,079,809)	173,134,188
Number of options exercisable		43,104,768				53,817,874

Date of grant	Exercise price HK$	Number of options: At 1 January 2011	Granted during the year	Replacement during the year	Lapsed during the year	At 31 December 2011
20 June 2007	7.00	91,390,892	–	–	(19,215,479)	72,175,413
1 August 2007	8.18	1,109,933	–	–	(301,302)	808,631
2 October 2007	10.00	2,066,456	–	–	(386,734)	1,679,722
1 November 2007	11.78	724,550	–	–	(226,695)	497,855
3 December 2007	9.88	580,866	–	–	(464,710)	116,156
2 January 2008	8.97	3,178,009	–	–	(329,607)	2,848,402
1 February 2008	8.05	1,444,882	–	–	(174,890)	1,269,992
3 March 2008	7.68	633,008	–	–	(142,627)	490,381
2 May 2008	7.93	5,421,932	–	–	(981,278)	4,440,654
2 June 2008	7.34	13,665,712	–	–	(3,095,133)	10,570,579
2 July 2008	6.46	947,231	–	–	(250,694)	696,537
4 September 2009	4.90	20,989,141	–	–	(3,878,712)	17,110,429
		142,152,612	–	–	(29,447,861)	112,704,751
Categorised as:						
Directors		12,620,443	–	–	(5,489,323)	7,131,120
Consultant		1,500,000	–	–	–	1,500,000
Employees		128,032,169	–	–	(23,958,538)	104,073,631
		142,152,612	–	–	(29,447,861)	112,704,751
Number of options exercisable		35,906,115				43,104,768

38. Pledge of Assets

The following assets are pledged to banks as securities to obtain certain banking facilities at the end of the reporting period:

	2012 RMB'million	2011 RMB'million
Investment properties	**32,546**	20,959
Property, plant and equipment	**918**	592
Prepaid lease payments	**460**	41
Properties under development for sale	**7,031**	4,537
Properties held for sale	**30**	266
Accounts receivable	**55**	56
Bank deposits	**2,163**	2,512
	43,203	28,963

All the above assets are pledged to secure banking facilities granted to the Group, except for as at 31 December 2011, an amount of RMB265 million which is included in pledged bank deposits above has been pledged to a bank to secure the banking facilities granted to an associate, which was released during the year.

In addition, the equity interests in certain subsidiaries with carrying amount of net assets of RMB16,029 million (2011: RMB15,688 million) are also pledged to banks as securities to obtain banking facilities granted to the Group at the end of the reporting period.

39. Lease Arrangements

As lessor

Property rental income in respect of the investment properties earned of RMB952 million (2011: RMB744 million), net of outgoings of RMB159 million (2011: RMB122 million), is RMB793 million (2011: RMB622 million). The investment properties held have committed tenants for the next one to fifteen years at fixed rentals. Included in the property rental income, certain leases contain contingent rental income recognised during the year ended 31 December 2012 amounting to RMB21 million (2011: RMB15 million). These contingent rentals are generally based on specified percentages of turnover of the tenants.

At the end of the reporting period, the Group has contracted with tenants for the following future minimum lease payments which fall due as follows:

	2012 RMB'million	2011 RMB'million
Within one year	**1,018**	765
In the second to fifth years inclusive	**1,414**	1,196
Over five years	**113**	93
	2,545	2,054

39. Lease Arrangements (Continued)

As lessee

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

	2012 RMB'million	2011 RMB'million
Within one year	**31**	95
In the second to fifth years inclusive	**62**	60
Over five years	**45**	54
	138	209

Operating lease payments represent rentals payable by the Group for certain of its office and retail properties. Leases are negotiated for an average term of one to twelve years.

40. Commitments and Contingencies

(a) Capital and other commitments

(i) At the end of the reporting period, the Group has the following commitments:

	2012 RMB'million	2011 RMB'million
Contracted but not provided for:		
Development costs for investment properties under construction or development	**7,312**	5,278
Development costs for properties under development held for sale	**7,130**	6,689
	14,442	11,967

(ii) Pursuant to an agreement entered into with the 上海市虹口區衛生局 of the Hongkou District, Shanghai, the PRC on 20 June 2006, the Group had committed to build a hospital to be located in the Rui Hong Xin Cheng area of the Hongkou District as compensation for the removal of those medical and health care services originally located in that area. As at 31 December 2012 and 2011, no construction contracts related to the hospital have been entered into. No provision for the construction costs has been made in the consolidated financial statements as the amount cannot be measured reliably.

40. Commitments and Contingencies (Continued)

(b) Contingent liabilities

Financial guarantee contracts:

(i) Pursuant to an agreement entered into with the district government (the "Hongkou Government") and the Education Authority of the Hongkou District, Shanghai, the PRC on 31 July 2002, guarantees of no more than RMB324 million (2011: RMB324 million) will be granted by the Group to support bank borrowings arranged in the name of a company to be nominated by the Hongkou Government, as part of the financial arrangement for the site clearance work in relation to the development of a parcel of land. As at 31 December 2012 and 31 December 2011, such arrangement has not taken place.

(ii) As at 31 December 2011, the Group issued guarantees amounting to RMB265 million to banks in respect of banking facilities granted to an associate, in which the associate has drawn down bank loans amounting to RMB250 million. Such guarantee was released in the year 2012.

(iii) As at 31 December 2012, the Group has provided a guarantee to a joint venture, which was formed between Richcoast and Mitsui, and Mitsui for an amount not exceeding RMB345 million (2011: RMB345 million) in respect of Richcoast's payment obligations to the joint venture and Mitsui.

In determining whether financial liabilities should be recognised in respect of the Group's financial guarantee contracts, the Directors of the Company exercise judgment in evaluation of the probability of resources outflow that will be required and the assessment of whether a reliable estimate can be made of the amount of the obligation.

In the opinion of the Directors of the Company, the fair values of the financial guarantee contracts of the Group are insignificant at initial recognition and the Directors consider that the possibility of the default of the parties involved is remote, accordingly, no value has been recognised in the consolidated statement of financial position as at 31 December 2012 and 31 December 2011. Should the actual outcome be different from expected, provision for losses will be recognised in the consolidated financial statements.

41. Related Party Transactions

Apart from the related party transactions and balances as stated in notes 10, 17, 18, 23, 24, 25(b), 26, 36 and 40, the Group has the following transactions with related companies during the year:

	2012 RMB'million	2011 RMB'million
SOCL and its subsidiaries other than those of the Group		
Rental and building management fee expenses	9	30
Travelling expenses	10	11
Project management fee income	–	15
Interest income	4	–
Interest expenses	5	–
SOCAM and its subsidiaries, associates of SOCL		
Rental and building management fee income	2	–
Project construction costs	914	746
Property sales	–	19
Associates		
Project management fee income	11	19
Imputed interest income	44	33
Interest income	55	35
Jointly controlled entity		
Rental and building management fee income	4	4
Directors		
Property sales	1	4
Key management personnel		
Property sales	3	3
Short-term benefits	43	34
Post-employment benefits	2	1
Share-based payments	10	4
	55	39

42. Events After the Reporting Period

On 28 March 2013, the Company announced a proposed rights issue of rights shares on the basis of 1 rights share for every 3 existing shares at the subscription price of HK$1.84 each. For more information on the proposed rights issue, details of which are set out in the Company's announcement on 28 March 2013.

43. Capital Risk Management

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

The capital structure of the Group consists of net debt, which includes bank and other borrowings, convertible bonds and notes disclosed in notes 27, 30 and 31, respectively net of bank balances and cash, restricted bank deposits and pledged bank deposits, and equity attributable to equity holders of the Company, comprising issued share capital and reserves, and non-controlling interests.

The Directors of the Company review the capital structure of the Group by using a gearing ratio, which is calculated on the basis of dividing the excess of the sum of convertible bonds, notes, bank and other borrowings over the sum of bank balances and cash (inclusive of restricted bank deposits and pledged bank deposits) by total equity. The review is conducted at least quarterly and before each major financing or investment decision is made.

The gearing ratios at the end of reporting dates are as follows:

	2012 RMB'million	2011 RMB'million
Bank and other borrowings	18,803	16,743
Convertible bonds	2,346	2,225
Notes	13,519	6,520
Pledged bank deposits	(2,163)	(2,512)
Restricted bank deposits	(183)	(335)
Bank balances and cash	(6,287)	(3,523)
Net debt	26,035	19,118
Total equity	37,268	29,471
Net debt to total equity	70%	65%

44. Financial Instruments

a. Categories of financial instruments

	2012 RMB'million	2011 RMB'million
Financial assets		
Loans and receivables (including bank balances and cash)	11,594	9,140
Financial liabilities		
Derivative instruments designated as hedging instruments	23	150
Amortised cost	42,475	32,199

b. Financial risk management objectives and policies

The Group's major financial instruments include accounts receivable, loans receivable, loans to associates, amounts due from associates, amounts due from related companies, amounts due from non-controlling shareholders of subsidiaries, pledged bank deposits, restricted bank deposits, bank balances and cash, accounts payable, amounts due to related companies, amounts due to associates, amounts due to non-controlling shareholders of subsidiaries, loans from non-controlling shareholders of subsidiaries, bank and other borrowings, convertible bonds, notes and derivative financial instruments.

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. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The main risks arising from the Group's financial instruments are currency risk, interest rate risk, credit risk and liquidity risk. The Directors review and agree policies for managing each of these risks and they are summarised below.

Currency risk

All of the Group's turnover is denominated in RMB. However, the Group has certain bank balances and debt obligations that are denominated in foreign currency. As a result, the Group is exposed to fluctuations in foreign exchange rates. The management closely monitors foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

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

	2012 RMB'million	2011 RMB'million
HK$		
Assets	3,200	2,470
Liabilities	7,471	9,249
US$		
Assets	2,323	34
Liabilities	8,916	1,507
SGD		
Liabilities	1,298	–

44. Financial Instruments (Continued)

b. Financial risk management objectives and policies (Continued)

Currency risk (Continued)

Sensitivity analysis

The Group is mainly exposed to the currency of HK$, US$ and SGD.

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against the relevant foreign currency. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items assuming the balances at the end of the reporting period outstanding for the whole year and adjusts their translation at the year end for a 5% change in foreign currency rates. A positive number below indicates an increase in profit where RMB strengthen 5% against the relevant currency. For a 5% weakening of RMB against the relevant currency, there would be an equal and opposite impact on the profit, and the balances below would be negative.

	Notes	2012 RMB'million	2011 RMB'million
HK$			
Profit or loss	(i)	**203**	323
US$			
Profit or loss	(ii)	**314**	70
SGD			
Profit or loss	(iii)	**62**	–

Notes:
(i) This is mainly attributable to the exposure outstanding on receivables and payables denominated in HK$ not subject to cash flow hedges at year end.
(ii) This is mainly attributable to the exposure outstanding on receivables, payables and notes denominated in US$ not subject to cash flow hedges at year end.
(iii) This is mainly attributable to the exposure outstanding on senior notes denominated in SGD not subject to cash flow hedges at year end.

The Group's sensitivity to foreign currency has increased in profit during the current year mainly due to both the significant depreciation of HK$, US$ and SGD against RMB and increase in US$ and SGD denominated borrowings.

In the management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Interest rate risk

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 and loans from non-controlling shareholders of subsidiaries at variable rates. It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR, LIBOR, SIBOR, and PBOC prescribed interest rate arising from the Group's HK$, US$ and RMB borrowings. In order to mitigate the cash flow interest rate risk in respect of the bank and other borrowings, the Group has entered into several interest rate swaps (which have been designated as hedging instruments) whereby the Group will receive interest at variable rates at HIBOR or LIBOR and pay interests at fixed rates. Details of the interest rate swaps are set out in note 33.

44. Financial Instruments (Continued)

b. Financial risk management objectives and policies (Continued)

Interest rate risk (Continued)

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For variable-rate bank and other borrowings and loans from non-controlling shareholders of subsidiaries, 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 when reporting interest rate risk internally to key management personnel and 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 are held constant, the Group's profit for the year ended 31 December 2012 would decrease/increase by RMB34 million (2011: RMB13 million). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank and other borrowings, after taking into consideration the effects of the interest rate swaps designated as hedging instruments and capitalisation of interest costs.

The Group's sensitivity to interest rates has increased during the current year mainly due to the increase in variable rate debt instruments.

Credit risk

As at 31 December 2012, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position and the amount of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in note 40.

The Group's credit risk is primarily attributable to its loans to associates, accounts receivable, amounts due from associates and amount of contingent liabilities in relation to the financial guarantees provided by the Group. The amounts presented in the consolidated statement of financial position are net of allowances for bad and doubtful debts, estimated by the Group's management based on prior experience and their assessment of the current economic environment.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers, except for as at 31 December 2012 where the largest debtor amounting to approximately RMB91 million arising from sales of properties, loans to associates of RMB1,784 million and amounts due from associates of RMB484 million (2011: the largest debtor amounting to approximately RMB227 million arising from sales of properties, loans to associates of RMB1,366 million, amounts due from associates of RMB446 million and loans receivable of RMB152 million).

The credit risk on liquid funds is limited because the funds have been deposited with various creditworthy financial institutions located in Hong Kong and in the PRC.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and the flexibility through the use of bank and other borrowings. The Group also monitors the current and expected liquidity requirements and its compliance with lending covenants regularly to ensure it maintains sufficient working capital and adequate committed lines of funding to meet its liquidity requirement.

The following table details the maturities of the Group's financial liabilities. 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.

For derivative instruments that settle on a net basis, undiscounted net cash outflows are presented.

44. Financial Instruments (Continued)

b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Liquidity and interest risk tables

	Weighted average effective interest rate	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total undiscounted cash flows	Carrying amount at 31 December 2012
	%	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
2012							
Non-derivative financial liabilities							
Accounts payable, deposits received and accrued charges	–	4,000	–	–	–	4,000	4,000
Bank and other borrowings at variable rates	5.6%	6,535	5,127	9,693	1,262	22,617	18,803
Convertible bonds	10.7%	2,995	–	–	–	2,995	2,346
Notes	8.6%	4,111	905	10,726	–	15,742	13,519
Amounts due to related companies							
– interest free	–	682	–	–	–	682	682
– interest bearing	6.1%	106	–	–	–	106	100
Amounts due to associates	–	11	–	–	–	11	11
Amounts due to non-controlling shareholders of subsidiaries	–	530	–	–	–	530	530
Loans from non-controlling shareholders of subsidiaries							
– interest free	–	–	–	406	–	406	406
– interest bearing	6.8%	139	833	282	1,478	2,732	2,078
Financial guarantee contracts	–	345	–	–	–	345	–
		19,454	6,865	21,107	2,740	50,166	42,475
Derivatives – net settlement							
Cash flow hedge instruments		23	–	–	–	23	23

	Weighted average effective interest rate	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total undiscounted cash flows	Carrying amount at 31 December 2011
	%	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
2011							
Non-derivative financial liabilities							
Accounts payable, deposits received and accrued charges	–	3,856	–	–	–	3,856	3,856
Bank and other borrowings at variable rates	4.9%	9,402	4,197	3,458	1,263	18,320	16,743
Convertible bonds	10.7%	122	3,056	–	–	3,178	2,225
Notes	7.8%	473	3,473	3,900	–	7,846	6,520
Amounts due to related companies	–	368	–	–	–	368	368
Amounts due to associates	–	5	–	–	–	5	5
Amounts due to non-controlling shareholders of subsidiaries	–	404	–	–	–	404	404
Loans from non-controlling shareholders of subsidiaries							
– interest bearing	7.2%	150	150	450	2,228	2,978	2,078
Financial guarantee contracts	–	610	–	–	–	610	–
		15,390	10,876	7,808	3,491	37,565	32,199
Derivatives – net settlement							
Cash flow hedge instruments		150	–	–	–	150	150

44. Financial Instruments (Continued)

b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

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 the 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 are 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 values of financial assets and financial liabilities are determined as follows:

- the fair values of financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and

- the fair values of derivative instruments, are calculated using quoted prices as inputs. Where such prices are not available, fair value is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

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

The derivative financial instruments are grouped into Level 2 financial instruments based on the degree to which the fair value is observable. Level 2 fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

d. Fair value measurements recognised in the consolidated statement of financial position

Included in other comprehensive income is a gain of RMB54 million (2011: RMB68 million) related to interest rate swaps designated in cash flow hedge held at the end of the reporting period.

45. Summarised Financial Position of the Company

	2012 RMB'million	2011 RMB'million
Investments in subsidiaries	4,375	2,413
Loan to a subsidiary	9,548	7,153
Amounts due from subsidiaries	1,809	4,149
Other prepayment	22	22
Bank balances	1	1
Total assets	15,755	13,738
Convertible bonds	2,346	2,225
Total liabilities	2,346	2,225
Net assets	13,409	11,513
Share capital	114	102
Reserves (note)	13,295	11,411
Total equity	13,409	11,513

45. Summarised Financial Position of the Company (Continued)

Note: Details of the Company's reserve are set out below:

	Share premium RMB'million	Convertible bond equity reserve RMB'million	Other Reserve RMB'million (note 29(c)(i))	Share option reserve RMB'million	Accumulated losses RMB'million	Total RMB'million
At 1 January 2011	12,985	605	483	155	(2,646)	11,582
Profit and total comprehensive income for the year	–	–	–	–	141	141
Recognition of equity-settled share-based payment expenses	–	–	–	15	–	15
Total dividends of HK$0.075 paid, comprising 2010 final dividend of HK$0.05 per share and 2011 interim dividend of HK$0.025 per share	–	–	–	–	(327)	(327)
At 31 December 2011	12,985	605	483	170	(2,832)	11,411
Profit and total comprehensive income for the year	–	–	–	–	294	294
Issue of new shares	1,756	–	–	–	–	1,756
Recognition of equity-settled share-based payment expenses	–	–	–	18	–	18
Total dividends of HK$0.125 paid, comprising 2011 final dividend of HK$0.10 per share and 2012 interim dividend of HK$0.025 per share	–	–	–	–	(595)	(595)
Shares issued in lieu of cash dividend	411	–	–	–	–	411
At 31 December 2012	15,152	605	483	188	(3,133)	13,295

46. Particulars of the Subsidiaries

Particulars of the Company's subsidiaries at 31 December 2012 and 31 December 2011 are as follows:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held 2012 (Note 1)	Attributable equity interest held 2011 (Note 1)	Place of operation	Principal activities
Ally Victory Limited	BVI 18 April 2008	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Atlantic Best Limited	Hong Kong 5 January 2001	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Beaming Leader Limited	BVI 5 October 2012	7,000 A ordinary shares of US$1 each and 3,000 B ordinary shares of US$1 each	70%	–	Hong Kong	Investment holding
Best View Development Limited	Hong Kong 5 March 2008	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Best Scene Retail Asset Management (Hong Kong) Limited (formerly known as China Xintiandi (H.K.) Limited)	Hong Kong 4 April 2011	1 ordinary share of HK$1	70%	100%	Hong Kong	Investment holding
Billion China Investments Limited (Note 5)	BVI 18 October 2007	10 A ordinary shares of US$1 each and 10 B ordinary shares of US $1 each	A shares: 100% B shares: 51%	A shares: 100% B shares: 100%	Hong Kong	Investment holding
Billion World Limited	Hong Kong 19 November 2003	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding

46. Particulars of the Principal Subsidiaries (Continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held 2012 (Note 1)	2011	Place of operation	Principal activities
Bondwise Profits Limited	BVI 28 December 2000	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Bright Continental Limited	Hong Kong 5 March 2003	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Bright Power Enterprises Limited	BVI 1 July 2004	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Brixworth International Limited	BVI 3 January 2001	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Central Fit Investments Limited	BVI 23 October 2007	10 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Century Team Limited	Hong Kong 16 January 1998	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Chinalink Capital Limited	BVI 16 July 2003	999 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
China Advance Limited	Hong Kong 13 November 2006	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
China Wealth (H.K.) Limited	Hong Kong 4 January 2006	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
China Xintiandi Company Limited	BVI 21 March 2011	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
China Xintiandi Limited (formerly known as China Xintiandi Company Limited)	Cayman Islands 18 April 2011	1 ordinary share of US$0.01	100%	100%	Hong Kong	Investment holding
China Xintiandi Development Company Limited	Cayman Islands 3 November 2011	1 ordinary share of US$0.01	100%	100%	Hong Kong	Investment holding
China Xintiandi Holding Company Limited	Cayman Islands 27 October 2011	1 ordinary share of US$0.01	100%	100%	Hong Kong	Investment holding
China Xintiandi Investment Company Limited	Cayman Islands 27 October 2011	1 ordinary share of US$0.01	100%	100%	Hong Kong	Investment holding
China Xintiandi Management (Hong Kong) Limited	Hong Kong 12 October 2012	1 ordinary share of HK$1	100%	–	Hong Kong	Dormant
China Xintiandi Property Company Limited	Cayman Islands 27 October 2011	1 ordinary share of US$0.01	100%	100%	Hong Kong	Investment holding
Chongqing Shui On Tiandi Property Development Co. Ltd.	PRC 21 November 2003	Registered and paid up capital US$359,000,000	79.4%	79.4%	PRC	Property development and property investment
Citichamp Limited	Hong Kong 19 July 2006	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Cititop Pacific Limited	Hong Kong 1 December 2000	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Costworth Investments Limited	BVI 12 January 2001	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Crown Fame Limited	Hong Kong 18 October 2007	1 ordinary share of HK$1	51%	100%	Hong Kong	Investment holding
Cybricity Limited	Hong Kong 28 April 2000	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Dalian Yingjia Science and Technology Development Co., Ltd.	PRC 3 December 2009	Registered and paid up capital US$23,000,000	100%	100%	PRC	Science and Technology development

46. Particulars of the Principal Subsidiaries (Continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held 2012	Attributable equity interest held 2011 (Note 1)	Place of operation	Principal activities
East Capital Development Limited	Hong Kong 18 April 2008	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
East Trend Limited	Hong Kong 14 February 2001	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Eastern View Limited	Hong Kong 18 October 2007	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Excel Efficient Limited	BVI 19 August 2002	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Excellent Win Enterprises Limited	Hong Kong 5 February 2010	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Fast China Limited	BVI 23 April 2008	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Feng Cheng Property Management Services Limited	Hong Kong 14 November 2003	100 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Fieldcity Investments Limited	BVI 30 March 2005	100 ordinary shares of US$1 each	75%	75%	Hong Kong	Investment holding
Focus Top Limited	Hong Kong 24 April 1998	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Foresight Profits Limited	BVI 8 February 2001	10,000 ordinary shares of US$1 each	79.81%	75%	Hong Kong	Investment holding
Fo Shan An Ying Property Development Co., Ltd.	PRC 8 January 2008	Registered capital RMB830,000,000 Paid up capital RMB732,644,000	100%	100%	PRC	Property development
Fo Shan Rui Dong Property Development Co., Ltd.	PRC 25 April 2008	Registered and paid up capital RMB690,000,000	100%	100%	PRC	Property development
Fo Shan Rui Fang Property Development Co., Ltd.	PRC 21 May 2008	Registered and paid up capital RMB690,000,000	100%	100%	PRC	Property development
Fo Shan Rui Kang Tian Di Property Development Co., Ltd.	PRC 21 May 2008	Registered and paid up capital RMB690,000,000	100%	100%	PRC	Property development
Fo Shan Shui On Property Development Co., Ltd.	PRC 8 January 2008	Registered capital RMB900,000,000 Paid up capital RMB833,535,445	51%	100%	PRC	Property development
Fo Shan Yi Kang Property Development Co., Ltd.	PRC 8 January 2008	Registered capital RMB1,100,000,000 Paid up capital RMB790,169,074	100%	100%	PRC	Property development
Fo Shan Yi Kong Hotel Management Co., Ltd.	PRC 8 August 2011	Registered and paid up capital RMB5,000,000	100%	–	PRC	Hotel management
Fo Shan Yong Rui Tian Di Property Development Co., Ltd.	PRC 21 March 2008	Registered and paid up capital RMB690,000,000	100%	100%	PRC	Property development
Fo Shan Yuan Kang Property Development Co., Ltd.	PRC 29 February 2008	Registered and paid up capital RMB700,000,000	100%	100%	PRC	Property development
Fo Shan Shui On Tiandi Trading Co., Ltd.	PRC 3 August 2011	Registered and paid up capital RMB1,000,000	100%	100%	PRC	Retail business

46. Particulars of the Principal Subsidiaries (Continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held 2012 (Note 1)	Attributable equity interest held 2011 (Note 1)	Place of operation	Principal activities
Fuhui Limited	BVI 1 April 2010	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Firm Gain Investments Limited	BVI 26 July 2011	1 ordinary share of US$1	100%	100%	Hong Kong	Dormant
Galore Profits Limited	BVI 23 January 2001	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Global Ocean Investments Limited	BVI 1 November 2002	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Globaland Limited	Hong Kong 30 October 2002	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Globe State Properties Limited	BVI 12 October 2005	100 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Glory Advance Investments Limited	BVI 18 August 2006	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Glory Land Investment Limited	Cayman Islands 3 July 2012	100 ordinary shares of US$1 each	51%	–	Hong Kong	Investment holding
Glory Wing Holdings Limited	BVI 15 January 2008	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Grand Hope Limited (Note 4)	Hong Kong 14 March 2003	100 A ordinary shares of HK$1 each and 2 B ordinary shares of HK$1 each	A shares: 80.2% B shares: 60.15%	A shares: 80.2% B shares: 60.15%	Hong Kong	Investment holding
Hangzhou Xihu Tiandi Management Co., Ltd.	PRC 6 March 2003	Registered and paid up capital US$7,000,000	100%	100%	PRC	Property management
Hing Tin Investments Limited	BVI 23 October 2007	10 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Hollyfield Holdings Limited	Mauritius 19 April 2001	2 ordinary shares of US$1 each	79.81%	75%	Hong Kong	Investment holding
Infoshore International Limited	BVI 1 November 2002	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Info Union Limited	Hong Kong 18 October 2007	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Innovate Zone Group Limited	BVI 3 January 2007	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Intellect Profit Investments Limited	BVI 10 August 2007	10 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Interchina International Limited	BVI 12 January 2001	100 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Join Legend Limited	Hong Kong 2 June 2006	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Joyous Bond Limited	BVI 18 April 2008	1 ordinary share of US$1	79.81%	75%	Hong Kong	Investment holding
Keen Allied Investments Limited	BVI 18 September 2002	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
King Concord Limited	Hong Kong 3 October 2006	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Kinmax Limited	Hong Kong 24 April 1998	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Land Pacific Limited	Hong Kong 2 November 2007	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Landton Limited	Hong Kong 2 April 1997	2 ordinary shares of HK$1 each	66.7%	–	Hong Kong	Investment holding

46. Particulars of the Principal Subsidiaries (Continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held 2012	Attributable equity interest held 2011 (Note 1)	Place of operation	Principal activities
Legend City Limited	Hong Kong 4 June 1997	2 ordinary shares of HK$1 each	51%	51%	Hong Kong	Investment holding
Lucky Gain Limited	Hong Kong 8 November 2002	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Magic Best Investments Limited	BVI 19 July 2007	10 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Magic Bright Investments Limited (Note 6)	BVI 18 September 2007	10 A ordinary shares of US$1 each and 10 B ordinary shares of US $1 each	A shares: 100% B shares: 100%	A shares: 100% B shares: 100%	Hong Kong	Investment holding
Magic Garden Investments Limited	BVI 6 November 2009	3 ordinary shares of US$1 each	66.7%	–	Hong Kong	Investment holding
Marble Way Limited	BVI 28 August 1996	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Merry Wave Limited	BVI 23 April 2008	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Modern Prosper Investments Limited	BVI 1 November 2002	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Mount Eastern Limited	BVI 18 April 2008	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Nation Development Limited	Hong Kong 26 October 2010	1 ordinary share of HK$1	100%	100%	Hong Kong	Dormant
New Asia Limited	Hong Kong 31 October 2003	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
New Power Profits Limited	BVI 18 October 2005	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
New Venture Enterprises Limited	Hong Kong 26 October 2010	1 ordinary shares of HK$1	100%	100%	Hong Kong	Investment holding
Nice In Investments Limited	BVI 18 October 2007	10 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Onfair Limited	Hong Kong 13 November 2002	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Onwin Limited	Hong Kong 13 November 2002	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Oriental Gain Limited	Hong Kong 2 February 2001	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Oriental Host Limited	Hong Kong 23 October 2007	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Pacific Gain Limited	Hong Kong 11 September 2002	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Portspin Limited	BVI 22 May 1997	100 ordinary shares of US$1 each	51%	51%	Hong Kong	Investment holding
Princemax Limited	Hong Kong 15 April 1998	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Profitstock Holdings Limited	BVI 2 June 2005	100 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Regal Victory Limited	Hong Kong 18 October 2007	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Rich Bright Holdings Limited	BVI 29 July 2011	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Rich Prime Limited	Hong Kong 18 October 2007	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding

46. Particulars of the Principal Subsidiaries (Continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held 2012	Attributable equity interest held 2011 (Note 1)	Place of operation	Principal activities
Rightchina Limited	BVI 2 July 2008	100 ordinary shares of US$1 each	60.15%	60.15%	Hong Kong	Investment holding
Rightidea Limited	BVI 2 July 2008	100 ordinary shares of US$1 each	80.2%	80.2%	Hong Kong	Investment holding
Rimmer Investments Limited	BVI 22 July 1994	1 ordinary share of US$1	100%	–	Hong Kong	Investment holding
Rise Lake Investments Limited	BVI 23 August 2007	10 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Score High Limited	BVI 12 February 2003	1,000 ordinary shares of US$1 each	80.2%	80.2%	Hong Kong	Investment holding
Selfers Limited	BVI 29 November 1995	1 ordinary share of US$1	79.81%	75%	Hong Kong	Investment holding
Shanghai Bai-Xing Properties Co., Ltd.	PRC 2 February 1999	Registered and paid up capital RMB151,300,000	97%	97%	PRC	Property development and property investment
Shanghai Fu Ji Properties Co., Ltd.	PRC 18 January 2004	Registered and paid up capital US$35,773,000	99%	99%	PRC	Property development
Shanghai FuXiang Properties Co., Ltd.	PRC 19 December 2001	Registered and paid up capital RMB645,000,000	99%	99%	PRC	Property development and property investment
Shanghai Ji-Xing Properties Co., Ltd.	PRC 2 February 1999	Registered and paid up capital RMB71,600,000	97%	97%	PRC	Property development and property investment
Shanghai JingFu Property Co., Ltd.	PRC 26 December 2001	Registered and paid up capital RMB400,000,000	99%	99%	PRC	Property development
Shanghai Jiu Hai Rimmer Properties Co.,Ltd.	PRC 1 November 1994	Registered and paid up capital US$30,000,000	80%	–	PRC	Property investment
Shanghai JunXing Property Co., Ltd. (note 7)	PRC 5 March 2009	Registered and paid up capital RMB2,511,300,000	49.98%	49.98%	PRC	Property development
Shanghai Knowledge and Innovation Community Development Co., Ltd	PRC 9 June 2010	Registered and paid up capital HK$1,550,000,000	99%	99%	PRC	Property development
Shanghai Lakeville Properties Co., Ltd.	PRC 23 May 2001	Registered and paid up capital RMB165,000,000	99%	99%	PRC	Property development
Shanghai Le Fu Properties Co., Ltd.	PRC 20 February 2004	Registered and paid up capital US$240,500,000	99%	99%	PRC	Property development
Shanghai IPO Food & Beverage Co., Ltd.	PRC 6 September 2006	Registered and paid up capital US$1,890,000	100%	100%	PRC	Food and beverage services
Shanghai Rui Chen Property Co., Ltd.	PRC 6 May 1996	Registered and paid up capital RMB189,000,000	79.81%	75%	PRC	Property development and property investment
Shanghai Rui Qiao Property Development Co., Ltd.	PRC 28 December 2010	Registered and paid up capital RMB3,900,000,000	100%	100%	PRC	Property development
Shanghai Rui Hong Xin Cheng Co., Ltd.	PRC 2 July 2001	Registered and paid up capital RMB5,700,000,000	79.01%	74.25%	PRC	Property development and property investment

46. Particulars of the Principal Subsidiaries (Continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held 2012	Attributable equity interest held 2011 (Note 1)	Place of operation	Principal activities
Shanghai Rui Zhen Food & Beverage Co., Ltd.	PRC 7 November 2003	Registered and paid up capital US$6,420,000	99%	99%	PRC	Food and beverage services
Shanghai Shui On Club Business Management Co., Ltd.	PRC 29 July 2010	Registered and paid up capital RMB200,000	100%	100%	PRC	Provision of business management services
Shanghai Tai Ping Qiao Properties Management Co., Ltd.	PRC 31 August 2001	Registered and paid up capital US$200,000	99%	99%	PRC	Property management
Shanghai Xin-tian-di Plaza Co., Ltd.	PRC 2 February 1999	Registered and paid up capital RMB101,300,000	97%	97%	PRC	Property development and property investment
Shanghai Xing Bang Properties Co., Ltd.	PRC 21 June 2001	Registered and paid up capital RMB290,500,000	99%	99%	PRC	Property development and property investment
Shanghai Xing-Qi Properties Co., Ltd.	PRC 2 February 1999	Registered and paid up capital RMB274,900,000	97%	97%	PRC	Property development and property investment
Shanghai Xing Qiao Properties Co., Ltd.	PRC 18 January 2004	Registered and paid up capital US$165,000,000	99%	99%	PRC	Property development
Shanghai Yang Pu Centre Development Co., Ltd.	PRC 26 August 2003	Registered and paid up capital US$137,500,000	86.8%	86.8%	PRC	Property development and property investment
Shui On Development (Holding) Limited	Cayman Islands 27 July 2005	22 ordinary shares of US$0.01 each	100%	100%	Hong Kong	Investment holding
Shui On Development (Singapore) Pte. Limited	Singapore 27 December 2011	1 ordinary share of US$10	100%	100%	Singapore	Debt financing
Shui On Land Management Limited	Hong Kong 12 May 2004	1 ordinary share of HK$1	100%	100%	Hong Kong	Provision of management services
Prosper Profit Holding Limited (formerly known as Shui On Resort Community (Dali) Holding Limited)	BVI 6 May 2008	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Splendid Return Investments Limited (formerly known as Shui On Resort Community (Dali) Limited)	Hong Kong 13 May 2008	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Shui On Resort Community (Lijiang) Holding Limited	BVI 28 April 2008	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Shui On Resort Community (Lijiang) Limited	Hong Kong 5 May 2008	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Shui On Resort Community (Shangri-La) Holding Limited	BVI 6 May 2008	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Shui On Resort Community (Shangri-La) Limited	Hong Kong 13 May 2008	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Shui On Resort Community (Kunming) Holding Limited	BVI 18 July 2006	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Shui On Resort Community (Kunming) Limited	Hong Kong 25 July 2006	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding

46. Particulars of the Principal Subsidiaries (Continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held 2012 (Note 1)	Attributable equity interest held 2011 (Note 1)	Place of operation	Principal activities
Shui On Resort Community (Yunnan) Development Limited	Cayman Islands 17 July 2006	1 ordinary share of US$0.01	100%	100%	Hong Kong	Investment holding
Shine First Limited	BVI 25 October 2006	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Shine Prime Investments Limited	BVI 2 November 2006	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Shui On Secretaries & Nominees Limited	Hong Kong 30 November 2006	1 ordinary share of HK$1	100%	100%	Hong Kong	Provision of secretarial services
Silomax Limited	BVI 25 March 1996	1 ordinary share of US$1	79.81%	75%	Hong Kong	Investment holding
Sino Realty Limited	Hong Kong 3 October 2006	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Sino Wisdom Investments Limited	BVI 12 May 2006	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Sinoco Limited	Hong Kong 28 October 2002	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Sinothink Holdings Limited	BVI 15 September 2000	100 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Smart Century Limited	Hong Kong 18 October 2007	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Super Field Limited	Hong Kong 25 February 2005	1 ordinary share of HK$1	75%	75%	Hong Kong	Investment holding
Taipingqiao Holding Company Limited	BVI 25 October 2011	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Timezone Management Limited	BVI 28 February 2001	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Tip Profit Limited	BVI 18 July 2006	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Top Faith Development Limited	Hong Kong 18 April 2008	1 ordinary share of HK$1	79.81%	75%	Hong Kong	Investment holding
Top Victory Development Limited	Hong Kong 5 March 2008	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Triumph Sky Group Limited	BVI 23 October 2007	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Union Grow Limited	Hong Kong 8 November 2002	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Value Land Investment Limited	Cayman Islands 2 September 2011	10,000 ordinary shares of US$0.01 each	100%	100%	Hong Kong	Investment holding
Victorious Run Limited	BVI 23 January 1997	100 ordinary shares of US$1 each	66.7%	–	Hong Kong	Investment holding
Victory Win Development Limited	Hong Kong 18 April 2008	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Wuhan Shui On Tiandi Property Development Co., Ltd.	PRC 2 August 2005	Registered and paid up capital US$273,600,000	75%	75%	PRC	Property development and property investment
上海百麗房地產開發有限公司 (Shanghai Baili Property Development Co., Ltd.*)	PRC 29 August 2002	Registered and paid up capital RMB100,000,000	79.81%	75%	PRC	Property development and property investment

46. Particulars of the Principal Subsidiaries (Continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held 2012 (Note 1)	2011	Place of operation	Principal activities
上海豐誠物業管理有限公司 (Shanghai Feng Cheng Property Management Co., Ltd.*)	PRC 18 January 2004	Registered and paid up capital RMB12,079,950	100%	100%	PRC	Property management
上海豐誠楊浦物業管理有限公司 (Shanghai Feng Cheng Yang Pu Property Management Co., Ltd*)	PRC 21 July 2010	Registered and paid up capital RMB950,000	100%	100%	PRC	Property management
上海瑞橋企業管理有限公司 (Shanghai Rui Qiao Enterprise Management Co., Ltd.*)	PRC 23 April 2009	Registered and paid up capital RMB1,000,000	86.8%	86.8%	PRC	Property development
上海瑞展教育信息咨詢有限公司 (Shanghai Rui Zhan Education Information Consultant Co., Ltd.*)	PRC 20 April 2010	Registered and paid up capital RMB1,000,000	79.81%	75%	PRC	Provision of education information and consultancy services
上海瑞安房地產發展有限公司 (Shui On Development Limited*)	PRC 14 June 2004	Registered and paid up capital US$58,000,000	100%	100%	PRC	Provision of management services
Shanghai Li Xing Hotel Co. Ltd.	PRC 21 August 2002	Registered and paid up capital US$159,150,000	33.35%	–	PRC	Provision of hotel and related services and property investment
武漢瑞安商祺房產管理有限公司 (Wuhan Shuion Shangqi Company Limited)	PRC 24 July 2012	Registered and paid up capital US$14,400,000	75%	–	PRC	Property investment
武漢瑞安天地商貿有限公司 (Wuhan Shui On Tian Di Trading Co., Ltd.*)	PRC 8 January 2007	Registered and paid up capital US$1,800,000	100%	100%	PRC	Retail business
上海夏欣商業管理有限公司	PRC 31 May 2012	Registered and paid up capital US$5,000,000	70%	–	PRC	Provision of management services

Notes:
1. The Company directly holds the equity interest in Shui On Development (Holding) Limited. All other equity interests shown above are indirectly held by the Company.
2. All subsidiaries established in the PRC are either equity joint ventures or cooperative joint ventures except Dalian Yingjia Science and Technology Development Co., Ltd., Fo Shan An Ying Property Development Co., Ltd., Fo Shan Rui Dong Property Development Co., Ltd., Fo Shan Rui Fang Property Development Co., Ltd., Fo Shan Rui Kang Tian Di Property Development Co., Ltd., Fo Shan Shui On Property Development Co., Ltd., Fo Shan Yi Kang Property Development Co., Ltd., Fo Shan Ying Kong Hotel Management Co., Ltd., Fo Shan Yuan Kang Property Development Co., Ltd., Fo Shan Shui On Taindi Trading Co., Ltd., Shanghai IPO Food & Beverage Co., Ltd., Shanghai Rui Qiao Property Development Co., Ltd., 上海豐誠物業管理有限公司 (Shanghai Feng Cheng Property Management Co., Ltd.*), 上海瑞安房地產發展有限公司 (Shui On Development Limited*), 武漢瑞安天地商貿有限公司 (Wuhan Shui On Tian Di Trading Co., Ltd.*), Wuhan Shui On Tiandi Property Development Co., Ltd., 武漢瑞安商祺房產管理有限公司 (Wuhan Shuion Shangi Company Limited), 上海瑞橋企業管理有限公司 (Shanghai Rui Qiao Enterprise Management Co., Ltd.*), 上海瑞展教育信息咨詢有限公司 (Shanghai Rui Zhan Education Information Consultant Co., Ltd.*), 上海夏欣商業管理有限公司, Shanghai Rui Chen Property Co., Ltd. which are wholly foreign owned enterprises.
3. Except for Shui On Development (Holding) Limited and Shui On development (Singapore) Pte. Limited, none of the subsidiaries had any debt securities subsisting at 31 December 2012 or at any time during the year.
4. The holders of Class B ordinary shares of Grand Hope Limited have attributable interests in the Chongqing Super Rise Project whereas the holders of Class A ordinary shares of Grand Hope Limited have attributable interests in the Chongqing Shui On Tiandi Property Development Co., Ltd. other than the Chongqing Super High Rise Project.
5. The Class A ordinary shares of Billion China Investments Limited confers on its holders rights attributable to Crown Fame Limited (Crown Fame")'s 90% interest in Fo Shan Shui On Property Development Co. Ltd. ("Foshan Shui On") whereas the Class B ordinary shares of Billion China Investments Limited confers on its holders rights attributable to (i) Crown Fame's 90% interests in Foshan Shui On pertaining to the land lots in Foshan other than Lots 6 and 16 and (ii) Crown Fame's interests in the Foshan PRC project companies other than Foshan Shui On.
6. The Class A ordinary shares of Magic Bright Investments Limited confers on its holders rights attributable to Regal Victory Limited ("Regal Victory")'s 92% interest in Fo Shan Yong Rui Tian Di Property Development Co. Ltd. ("Foshan Yong Rui") whereas the Class B ordinary shares of Magic Bright Investments Limited confers on its holders rights attributable to Regal Victory's interests in the Foshan PRC project companies others than Foshan Yong Rui.
7. The Group holds 51% interest in Portspin Limited, which indirectly holds 98% equity interest in Shanghai Jun Xing Property Co., Ltd. The Group's effective interest in Shanghai Jun Xing Property Co., Ltd. is therefore 49.98%.

* For identification purposes

Consolidated Income Statement Summary

for the year ended 31 December

	2008 RMB'million	2009 RMB'million	2010 RMB'million	2011 RMB'million	**2012 RMB'million**
Turnover	2,066	6,758	4,879	8,484	**4,821**
Profit attributable to shareholders	1,798	2,673	2,809	3,428	**2,029**
Owners of perpetual capital securities	–	–	–	–	**19**
Other non-controlling shareholders of subsidiaries	270	(80)	201	570	**307**
Profit for the year	**2,068**	**2,593**	**3,010**	**3,998**	**2,355**

Consolidated Statement of Financial Position Summary

as of 31 December

	2008 RMB'million	2009 RMB'million	2010 RMB'million	2011 RMB'million	**2012 RMB'million**
Investment properties	8,466	21,206	26,893	36,395	**46,624**
Property, plant and equipment	343	356	540	1,079	**3,782**
Prepaid lease payments	6,290	43	73	500	**671**
Properties under development	10,197	11,532	14,308	17,247	**20,150**
Properties held for sale	3,090	627	627	987	**3,274**
Interests in and loans to associates	1,627	2,135	2,190	2,423	**2,923**
Accounts receivable, deposits and prepayments	1,270	992	3,668	2,589	**2,708**
Other assets	1,252	754	1,164	1,014	**852**
Pledged bank deposits, restricted bank deposits, bank balances and cash	3,380	4,947	6,790	6,370	**8,633**
Total assets	**35,915**	**42,592**	**56,253**	**68,604**	**89,617**
Current liabilities	8,100	8,838	8,747	16,474	**20,563**
Non-current liabilities	9,640	11,180	21,478	22,659	**31,786**
Total liabilities	**17,740**	**20,018**	**30,225**	**39,133**	**52,349**
Net assets	**18,175**	**22,574**	**26,028**	**29,471**	**37,268**
Equity attributable to:					
Shareholders of the Company	16,863	21,579	24,820	27,945	**31,481**
Perpetual capital securities	–	–	–	–	**3,093**
Other non-controlling shareholders of subsidiaries	1,312	995	1,208	1,526	**2,694**
Total equity	**18,175**	**22,574**	**26,028**	**29,471**	**37,268**

Per Share Data

for the year ended 31 December

	2008	2009	2010	2011	**2012**
Basic earnings per share (RMB)	0.39	0.55	0.55	0.66	**0.35**
Dividend per share					
– Interim paid (HK$)	0.07	0.01	0.06	0.025	**0.025**
– Final proposed (HK$)	0.01	0.12	0.05	0.100	**0.035**
– Full year (HK$)	0.08	0.13	0.11	0.125	**0.060**
Bonus shares	1 for 10	–	–	–	**–**

Board of Directors

Executive Directors

Mr. Vincent H. S. LO
(Chairman)

Mr. Freddy C. K. LEE
(Managing Director and Chief Executive Officer)

Mr. Daniel Y. K. WAN
(Managing Director and Chief Financial Officer)

Non-executive Director

Mr. Frankie Y. L. WONG

Independent Non-executive Directors

Sir John R. H. BOND
Dr. William K. L. FUNG
Professor Gary C. BIDDLE
Dr. Roger L. McCARTHY
Mr. David J. SHAW

Audit Committee

Professor Gary C. BIDDLE *(Chairman)*
Dr. Roger L. McCARTHY
Mr. Frankie Y. L. WONG

Remuneration Committee

Dr. William K. L. FUNG *(Chairman)*
Mr. Vincent H. S. LO
Professor Gary C. BIDDLE

Nomination Committee

Mr. Vincent H. S. LO *(Chairman)*
Sir John R. H. BOND
Professor Gary C. BIDDLE

Finance Committee

Mr. Vincent H. S. LO *(Chairman)*
Sir John R. H. BOND
Dr. William K. L. FUNG
Professor Gary C. BIDDLE
Mr. Freddy C. K. LEE
Mr. Daniel Y. K. WAN
Mr. Frankie Y. L. WONG

Company Secretary

Mr. UY Kim Lun

Auditor

Deloitte Touche Tohmatsu

Legal Advisers

Freshfields Bruckhaus Deringer
Mayer Brown JSM

Registered Office

190 Elgin Avenue
George Town
Grand Cayman KY1-9005
Cayman Islands

Corporate Headquarters

26/F, Shui On Plaza
333 Huai Hai Zhong Road
Shanghai 200021
PRC

Place of Business in Hong Kong

34/F, Shui On Centre
6-8 Harbour Road
Wan Chai
Hong Kong

Principal Share Registrar and Transfer Office

Royal Bank of Canada Trust
Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

Branch Share Registrar and Transfer Office

Computershare Hong Kong
Investor Services Limited
Shops 1712-1716, 17/F,
Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

Principal Bankers

Industrial and Commercial Bank
of China Limited
Agricultural Bank of China Limited
Hang Seng Bank Limited
Deutsche Bank AG
Bank of China Limited
Standard Chartered Bank Limited
China Merchants Bank Co., Limited
China Construction Bank Corporation

Stock Code

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Website

www.shuionland.com

Investor Relations

Ms. Michelle K. P. SZE
Telephone: (8621) 6386 1818 Ext. 310
Email: sol.ir@shuion.com.cn
Address: 26/F Shui On Plaza
333 Huai Hai Zhong Road
Shanghai 200021
PRC

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