A Sinochem Member Company

方興地產（中國）有限公司
FRANSHION PROPERTIES (CHINA) LIMITED
(Incorporated in Hong Kong with limited liability)

Annual Report 2012

Aim HIGH With VISION Building For The FUTURE

Stock Code: 00817

Aim High

Global magnitude and foresight into the future

Vision

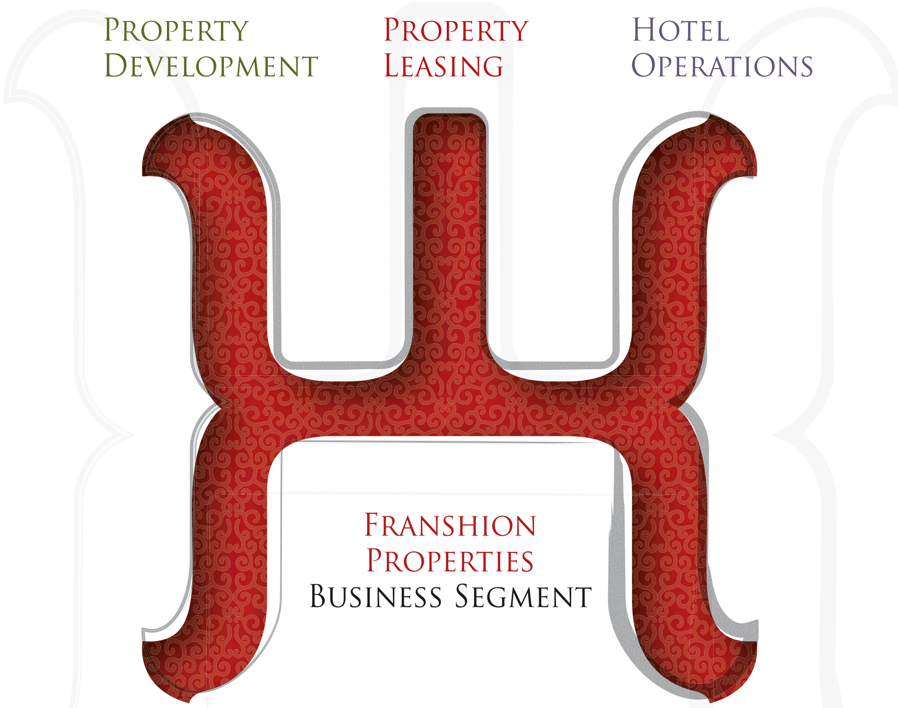
Devotion leads to accomplishments

Building for the Future

External expression and internal development

CONTENTS

Company Overview



Franshion Properties (China) Limited (Stock code: 00817) is a developer and operator of large-scale and high-end commercial real estate projects in the PRC, and also a platform enterprise under the real estate and hotel segments of Sinochem Group, one of the top 500 world's enterprises (ranking the 113rd among the top 500 world's enterprises in 2012 by "Fortune"). Sinochem Group is one of the state-owned enterprises that are approved by the State-owned Assets Supervision and Administration Commission to engage principally in property development and hotel operations. On 17 August 2007, the Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited. It is now one of the component stocks of the Hong Kong Hang Seng Composite Index.

The Group emphasises on the growth opportunities at the prime locations in the core cities in China and has established a synergistic development pattern for its three major business segments, namely high-end property project development, property leasing and hotel investment and operations. The Company has developed several top quality real estate projects in Beijing, Shanghai, Sanya and Changsha, and has a number of landmark projects in many cities such as Shanghai Jin Mao Tower, Beijing Chemsunny World Trade Centre and Nanjing International Center. It has also invested in a number of five-star luxury hotels. Through successful development and operation of a series of prime quality projects, the Company has gained a significant foothold in the real estate industry in China. Leveraging on its unique growth pattern, experienced management team and the strong backing from its parent company, Sinochem Group, the Group can capitalise on tremendous opportunities arising from the fast-growing PRC real estate industry and win more opportunities in the acquisition and integration of resources.

The Group strives to position itself at the high-end of the market and specialises in the development of high quality projects with its focus on both properties holding and development, and endeavours to become a leading high-end real estate developer and operator in China through refining and optimising the structure in the course of development, as well as capitalising on its comparative advantages of integration, system innovation and size growth.

Property Development

Twenty property development projects and three primary land development projects with a total gross floor area of approximately 5.90 million square metres and approximately 8.97 million square metres respectively

Strong Performance

During the period, sales results of property development projects were good and land reserve was expanded with the successful acquisitions in Changsha, Suzhou, Shanghai and Lijiang

Property Leasing

Four high-end investment property projects with a total gross floor area of approximately 510,000 square metres

Stable Income

High rental level and high occupancy rate of investment properties, outperforming its peers

Hotel Operations

Seven luxury hotels offering 3,106 guest rooms

Industry Leader

Remarkable performance of hotel operations, outperforming its peers

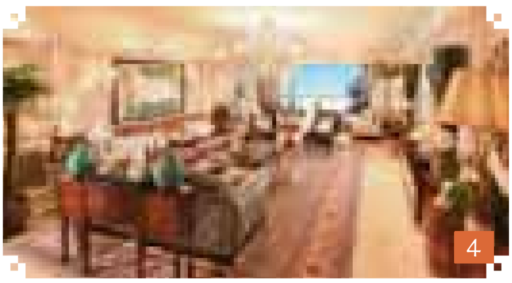
MAJOR EVENTS

1 January 2012

- Franshion Properties successfully acquired the 200-mu land parcel at the prime location in the ancient town of Lijiang.

3 March 2012

- Franshion Properties participated in the 8th International Conference on Green and Energy-Efficient Buildings (第八屆國際綠色建築與建築節能大會), and successfully hosted the sub-forum of the "China Green Eco-City Planning, Design, Construction and Operation Seminar".



4 April 2012

- Beijing Guangqu Jin Mao Palace Project Phase III commenced sales.

6 June 2012

- Franshion Properties successfully won the bidding of the land development right to Meixi Lake International Plaza Project.

7 July 2012

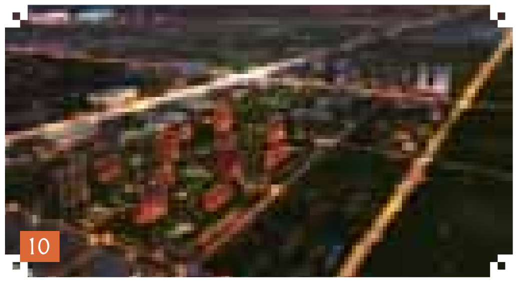
- Franshion Properties acquired the land development right to Changsha Meixi Lake International R&D Centre Project.

9 September 2012

- Qingdao Jin Mao Bay Project Phase I commenced sales.

10 October 2012

- Franshion Properties successfully issued US$500 million 5-year notes at the interest rate of 4.7% per annum, fixing the cost at a low level.
- Beijing Asian Olympics Jin Mao Yue Project and Jin Mao Meixi Lake Project Phase I commenced sales.



11 November 2012

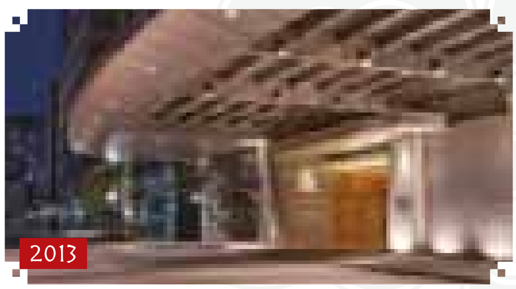
- Franshion Properties participated in the preparation of the National Green Building Standards (國家綠色建築標準), and promoted the setting up of China Green Hotel Study Group (中國綠色酒店學組) and the preparation of China's first volume of green low-carbon teaching materials.

12 December 2012

- Beijing Wangjing Jin Mao Palace Project and Chongqing Jin Mao Long Yue Project Phase I commenced sales.
- Franshion Properties acquired the land development right to Suzhou Jinmen Road Project.
- Franshion Properties and Shanghai International Port (Group) Co., Ltd. ("SIPG") jointly acquired the land development right to Shanghai Haimen Road Project.
- Franshion Properties and Hainan LongHigh Industrial Group Company Limited ("LongHigh Group") cooperated to acquire the primary development right to the 1,500-mu land parcel in Yazhou Bay, Sanya City.

2013

- Franshion Properties acquired the land development right to Beijing Economic and Technological Development Area Land Parcels X85 and X88 Project.
- Franshion Properties successfully acquired Nanjing International Center Project.



Hotel Operations Projects

The Ritz-Carlton, Sanya

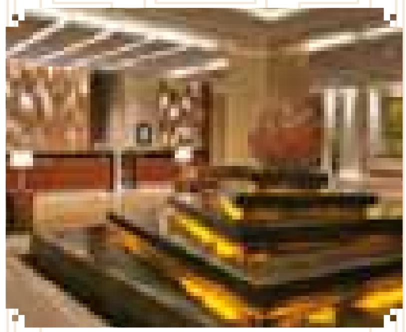
The Ritz-Carlton, Sanya is located in Yalong Bay scenic resort of Sanya, Hainan province. It was officially opened in 2008 with a total gross floor area of approximately 83,000 sq. m. It has 450 luxurious guest rooms equipped with a variety of facilities, including 21 luxury suites and 33 villas with distinctive amenities such as housekeepers and private swimming pools. It has an indoor conference space of 1,700 sq. m. specially designated for business conference, large seminar and other special occasions, and it has the only outdoor sea-view wedding auditorium in China, and the Ritz-Carlton spa with an area of 2,788 sq. m.

Hilton Sanya Resort & Spa

The Hilton Sanya Resort & Spa is located in Yalong Bay scenic resort of Sanya, Hainan province. Opened in 2006 and with a total gross floor area of approximately 76,666 sq. m., it has 501 guest rooms, suites, villas and a 400 metres long, white and fine beach. The hotel has 6 restaurants with distinctive characteristics and a conference centre of 3,000 sq. m.

Grand Hyatt Shanghai

Grand Hyatt Shanghai is located on the 53rd to 87th floors of Jin Mao Tower. It was officially opened in 1999, with a total gross floor area of approximately 80,410 sq. m. comprising 555 luxury guest rooms. It comprises a grand ball room which can accommodate 1,200 guests, a ball room which can accommodate 800 guests and more than 10 function rooms. It was the venue for major international events such as "Fortune Global Forum", "APEC Conference" and other high-profile forums and conferences.



Westin Beijing, Chaoyang

Westin Beijing, Chaoyang is located in the Yansha commercial area of Chaoyang District, Beijing, and is adjacent to the embassy district. It was officially opened in 2008, with a total gross floor area of approximately 75,446 sq. m. The hotel has 34 floors, comprising 550 guest rooms, a ball room of 720 sq. m. and 7 smaller conference rooms with the most advanced audio visual technology. It has received numerous international heads of states, sports and business elites, including the former US President George W. Bush and his family during the Beijing Olympic Games and was highly acclaimed.

JW Marriott Shenzhen

JW Marriott Shenzhen is located in Futian District, Shenzhen, and was opened in 2009. It has a gross floor area of approximately 52,000 sq. m., with 411 guest rooms, a ball room which can accommodate 400 guests for dining and 5 conference rooms with the most advanced audio visual equipment. The hotel aims to become the top super deluxe five-star business hotel in Shenzhen with its distinguished design and quality service.

Westin Nanjing

Located on the 23rd to 35th floors of the South Tower in Nanjing International Center, Westin Nanjing has a total gross floor area of approximately 32,514 sq. m. and occupies a total of 13 floors. It has 234 guest rooms with each overlooking a panoramic view of Xuanwu Lake and Purple Mountain. Westin Nanjing strives to offer a brand new hotel experience to its customers through introducing a series of innovative packages and tailored facilities including Westin gym, heavenly bed and delicious healthy dining menu to provide customers with distinctive quality services and a wholesome and rejuvenating environment.

Brief Overview of Our Major Projects

Property and Land Development Projects

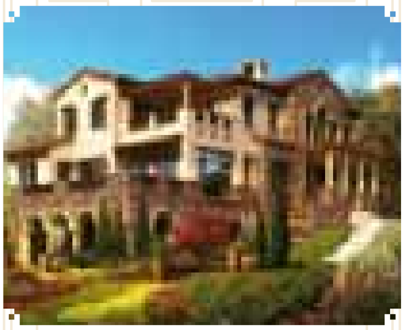
Shanghai International Shipping Service Center Project

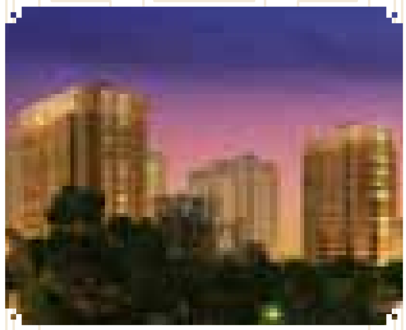
Shanghai International Shipping Service Center Project is located on the North Bund of Shanghai, directly across the river from the area of Lujiazui. The west side of the site is adjacent to Shanghai Port International Cruise Terminal, and the two projects will form a riverside area that doubles the length of the Bund. The zone will be used for offices, commercial complex, convention facilities, hotels and service apartments, with other facilities including a yacht marina. This project features the marina, creating a riverfront modern office and commercial zone which matches its marine theme. This project comprises the Eastern Site, the Central Site and the Western Site with a site area of 95,594 sq. m. and is expected to have a total gross floor area of approximately 530,933 sq. m. upon completion. Construction works of this project commenced in 2008 and is expected to be fully completed in 2015. Currently, some of the buildings under the project have been sold.

Lijiang Jin Mao Snow Mountain Whisper Project & Lijiang Snow Mountain Jin Mao Noble Manor Project

Lijiang Jin Mao Snow Mountain Whisper Project is located in the former site of Lijiang World Heritage Park, Yunnan province, with a site area of approximately 466,670 sq. m. The project aims to combine the Naxi culture with international design concepts, building the most characteristic high-end resort hotels and low-density residential properties in China with an estimated total gross floor area of approximately 266,481 sq. m.

Lijiang Snow Mountain Jin Mao Noble Manor Project is located in Ganhaizi of Lijiang Yulong Snow Mountain, Yunnan province, with a site area of approximately 103,974 sq. m. The project will be developed into a super five-star luxury hotel and low-density residential properties project with an estimated total gross floor area of approximately 49,485 sq. m.





Shanghai Dongtan Jin Mao Noble Manor Project

Shanghai Dongtan Jin Mao Noble Manor Project is located in a riverside leisure sport and residential community in Chenjia Town, Chong Ming Island, Shanghai, with a site area of approximately 220,000 sq. m., and an estimated total gross floor area of approximately 173,899 sq. m. The Group has also leased an adjacent site with a site area of approximately 955,478 sq. m. The Group plans to develop the leased site into a sports park and develop the granted land into a riverside high-end leisure, sports and resort complex comprising a clubhouse, low-density residence, hotels and property right hotels. The project is expected to be fully completed in 2013. Currently, some of the villa products and apartment products under the project have been sold.

Beijing Guangqu Jin Mao Palace Project

Beijing Guangqu Jin Mao Palace Project is located at the east of Fourth Ring Road in Chaoyang District, Beijing, adjacent to the CBD area. The area was named as the "last remaining prime site" in Beijing for its excellent location. It has a site area of approximately 155,918 sq. m. and an estimated total gross floor area of approximately 368,342 sq. m. The Group plans to develop the project into a low-density and fine high quality project featuring mainly residential properties. The project is expected to be fully completed in 2013. Currently, some of the buildings under the project have been sold.

Our Hotel Brands

JW MARRIOTT SHENZHEN 金茂深圳JW万豪酒店

上海金茂君悦大酒店 GRAND HYATT SHANGHAI

Hilton Sanya Resort & Spa 金茂三亚希尔顿大酒店

THE WESTIN BEIJING CHAOYANG 金茂北京威斯汀大饭店

THE RITZ-CARLTON® SANYA

王府井大飯店 WANGFUJING GRAND HOTEL

THE WESTIN NANJING 南京威斯汀大酒店

Qingdao Jin Mao Bay Project (formerly known as Qingdao Lanhai Xingang City Project)

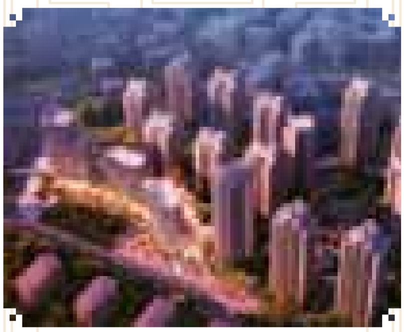
Qingdao Jin Mao Bay Project is located at the mouth of Jiaozhou Bay opposite to Qianwan Port in Huangdao. Having a favourable geographical location, the project is well-equipped with tourism resources and cultural innovations and is expected to be developed into a harmonious living complex on the Bund featuring green and high-end living environment. The project is divided into the Southern Site and the Northern Site. The Group holds economic interest in the 200-mu land development in the Southern Site. The total gross floor area upon completion is estimated to be approximately 513,189 sq. m.

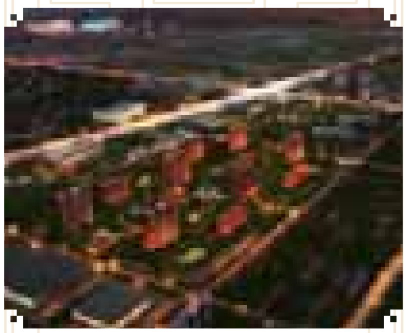
Changsha Meixi Lake Primary Development Project

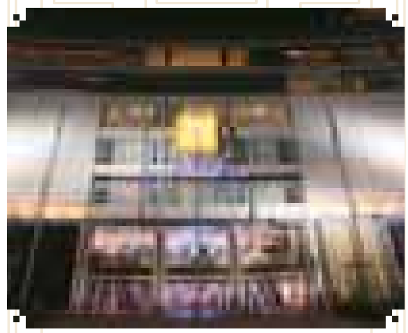
Changsha Meixi Lake Project, covering a total land area of approximately 11,452 mu, is located at the central area of Dahexi Pilot Zone, Changsha in Hunan Province, China. The project, featuring the elements of ecology, energy saving, innovation and technology, will be developed into a high-end international business and innovation centre as well as an ecological new residential town with scenic landscape in the central region. The Group will continue to complete the primary development and subsequent construction within the area of such project and endeavour to develop a "two-type (environmentally friendly and resources saving) community" model.

Jin Mao Meixi Lake Project

Jin Mao Meixi Lake Project is located at the central area of Dahexi Pilot Zone, Changsha in Hunan Province, China and forms part of Changsha Meixi Lake. The project is positioned as an international lakefront model region in Changsha, covering a number of residential buildings such as small high-rise buildings, big flat-floor buildings and townhouses, and will be developed into a residential town offering magnificent views, comprehensive transportation and high-end commercial facilities, as well as quality schools. The project has a site area of 156,767 sq. m. and an estimated total gross floor area of 525,940 sq. m.







Chongqing Jin Mao Long Yue Project (formerly known as Chongqing Vocational Technology Institute Project)

Chongqing Jin Mao Long Yue Project is situated at the west of Yangjiaping Pedestrian Street, Jiulongpo District and is at the heart of the downtown of Chongqing and geographically located at the centre of the five major business circles with a site area of approximately 101,096 sq. m. The project is expected to be developed into a mid-to-high-end residential project with the concept of "green, technological and ecological living" with an estimated total gross floor area of approximately 500,644 sq. m.

Beijing Asian Olympics Jin Mao Yue Project and Beijing Wangjing Jin Mao Palace Project (formerly known as Beijing Laiguangying Project)

Beijing Asian Olympics Jin Mao Yue Project and Beijing Wangjing Jin Mao Palace Project is located outside the East Fifth Ring Road, Chaoyang District, Beijing and adjacent to Wangjing. It is situated at a favourable geographical location with a site area of approximately 92,768 sq. m. The Group will apply the concepts of greening, ecology and technology as well as technological skills into the development and develop it into a high-end residential project with an estimated total gross floor area of approximately 395,831 sq. m.

Nanjing International Center Project Phase I

Nanjing International Center is situated at the heart of Zhongyang Road, Gulou District, Nanjing City. It faces Xuanwu Lake, enjoying unique natural views and abundant commercial and cultural resources. Construction works of Phase I, occupying a site area of approximately 19,852 sq. m. and a gross floor area of approximately 225,846 sq. m., were fully completed and operation commenced in March 2011. Scenic apartments and royal scenic luxury residence on the 11th to 38th floors of the North Tower and some office units in the South Tower sold externally are under the property development segment with a gross floor area of approximately 53,525 sq. m.

PROPERTY LEASING PROJECTS

Beijing Chemsunny World Trade Centre

Beijing Chemsunny World Trade Centre is located on Fuxingmen Nei Avenue and is adjacent to West Chang'an Avenue, with a gross floor area of approximately 194,530 sq. m. It consists of three parallel and interconnected 14-storey office buildings, the East, Central and West Towers. With its prime location and unique design style, the project has become a representative of high-end office and is successfully named as "Classical Representative of the First-Class Office Building in China" for the global city development golden project.

Sinochem Tower

Sinochem Tower is located on Fuxingmen Wai Avenue, Beijing, right at the business circle of the Financial Street. Sinochem Tower has 26 floors, comprising a gross floor area of approximately 49,066 sq. m., which includes offices and shops. It is an office building which offers intelligent offices and personalised services. This project has been awarded "National High Quality Prize" – "China Construction Project Luban Award".

Jin Mao Tower

Jin Mao Tower is located at the Lujiazui Finance and Trade Zone of Pudong, Shanghai, and is a prominent landmark in China. Jin Mao Tower has 88 floors, 420.5 metres in height and comprises a total gross floor area of approximately 292,475 sq. m. The third to 50th floors are Grade A offices, the 53rd to 87th floors house a super deluxe 5-star hotel, and the 88th floor is an indoor observation deck. The project is a perfect mix of traditional Chinese architecture and modern architectural technology, and is named as the most influential urban landmark in China.

Nanjing International Center

Nanjing International Center's leasing business comprises the Grade A offices on the 11th to 16th floors of the South Tower in Phase I and the international shopping centre on the 1st to 8th floors of the podium. Nanjing International Center Phase I offices are constructed according to 5A standards recognised in North America. It has a total rentable area of 14,012 sq. m. and has officially commenced operation since 2011. Its international shopping centre, which commenced operation in July 2011, occupies a gross floor area of approximately 86,009 sq. m., offering a one-stop diversified experience comprising the world's famous luxury brands, international movie city, KTV, branded restaurants, children's theme park as well as branded stores of homestyle and living.

Corporate Information

COMPANY NAME
Franshion Properties (China) Limited

PRINCIPAL OFFICE
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Ms. LI Xuehua (Vice Chairman)
Ms. SHI Dai

EXECUTIVE DIRECTORS
Mr. HE Cao (Chairman)
Mr. LI Congrui (Chief Executive Officer)
Mr. HE Binwu (Vice President)

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr. LAU Hon Chuen, Ambrose
Mr. SU Xijia
Mr. LIU Hongyu

CHIEF FINANCIAL OFFICER
Mr. JIANG Nan

QUALIFIED ACCOUNTANT
Mr. LIAO Chi Chiun

COMPANY SECRETARY
Mr. LIAO Chi Chiun

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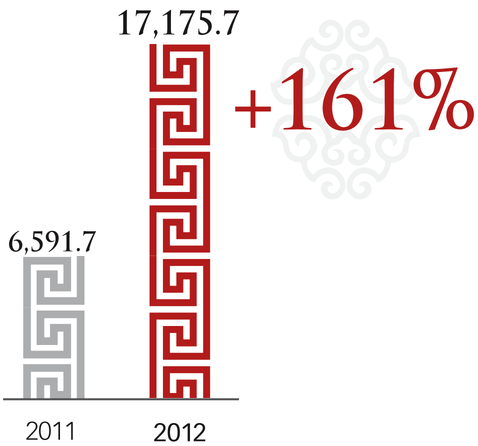
Financial Highlights

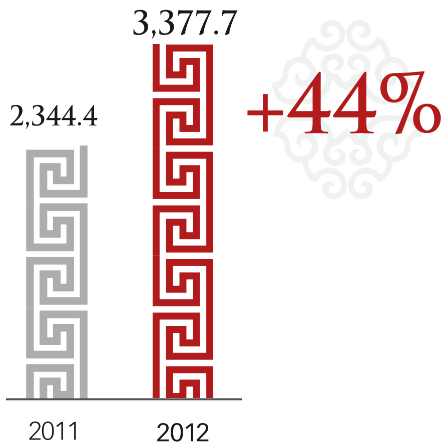
	2012 (HK$ million)	2011 (HK$ million)	Percentage change (%)
Revenue	**17,175.7**	6,591.7	161
Gross profit	**7,198.7**	3,575.0	101
Profit attributable to owners of the parent – less: fair value gains on investment properties (net of deferred tax)	**2,158.3**	1,646.4	31
Add: fair value gains on investment properties (net of deferred tax)	**1,219.4**	698.0	75
Profit attributable to owners of the parent	**3,377.7**	2,344.4	44
Total assets	**82,502.2**	69,771.0	18
Equity attributable to owners of the parent	**28,877.8**	26,170.7	10
Basic earnings per share (HK cents)	**36.87**	25.59	44
Basic earnings per share – less fair value gains on investment properties (net of deferred tax) (HK cents)	**23.56**	17.97	31
Dividend (HK cents) – final dividend per ordinary share	**7.00**	4.00	75
Net debt-to-adjusted capital ratio (%)	**42**	41	N/A

Note: Net debt-to-adjusted capital ratio = (interest-bearing bank and other borrowings – cash and cash equivalents – restricted bank balances and pledged deposits – other financial assets included in current assets)/(total equity + amount due to related parties).

Revenue (HK$ million)

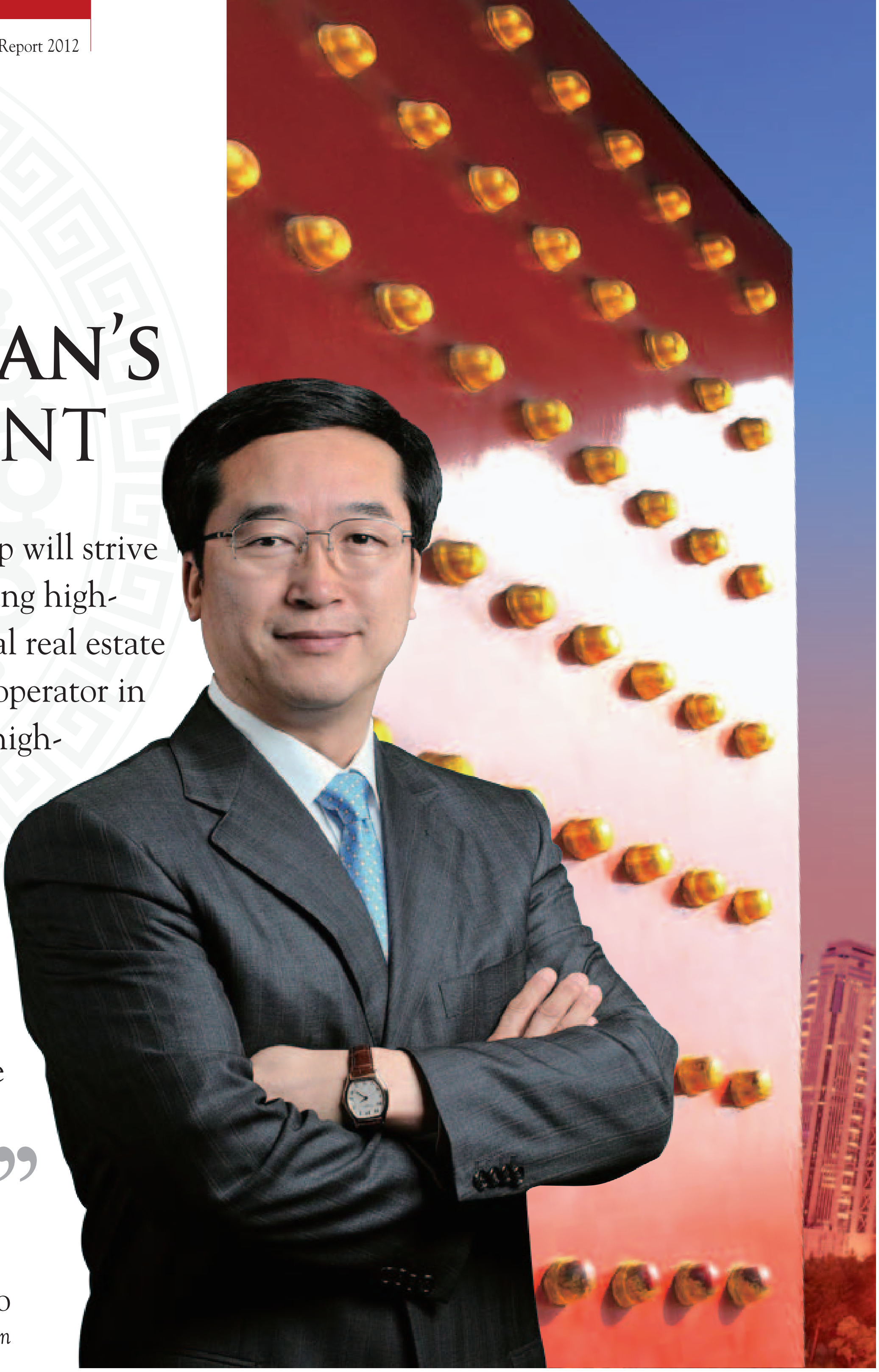


Profit attributable to owners of the parent (HK$ million)



Chairman's Statement

"The Group will strive to be the leading high-end commercial real estate developer and operator in China, adhering to the high-end positioning and quality projects through two-wheel driven operating strategy of both property sales and holdings. We endeavor to continuously enhance our corporate value and position in the industry."



HE Cao
Chairman

DEAR SHAREHOLDERS,

On behalf of the board of directors (the "Board") of Franshion Properties (China) Limited ("Franshion Properties" or the "Company"), I am pleased to present the annual results of the Company and its subsidiaries (the "Group", "we" or "us") for the twelve months ended 31 December 2012 (the "Period under Review" or the "Year").

During the Period under Review, profit attributable to owners of the parent amounted to HK$3,377.7 million, representing an increase of 44% over that of last year.

Basic earnings per share amounted to HK36.87 cents. If the fair value gains on investment properties, net of deferred tax, are excluded, the profit attributable to owners of the parent would be HK$2,158.3 million, representing an increase of 31% over that of last year. The Board has recommended the payment of a final dividend of HK 7 cents per share, which will be subject to the approval of shareholders of the Company at the forthcoming annual general meeting.

In 2012, the central government continued to adhere to the stringent real estate control policies, and strictly implemented differentiated credit and housing purchase restriction policy in order to resolutely curb speculative investment demand and urged policy implementation through inspection and supervision. Meanwhile, the government continued to promote the management and reform of the land market and increased land supply so as to ensure effective market supply and support reasonable demand. The austerity measures had greater impact on the residential market as compared with the commercial market as a whole. The investment value of quality office buildings, hotels and retail commercial buildings at the prime locations in core cities continued to rise.

Chairman's Statement

Under this environment, the Group's "high-end with quality" and "two-wheel driven" strategic approach was more in line with industry trends so that its overall results reached record high amid general industry downturn. In 2012, the three major business segments of the Group achieved synergistic development. Indicators such as revenue and profit attributable to owners of the parent increased significantly with noticeable growth in land reserves. The "green strategy" also achieved remarkable results.

As for property development, in adherence to the "high-end with quality" strategic position, construction and sales of various projects proceeded orderly, reflecting strong and effective execution of the Group culture. Construction and sales of Shanghai Port International Cruise Terminal Project, located on the North Bund of Shanghai were fully completed and all proceeds were received, demonstrating the latest achievements of Franshion Properties in Shanghai's urban development. Shanghai International Shipping Service Center Project adjacent to it progressed well. Sales results were satisfactory with selling price increasing significantly, which also greatly enhanced the overall value of the region. Positioned as the "State's Green and Low Carbon Model New City in China" and the "Two-Type Model New City in Central China", Changsha Meixi Lake Project has accomplished remarkable results in its primary land launch. Substantial synergies were generated from the integrated primary and secondary land development, and the project was widely recognised by the market. The secondary residential projects drew very positive response from the market, with a subscription rate of over 90% on the day of launch. The Group also secured prospective buyers with respect to some buildings under Changsha Jin Mao Meixi Lake International R&D Centre Project. Situated at the "last remaining prime site" in Beijing, Beijing Guangqu Jin Mao Palace Project continued to be a hot sell with successful delivery of units in Phase I. The project was ranked first in the sales of single project in Beijing for the second consecutive year. Phase I of Beijing Asian Olympics Jin Mao Yue Project was sold out on the day of launch and was ranked No. 1 in terms of area and amount transacted in Beijing in November. Beijing Wangjing Jin Mao Palace Project inheritted the high quality of Guangqu Jin Mao Palace Project and was well-received by the market, with all units sold out on the day of launch as well. Chongqing Jin Mao Long Yue Project was the first project launched by the Company for sales in the Southwest region. Approximately 400 units launched in Phase I were sold out within two hours after launch. Qingdao Jin Mao Bay Project established its high-end quality brand in western Qingdao. Shanghai Dongtan Jin Mao Noble Manor Project continued to maintain its leading position in Dongtan, Shanghai. The exhibition centre of the travel complex, Lijiang Jin Mao Snow Mountain Whisper Project, was also open to public and was widely acclaimed.

As for property leasing, the supply of premium Grade A offices continued to run short in Beijing with low vacancy rates and soaring rentals across the city. Both sales and lease of offices in the prime locations of Shanghai were flourishing with promising outlook in general. Given that all office buildings and shopping malls held by the Group are located at the prime locations in first-tier cities, all operating targets set at the beginning of the Year were overachieved in view of the booming market demand and rising rental levels. In particular, Beijing Chemsunny World Trade Centre and Sinochem Tower, located along Chang'an Avenue in Beijing, enjoyed full occupancy for the second consecutive year. In the meanwhile, the occupancy rate and rental level of office buildings and shopping malls in Jin Mao Tower located in Pudong, Shanghai, continued to outperform its peers.

As for hotel operations, the Group continued to leverage on its edge in hotel operations developed over the years. Through broadening its marketing channels, all hotels of the Company maintained their leading positions in their respective regions, outperforming its peers under the same market conditions. The Ritz-Carlton, Sanya and Hilton Sanya Resort & Spa located in Yalong Bay, Sanya continued to maintain their leading positions amongst their competitors in the region and be the market leaders in the high-end hotel market of the same region. Westin Beijing, Chaoyang located in Beijing ranked No. 1 amongst its competitors in the region, and was highly recognised by the market. JW Marriott Shenzhen located in Shenzhen also recorded stable growth in operating results.

In 2012, the Group continued to step up its efforts in the acquisition of key resources including land and capital funding. In addition to penetrating into first-tier cities such as Beijing and Shanghai, the Group actively expanded into the second-tier cities with "core competence and potential". In 2012, the Group signed a strategic cooperation agreement and acquired the primary land development right to a 1,500-mu land parcel in Yazhou Bay, Sanya. The Group successfully secured Meixi Lake International Plaza Project at the bottom price in June. The project will be developed into a high-end large-scale urban complex comprising a five-star hotel, shopping malls, office buildings and residence and will become an architectural landmark in Dahexi Pilot Zone, Changsha. The Group acquired a scarce land parcel in the downtown area of Suzhou and a prime commercial land parcel on Haimen Road in the North Bund, Shanghai in December. The Group also acquired two residential land parcels in Beijing Economic and Technological Development Area and the commercial and residential complex of Nanjing International Center between January and February 2013 respectively, further expanding its quality land reserves. As for capital funding, facing the poor capital market environment in 2012, the Company successfully completed the issuance of US$500 million five-year notes and obtained US$200 million club loan facility, locking the cost at low end. At the same time, the Group proactively explored ways to build up fund management platform to further expand its financing channels.

The Group has been committed to corporate social responsibility by adopting a green low-carbon development strategy and participating in the construction of government policy-based housing. The Group regards the green strategy as a major direction for development, and its "green gold model" has gradually become one of the landmark models in the green building development in China. Changsha Meixi Lake International New City Project has been the first batch of the "green and ecological model cities" in China. A number of energy saving projects including Shanghai International Shipping Service Center Project (under construction) obtained the China Green Goal and LEED certification, further highlighting the economic benefits from the green strategy. Capitalising on building quality green projects in harmony with the nature, the Group further enhanced the core competitiveness, making due contribution as a corporate citizen in building a green, energy saving and environmental friendly community. The Group also responded positively to the call on the state-owned real estate enterprises to actively participate in the construction of affordable housing and urban renewal. The Group, as a central government-owned enterprise and listed company, proactively undertook the social responsibility by undertaking the construction of 15,000 square metres' and 93,000 square metres' policy-based housing in Beijing Guangqu Jin Mao Palace Project and Qingdao Jin Mao Bay Project respectively.

In 2013, while the macro economy of China will continue to stabilise and flourish, there will be ongoing macro control over the real estate industry. Housing prices as a livelihood issue remains one of the focuses of the new session of the government. Austerity measures on real estate industry will gradually become a normal phenomenon, along with continuing industry consolidation. Nevertheless, we are confident about the long-term development of the real estate market in China, and consider that the real estate market in China will gradually embark on a sustainable, healthy and stable development path. The Group will strive to be the leading high-end commercial real estate developer and operator in China adhering to the high-end positioning and quality projects through two-wheel driven operating strategy of both property sales and holdings. We endeavour to continuously enhance our corporate value and position in the industry. The Group firmly believes that, based upon a clear strategic positioning, unique business model, excellent asset portfolio, sufficient resources reserve, as well as strong execution capability, we will usher in greater opportunities for development in the course of macro control and industry consolidation.

Since January 2013, I have succeeded Mr. LUO Dongjiang to be the Chairman of the Board of the Company. During the tenure of Mr. LUO Dongjiang as the Chairman, the Company accomplished remarkable achievements in development under his leadership. On behalf of the Board, I would like to express our sincere gratitude to Mr. LUO Dongjiang and our sincere thanks to our customers, business partners, shareholders, and all employees of the Company. Franshion Properties will continue to use its best endeavours and creativity to make progress and achieve better results with a view to creating value for its shareholders.

HE Cao
Chairman

Hong Kong
25 March 2013

Honours And Awards

MAJOR INTEGRATED AWARDS

- In September 2012, Franshion Properties was granted the "Council Unit (理事單位) of China Association of Building Energy Efficiency" certificate and was selected as first batch of the "Stars of Building Energy Efficiency" (建築節能之星) at the "Building Energy Efficiency and Green Building & Technology Week" (建築節能與綠色建築科技周) event jointly organised by China Association of Building Energy Efficiency and Shanghai Urban-Rural Development and Transport Commission.
- In September 2012, Franshion Properties was named "China Blue Chip Real Estate 2012" (2012年中國藍籌地產企業) by Economic Observer.
- In October 2012, Franshion Properties was honoured the "Real Estate Developer of the Year – Benevolence Business" (地產企業年度仁商實踐) by China Business News.
- In December 2012, Franshion Properties was accredited the "Top 10 Reputable Branded Real Estate Developers for 2012" (2012年度十大美譽品牌地產) by house.163.com (網易房產).
- In December 2012, Franshion Properties was accredited the "Positive Enterprise 2012" (2012正能量企業) by New Real Estate.
- In December 2012, Franshion Properties was named the "Leading Real Estate Developer in Beijing for 2012" (2012北京房地產市場領先地位領先企業) by China Index Research Institute.
- In December 2012, Franshion Properties was titled the "Most Valuable Brand in Beijing" (北京地區最具品牌價值企業) by house.sina.com.cn (新浪樂居).
- "Jin Mao" brand was recognised as one of "China's 500 Most Valuable Brands" in 2012 with its brand value of RMB5,961 million for eight years in a row, whereas Jin Mao Group was titled the "Chinese Brand Annual Award No.1" (中國品牌年度大獎NO.1) for seven years in a row.
- In December 2012, Franshion Properties ranked 5th among 112 famous real estate developers in the "China Green Real Estate Annual Development Report" (中國綠色地產年度發展報告) published by China Property Post and edited by an experienced green building expert.

MAJOR PROPERTY DEVELOPMENT AWARDS

- In January 2012, Franshion Beijing was named the "Most Influential Brand" and the "Most Valuable Project" by www.sohu.com (搜狐網).
- In July 2012, all units in the Western Site of Shanghai International Shipping Service Center Project obtained the LEED-CS Gold Pre-Certification of USGBC and were granted the certificate.
- In July 2012, the land parcels A4-1 and A4-8 of Beijing Guangqu Jin Mao Palace Project were granted the gold prize of Great Wall Cup in the Structure for the year (年度結構長城盃金獎) by Quality Project Assessment Committee of Beijing (北京市優質工程評審委員會).
- In October 2012, Meixi Lake International New City developed by Changsha Branch of Franshion Properties was named the "2012 green and ecological model city" (2012年度綠色生態示範城區) by the Ministry of Housing and Urban-Rural Development of China.
- In November 2012, Building Nos. A1-A13, A5-A7, B1-B3 and B5-B6 of Qingdao Jin Mao Bay Project (residential portion) obtained the three-star green building design label certificate (三星級綠色建築設計標識證書) by the Ministry of Housing and Urban-Rural Development of China.
- In November 2012, Changsha Branch of Franshion Properties was granted the planning and design award (規劃設計獎) by the Ministry of Science and Technology and National Office for Science & Technology Awards at the 9th Jing Rui Science and Technology Award in 2012.
- In December 2012, Qingdao Jin Mao Bay Project was accredited the model land of standardisation in Qingdao for 2012 (2012年度青島市標準化示範工地).

MAJOR HOTEL AWARDS

- In June 2012, Jin Mao Group was named "China's Most Popular Hotel Owner for 2012" at the 9th Golden Pillow Awards of China's Hotels.

GRAND HYATT SHANGHAI

- In February 2012, Grand Hyatt Shanghai was named the "Best Standard Room for 2012" (2012 最佳標準房) by *TimeOut Shanghai* magazine.
- In February 2012, Grand Hyatt Shanghai was honoured "Shanghai's Best Business Hotel for 2011" by *Shanghai Evening Post*.

- In March 2012, Grand Hyatt Shanghai was granted the title of "2012 Readers' Choice – Shanghai's Best Hotel" by *DestinAsian* for the sixth time.
- In March 2012, Grand Hyatt Shanghai was honoured "Shanghai's Best Hotel for 2012" by *FinanceAsia*.
- In May 2012, Grand Hyatt Shanghai was named the "2012 Gold List Award of China Tourism – Best Business Hotel of the Year" by *Trends Traveler*.

THE RITZ-CARLTON, SANYA

- In March 2012, The Ritz-Carlton, Sanya ranked first at the "Top 10 Best Hotels in China" by Lvping Koubei net (驢評口碑網).
- In May 2012, The Ritz-Carlton, Sanya was honoured the "Best Ritz-Carlton Hotel in China of the Year" by The Ritz-Carlton Hotel Group.
- In May 2012, The Ritz-Carlton, Sanya was granted the "Gold List Award of China Tourism – Best Waterfront Resort Hotel for 2012" by *Trends Traveler*.
- In June 2012, The Ritz-Carlton, Sanya was named "China's Top 10 Most Popular Resort Hotels for 2012" at the 9th Golden Pillow Awards of China's Hotels.

HILTON SANYA RESORT & SPA

- In March 2012, Hilton Sanya Resort & Spa was named "China's Top 10 Leisure Resorts for 2011" at the 7th China Hotel Starlights Awards.
- In June 2012, Hilton Sanya Resort & Spa was honoured "Sanya's Top Wedding Hotel" by *Taste of Life《品位生活》*.
- In November 2012, Hilton Sanya Resort & Spa was granted the "Best Resort Hotel for 2012" by *City Traveler*.

WESTIN BEIJING, CHAOYANG

- In January 2012, Westin Beijing, Chaoyang was named the "Best Business Hotel for 2011" by *Voyage*.
- In February 2012, Westin Beijing, Chaoyang was granted the "Best Business Hotel for 2011" by *Travel & Leisure*.
- Westin Beijing, Chaoyang's lounge, MIX was named the "Best Hotel Lounge for 2012" by *City Weekend* and the "Best Jazz Lounge for 2012" by *The Beijinger*.

JW MARRIOTT SHENZHEN

- In January 2012, the Man Ho Chinese Restaurant of JW Marriott Shenzhen was awarded the "Best Restaurant" in Shenzhen in 2011 by *City Weekend*.
- In March 2012, JW Marriott Shenzhen was granted the "Top 10 City-Nova Hotels of China for 2011" at the 7th China Hotel Starlights Awards.
- JW Marriott Shenzhen was named "Shenzhen's Best Business Hotel" at the 2012 Business Travel Asia Grand Awards (2012年商務旅行亞太區大獎) organised by *Business Traveller Asia*.

OFFICE AND OTHER PROJECT AWARDS

- In December 2012, Beijing Chemsunny World Trade Centre and Sinochem Tower were granted the "Office Industry Contribution Award of the Year" and "Quality and Innovative Office Award of the Year" respectively at the 9th China Office Industry Annual Forum.
- In June 2012, Jin Mao Properties was honoured the "Leading Enterprise in Niche Services in China for 2012 – Green Property Service" and "Top 100 Property Service Companies in China for 2012" by China Real Estate TOP 10 Research Group.
- In August 2012, Jin Mao Decoration (金茂裝飾) was granted the "Magnolia" Award of Shanghai Construction Project for 2011.

Management Discussion and Analysis

In 2012, austerity policies on the real estate industry in China remained rigid; differentiated credit and housing purchase restriction measures were strictly implemented; and the effects of tight monetary policies showed no significant signs of improvement. Under such unfavourable external environment, the Group was determined and handled it calmly. Adhering to the "high-end with quality" and "two-wheel driven" strategic approach, the Group united efforts to overcome the challenges. As a result, the Group successfully outperformed the market and set a historical record in its operating results.

Looking back to 2012, the Group's three major business segments all forged ahead with remarkable results performance. During the Year, performance of property development segment was impressive. All units of Shanghai Port International Cruise Terminal Project were sold. The Group successfully secured a contract with respect to the sales of Building No.14 of Shanghai International Shipping Service Center Project and the sales of some buildings were also secured at high prices. Beijing Guangqu Jin Mao Palace Project drew overwhelming sales during the market downturn and was ranked first in the sales of single project in Beijing. Beijing Asian Olympics Jin Mao Yue Project and Beijing Wangjing Jin Mao Palace Project successfully commenced sales and, strikingly, the units launched were all sold out on the day of launch. In particular, Asian Olympics Jin Mao Yue Project topped the charts in terms of the area and amount transacted in Beijing in November 2012, whereas 92 residential units under Wangjing Jin Mao Palace Project were sold within one hour after sales launch. Chongqing Jin Mao Long Yue Project had a grand sales launch and was well-received by the market and customers. Approximately 400 units launched in the first phase were all sold out within two hours after its launch. Changsha Meixi Lake Primary Development Project was highly recognised by the market, attracting numerous branded real estate developers to set foot in the Meixi Lake region. Similarly, Jin Mao Meixi Lake Project also opened for sale and received strong positive response from the market. Sales results of Qingdao Jin Mao Bay Project and Shanghai Dongtan Jin Mao Noble Manor Project also maintained a leading market position within the region. In addition, the successful delivery of Beijing Guangqu Jin Mao Palace Project, Shanghai Dongtan Jin Mao Noble Manor Project and some buildings under Shanghai International Shipping Service Center Project laid a solid foundation for the Group's remarkable results. As for property leasing, the Group firmly captured the market opportunities arising from the booming demand for high-end offices in Beijing and Shanghai. Occupancy rate remained high and rental level continued to rise. In particular, two office buildings in Beijing had full occupancy for consecutive months and rental level continued to rise. Occupancy rate of the offices in Jin Mao Tower remained high with its rental level substantially higher than that of the same period last year. For hotel operations, the Group aggressively cope with the unfavourable effects of slowing demand from tourism and business travellers, flexibly adjusted the pricing strategies, expanded the sales channels and implemented strict cost control, the effects of which were eminent. As the two hotels in Sanya continued to consolidate its leading edge, Westin Beijing, Chaoyang was ranked first within the region among its competitive hotel peers, and JW Marriott Shenzhen recorded steady growth in operating results.

In striving for the best results for the period, the Group also attached much importance to the management of projects under construction and availability of strategic resources with a view to establishing a solid foundation for performance growth in the future. In 2012, all of the Group's projects under construction were well under way. All key project nodes were completed on schedule or in advance. At the same time, the Group successfully acquired the land parcel in Meixi Lake International Plaza in June; the 200-mu land parcel in the old town of Lijiang and the 57-mu land parcel in Ganhaizi of Yulong Snow Mountain in January and December respectively; and the land parcels in Jinmen Road, Suzhou and Haimen Road, Shanghai in December. The Group also cooperated with LongHigh Group to acquire the primary development right to the 1,500-mu land parcel in Yazhou Bay, Sanya. In January 2013 and February 2013, the Group acquired Beijing Economic and Technological Development Area Land Parcels X85 and X88 Project as well as Nanjing International Center Project respectively. These acquisitions provided important strategic resources for the sustainable development of the Company.

Our Property Map

In 2012, Franshion Properties was granted a number of accolades and awards and was increasingly accredited in the industry. In June, Franshion Properties again was granted the best investor relations award in Asia for 2012 (2012年亞洲區最佳投資者關係獎項) by Institutional Investor. In September, Franshion Properties was named "China Blue Chip Real Estate 2012" (2012年中國藍籌地產企業) by Economic Observer. In October, Franshion Properties was honoured the "Real Estate Developer of the Year – Benevolence Business" (地產企業年度仁商實踐) by China Business News. In December, Franshion Properties was accredited the "Top 10 Reputable Branded Real Estate Developers for 2012" (2012年度十大美譽品牌地產) by house.163.com (網易房產), the "Leading Real Estate Developer in Beijing for 2012" (2012北京房地產市場領先地位領先企業) by China Index Research Institute, the "Most Valuable Brand in Beijing" (北京地區最具品牌價值企業) by house.sina.com.cn (新浪樂居) and the "Positive Enterprise 2012" (2012正能量企業) by New Real Estate. Besides, "Jin Mao" brand was recognised as one of "China's 500 Most Valuable Brands" in 2012 with its brand value of RMB5,961 million for eight years in a row, whereas Jin Mao Group was titled the "Chinese Brand Annual Award No.1" (中國品牌年度大獎NO.1) for seven years in a row.

In 2012, the green strategies of Franshion Properties were also widely recognised by the market. In September, Franshion Properties was granted the "Council Unit (理事單位) of China Association of Building Energy Efficiency" certificate and was selected as first batch of the "Stars of Building Energy Efficiency" (建築節能之星) at the "Building Energy Efficiency and Green Building & Technology Week" (建築節能與綠色建築科技周) event jointly organised by China Association of Building Energy Efficiency and Shanghai Urban-Rural Development and Transport Commission. In October, Meixi Lake International Service and Technology Innovation City was approved by the Ministry of Housing and Urban-Rural Development of China and became the first batch of the "green and ecological model cities" (綠色生態示範城區) in China as well as the only national "green and ecological model city" in Hunan Province. In December, Franshion Properties ranked 5th among 112 famous real estate developers in the "China Green Real Estate Annual Development Report" (中國綠色地產年度發展報告) published by China Property Post and edited by an experienced green building expert. These honours and awards, in addition to the remarkable performance of Franshion Properties, represent the recognition and affirmation of Franshion Properties by the industry peers, capital market and media in many areas.

Management Discussion and Analysis
Business Review

PROJECT INFORMATION

1. General information by segments

Franshion Properties
Total gross floor area: 6,857,930 square metres

Property Leasing Total gross floor area: 511,697 square metres	Hotel Operations Total gross floor area: 441,385 square metres Number of guest rooms: 3,106	Property Development Total gross floor area: 5,904,848 square metres		
		Completed Projects: *(unsold portion)*	Projects under development:	Reserved Projects:
Beijing Chemsunny World Trade Centre: 110,760 square metres	Grand Hyatt Shanghai: 80,410 square metres, 555 rooms	Parking spaces of Beijing Chemsunny World Trade Centre: 42,117 square metres	Shanghai International Shipping Service Center Project: 483,473 square metres*	Meixi Lake International Plaza: 706,174 square metres*
Jin Mao Tower (excluding hotel): 212,065 square metres	Hilton Sanya Resort & Spa: 76,666 square metres, 501 rooms	Zhuhai Every Garden: 4,443 square metres	Shanghai Dongtan Jin Mao Noble Manor Project: 146,098 square metres*	Changsha Meixi Lake Land Block C Project: 485,577 square metres*
Sinochem Tower: 49,066 square metres	Wangfujing Grand Hotel: 41,349 square metres, 405 rooms	Portion above ground of Building No.11 of Shanghai Port International Cruise Terminal Project: 6,165 square metres	Beijing Guangqu Jin Mao Palace Project: 282,872 square metres*	Suzhou Jinmen Road Project: 342,422 square metres*
Nanjing International Center Phase I (excluding): 139,806 square metres	The Ritz-Carlton, Sanya: 83,000 square metres, 450 rooms	Nanjing International Center Project Phase I: 17,226 square metres	Qingdao Jin Mao Bay Project: 513,189 square metres*	Shanghai Haimen Road Project: 426,060 square metres*
	Westin Beijing, Chaoyang: 75,446 square metres, 550 rooms		Jin Mao Meixi Lake Project: 525,940 square metres*	Beijing Economic and Technological Development Area Land Parcels X85 and X88 Project: 356,322 square metres*
	JW Marriott Shenzhen: 52,000 square metres, 411 rooms		Lijiang Jin Mao Snow Mountain Whisper Project: 266,481 square metres*	Nanjing International Center Project Phase II: 227,300 square metres*
	Westin Nanjing: 32,514 square metres, 234 rooms		Lijiang Snow Mountain Jin Mao Noble Manor Project: 49,485 square metres*	
			Chongqing Jin Mao Long Yue Project: 500,644 square metres*	
			Beijing Asian Olympics Jin Mao Yue Project and Beijing Wangjing Jin Mao Palace Project: 395,831 square metres*	
			Changsha Jin Mao Meixi Lake International R&D Centre: 127,029 square metres*	

Note: With respect to the property development segment, save as the above secondary development projects, there are three primary land development projects, namely, Changsha Meixi Lake primary development project, Changsha Meixi Lake Land Block A primary development project and Sanya Yacheng Town primary development project. Taking into account these three primary land development projects, the estimated total gross floor area is 15,829,746 square metres. See “5. Primary land development projects” for details.

2. Property leasing projects

Name of project	Location	Site area (square metres)	Gross floor area (square metres)	Type of project	Type of operation	Equity attributable to the Group	Date of completion	Area sold (square metres)	Area unsold (square metres)	Area held (square metres)	Hotel area (square metres)
Beijing Chemsunny World Trade Centre	Nos. 26, 28 and 30, Fuxingmen Nei Avenue, Xicheng District, Beijing City, China	21,659	194,530	Office	Holding and selling	100%	2006	41,653	42,117	110,760	–
Sinochem Tower	No. A2 Fuxingmen Wai Avenue, Xicheng District, Beijing City, China	5,833	49,066	Office	Holding	100%	1995	–	–	49,066	–
Jin Mao Tower (including hotel)	No. 88 Shiji Dadao, Pudong New District, Shanghai City, China	23,611	292,475	Office	Holding	100%	1999	–	–	212,065	80,410
Nanjing International Center Phase I (including hotel)	No. 201 Zhongyang Road, Gulou District, Nanjing City, Jiangsu Province, China	19,852	225,846	Complex	Holding and selling	51%	2011	36,300	17,226	139,806	32,514

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3. Hotel operation projects

Name of project	Location	Site area (square metres)	Gross floor area (square metres)	Type of project	Type of operation	Equity attributable to the Group	Date of completion	Number of guest rooms
Wangfujing Grand Hotel	No. 57 Wangfujing Avenue, Dongcheng District, Beijing City, China	9,858	41,349	Hotel	Holding	100%	1995	405
Grand Hyatt Shanghai	No. 88 Shiji Dadao, Pudong New District, Shanghai City, China	**	80,410	Hotel	Holding	100%	1999	555
Hilton Sanya Resort & Spa	Yalong Bay Resort, Sanya City, Hainan Province, China	108,610	76,666	Hotel	Holding	100%	2006	501
The Ritz-Carlton, Sanya	Yalong Bay Resort, Sanya City, Hainan Province, China	153,375	83,000	Hotel	Holding	100%	2008	450
Westin Beijing, Chaoyang	Nos. 1-3 Xinyuan South Road, Chaoyang District, Beijing City, China	24,195	75,446	Hotel	Holding	100%	2008	550
JW Marriott Shenzhen	No. 6005 Shennan Boulevard, Futian District, Shenzhen City, Guangdong Province, China	4,471	52,000	Hotel	Holding	100%	2009	411
Westin Nanjing	No. 201 Zhongyang Road, Gulou District, Nanjing City, Jiangsu Province, China	***	32,514	Hotel	Holding	51%	2011	234

4. Property development projects

Name of project	Location	Site area (square metres)	Gross floor area (square metres)	Type of project	Type of operation	Equity attributable to the Group	Date of completion	Area sold (square metres)	Area unsold (square metres)
A. Completed projects									
Site B of Shanghai Port International Cruise Terminal Project	No.610 Dong Da Ming Road, Hongkou District, Shanghai City, China	85,089	302,080	Commercial	Selling	50%	2011	302,080	–
Of which: Portion above ground of Building No.11 of Shanghai Port International Cruise Terminal Project	No.610 Dong Da Ming Road, Hongkou District, Shanghai City, China		6,165	Commercial	Selling	100%	2011	–	–
Zhuhai Every Garden	No. 11 North of Zhuhai Qinglv Avenue, Xiangzhou District, Zhuhai City, Guangdong Province, China	43,499	137,225	Residential	Selling	100%	2008	132,782	4,443

Note: For information of the completed but unsold portion of Beijing Chemsunny World Trade Centre and Nanjing International Center Phase I, please see "2. Property investment projects".

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Name of project	Location	Site area (square metres)	Gross floor area (square metres)	Type of project	Type of operation	Equity attributable to the Group	Date of completion	Area sold (square metres)	Area unsold (square metres)
B. Projects under development									
Beijing Guangqu Jin Mao Palace Project	Northwest of Dajiaoting Bridge, Chaoyang District, Beijing City, China	155,918	368,342*	Residential	Selling	100%	2013	85,470	282,872
Shanghai International Shipping Service Center Project	Jie Fang 81 Ti Lan Qiao Street, Hongkou District, Shanghai City, China	95,594	530,933*	Commercial	Holding and selling	50%	2015	47,460	483,473
Shanghai Dongtan Jin Mao Noble Manor Project	Riverside Leisure Sport and Residential Community, Chenjia Town, Chongming Island, Shanghai City, China	220,000	173,899*	Commercial/ residential	Holding and selling	100%	2013	27,801	146,098
Qingdao Jin Mao Bay Project	West of Sichuan Road, Shinan District, Qingdao City, Shandong Province, China	131,202	513,189*	Commercial/ residential	Holding and selling	100%	2015	N/A	N/A
Lijiang Jin Mao Snow Mountain Whisper Project	Lijiang World Heritage Park, Lijiang City, Yunnan Province, China	466,670	266,481*	Commercial/ residential	Holding and selling	100%	2016	N/A	N/A
Lijiang Snow Mountain Jin Mao Noble Manor Project	Ganhaizi, Yulong Snow Mountain, Lijiang City, Yunnan Province, China	103,974	49,485*	Commercial/ residential	Holding and selling	100%	2016	N/A	N/A
Jin Mao Meixi Lake Project	Dahexi Pilot Zone, Changsha City, Hunan Province, China	156,767	525,940*	Residential	Selling	100%	2015	N/A	N/A
Chongqing Jin Mao Long Yue Project	West of Pedestrian Street, Yangjiaping, Jiulongpo District, Chongqing City, China	101,096	500,644*	Residential	Selling	100%	2015	N/A	N/A
Beijing Asian Olympics Jin Mao Yue Project and Beijing Wangjing Jin Mao Palace Project	Three land parcels B1, B2 and B3 in Laiguangying Village, Chaoyang District, Beijing City, China	92,768	395,831*	Residential	Selling	51%	2014	N/A	N/A
Changsha Jin Mao Meixi Lake International R&D Centre Project	Dahexi Pilot Zone, Changsha City, Hunan Province, China	46,353	127,029*	Commercial	Holding and selling	80%	2017	N/A	N/A

Name of project	Location	Site area (square metres)	Gross floor area (square metres)	Type of project	Type of operation	Equity attributable to the Group	Date of completion	Area sold (square metres)	Area unsold (square metres)
C. Reserved projects									
Meixi Lake International Plaza	Dahexi Pilot Zone, Changsha City, Hunan Province, China	152,995	706,174*	Complex	Holding and selling	100%	2016	N/A	N/A
Changsha Meixi Lake Land Block C Project	Dahexi Pilot Zone, Changsha City, Hunan Province, China	130,589	485,577*	Commercial/ residential	Holding and selling	70%	2016	N/A	N/A
Suzhou Jinmen Road Project	Junction of Jinmen Road and Tongjing North Road, Suzhou City, Jiangsu Province, China	86,018	342,422*	Residential	Selling	100%	2016	N/A	N/A
Shanghai Haimen Road Project	City Centre of North Bund, Shanghai City, China	40,577	426,060*	Commercial	Holding and selling	50%	2016	N/A	N/A
Beijing Economic and Technological Development Area Land Parcels X85 and X88 Project	Beijing Economic and Technological Development Area, China	134,858	356,322*	Residential	Selling	100%	2015	N/A	N/A
Nanjing International Center Project Phase II	No. 201 Zhongyang Road, Gulou District, Nanjing City, Jiangsu Province, China	18,068	227,300*	Complex	Holding and selling	51%	2016	N/A	N/A

5. Primary land development projects

Name of project	Location	Site area (square metres)	Gross floor area (square metres)	Type of project	Type of operation	Equity attributable to the Group	Date of completion	Area sold (square metres)	Area unsold (square metres)
Changsha Meixi Lake Primary Development Project	Dahexi Pilot Zone, Changsha City, Hunan Province, China	2,808,428	9,402,328*	Primary	Selling	80%	2017	2,176,219	7,226,109
Changsha Meixi Lake Land Block A Primary Development Project	Dahexi Pilot Zone, Changsha City, Hunan Province, China	276,322	828,966*	Primary	Selling	100%	2013	N/A	N/A
Sanya Yacheng Town Primary Land Development Project	Riverbank of Yanzao, Yacheng Town, Sanya City, Hainan Province, China	1,000,005	916,741*	Primary	Selling	51%	2015	N/A	N/A

* Estimated gross floor area
** Grand Hyatt Shanghai situated in Jin Mao Tower
*** Westin Nanjing situated in Nanjing International Center

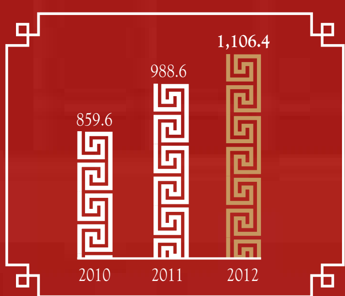
Explore Architecture in its Prime

| Property Leasing Segment

Management Discussion and Analysis

Business Review

Sales revenue from property leasing segment for the past three years (HK$ million)



Percentage of sales revenue attributable to each investment property for 2012

Chemsunny World Trade Centre	48%
Sinochem Tower	8%
Jin Mao Tower	37%
Others	7%

AIM HIGH

Global magnitude
and foresight
into the future

PROPERTY LEASING SEGMENT

The Group endeavours to hold high-end commercial properties at the prime locations in cities and has holdings in high-end properties with a total gross floor area of approximately 510,000 square metres in Beijing, Shanghai and Nanjing. Beijing Chemsunny World Trade Centre and Jin Mao Tower held by the Group are landmarks at the prime CBDs in China. In particular, Jin Mao Tower was once the highest skyscraper in China. It is a perfect combination of the world's modern architectural design and the traditional Chinese architectural style (pagoda), and enjoys a high reputation nationwide and even worldwide. Beijing Chemsunny World Trade Centre distinguishes itself from other high-end office buildings in Beijing by its unique overall design style as well as its high-end ancillary facilities.

The Group's strategy is to retain the properties with the highest investment value in the commercial property development project for rental income so as to ensure that stable cash inflows will be generated to the Group in the future to resist risks. As our office buildings are situated at favourable geographical locations and are of superior quality, the Group can achieve satisfactory operating performance and receive value-added gains from the appreciation of investment properties. The Group will also actively adjust the proportion of properties for holding and properties for sales with a view to achieving balanced operations and sustainable growth in performance.

In 2012, the occupancy rate and rental level of the properties held by the Group remained relatively high. In 2012, the market demand for offices in China continued to rise. The Group firmly made use of the favourable macro conditions of rising rental level and decreasing vacancy rate of its three office buildings and further optimised its tenant structure on the basis of rising rental level and occupancy rate, resulting in the increase in overall quality of leased properties. In February 2013, the Group successfully acquired Nanjing International Center Project, which is a high-end property project with a gross floor area of approximately 140,000 square metres.

During the Year, the overall sales revenue from property leasing segment amounted to HK$1,106.4 million, which increased substantially over that of last year. The rental income for the Year was mainly derived from Beijing Chemsunny World Trade Centre and Jin Mao Tower.

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Leasing business of Beijing Chemsunny World Trade Centre

(100% owned by the Group)

Situated on Fuxingmen Nei Avenue within the financial district of Beijing, Beijing Chemsunny World Trade Centre is adjacent to West Chang'an Avenue and opposite to Jinrong Street. The complex is less than ten minutes' walk from two subway lines and only one block to the west of the Second Ring Road.

Tenant structure of Beijing Chemsunny World Trade Centre

38% Related companies
59% Financial
3% Others

The project comprises three parallel and interconnected 14-storey office buildings, being the East, Central and West Towers respectively. The three office buildings comprise a total gross floor area of approximately 194,530 square metres. Construction of Beijing Chemsunny World Trade Centre commenced in April 2004 and the main body of the construction was completed in December 2006. The complex can provide separate offices for approximately 80 to 120 companies, and house as many as 5,000 employees. It distinguishes itself from other high-end office buildings in Beijing by the incorporation of a number of distinctive design elements and features. The Group holds 100% interests in the project.

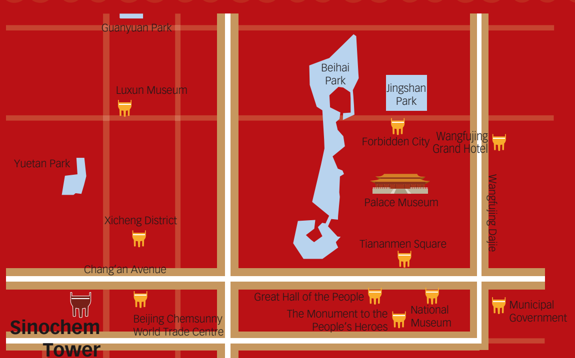
The Central and West Towers and some floors in the East Tower of Beijing Chemsunny World Trade Centre are the Group's long-term investment and are held for leasing to external parties, with a total rentable area of approximately 110,760 square metres.

Due to its prime location, superior quality, advance product design and high-end ancillary facilities, the property is widely recognised by its clients throughout the market, and a large number of international and domestic renowned enterprises have moved into Beijing Chemsunny World Trade Centre. As at 31 December 2012, the occupancy rate of Beijing Chemsunny World Trade Centre was 100% (as at 31 December 2011: 100%). Occupancy was full for seven months throughout the Year. The primary tenants of this property are Sinochem Group and its related companies, and some of the top companies from other fields including finance and consultancy.

Leasing business of Sinochem Tower

(100% owned by the Group)

Situated at the heart of Beijing on Fuxingmen Wai Avenue, the prime location of the business circle of the financial street which is less than 50 metres away from the subway station of the Beijing Subway Line One, Sinochem Tower is an office building supported by sophisticated office facilities and personalised services.



Tenant structure of Sinochem Tower

- 32% Related companies
- 36% Financial
- 16% Commercial
- 16% Others

The 26-storey Sinochem Tower has a total gross floor area of approximately 49,066 square metres. The Group holds 100% interest in the Sinochem Tower.

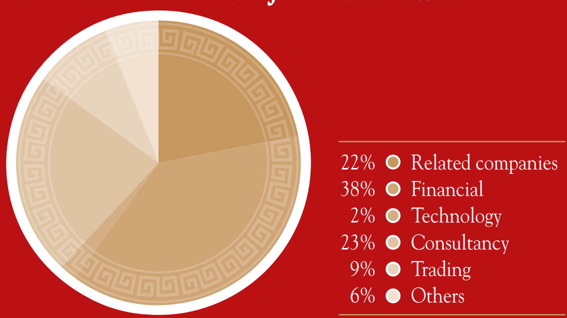
During the Year, the tenant structure of such property continued to improve and the quality of the building was enhanced with an increase of approximately 8% in average rental level over that in 2011. As at 31 December 2012, the occupancy rate was 99.1% (as at 31 December 2011: 100%). Occupancy was full for eight months in the Year. The principal tenants are eminent enterprises of the finance, software, and consultancy industries and the related companies of the Group.

Leasing business of Jin Mao Tower

(100% owned by the Group)

Situated at the Lujiazui Finance and Trade Zone of Pudong, Shanghai, Jin Mao Tower is one of China's landmark buildings attracting numerous businessmen, tourists and sightseers at home and abroad. The 420.5-metre-high 88-storey tower, with a total gross floor area of approximately 292,475 square metres, represents a perfect combination of China's traditional architectural techniques and the world's state-of-the-art technology.

Tenant structure of Jin Mao Tower



The spacious, bright and imposing entrance hall of Jin Mao Tower is located on the first two floors. On the 3rd-50th floors are commodious office areas without poles, with a height between floors of 4 metres and a ceiling height of 2.7 metres. The 51st-52nd floors are designed for mechanical and electric rooms, and the 53rd-87th floors house the Grand Hyatt Shanghai Hotel, a superior luxury five-star hotel. The indoor observation deck is on the 88th floor. "J-Life" was constructed on the podium building connected to Jin Mao Tower and has become the brand new fashionable landmark in Shanghai. The Group owns 100% interest in Jin Mao Tower.

The 3rd-50th floors of Jin Mao Tower are made up of grade A offices, and the leaseable office area has a total gross floor area of approximately 122,131 square metres. Its excellent location, along with its superior landmark effects, makes the tower one of the first choices as place of business in Shanghai for prestigious corporations at home and abroad. In spite of the intensifying competition between office buildings due to the completion of a number of new office buildings in the surrounding areas during the period, the occupancy rate reached its historical high whilst the average rental level grew by approximately 10% over 2011 and the occupancy rate remained high as proactive measures were adopted for such project. As at 31 December 2012, the occupancy rate of the offices in Jin Mao Tower was 97.0% (as at 31 December 2011: 97.2%).

"J-Life", constructed on a gross floor area of approximately 22,986 square metres and located in the podium building of Jin Mao Tower, is anchored by many flagship stores of famous brands engaged in the provision of retailing services, private nursing services, personalised services and Chinese and western catering services, and has become one of the high-end lifestyle service centres in Pudong, Shanghai, which greatly improves the overall quality of Jin Mao Tower.

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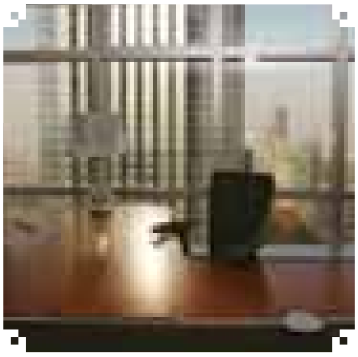
Leasing business of Nanjing International Center

(51% owned by the Group)

Situated at the heart of Zhongyang Road, Gulou District, Nanjing City, Nanjing International Center faces Xuanwu Lake, enjoying a unique natural landscape and abundant commercial and cultural resources. Occupying a site area of 37,920 square metres and an estimated total gross floor area of approximately 453,146 square metres, it represents a perfect blend of the essence of Nanjing City with an international horizon, and one of the Top Ten New Landmark Complexes in China (中國十大新地標城市綜合體).



The Group successfully acquired Nanjing International Center Project in February 2013. Nanjing International Center Project comprises one super high-rise Main Tower, North Tower and South Tower as well as an 8-storey podium. The project is developed in two phases. Construction works of Phase I completed and operation commenced in March 2011. The leasing business of Nanjing International Center includes the Grade A offices on the 11th to 16th floors of the South Tower of Phase I and the international shopping mall on the 1st to 8th floors of the podium of Phase I etc.

Nanjing International Center Phase I offices are constructed according to 5A standards recognised in North America. It has a total rentable area of 14,012 square metres and has officially commenced operation since 2011. In spite of the intensifying competition between office buildings due to the completion of a number of new office buildings within the region, the occupancy rate reached its historical high whilst the rental level remained steady as proactive measures were adopted for such project. As at 31 December 2012, the occupancy rate reached 100%. Capitalising on its superior geographical location, scenic and cultural resources as well as business circle synergies, it is one of the most popular venues for renowned enterprises or institutions locally and abroad to set up their offices in Nanjing.

With a gross floor area of approximately 86,009 square metres, the international shopping mall of Nanjing International Center Phase I offers a one-stop diversified experience comprising the world's famous luxury brands, international movie city, KTV, branded restaurants, children's theme park as well as branded stores of homestyle and living. It commenced operation in July 2011 and has become a new area for high-end style & living as well as entertainment & leisure in Nanjing.

Tenant structure of Nanjing International Center

Management Discussion and Analysis
Business Review

BUSINESS REVIEW – PROPERTY LEASING SEGMENT – LEASED PROPERTIES UNDER CONSTRUCTION

In addition to the above leased properties that are situated at the prime locations in the cities, the Group also invests in the high-end leased properties which are under construction in Shanghai, Nanjing and Changsha Meixi Lake for long-term holding. Currently, the Group's leased properties under construction are as follows:

Name of project	Location	Estimated gross floor area (square metres)	Type of project	Equity attributable to the Group	Estimated date of completion
Commercial portion of Yunnan Lijiang Project	Ganhaizi, Yulong Snow Mountain, Lijiang City, Yunnan Province, China	12,990	Commercial	100%	2014
Commercial portion of Qingdao Jin Mao Bay	West of Sichuan Road, Shinan District, Qingdao City, Shandong Province, China	97,268	Commercial	100%	2016
Commercial portion of Haimen Road, Shanghai	Downtown of North Bund, Shanghai City, China	109,964	Commercial	50%	2016
Office of Haimen Road, Shanghai	Downtown of North Bund, Shanghai City, China	193,500	Office	50%	2016
Nanjing International Center Phase II – International Shopping Mall	No. 201 Zhongyang Road, Gulou District, Nanjing City, Jiangsu Province, China	48,500	Commercial	51%	2016
Nanjing International Center Phase II – Office	No. 201 Zhongyang Road, Gulou District, Nanjing City, Jiangsu Province, China	72,200	Office	51%	2016
Commercial portion of Meixi Lake International Plaza	Dahexi Pilot Zone, Changsha City, Hunan Province, China	99,000	Commercial	100%	2016
Office of Meixi Lake International Plaza	Dahexi Pilot Zone, Changsha City, Hunan Province, China	55,000	Office	100%	2016
Changsha Jin Mao Meixi Lake International R&D Centre	Dahexi Pilot Zone, Changsha City, Hunan Province, China	14,996	Office	80%	2013
Office of Shanghai International Shipping Service Center	Jie Fang 81 Ti Lan Qiao Street, Hongkou District, Shanghai City, China	78,303	Office	50%	2015
Commercial portion of Shanghai International Shipping Service Center	Jie Fang 81 Ti Lan Qiao Street, Hongkou District, Shanghai City, China	17,927	Commercial	50%	2015
		799,648			

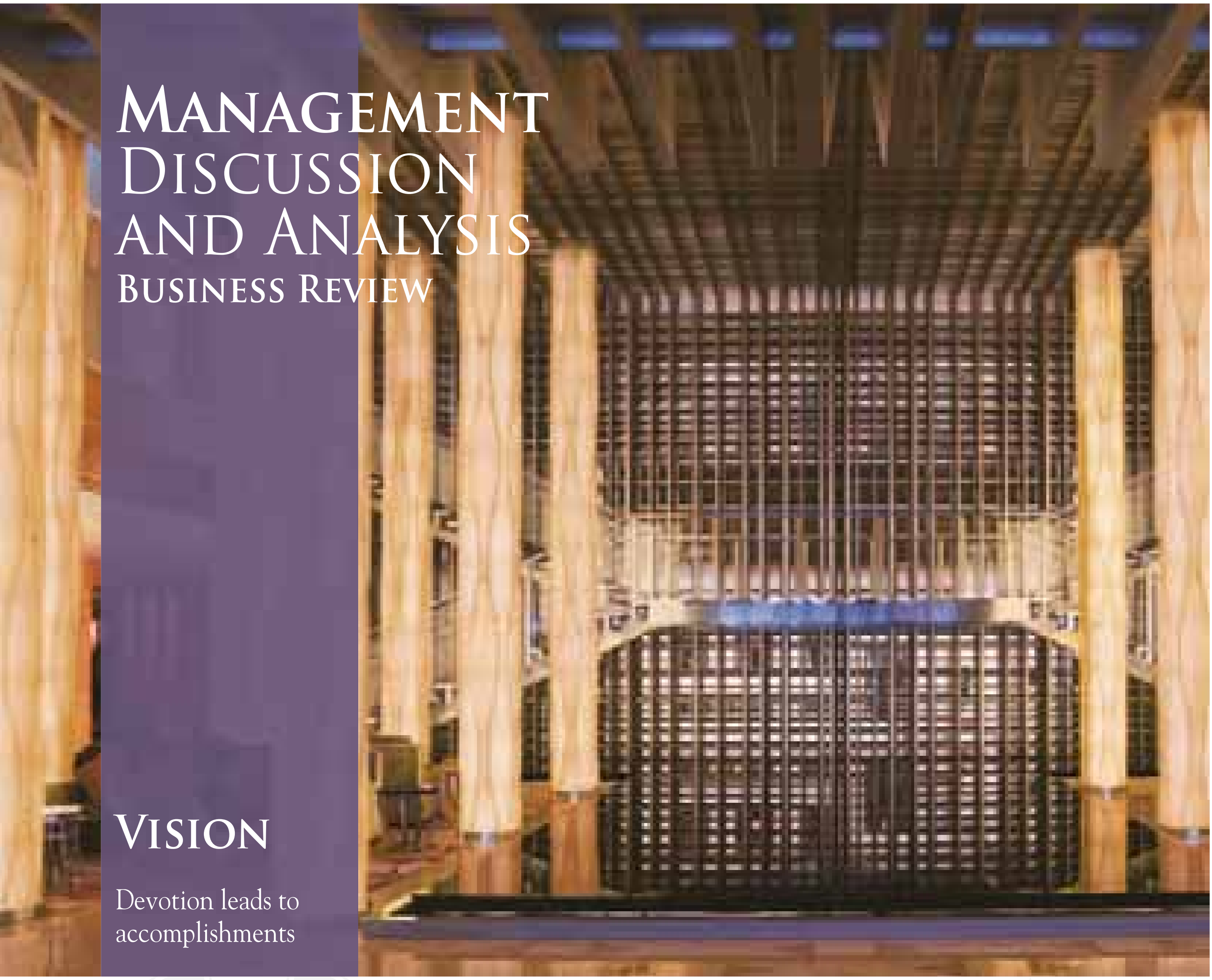
* Gross floor area and date of completion are the estimated results of the feasibility study.

As the Group's leased properties under construction commence commercial operation, the property leasing segment of the Group will grow substantially, generating long-term and stable revenue to the Group and becoming a key driver of profit contributions to the Company.

Property Leasing Segment

We have not only created benchmark properties that lead the industry, but also formed a driving force into the future, which guides us to create high quality real estate with sustainable development and continuous value enhancement under the mission of operational excellence.

BEGIN THE LEAD IN LOFTY AMBIANCE



Management Discussion and Analysis

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Vision

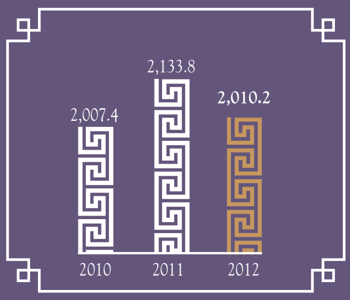
Devotion leads to accomplishments

Hotel Operations Segment

As the leading luxury hotel investor nationwide, the Group steadily expands the size and capability of the hotel operations segment according to the market conditions and its own needs with a view to providing long-term stable revenue to the Group. Through a series of high-end hotel project development and successful operation, the Group has equipped itself with the comprehensive and matured ability to design, develop and invest high-end hotels, and has established sound working relationship with internationally renowned hotel conglomerates such as Marriott, Grand Hyatt, Hilton and Starwood. Under the Group's principle of developing exclusive and high-end hotels, its hotel operations are identified with high-quality services and are popular among, and well recognised by, high-income consumers. In addition to generating profit, this enhances the Group's brand and overall reputation, and promotes the image and popularity of the other business segments of the Group, thereby generating higher profitability.

As at 31 December 2012, the Group owned six hotels in China, which are located in Beijing, Shanghai, Sanya and Shenzhen respectively. With a total gross floor area of approximately 410,000 square metres, these hotels offer approximately 3,000 guest rooms. These hotels are all located at the prime locations in first-tier cities or 5A resort regions, manifesting the superior capabilities of the Group in the area of hotel investment in China. In 2012, the hotel market in China faced slowing demand as well as intensifying competition within the region. The Group's hotels, by proactively coping with the unfavourable market environment and flexibly adjusting the sales strategies, were able to maintain their leading position amongst its competitors in the region. During the period, in face of the drastic decrease in the demand for hotel in Hainan, Hilton Sanya Resort & Spa and The Ritz-Carlton, Sanya continued to maintain their leading position in Yalong Bay through actively adjusting the sales strategies and pricing

Sales revenue from hotel operations segment for the past three years
(HK$ million)



Percentage of sales revenue attributable to each hotel for 2012

Grand Hyatt Shanghai	27%
Hilton Sanya Resort & Spa	16%
The Ritz-Carlton, Sanya	25%
Westin Beijing, Chaoyang	22%
JW Marriott Shenzhen	10%
Wangfujing Grand Hotel	–

strategies. Capitalising on its quality products and geographical location, Westin Beijing, Chaoyang recorded substantial growth in its operating results. JW Marriott Shenzhen's operating results showed steady growth as a result of the strategy to optimise customer structure. In February 2013, the Group successfully acquired Nanjing International Center Project, adding the seventh hotel – Westin Nanjing to its portfolio.

During the Year, the overall sales revenue from hotel operations segment amounted to HK$2,010.2 million. The revenue from hotel operations for the Year was mainly derived from Grand Hyatt Shanghai, The Ritz-Carlton, Sanya and Westin Beijing, Chaoyang.

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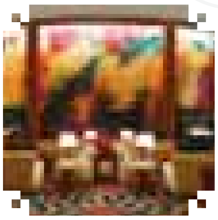
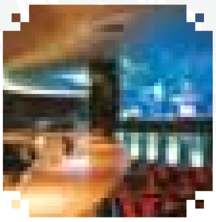
HOTEL OPERATIONS SEGMENT – SHANGHAI





Grand Hyatt Shanghai

(100% owned by the Group)

Situated on 53rd to 87th floors of Jin Mao Tower, Grand Hyatt Shanghai is operated and managed by Global Hyatt Corporation (one of the world famous international hotel management companies) entrusted by the Group.

Grand Hyatt Shanghai was opened in 1999 with a total gross floor area of 80,410 square metres. The 35-storey hotel has 555 luxury guest rooms each decorated with panorama glass curtain walls, thus allowing guests to enjoy the breathtaking scenery of Shanghai city.

Since its inauguration, the hotel has been granted more than 100 hotel-related awards in China and abroad, and has successfully undertaken a series of significant activities such as the Fortune Global Forum, APEC Conference, Asian Bankers' Annual Conference and Forbes' Global CEO Conference. During the Year under Review, in face of the impacts brought by the increasing supply of five-star hotels in Shanghai, Grand Hyatt Shanghai flexibly altered the pricing strategies and stepped up its marketing efforts, and maintained its leading position amongst its competitors by leveraging on its unique landmark advantages and high-quality standard of services. The hotel will endeavour to offer outstanding and refined quality services to the customers at home and abroad, upholding the title of Grand Hyatt Shanghai as the "First Luxury Hotel".

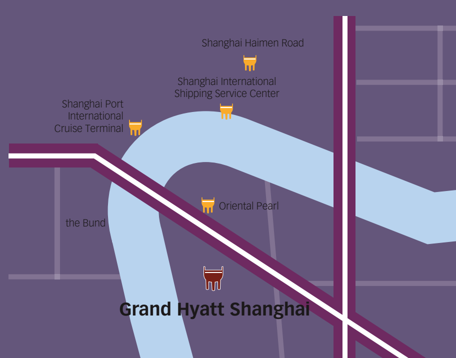
Grand Hyatt Shanghai	2012	2011
Average occupancy rate	60.0%	59.0%
Average room rate (RMB)	1,676	1,771
Average revenue per available room (RMB)	1,005	1,046

Revenue structure 2012

○	Revenue from guest rooms	43%
○	Revenue from catering services	55%
○	Other revenue	2%

Guest structure 2012

○	Mainland China	54%
○	Hong Kong and Taiwan	10%
○	Overseas	36%



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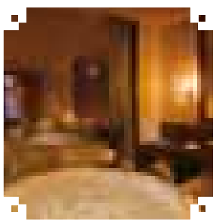
HOTEL OPERATIONS SEGMENT – SANYA

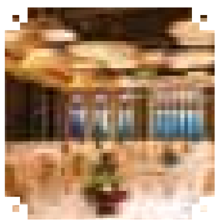
Hilton
Sanya Resort & Spa
金茂三亚希尔顿大酒店

Hilton Sanya Resort & Spa

(100% owned by the Group)

Situated at the enchanting Yalong Bay, Hainan Province, Hilton Sanya Resort & Spa is operated and managed by Hilton International Corporation (one of the world famous international hotel management companies) entrusted by the Group.





Hilton Sanya Resort & Spa was opened in 2006 with a total gross floor area of approximately 76,666 square metres, and has 501 guest rooms, suites and villas as well as 400 metres of powdery white beachfront. This hotel is designed and built with unique features and services to provide a "True Resort Experience", a basic concept embodying strong southern China's characteristics everywhere.

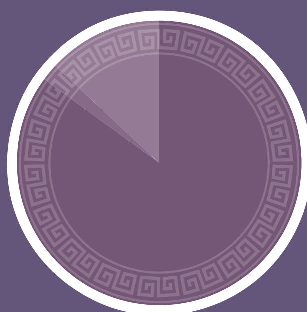
During the Period under Review, Hilton Sanya Resort & Spa proactively altered its sales strategies and pricing strategies to cope with the unfavourable effects due to the drastic decrease in demand for hotel in Hainan. Despite that both the occupancy rate and average room rate declined, the hotel continued to be in a leading position among its peers in the same region.

Hilton Sanya Resort & Spa	2012	2011
Average occupancy rate	**59.2%**	67.5%
Average room rate (RMB)	**1,856**	2,020
Average revenue per available room (RMB)	**1,099**	1,363

Revenue structure 2012

○	Revenue from guest rooms	73%
○	Revenue from catering services	23%
○	Other revenue	4%

Guest structure 2012



○	Mainland China	85%
○	Hong Kong and Taiwan	2%
○	Overseas	13%

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HOTEL OPERATIONS SEGMENT – SANYA

The Ritz-Carlton, Sanya
(100% owned by the Group)

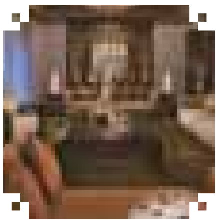
Situated at the charming Yalong Bay, Hainan Province, The Ritz-Carlton, Sanya is operated and managed by the Ritz-Carlton Hotel Company (one of the world famous international hotel management companies) entrusted by the Group.

The Ritz-Carlton, Sanya was opened in April 2008. It has a total gross floor area of approximately 83,000 square metres and 450 luxury guest rooms. Each guest room has a floor area of more than 60 square metres. 21 of such guest rooms are luxury suites and 33 are villas with private housekeepers and independent swimming pools, all of which are situated between the fine and silvery white sand recesses and the conservation zone of the mangrove forest of Yalong Bay.

Situated in The Ritz-Carlton, Sanya, Jin Mao's "J-Life" has a leaseable area of approximately 667 square metres, housing a number of flagship stores of renowned brands. It has become one of the high-end lifestyle hubs in Yalong Bay, Sanya, which greatly enhances the overall quality of The Ritz-Carlton, Sanya.

During the Period under Review, The Ritz-Carlton, Sanya, through adopting active and flexible marketing strategies, purposely formulated its pricing mechanism to cope with the unfavourable effects of the drastic decrease in demand for hotel in Hainan and was able to expand its market share contrary to market trends. The hotel continued to take the lead in the high-end hotel market in Yalong Bay where its operating results significantly outperformed its peers in the same region.

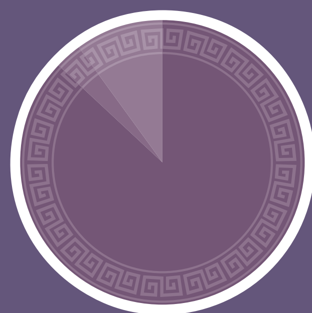
The Ritz-Carlton, Sanya	2012	2011
Average occupancy rate	62.1%	77.4%
Average room rate (RMB)	3,081	2,783
Average revenue per available room (RMB)	1,914	2,155



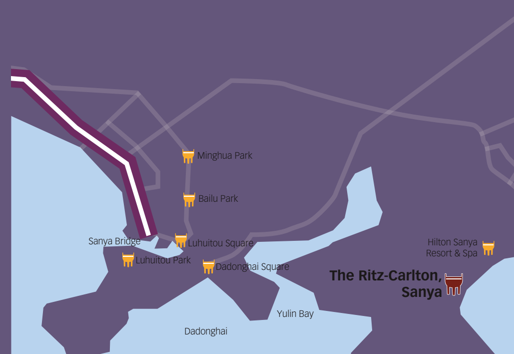
Revenue structure 2012

Revenue from guest rooms	72%
Revenue from catering services	24%
Other revenue	4%

Guest structure 2012



Mainland China	87%
Hong Kong and Taiwan	3%
Overseas	10%



Management Discussion and Analysis
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HOTEL OPERATIONS SEGMENT – BEIJING

Westin Beijing, Chaoyang

(100% owned by the Group)

Situated at Yansha Business Circle, Chaoyang District, Beijing and adjacent to Beijing's embassy area, Westin Beijing, Chaoyang is only 25 minutes' ride from Beijing Capital International Airport. The hotel is operated and managed by Starwood Hotels & Resorts Worldwide (one of the world famous international hotel management companies) entrusted by the Group.

Westin Beijing, Chaoyang was opened in June 2008. The 34-storey hotel has a total gross floor area of approximately 75,446 square metres and 550 guest rooms, which, from luxury guest rooms of 40 square metres to presidential suites of 320 square metres, provide various comfortable and convenient facilities to cater to each guest's favourite way of recreation. Since its opening, the hotel served numerous foreign heads of state and business elites, thereby establishing a high-end brand image of the hotel.

During the Period under Review, the hotel captured the market dynamics and actively adjusted the customer structure. Not only did it maintain a high occupancy rate, its room rate also increased substantially, outperforming the market average growth. In further consolidating its market position, the hotel saw an overall increase in its operating results.

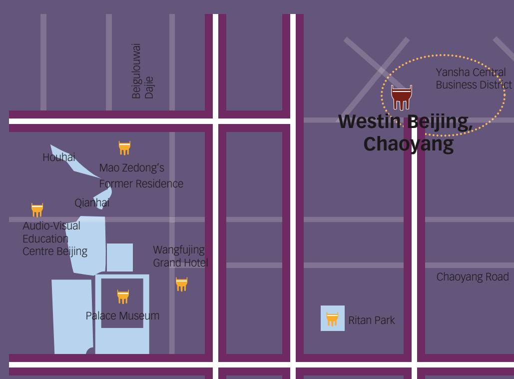
Westin Beijing, Chaoyang	2012	2011
Average occupancy rate	76.5%	78.6%
Average room rate (RMB)	1,540	1,357
Average revenue per available room (RMB)	1,179	1,066

Revenue structure 2012

Revenue from guest rooms	62%
Revenue from catering services	32%
Other revenue	6%

Guest structure 2012

Mainland China	53%
Hong Kong and Taiwan	4%
Overseas	43%



MANAGEMENT DISCUSSION AND ANALYSIS
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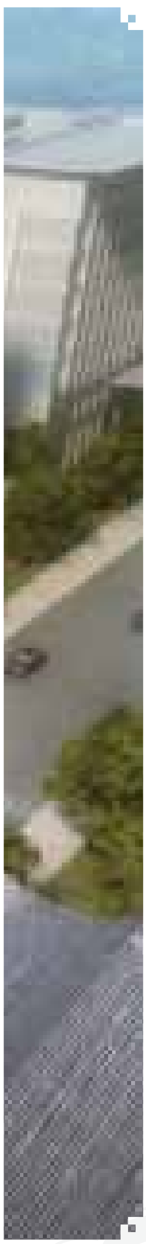
HOTEL OPERATIONS SEGMENT – BEIJING

Wangfujing Grand Hotel

(100% owned by the Group)

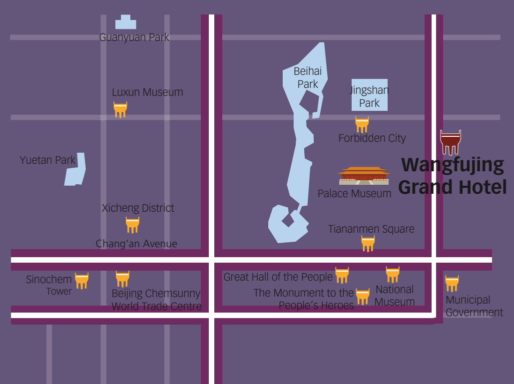
Situated on the northern section of Wangfujing Avenue in Beijing's major business and shopping district, Wangfujing Grand Hotel is enjoying an unparalleled location, which allows for walks to a cluster of cultural and historical sites and facilities, is within a short distance to The Forbidden City, Tian'anmen Square and Beihai Park, and offers a bird's-eye view of The Forbidden City.



The Wangfujing Grand Hotel was opened in 1995 with a total gross floor area of approximately 41,349 square metres. This 14-storey building has 405 guest rooms as well as a number of conference rooms, catering and other facilities.

Over the years, the hotel has attracted a large number of tourists due to its favourable location and is highly acclaimed in the industry. In order to provide a superior quality living environment and service experience to the customers at home and abroad, the Group began a full-scale revamp of Wangfujing Hotel during the Period under Review. The revamped hotel will also focus on high-end hotel operations with a view to generating stable long-term revenue and increasing brand value.

Wangfujing Grand Hotel	2012	2011
Average occupancy rate	N/A	24.7%
Average room rate (RMB)	N/A	710
Average revenue per available room (RMB)	N/A	175



Management Discussion and Analysis
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HOTEL OPERATIONS SEGMENT – SHENZHEN

JW MARRIOTT
SHENZHEN
金茂深圳JW万豪酒店

JW Marriott Shenzhen

(100% owned by the Group)

JW Marriott Shenzhen is located in Futian District, Shenzhen, in close proximity to the Shenzhen Golf Club. The hotel is operated and managed by Marriott Hotel International (one of the world famous international hotel management companies) entrusted by the Group.

JW Marriott Shenzhen was officially opened in March 2009, occupying a total gross floor area of approximately 52,000 square metres. It has 411 guest rooms, a banquet hall that can accommodate 400 people, as well as 5 conference rooms equipped with the most advanced audio-visual technology. Its modern tropical design concept blends into the architectural style of the hotel and the seasonal characteristics of the South China city, making the hotel one of Shenzhen's top-grade superior deluxe five-star rating business hotels.

During the Period under Review, JW Marriott Shenzhen followed the market closely and continued to optimise the customer structure whilst actively expanding the niche markets such as business customers and wedding feasts. Not only did it maintain a high occupancy rate, it also significantly increased the room rate, thereby achieving good performance. Its operating results grew substantially from 2011.

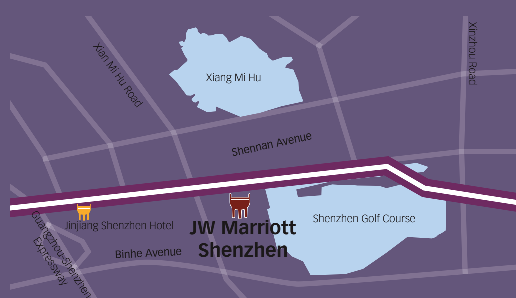
JW Marriott Shenzhen	2012	2011
Average occupancy rate	71.5%	74.3%
Average room rate (RMB)	1,025	963
Average revenue per available room (RMB)	733	715

Revenue structure 2012

Revenue from guest rooms	62%
Revenue from catering services	35%
Other revenue	3%

Guest structure 2012

Mainland China	43%
Hong Kong and Taiwan	8%
Overseas	49%



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HOTEL OPERATIONS SEGMENT – NANJING

Westin Nanjing

(51% owned by the Group)

Westin Nanjing is located on the 23rd to 35th floors of the South Tower in Nanjing International Center. The hotel is operated and managed by Starwood Hotels & Resorts Worldwide (one of the world famous international hotel management companies) entrusted by the Group.

In February 2013, the Group successfully acquired Nanjing International Center Project, adding the seventh hotel – Westin Nanjing to its portfolio. Westin Nanjing commenced operations in 2011. With a total gross floor area of approximately 32,514 square metres, the hotel occupies a total of 13 floors with 234 guest rooms each overlooking a panoramic view of Xuanwu Lake and Purple Mountain.

Westin Nanjing strives to offer a brand new hotel experience to its customers through introducing a series of innovative packages and tailored facilities including Westin gym, heavenly bed and delicious healthy dining menu to provide customers with distinctive quality services and a wholesome and rejuvenating environment. Westin Nanjing has performed remarkably in various areas since its inception.

Westin Nanjing	2012	2011
Average occupancy rate	64.4%	49.0%
Average room rate (RMB)	828	813
Average revenue per available room (RMB)	534	399

Revenue structure 2012

Revenue from guest rooms	51%
Revenue from catering services	45%
Other revenue	4%

Guest structure 2012

Mainland China	75%
Hong Kong and Taiwan	3%
Overseas	22%

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BUSINESS REVIEW - HOTEL OPERATIONS SEGMENT - HOTELS UNDER CONSTRUCTION

In addition to the above seven hotels that are in operation or under revamp, the Group also invests in luxury hotels which are under construction at the prime locations in the first-tier cities or 5A resort regions in China to expand the size and strength of the hotel operations segment with a view to generating long-term and stable revenue to the Group.

Currently, the Group's hotels under construction are as follows:

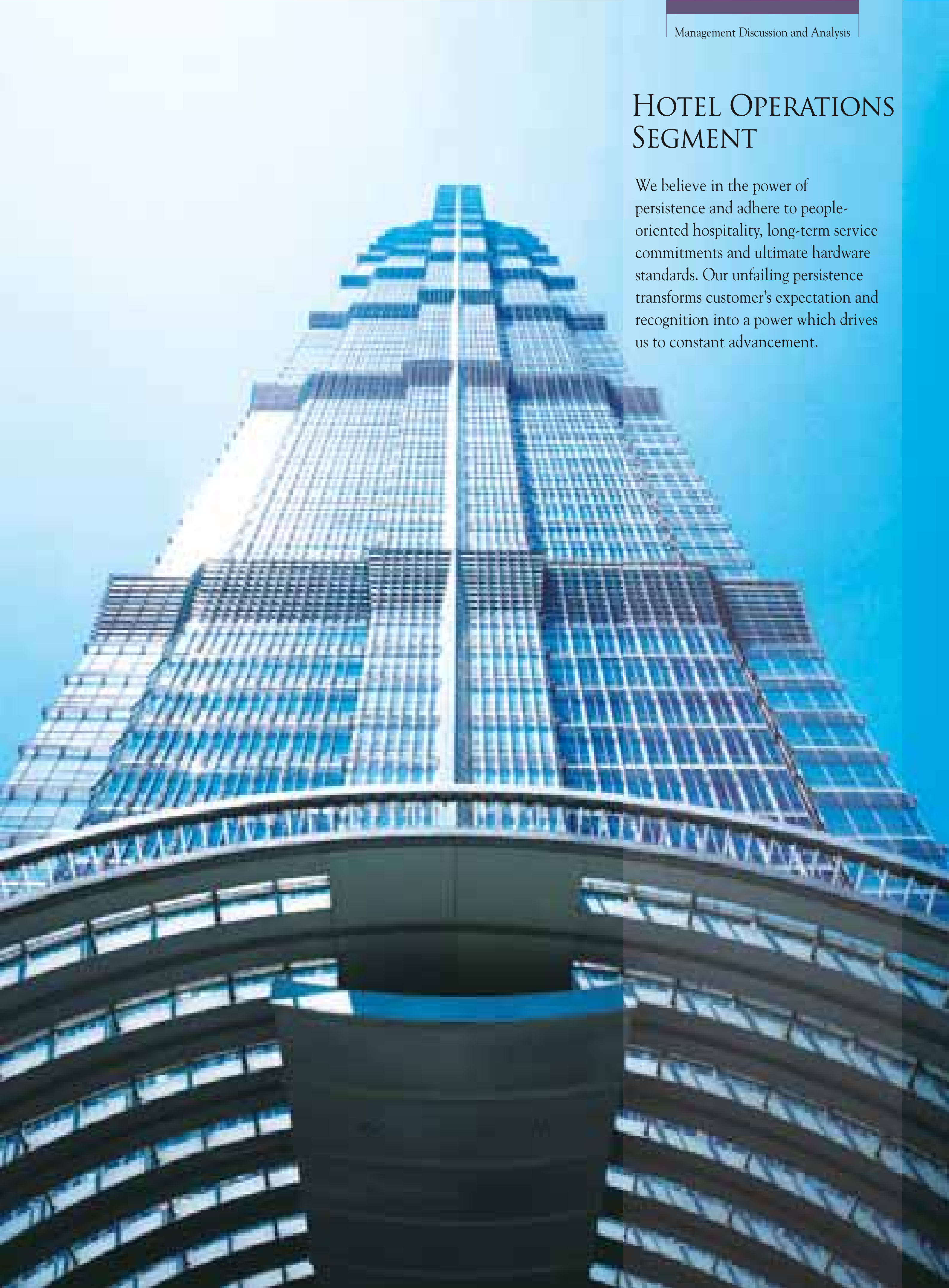
Name of project	Location	Estimated gross floor area (square metres)	Type of project	Equity attributable to the Group	Estimated date of completion	Estimated number of guest rooms
Lijiang Grand Hyatt Hotel	Ganhaizi, Yulong Snow Mountain, Lijiang City, Yunnan Province, China	82,700	Hotel	100%	2014	381
Chongming Hyatt Hotel	Riverside Leisure, Sport and Residential Community, Chenjia Town, Chongming Island, Shanghai City, China	49,378	Hotel	100%	2013	223
Nanjing International Center Phase II Hotel	No. 201 Zhongyang Road, Gulou District, Nanjing City, Jiangsu Province, China	23,500	Hotel	51%	2016	200
Meixi Lake International Plaza Hotel	Dahexi Pilot Zone, Changsha City, Hunan Province, China	39,000	Hotel	100%	2016	350
		194,578				1,154

* Gross floor area, date of completion and number of guest rooms are the estimated results of the feasibility study.

The completion and commencement of operation of the above hotels will further consolidate the Group's leading position as the luxury hotel investor nationwide, and promote the image and popularity of other operating segments of the Group, so as to generate higher returns.

Hotel Operations Segment

We believe in the power of persistence and adhere to people-oriented hospitality, long-term service commitments and ultimate hardware standards. Our unfailing persistence transforms customer's expectation and recognition into a power which drives us to constant advancement.



BUILD FOR SOLID FUTURE DEVELOPMENT

| PROPERTY DEVELOPMENT SEGMENT

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Franshion Properties specialises in developing urban landmarks featuring a unique artistic mood with the concept of unleashing future vitality of the city, pursuing harmonious development between man, architecture and nature. Since the completion of construction of Jin Mao Tower in 1998, we have been committed to developing architectural classics on the most precious land in China in the past 14 years and redefining the idea of "high-end" and "quality" with a forward-looking vision. Our representative projects include Shanghai Fortune Plaza, Beijing Chemsunny World Trade Centre and Shanghai Port International Cruise Terminal Project. Projects under development currently, including Shanghai International Shipping Service Center Project, Beijing Guangqu Jin Mao Palace Project, Shanghai Dongtan Jin Mao Noble Manor Project, Qingdao Jin Mao Bay Project, Beijing Asian Olympics Jin Mao Yue Project and Beijing Wangjing Jin Mao Palace Project, Chongqing Jin Mao Long Yue Project, Changsha Meixi Lake Project, Nanjing International Center Project and Yunnan Lijiang Project etc. continue to reflect the Group's consistent strategy of developing high-end excellent properties. We will create an outstanding landscape and a brand new classical image for future city development.

After years of project development, the Group has formed an experienced development team and established sound cooperation relationships with local governments, enabling us to obtain quality land resources more easily. We have also developed a unique management model covering the selection, operation and management of property development projects and promoting the synergistic development with other economic entities of the same region. In particular, we have accumulated extensive experience in the development of waterfront properties.

As at 31 December 2012, the Group had approximately 20 property development projects in China in different development stages located in Beijing, Shanghai, Changsha, Qingdao, Lijiang, Chongqing, Suzhou and Zhuhai. In 2012, the Group accelerated the development of high-end quality property projects and commenced sales for a number of high-end residential projects. Beijing Asian Olympics Jin Mao Yue Project and Beijing Wangjing Jin Mao Palace Project performed remarkably and all units launched were sold out on the day of launch. In particular, Asian Olympics Jin Mao Yue Project topped the charts in terms of the area and amount transacted in Beijing in November 2012, whereas 92 residential units under Wangjing Jin Mao Palace Project were sold out within one hour after sales launch. In September, Qingdao Jin Mao Bay Project successfully commenced its grand sales, building the image of a high-end quality brand in western Qingdao. In October, Jin Mao Meixi Lake Project successfully commenced sales and recorded a subscription rate of over 90% on the day of launch, establishing the position of Meixi Lake International New City as a model of quality residence. In December, Chongqing Jin Mao Long Yue Project had a grand sales

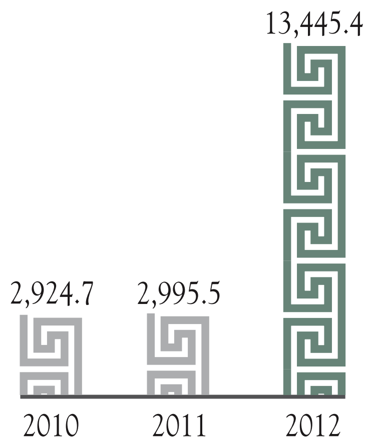
Building for the Future

External expression and internal development

launch during market downturn. Approximately 400 units launched in the first phase were all sold out within two hours after its launch, marking the first half-day-sold-out record in Chongqing in the recent two years. The featured riverfront project in the core area of the North Bund in Shanghai, Shanghai Port International Cruise Terminal Project, was sold out. The Company successfully secured a contract with respect to the sales of Building No.14 of Shanghai International Shipping Service Center Project adjacent to it and the sales of some buildings were secured at high prices. In addition, some buildings were successfully delivered. Changsha Meixi Lake Primary Development Project was highly recognised by the market where numerous branded real estate developers began to set foot in the Meixi Lake region. Construction of Yunnan Lijiang Project was in active progress and it is expected to commence pre-sales in 2013. In addition, in 2012, the Group also seized the market opportunities and successfully acquired Changsha Meixi Lake Land Block C, a land parcel in Meixi Lake International Plaza, Changsha Jin Mao Meixi Lake International R&D Centre Project, a land parcel in Suzhou Jinmen Road, a land parcel in Shanghai Haimen Road, Changsha Meixi Lake Land Block A Primary Land Development Project and Sanya Yacheng Town Primary Land Development Project. In January and February 2013, the Group acquired Beijing Economic and Technological Development Area Land Parcels X85 and X88 Project as well as Nanjing International Center Project, laying a solid foundation for the Company's future development.

During the Year, the property development segment recognised aggregate sales revenue of HK$13,445.4 million, representing an increase of 349% over last year. As at 28 February 2013, the accumulated amount of the properties under development and properties held for sale of the Group yet to be delivered and settled was approximately HK$14.3 billion.

Sales revenue from property development segment for the past three years (HK$ million)



MANAGEMENT DISCUSSION AND ANALYSIS
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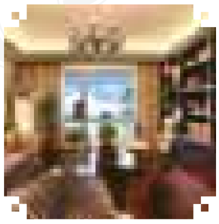
PROPERTY DEVELOPMENT SEGMENT – PROJECTS UNDER DEVELOPMENT AND COMPLETED PROJECTS

Beijing Guangqu Jin Mao Palace Project

(100% owned by the Group)

Located at the east of Fourth Ring Road in Chaoyang District, Beijing, the project is adjacent to the CBD area and at the south of its Eastern Expansion Area, which is only 4 kilometres from the core area of the CBD. The project is near to a cluster of bus lines and two subway lines under construction, which offers convenient transportation facilities. In addition, auxiliary facilities, such as hospitals, education institutions, commercial facilities and restaurants are nearby, and a number of high-end properties are adjacent to the project. This area is recognised by the industry as the "only remaining prime site" in Beijing for its excellent location.



In June 2009, the Group obtained the land use rights of the project. It has a site area of 155,918 square metres and an estimated total gross floor area of 368,342 square metres. The project will be developed into a high-end residential complex consisting of high-end residential properties, high-end commercial properties, sports parks and famous primary school. It will represent a metropolitan landmark integrating the functions of culture, leisure, education and fashion. The project successfully introduced a prestigious academic institution, Beijing No.2 Experimental Primary School, which significantly enhanced the quality and competitiveness of the project. The Group plans to develop such primary school into the first primary school in China with the national three-star green standards and LEED Platinum Certification, highlighting the Group's pursuit to building a green and low carbon environment.

During the Period under Review, Beijing Guangqu Jin Mao Palace Project drew overwhelming sales during the market downturn and was ranked first in the sales of single project in Beijing. Meanwhile, six residential buildings were successfully delivered. Currently, the construction of the project is well under way. The entire project is expected to be completed in 2013.

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PROPERTY DEVELOPMENT SEGMENT – PROJECTS UNDER DEVELOPMENT AND COMPLETED PROJECTS

Changsha Meixi Lake Primary Development Project

(80% owned by the Group)

The development area of Changsha Meixi Lake Primary Development Project, with an aggregate area of 11,452-mu, is located in the core region of Dahexi Pilot Zone, Changsha City, Hunan Province, China, which is 6 kilometres from the city centre. The project, featuring the elements of mountains, lake, islets and city, will be developed into a high-end international commercial and innovation centre, as well as an ecological new residential town with scenic landscape in the central region of China.

On 26 January 2011, the Group entered into an agreement with the Management Committee of Dahexi Pilot Zone in Changsha and other related parties, confirming that the Group has become the investor in the project for developing Meixi Lake International Service and Technology Innovation City, by which the Group would be in charge of land requisition, compensation and resettlement, all preliminary municipal infrastructure and urban public facilities, and other related subsequent developments within the area, and would endeavour to develop the project into a "two-type (environmentally friendly and resources saving) community" model district. The development area of the project has a favourable geographical location with a sound ecological environment, which is located in the core region of Dahexi Pilot Zone, Changsha City, Hunan Province, China. With West Second Ring Road to its east, West Third Ring Road to its west, Longwang River to its north and national 4A level scenic spot in Taohua Ridge, Yuelu Mountain Range to its south, the project, occupying a total site area of approximately 11,452 mu, is surrounded by the 3,000-mu Meixi Lake. According to the plan "Future Hexi, the Central City" formulated by the local government, the project, to be designed as the most competitive high-end international commercial and innovation centre, as well as an ecological new residential town with scenic landscape in the central region, will feature concepts of ecology, energy conservation, innovation and technology.

Through reasonable optimisation of planning, Changsha Meixi Lake Primary Development Project restructured the functional system in the area, diversified the urban land planning and rationalised the use of the land, thereby increasing the land value in the area as a whole. In an attempt to actively introduce quality education resources, the Group arranged a number of secondary and primary schools in the province to station there, which further enhanced the ancillary resources. In implementing the green strategy, the Group also completed the planning of the green ecological city project with advanced design indicators in line with international levels, and became one of the first batch of the "green and ecological model cities" (綠色生態示範城區). With the construction of municipal roads, bridges, lake and river regulation works and roadside landscaping works within the area steadily progressed, the overall structure of a new city has been established, which is surrounded by beautiful mountains and clear waters in a magnificent landscape. The project establishes itself a high-end international image of the area with the fame as a unique city. The Group implemented the arrangements of primary and secondary development and applied the concepts of digital technology, ecological civilisation, resource conservation and sustainable development in the course of the entire development, building Meixi Lake International Service and Technology Innovation City into the state's green standard low carbon model new city full of charm and vitality and creating a paradigm city by capitalising on the opportunities arising from the key development of Changzhutan "two-type community" in Hunan province.

During the Period under Review, construction progress of the project was satisfactory and all tasks progressed well. With the successive completion of the infrastructure construction in the district, the new city image was widely recognised. At the same time, Meixi Lake International Service and Technology Innovation City was also highly recognised by the market, attracting numerous branded real estate developers to set foot in the Meixi Lake region. According to the bidding notice, the filing procedure for the completion of primary land development of the project is expected to be fully completed in June 2016, whilst the bidding, auction or listing-for-sale procedures for the land in the project will be completed in June 2017.

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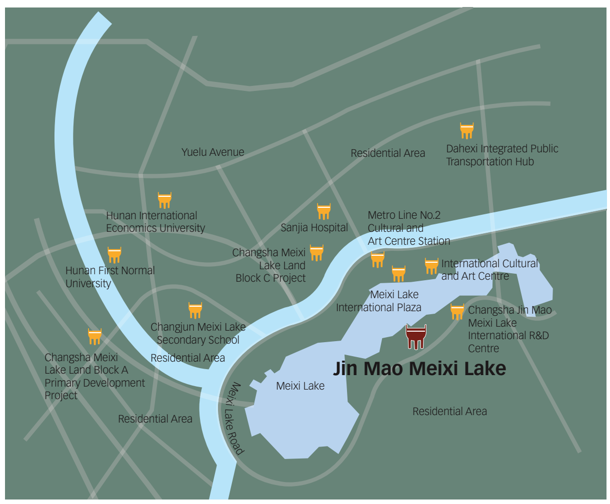
Jin Mao Meixi Lake Project

(100% owned by the Group)

Jin Mao Meixi Lake Project is located in the core region of Dahexi Pilot Zone, Changsha City, Hunan Province, China and forms part of Changsha Meixi Lake, facing a stunning super large lake view, with Festival Island to its north and Taohua Ridge to its south. The project is conveniently located, close to major transportation routes in Changsha such as West Second Ring Road and Jinxing Road and in the proximity of Metro Line No.2.

In October 2011, the Group acquired the land use rights of the project with a land area of 156,767 square metres and an estimated total gross floor area of 525,940 square metres. The project is positioned as an international lakefront model region in Changsha, covering a number of residential buildings such as small high-rise buildings, big flat-floor buildings and townhouses. Through blending the residential landscape with the non-replicating lakefront and mountain views, the project maximises its resource advantages by offering an unparalleled view. Leveraging on its excellent natural resources, well-developed transportation network, high-end commercial facilities and quality schools, Franshion Properties carefully crafted Jin Mao Meixi Lake Project in a way that enhances the value of Changsha as a liveable city.

During the Period under Review, Jin Mao Meixi Lake Project successfully commenced sales and broke the record of Changsha market both in terms of the number of customers participating in house selection and the number of products launched. Subscription rate upon sales launch reached 92%. The project establishes the position of Meixi Lake International New City as a model of quality residence, continuing the success story of Jin Mao brand. Currently, construction progress of the project is satisfactory and all construction works are conducted on schedule. The entire project is expected to be completed in 2015.



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PROPERTY DEVELOPMENT SEGMENT – PROJECTS UNDER DEVELOPMENT AND COMPLETED PROJECTS

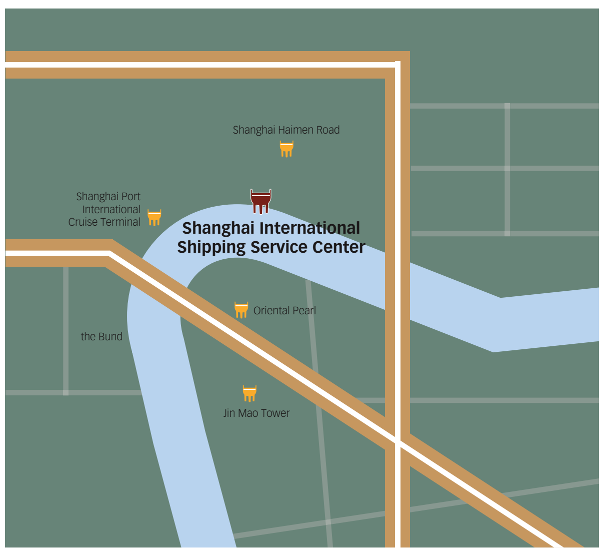
Shanghai International Shipping Service Center Project
(50% owned by the Group)

Shanghai International Shipping Service Center Project is located in the North Bund of Hongkou District, Shanghai, directly across the river from the area of Lujiazui, Pudong. The site is adjacent to the west side of Shanghai Port International Cruise Terminal, the two of which form a riverfront area that doubles the length of the Bund.

Shanghai International Shipping Service Center is designed to realise the core functions and the economies of scale of the shipping service industry in Shanghai, and to achieve synergies of international shipping enterprises. In this connection, the project aims to address the needs of shipping transactions and commerce by strengthening the commercial and auxiliary functions of shipping services. It also attempts to highlight the characteristics of shipping service by constructing a yacht harbour. A classic compound based on the theme of shipping service will be constructed along the coast, creating a modern office and commercial zone featuring a shipping centre. The zone will comprise offices, commercial properties, convention centres, hotels and apartment hotels, and other facilities including a yacht harbour. The entire project comprises the Eastern Site, the Western Site, and the Central Site.

The Group acquired the land use rights of the Eastern Site of the project in 2007, with an area of approximately 35,210 square metres. In March 2008, the Group acquired the land use rights of the Central Site of the project, with an area of approximately 19,039 square metres. In August 2010, the Group completed the acquisition of 50% equity interests in Shanghai Yin Hui Real Estate Development Co., Ltd. ("Shanghai Yin Hui"). Through the acquisition, the Group has obtained the land use rights of the Western Site of the project with an area of approximately 41,345 square metres held by Shanghai Yin Hui, and therefore holds 50% economic interests in the Eastern Site, Central Site and Western Site of the project. The Group intends to consolidate the development of the Eastern Site, Western Site and Central Site. Upon completion, the project will comprise a total gross floor area of approximately 530,933 square metres. The project is listed as one of the key projects in Shanghai city and has become a key integral part of the urban growth strategies in Shanghai.

During the Period under Review, the Group successfully secured a contract with respect to the sales of Building No.14 of Shanghai International Shipping Service Center Project and the sales of some buildings were secured at high prices. In particular, two office buildings in the Western Site were successfully delivered. Meanwhile, all units in the Western Site obtained the US LEED Gold Pre-Certification, representing the largest LEED-CS green building commercial office complex in Asia. Construction of other land parcels of the project progressed well. The entire project is expected to complete construction by 2015.



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Site B of Shanghai Port International Cruise Terminal Project

(50% owned by the Group)

Located along the 880-metre stretch of the western bank of the Huangpu River, the Shanghai Port International Cruise Terminal is close to the Bund, in close proximity to two Shanghai Metro lines and directly across the river from the Oriental Pearl TV Tower. The Shanghai Port International Cruise Terminal is an integrated commercial area comprising a cruise terminal and business offices, including related structures and facilities, such as an international passenger transport terminal, a port administration building and office buildings. Covering an area of approximately 20,000 square metres, and reaching 9-13 metres in depth, the international passenger transport terminal can hold 3 luxury cruisers at the same time. The terminal is designed with a turnover of one million person-time each year and will grow into the shipping and transportation hub in Shanghai in the future.

The Group has entered into a partnership with SIPG, and will develop together with the latter the parcel of land on which the Shanghai Port International Cruise Terminal is located. The parcel of land is split into two parts for two different projects, one on Site A, and the other on Site B, connecting to each other closely and together making up the whole of Shanghai Port International Cruise Terminal. Site A is intended for the International Passenger Transport Terminal and the Port Administration Building, while Site B is reserved for office buildings, commercial centres and related structure groups. The Group holds a 50% interest in the Site B developments.

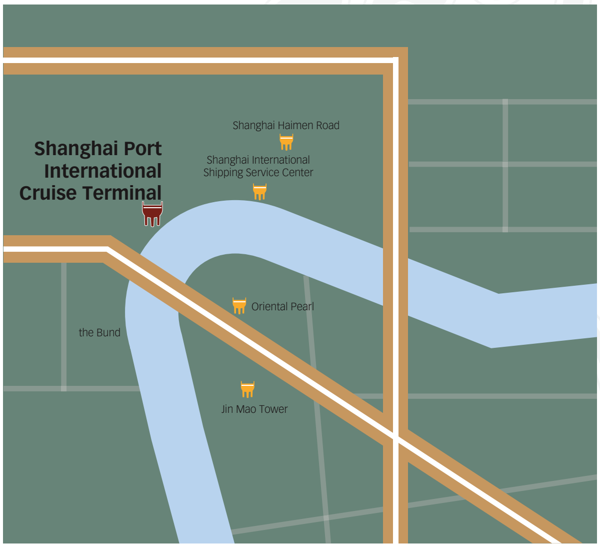
The Group has built eleven office buildings on Site B. The six office buildings on the front are individual buildings which integrate functions and sights with an area of 15,000 to 22,000 square metres, each has an independent naming right, great to be used as headquarters or regional headquarters of international enterprise. The high-rise buildings and the multi-storey buildings at the back integrate functions and commerce to meet the needs of various companies. The semi-underground business centre will become a hub of world fashions and trends and will be developed into a stylish shopping street, whilst a number of leisure squares will be a spot defining high quality life and entertainment in Shanghai.

Site B of Shanghai Port International Cruise Terminal Project occupies a total area of approximately 85,089 square metres. Site B will comprise a total gross floor area of approximately 302,080 square metres. Construction works were completed in 2011.

During the Period under Review, the project completed the delivery of the remaining units and revenue recognition. In particular, the portion above ground of Building No.11 of Shanghai Port International Cruise Terminal Project was held by the Group. By now, delivery of all eleven office buildings of the project was completed.

"We seize opportunities to build 'Shanghai Port International Cruise Terminal' and 'Shanghai International Shipping Service Center' into the new landmarks in Shanghai in the future."

Upon completion of Shanghai Port International Cruise Terminal and Shanghai International Shipping Service Center, these two projects will form an approximately 2-kilometre-long riverfront high-end commercial complex, connecting the Bund's traditional financial district to the west and overlooking the Lujiazui Financial and Trade Zone to the south across the Huangpu River. These districts will form a "golden delta" within Shanghai's central business district (CBD), which will serve as a major area for Shanghai's international shipping centre.



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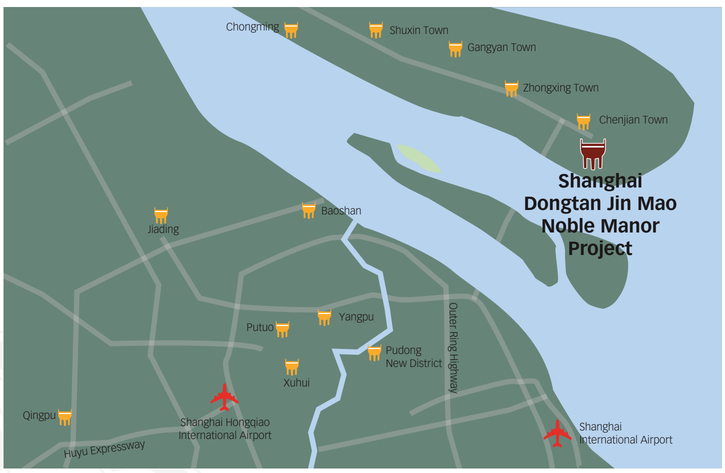
PROPERTY DEVELOPMENT SEGMENT – PROJECTS UNDER DEVELOPMENT AND COMPLETED PROJECTS

Shanghai Dongtan Jin Mao Noble Manor Project
(100% owned by the Group)

The investment value of Shanghai Chongming Island has been increasingly highlighted with its excellent ecological environment and unique geographical location. With the opening of Yangtze River Tunnel Bridge, the steady development of "International Eco-Island" plan, and the gradually improved infrastructure, Shanghai Chongming Island is being embraced with new opportunities for development.

In November 2008, the Group acquired the land use rights of Site No. 4 located in Chenjia Town Binjiang Recreation and Sports Residential Community in Chongming Island, Shanghai. The land has an area of approximately 220,000 square metres and an estimated total gross floor area of 173,899 square metres. At the same time, the Group has entered into a lease agreement with Shanghai Chenjia Town Asset Management Company to lease a site adjacent to Site No. 4 for an area of approximately 955,478 square metres. The Group preliminarily plans to develop the leased site into a sports park and construct the granted land into a quality riverfront integrated recreation, sports and holiday resort, comprising a sports park, low-density residential properties, holiday resort and property right hotels. In particular, the world's renowned hotel management brand "Hyatt" will be engaged to manage and operate the hotel in this project. Currently, all villa products and apartment products under the project have been completed and met the requirements for delivery. The hotel is also under active construction.

During the Period under Review, Shanghai Dongtan Jin Mao Noble Manor Project completed delivery of some of the villa products and apartment products. Sales performance of the villas and apartments outperformed the market in Dongtan, Shanghai. The project widely utilised low carbon technology and was granted several state's awards and government's special subsidies. The entire project is expected to be completed by 2013.



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PROPERTY DEVELOPMENT SEGMENT – PROJECTS UNDER DEVELOPMENT AND COMPLETED PROJECTS

Qingdao Jin Mao Bay Project

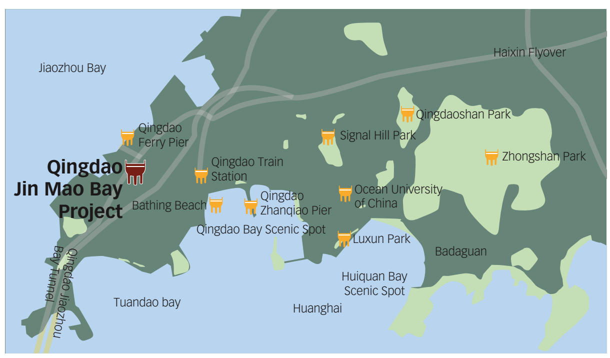
(formerly known as Qingdao Lanhai Xingang City Project)
(100% of the 200-mu Southern Site of the project owned by the Group)

Qingdao Jin Mao Bay Project is located at the mouth of Jiaozhou Bay opposite to Qianwan Port in Huangdao. It is an important part of Qingdao city's strategy of "Environmental Protection and Development of the Bay". The entire project occupies a land area of approximately 23 hectares and a gross floor area of approximately 800,000 square metres. In particular, the 200-mu Southern Site of the project is independently developed by the Group.

The Group and Qingdao Urban Construction Investment (Group) Co., Ltd. ("Qingdao Urban Investment Group") entered into a partnership to jointly develop Lanhai Xingang City Project in Qingdao. The project is located in the land blocks in Zhongdao, west coast of the town area, Qingdao, west of Sichuan Road and is in the vicinity of Qingdao Railway Station, Zhongshan Road CBD and Xiaogang Region. With the Old City at its back and Jiaozhou Bay at its front, the project faces Huangdao across the sea. Having a favourable geographical location, the project is well-equipped with tourism resources and cultural innovations and is highly accessible with comprehensive facilities. Pursuant to the relevant agreement, parties to the agreement agree to divide the 340-mu land parcel into two parts for separate development. The Group enjoys the development rights to the 200-mu Southern region.

The Southern Site, with a land area of 131,202 square metres and a gross floor area of 513,189 square metres, is independently developed by the Group into a harmonious living complex on the Bund. In adherence to the principle of high-end property development, coupled with the green strategy, the Group aims to create a new and glorious chapter for "Jin Mao" brand.

During the Period under Review, the Group successfully commenced sales with respect to five residential buildings under the project and was ranked first in terms of single month sales in Qingdao City, Shinan District for three consecutive months upon sales launch. The overall planning approval work of the project was completed. At the same time, the work of business recruitment was also underway. The entire project is expected to be completed by 2015.



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Yunnan Lijiang Project

(100% owned by the Group)

Lijiang (Yunnan Province) is known for its rich tourism resources, particularly its three world-class heritages: the Ancient Town of Lijiang, the Three Parallel Rivers and the Dongba culture. The Ancient Town of Lijiang was conferred as one of the sightseeing spots for the first batch of "National Tourism Namecard" (國家旅遊名片) in the "Boao International Tourism Forum" in December 2007.

In March 2008, the Group acquired two pieces of quality land, located respectively at the former site of World Heritage Park in the Ancient Town of Lijiang (at the northern outskirt of Lijiang City and the northern end of the Shangri-La Street) and at Ganhaizi in Yulong County (up on Yulong Snow Mountain, next to the Yulong Golf Course). According to the development plan of the Group, the two pieces of land will be developed into the following two projects.

Lijiang Jin Mao Snow Mountain Whisper Project

In March 2008, the Group acquired the 500-mu land parcel at the former site of Lijiang World Heritage Park. At the end of January 2012, the Group acquired the 200-mu land parcel situated at the prime location in the Old Town of Lijiang at the bottom price. The land parcel is located in the Beam River area where Lijiang's high-end hotels and resort properties are gathered. Adjacent to the Group's 500-mu land parcel at the former Heritage Park to its north, it is the closest to Yulong Snow Mountain in Lijiang and is also the only way to Yulong Snow Mountain's 5A level scenic spot. The Group will develop the two land parcels together into an integrated commercial project (at least including one five-star resort hotel) based on the overall planning and the strategy of implementation by stages. The Group aims to combine the Naxi culture with international design concepts, and strives to develop it into a landmark high-end tourism and resort complex in the southwestern region or even in China. The project has a land area of approximately 466,670 square metres and an estimated total gross floor area of approximately 266,481 square metres. Pre-sales is expected to commence in 2013.

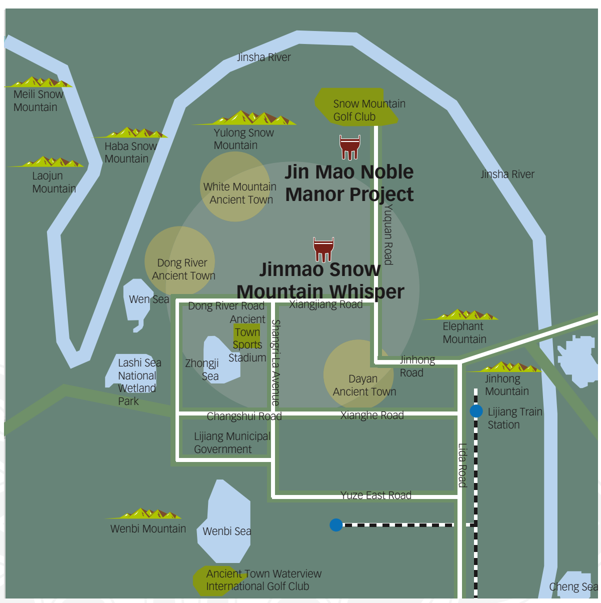
During the Period under Review, the Group actively conducted preliminary sales promotion of the project and was able to directly communicate with the customers in first-tier cities through displaying show flats and regional marketing, which effectively enhanced the recognition and influence, and attracting numerous potential customers. Currently, all construction works are conducted on schedule.

Lijiang Snow Mountain Jin Mao Noble Manor Project

The project is situated at Ganhaizi in Lijiang Yulong Snow Mountain, a national 5A level scenic spot and adjacent to the Yulong Snow Mountain Golf Course. At the end of December 2012, the Group secured the 57-mu land parcel adjacent to it at the bottom price, making the total site area to be approximately 103,974 square metres. The Group plans to develop this project into a super five-star luxury hotel and low-density residential properties targeting at high-end tourists both domestic and abroad, with an estimated total gross floor area of approximately 49,485 square metres.

During the Period under Review, the initial planning and design works for the project were underway. The entire project will be under phased development and launched to the market step by step.

Both projects will be managed and operated in linkage with international brands, with a view to achieving scale effect and creating synergy. The whole project is expected to be completed in 2016.



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PROPERTY DEVELOPMENT SEGMENT – PROJECTS UNDER DEVELOPMENT AND COMPLETED PROJECTS

Chongqing Jin Mao Long Yue Project

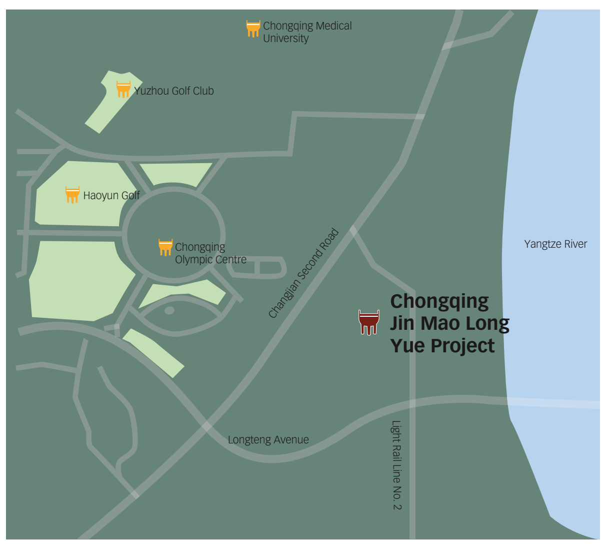
(formerly known as Chongqing Vocational Technology Institute Project)
(100% owned by the Group)

The project is situated at the west of Yangjiaping Pedestrian Street in Jiulongpo District. It is at the heart of the downtown of Chongqing and geographically located at the centre of the five major business circles. It is within 20 minutes' ride to and from each business circle. Equipped with various mature municipal amenities, the project is part of Dayangshi Development Group in Chongqing.

At the end of 2011, the Group successfully won the bid for the land parcel of Chongqing Vocational Technology Institute in Chongqing. The project has a site area of 101,096 square metres and a total gross floor area of 500,644 square metres. Opposite to Olympic Centre in Jiulongpo District, Chongqing City, the project enjoys distinctive geographical advantages as it is favourably located in the prime location of the city surrounded by hospitals, schools and bus stations, alongside with a comprehensive range of living amenities.

The project is the Group's pioneer project in Chongqing. The Group will make use of the opportunities brought by this project and form a development team. Through applying the concept of "green, technological and ecological living" and the skills accumulated over the years into the development of such project, the Group redefines new standards for the revamp project of the Old Town of Chongqing and generates significant growth in the same region. As a mid-to-high-end "quick sales" residential project, it paves way for the Group's subsequent projects in maintaining a balanced cashflow position and manpower reserves.

During the Period under Review, Chongqing Jin Mao Long Yue Project had a grand sales launch during market downturn. Approximately 400 units launched in the first phase were all sold out within two hours, marking the first half-day sold-out record in Chongqing in the recent two years, and created a stir in Chongqing. Currently, construction progress of the project is satisfactory. The entire project is expected to complete construction in 2015.



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PROPERTY DEVELOPMENT SEGMENT – PROJECTS UNDER DEVELOPMENT AND COMPLETED PROJECTS

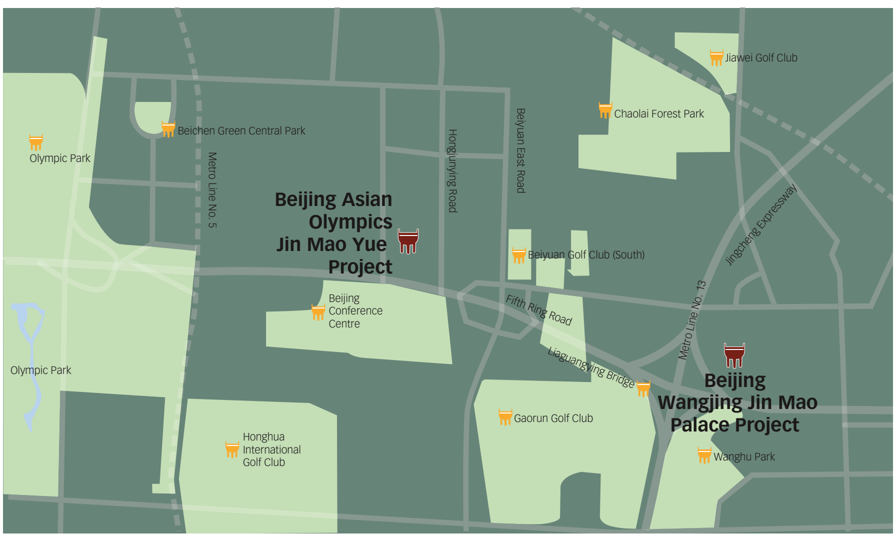
Beijing Asian Olympics Jin Mao Yue Project and Beijing Wangjing Jin Mao Palace Project

(formerly known as Beijing Laiguangying Project)
(51% owned by the Group)

The project is located outside the East Fifth Ring Road, Chaoyang District, Beijing and adjacent to Wangjing. It has a favourable geographical location with great access to transportation facilities. The land parcel is of a regular size and shape and is embraced by a developed residential housing market in the region. It is the key project of the Group following Beijing Guangqu Jin Mao Palace Project which promotes the strategic development of the Group in the region of Beijing, Tianjin and Hebei.

At the end of 2011, the Group and Sunac China Holdings Limited ("Sunac China") jointly won the bid for Site B in Laiguangying. The project is located in North Fifth Ring Road and adjacent to Wangjing. It was one of the best land parcels put for auction in Beijing in 2011. The project occupies a site area of approximately 92,768 square metres and a total gross floor area of 395,831 square metres. The Group jointly established a project company with Sunac China to form a development team and create synergies. The Group applied the concepts of greening, ecology and technology as well as technological skills into the project, developed it into a high-end residential project and introduced quality education resources, thus making it another representative masterpiece of the Group following "Guangqu Jin Mao Palace".

During the Period under Review, Beijing Asian Olympics Jin Mao Yue Project and Beijing Wangjing Jin Mao Palace Project successfully commenced sales and, strikingly, the units launched were all sold out on the day of launch. In particular, Asian Olympics Jin Mao Yue Project topped the charts in terms of the area and amount transacted in Beijing in November 2012, whereas 92 residential units under Wangjing Jin Mao Palace Project were sold out within one hour after sales launch. Currently, construction progress of the project is satisfactory. The entire project is expected to complete construction in 2014.



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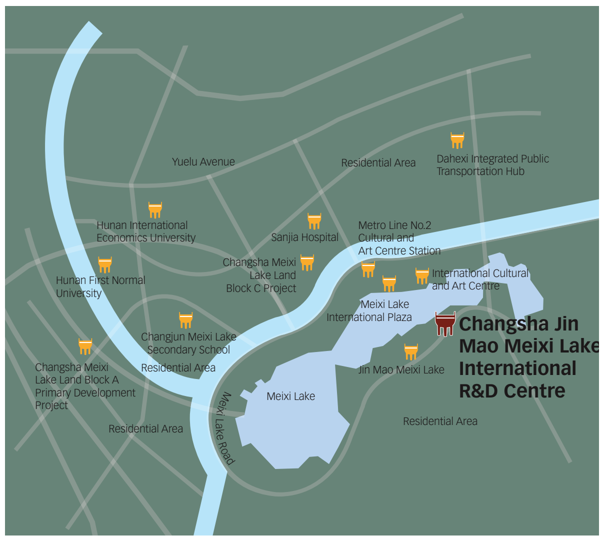
PROPERTY DEVELOPMENT SEGMENT – PROJECTS UNDER DEVELOPMENT AND COMPLETED PROJECTS

Changsha Jin Mao Meixi Lake International R&D Centre Project

(80% owned by the Group)

Changsha Jin Mao Meixi Lake International R&D Centre Project is located in Dahexi Pilot Zone, Changsha City, Hunan Province, China and forms part of Changsha Meixi Lake. Situated at the south of Taohua Ridge of Yuelu Mountain Range, it is situated at the front door of Meixi Lake International New City. It enjoys convenient transport connecting Metro Line No. 2, taking three minutes to the transportation hub of Dahexi in Changsha, five minutes to expressway, 15 minutes to Wuyi business circle in Changsha, 30 minutes to the airport and 40 minutes to the express rail link station with enormous potentials for appreciation.

In October 2012, the Group acquired Changsha Jin Mao Meixi Lake International R&D Centre Project. The project is positioned as a villa-type R&D office building and high-rise office building project with a site area of approximately 46,353 sq. m. and an estimated total gross floor area of approximately 127,029 sq. m. With the perfectly blended landscape of mountains and the lake, the project is a very rare high-end office building in Changsha or even Hunan. In particular, Phase I consists of a villa-type R&D office building, the lease and sales of which is expected to be fully completed in 2013, whereas Phase II consists of a high-rise office building, the lease and sales of which is expected to be fully completed in 2018.



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PROPERTY DEVELOPMENT SEGMENT – PROJECTS UNDER DEVELOPMENT AND COMPLETED PROJECTS

Nanjing International Center Project Phase I

(51% owned by the Group)

Situated at the heart of Zhongyang Road, Gulou District, Nanjing City, Nanjing International Center faces Xuanwu Lake, enjoying unique natural views and abundant commercial and cultural resources. Occupying a site area of 37,920 square metres and an estimated total gross floor area of approximately 453,146 square metres, it represents a perfect blend of the essence of Nanjing City with an international horizon, and one of the Top Ten New Landmark Complexes in China (中國十大新地標城市綜合體).

The Group successfully acquired Nanjing International Center Project in February 2013. Nanjing International Center Project comprises one super high-rise Main Tower, North Tower and South Tower as well as an 8-storey podium. It has a total site area of 37,920 square metres and an estimated total gross floor area of approximately 453,146 square metres. The project is developed in two phases. Construction of Phase I, occupying a site area of approximately 19,852 square metres and a gross floor area of approximately 225,846 square metres, was completed and operation commenced in March 2011. It comprises five segments including a super five-star hotel, Grade A offices, international shopping malls, view apartments and top luxury residence. Scenic apartments and royal scenic luxury residence on the 11th to 38th floors of the North Tower and some office units in the South Tower sold externally are under the property development segment with a gross floor area of approximately 53,525 square metres.

PROPERTY DEVELOPMENT SEGMENT – RESERVED PROJECTS

Changsha Meixi Lake Land Block C Project

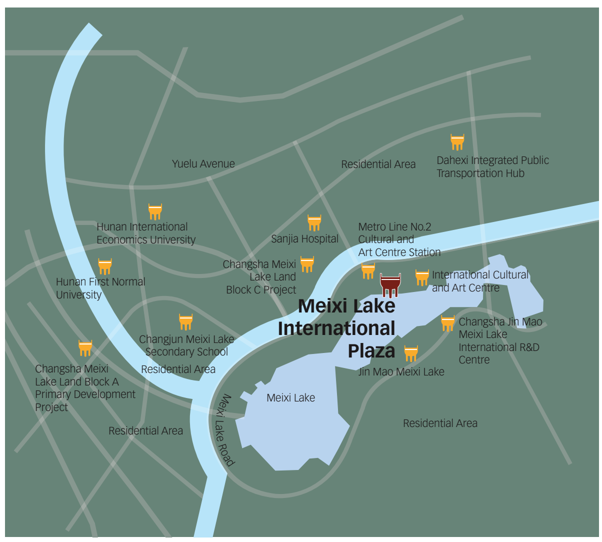
(70% owned by the Group)

On 30 October 2012, the Group and Changsha Meixi Lake Industrial Co., Ltd. entered into an agreement to inject capital into Changsha Meixi Lake Jin Yue Properties Co., Ltd. so as to own 70% interests in Changsha Meixi Lake Land Block C Project. The project is located in Dahexi Pilot Zone, Changsha City, Hunan Province, China and forms part of Changsha Meixi Lake Group, facing Xiufeng Road to its north, riverfront view of Longwang Port to its south and Luyun Road to its west. The project is close to Longwang Port, Meixi Lake and Taoling Park, enjoying rich natural landscape. It is also adjacent to Luyun Station of Metro Line No.2 under construction planning, with high accessibility in the future. The project has a total site area of 130,589 square metres and an estimated gross floor area of approximately 485,577 square metres. Capitalising on the ecological resources, convenient metro transport and educational facilities in Longwang Port, the Group intends to develop it into a high-end commercial and residential properties project.

Meixi Lake International Plaza Project

(100% owned by the Group)

The Group successfully won the bidding for Meixi Lake International Plaza Project, which has a site area of approximately 152,995 square metres and a total gross floor area of approximately 706,174 square metres. Located at the core region of the north bank of Meixi Lake International New City, which faces Meixi Lake and Festival Island to its south, Metro Line No.2 (under construction) to its north and an international cultural and art centre to its east, the project will be developed into a high-end large-scale urban complex consisting of five-star hotels, shopping malls, office buildings and residence and become an architectural landmark in Dahexi Pilot Zone, Changsha. The urban complex will carry the mission of leading the high-end property market in Dahexi Zone in Changsha and will further consolidate Meixi Lake's position as the future urban centre riding on its cultural background, scenic landscape and cutting edge trend.



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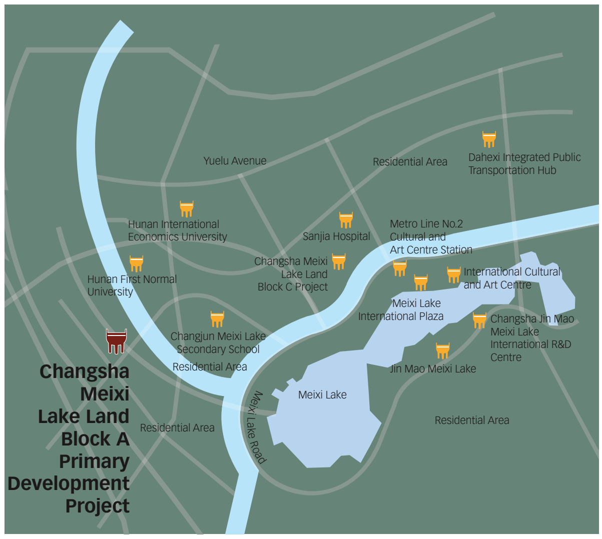
PROPERTY DEVELOPMENT SEGMENT – RESERVED PROJECTS

Changsha Meixi Lake Land Block A Primary Development Project

(100% owned by the Group)

On 30 October 2012, the Group entered into an agreement with the Management Committee of Dahexi Pilot Zone in Changsha and Changsha Meixi Lake Industrial Co., Ltd., pursuant to which the Group has become a party responsible for the primary land development of land block A in the Meixi Lake area and will jointly invest in and develop such land block, cooperate in the land requisition and reserve, development as well as business recruitment of the target land parcel, and share the return on investment in proportion to their investment. The project has a site area of approximately 276,322 square metres and an estimated total gross floor area of approximately 828,966 square metres. The project is situated at the west of Changsha Meixi Lake International New City Project and approximately 1 kilometre to Meixi Lake. It faces a residential community in the Xiaohe landscape section to its north, Dongfanghong Road to its east and Third Ring Road to its west.

The primary operation of Land Block A Project can effectively accelerate the overall development of the Meixi Lake area in compliance with the general requirements of "creating growth models, enhancing inclusivity, displaying new city image and becoming role model" implemented in the pilot zone, thus enhancing the overall city image of the Meixi Lake area.



Sanya Yacheng Town Primary Land Development Project

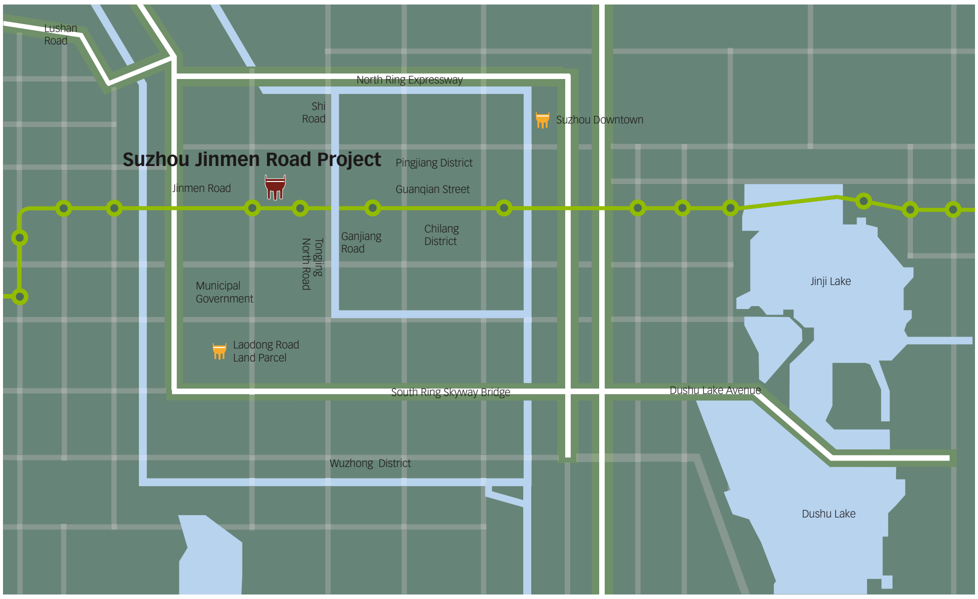
(51% owned by the Group)

In 2012, the Group and LongHigh Group jointly acquired the primary development right to the 1,500-mu land parcel in Yazhou Bay, Sanya City. The project is located at the heart of new city of western Sanya within a 40-minute ride to Sanya Phoenix International Airport and the downtown area of Sanya, enjoying a favourable geographical location and rich ecological resources. It is the last remaining prime seafront quality land parcel in Sanya City. The project is generally positioned as the "national cultural seafront" core region and will be developed into a pioneer project introducing new lifestyles and new way of travel to Sanya City. At the same time, the long-term cooperation with LongHigh Group and Sanya Municipal Government is conducive for the Company to further expand its foothold in Sanya and allows the Group to have the opportunity to participate in the secondary development of the land parcel and other projects in Sanya.

Suzhou Jinmen Road Project

(100% owned by the Group)

In December 2012, the Group successfully secured the land parcel on Jinmen Road in Suhzhou. The project has a land area of 86,018 square metres and an estimated total gross floor area of 342,422 square metres. Situated at Shi Road in the downtown area of Suzhou near the business centre on Guanqian Street and adjacent to Tongjing Road Station of Metro Line No.1, it enjoys a superior geographical location with convenient transport, dense population and comprehensive amenities. It is a rare piece of land for high-end residence in the main town area. The Group intends to develop the project into a high-end residential project under Jin Mao brand.



Shanghai Haimen Road Project

(50% owned by the Group)

At the end of 2012, the Group and SIPG jointly secured the land parcel on No.55 Haimen Road. Such land parcel stretches to Haimen Road to its east, Dongdaming Road to its south, Gongping Road to its west and Dongchangzhi Road to its north. With a site area of approximately 40,577 square metres, an estimated gross floor area above ground of approximately 243,400 square metres and an estimated total gross floor area of 426,060 square metres. The Group will jointly set up a project company with SIPG to form a development team and capitalise on the synergies arising therefrom to create an urban complex comprising Grade A office buildings and integrated commercial and apartment offices with direct metro accessibility and riverfront landscapes. The Group will apply the concepts of greening, ecology and technology into the development of the project. The project will be an extension and expansion of Shanghai Port International Cruise Terminal Project and Shanghai International Shipping Service Center Project, which, upon completion, will be complementary to and interactive with the above projects. Together they will form a core business circle in the North Bund in Shanghai, representing the new driver of the growth of Shanghai.

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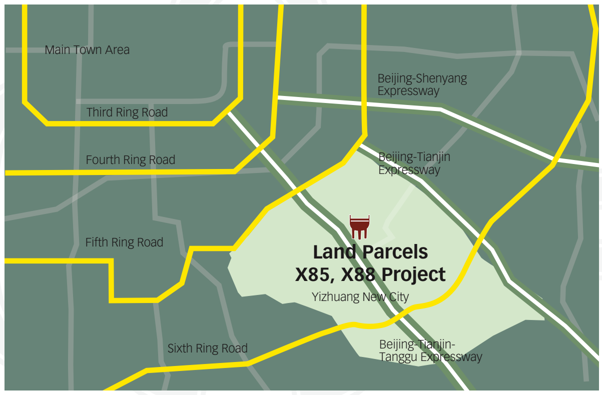
PROPERTY DEVELOPMENT SEGMENT – RESERVED PROJECTS

Beijing Economic and Technological Development Area Land Parcels X85 and X88 Project

(100% owned by the Group)

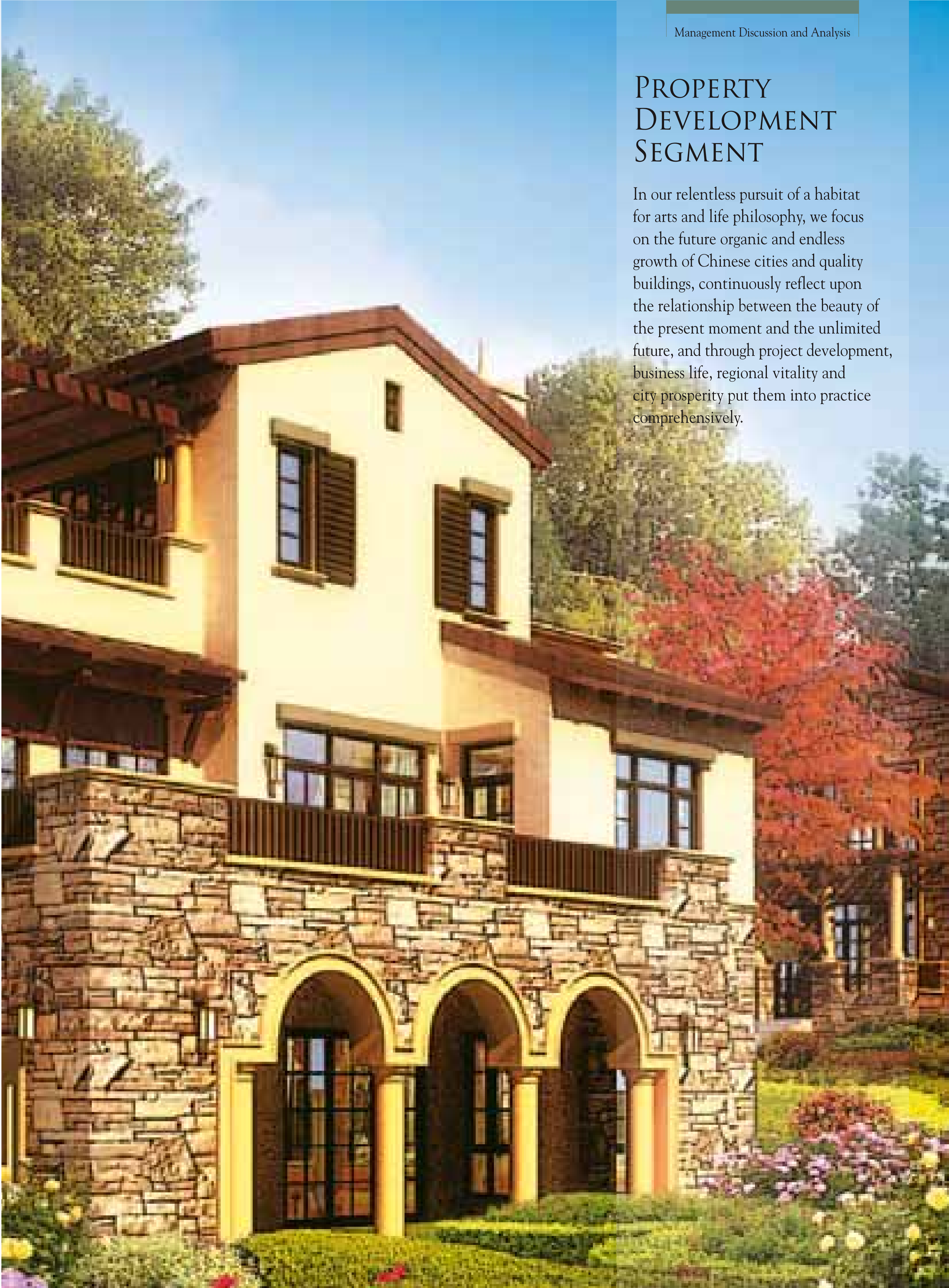


In early 2013, the Group secured Beijing Economic and Technological Development Area Land Parcels X85 and X88 Project. The project is located outside Southeast Fifth Ring Road in Beijing and forms part of Yizhuang New City, attaching to a residential area of 3.8 square kilometres. The project is approximately 6 kilometres from Jingjintang Expressway, approximately 4 kilometres from Southeast Fifth Ring Road and 2 kilometres from Nanhaizi Park. The project has a site area of approximately 134,858 square metres and an estimated gross floor area of approximately 356,322 square metres It, adjacent to Nanhaizi Park, enjoys superior scenic resources as well as abundant educational, sports and medical facilities with convenient transport and well-developed transport network. Three metro lines are under planning for the future. The Group plans to create a high-end residential product by applying the concepts of greening, ecology and technology into the development of the project.

Nanjing International Center Project Phase II

(51% owned by the Group)

Nanjing International Center Project Phase II has an estimated total gross floor of approximately 227,300 square metres. It is a 285-metre high multi-functional commercial complex comprising a 70-storey main tower and an 8-storey podium. The gross floor area above ground is 197,300 square metres. The podium is designed to contain a shopping mall and hotel conference rooms, whereas the main tower is designed to contain international Grade A offices, hotel service apartment and a super five-star hotel. The podium is connected to Phase I, which effectively enhances the interaction between Phase I and Phase II. Upon completion, the overall value of Nanjing International Center will be significantly enhanced.



Property Development Segment

In our relentless pursuit of a habitat for arts and life philosophy, we focus on the future organic and endless growth of Chinese cities and quality buildings, continuously reflect upon the relationship between the beauty of the present moment and the unlimited future, and through project development, business life, regional vitality and city prosperity put them into practice comprehensively.

The Group, through its superior property management companies, renders the highest standard of property management services to its customers including the provision of services for Sinochem Tower, Beijing Chemsunny World Trade Centre and Jin Mao Tower. During the Period under Review, the Group's property management business had a smooth and steady performance. The consolidated property service business of the Group further strengthened the operation of its integrated value chain of property development, and improved the brand advantage and the asset value of the Group. Looking ahead, the Group expects that the property management business will bring more direct and indirect benefits to the Group.

The Observation Deck on the 88th floor of Jin Mao Tower, being one of the first Four A scenic spots in China, is a very popular tourist attraction in Shanghai. Visitors may gain an unprecedented experience of high speed travelling in one of the two super high-speed elevators there. Moving at 9.1 metres per second, it only takes the elevators 45 seconds to send passengers to the 88th floor from the basement. During the Period under Review, the Group broadened its market channels and stepped up its marketing efforts. Despite the challenges arising from its neighbouring competitors, the Observation Deck on the 88th floor successfully drew over 1.02 million visitors during the Year, and brought relatively stable revenue to the Group.

SHARE THE JOY OF COOPERATION

The Group is also engaged in other businesses such as building decoration, automobile services, international yacht services and advertising, mainly to provide supporting services to its existing operations. For example, the renovation costs of the Group's newly constructed hotels are greatly reduced under the strict control of its construction and decoration subsidiaries; the Group's advertising subsidiaries may offer better promotion and advertising services in respect of the Group's operation of properties and hotels. The Group will also regularly review the profitability of such businesses, and the synergy generated between major businesses, so as to produce more direct and indirect benefits for the Group.

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REVIEW ON OVERALL RESULTS OF THE COMPANY

For the year ended 31 December 2012, profit attributable to owners of the parent amounted to HK$3,377.7 million, representing an increase of 44% compared with HK$2,344.4 million in 2011. Excluding the effect of fair value gains on investment properties, net of deferred tax, the profit attributable to owners of the parent would be HK$2,158.3 million, representing an increase of 31% compared with HK$1,646.4 million in 2011.

REVENUE

For the year ended 31 December 2012, the revenue of the Group was HK$17,175.7 million, representing an increase of 161% compared with HK$6,591.7 million in 2011.

Revenue by business segments

	For the year ended 31 December				
	2012		2011		
	HK$ million	Percentage of the total revenue (%)	HK$ million	Percentage of the total revenue (%)	Year-on-year change (%)
Property development	13,445.4	78	2,995.5	46	349
Property leasing	1,106.4	6	988.6	15	12
Hotel operations	2,010.2	12	2,133.8	32	-6
Others	613.7	4	473.8	7	30
Total	17,175.7	100	6,591.7	100	161

In 2012, revenue from property development of the Group increased by 349% over that of 2011 to approximately HK$13,445.4 million and accounted for 78% of the total revenue, which was mainly attributable to Beijing Guangqu Jin Mao Palace Project, Shanghai International Shipping Service Center Project, Changsha Meixi Lake Project and Site B of Shanghai Port International Cruise Terminal Project. Revenue from property leasing grew by 12% compared with that of last year and accounted for 6% of the total revenue, which was primarily due to the performance growth of a number of the Group's office buildings. Revenue from hotel operations decreased by 6% from 2011 and accounted for 12% of the total revenue, which was primarily attributable to the unfavourable market environment in the hotel industry. Others (primarily including the property-related revenues arising from the observation deck on the 88th floor of Jin Mao Tower, property management and building decoration) accounted for 4% of the total revenue, representing an increase of 30% over that of last year, which was mainly because of the increase in revenue from the building decoration business.

COST OF SALES AND GROSS PROFIT MARGIN

Cost of sales of the Group for the year ended 31 December 2012 was approximately HK$9,977.0 million (2011: HK$3,016.7 million) and the overall gross profit margin of the Group in 2012 was 42%, which decreased as compared with that of last year.

The gross profit margin of property development decreased compared with that of 2011; the gross profit margin of property leasing and the gross profit margin of hotel operations were basically the same as those of 2011. Gross profit margin of other business sectors decreased slightly from last year, mainly because of the decrease in gross profit margin of the building's decoration business.

Gross profit margin by business segments

	For the year ended 31 December	
	2012	2011
	Gross profit margin (%)	Gross profit margin (%)
Overall	**42**	54
Property development	**38**	48
Property leasing	**90**	91
Hotel operations	**53**	54
Others	**14**	19

OTHER INCOME AND GAINS

Other income and gains of the Group for the year ended 31 December 2012 decreased by 28% from HK$2,672.1 million in the same period of 2011 to approximately HK$1,931.3 million. The decrease was mainly due to the absence of the investment income of HK$1,137.5 million during the Year, which was recorded by the Group last year. The fair value gain on investment properties arising from the investment properties held by the Group amounted to HK$1,625.9 million, representing an increase of 75% as compared with the fair value gain on investment properties of HK$930.7 million in 2011.

SELLING AND MARKETING EXPENSES

Selling and marketing expenses of the Group for the year ended 31 December 2012 increased by 43% to HK$439.1 million from HK$307.1 million in the same period in 2011, mainly because of the increase in selling and marketing expenses of Beijing Wangjing Jin Mao Palace Project and Beijing Asian Olympics Jin Mao Yue Project, Qingdao Jin Mao Bay Project, Jin Mao Meixi Lake Project that commenced sales during the Year. Selling and marketing expenses comprise primarily the advertising expenses, commissions paid to the relevant sales agencies and other expenses in relation to market promotion incurred in the Group's daily operations. Selling and marketing expenses accounted for 3% (2011: 5%) of the Group's total revenue.

Management Discussion and Analysis – Financial Review

ADMINISTRATIVE EXPENSES

Administrative expenses of the Group for the year ended 31 December 2012 amounted to HK$968.1 million, representing an increase of 14% from HK$851.3 million in the same period in 2011. The increase was mainly attributable to the business expansion and the increase in general office expenses of the Group. Administrative expenses mainly comprise staff costs, consultancy fees, entertainment expenses, general office expenses and depreciation expenses. Administrative expenses accounted for 6% (2011: 13%) of the Group's total revenue.

FINANCE COST

Finance cost of the Group for the year ended 31 December 2012 was HK$986.0 million, representing an increase of 15% from HK$859.3 million in 2011. The increase in finance cost was mainly attributable to the interest expenses from the issue of US$500 million senior notes, increase in loans and increase in lending rates during the Year.

TAX

The Group had a tax charge of HK$2,783.0 million for the year ended 31 December 2012, representing an increase of 135% from HK$1,186.6 million in 2011. The increase in tax charge was primarily attributable to the increase in income tax due to higher profit before tax and the increase in land appreciation tax due to higher property sales revenue during the Year. The Group's effective income tax rate for 2012 was 41% (2011: 29%). The increase in effective tax rate was mainly because of the increase in land appreciation tax due to higher property sales revenue.

PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

For the year ended 31 December 2012, profit attributable to owners of the parent amounted to HK$3,377.7 million, representing an increase of 44% compared with HK$2,344.4 million in 2011. Profit attributable to owners of the parent excluding fair value gains on investment properties, net of deferred tax, amounted to HK$2,158.3 million, an increase of 31% compared with HK$1,646.4 million in 2011.

Basic earnings per share for the Year were HK36.87 cents, an increase of 44% compared with HK25.59 cents in 2011. The increase in basic earnings per share was primarily attributable to the substantial increase in the profit attributable to owners of the parent for the Year. Basic earnings per share excluding fair value gains on investment properties, net of deferred tax, was HK23.56 cents (2011: HK17.97 cents).

In October 2010, the Group issued perpetual convertible securities in the amount of US$600 million, resulting in a dilution of earnings per share. Upon dilution, earnings per share of the Company amounted to HK31.26 cents (2011: HK21.69 cents).

Comparison of profit attributable to owners of the parent before and after fair value gains on investment properties, net of deferred tax

	For the year ended 31 December		Year-on-year change
	2012	2011	
	(HK$ million)	(HK$ million)	(%)
Profit attributable to owners of the parent	**3,377.7**	2,344.4	44
Less: fair value gains on investment properties, net of deferred tax	**(1,219.4)**	(698.0)	75
Profit attributable to owners of the parent excluding fair value gains on investment properties, net of deferred tax	**2,158.3**	1,646.4	31
Basic earnings per share (in HK cents)	**36.87**	25.59	44
Basic earnings per share excluding fair value gains on investment properties, net of deferred tax (in HK cents)	**23.56**	17.97	31

INVESTMENT PROPERTIES

As at 31 December 2012, investment properties of the Group comprised the Central and West Towers and some floors of the East Tower of Beijing Chemsunny World Trade Centre, Jin Mao Tower (office and commercial portion), Sinochem Tower and the clubhouse of Zhuhai Every Garden Project. Investment properties increased from HK$14,889.7 million as at 31 December 2011 to HK$16,574.7 million as at 31 December 2012. The increase was mainly due to the appreciation of investment properties.

PROPERTIES UNDER DEVELOPMENT

As at 31 December 2012, the current portion of properties under development comprised property development costs incurred by properties under development expected to be available for sale within one year, mainly including Beijing Guangqu Jin Mao Palace Project, Beijing Asian Olympics Jin Mao Yue Project and Beijing Wangjing Jin Mao Palace Project, Shanghai International Shipping Service Center, Qingdao Jin Mao Bay Project and Jin Mao Meixi Lake Project, whereas the non-current portion of properties under development comprised property development costs incurred by properties under development expected to be available for sale after one year.

The increase in properties under development (current and non-current) from HK$18,874.4 million as at 31 December 2011 to HK$23,431.3 million as at 31 December 2012 was mainly attributable to the acquisition of Chongqing Jin Mao Long Yue Project, Beijing Asian Olympics Jin Mao Yue Project and Beijing Wangjing Jin Mao Palace Project, Changsha Meixi Lake Land Block C Project and Meixi Lake International Plaza Project and the costs newly incurred for other properties under development, which were partially offset by the transfer as a result of the sale of the units in Beijing Guangqu Jin Mao Palace Project, Shanghai International Shipping Service Center Project and Shanghai Dongtan Jin Mao Noble Manor Project.

PROPERTIES HELD FOR SALE

As at 31 December 2012, properties held for sale included the unsold portion of Beijing Guangqu Jin Mao Palace Project, the unsold portion of parking spaces of Beijing Chemsunny World Trade Centre, Shanghai Dongtan Jin Mao Noble Manor Project and the unsold portion of Shanghai International Shipping Service Center Project.

The increase in properties held for sale from HK$839.8 million as at 31 December 2011 to HK$3,078.1 million as at 31 December 2012 was mainly attributable to the fact that some of the buildings in Beijing Guangqu Jin Mao Palace Project, Shanghai Dongtan Jin Mao Noble Manor Project and Shanghai International Shipping Service Center Project were completed but unsold during 2012.

LAND UNDER DEVELOPMENT

As at 31 December 2012, land under development (current and non-current) included the land costs of development projects including Changsha Meixi Lake Primary Development Project, Changsha Meixi Lake Land Block A Project and Sanya Yazhou Bay Project.

TRADE RECEIVABLES

Trade receivables increased from HK$105.1 million as at 31 December 2011 to HK$2,003.1 million as at 31 December 2012, which was primarily attributable to the increase in receivables due to higher sales revenue from the property development segment during the Year.

TRADE AND BILLS PAYABLES

As at 31 December 2012, trade and bills payables were HK$2,525.7 million, which remained basically the same as compared with HK$2,345.5 million as at 31 December 2011.

INTEREST-BEARING BANK AND OTHER BORROWINGS

As at 31 December 2012, interest-bearing bank and other borrowings (including current and non-current) were HK$28,275.4 million, representing an increase of 12% over HK$25,199.4 million as at 31 December 2011. The increase in interest-bearing bank and other borrowings was primarily due to the increase in loans used for new project development and issuance of senior notes.

Analysis of interest-bearing bank and other borrowings

	As at 31 December 2012 (HK$ million)	2011 (HK$ million)	Year-on-year change (%)
Interest-bearing bank and other borrowings (including current and non-current)	28,275.4	25,199.4	12
Less: Pledged deposits	(220.8)	(236.6)	-7
Interest-bearing bank and other borrowings, net of pledged deposits	28,054.6	24,962.8	12

GEARING RATIO

The Group monitors its capital on the basis of the net debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total interest-bearing bank and other borrowings less other financial assets, restricted bank balances, pledged deposits and cash and cash equivalents. Adjusted capital comprises all components of equity as well as the amounts due to related parties. The Group aims to maintain the net debt-to-adjusted capital ratio at a reasonable level. The net debt-to-adjusted capital ratio as at 31 December 2012 and 31 December 2011 were as follows:

	As at 31 December 2012 (HK$ million)	2011 (HK$ million)
Interest-bearing bank and other borrowings (including current and non-current)	28,275.4	25,199.4
Less: cash and cash equivalents	(12,888.4)	(12,223.6)
restricted deposits and pledged deposits	(576.0)	(368.5)
other financial assets included in current assets	(123.3)	–
Net debt	14,687.7	12,607.3
Total equity	34,502.8	30,547.3
Add: amounts due to related parties	99.6	79.3
Adjusted capital	34,602.4	30,626.6
Net debt-to-adjusted capital ratio	42%	41%

LIQUIDITY AND CAPITAL RESOURCES

The Group's primary uses of cash are to pay for capital expenditure, construction costs, land costs (principally the payment of land grant fees and relocation costs), infrastructure costs, consulting fees paid to architects and designers and finance costs, as well as to service the Group's indebtedness, repay amounts due to and loans from related parties, and fund working capital and normal recurring expenses. The Group has financed its liquidity requirements primarily through internal resources, bank and other borrowings, issue of perpetual convertible bonds, issue of senior notes and issue of new shares.

As at 31 December 2012, the Group had cash and cash equivalents of HK$12,888.4 million, mainly denominated in RMB, HK dollar and US dollar (as at 31 December 2011: HK$12,223.6 million).

As at 31 December 2012, the Group had total interest-bearing bank and other borrowings of HK$28,275.4 million compared to HK$25,199.4 million as at 31 December 2011. An analysis of the interest-bearing bank and other borrowings of the Group is set out as follows:

	As at 31 December	
	2012 (HK$ million)	2011 (HK$ million)
By term:		
Within 1 year	**8,952.2**	6,028.0
In the second year	**2,253.9**	5,238.6
In the third to fifth years, inclusive	**8,948.8**	3,640.1
Over five years	**8,120.5**	10,292.7
Total	**28,275.4**	25,199.4

Interest-bearing bank and other borrowings of approximately HK$8,952.2 million were repayable within one year shown under current liabilities. All of the Group's borrowings are denominated in RMB HK$, and USD. As at 31 December 2012, save as interest-bearing bank loans and other borrowings of approximately HK$8,466.0 million that bore interest at fixed rates, other interest-bearing bank loans and other borrowings bore interest at floating rates. There is no material seasonal effect on the Group's borrowing requirements.

As at 31 December 2012, the Group had banking facilities of HK$36,734.3 million denominated in RMB, HK$ and USD. The amount of banking facilities utilised was HK$19,644.2 million.

The Group's net cash inflow of HK$494.4 million for the year ended 31 December 2012 consisted of:

A net cash inflow of HK$869.9 million from operating activities, which was mainly attributable to the proceeds derived from the sales of properties, property rental and revenue from hotel operations, was partially offset by the payment of land and construction costs, marketing expenses, administrative expenses, interests and tax charge.

A net cash outflow of HK$1,469.0 million from investing activities, which was mainly attributable to the short-term investment and purchase of fixed assets.

A net cash inflow of HK$1,093.5 million from financing activities, which was mainly attributable to the issuance of senior notes by the Group, contribution from non-controlling shareholders, and addition of bank loans and other borrowings, was partially offset by repayments of bank and other borrowings, payment of interests and payment of dividends for 2011.

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PLEDGE OF ASSETS

As at 31 December 2012, the Group's interest-bearing bank and other borrowings were secured by the Group's hotel properties and buildings of HK$3,583.8 million, properties under development of HK$4,928.6 million, properties held for sale of HK$1,427.2 million, land use rights of HK$108.2 million, investment properties of HK$10,406.4 million and bank deposits of HK$220.8 million.

CONTINGENT LIABILITIES

As at 31 December 2012, the details of contingent liabilities of the Group are set out in note 41 to the financial statement.

CAPITAL COMMITMENTS

Details of the Group's capital commitments at the balance sheet date are set out in note 43 to the financial statement.

MARKET RISK

The Group's assets are predominantly in the form of land use rights, land under development, properties under development, properties held for sale and investment properties. In the event of a severe downturn in the property market in Mainland China, these assets may not be readily realised.

INTEREST RATE RISK

The Group is exposed to interest rate risk resulting from fluctuations in interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations. Increase in interest rates will increase the interest expenses relating to the Group's outstanding floating rate borrowings and increase the cost of new debt. Fluctuations in interest rates may also lead to significant fluctuations in the fair value of the Group's debt obligations. The Group does not currently use any derivative instruments to manage the interest rate risk.

FOREIGN EXCHANGE EXPOSURE RISK

Substantially all of the Group's revenue and costs are denominated in Renminbi. The Group reports its financial results in Hong Kong dollars. As a result, the Group is exposed to the risk of fluctuations in foreign exchange rates. The Group has not currently engaged in hedging to manage its currency risk. To the extent the Group decides to do so in the future, the Group cannot assure that any future hedging activities will protect the Group from fluctuations in exchange rates.

Investor Relations Report

INVESTOR RELATIONS ACTIVITIES FOR 2012

January	
	Participated in the investors meeting held by Nomura Securities in Hong Kong
	Participated in the investors meeting held by Deutsche Bank in Beijing
	Participated in the investors meeting held by UBS in Shanghai
	Participated in the investors meeting held by DBS in Singapore
	Participated in the investors meeting held by Macquarie in Hong Kong
March	
	Announced annual results for 2011
	- Held press conference
	- Held analysts meeting
	Participated in non-deal related roadshows in Hong Kong, Singapore and Tokyo
	Participated in the investors meeting held by JP Morgan in Singapore
April	
	Participated in non-deal related roadshows in Beijing, Shanghai and Shenzhen
	Participated in the investors meeting held by HSBC in Hong Kong
May	
	Participated in the investors meeting held by Macquarie in Hong Kong
	Participated in the investors meeting held by Barclays in Hong Kong
	Participated in the investors meeting held by Morgan Stanley in Hong Kong
	Participated in the investors meeting held by Deutsche Bank in Singapore
June	
	Participated in the investors meeting held by JP Morgan Chase in Beijing
	Participated in the investors meeting held by HSBC in London
July	
	Participated in the investors meeting held by Citibank in Hong Kong
	Participated in the investors meeting held by Bank of America Merrill Lynch in Hong Kong
	Participated in non-deal related roadshows in the UK and Singapore
August	
	Announced interim results for 2012
	- Held press conference
	- Held analysts meeting
	Participated in non-deal related roadshows in Hong Kong, Singapore, Europe and the US
September	
	Participated in the investors meeting held by UBS in Hong Kong
October	
	Participated in the investors meeting held by Jefferies in Hong Kong
November	
	Participated in the investors meeting held by Citibank in Macau
	Participated in the investors meeting held by Bank of America Merrill Lynch in Beijing
	Participated in the investors meeting held by Morgan Stanley in Singapore
	Participated in the investors meeting held by CLSA in Hong Kong
	Participated in the investors meeting held by Mizuho in Hong Kong
December	
	Participated in the investors meeting held by Bank of America Merrill Lynch in Hong Kong

COMMUNICATION WITH SHAREHOLDERS

The Company considers that effective communication is essential for establishing sound interaction with its shareholders. The Company is committed to providing its existing and potential investors with accurate and timely information, and keeping a close two-way communication by various means, thereby enhancing the transparency of information disclosure. The Company attaches great importance to the communications with shareholders and public investors to ensure them to have a good channel for voicing their opinions and advices on the Company's performance. At the same time, the Company may also explain the operating conditions of the projects and their growth strategies.

The Company has maintained an effective two-way communication with its shareholders, and provides information to shareholders mainly through the following channels:

- The Company's annual report, interim report and circular – they are distributed to shareholders and investors pursuant to the Rules Governing the Listing of Securities (the "Listing Rules") on the Hong Kong Stock Exchange (the "Stock Exchange") and also analysts who are interested in the Company's performance;

- Annual general meeting – the Chairman and other senior management of the Company are present at the meeting, answering shareholders' inquiries and exchanging opinions with them;

- The Company's interim and final results announcement conference – announce the Company's interim or final results and respond to investors' and the media's inquiries;

Investor Relations Report

- Disclosure of the Company's information on its own initiative – the Company will, through different means, including investors meetings, extraordinary shareholders' meetings, telephone conferences, press releases and media interviews etc., announce material information about the Company to the market in a timely manner and in compliance with the relevant requirements, including the Listing Rules, Securities and Futures Ordinance and the relevant requirements of Guidelines on Disclosure of Inside Information, and timely respond to inquiries by investors and analysts;

- Periodic meetings with institutional investors and securities analysts on its own initiative – provide information in relation to the Company's latest business development to attract more attention from the market. The management of the Company regularly participates in global non-deal related roadshow activities held after the publication of annual reports and interim reports to respond to queries on the Company's growth strategies and market outlook. These measures provide overseas shareholders with an opportunity to discuss with the management of the Company;

- Arrange on-site visit and reverse roadshows for investors – to promote investors' understanding of the Company's development by following-up the development progress of each project, arranging direct on-site visit of various projects of the Company as appropriate for investors and analysts, and enabling them to have communication with the management.

In 2012, the Company's management participated in various investors meetings held across the world and global non-deal related roadshows (including those in Hong Kong, Singapore, Japan, Europe and the US), to promote its exposure to global and Hong Kong investors. During the Year, the Company received more than 200 investors, and hosted over 100 investors to visit its project sites in Beijing, Shanghai, Changsha and Qingdao.

FEEDBACK FROM INVESTORS

The Company regards investors' feedback as highly important. During the Year, the Company conducted several summaries and analyses on investors' and analysts' opinions to have an understanding of the effectiveness of its investor relations function in a timely manner. The Company will further improve the communication quality based on the investors' feedback to facilitate closer communications with investors and analysts in future.

MARKET RECOGNITION AND HONOURS

In 2012, Franshion Properties' 2011 annual report performed impressively at the 26th International ARC Awards and was granted six international awards, namely, silver prize under the category of "Printing and Production: Real Estate Development/Service: Residential Properties"; silver prize under the category of "Printing and Production: Residential Properties"; bronze prize under the category of "Overall Annual Report: Residential Properties"; bronze prize under the category of "Interior Design: Real Estate Development"; bronze prize under the category of "Interior Design: Real Estate Development/Service: Retail Properties"; and honorary prize under the category of "Cover Photo/Design: Real Estate Development/Service: Residential Properties", respectively. At the 23rd International Galaxy Awards, Franshion Properties' 2011 annual report was granted two international awards, namely, gold prize under the category of "Diversified Business" and silver prize under the category of "Hotel and Real Estate", respectively.

On 20 June, the list of 2012 Asian Management Team was announced by Institutional Investor, including the election for Best Investor Relations Professional. Franshion Properties' investor relations professional, Mr. CHENG Chau Ping (head of investor relations) was voted first in the Asian Best Investor Relations Professional by buy-side fund managers and sell-side analysts respectively. On 11 December, at the 2012 Corporate Award announced by The Asset, Franshion Properties again was granted the "Gold Award for Investor Relations".

The efforts of the Company's investor relations team and the information disclosure of the Company are widely recognised in the industry.

PROSPECTS OF OUR INVESTOR RELATIONS WORK

The Company will continue to aggressively strengthen its investor relations efforts to facilitate closer communications with public investors and analysts. The Company is committed to full compliance with the disclosure obligations provided in the Listing Rules and other applicable laws and regulations. In terms of compliance, we will continue to deliver to the investors all over the world the Company's latest information and to enhance the Group's corporate governance standards and transparency, with a view to gaining more trust and support from investors.

CONTACT DETAILS FOR INVESTORS:

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Corporate Social Responsibility Report

I. SOCIAL AND COMMUNITY CONTRIBUTIONS

The Group strives to pursue sound corporate citizenship, to participate in social and community activities, and to improve the Group's and its employees' awareness of social responsibility through different channels and means. In addition, the Group is also committed to practising the philosophy of "one who benefits from the society shall repay the society", so as to help establish a harmonious society.

The Group showed continuous enthusiasm in social and welfare activities, particularly children's public welfare and charitable events. In November 2012, the Group organised the donation campaign called "Caring heart to build your dream" (獻上一份愛心，溫暖一份夢想) where the employees actively responded and participated in donating supplies including padding jackets, sweaters, warm clothes and stationery. This is the third year the Group has organised such a campaign, passing their love and care to the children in Beijing Zhenhua Schools for Children of Casual Labourers. Meixi Lake International New City Project visited Luoheping Primary School in Yuanling County, Hunan Province and donated teaching facilities including desk and chair sets, computers and projectors. In addition, a five-digit sum was donated to a girl who was severely burnt and unable to afford medical treatment to help her get through the difficulty time. Lijiang Jin Mao Snow Mountain Whisper Project joined hands with Lijiang Municipal Propaganda Department to visit Minority Orphanage School of Lijiang, Yunnan Province, delivering school and daily supplies to more than 300 orphans, and leading children to participate in cultural and sports activities. Such love and care donation campaign symbolised the lofty sentiment of Franshion Properties' employees and their love and care for the poor. It also enhanced the awareness of the employees on social responsibility. The Group's hotels also organised benevolent events regularly to help the orphan and disabled children. JW Marriott Shenzhen organised the "Care for children during Chinese New Year" (關愛兒童，歡度新年) event

where the staff of the hotel spent the Chinese New Year with around 100 children in Shenzhen Welfare Centre. The trade union of Grand Hyatt Shanghai organised the "Become Lei Feng Pioneers" (學雷鋒樹先鋒) event to visit the orphan and disabled children at Huixin Children's Healthcare Centre in Hongkou District, Shanghai.

In caring for the growth and development of the poor, orphan and disabled children, the Group also attaches great importance to caring for the elderly. Beijing Guangqu Jin Mao Palace Project jointly organised the "Franshion's Care for Party Members" (關愛革命黨員，方興支部獻愛心) themed party branch event with Sijiqing Nursing Home in Beijing to express their care and love to the elderly through close contact with them. The Group's hotels also organised activities from time to time to help the elderly. Grand Hyatt Shanghai organised a staff tour to visit the elderly in the nursing homes in Lujiazui, Shanghai. Employees of The Ritz-Carlton, Sanya also visited Sanya Gaofeng Geracomium for the Elderly to show their love and care. Hilton Sanya Resort & Spa kicked off a series of love and care activities including visits to local nursing homes and centres for the disabled, and rolled out the "blue ribbon" beach cleaning event.

The Group is also active in environmental charities. The Group's headquarters and its projects in Beijing, Qingdao, Changsha and Lijiang organised a variety of tree planting activities to show their love to the earth by taking action to plant trees. The Group proactively promoted the concept of low carbon living to the tenants of its office buildings and organised the "2012 Power to Go" green customers event to encourage the office staff to take a walk on the green lane of the busy and bustling Chang'an Avenue during the spare time at lunch breaks, enjoying work and life in a healthy and relaxing way. The Group endeavoured to raise the awareness on environmental protection and create a green office environment through organising the green value exchange programme, preparing environmental friendly manual, organising feature training and implementing rubbish classification. Changsha Meixi Lake International New City Project organised the "Fish Fry Release" (魚苗放生) environmental friendly and charitable event under the "I Love Meixi Lake" (我愛梅西溪湖) programme series. The event attracted media in Changsha such as Xiaoxiang Morning Herald, Changsha Evening News

and sina.com.cn to join hands together, taking practical action to support biology conservation. In March 2012, the Group's hotels and office buildings participated in the "Earth Hour" global campaign. By turning off the lights, the Group joined hands with others to cope with the biggest issue of climate change – global warming in the world and made an effort in building a sustainable tomorrow.

Corporate Social Responsibility Report

II.GREEN STRATEGIES

At present, in face of resources depletion and environmental constraints, the world's focus has been placed on increasing crisis awareness, driving energy saving and emission reduction, actively coping with climate change and achieving sustainable development of the economy and community. According to the statistics, in China, energy consumption of the building industry and its ancillary real estate sector accounts for one-third of the energy consumption of the entire community. Accordingly, the PRC government attaches high importance to the role of energy saving and green building in driving energy saving and emission reduction. Ecological civilisation has been placed on the five-in-one agenda at the 18th National Congress of the Communist Party of China. According to the report of the 18th National Congress, to build "beautiful" China and achieve sustainable development of the Chinese community, ecological civilisation is an integral part of economic, political, cultural and social development throughout the whole course of development.

In 2012, in implementing the green strategy, the Company promoted the application of green eco-city development and green building technology. To show its support towards national issues, the Group pushed ahead the building of green campus, undertook the setting up of China Green Hotel Study Group (中國綠色酒店學組) and cooperated in the revision of the National Green Building Standards (國家綠色建築標準). These tremendous efforts have been proved worthwhile.

The Group endeavours to enhance the quality and technology sophistication of its projects. Featuring concepts of ecology, energy conservation, innovation and technology, Changsha Meixi Lake International New City Project formulated 48 ecological indicators under eight categories. In November 2012, it was named the first batch of the "green and ecological model cities" (綠色生態示範城區) in China. Meanwhile, it was granted the "Eco-Rehabilitation Planning Award" (生態住區規劃獎) at the 9th Jing Rui Science and Technology Award. Qingdao Jin Mao Bay's residence and kindergarten was granted the state three-star green standards certification as sewage source heat pump has been adopted as the heat and cooling sources of energy in the region, reducing carbon dioxide emission of 6,466.7 tonnes each year to the atmosphere. Beijing Chemsunny World Trade Centre, after a series of energy-saving measures, has reduced carbon dioxide emission of 616 tonnes each year. Jin Mao (Shanghai) Properties was granted the "Energy Management System" certification and was widely recognised among its peers.

The Group proactively commenced the building of green campus campaign and visited Beijing Tsinghua Affiliated Secondary School, Chaoyang Branch (北京清華附中朝陽分校) and Beijing No.2 Experimental Primary School, Chaoyang Branch (北京第二實驗小學朝陽學校) to introduce the concept of greening where concepts of "energy saving", "land saving", "water saving", "materials savings" and "healthy indoor environment" of a green building were introduced to the students through training, developing the children's social responsibilities towards building a green future. The Group organised the 6th Beijing Secondary School Real Estate Planning Contest (北京高校房地產策劃大賽) – Franshion Cup. Through enhancing the cooperation and exchange with industry associations and secondary schools, building a new information platform to lead industry development and establishing a base to nurture talents, the Group was active in pushing ahead the sustainable development of the industry and exploring the new model for industry development.

By setting up China Green Hotel Study Group (中國綠色酒店學組), participating in the preparation of China's first volume of green low-carbon teaching materials, actively organising green exchanges locally and abroad with industry associations including China Green Building Council, USGBC and BRE to promote the green concept of "lean design and management, full utilisation of resources, and utilisation of green technology", the Group used its best endeavours to enhance the green industrial chain across the industry from planning and design to delivery of green products, from production of building equipment and materials to their usage and execution, and from commencement of construction to property operation and management, with a view to achieving greening of buildings throughout their entire life cycle.

As to utilisation of green technology, the Group actively participated in the key programmes of the Ministry of Science and Technology of China. Following Shanghai Dongtan Jin Mao Manor Project's official participation in the key programmes of the Ministry of Science and Technology of China in 2010, in May 2012, the Group took part in the revision of the state standard, Evaluation Standard for Green Buildings, and made recommendations with respect to the applicability of the standard across the nation based on its experience in building design, construction, operation and management. In August 2012, Beijing Chemsunny World Trade Centre participated in the key programme projects of the Ministry of Science and Technology of China under the Twelfth Five-Year Plan and the preparation of the state standard, "Technical Guide on the Assessment of Energy-Saving and Carbon Emission Reduction of Energy-Saving Building Projects" (建築節能項目節能量和碳減排量評價技術指南).

Corporate Social Responsibility Report

The Group strives to set up a green strategy cooperative platform. In 2011 and 2012, the Group organised a number of large-scale sub-forums of China Green Building Conference to promote the Group's green strategy, take the lead in the industry development of green real estate and facilitate the greening of the real estate industry. In March 2012, the Group and China Green Building Council entered into a strategic cooperation agreement, pursuant to which both parties would work together strategically in setting up China Green Hotel Study Group (中國綠色酒店學組), developing the green construction model project of the Ministry of Housing and Urban-Rural Development of China, driving the joint development of green campus, organising large-scale professional conferences locally and abroad, and organising internal corporate training. The Group was granted the "Council Unit (理事單位) of China Association of Building Energy Efficiency" certificate.

Moreover, the Group has been ranked first in many green areas, including participating in the preparation of "Green Campus and the Future", the first volume of teaching materials for primary and secondary schools with the theme of green campus and life and being granted the award by China Association of Building Energy Efficiency as the first batch of the "Stars of Building Energy Efficiency" (建築節能之星). The Group's green strategy is widely recognised and well received by the government leaders, industry peers, academic experts and the market, which speedily enhances the Group's recognition and industry influence as well as establishes a good image in the community and sound external relations.

Looking ahead, the Group will continue to adhere to environmental protection and resources conservation in striving to become a superior enterprise in harmony with the nature and will relentlessly pursue green building with energy saving and emission reduction to fulfil its social responsibility of "green environment, energy saving and emission reduction".

III.EMPLOYEE DEVELOPMENT

As at 31 December 2012, the Group had 5,989 employees, mainly staff working in Mainland China. The Group always views human resources as its foundation for development. The Group strives to achieve its business objectives through accelerating the development of organisation and human resources training; attracting and retaining human resources of the highest calibre in the industry so that they can be competent to execute their duties. For this purpose, we create a sound working environment and provide competitive salaries and other benefits, including retirement plan, medical insurance plan, accident insurance plan, career insurance plan and housing provident fund. The Group adopted a share option scheme on 22 November 2007. The Group granted a batch of share options under the scheme on 28 November 2012 with an aim to strengthen the commitment of its participants toward the Group and achieve the objectives of the Group. The Group will periodically review its salary level according to market standard.

The Group pays close attention to the development of corporate culture and persists to enrich the spiritual and cultural life of employees. The Group organised a number of activities, including Lantern Festival Celebration, tree planting campaign, staff development training, table tennis tournament, badminton tournament, football tournament, hiking contest and public welfare activities to increase their understanding about the corporate culture of the Company and enhance the overall quality of the team, building the Group's culture of management, safety, learning and living, as well as facilitating the steady and fast development of a harmonious relationship with the enterprise.

The Group encourages its staff to take further studies, subsidises them to participate in external courses and conferences that are related to their works, and provides internal trainings to improve their skills. The Group has provided a series of training courses, covering leadership skills, business strategies and technical skills. The Group has also designed systematic training plans for its newly recruited staff to enable them to understand the Company's corporate culture and perform their duties without delay. The Group provides personalised training programmes to key positions, core management members and young talents to help its staff enhance their integrated capabilities and overcome their shortcomings with a view to nurturing and building leaders for the Company.

The Group focuses on its staff's safety and health. Apart from purchasing medical and accident insurance plans for them, the Group also organises its staff to go through health screening periodically and provides them with sports premises and facilities, to strengthen their body. During the first half of the year, the Group delivered a total 80 down blankets to expatriate staffs in Lijiang, Qingdao, Changsha and Chongqing successively as gift, showing its care for and understanding of its staff. The Group also organised an outdoor parenting event on June 1 Children's Day, gave away customised presents to its staff on Father's Day and Mother's Day, and organised a birthday party every month and gave away birthday presents to send the greetings and blessing of the Company.

Profile of Directors and Senior Management


Mr. He Cao


Ms. Li Xuehua


Ms. Shi Dai


Mr. Li Congrui


Mr. He Binwu


Mr. Lau Hon Chuen, Ambrose


Mr. Su Xijia


Mr. Liu Hongyu

DIRECTORS

Mr. HE Cao
Chairman and Executive Director
Mr. HE, who was born in September 1955, joined the Company in February 2009, and served as the Chairman and non-executive Director of the Company until 17 September 2009. He was re-designated as the Vice Chairman, executive Director and Chief Executive Officer of the Company from 18 September 2009 to 15 January 2013. He has been the Chairman and executive Director of the Company since 16 January 2013. Mr. HE also holds positions in a number of subsidiaries of the Company. Mr. HE joined Sinochem Group in 1979 and had held a number of senior positions in finance management, corporate governance and investment enterprises of Sinochem Group before he was appointed as the assistant president in 2002. Since 2013, he is entitled to the benefits for vice president of Sinochem Group. Since 2002, Mr. HE has been the president, vice chairman and chairman of the board of directors of China Jin Mao (Group) Company Limited, successfully operating Shanghai Jin Mao Tower and grasping the development opportunities in the industry. Mr. HE has led the investment, acquisition and development of luxurious five-star hotels and properties in a host of first-tier cities and premium resorts. Through the establishment of strategic partnership with internationally-renowned hotel management agencies, Mr. HE has developed Jin Mao Group into a prestigious high-end commercial real estate developer and operator in China. Upon joining the Company, Mr. HE has successively completed the investment layout in popular regions including Beijing, Shanghai, Changsha, Qingdao, Chongqing, Sanya, Suzhou, Lijiang and Nanjing with total land reserves exceeding 10 million square metres. Mr. HE has over 20 years of experience in corporate governance, hotel and property leasing, development and operation. Mr. HE graduated from Jilin Finance and Trade College in 1979 and the Economics Department of Renmin University of China in 1986. He completed his postgraduate studies majoring in politics and economy at Jilin University in 1995. Mr. HE obtained an executive master's degree in Business Administration from China Europe International Business School (CEIBS) in 2004. Mr. HE was awarded with the title of senior economist in 2010. Mr. HE was appointed as the co-chairman of Alliance of China Hotels Owners under China Tourist Hotel Association in 2009 and was appointed as the vice president of Real Estate Chamber of Commerce of National Federation of Industry and Commerce in 2010. In addition, Mr. HE was appointed as the vice chairman of Shanghai Enterprises Association, the deputy director of the Housing Policy and Market Regulation and Study Professional Committee of the Chinese Society for Urban Studies, and a member of the Green Building and Energy Saving Professional Committee of the Chinese Society for Urban Studies. Mr. HE has been a delegate of the 12th and 13th session of the People's Congress of Shanghai Municipality since 2003. He was awarded as the Model Worker of Shanghai in 2007.

Ms. LI Xuehua
Vice Chairman and non-executive Director
Ms. LI, who was born in January 1958, joined the Company in December 2005 and served as an executive Director and Chief Executive Officer of the Company and the director of a number of its subsidiaries until 17 September 2009. Since 18 September 2009, Ms. LI has been the Vice Chairman and non-executive Director of the Company and has ceased to act as a director of the subsidiaries of the Company. Currently, Ms. LI is the general manager of Sinochem Hong Kong (Group) Co., Ltd. She joined Sinochem Group in October 2004 as the deputy general manager of Sinochem Kingsway Capital Inc., and was the executive director of Sinochem Kingsway Asset Management Limited. She was also a director of Sino-Ocean Land Holdings Limited from July 2006 to March 2007. Prior to joining Sinochem Group, Ms. LI had held various senior financial management positions in China National Machinery Import and Export Corporation. Ms. LI has over 20 years of experience in corporate finance management. Ms. LI earned a diploma certificate from Jingqiao University of China in 1987 and a master's degree from University of International Business and Economics in 1997. She was awarded with the title of senior economist in 2010.

Profile of Directors and Senior Management

Ms. SHI Dai
Non-executive Director
Ms. SHI, who was born in September 1967, has been the non-executive Director of the Company since 16 January 2013. Ms. SHI joined Sinochem Group in 1994. She had held various senior management positions, including the deputy general manager of the investment department, the director of the Communist Party office, the deputy party secretary and the chairman of the labour union of Sinochem Group, and the deputy general manager of Xi'an Jinzhu Modern Chemicals Co., Ltd. (西安金珠近代化工有限公司). Ms. SHI has been serving as a director of Far East Horizon Limited since 2009 and an employee director of Sinochem Corporation since 2012. Since 2013, Ms. SHI has been serving as the general manager of the human resources department of Sinochem Group. Ms. SHI has over 10 years of experience in human resource management and corporate operation and management. Ms. SHI has obtained a bachelor's degree in Refrigeration and Cryogenic Technology from Shanghai Jiao Tong University in 1990, a bachelor's degree in International Trade from University of International Business and Economics in 1994 and an executive master's degree in Business Administration from China Europe International Business School (CEIBS) in 2010.

Mr. LI Congrui
Executive Director and Chief Executive Officer
Mr. LI, who was born in March 1971, has been the Vice President of the Company since April 2009 and the executive Director of the Company since June 2011. Mr. LI has been serving as the executive Director and Chief Executive Officer of the Company since January 2013. Mr. LI also holds positions in a number of subsidiaries of the Company, including chairman of Sinochem Franshion Properties (Beijing) Co., Ltd. and director of Beijing Franshion Sunac Real Estate Development Co., Ltd. (北京方興融創房地產開發有限公司). Mr. LI joined Sinochem Group in 1997, and had held various senior management positions in Shanghai Orient Terminal Co., Ltd. and Sinochem International Industrial Corp. From 2003 and prior to joining the Company, Mr. LI was the director and the general manager of Zhoushan State Oil Reserve Base Company Limited (舟山國家石油儲備基地有限責任公司). Mr. LI has over 10 years of experience in strategy management, corporate governance, organisational construction, appraisal and analysis on project investment, project management and large project construction. Mr. LI obtained a bachelor's degree in Petroleum Geology and Exploration from the Petroleum Department of China University of Geosciences (Wuhan) in 1994. He earned a master's degree in Petroleum Development from the Research Institute of Petroleum Exploration & Development in 1997 and an executive master's degree in Business Administration from China Europe International Business School (CEIBS) in 2007. Mr. LI was elected as a member of the second session committee of State-Owned Enterprise Youth Federation in 2010.

Mr. HE Binwu
Executive Director and Vice President
Mr. HE, who was born in November 1948, has been the executive Director and the Vice President of the Company since June 2004 (date of incorporation of the Company). He has served as the director and deputy general manager of Franshion Company Limited since 1987. He joined Shanghai Pudong Jinxin Real Estate Development Co., Ltd. in January 1995 and has been the director and general manager since then. He is currently also the managing director of Shanghai Port International Cruise Terminal Development Co., Ltd. and Shanghai International Shipping Service Center Development Co., Ltd. He also served as the director of Sinochem Franshion Real Estate (Zhuhai) Co., Ltd. from July 2003 to September 2006. Mr. HE has over 20 years of experience in the real estate development industry. He was honoured with the Shanghai Municipal Key Construction Projects Special Contributor's Award for 2006, 2007, 2009, 2010, 2011 and 2012. Mr. HE earned a diploma certificate from Shanghai Jiao Tong University in 1976. Mr. HE has been consecutively appointed as "Sinochem Senior Expert" by Sinochem Group since 2008.

Mr. LAU Hon Chuen, Ambrose
Independent non-executive Director, G.B.S., J.P.
Mr. LAU, who was born in July 1947, has been an independent non-executive Director of the Company since March 2007. He is a senior partner of Messrs. Chu & Lau, Solicitors & Notaries. Mr. LAU is currently a standing committee member of the National Committee of the Chinese People's Political Consultative Conference. He is also a Justice of the Peace. In 2001, Mr. LAU was awarded the "Gold Bauhinia Star" by the Hong Kong Government. Mr. LAU is currently an independent non-executive director of the following listed companies: Brightoil Petroleum (Holdings) Limited, Glorious Sun Enterprises Ltd., Yuexiu Property Co., Ltd., Yuexiu Transport Infrastructure Limited, The Hong Kong Parkview Group Ltd., Wing Hang Bank, Ltd. and The

People's Insurance Company (Group) of China Limited. He served as an independent non-executive director of Beijing Enterprises Holdings Limited between 1997 and 2008; an independent non-executive director of Qin Jia Yuan Media Services Co., Ltd. between 2003 to 2012. He is also the director of Bank of China Group Insurance Co., Ltd., BOC Group Life Assurance Co. Ltd., Nanyang Commercial Bank, Ltd., Chu & Lau Nominees Ltd., Sun Hon Investment & Finance Ltd., Wydoff Ltd., and Wytex Ltd. Mr. LAU also served as the chairman of the Central and Western District Board between 1988 and 1994, the president of the Law Society of Hong Kong from 1992 to 1993, the member of the Bilingual Laws Advisory Committee between 1988 and 1997 and the member of the Legislative Council of Hong Kong from 1995 to 2004 (between 1997 and 1998 he was a member of the Provisional Legislative Council). Mr. LAU obtained a bachelor of Laws degree from the University of London in 1969 and is a solicitor of the High Court of Hong Kong, an attesting officer and a notary public appointed by Ministry of Justice, the PRC.

Mr. SU Xijia
Independent non-executive Director

Mr. SU, who was born in September 1954, has been an independent non-executive Director of the Company since March 2007. He has been an assistant professor since 1996 and later an associate professor in the Department of Accountancy of City University of Hong Kong. He joined China Europe International Business School (CEIBS) in July 2010. Currently he is a professor of accounting in CEIBS. His research focuses on corporate governance and auditing practices of the listed companies in China. He has also been appointed as the special investigator by the CICPA since 2005. He has given lectures at CSRC, Shanghai Stock Exchange, Shenzhen Stock Exchange, major commercial banks and various universities in China. He was an independent director of Shenzhen SEG Co., Ltd and Shenzhen Topray Solar Co., Ltd. for the period of 2002-2008, and 2007-2010, respectively. He currently serves as an independent director of World Union Property Consultancy (China) Limited, Sundy Land Investment Co., Ltd and Huazhong Holdings Co., Ltd. Mr. SU has over 20 years of experience in corporate governance and accounting practice. Mr. SU earned a bachelor's degree and a master's degree in accounting from Xiamen University in 1982 and 1987, respectively. He obtained his PhD degree from Concordia University of Canada in 1996.

Mr. LIU Hongyu
Independent non-executive Director

Mr. LIU, who was born in October 1962, has been an independent non-executive Director of the Company since March 2007. He was a professor in the Department of Civil Engineering of Tsinghua University from June 1996 to April 2000, and since April 2000, he has been a professor in the Department of Construction Management of Tsinghua University. Since 1996, he has also been the director of the Institute of Real Estate Studies of Tsinghua University. Since 2010, he has been the supervisor of Hang Lung Centre for Real Estate, Tsinghua University. His research focuses on real estate economics, real estate investment and finance, housing policies and land management. From April 2006 to March 2012, Mr. LIU served as an independent director of COFCO Property (Group) Co., Ltd. From 2002 to 2009, he was an independent director of Beijing Shoukai Holdings Co., Ltd. From 2002 to 2008, he was an independent director of China Merchants Property Development Co., Ltd. Since December 2011, Mr. LIU has been re-appointed as an independent director of China Merchants Property Development Co., Ltd. He is a vice chairman of the China Institute of Real Estate Appraisers and Agents and a director of Asian Real Estate Society. He is also an honorary professor of the University of Hong Kong and a senior fellow of the Royal Institution of Chartered Surveyors of the United Kingdom. He has over 20 years of experience in real estate industry and construction engineering. Mr. LIU earned a bachelor's degree in structural engineering and a master's degree in management engineering from Tsinghua University in 1985 and 1988, respectively. He is also a qualified real estate appraiser in the PRC.

Profile of Directors and Senior Management


Mr. Zhang Hui


Ms. Lan Haiqing


Mr. Jiang Nan


Mr. Gai Jiangao


Mr. Zhang Zhichao


Mr. Cui Wei


Mr. Song Liuyi


Mr. Liao Chi Chiun

OTHER SENIOR MANAGEMENT

Mr. ZHANG Hui
Mr. ZHANG, who was born in October 1970, has been the Vice President of the Company since January 2010, as well as the general manager of China Jin Mao Group Co., Ltd. Mr. ZHANG joined Sinochem Group in 2002 and had held a number of senior positions in Shanghai Orient Terminal Co., Ltd. Prior to joining Sinochem Group, Mr. ZHANG worked in Shanghai Offshore Petroleum Bureau of China Petrochemical Corporation from 1995 to 2002. Mr. ZHANG has approximately 15 years of experience in large project development, planning, analysis and assessment of project investment, management of project construction and corporate governance. Mr. ZHANG graduated from China University of Geosciences with a bachelor's degree in reservoir engineering in 1995 and obtained an executive master's degree in Business Administration from China Europe International Business School (CEIBS) in 2008. He was honoured the title of senior economist in 2011.

Ms. LAN Haiqing
Ms. LAN, who was born in July 1966, has been the Vice President of the Company since December 2007. Ms. LAN served as the general manager of Golden Beach Hotel, Qingdao from May 1997 to December 2001 and the general manager and chairman of Wangfujing Hotel Management Co., Ltd. between March 2002 to July 2012, respectively. She has approximately 20 years of hotel management experience and has accumulated extensive experience in the preliminary research analysis, product positioning, investment decision and operational management of real estate complex projects. Ms. LAN graduated from Ocean University of China in 1988 and obtained a postgraduate diploma from Les Roches School of Hospitality Management in Switzerland in June 2000.

Mr. JIANG Nan
Mr. JIANG, who was born in April 1973, joined the Company in January 2006 as the Chief Financial Officer and has been involved in the day-to-day management of the Company since then. He served as an executive Director of the Company from 2007 to 2011. He is in charge of the Company's accounting and financing, capital market, investor relations, cost contracts, strategy and budget assessment. He joined Sinochem Group in August 1995 and worked in the Finance Department of Sinochem Group from 1995 to 2002. He was the Treasurer of Sinochem Hong Kong from August 2002 to January 2006, responsible for handling the financial management and investment projects and operation of the overseas funds of Sinochem Group. Mr. JIANG has approximately 20 years of experience in corporate finance and accounting management. Mr. JIANG earned a bachelor's degree in finance from China Institute of Finance in 1995 and a master's degree in finance from Central University of Finance and Economics in 2003. He obtained the Accounting Qualification Certificate in 1999 and is now a member of the Association of International Accountants (AIA).

Mr. GAI Jiangao
Mr. GAI, who was born in November 1974, has been the Vice President of the Company since January 2007 and the General Counsel of the Company since October 2011. Mr. GAI joined Sinochem Group in July 2000, in charge of litigation matters and legal matters in real estate industry, and served as the deputy general manager of the Legal Department from 2005 to January 2007.

Prior to joining Sinochem Group, he worked in Rong Bao Zhai, responsible for risk control and auction of artistic products from July 1997 to June 2000. He has over 10 years of experience in corporate legal affairs. Mr. GAI earned a bachelor of Law degree from the Capital University of Economics and Business in 1997. He obtained an executive master's degree in Business Administration from Guanghua School of Management, Peking University in 2010. He qualified as a PRC lawyer in March 2000, as in-house legal counsel in January 2003, respectively, and has been an associated member of Hong Kong Institute of Chartered Secretaries since July 2008.

Mr. ZHANG Zhichao

Mr. ZHANG, who was born in October 1962, joined the Company in October 2009 as Assistant President and has been the Vice President of the Company since November 2011. Mr. ZHANG joined Jin Mao Group in September 2000 and held various positions including deputy general manager and acting deputy general manager of the Corporate Planning Department, general manager of the Investment Management Department and general manager of the Construction Technology Department (concurrent) and later he was re-designated as general manager of the Investment Development Department of the Company. Prior to joining Jin Mao Group, Mr. ZHANG served as an engineer of Shanghai Railway Research Institute and general manager of China Nonferrous Metals East China (Hainan) Company (中國有色金屬華東(海南)公司). Mr. ZHANG has extensive management and practical experience in real estate investment analysis, management and construction technology. He graduated from Beijing Institute of Iron and Steel Engineering with a bachelor's degree in metal physics in 1984 and obtained a postgraduate degree in technology economics and management from Tongji University in 1999. In July 2005, he earned an executive master's degree in Business Administration from China Europe International Business School (CEIBS).

Mr. CUI Wei

Mr. CUI, who was born in November 1972, joined the Company as the Assistant President in September 2009 and has been the Vice President of the Company since November 2011. From 1993 to 2006, Mr. CUI served as the technician of the Infrastructure Department of Beijing Babcock & Wilcox, the engineer of Development Office of Beijing Municipal Commission of Housing and Urban-Rural Development, the director of Housing Construction Unit of Beijing Municipal Commission of Housing and Urban-Rural Development, and head of Mafang New Town Real Estate Development Office. Mr. CUI successively managed or principally participated in the protectional restructuring of Beijing Nanchizi as well as the construction and development of more than 10 projects including Xihongmen, Huilongguan and Wangjing. He has accumulated intensive experience in real estate development, project operation, policy analysis and investment decision-making. Mr. CUI graduated from Harbin University of Science and Technology with a bachelor's degree in thermal energy engineering in 1993 and obtained a master's degree in real estate operation and management from Tsinghua University in 2003. In 2009, he earned a doctor's degree in real estate operation and management from Renmin University of China. Mr. CUI was enlisted in the "Quality Talent Training Programme" organised by the municipal government of Beijing from 2006 to 2007 and had been a visiting scholar focusing on real estate economics studies at University of Denver in the US.

Mr. SONG Liuyi

Mr. Song, who was born in November 1975, joined the Company as the Assistant President of the Company in May 2011 and has been the Vice President of the Company since January 2013. Mr. SONG joined Sinochem Group in 2001 and worked at the investment business department of Sinochem International Company Limited, investment department of Sinochem Group and president office of Sinochem Group, as the assistant to the head of president office of Sinochem Group. Mr. SONG obtained a bachelor's degree in high polymer materials and processing from the Beijing Institute of Technology in 1998 and a master's degree in materials from the Beijing Institute of Technology in 2001, respectively.

Mr. LIAO Chi Chiun

Mr. LIAO, who was born in January 1968, has been the Chief Accountant of the Company, Qualified Accountant and Company Secretary since March 2007. Before joining the Company, he served as an accountant of S E A Holdings Ltd between 1997 and 2006. He has over 10 years of experience in Hong Kong and PRC accounting practice relating to property leasing and development. Mr. LIAO earned a BA (Hons) degree in Accounting from De Montfort University, England in 1995. He is a fellow member of the Association of Chartered Certified Accountants and also an associate member of the HKICPA.

Corporate Governance Report

CODE ON CORPORATE GOVERNANCE

Since its establishment, the Company has committed to enhancing its corporate governance levels. The Company has adopted its own code on corporate governance practice which sets out all code provisions, except for described below, and most of the recommended best practices set out in the Code on Corporate Governance Practices (for the period from 1 January to 31 March 2012) and Corporate Governance Code (for the period from 1 April to 31 December 2012) in Appendix 14 of the Listing Rules. The Company will continue to improve its corporate governance practices focusing on maintenance and enhancement of a quality board, sound internal control and high transparency to shareholders, so as to increase the confidence of shareholders in the Company. The Company believes that good corporate governance is crucial to maintain its long-term healthy and sustainable development and is vital for the interests of its shareholders.

Code provision A.4.2 of the Corporate Governance Code stipulates that a Director appointed to fill a casual vacancy shall be subject to re-election by shareholders at the first general meeting after the appointment, while the Articles of Association of the Company provides that such a Director may be elected by the shareholders at the first annual general meeting after the appointment. There is minor difference between the practices of the Company and that of the Corporate Governance Code, and the Company believes that the election by the shareholders at the first annual general meeting after the appointment of the Directors who fill casual vacancy will not affect adversely the normal operations of the Company.

In 2012, the Company complied with all provisions of its own code on corporate governance.

BOARD OF DIRECTORS

The Board is accountable to the shareholders and is responsible for the Group's overall strategy, internal control and risk management. In order to fulfill its responsibilities, the Board has established and adhered to explicit operating policies and procedures, reporting hierarchy and delegated authority. The management is authorised to handle the daily operation of the Group.

The Board is responsible for managing the overall business of the Company and overseeing the functions performed by the subordinate committees. In particular, the internal control practices are mainly reflected in the following areas:

- management and control of the Group's assets, liabilities, revenues and expenditures as well as proposing changes in areas critical to the Group's performance;

- strategic capital investments and new projects – through stringent project review and approval process, purchasing and tendering procedures and diligent assessment of its implementation upon completion;

- financial and operational performance – through overall strategic planning as well as the implementation and maintenance of the monitoring system for financial and optimal performance;

- management of relationship with stakeholders of the Company – through frequent communication with partners, governments, customers and other parties who have legal interests in the business of the Company;

- risk management – through continuous review of the reports from the Audit and Risk Management Department to identify, evaluate and appropriately manage the risks faced by the Company; and

- corporate governance – through formulation and review of the Company's corporate governance policies and practices; review and monitoring of the training and continuous professional development of Directors and senior management; review and monitoring of the Company's policies and practices in compliance with the laws and regulatory requirements; as well as review of the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.

As of the date of this report, the Board consisted of the following 8 Directors:

Non-executive Directors

Ms. LI Xuehua (Vice Chairman)
Ms. SHI Dai

Executive Directors

Mr. HE Cao (Chairman)
Mr. LI Congrui (Chief Executive Officer)
Mr. HE Binwu (Vice President)

Independent Non-executive Directors

Mr. LAU Hon Chuen, Ambrose
Mr. SU Xijia
Mr. LIU Hongyu

Mr. LUO Dongjiang and Mr. LI Xin resigned as the Directors of the Company and members of relevant special committees with effect from 16 January 2013 due to their other business commitments which require more of their dedications, and they both confirmed that they had no disagreement with the Board and that there were no matters relating to their resignation that need to be brought to the attention of the shareholders.

Mr. HE Cao was re-elected as the Director of the Company at the annual general meeting held on 14 June 2012. He resigned as the Chief Executive Officer of the Company and was re-designated as the Chairman and executive Director of the Company with effect from 16 January 2013. **Mr. LI Congrui** resigned as the Vice President of the Company and was re-designated as the executive Director and Chief Executive Officer with effect from 16 January 2013.

Ms. SHI Dai was appointed as the non-executive Director of the Company on 16 January 2013.

As a result of the above change of Directors, the composition of the special committees under the Board of the Company is:

Audit Committee: Mr. SU Xijia (Chairman), Ms. LI Xuehua, Mr. LIU Hongyu;

Remuneration and Nomination Committee: Mr. LAU Hon Chuen, Ambrose (Chairman), Ms. SHI Dai, Mr. SU Xijia;

Strategy and Investment Committee: Mr. HE Cao (Chairman), Mr. LI Congrui, Mr. HE Binwu and Mr. LIU Hongyu;

Independent Board Committee: Mr. LAU Hon Chuen, Ambrose (Chairman), Mr. SU Xijia and Mr. LIU Hongyu.

Save as disclosed above, there were no other changes of Directors of the Company during the Period under Review and as at the date of the report.

Biographical details of the Directors are set out on pages 104 to 107 of this annual report. The Board members have no financial, business, family or other material/relevant relationships with each other. The Company has arranged appropriate insurance coverage in respect of legal actions against its Directors and reviews the coverage of the insurance every year.

Corporate Governance Report

The Board has a balanced composition. Each Director possesses the knowledge, experience and expertise required for the business operation and development of the Group. All Directors are aware that they are severally and collectively accountable to the shareholders. They also fulfil their duties and responsibilities diligently to make contribution to the outstanding results of the Group.

The current non-executive Directors are independent from the Company's daily management but they provide the Company with a wide range of expertise and experience. Their participation in Board and committee meetings brings independent judgment on issues relating to the Group's strategies, performance, conflicts of interest and management procedures, to ensure adequate checks and balances are provided and the interests of all shareholders are taken into account. The Board believes that the balance between executive and non-executive Directors is reasonable and adequate to safeguard the interests of shareholders, other related parties and the Group.

Under the Listing Rules, the Company has three independent non-executive Directors in compliance with the requirements that the number of independent non-executive Directors shall account for at least one-third of the members of the Board and at least one of them shall have appropriate financial management expertise. Each independent non-executive Director has confirmed his independence to the Company, and the Company is of the view that these Directors are independent of the Company under the guidelines set out in Rule 3.13 of the Listing Rules.

The Directors have access to appropriate business documents and information about the Company on a timely basis. The Directors have free access to the management for enquires and to obtain further information when required. All Directors and Board committees also have recourse to external legal counsels and other professionals for independent advice at the Company's expense as and when the need arises.

The Directors of the Company actively participate in continuous professional development, develop and refresh their knowledge and skills to ensure that their contributions to the Board remain informed and relevant. During the Period under Review, all of the Directors participated in various trainings organised by the Company, including the "Latest Developments on Corporate Governance Requirements and Information Disclosure Laws for Listed Companies in Hong Kong" and the "Improvement of Governance of the Board". Mr. HE Cao, Mr. LI Congrui and Mr. HE Binwu participated in the training on "Revised Guidelines on Disclosure of Inside Information"; Mr. LI Congrui, Mr. LI Xin and Ms. SHI Dai participated in the training on "New Directors Orientation"; Mr. LAU Hon Chuen, Ambrose participated in trainings including "Economic Update – 2012 China Policy Trend", "Economic Update – Slower Growth, Stable Inflation", "Internal Seminar – Economic Development and Investment Opportunities in China", "Corporate Governance, Directors' Roles and Responsibilities, and D&O Insurance", "Economic Update – The World Economy – Continuous Downturn", "KPMG Independent Non-executive Directors Forum – Corporate Governance, Regulatory Updates and Audit Committee", "Investment Philosophy and Market Outlook", "KPMG Independent Non-Executive Directors Forum – Regulatory Development", "Economic Update – QE3 and the Global Economy", "KPMG Independent Non-Executive Directors Forum".

BOARD MEETINGS

The Board meets regularly and Board meetings are held at least four times a year to review the financial performance of the Company, significant issues and other matters that require decisions of the Board.

The Company always makes proper arrangements to give all Directors the opportunity to present matters for discussion in the agenda of each Board meeting. All Directors are given an agenda and relevant documents prior to each Board meeting.

The Board office of the Company assists in preparing agenda for Board meetings and ensures that all applicable rules and regulations regarding the meetings are followed.

Apart from the consent obtained through circulation of four written resolutions to all Board members, during the Period under Review, the Board held 5 meetings, at which the Directors considered and approved significant matters, including the 2011 annual results report and the 2012 interim results report of the Company, the mandate for issue offshore financing loans and bonds, the proposals on improving corporate governance and implementing directors responsibilities, the continuing connected transaction contemplated under Shanghai Yin Hui's entrustment loan framework agreement, the connected transaction relating to the joint acquisition of the land use rights of the project located on No.55 Haimen Road in Shanghai, and the grant of share options. Attendance of each Director at such Board meetings during 2012 is set out below:

Position	Name	Meetings attended in person	Meetings attended by proxy	Attendance rate
Non-executive Director	Mr. LUO Dongjiang*	5/5	0	100%
Non-executive Director	Ms. LI Xuehua	5/5	0	100%
Non-executive Director	Mr. LI Xin*	5/5	0	100%
Executive Director	Mr. HE Cao	5/5	0	100%
Executive Director	Mr. LI Congrui	4/5	1	80%
Executive Director	Mr. HE Binwu	5/5	0	100%
Independent non-executive Director	Mr. LAU Hon Chuen, Ambrose	5/5	0	100%
Independent non-executive Director	Mr. SU Xijia	4/5	1	80%
Independent non-executive Director	Mr. LIU Hongyu	5/5	0	100%

* Mr. LUO Dongjiang and Mr. LI Xin ceased to be the Directors of the Company with effect from 16 January 2013.

The Directors are given clear information both at meetings and at regular intervals so that they can maintain effective control over strategic, financial, operational, compliance and corporate governance issues. They also have unrestricted access to independent professional advice and the advice and services from the company secretary to ensure compliance with all procedures of the Board meetings. The company secretary keeps detailed minutes of each meeting of the Board and the Board committees, which are available to all Directors for review anytime.

The Company continuously updates all Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements to ensure compliance with the requirements by the Directors, and to maintain good corporate governance practices.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The positions of Chairman and Chief Executive Officer are held by different persons.

Mr. LUO Dongjiang was appointed as a non-executive Director and the Chairman of the Company on 18 September 2009 and resigned with effect from 16 January 2013. Mr. HE Cao was appointed as a non-executive Director and the Chairman of the Company on 13 February 2009 and resigned on 17 September 2009. He was appointed as an executive Director, Vice Chairman and Chief Executive Officer of the Company on 18 September 2009, and resigned as the Chief Executive Officer and was re-designated as the executive Director and Chairman of the Company on 16 January 2013. Mr. LI Congrui was appointed as the Vice President of the Company in April 2009 and as an executive Director of the Company on 17 June 2011. He resigned as the Vice President of the Company and was re-designated as the executive Director and Chief Executive Officer on 16 January 2013.

There is a clear division of these two positions of Chairman and Chief Executive Officer of the Company to ensure a balanced distribution of power and authority. The Chairman of the Company is responsible for managing and providing leadership to the Board in terms of formulating overall strategies, business directions and policies of the Company. The Chairman of the Company also makes effective plans for Board meetings and ensures the Board acts in the best interests of the Company and its shareholders. The Chief Executive Officer of the Company is responsible for the daily operation of the Company, formulation and execution of policies of the Company, and is accountable to the Board for the overall operation of the Company. The Chief Executive Officer also advises the Board on any significant developments and issues.

RULES FOR NOMINATION, APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

The Company has a set of formal, prudent and transparent procedures for the appointment and succession of Directors. According to the Articles of Association of the Company, a Director shall be appointed or removed by an ordinary resolution at the general meeting; the Board has the right to appoint any Director to fill a casual vacancy or appoint a new member to the Board, subject to re-election by the shareholders at the first annual general meeting immediately after the appointment. All Directors (including executive and non-executive Directors) of the Company are appointed for a term of three years. A Director may be re-elected at the general meeting after expiration of its term.

According to the Articles of Association of the Company, a Director shall be recommended by the Board or be nominated by any shareholder (other than the person to be nominated) of the Company who is entitled to exercise voting rights at a general meeting during the period from the date of despatch of the notice of the meeting to 7 days before the date of the general meeting. The Remuneration and Nomination Committee of the Company may also provide advice to the Board in respect of the nomination. Qualifications and competence of the nominees should be taken into consideration during nomination.

RESPONSIBILITIES OF DIRECTORS

Each Director is required to keep abreast of his responsibilities as a Director and of the operation and business activities of the Company. Non-executive Directors have the same duties of care and skills as executive Directors.

The non-executive Directors of the Company have sufficient experience and talent and fully participate in the Board to fulfil the functions specified in the provisions A.6.2(a) to (d) of the Corporate Governance Code.

RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Board is responsible for the preparation of financial statements of each financial year, which give a true and fair view of the operating results and financial status of the Company. In preparing the financial statements, the Directors of the Company have selected and applied appropriate accounting policies, and have made prudent and reasonable judgments.

The statement of the auditors of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditors' Report" on page 148.

THE BOARD COMMITTEES

In order to review the special matters, the Company has established four Board Committees, namely the Remuneration and Nomination Committee, the Audit Committee, the Independent Board Committee and the Strategy and Investment Committee.

REMUNERATION AND NOMINATION COMMITTEE

As at the date of this report, the members of the Remuneration and Nomination Committee of the Company are Mr. LAU Hon Chuen, Ambrose (independent non-executive Director), Ms. SHI Dai (non-executive Director) and Mr. SU Xijia (independent non-executive Director). The chairman of the Remuneration and Nomination Committee is Mr. LAU Hon Chuen, Ambrose. During the Period under Review, members of the Remuneration and Nomination Committee of the Company included Mr. LAU Hon Chuen, Ambrose, Mr. LI Xin and Mr. SU Xijia. Mr. LI Xin ceased to be the non-executive Director of the Company and member of the Remuneration and Nomination Committee with effect from 16 January 2013.

The functions of the Remuneration and Nomination Committee include:

– to review the size and composition of the Board at least annually based on the operation, scale of assets and shareholding structure of the Company, and make recommendations to the Board;

– to examine the standards and procedures for election of candidates for Directors and senior management and make recommendations; review the qualifications and abilities of candidates for directorship and management and make recommendations;

– to assess the independence of independent non-executive Directors;

– to make recommendations to the Board on the remuneration policies and share option scheme for Directors and senior management and on the establishment of formal and transparent procedures for developing such policies; and

– to determine, with delegated responsibility, the remuneration packages of all executive Directors and senior management; to review and approve the management's remuneration proposals with reference to the Board's corporate strategies, policies and objectives; and make recommendations in respect of the remuneration of the non-executive Directors to the Board.

The Remuneration and Nomination Committee may seek professional advice if necessary and will be provided with sufficient resources to perform its duties.

Corporate Governance Report

In 2012, the Remuneration and Nomination Committee's nomination, appointment, determination of remuneration packages and approval of incentive proposals included the following:

– for the purposes of strengthening and consolidating the human resources and improving the governance structure of the Company, approved the appointment of one vice president of the Company after careful consideration of the experience and expertise of the candidate, and submitted such recommendation to the Board for review and approval;

– reviewed and approved the amendments to the Terms of Reference of the Remuneration and Nomination Committee, and submitted to the Board for review and approval;

– assessed the performance of executive Directors;

– approved the lapse and cancellation of 30% of the share options granted in May 2008 by the Company on 5 May 2012 according to the Share Option Scheme passed at the extraordinary general meeting in 2007, the performance review results of the grantees of share options and the "Explanation on the Fulfilment of Conditions of Share Options with Reference to the Results of Franshion Properties for 2010" provided by the Financial Management Department of the Company, as the performance review results did not meet the target performance results;

– reviewed, confirmed and approved the "Proposal on the Grant of Share Options for 2012" on behalf of the Board pursuant to the Share Option Scheme passed at the extraordinary general meeting in 2007 and the authorisation given by the Board on 14 June 2012;

– determined the remuneration packages of Directors and senior management based on the results performance of the Company and with reference to the industry practices; and

– made recommendations to the Board with respect to the appointment of Directors according to the policies and procedures for nomination of Directors with due regards to election and recommendation criteria including gender, age, cultural and education background, professional experience, skills and knowledge.

The Remuneration and Nomination Committee held one meeting and entered into five written resolutions in 2012. Attendance of each member at the meeting is set out below:

Position	Name	Meetings attended in person	Meetings attended by proxy	Attendance rate
Independent non-executive Director	Mr. LAU Hon Chuen, Ambrose	1/1	0	100%
Independent non-executive Director	Mr. SU Xijia	1/1	0	100%
Non-executive Director	Mr. LI Xin*	1/1	0	100%

* Mr. LI Xin ceased to be the Director of the Company and the member of the Remuneration and Nomination Committee with effect from 16 January 2013.

THE AUDIT COMMITTEE

The Audit Committee of the Company is responsible for communicating with management and internal and external auditors, as well as reviewing and overseeing the Company's financial reporting and audit procedures jointly with them. During the Period under Review and as at the date of this report, the members of the Audit Committee are Mr. SU Xijia (independent non-executive Director), Ms. LI Xuehua (non-executive Director) and Mr. LIU Hongyu (independent non-executive Director). The chairman of the Audit Committee is Mr. SU Xijia. All members of the Audit Committee have financial and/or legal backgrounds which enable them to precisely assess the financial conditions, compliance and risk exposure of the Company, as well as to impartially perform their duties and responsibilities.

The functions of the Audit Committee include:

– to make recommendation to the Board on the appointment, re-appointment and removal of the external auditor, to approve the remuneration and terms of engagement of the external auditor, and to deal with any issues in respect of resignation or dismissal of the auditor;

– to discuss the nature and scope of audit and the relevant reporting responsibilities with external auditor before auditing, and to review and examine whether the external auditor is independent and objective and whether the audit procedures are effective according to applicable standards;

– to develop and implement policies on the engagement of external auditor for non-audit services;

– to monitor integrity of financial statements, reports and accounts of the Company, interim reports and quarterly reports (if any), and to review significant opinions regarding financial reporting contained therein, to consider any material matters or unusual matters that are reflected or are required to be reflected in such reports and accounts, and to consider any matters proposed by the qualified accountant, compliance officer or auditor of the Company as appropriate;

– to review the internal control and risk management systems of the Company, to ensure that the management has performed its duties in establishing an effective internal control system, and to examine the material investigation findings and management's responses in respect of internal control matters;

– to review the Company's financial and accounting policies and practices, to review the external auditor's management letter, to respond to any queries raised by the management and the Board, and to report to the Board as necessary; and

– to establish an employee direct reporting system across the Company, and to conduct investigations on unusual conditions if it considers necessary and appropriate and report to the Board as necessary.

During 2012, financial reporting and internal control reviews undertaken by the Audit Committee include the following:

– reviewed the integrity and accuracy of the 2011 annual report, the 2012 interim report and formal announcements relating to the Group's financial performance;

– reviewed the 2011 work report, 2012 work plans and mid-term report for internal audit and internal control of the Company;

– reviewed and approved the amendments to the Terms of Reference of the Audit Committee and submitted to the Board for review and approval;

– reviewed the means of communication between the external auditor and the internal audit department; and

– reviewed the annual pre-audit results, audit strategies and significant issues for 2012.

Corporate Governance Report

The Audit Committee held three meetings and entered into one written resolution in 2012. Attendance of each member at the meetings is set out below:

Position	Name	Meetings attended in person	Meetings attended by proxy	Attendance Rate
Independent non-executive Director	Mr. SU Xijia	3/3	0	100%
Independent non-executive Director	Mr. LIU Hongyu	3/3	0	100%
Non-executive Director	Ms. LI Xuehua	3/3	0	100%

The Chief Financial Officer, the qualified accountant and the auditor of the Company attended all these meetings including the three meetings which reviewed the integrity and accuracy of the Company's 2011 annual report, 2012 interim report and formal announcements relating to the Group's financial performance.

INDEPENDENT BOARD COMMITTEE

During the Period under Review and as at the date of this report, the members of the Independent Board Committee of the Company are Mr. LAU Hon Chuen, Ambrose, Mr. SU Xijia and Mr. LIU Hongyu. The chairman of the Independent Board Committee is Mr. LAU Hon Chuen, Ambrose. All members are independent non-executive Directors.

The functions of the Independent Board Committee include:

– to discuss whether the Company should exercise the independent options granted by Sinochem Group to the Company pursuant to the Non-Competition Undertaking dated 26 July 2007, and to discuss any business in connection with the Non-Competition Undertaking or any reconstruction business in relation to the properties held by Sinochem Group, and the new business opportunities or property reconstruction opportunities of which the Company is notified by Sinochem Group in writing;

– to formulate and implement policies in relation to the appointment of an independent financial adviser or other professional advisers regarding the exercise of options and pursuit of new opportunities;

– for the connected transactions and transactions subject to independent shareholders' approval under the Listing Rules, or spinoff listing arrangements subject to approval under the Listing Rules, to examine whether the terms thereunder are fair and reasonable, and in the interest of the Group and its shareholders as a whole, and to make recommendations to the Board; and

– to review continuing connected transactions every year and make confirmation in the annual reports and accounts of the Company.

The Independent Board Committee held two meetings and entered into three written resolutions in 2012, at which it considered the outstanding shimao investment independent option granted by Sinochem Group to the Company, and resolved not to exercise the option of shimao investment for the time being and to make relevant disclosure in the interim and annual reports; resolved, passed and approved the grant of share options to Directors and the chief executive according to the "Proposal on the Grant of Share Options for 2012"; and confirmed various continuing connected transactions of the Company for 2011 and the relevant transaction list. Attendance of each member at the meetings is set out below:

Position	Name	Meetings attended in person	Meetings attended by proxy	Attendance rate
Independent non-executive Director	Mr. LAU Hon Chuen, Ambrose	2/2	0	100%
Independent non-executive Director	Mr. SU Xijia	2/2	0	100%
Independent non-executive Director	Mr. LIU Hongyu	2/2	0	100%

STRATEGY AND INVESTMENT COMMITTEE

During the Period under Review, the members of the Strategy and Investment Committee of the Company were Mr. HE Cao, Mr. LUO Dongjiang, Mr. LI Congrui, Mr. HE Binwu and Mr. LIU Hongyu. As at the date of the report, the members of the Strategy and Investment Committee of the Company are Mr. HE Cao, Mr. LI Congrui, Mr. HE Binwu and Mr. LIU Hongyu. The chairman of the Strategy and Investment Committee is Mr. HE Cao.

The functions of the Strategy and Investment Committee include:

– to study and formulate the Company's growth strategies, and supervise and monitor management's execution of the Company's growth strategies;

– to review the new project investment proposals submitted by the management according to the Company's growth strategies;

– to review the proposals on the establishment of departments in the headquarters submitted by the management.

Corporate Governance Report

The Strategy and Investment Committee held six meetings and entered into two written resolutions in 2012, to consider the 200-mu land project in the town area of Lijiang, Changsha Meixi Lake International Plaza Project, Sanya Yacheng Town Primary Land Development Project, the positioning and proposal of Wangfujing revamp project, the land parcel I-19 in Meixi Lake of Changsha, land block A and land block C in Meixi Lake of Changsha, the land parcel on Jinmen Road in Suzhou and the land parcel on No.55 Haimen Road in Shanghai. Attendance of each member at the meetings is set out below:

Position	Name	Meetings attended in person	Meetings attended by proxy	Attendance Rate
Executive Director	Mr. HE Cao	6/6	0	100%
Non-executive Director	Mr. LUO Dongjiang*	6/6	0	100%
Executive Director	Mr. LI Congrui	5/6	1	83.3%
Executive Director	Mr. HE Binwu	6/6	0	100%
Independent non-executive Director	Mr. LIU Hongyu	6/6	0	100%

* Mr. LUO Dongjiang ceased to be the Director of the Company and the member of the Strategy and Investment Committee with effect from 16 January 2013.

EXTERNAL AUDITORS

During the Year, the remuneration paid/payable to the Company's auditors, Ernst & Young, amounted to a total of HK$7,596,000, of which HK$4,000,000 was for audit service fees of the Group's financial statements, HK$1,203,000 was audit service fees of certain subsidiaries of the Group, HK$1,535,000 was related to the Group's issuance of bonds, HK$800,000 was for review service fees of the Group's interim financial information, and HK$58,000 was for tax service fees.

INTERNAL CONTROL

The Board takes full responsibilities for maintaining sound and effective internal controls to safeguard the Company's assets and shareholders' interests. The Directors confirm that the Company, through its Internal Control Department, conducts regular checks on office procedures, practices and systems to prevent assets from inappropriate use, maintain proper accounts and ensure compliance with regulations. The regular reviews also cover all major controls, including financial, operational and compliance supervision and risk management functions of the Company.

The Directors of the Company all consider that the Group's existing internal control systems are effective.

PRICE-SENSITIVE INFORMATION/INSIDE INFORMATION

The Company has taken prudent measures in handling price-sensitive information/inside information, for which the Company has formulated effective systems and measures for confidential information. Personnel who have access to such price-sensitive information/inside information must ensure that the information is kept confidential, and should not, in any manner, divulge the information of the Company. Consultants and intermediaries engaged by the Company have all entered into confidentiality agreements with the Company.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules to regulate directors' securities transactions. Having made specific enquiries of all Directors, all Directors have confirmed that they have complied with the requirements set out in the Model Code for the year ended 31 December 2012.

All the employees of the Group shall comply with "Administrative Rules for Securities Transactions by the Employees of Franshion Properties" formulated by the Company with reference to the requirements set out in Appendix 10 of the Listing Rules in their dealings in the securities of the Company.

RIGHTS OF SHAREHOLDERS

Shareholders have right to raise questions and make suggestions on the business of the Company. All shareholders shall have equal rights according to their respective shareholding and assume corresponding obligations. Shareholders are entitled to get access to and participate in the material matters of the Company as prescribed by laws, administrative regulations and the Articles of Association of the Company.

Moving a resolution at an annual general meeting

Pursuant to Section 115A of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), shareholder(s) can submit a written requisition to move a resolution at an annual general meeting if they –

(a) represent not less than one-fortieth of the total voting rights of all shareholders having at the date of the requisition a right to vote at the annual general meeting; or

(b) are no less than 50 shareholders holding shares in the Company on which there has been paid up an average sum, per shareholder, of not less than HK$2,000.

The written requisition must –

(a) state the resolution, accompanied by a statement of not more than 1,000 words with respect to the matter referred to in the proposed resolution or the business to be dealt with at the annual general meeting;

(b) contain the signatures of all the requisitionists (which may be contained in one document or in several documents in like form);

(c) be deposited at the registered office of the Company for the attention of the Company Secretary not less than 6 weeks before the annual general meeting in the case of a requisition requiring notice of a resolution and not less than 1 week before the annual general meeting in the case of any other requisition; and

(d) be accompanied by a sum of money reasonably sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement given by the requisitionists to all shareholders in accordance with the requirements under the applicable laws and rules.

Corporate Governance Report

Proposing a candidate for election as a Director

Pursuant to Article 80(2)(b) in the Articles of Association of the Company, if a shareholder wishes to propose a person other than a retiring Director for election as a Director at a general meeting, the shareholder should give the Company Secretary a notice of his intention to propose a resolution for the appointment or reappointment of the person as the Director of the Company and a notice executed by that person of his willingness to be appointed or re-appointed, no earlier than the day after the despatch of the notice of the meeting and no later than seven days prior to the date fixed for the meeting.

Convening an extraordinary general meeting

Pursuant to Section 113 of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), shareholder(s) holding not less than one-twentieth of the paid-up capital of the Company can submit a written requisition to convene an extraordinary general meeting.

The written requisition must –

(a) state the objects of the extraordinary general meeting;

(b) contain the signatures of all the requisitionists (which may be contained in one document or in several documents in like form); and

(c) be deposited at the registered office of the Company for the attention of the Company Secretary.

If Directors do not within 21 days from the date of the deposit of the requisition proceed duly to convene an extraordinary general meeting on a day not more than 28 days after the date on which the notice convening the extraordinary general meeting is given, the requisitionists, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene an extraordinary general meeting, but any extraordinary general meeting so convened shall not be held after the expiration of 3 months from the said date.

Shareholders' enquiries to the Board

Enquiries from shareholders for the Board may be directed to us by the means as stated in the section under "Corporate Information" in this annual report.

GENERAL MEETING

The Company maintains and facilitates exchange and communication between shareholders and the Board through a number of communication methods, including general meetings, announcements and circulars to shareholders. The Company held an annual general meeting on 14 June 2012 to review and approve the audited financial statements, the directors' report and the auditor's report for the year ended 31 December 2011; to declare the final dividend for the year ended 31 December 2011; to review and approve the re-election of Mr. HE Cao as an Executive Director of the Company; to re-appoint Ernst & Young as auditor of the Company and authorise the Board to determine its remuneration; and to review and approve the general mandate to issue shares and repurchase shares. All Directors of the Company attended the annual general meeting held on 14 June 2012.

Report of the Directors

The Board presents its report and the audited financial statements of the Company and the Group for the year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The Company is an investment holding company, and the principal activities of its subsidiaries are development of, investment in and operation of real estate projects, focusing on commercial property development, hotel operations and property leasing. Details of the subsidiaries of the Company are set out in note 21 to the financial statements.

RESULTS AND DIVIDENDS

Details of the Group's results for the year ended 31 December 2012 are set out in the consolidated income statement on page 149 of this annual report.

The Board recommended the payment of a final dividend of HK7 cents per ordinary share for the year ended 31 December 2012. The proposed final dividend shall be subject to approval of shareholders at the forthcoming annual general meeting. No interim dividend was paid for the period ended 30 June 2012. The recommended final dividend has been accounted for in the financial statements as an allocation of retained profits within the equity section of the statement of financial position.

SHARE CAPITAL AND SHARE OPTIONS

As at 31 December 2012, the authorised share capital of the Company was 20,000,000,000 ordinary shares and the total issued share capital was 9,161,489,489 ordinary shares.

As stated in the 2010 annual report of the Company, on 12 October 2010, the convertible securities due in 2015 convertible into fully-paid ordinary shares of the Company with an aggregate principal amount of US$600 million were offered to no less than six investors. Based on an initial conversion price of HK$2.83, such convertible securities can be converted into 1,644,763,250 shares. Assuming full conversion of such convertible securities, the issued share capital of the Company will be increased to 10,806,252,739 ordinary shares. The net proceeds from the issue of these convertible securities by the Company amounting to approximately US$591 million (after deducting expenses) were mainly used to finance the new and existing projects (including construction costs and land costs) and as general working capital. During the Year, no convertible securities were converted into ordinary shares of the Company.

Details of movement in the Company's share capital and share options during the Year are set out in notes 36 and 37 to the financial statements respectively.

RESERVES

Movements in reserves of the Company and of the Group during the Year are set out in note 38 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2012, the Company's reserves available for distribution, calculated in accordance with the provisions of Section 79B of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), amounted to HK$910,223,000, of which HK$641,304,000 has been proposed as a final dividend for the Year. In addition, the Company's share premium account in the amount of HK$6,109,789,000 may be distributed in the form of fully paid bonus shares.

Report of the Directors

MAJOR SUPPLIERS AND CUSTOMERS

Sales to major customers and purchases from major suppliers of the Group in the Year are set out below:

	For the year ended 31 December 2012 Percentage of total turnover (%)
Five largest customers	40%
The largest customer	17%

	Percentage of total purchase (%)
Five largest suppliers	42%
The largest supplier	22%

The above five largest customers and suppliers of the Group are independent third parties. To the best knowledge of the Directors, none of the Directors of the Company or any of their associates or any shareholders who own more than 5% of the Company's issued share capital had any interest in the Group's five largest customers or five largest suppliers.

BANK AND OTHER BORROWINGS

Particulars of the bank and other borrowings of the Company and of the Group as at 31 December 2012 are set out in note 32 to the financial statements.

CHARITABLE CONTRIBUTIONS

During the Year, no charitable donations were made by the Group.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment and investment properties of the Group during the Year are set out in notes 14 and 18 to the financial statements, respectively.

FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and non-controlling shareholders' interests of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 240 of this annual report. This summary does not form part of the audited financial statements.

DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the current Directors and senior management of the Company are set out on pages 104 to 109 of this annual report.

DIRECTORS' SERVICE CONTRACTS

As at 31 December 2012, none of the Directors had a service contract with the Company or any of its subsidiaries which is not terminable within one year without payment of compensation other than statutory compensation.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Directors' remuneration is determined by reference to Directors' duties and responsibilities, individual performance and the results of the Group.

During the year ended 31 December 2012, details of the remuneration of the Directors and senior management of the Company are set out in notes 8, 9 and 44(b) to the financial statements. There was no arrangement under which a Director waived or agreed to waive any remuneration during the Year.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance to which the Company or its controlling shareholder or any of their respective subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted as at 31 December 2012 or at any time during the Year. The Company did not provide any loans to the Directors or the management personnel of the Company during the Year.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Sinochem Group is the ultimate controlling shareholder of the Company. The contracts of significance entered into between Sinochem Group and its subsidiaries, Sinochem Hong Kong (Group) Company Limited ("Sinochem Hong Kong") and the Company or its subsidiaries are mainly agreements of continuing connected transactions conducted between them, and the Non-Competition Undertaking between Sinochem Group and the Company dated 26 July 2007, as detailed in sections headed "Continuing connected transactions" and "Compliance with non-competition agreement" below.

COMPLIANCE WITH NON-COMPETITION AGREEMENT

Sinochem Group has provided its written confirmation in respect of Sinochem Group and its subsidiaries' (other than those which form part of the Group) compliance with its obligations under the Non-competition Undertaking during 2012.

EMPLOYEES AND REMUNERATION POLICIES

For details regarding the employees and remuneration policies of the Group during the Year, please refer to the section headed "Corporate Social Responsibility Report – Employee Development" on page 102 of this annual report, respectively.

RETIREMENT SCHEME

The Group contributes on a monthly basis to various defined contribution retirement benefit schemes (the "Retirement Schemes") administrated and organised by the relevant municipal and provincial governments in the PRC. The municipal and provincial governments undertake to assume the retirement benefit obligations payable to all retired employees under these schemes and the Group has no further obligation for post-retirement benefits to the employees beyond the contributions made.

The Group also participates in a mandatory provident fund scheme (the "MPF Scheme") required by the government of Hong Kong, which is a defined contribution retirement benefit scheme. Contributions to these schemes are expenses as incurred.

Neither the Retirement Schemes nor the MPF Scheme has any requirement concerning forfeited contributions.

Contributions to the retirement benefit schemes for the year ended 31 December 2012 were HK$85,374,000.

MANAGEMENT CONTRACT

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the Year.

SHARE OPTION SCHEME

On 22 November 2007, the Company adopted a share option scheme (the "Scheme"), the purpose of which is to enhance the commitment of the participants to the Company and encourage them to pursue the objectives of the Company.

According to the terms of the Scheme of the Company, the Board shall at its absolute discretion grant to any participant a certain number of options at a subscription price at any time within 10 years after the adoption date of the Scheme. Participants, i.e. recipients of the options granted, include any existing executive or non-executive Directors of any member of the Group and any senior management, key technical and professional personnel, managers and employees of any member of the Group, but do not include any independent non-executive Directors of the Company.

The number of shares to be issued at any time upon exercise of all options granted under the Scheme and other share option schemes of the Company shall not in aggregate exceed 10% of the then issued share capital of the Company.

Unless approval of shareholders is obtained in a general meeting, if the total number of shares issued and shares which may fall to be issued upon exercise of the options (including exercised, cancelled and outstanding options) granted under the Scheme and any other share option schemes of the Company to a participant in any 12-month period in aggregate exceeds 1% of the issued share capital of the Company at any time, no further grant of options shall be given to such participant. Upon acceptance of the grant, the grantee undertakes that he/she will, at the request of the Company, pay an amount which is equivalent to the nominal value of HK$1 (to be determined on the date when the offer of the grant is accepted) to the Company as a consideration for acceptance of the offer of the grant of the option.

More details of the Scheme are set out in note 37 to the financial statements.

GRANT AND EXERCISE OF OPTIONS

On 5 May 2008, 5,550,000 share options were granted to eligible participants by the Company at the exercise price of HK$3.37 for each share of the Company to be issued, being the average closing price of the shares on the Stock Exchange for the five consecutive trading days immediately preceding the grant date of such options. Such options shall vest the earliest after two years from the date of grant of options.

On 30 April 2010, the Remuneration and Nomination Committee of the Board of the Company approved the vesting of 40% of the share options granted in May 2008 by the Company according to the Scheme passed at the extraordinary general meeting held on 22 November 2007, the performance review results of the grantees of share options and the Explanation on the Fulfilment of Conditions of Share Options of Franshion Properties for 2009 provided by the independent professional advisor.

On 13 June 2011, the Remuneration and Nomination Committee of the Board of the Company approved and confirmed the lapse and cancellation of 30% of the share options granted in May 2008 by the Company on 5 May 2011 according to the Scheme passed at the extraordinary general meeting held on 22 November 2007 and the Explanation on the Fulfilment of Conditions of Share Options with Reference to the Results of Franshion Properties for 2010 provided by the Financial Management Department of the Company, as the performance review results for 2010 did not meet the target performance results.

On 17 May 2012, the Remuneration and Nomination Committee of the Board of the Company approved and confirmed the lapse and cancellation of the remaining 30% of the share options granted in May 2008 by the Company on 5 May 2012 according to the Share Option Scheme passed at the extraordinary general meeting held on 22 November 2007 and the Explanation on the Fulfilment of Conditions of Share Options with Reference to the Results of Franshion Properties for 2011 provided by the Financial Management Department of the Company, as the performance review results for 2011 did not meet the target performance results.

On 28 November 2012, 58,267,500 share options were granted to eligible participants by the Company at the exercise price of HK$2.44 for each share of the Company to be issued, being the closing price of the shares on the Stock Exchange on the grant date of such options. Such options shall vest the earliest after two years from the date of grant of the options.

The share options will only vest if the pre-set performance targets of the Group, the division of the grantee and the grantee are achieved. Otherwise, the share options shall lapse.

During the Period under Review, no share options were exercised under the Scheme. The following share options were outstanding under the Scheme during the year ended 31 December 2012:

Name or category of grantees	Number of share options						Date of grant of share options	Exercise period of share options (both days inclusive)	Exercise price of share options HK$	Closing price of the shares of the Company immediately preceding the grant date HK$
	As at 1 January 2012	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	As at 31 December 2012				
Directors										
Mr. LUO Dongjiang	–	450,000	–	–	–	450,000	28 November 2012	28 November 2014 to 27 November 2019	2.44	2.45
	–	450,000	–	–	–	450,000	28 November 2012	28 November 2015 to 27 November 2019	2.44	2.45
	–	600,000	–	–	–	600,000	28 November 2012	28 November 2016 to 27 November 2019	2.44	2.45
Mr. PAN Zhengyi (Note 1)	146,236	–	–	–	(146,236)	–	5 May 2008	5 May 2012 to 4 May 2015	3.37	3.36
Mr. HE Cao	–	450,000	–	–	–	450,000	28 November 2012	28 November 2014 to 27 November 2019	2.44	2.45
	–	450,000	–	–	–	450,000	28 November 2012	28 November 2015 to 27 November 2019	2.44	2.45
	–	600,000	–	–	–	600,000	28 November 2012	28 November 2016 to 27 November 2019	2.44	2.45

Report of the Directors

Name or category of grantees	As at 1 January 2012	Number of share options: Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	As at 31 December 2012	Date of grant of share options	Exercise period of share options (both days inclusive)	Exercise price of share options HK$	Closing price of the shares of the Company immediately preceding the grant date HK$
Mr. WANG Hongjun (Note 2)	124,659	–	–	–	(124,659)	–	5 May 2008	5 May 2012 to 4 May 2015	3.37	3.36
Ms. LI Xuehua	194,980	–	–	–	–	194,980	5 May 2008	5 May 2010 to 4 May 2015	3.37	3.36
	146,236	–	–	–	(146,236)	–	5 May 2008	5 May 2012 to 4 May 2015	3.37	3.36
	–	315,000	–	–	–	315,000	28 November 2012	28 November 2014 to 27 November 2019	2.44	2.45
	–	315,000	–	–	–	315,000	28 November 2012	28 November 2015 to 27 November 2019	2.44	2.45
	–	420,000	–	–	–	420,000	28 November 2012	28 November 2016 to 27 November 2019	2.44	2.45
Mr. LI Xin	–	315,000	–	–	–	315,000	28 November 2012	28 November 2014 to 27 November 2019	2.44	2.45
	–	315,000	–	–	–	315,000	28 November 2012	28 November 2015 to 27 November 2019	2.44	2.45
	–	420,000	–	–	–	420,000	28 November 2012	28 November 2016 to 27 November 2019	2.44	2.45

Name or category of grantees	As at 1 January 2012	Number of share options: Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	As at 31 December 2012	Date of grant of share options	Exercise period of share options (both days inclusive)	Exercise price of share options HK$	Closing price of the shares of the Company immediately preceding the grant date HK$
Mr. LI Congrui	–	435,000	–	–	–	435,000	28 November 2012	28 November 2014 to 27 November 2019	2.44	2.45
	–	435,000	–	–	–	435,000	28 November 2012	28 November 2015 to 27 November 2019	2.44	2.45
	–	580,000	–	–	–	580,000	28 November 2012	28 November 2016 to 27 November 2019	2.44	2.45
Mr. HE Binwu	194,980	–	–	–	–	194,980	5 May 2008	5 May 2010 to 4 May 2015	3.37	3.36
	146,236	–	–	–	(146,236)	–	5 May 2008	5 May 2012 to 4 May 2015	3.37	3.36
	–	435,000	–	–	–	435,000	28 November 2012	28 November 2014 to 27 November 2019	2.44	2.45
	–	435,000	–	–	–	435,000	28 November 2012	28 November 2015 to 27 November 2019	2.44	2.45
	–	580,000	–	–	–	580,000	28 November 2012	28 November 2016 to 27 November 2019	2.44	2.45
Sub total	953,327	–	–	–	(563,367)	389,960	5 May 2008	5 May 2010 to 4 May 2015	3.37	3.36
	–	8,000,000	–	–	–	8,000,000	28 November 2012	28 November 2014 to 27 November 2019	2.44	2.45

Report of the Directors

Name or category of grantees	As at 1 January 2012	Number of share options: Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	As at 31 December 2012	Date of grant of share options	Exercise period of share options (both days inclusive)	Exercise price of share options HK$	Closing price of the shares of the Company immediately preceding the grant date HK$
Employees in aggregate	902,183	–	–	–	(29,566)	872,617	5 May 2008	5 May 2010 to 4 May 2015	3.37	3.36
	909,178	–	–	–	(909,178)	–	5 May 2008	5 May 2012 to 4 May 2015	3.37	3.36
	–	15,080,250	–	–	–	15,080,250	28 November 2012	28 November 2014 to 27 November 2019	2.44	2.45
	–	15,080,250	–	–	–	15,080,250	28 November 2012	28 November 2015 to 27 November 2019	2.44	2.45
	–	20,107,000	–	–	–	20,107,000	28 November 2012	28 November 2016 to 27 November 2019	2.44	2.45
Total	2,764,688	–	–	–	(1,502,111)	1,262,577	5 May 2008	5 May 2010 to 4 May 2015	3.37	3.36
	–	58,267,500	–	–	–	58,267,500	28 November 2012	28 November 2014 to 27 November 2019	2.44	2.45

Note 1: Mr. PAN Zhengyi resigned as a non-executive Director and the Chairman of the Company and a member of the Remuneration and Nomination Committee and the Investment Committee of the Company on 13 February 2009. The 40% of the options granted to him vested on 5 May 2010 and lapsed on 4 November 2010. The 30% of the options granted to him lapsed and were cancelled on 5 May 2011. The remaining 30% of the options granted to him lapsed and were cancelled on 5 May 2012.

Note 2: The term of Mr. WANG Hongjun as a Director of the Company and a member of the Audit Committee expired at the annual general meeting held on 17 June 2011 and he retired as the Director of the Company. The 40% of the options granted to him vested on 5 May 2010 and lapsed on 16 December 2011. The 30% of the options granted to him lapsed and were cancelled on 5 May 2011. The remaining 30% of the options granted to him lapsed and were cancelled on 5 May 2012.

Note 3: The number of share options granted on 5 May 2008 was adjusted on 18 March 2009 when the rights issue became unconditional. Further details of the rights issue are set out in note 37 to the financial statements.

DIRECTORS AND CHIEF EXECUTIVES' INTERESTS IN SHARES OR UNDERLYING SHARES OF THE COMPANY

Save as disclosed below, as at 31 December 2012, none of the Directors and chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or which were required, pursuant to the Model Code as set out in the Listing Rules, to be notified to the Company and the Stock Exchange.

Name	Capacity	Number of shares held	Number of underlying shares held (note 1)	As at 31 December 2012
Mr. LUO Dongjiang (note 2)	Beneficial owner	–	1,500,000(L)	0.0164%
Mr. HE Cao	Beneficial owner	–	1,500,000(L)	0.0164%
Ms. LI Xuehua	Beneficial owner	–	1,244,980 (L)	0.0136%
Mr. LI Xin (note 2)	Beneficial owner	–	1,050,000 (L)	0.0115%
Mr. LI Congrui	Beneficial owner	–	1,450,000 (L)	0.0158%
Mr. HE Binwu	Beneficial owner	400,000(L)	1,644,980 (L)	0.0223%

(L) Denotes long positions

Note 1: Represents the underlying shares subject to share options which are unlisted physically settled equity derivatives.

Note 2: Mr. LUO Dongjiang and Mr. LI Xin ceased to be the Directors of the Company with effect from 16 January 2013.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

So far as is known to the Directors of the Company, as at 31 December 2012, the following persons (other than the Directors or chief executives of the Company) had interests and short positions in the shares, or underlying shares of the Company which were required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to section 336 of the SFO, to be recorded in the register referred to therein, or which had already been notified to the Company and the Stock Exchange:

Name of the substantial shareholder	Long/short position	Capacity/nature of Interests	Number of ordinary shares	Percentage of the issued share capital
Sinochem Hong Kong	Long position	Beneficial owner	5,759,881,259	62.87%
Sinochem Corporation	Long position	Interest of controlled corporation (note 1)	5,759,881,259	62.87%
Sinochem Group	Long position	Interest of controlled corporation (note 1)	5,759,881,259	62.87%
Earn Max Enterprises Limited	Long position	Beneficial owner	733,803,307	8.01%
Warburg Pincus Private Equity X, L.P.	Long position	Interest of controlled corporation (note 2)	733,803,307	8.01%
Warburg Pincus X, L.P.	Long position	Interest of controlled corporation (note 2)	733,803,307	8.01%
Warburg Pincus X, LLC	Long position	Interest of controlled corporation (note 2)	733,803,307	8.01%
Warburg Pincus Partners LLC	Long position	Interest of controlled corporation (note 2)	733,803,307	8.01%
Warburg Pincus & Co.	Long position	Interest of controlled corporation (note 2)	733,803,307	8.01%

Note 1: Sinochem Group holds 98% equity interests in Sinochem Corporation, which in turn holds the entire equity interests in Sinochem Hong Kong. For the purpose of the SFO, Sinochem Group and Sinochem Corporation are both deemed to be interested in the shares beneficially owned by Sinochem Hong Kong.

Note 2: Earn Max Enterprises Limited is 96.90% controlled by Warburg Pincus Private Equity X, L.P., which is ultimately wholly controlled by Warburg Pincus & Co. through Warburg Pincus Partners LLC, Warburg Pincus X, LLC and Warburg Pincus X, L.P., all being directly or indirectly wholly controlled by Warburg Pincus & Co.. For the purpose of the SFO, each of Warburg Pincus & Co., Warburg Pincus Partners LLC, Warburg Pincus X, LLC, Warburg Pincus X, L.P. and Warburg Pincus Private Equity X, L.P. is deemed to be interested in the shares beneficially owned by Earn Max Enterprises Limited.

Save as disclosed above, as at 31 December 2012, the Directors of the Company were not aware of any person (other than the Directors or chief executives of the Company) had interest or short position in the shares or underlying shares of the Company which were required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to section 336 of the SFO, to be recorded in the register referred to therein, or which had already been notified to the Company and the Stock Exchange.

CONTINUING CONNECTED TRANSACTIONS

During the Period under Review, the Company entered into non-exempt continuing connected transactions, including:

I. Continuing connected transactions exempt from independent shareholders' approval requirements:

1 Entrustment loan framework agreement entered into between Shanghai Yin Hui and the Company and SIPG

II. Continuing connected transactions approved by independent shareholders:

2 Framework lease agreement between the Company and Sinochem Group;

3 Renewed framework financial service agreement between the Company and Sinochem Finance Co., Ltd. ("Sinochem Finance").

For these continuing connected transactions, the Company confirmed that it had complied with the requirements under Chapter 14A of the Listing Rules. Set out below is a summary of all these transactions:

I. Continuing connected transactions exempt from independent shareholders' approval requirements

1 Entrustment loan framework agreement between Shanghai Yin Hui and the Company and SIPG

On 12 November 2012, Shanghai Yin Hui entered into the framework agreement with its shareholders, namely the Company and SIPG, pursuant to which Shanghai Yin Hui agreed to provide entrustment loans to the Company and SIPG (or their respective designated wholly-owned subsidiaries) based on the same terms and conditions and in proportion to their respective shareholding ratio in Shanghai Yin Hui. The actual interest rate of each of the entrustment loans shall be determined by reference to the RMB benchmark loan interest rate for financial institutions published by the People's Bank of China (the "PBOC") from time to time, subject to a floating range of 50% higher or lower than such rate. The parties shall enter into entrustment loan agreements with relevant financial institutions separately according to the terms and conditions set out in the framework agreement. The framework agreement is for a term of three years. During the term of the framework agreement, the maximum daily balance (including the accrued interest) of the loans to be provided by Shanghai Yin Hui to each of the Company (including its designated wholly-owned subsidiaries) and SIPG (including its designated wholly-owned subsidiaries) is RMB650 million. For the year ended 31 December 2012, the transaction amount did not exceed the annual cap.

Shanghai Yin Hui, owned as to 50% by each of the Company and SIPG, is a non-wholly-owned subsidiary of the Company. SIPG is the substantial shareholder of Shanghai Yin Hui and is therefore a connected person of the Company. Accordingly, the provision of entrustment loans by Shanghai Yin Hui to SIPG (or its designated wholly-owned subsidiaries) according to the framework agreement constitutes the provision of financial assistance by the Company to a connected person, and therefore constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

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II. Continuing connected transactions approved by independent shareholders:

2 Framework lease agreement between the Company and Sinochem Group

The Company and Sinochem Group entered into two framework agreements for lease of properties in Beijing Chemsunny World Trade Centre and Sinochem Tower and Jin Mao Tower on 31 December 2008 and 31 July 2009 respectively (the "original framework lease agreements"). In order to streamline and optimise the regulation of the leasing relationship in respect of the relevant units in Beijing Chemsunny World Trade Centre, Sinochem Tower and Jin Mao Tower between the Company (and its subsidiaries) and Sinochem Group (and its associates), the Company entered into a comprehensive framework lease agreement with Sinochem Group in place of the two original framework lease agreements on 11 November 2011. The framework lease agreement was considered and approved by the independent shareholders of the Company at the extraordinary general meeting held on 22 December 2011. The framework lease agreement is valid for a term of 10 years commencing from 1 January 2012. Pursuant to the framework lease agreement:

(1) The two original framework lease agreements shall be terminated on 31 December 2011 and the framework lease agreement shall take effect on 1 January 2012. All the rights and obligations of the parties under the two original framework lease agreements shall be discharged upon the termination of the original framework lease agreements.

(2) Pursuant to the two original framework lease agreements, all the existing individual lease agreements in respect of the relevant units in Beijing Chemsunny World Trade Centre and Sinochem Tower in Beijing, China and the relevant units in Jin Mao Tower in Shanghai, China entered into between the Company (and its subsidiaries) and Sinochem Group (and its associates) respectively shall be included in and regulated by the framework lease agreement upon the termination of the original framework lease agreements.

(3) Based on its demand for office premises, Sinochem Group and its associates may increase the lease area in units by no more than 10% (if available) of the total gross floor area then being leased under the framework lease agreement in each of the three years from 2012 to 2014, and from 2015 onwards for each year during the remainder of the term of the framework lease agreement, increase the lease area at a rate mutually agreed by both Sinochem Group and the Company. All individual agreements to be entered into after the signing of the framework lease agreement shall be included in and regulated by the framework lease agreement.

(4) All continuing connected transactions under the individual lease agreements entered into and to be entered into pursuant to the framework lease agreement shall be aggregated and subject to the aggregate annual caps. The aggregate annual caps for the three years ending 31 December 2014 are RMB353 million, RMB395 million and RMB441 million, respectively.

Sinochem Group is the ultimate controlling shareholder of the Company and is therefore a connected person of the Company. Accordingly, the framework lease agreement and the transactions contemplated under the individual lease agreements constitute the continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

In 2012, details of the framework lease agreement and the transactions contemplated under the individual lease agreements are as follows:

	Connected person	Nature of transaction	Effective period	Currency	Transaction amount in 2012
1.	Five subsidiaries of Sinochem Group	Lease of relevant units in Jin Mao Tower from the Group			
	1A International Far Eastern Leasing Co., Ltd.	Lease of relevant units in Jin Mao Tower from the Group	2006 to 2014	RMB	38,337,478
	1B Sinochem International (Holdings) Co., Ltd	Lease of relevant units in Jin Mao Tower from the Group	2007 to 2013	RMB	21,217,735
	1C Manulife-Sinochem Life Insurance Co., Ltd.	Lease of relevant units in Jin Mao Tower from the Group	2007 to 2014	RMB	6,596,096
	1D Shanghai Sinochem-Stolt Shipping Co., Ltd.	Lease of relevant units in Jin Mao Tower from the Group	2009 to 2013	RMB	433,699
	1E Sinochem Crop Care Co., Ltd. (中化作物保護品有限公司)	Lease of relevant units in Jin Mao Tower from the Group	2011 to 2013	RMB	1,804,356
2.	Sinochem Group and its ten subsidiaries	Lease of relevant units in Beijing Chemsunny World Trade Centre from the Group			
	2A Sinochem Group	Lease of relevant units in Beijing Chemsunny World Trade Centre from the Group	2007 to 2014	RMB	8,206,887
	2B Sinochem Corporation	Lease of relevant units in Beijing Chemsunny World Trade Centre from the Group	2007 to 2014	RMB	76,058,318
	2C Sinochem Fertilizer Company Limited	Lease of relevant units in Beijing Chemsunny World Trade Centre from the Group	2007 to 2014	RMB	21,906,913
	2D Sinochem International Oil Company	Lease of relevant units in Beijing Chemsunny World Trade Centre from the Group	2007 to 2014	RMB	22,333,980
	2E Sinochem International Industrial Company	Lease of relevant units in Beijing Chemsunny World Trade Centre from the Group	2007 to 2014	RMB	972,909
	2F Sinochem Petroleum Exploration and Production Co., Ltd.	Lease of relevant units in Beijing Chemsunny World Trade Centre from the Group	2007 to 2014	RMB	17,342,034
	2G China Foreign Economy and Trade & Investment Co., Ltd.	Lease of relevant units in Beijing Chemsunny World Trade Centre from the Group	2007 to 2014	RMB	15,618,530
	2H International Far Eastern Leasing Co., Ltd.	Lease of relevant units in Beijing Chemsunny World Trade Centre from the Group	2007 to 2014	RMB	1,568,496

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	Connected person	Nature of transaction	Effective period	Currency	Transaction amount in 2012
	2I Sinochem Finance	Lease of relevant units in Beijing Chemsunny World Trade Centre from the Group	2008 to 2014	RMB	12,513,381
	2J New XCL (China) Co., Ltd.	Lease of relevant units in Beijing Chemsunny World Trade Centre from the Group	2011 to 2014	RMB	1,591,095
	2K Dalian Total Consulting Co., Ltd.	Lease of relevant units in Beijing Chemsunny World Trade Centre from the Group	2011 to 2014	RMB	147,576
3.	Eleven subsidiaries of Sinochem Group	Lease of relevant units in Sinochem Tower from the Group			
	3A Sinochem Corporation	Lease of relevant units in Sinochem Tower from the Group	2007 to 2013	RMB	2,235,699
	3B Sinochem International Tendering Co., Ltd	Lease of relevant units in Sinochem Tower from the Group	2007 to 2013	RMB	7,619,415
	3C Sinochem Plastics Company	Lease of relevant units in Sinochem Tower from the Group	2007 to 2015	RMB	6,473,759
	3D China National Seed Group Corp.	Lease of relevant units in Sinochem Tower from the Group	2007 to 2013	RMB	4,860,484
	3E Manulife-Sinochem Life Insurance Co., Ltd.	Lease of relevant units in Sinochem Tower from the Group	2006 to 2013	RMB	3,129,132
	3F Sinochem International Information Corporation	Lease of relevant units in Sinochem Tower from the Group	2007 to 2013	RMB	1,474,891
	3G Sinochem International (Holdings) Co., Ltd., Beijing Branch	Lease of relevant units in Sinochem Tower from the Group	2007 to 2013	RMB	3,151,207
	3H Sinochem Quanzhou Petroleum Co., Ltd.	Lease of relevant units in Sinochem Tower from the Group	2008 to 2012	RMB	806,061
	3I Sinochem Guangdong Company	Lease of relevant units in Sinochem Tower from the Group	2008 to 2013	RMB	226,481
	3J Sinochem International Oil Company	Lease of relevant units in Sinochem Tower from the Group	2010 to 2012	RMB	21,410
	3K China Foreign Economy and Trade & Investment Co., Ltd.	Lease of relevant units in Sinochem Tower from the Group	2010 to 2014	RMB	102,017
	Total				276,750,042

(a) Lease agreements of Jin Mao Tower:

Lessee	Lease of unit(s)	Use	Rental (RMB/month)	Property management fee (RMB/month)	Date of lease agreement	Term of lease agreement
1A International Far Eastern Leasing Co., Ltd.	(1) Units 01, 02, 03, 04, 32/F, Units 01, 02, 03, 04, 05, 06, 07, 08, 09, 33/F, Units 01, 02, 03, 04, 04A, 05, 07, 08, 09, 10, 35/F, Units 01, 02, 03, 04, 05, 06, 09, 10, 36/F, Unit 10, 37/F, Unit 10, 40/F, units on parking spaces Nos. 240 and 242, B3, Jin Mao Tower	Office	Monthly rental from 1 August 2009 to 30 June 2011: 1,084,375.09; monthly rental from 1 July 2011 to 31 July 2011: 156,815.05; monthly rental from 1 August 2011 to 31 December 2011: 2,098,804.50; monthly rental from 1 January 2012 to 31 December 2012: 2,458,913.10	–	Date of lease agreement: 29 November 2006 renewed upon expiry	From 24 December 2006 to 31 July 2009; renewed term from 1 August 2009 to 31 December 2011; renewed term from 1 January 2012 to 30 November 2014
	(2) Units 07-08, 36/F, Jin Mao Tower	Office	Monthly rental from 1 January 2012 to 31 December 2014: 160,146.28	–	30 December 2011	From 1 January 2012 to 31 December 2014
	(3) Units 01, 06, 07, 11, 40/F, Jin Mao Tower	Office	Monthly rental from 1 January 2012 to 31 December 2014: 301,113.59	–	31 December 2011	From 1 January 2012 to 31 December 2014
	(4) Units 02 and 03, 40/F, Jin Mao Tower	Office	Monthly rental from 16 July 2012 to 31 December 2014: 210,355.20		10 July 2012	From 16 July 2012 to 31 December 2014
	(5) Units 07 and 08, 32/F and 05, 40/F, Jin Mao Tower	Office	Monthly rental from 16 September 2012 to 31 December 2014: 344,066.40	–	10 July 2012	From 16 September 2012 to 31 December 2014

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Lessee	Lease of unit(s)	Use	Rental (RMB/month)	Property management fee (RMB/month)	Date of lease agreement	Term of lease agreement
1B Sinochem International (Holdings) Co., Ltd.	(1) Units 01-09 of 18/F, Units 01-08 of 19/F, Unit 09 of 21/F, Unit 09 of 22/F, Unit 09 of 24/F, Units 05, 06, 07 and 09 of 25/F, and Units 01, 02B, 03-10 of 26/F, Jin Mao Tower	Office	1,533,649.60 under original lease agreement; 2,184,719.51 after renewal	–	30 November 2007; renewed upon expiry	From 1 December 2007 to 30 November 2010; renewed term from 1 December 2010 to 30 November 2012
	(2) Unit 09 of 20/F, Unit 10 of 25/F, Unit 02A of 26/F, Block 3, Jin Mao Tower		539,642 under original lease agreement; 79,987.60 after renewal	–	30 November 2007; renewed upon expiry	From 1 April 2008 to 30 November 2010; renewed term: From 1 December 2010 to 30 November 2012
	(3) Units 01-09 of 18/F, Units 01-08 of 19/F, Unit 09 of 20/F, Unit 09 of 21/F, Unit 09 of 22/F, Unit 09 of 24/F, Units 05, 09 and 10 of 25/F, Units 01, 02A, 06 and 09 of 26/F in Jin Mao Tower	Office	Monthly rental from 1 December 2012 to 30 November 2013: 1,820,885.11	–	30 November 2007; renewed upon expiry	From 1 December 2007 to 30 November 2010; renewed term: From 1 December 2010 to 30 November 2012; renewed term: From 1 December 2012 to 30 November 2013
	(4) Units 04-07 of 23/F in Jin Mao Tower	Office	Monthly rental: 330,330	–	29 September 2012	From 30 September 2012 to 30 November 2013
1C Manulife-Sinochem Life Insurance Co., Ltd.	(1) Unit 10, 21/F, Block 3, Jin Mao Tower	Office	Monthly rental from 1 December 2010 to 31 March 2014: 6,897.80	–	30 November 2007; renewed upon expiry	From 1 December 2007 to 30 November 2010; renewed term: from 1 December 2010 to 31 March 2014
	(2) Units 01-09, 6/F, Zone 1, Jin Mao Tower		Monthly rental: 618,642.10	–	29 November 2010	From 1 April 2011 to 31 March 2014
1D Shanghai Sinochem-Stolt	(1) Shipping Co., Ltd. Unit 05A, 26/F, Zone 3, Jin Mao Tower	Office	34,088.85 under original lease agreement; 37,722.03 after renewal	–	30 April 2009; renewed upon expiry	From 1 May 2009 to 30 November 2010; renewed term from 1 December 2010 to 30 November 2012; renewed term from 1 December 2012 to 30 November 2013

Lessee	Lease of unit(s)	Use	Rental (RMB/month)	Property management fee (RMB/month)	Date of lease agreement	Term of lease agreement
1E Sinochem Crop Care Co., Ltd. (中化作物保護品有限公司)	Units 06-07, 25/F, Jin Mao Tower	Office	149,068 under original lease agreement; 161,359.13 after renewal	–	1 June 2011, renewed upon expiry	From 1 June 2011 to 30 November 2012 renewed term from 1 December 2012 to 30 November 2013

(b) Lease agreements of Beijing Chemsunny World Trade Centre:

Lessee	Lease of unit(s)	Use	Rental (RMB/month)	Property management fee (RMB/month)	Date of lease agreement	Term of lease agreement
2A Sinochem Group (renewal lessee: 2B Sinochem Corporation)	Room C105, F1 Level, F7 Level, F11 Level, F12 Level, Rooms C503/505-506, F5 Level and Room 101, Basement 1, Beijing Chemsunny World Trade Centre	Office	4,726,737 under original lease agreement; 5,246,935 after renewal	496,375 under original lease agreement; 5,246,935 after renewal	25 May 2007; renewed upon expiry	From 1 June 2007 to 31 December 2009; renewed term from 1 January 2010 to 31 December 2011; renewed term from 1 January 2012 to 31 December 2014
	Rooms C003-004, G Level, Beijing Chemsunny World Trade Centre	Exhibition	572,010	28,600	30 June 2009	From 1 August 2009 to 31 July 2012
	Rooms C003-004, G Level, Beijing Chemsunny World Trade Centre	Exhibition	629,244	28,600	May 2012	From 1 August 2012 to 31 December 2014
	Unit C104B, F1 Level, Central Block	Exhibition	27,128	2,035	March 2012	From 1 April 2012 to 3 December 2014
2C Sinochem Fertilizer Company Limited	F10 Level and Room C502, F5 Level, Beijing Chemsunny World Trade Centre	Office	1,424,397 under original lease agreement; 1,551,469 after renewal	155,598 under original lease agreement; 158,511 after renewal	8 June 2007; renewed upon expiry	From 1 June 2007 to 31 December 2009; renewed term from 1 January 2010 to 31 December 2011; renewed term from 1 January 2012 to 31 December 2014

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Lessee	Lease of unit(s)	Use	Rental (RMB/month)	Property management fee (RMB/month)	Date of lease agreement	Term of lease agreement
2D Sinochem International Oil Company	F9 Level and Rooms C401-402A, F4 Level, Beijing Chemsunny World Trade Centre	Office	1,173,705 under original lease agreement; 1,611,245 after renewal	135,428 under original lease agreement; 165,443 after renewal	25 May 2007; renewed upon expiry	From 1 June 2007 to 31 December 2009; renewed term from 1 January 2010 to 31 December 2011; renewed term from 1 January 2012 to 31 December 2014
2E Sinochem International Industrial Company	F9 Level, Beijing Chemsunny World Trade Centre	Office	68,600	7,195	25 May 2007; renewed upon expiry	From 1 June 2007 to 31 December 2009; renewed term from 1 January 2010 to 31 December 2011; renewed term from 1 January 2012 to 31 December 2014
2F Sinochem Petroleum Exploration and Production Co., Ltd.	F8 Level and Room C105C, F1 Level, Beijing Chemsunny World Trade Centre	Office	1,252,545 under original lease agreement; 1,240,712 after renewal	149,125 under original lease agreement; 134,660 after renewal	25 May 2007; renewed upon expiry	From 1 June 2007 to 31 December 2009; renewed term from 1 January 2010 to 31 December 2011; renewed term from 1 January 2012 to 31 December 2014
2G China Foreign Economy and Trade & Investment Co., Ltd.	Rooms C601-606, F6 Level and Rooms C102-103, F1 Level, Beijing Chemsunny World Trade Centre	Office	972,509 under original lease agreement; 1,046,958 after renewal	121,538 under original lease agreement; 121,538 after renewal	25 May 2007; renewed upon expiry	From 1 June 2007 to 31 December 2009; renewed term from 1 January 2010 to 31 December 2011; renewed term from 1 January 2012 to 31 December 2014
	Room C101, F1 Level, Beijing Chemsunny World Trade Centre	Office	168,596	12,645	August 2012	From 1 September 2012 to 31 December 2014
2H International Far Eastern Leasing Co., Ltd.	Rooms C608, F6 Level, Beijing Chemsunny World Trade Centre	Office	101,343 under original lease agreement; 111,476 after renewal	13,219 under original lease agreement; 13,219 after renewal	25 May 2007; renewed upon expiry	From 1 June 2007 to 31 December 2009; renewed term from 1 January 2010 to 31 December 2011; renewed term from 1 January 2012 to 31 December 2014

Lessee	Lease of unit(s)	Use	Rental (RMB/month)	Property management fee (RMB/month)	Date of lease agreement	Term of lease agreement
2I Sinochem Finance	Rooms C306-308, F3 Level, Beijing Chemsunny World Trade Centre and Room E508, F5 Level, Eastern Tower of Beijing Chemsunny World Trade Centre	Office	734,441 under original lease agreement; 691,516 after renewal	68,853 under original lease agreement; 68,853 after renewal	16 May 2008; renewed upon expiry	From 1 June 2008 to 31 May 2011; renewed term from 1 June 2011 to 31 December 2011; renewed term from 1 January 2012 to 31 December 2014
	Rooms C301-302, F3 Level, Beijing Chemsunny World Trade Centre	Office	529,016	39,676	June 2012	From 1 July 2012 to 31 December 2014
2J New XCL (China) Co., Ltd.	F8 Level, Beijing Chemsunny World Trade Centre	Office	120,537 under original lease agreement; 132,591 after renewal	14,464 under original lease agreement; 14,464 after renewal	1 January 2011; renewed upon expiry	From 1 January 2011 to 31 December 2011; renewed term from 1 January 2012 to 31 December 2014
2K Dalian Total Consulting Co., Ltd.	F9 Level, Beijing Chemsunny World Trade Centre	Office	11,180 under original lease agreement; 12,298 after renewal	1,290 under original lease agreement; 1,290 after renewal	1 January 2011; renewed upon expiry	From 1 January 2011 to 31 December 2011; renewed term from 1 January 2012 to 31 December 2014

(c) Lease agreements of Sinochem Tower:

Lessee	Lease of unit(s)	Use	Rental (RMB/month)	Property management fee (RMB/month)	Date of lease agreement	Term of lease agreement
3A Sinochem Corporation (Sinochem Group as the lessee before renewal)	Southeast Office, 4/F, Rooms 308-309 of 3/F, North Wing, Sinochem Tower	Office	155,608 under original lease agreement; 171,068 after renewal	29,240 under original lease agreement; 29,240 after renewal	22 October 2009; renewed upon expiry	From 13 October 2009 to 12 October 2011; renewed term from 13 October 2011 to 12 October 2013
3B Sinochem International Tendering Co., Ltd	19/F, 20/F & 21/F, Sinochem Tower	Office	512,613 under original lease agreement; 598,404 after renewal	100,671 under original lease agreement; 102,081 after renewal	8 November 2007; renewed upon expiry	From 1 November 2007 to 31 October 2010; renewed term from 1 November 2010 to 31 October 2013

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Lessee	Lease of unit(s)	Use	Rental (RMB/month)	Property management fee (RMB/month)	Date of lease agreement	Term of lease agreement
3C Sinochem Plastics Company	7/F & Room 629 of 6/F, Sinochem Tower	Office	7/F: 147,728 under original lease agreement; Room 326 of 3/F: 4,978 under original lease agreement; Room 620 of 6/F: 26,746; 339,961 after renewal	7/F: 33,557 under original lease agreement; Room 326 of 3/F: 1,193 under original lease agreement; Room 620 of 6/F: 4,309; 61,041 after renewal	22 October 2007; renewed upon expiry	7/F: From 1 October 2007 to 30 September 2010; Room 326 of 3/F: from 1 December 2007 to 30 September 2010; renewed term: from 1 October 2010 to 30 September 2013
	Room 601 of 6/F, Sinochem Tower	Office	98,215	10,775	21 June 2012	From 1 May 2012 to 15 June 2015
	Room 608 of 6/F, Sinochem Tower	Office	53,761	5,898	26 March 2012	From 23 June 2012 to 15 June 2015
3D China National Seed Group Corp.	Room 1400 of 14/F & Room 1501 of 15/F, Sinochem Tower	Office	232,335 under original lease agreement; 263,880 after renewal	46,682 under original lease agreement; 47,335 after renewal	6 November 2007; renewed upon expiry	From 16 October 2007 to 15 October 2010; renewed term from 16 October 2010 to 15 October 2013
	Room 1401 of 14/F, Sinochem Tower	Office	53,956	9,679	10 November 2010	From 16 December 2010 to 15 October 2013
	Room 326 of 3/F, Sinochem Tower	Office	13,062	1,021	25 October 2012	From 1 November 2012 to 31 January 2013
3E Manulife-Sinochem Life Insurance Co., Ltd., Beijing Branch	4/F, Sinochem Tower	Office	244,474 under original lease agreement; 239,647 after renewal	44,967 under original lease agreement; 37,033 after renewal	16 February 2006; renewed upon expiry	From 20 February 2006 to 19 February 2009; renewed term from 20 February 2009 to 19 February 2011; renewed term from 20 February 2011 to 19 February 2013
3F Sinochem International Information Corporation	Room 1701 of 17/F, Sinochem Tower	Office	47,321 under original lease agreement; 100,321 after renewal	9,508 under original lease agreement; 17,013 after renewal	14 November 2007; renewed upon expiry	From 16 October 2007 to 15 October 2010; renewed term from 18 November 2010 to 17 November 2013

Lessee	Lease of unit(s)	Use	Rental (RMB/month)	Property management fee (RMB/month)	Date of lease agreement	Term of lease agreement
3G Sinochem International (Holdings) Co., Ltd., Beijing Branch	18/F Sinochem Tower	Office	167,014 under original lease agreement; 194,774 after renewal	33,557 under original lease agreement; 34,027 after renewal	29 November 2007; renewed upon expiry	From 1 October 2007 to 30 September 2010; renewed term from 1 October 2010 to 30 September 2013
3H Sinochem Quanzhou Petroleum Co., Ltd.	Southeast of South Wing, 17/F, Sinochem Tower	Office	49,468 under original lease agreement; 55,147 after renewal	8,389 under original lease agreement; 8,507 after renewal	31 December 2008; renewed upon expiry	From 1 January 2009 to 31 December 2010; renewed term from 1 January 2011 to 31 December 2012
3I Sinochem Guangdong Company	Room 608 of 6/F, Sinochem Tower	Office	28,497 under original lease agreement; 31,389 after renewal	6,152 under original lease agreement; 5,898 after renewal	29 November 2007; renewed upon expiry	From 1 January 2008 to 31 December 2010; renewed term from 1 January 2011 to 31 December 2013
3J Sinochem International Oil Company	Room B304 of B3, Sinochem Tower	Office	1,784	–	22 December 2009	From 1 January 2010 to 31 December 2012
3K China Foreign Economy and Trade & Investment Co., Ltd.	Rooms 810/812 of 8/F, Sinochem Tower	Office	5,644 under original lease agreement; 10,337 after renewal	1,134	9 October 2010	From 17 October 2010 to 16 October 2012; renewed term from 17 October 2012 to 16 October 2014

3 Renewed framework financial service agreement between the Company and Sinochem Finance

The Company and Sinochem Finance entered into a framework financial service agreement on 4 December 2008, pursuant to which Sinochem Finance shall provide financial services to the Company. Such agreement expired on 3 December 2011.

On 11 November 2011, the Company and Sinochem Finance entered into the renewed framework financial service agreement for a term of three years ending 3 December 2014, pursuant to which, the Company and its subsidiaries will from time to time use deposit services, loan services, entrustment loans, settlement services, guarantee services, internet banking services and any other financial services as approved by China Banking Regulatory Commission to be provided by Sinochem Finance as they consider necessary, and pay the relevant interests and service fees to or receive deposit interests from Sinochem Finance in accordance with the renewed framework financial service agreement. The relevant fees and loan interests shall be determined at a rate no higher than the standards as set by the PBOC from time to time or market price, and the deposit interests shall be determined at a rate no lower than the standards as set by the PBOC from time to time or market price. The settlement and guarantee services are provided free of charge.

Sinochem Finance is a subsidiary of Sinochem Group, the ultimate controlling shareholder of the Company, and is therefore a connected person of the Company. Under the Listing Rules, the provision of financial services to the Company by Sinochem Finance as contemplated under the renewed framework financial service agreement constitutes a continuing connected transaction of the Company.

For each of the three years ending 31 December 2014, the cap on the maximum daily balance for deposit at Sinochem Finance shall be RMB1.77 billion. For the year ended 31 December 2012, the transaction amount did not exceed the annual cap.

CONNECTED TRANSACTIONS

During the Period under Review, the non-exempt connected transactions (exempt from independent shareholders' approval requirements) of the Company were as follows:

1. Connected transaction relating to LongHigh Loans

On 25 April 2012, the Company entered into a cooperation agreement with LongHigh Group, which sets out the rights and obligations of the parties with respect to the primary development right of a parcel of land in Yacheng Town, Sanya, Hainan Province, including but not limited to, the capital injection into a project company by the Company, the financing arrangement of the project company and the provision of loans to LongHigh Group by the Company (the "LongHigh Loans"). Upon completion of the capital injection, the project company will become a subsidiary of the Company. LongHigh Group, being a substantial shareholder of the project company holding 49% of its equity interest, will become a connected person of the Company. As such, the LongHigh Loans constitute a connected transaction of the Company under the Listing Rules.

As a pre-requisite to the cooperation requested by LongHigh Group, the Company agreed to provide to LongHigh Group a loan of RMB100 million within one month from completion of the capital injection, and a further loan of RMB200 million in one or more tranches after signing of the development agreement and upon written request by LongHigh Group. The term of the LongHigh Loans shall be no more than three years, and the interest rate shall be determined at 40% higher than the benchmark rate promulgated by the PBOC. As security for the LongHigh Loans, LongHigh Group will pledge its 49% equity interest in the project company and mortgage the ancillary building of Sanya Banshan Resort Hotel (三亞半山度假酒店) in favour of the Company.

2. Connected transaction relating to the joint acquisition of land use right

Pursuant to a joint development agreement entered into between Loyal Power Properties Limited ("Loyal Power Properties"), a wholly-owned subsidiary of the Company, and SIPG on 10 December 2012, Loyal Power Properties and SIPG formed a consortium to participate in the bidding of a parcel of land situated at No.55 Haimen Road, Hongkou District, Shanghai and won the bidding of the land use right through listing-for-sale organised by Shanghai Land Transaction Center on 26 December 2012. The consortium signed a bid confirmation with Shanghai Land Transaction Center on 26 December 2012. Loyal Power Properties and SIPG entered into a joint venture contract on 14 January 2013 with respect to the establishment of a project company for the acquisition and development of the Land. The project company shall enter into a land use right transfer contract with the land bureau.

The land premium of the land is RMB5,680,000,000, which was arrived at as a result of successful bidding of the land by the consortium through listing-for-sale after taking into account the initial bidding price required under the listing-for-sale documents, prevailing market condition, location of the land and land price in the surrounding area. The project company shall be held as to 50% by each of Loyal Power Properties and SIPG. Any profits, losses and risks of the project company shall be shared by Loyal Power Properties and SIPG according to their respective shareholding in the project company.

SIPG is a connected person of the Company by virtue of it being a substantial shareholder of Shanghai Yin Hui, Shanghai International Shipping Service Center Development Co., Ltd. and Shanghai Port International Cruise Terminal Development Co., Ltd., all being non wholly-owned subsidiaries of the Company, and SIPG also constitutes a qualified connected person under Rule 14A.10(10A) of the Listing Rules. As all conditions under Rule 14A.72 of the Listing Rules are satisfied, the transaction constitutes a qualified property acquisition undertaken on a joint venture basis between the Company and a qualified connected person, and is therefore exempt from the independent shareholders' approval requirement.

For these connected transactions, the Company confirmed that it had complied with the requirements under Chapter 14A of the Listing Rules.

CONFIRMATION OF INDEPENDENT NON-EXECUTIVE DIRECTORS

In the opinion of the independent non-executive Directors of the Company, the continuing connected transactions for the year ended 31 December 2012 were entered into by the Group:

- in the ordinary and usual course of its business;
- on normal commercial terms; and
- in accordance with the relevant agreements governing such transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Board of Directors has received a letter from the auditors, which stated that these continuing connected transactions:

- have been approved by the Board of Directors;
- have been entered into in accordance with the terms of the relevant agreements governing such continuing connected transactions;
- have been entered into in accordance with the pricing policies of the Company; and
- have not exceeded the relevant caps for the financial year ended 31 December 2012.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its Directors, as at the date of this report, there is sufficient public float of not less than 25% of the Company's total issued share capital as required under the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Period under Review, none of the Company or any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

ISSUANCE OF GUARANTEED NOTES

As stated in the announcement of the Company dated 19 October 2012 regarding the issuance of US$500 million 4.7% guaranteed notes due 2017, the Company and the issuer (a wholly owned subsidiary of the Company) entered into a purchase agreement in relation to the notes issue on 19 October 2012 with the joint lead managers comprising The Royal Bank of Scotland plc, Deutsche Bank AG, Singapore Branch, JP Morgan Securities plc and Standard Chartered Bank. The net proceeds of the issuance of the guaranteed notes by the Company, after deduction of underwriting commissions and other estimated expenses, amounted to approximately US$498,000,000, which were intended to be used for refinancing of outstanding indebtedness, working capital and other general corporate purposes. During the Period under Review, the Company did not redeem or cancel any such guaranteed notes.

REVIEW OF THE OPTION OVER SHIMAO INVESTMENT BY THE INDEPENDENT BOARD COMMITTEE

A meeting was held by the Independent Board Committee comprising all independent non-executive Directors of the Company on 25 March 2013 to review its decision made on 23 August 2012 not to exercise, for the time being, the option to acquire Sinochem Group's 15% interest in China Shimao Investment Company Limited ("Shimao Investment").

After careful review of the relevant information of Shimao Investment and taking into account the facts that Sinochem Group is a financial investor of Shimao Investment and owns a minority and passive interest in it only, and that the Company has recently made significant progress in land reserve, in particular, Changsha Meixi Lake Project acquired in 2011, which is a large-scale development project with long development cycle and huge demand for funds, the Company considers the acquisition of Shimao Investment at the moment would pose greater challenges to the Company in various aspects, including manpower and financial capacity. The independent non-executive Directors unanimously agreed that the exercise of the option over Shimao Investment at this moment is not in line with the Company's prudent investment policy, and is not in the best interests of the Company and the shareholders as a whole.

The Independent Board Committee unanimously resolved not to exercise the option to acquire Sinochem Group's 15% interest in Shimao Investment at this moment. As disclosed in the prospectus and the announcement dated 9 April 2010 of the Company, the Independent Board Committee would continue to review the option over Shimao Investment at the time when the interim and annual reports of the Company are to be released.

REVIEW BY AUDIT COMMITTEE

The Audit Committee has reviewed with the management and the auditors of the Company the accounting principles and practices adopted by the Company, and discussed with them the audit, internal control and financial reporting matters of the Company, including review of the financial statements for the Year.

MATERIAL ACQUISITIONS AND DISPOSALS

The Company did not engage in any material acquisitions or disposals during the Period under Review.

MATERIAL LITIGATION

For the year ended 31 December 2012, the Company was not subject to any material litigation that could have an adverse impact on the Company.

EVENTS AFTER REPORTING PERIOD

Material events of the Group subsequent to the reporting period are set out in Note 48 to the financial statements.

AUDITORS

The financial statements of the Group have been audited by Ernst & Young, who has offered itself for re-appointment. A resolution will be proposed at the forthcoming annual general meeting to re-appoint the firm as the auditors of the Company.

On Behalf of the Board
Chairman
HE Cao

Independent Auditors' Report

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To the shareholders of Franshion Properties (China) Limited
(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Franshion Properties (China) Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 149 to 239, which comprise the consolidated and company statements 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 Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Emphasis of Matter

We draw attention to note 2.2 to the consolidated financial statements which describes, inter alia, the early adoption of the new Hong Kong Financial Reporting Standards, impacting on the accounting policy and disclosures, for the Group's joint arrangements. Our opinion is not qualified in respect of this matter.

Ernst & Young
Certified Public Accountants
Hong Kong

25 March 2013

Consolidated Income Statement

Year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
REVENUE	5	**17,175,666**	6,591,692
Cost of sales		**(9,976,971)**	(3,016,723)
Gross profit		**7,198,695**	3,574,969
Other income and gains	5	**1,931,279**	2,672,051
Selling and marketing expenses		**(439,132)**	(307,128)
Administrative expenses		**(968,054)**	(851,250)
Other expenses and losses		**(15,859)**	(135,667)
Finance costs	7	**(986,043)**	(859,274)
Share of profits of joint ventures	22	**2,463**	3,619
PROFIT BEFORE TAX	6	**6,723,349**	4,097,320
Income tax expense	10	**(2,783,013)**	(1,186,566)
PROFIT FOR THE YEAR		**3,940,336**	2,910,754
Attributable to:			
Owners of the parent	11	**3,377,727**	2,344,352
Non-controlling interests		**562,609**	566,402
		3,940,336	2,910,754
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13	**HK cents**	HK cents
Basic		**36.87**	25.59
Diluted		**31.26**	21.69

Details of the dividends payable and proposed for the year are disclosed in note 12 to the consolidated financial statements.

Consolidated Statement of Comprehensive Income

Year ended 31 December 2012

	Note	2012 HK$'000	2011 HK$'000
PROFIT FOR THE YEAR		3,940,336	2,910,754
OTHER COMPREHENSIVE INCOME			
Exchange differences on translation of foreign operations		8,492	1,396,881
Reclassification adjustments for gains included in the consolidated income statement in relation to:			
de-registration of subsidiaries		–	(3,972)
disposal of a subsidiary		–	4,634
Gains on property revaluation		7,103	112,044
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		15,595	1,509,587
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		3,955,931	4,420,341
Attributable to:			
Owners of the parent	11	3,388,321	3,636,828
Non-controlling interests		567,610	783,513
		3,955,931	4,420,341

Consolidated Statement of Financial Position

31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	6,955,608	6,891,490
Properties under development	15	13,047,328	11,844,096
Land under development	16	5,407,703	9,222,684
Investment properties	18	16,574,733	14,889,712
Prepaid land lease payments	19	1,664,341	1,714,549
Intangible assets	20	22,419	26,796
Investments in joint ventures	22	38,516	36,052
Due from non-controlling shareholders	29	123,330	–
Deferred tax assets	34	427,852	178,052
Other financial assets	27	41,335	–
Total non-current assets		44,303,165	44,803,431
CURRENT ASSETS			
Properties under development	15	10,383,932	7,030,281
Properties held for sale	17	3,078,117	839,806
Land under development	16	6,695,959	2,623,209
Inventories	23	29,555	32,117
Trade receivables	24	2,003,074	105,113
Prepayments, deposits and other receivables	25	2,400,952	1,605,992
Due from related parties	26	12,360	21,461
Prepaid tax		7,375	117,503
Other financial assets	27	123,330	–
Restricted bank balances	28	355,222	131,878
Pledged deposits	28	220,761	236,602
Cash and cash equivalents	28	12,888,442	12,223,645
Total current assets		38,199,079	24,967,607
CURRENT LIABILITIES			
Trade payables	30	2,525,712	2,345,492
Other payables and accruals	31	11,942,458	8,231,852
Interest-bearing bank and other borrowings	32	8,952,176	6,028,004
Due to related parties	26	99,634	79,295
Tax payable		1,160,869	442,048
Provision for land appreciation tax	33	1,045,194	483,717
Total current liabilities		25,726,043	17,610,408
NET CURRENT ASSETS		12,473,036	7,357,199
TOTAL ASSETS LESS CURRENT LIABILITIES		56,776,201	52,160,630
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	32	19,323,246	19,171,380
Deferred tax liabilities	34	2,950,125	2,441,995
Total non-current liabilities		22,273,371	21,613,375
Net assets		34,502,830	30,547,255

Consolidated Statement of Financial Position

31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
EQUITY			
Equity attributable to owners of the parent			
Issued capital	36	9,161,489	9,161,489
Perpetual convertible securities	35	4,588,000	4,588,000
Reserves	38(a)	14,487,048	12,054,800
Proposed final dividend	12	641,304	366,460
		28,877,841	26,170,749
Non-controlling interests		5,624,989	4,376,506
Total equity		34,502,830	30,547,255

He Cao
Director

Li Congrui
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2012

		Attributable to owners of the parent												
	Notes	Issued capital HK$'000 (note 36)	Share premium account HK$'000	Perpetual convertible securities HK$'000 (note 35)	Capital reserve HK$'000 (note 38)	PRC statutory surplus reserve HK$'000 (note 38)	Exchange fluctuation reserve HK$'000	Assets revaluation reserve HK$'000 (note 38)	Share option reserve HK$'000 (note 38)	Retained profits HK$'000	Proposed final dividend HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2011		9,161,489	6,109,789*	4,588,000	(2,134,134)*	290,173*	1,914,978*	–*	3,682*	2,961,482*	229,037	23,124,496	3,594,705	26,719,201
Profit for the year		–	–	–	–	–	–	–	–	2,344,352	–	2,344,352	566,402	2,910,754
Other comprehensive income for the year:														
Exchange differences on translation of foreign operations		–	–	–	–	–	1,179,770	–	–	–	–	1,179,770	217,111	1,396,881
Gain on de-registration of a subsidiary		–	–	–	(711)	(2,838)	(3,261)	–	–	2,838	–	(3,972)	–	(3,972)
Gain on disposal of a subsidiary		–	–	–	–	–	4,634	–	–	–	–	4,634	–	4,634
Gains on properties revaluation		–	–	–	–	–	–	112,044	–	–	–	112,044	–	112,044
Total comprehensive income for the year		–	–	–	(711)	(2,838)	1,181,143	112,044	–	2,347,190	–	3,636,828	783,513	4,420,341
Perpetual convertible securities' distributions	35	–	–	–	–	–	–	–	–	(317,354)	–	(317,354)	–	(317,354)
Final 2010 dividend declared		–	–	–	–	–	–	–	–	–	(229,037)	(229,037)	–	(229,037)
Acquisition of non-controlling interests		–	–	–	(45,615)	–	–	–	–	–	–	(45,615)	(180,033)	(225,648)
Equity-settled share option arrangements	37	–	–	–	–	–	–	–	1,431	–	–	1,431	–	1,431
Transfer of share option reserve upon the forfeiture or expiry of share options		–	–	–	–	–	–	–	(1,703)	1,703	–	–	–	–
Capital contribution from non-controlling shareholders		–	–	–	–	–	–	–	–	–	–	–	893,993	893,993
Dividends declared to non-controlling shareholders		–	–	–	–	–	–	–	–	–	–	–	(715,672)	(715,672)
Proposed final 2011 dividend	12	–	–	–	–	–	–	–	–	(366,460)	366,460	–	–	–
Transfer from retained profits		–	–	–	–	294,656	–	–	–	(294,656)	–	–	–	–
At 31 December 2011		9,161,489	6,109,789*	4,588,000	(2,180,460)*	581,991*	3,096,121*	112,044*	3,410*	4,331,905*	366,460	26,170,749	4,376,506	30,547,255

Consolidated Statement of Changes in Equity

Year ended 31 December 2012

	Notes	Attributable to owners of the parent												
		Issued capital HK$'000 (note 36)	Share premium account HK$'000	Perpetual convertible securities HK$'000 (note 35)	Capital reserve HK$'000 (note 38)	PRC statutory surplus reserve HK$'000 (note 38)	Exchange fluctuation reserve HK$'000	Assets revaluation reserve HK$'000 (note 38)	Share option reserve HK$'000 (note 38)	Retained profits HK$'000	Proposed final dividend HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 31 December 2011 and 1 January 2012		9,161,489	6,109,789*	4,588,000	(2,180,460)*	581,991*	3,096,121*	112,044*	3,410*	4,331,905*	366,460	26,170,749	4,376,506	30,547,255
Profit for the year		-	-	-	-	-	-	-	-	3,377,727	-	3,377,727	562,609	3,940,336
Other comprehensive income for the year:														
Exchange differences on translation of foreign operations		-	-	-	-	-	3,491	-	-	-	-	3,491	5,001	8,492
Gain on de-registration of subsidiaries		-	-	-	-	(4)	-	-	-	4	-	-	-	-
Gains on properties revaluation		-	-	-	-	-	-	7,103	-	-	-	7,103	-	7,103
Total comprehensive income for the year		-	-	-	-	(4)	3,491	7,103	-	3,377,731	-	3,388,321	567,610	3,955,931
Perpetual convertible securities' distributions	35	-	-	-	-	-	-	-	-	(316,661)	-	(316,661)	-	(316,661)
Final 2011 dividend declared		-	-	-	-	-	-	-	-	-	(366,460)	(366,460)	-	(366,460)
Acquisition of subsidiaries	40	-	-	-	-	-	-	-	-	-	-	-	150,374	150,374
Equity-settled share option arrangements	37	-	-	-	-	-	-	-	1,892	-	-	1,892	-	1,892
Transfer of share option reserve upon the forfeiture or expiry of share options		-	-	-	-	-	-	-	(2,060)	2,060	-	-	-	-
Capital contribution from non-controlling shareholders		-	-	-	-	-	-	-	-	-	-	-	701,764	701,764
Capital returned to non-controlling shareholders upon de-registration of subsidiaries		-	-	-	-	-	-	-	-	-	-	-	(9,102)	(9,102)
Dividends declared to non-controlling shareholders		-	-	-	-	-	-	-	-	-	-	-	(162,163)	(162,163)
Proposed final 2012 dividend	12	-	-	-	-	-	-	-	-	(641,304)	641,304	-	-	-
Transfer from retained profits		-	-	-	-	243,061	-	-	-	(243,061)	-	-	-	-
At 31 December 2012		9,161,489	6,109,789*	4,588,000	(2,180,460)*	825,048*	3,099,612*	119,147*	3,242*	6,510,670*	641,304	28,877,841	5,624,989	34,502,830

* These reserve accounts comprise the consolidated reserves of HK$14,487,048,000 (2011: HK$12,054,800,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		6,723,349	4,097,320
Adjustments for:			
Finance costs	7	986,043	859,274
Share of profits of joint ventures	22	(2,463)	(3,619)
Bank interest income	5	(169,535)	(194,827)
Other investment income	5	(28,628)	(1,938)
Gain on de-registration of subsidiaries	5	–	(3,972)
Gain on disposal of subsidiaries	5, 39	–	(1,137,510)
Loss on disposal of items of property, plant and equipment	6	15,540	6,513
Impairment of items of property, plant and equipment	6	–	123,549
Impairment of inventories	6	–	287
Impairment of trade receivables	6	319	1,045
Fair value gains on investment properties	5, 18	(1,625,855)	(930,697)
Fair value gains on transfers from properties held for sale to investment properties	5	(9,646)	(267,963)
Depreciation	6, 14	222,806	217,514
Recognition of prepaid land lease payments	6, 19	50,974	52,544
Amortisation of intangible assets	6, 20	7,985	6,790
Equity-settled share option expense	37	1,892	1,431
		6,172,781	2,825,741
Increase in properties under development		(12,793,599)	(3,680,341)
Decrease in properties held for sale		6,616,216	478,895
Increase in land under development		(174,786)	(11,845,893)
Decrease in inventories		2,562	2,792
Increase in trade receivables		(1,898,280)	(6,661)
Increase in prepayments, deposits and other receivables		(462,690)	(1,058,165)
Decrease/(increase) in amounts due from related parties		9,101	(8,525)
Increase in trade payables		180,220	1,557,745
Increase in other payables and accruals		4,201,626	4,724,210
Increase/(decrease) in amounts due to related parties		20,339	(6,932)
Effect of exchange rate changes, net		(37,450)	1,006,958
Cash generated/(used in) from operations		1,836,040	(6,010,176)
Interest received		170,735	190,974
PRC corporate income tax paid		(617,476)	(450,302)
Land appreciation tax paid		(519,395)	(659,526)
Net cash flows from/(used in) operating activities		869,904	(6,929,030)

Consolidated Statement of Cash Flows

Year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Other investment income received from unlisted investments		28,628	1,938
Purchase of items of property, plant and equipment		(309,720)	(207,280)
Proceeds from disposal of items of property, plant and equipment		2,883	824
Additions to investment properties	18	(20,492)	(6,893)
Additions to prepaid land lease payments	19	(1,291)	(3,259)
Additions to intangible assets	20	(3,626)	(7,258)
Proceed from disposal of a subsidiary	39	–	1,831,251
Purchase of other financial assets		(123,330)	–
Acquisition of non-controlling interests		–	(225,648)
Acquisition of subsidiaries	40	24,681	–
Dividends received from joint ventures		–	3,145
Formation of a joint operation		–	27,062
Entrustment loans to non-controlling shareholders		(431,655)	–
Entrustment loans to third parties		(247,129)	–
Increase in time deposits with original maturity of over three months when acquired without option to withdraw upon demand similar to demand deposit		(180,485)	(54,441)
Decrease in pledged deposits		15,841	1,850,189
Increase in restricted bank deposits		(223,344)	(126,488)
Net cash flows from/(used in) investing activities		(1,469,039)	3,083,142
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank and other borrowings		16,487,938	30,469,686
Repayment of bank and other borrowings		(13,368,990)	(24,338,481)
Interest paid		(949,439)	(787,258)
Repayment of advances from non-controlling shareholders		(900,455)	–
Repayment of an amount due to the immediate holding company		–	(1,058,523)
Dividends paid		(366,460)	(229,037)
Dividends paid to non-controlling shareholders		(45)	(616,992)
Advances from non-controlling shareholders		–	900,455
Advance to a non-controlling shareholder		(184,990)	(379,017)
Capital contribution from non-controlling shareholders		701,764	893,993
Capital returned to non-controlling shareholders		(9,102)	–
Perpetual convertible securities' distributions paid		(316,661)	(317,354)
Net cash flows from financing activities		1,093,560	4,537,472
NET INCREASE IN CASH AND CASH EQUIVALENTS		494,425	691,584
Cash and cash equivalents at beginning of year		12,137,439	11,197,744
Effect of foreign exchange rate changes, net		(10,113)	248,111
CASH AND CASH EQUIVALENTS AT END OF YEAR		12,621,751	12,137,439
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	28	8,407,987	7,775,542
Non-pledged time deposits with original maturity of within three months when acquired		4,132,980	4,361,897
Non-pledged time deposit with original maturity of over three months when acquired with option to withdraw upon demand similar to demand deposit		80,784	–
		12,621,751	12,137,439
Non-pledged time deposit with original maturity of over three months when acquired without option to withdraw upon demand similar to demand deposit		266,691	86,206
Cash and cash equivalents as stated in the statement of financial position	28	12,888,442	12,223,645

Statement of Financial Position

31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	89	506
Intangible assets	20	2,238	2,238
Investments in subsidiaries	21	21,050,076	20,097,944
Total non-current assets		21,052,403	20,100,688
CURRENT ASSETS			
Due from subsidiaries	21	5,640,277	3,012,687
Prepayments, deposits and other receivables	25	27,319	22,765
Due from related parties	26	718	–
Cash and cash equivalents	28	3,351,886	3,743,608
Total current assets		9,020,200	6,779,060
CURRENT LIABILITIES			
Other payables and accruals	31	17,571	15,232
Interest-bearing bank and other borrowings	32	2,492,608	777,600
Total current liabilities		2,510,179	792,832
NET CURRENT ASSETS		6,510,021	5,986,228
TOTAL ASSETS LESS CURRENT LIABILITIES		27,562,424	26,086,916
NON-CURRENT LIABILITIES			
Due to subsidiaries	21	11,377,681	8,010,157
Interest-bearing bank and other borrowings	32	–	2,099,520
Total non-current liabilities		11,377,681	10,109,677
Net assets		16,184,743	15,977,239
EQUITY			
Issued capital	36	9,161,489	9,161,489
Reserves	38(b)	6,381,950	6,449,290
Proposed final dividends	12	641,304	366,460
Total equity		16,184,743	15,977,239

He Cao
Director

Li Congrui
Director

NOTES TO FINANCIAL STATEMENTS

31 December 2012

1. CORPORATE INFORMATION

Franshion Properties (China) Limited (the "Company") is a limited liability company incorporated in Hong Kong on 2 June 2004 under the Hong Kong Companies Ordinance. The registered office of the Company is located at Rooms 4702-03, 47/F, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong. Its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 17 August 2007.

During the year, the Company and its subsidiaries (collectively referred to as the "Group") were involved in the following principal activities:

- property and land development
- property leasing
- hotel operations
- provision of property management, design and decoration services

In the opinion of the directors, the immediate holding company of the Company is Sinochem Hong Kong (Group) Company Limited ("Sinochem Hong Kong"), a company incorporated in Hong Kong, and the ultimate holding company of the Company is Sinochem Group, a company established in the People's Republic of China (the "PRC") and is a state-owned enterprise under the supervision of the State-owned Assets Supervision and Administration Commission in the PRC.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2012. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if it results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

Other than as further explained below regarding the impact of amendments to HKAS 12, the adoption of the revised HKFRSs has had no significant financial effect on these financial statements.

The HKAS 12 Amendments clarify the determination of deferred tax for investment property measured at fair value and introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, the amendments incorporate the requirement previously in HK(SIC)-Int 21 *Income Taxes – Recovery of Revalued Non-Depreciable Assets* that deferred tax on non-depreciable assets, measured using the revaluation model in HKAS 16, should always be measured on a sale basis.

The presumption that deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale has been rebutted by the Group as the Group's investment properties are held within 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. Accordingly deferred tax has been determined on the basis of recovery through use. The adoption of the amendments did not have any impact on the financial position or performance of the Group.

Early adopted HKFRSs before the mandatory effective dates

HKFRS 10 *Consolidated Financial Statements:* HKFRS 10 replaces the portion of HKAS 27 that addresses the accounting for consolidated financial statements. It establishes a single control model that applies to all entities. It requires management to exercise significant judgement to determine which entities are controlled, and therefore are required to be consolidated by a parent.

The standard introduces a new definition on control under which control of an investee requires an investor to possess all the following three elements: (i) the power over the investee; (ii) the exposure or rights to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the investor's returns. The adoption of HKFRS 10 does not have significant impact on the Group's consolidated financial statements.

Notes to Financial Statements

31 December 2012

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (Continued)

Early adopted HKFRSs before the mandatory effective dates (Continued)

HKFRS 11 *Joint Arrangements*: HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK(SIC)-Int13 *Jointly-controlled Entities – Non-monetary Contributions by Ventures*. HKFRS 11 addresses only two forms of joint arrangements (joint operations and joint ventures) where there is joint control. In determining the type of arrangements, HKFRS 11 requires parties to the arrangement to assess: (i) the legal form of the separate vehicle; (ii) the terms of the contractual arrangement; and (iii) other facts and circumstances that give them right to the assets and obligations for the liabilities or right to the net assets of the vehicle. A joint arrangement that meets the definition of a joint venture must be accounted for using the equity method. For a joint operation, an entity recognises its assets, liabilities, revenues and expenses relating to its relative shares thereof. Upon the adoption of HKFRS 11, the directors assessed the legal form and terms of the contractual arrangements in relation to the Group's investments in joint arrangements. The application of HKFRS 11 has had an impact on the classification of one of the Group's joint arrangements, as an investment in a joint operation. Further details of the Group's investment in a joint operation are included in note 2.4 and note 22 to the consolidated financial statements.

HKFRS 12 *Disclosure of Interests in Other Entities*: HKFRS 12 establishes the disclosure objectives for an entity to disclose information concerning its interest in a subsidiary, a joint arrangement, and associate or an unconsolidated structured entity. It also requires an entity to disclose the significant judgements and assumptions it has made in determining the nature of its interest in another entity or arrangement, also in determining the type of joint arrangement in which it has an interest. Additional disclosures are made in the Group's consolidated financial statements.

HKAS 27 (2011) *Separate Financial Statements*: Revisions are made resulting from the issuance of HKFRS 10 and consolidated financial statements are now addressed by HKFRS 10. Therefore, HKAS 27 are revised to only address separate financial statements, including how to prepare separate financial statements of an investor and what disclosures should be made in the separate financial statements. The adoption of HKAS 27 does not have significant impact on the Group's consolidated financial statements.

HKAS 28 (2011) *Investments in Associates and Joint Ventures*: Revisions are made resulting from the issuance of HKFRS 11. An entity applies HKFRS 11 to determine the type of a joint arrangement in which it is involved. Once it has determined that it has an interest in a joint venture, the entity recognises an investment and accounts for it using the equity method.

All these five new or revised standards are mandatorily effective for annual periods beginning on or after 1 January 2013 and should be applied in accordance with respective transition requirements. Early application is permitted so long as all of the five new or revised standards are applied early. The Group initially early adopted these five new or revised standards for its financial statements for the year ended 31 December 2011.

The adoption of HKFRS 10, HKAS 27 and HKAS 28 has no material impact on the accounting policies of the Group and has no material financial impacts on the Group's consolidated financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans*[2]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments – Disclosures – Offsetting Financial Assets and Financial Liabilities*[2]
HKFRS 9	*Financial Instruments*[4]
HKFRS 13	*Fair Value Measurement*[2]
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of items of Other Comprehensive Income*[1]
HKAS 19 (2011)	*Employee Benefits*[2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[3]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*[2]
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012[2]

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

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

The HKFRS 7 Amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32 *Financial Instruments: Presentation*. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with HKAS 32. The Group expects to adopt the amendments from 1 January 2013.

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

Notes to Financial Statements

31 December 2012

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1 January 2015. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. The Group expects to adopt HKFRS 13 prospectively from 1 January 2013.

The HKAS 1 Amendments change the grouping of items presented in OCI. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, net gain on hedge of a net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items which will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendments will affect presentation only and have no impact on the financial position or performance. The Group expects to adopt the amendments from 1 January 2013.

HKAS 19 (2011) includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The revised standard introduces significant changes in the accounting for defined benefit pension plans including removing the choice to defer the recognition of actuarial gains and losses. Other changes include modifications to the timing of recognition for termination benefits, the classification of short-term employee benefits and disclosures of defined benefit plans. The Group expects to adopt HKAS 19 (2011) from 1 January 2013.

The HKAS 32 Amendments clarify the meaning of “currently has a legally enforceable right to setoff” for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2014.

The *Annual Improvements to HKFRSs 2009-2011 Cycle* issued in June 2012 sets out amendments to a number of HKFRSs. The Group expects to adopt the amendments from 1 January 2013. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group. Those amendments that are expected to have a significant impact on the Group’s policies are as follows:

(a) HKAS 1 *Presentation of Financial Statements*: Clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the previous period. The additional comparative information does not need to contain a complete set of financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

In addition, the amendment clarifies that the opening statement of financial position as at the beginning of the preceding period must be presented when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. However, the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

(b) HKAS 32 *Financial Instruments: Presentation*: Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with HKAS 12 *Income Taxes*. The amendment removes existing income tax requirements from HKAS 32 and requires entities to apply the requirements in HKAS 12 to any income tax arising from distributions to equity holders.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

Subsidiaries are all those entities over which the Group has power such that the Group is able to direct the relevant activities, has exposure or rights to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect the amount of the investor's returns.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

Joint arrangements

Certain of the Group's activities are conducted through joint arrangements. Joint arrangements are classified as either a joint operation or joint venture, based on the rights and obligations arising from the contractual obligations between the parties to the arrangement.

Joint operations

The Group entered into a contractual arrangement in Mainland China. As one of the joint operation parties, the Group is responsible for unilaterally managing and controlling the development of a plot of land with a total land area of 200 mu (the "Southern Region") and another joint operation party is responsible for unilaterally managing and controlling the development of another plot of land with a total land area of 140 mu (the "Northern Region"). The Southern Region and the Northern Region are both situated in Qingdao, the PRC.

This contractual arrangement has been assessed by the Group as a joint operation because both parties that have joint control of the arrangement have rights to the respective assets and obligations for the respective liabilities, as well as rights to the respective revenue and obligations for the respective expenses, pursuant to the contractual arrangement.

The Group, as a joint operator, recognises its joint operations' assets, liabilities, revenues and expenses in accordance with HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

Joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Notes to Financial Statements

31 December 2012

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Joint venture (Continued)

The Group's investments in joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post acquisition results and reserves of joint ventures is included in the consolidated income statement and consolidated reserves, respectively. Where the profit sharing ratios is different to the Group's equity interest, the share of post-acquisition results of the joint ventures is determined based on the agreed profit sharing ratio. Unrealised gains and losses resulting from transactions between the Group and its joint ventures are eliminated to the extent of the Groups investments in the joint ventures, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of joint ventures is included as part of the Group's investments in joint ventures.

The results of joint ventures are included in the Company's income statement to the extent of dividend received and receivable. The Company's investments in joint ventures are treated as non-current assets and are stated at cost less any impairment losses.

When an investment in a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed 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. For each business combination, the Group elects whether to measures the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of HKAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of HKAS39, it is measured in accordance with the appropriate HKFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill (Continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed in these circumstances is measured based on the relative value of the disposed operation and the portion of the cash-generating unit retained.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, properties under development, land under development, properties held for sale, deferred tax assets, financial assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where only any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation (Continued)

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of property, plant and equipment are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the income statement. Any subsequent revaluation surplus is credited to the income statement to the extent of the deficit previously charged. An annual transfer from the asset revaluation reserve to retained profits is made for the difference between the depreciation based on the revalued carrying amount of an asset and the depreciation based on the asset's original cost. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Hotel properties	1.7% – 2.8%
Leasehold improvements	18% – 20%
Buildings	2% – 5%
Furniture, fixtures and office equipment	3.8% – 33.3%
Motor vehicles	8.3% – 20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction or equipment under installation or testing, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction/equipment and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

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31 December 2012

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties (Continued)

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment and depreciation" above. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the income statement.

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Computer software

Purchased computer software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful lives of 5 to 10 years.

Club membership

Purchased club membership with finite life is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful lives of 20 to 40 years.

Purchased club membership with indefinite life are not amortised, but is tested for impairment annually either individually or at the cash-generating unit level.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Land under development

Land under development is stated at the lower of cost and net realisable value and comprises the compensation for land requisition, project costs, other preliminary infrastructure costs, borrowing costs, professional fees and other costs directly attributable to such land under development during the development period.

Land under development which has been pre-sold or intended for sale and is expected to be completed within one year from the end of the reporting period is classified under current assets. Net realisable value takes into account the Group's proceeds derived from the sale of land under development by government authorities, less costs to completion and the costs to be incurred in realising the revenue derived from the sale of land under development based on prevailing market conditions.

Properties under development

Properties under development are stated at the lower of cost and net realisable value and comprise construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period.

Properties under development which have been pre-sold or intended for sale and are expected to be completed within one year from the end of the reporting period are classified under current assets. On completion, the properties are transferred to properties held for sale.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value.

Cost of properties held for sale is determined by an apportionment of total land and building costs attributable to the unsold properties.

Net realisable value is determined by reference to the sales proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management's estimates based on the prevailing market conditions, on an individual property basis.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification is as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as other expenses and losses in the income statement. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria under HKAS 39 are satisfied.

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify them. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity investments depends on the nature of the assets. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation, as these instruments cannot be reclassified after initial recognition.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the income statement. The loss arising from impairment is recognised in the income statement in finance costs for loans and in other expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the income statement in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the income statement in other. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the income statement as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. Reclassification to the held-to-maturity category is permitted only when the Group has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

Financial assets carried at amortised cost (Continued)

If there is objective evidence that an impairment loss has been incurred, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses and losses in the income statement.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is removed from other comprehensive income and recognised in the income statement.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or "prolonged" requires judgement. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement – is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement. Increases in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. Impairment losses on debt instruments are reversed through the income statement if the increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Loans and borrowings

After initial recognition, interest-bearing bank and other borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and joint arrangements, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the income statement by way of a reduced depreciation charge.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of completed properties, when the risks and rewards of ownership of the properties are transferred to the purchasers, that is when the construction of the relevant properties has been completed and the properties have been delivered to the purchasers pursuant to the sales agreement, and the collectability of related receivables is reasonably assured;

(b) from the land development, when the risks and rewards in connection with the land development are transferred, that is when the related construction works have been completed as well as land is sold, and the collectability of the proceeds from land sales is reasonably assured;

(c) hotel and other service income, in the period in which such services are rendered;

(d) rental income, on a time proportion basis over lease terms, except for contingent rental income which is recognised when it arises, where premiums received to terminate leases are recognised in the income statement when they arise;

(e) from the rendering of property management services, in the period in which such services are rendered;

(f) from the rendering of services, on the percentage of completion basis, as further explained in the accounting policy for "Contracts for services" below;

(g) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

(h) dividend income, when the shareholders' right to receive payment has been established.

Notes to Financial Statements

31 December 2012

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contracts for services

Contract revenue on the rendering of services comprises the agreed contract amount. Costs of rendering services comprise labour and other costs of personnel directly engaged in providing the services and attributable overheads.

Revenue from the rendering of services is recognised based on the percentage of completion of the transaction, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably. The percentage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction. Where the outcome of a contract cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

Provision is made for foreseeable losses as soon as they are anticipated by management.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using the Black-Scholes model, further details of which are given in note 37 to the financial statements.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payments (Continued)

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute certain percentages of their payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The 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 capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate ranging between 5.54% and 7.87% has been applied to the expenditure on the individual assets.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currency of all subsidiaries, joint ventures and joint operations operating in Mainland China is Renminbi ("RMB"). As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated statement of cash flows, the cash flows of all subsidiaries, joint ventures and joint operations operating in Mainland China are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of all subsidiaries, joint ventures and joint operations operating in Mainland China which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Classification between investment properties and properties held for sale

The Group develops properties held for sale and properties held to earn rentals and/or for capital appreciation or both. Judgement is made by management in determining whether a property is designated as an investment property or a property held for sale. The Group considers its intention for holding the properties at the early development stage of the related properties. During the course of construction, the related properties under construction are accounted for as properties under development if the properties are intended for sale after completion. Upon completion of construction, properties under development are transferred to completed properties held for sale and are stated at cost. Properties under construction are accounted for as investment properties if the properties are intended to be held to earn rentals and/or for capital appreciation after completion.

Estimation uncertainty

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, are discussed below.

Allowance for trade and other receivables

The provision policy for impairment of trade and other receivables of the Group is based on the ongoing evaluation of the collectability, aged analysis of the outstanding receivables and management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including creditworthiness and the past collection history of each customer. If the financial conditions of the customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The carrying amounts of trade receivables and other receivables at 31 December 2012 are HK$2,003,074,000 (2011: HK$105,113,000) and HK$43,405,000 (2011: HK$29,787,000), respectively. Further details are given in notes 24 and 25 to the financial statements.

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Estimation of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

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

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

(c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The principal assumptions for the Group's estimation of the fair value include those related to current market rents for similar properties in the same location and condition, appropriate discount rates, expected future market rents and future maintenance costs. The carrying amount of investment properties at 31 December 2012 was HK$16,574,733,000 (2011: HK$14,889,712,000). Further details are given in note 18 to the financial statements.

Carrying amount of land under development

The Group's land under development is stated at the lower of cost and net realisable value. Based on the Group's recent experience and the nature of the subject land development, the Group makes estimates of cost allocated to each parcel of land under development, and its net realisable value, i.e., the revenue to be derived from the land under development for sale by government authorities, less costs to completion and the costs to be incurred in realising the revenue from the sale of land under development based on prevailing market conditions.

If the cost is higher than the estimated net realisable value, provision for the excess of cost of land under development over its net realisable value should be made. Such provision would require the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and provision for land under development in the periods in which such estimate is changed will be adjusted accordingly. The carrying amount of land under development at 31 December 2012 was HK$12,103,662,000 (2011: HK$11,845,893,000). Further details are given in note 16 to the financial statements.

Measurement of cost from land development

Development costs of land are recorded as land under development during the construction stage and an apportionment of these costs will be recognised in the income statements upon the recognition of the revenue of the land under development. Before the final settlement of the development costs and other costs relating to the land under development, these costs are accrued by the Group based on management's best estimate.

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details, including a sensitivity analysis of key assumptions, are given in note 47 to the financial statements.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2012 was HK$67,238,000 (2011: HK$4,676,000). Further details are given in note 34 to the financial statements.

Recognition and allocation of construction cost on properties under development

Development costs of properties are recorded as properties under development during construction stage and will be transferred to completed properties held for sale upon completion. An apportionment of these costs will be recognised in the income statements upon the recognition of the sale of the properties. Before the final settlement of the development costs and other costs relating to the sale of the properties, these costs are accrued by the Group based on management's best estimate.

When developing properties, the Group may divide the development projects into phases. Specific costs directly related to the development of a particular phase are recorded as the cost of such phase. Common costs are allocated to individual phases based on the estimated saleable area of the entire development project.

Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect the profit or loss in future years. The carrying amount of properties under development at 31 December 2012 was HK$23,431,260,000 (2011: HK$18,874,377,000). Further details are given in note 15 to the financial statements.

PRC corporate income tax

The Group is subject to income taxes in the PRC. As a result of the fact that certain matters relating to the income taxes have not been confirmed by the local tax bureau, objective estimate and judgement based on currently enacted tax laws, regulations and other related policies are required in determining the provision of income taxes to be made. Where the final tax outcome of these matters are different from the amounts originally recorded, the differences will impact on the income tax and tax provisions in the period in which the differences realise. The carrying amount of income tax payable at 31 December 2012 was HK$1,160,869,000 (2011: HK$442,048,000).

Notes to Financial Statements

31 December 2012

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

PRC land appreciation tax ("LAT")

The Group is subject to LAT in the PRC. The provision for LAT is based on management's best estimates according to the understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the local tax authorities upon the completion of the Group's property development projects. The Group has not finalised its LAT tax returns and payments with the local tax authorities for its property development projects. When the final outcome is determined, it may be different from the amounts that were initially recorded, and any differences will affect the current income tax expense and LAT provision in the period which LAT is ascertained. The carrying amount of provision for LAT at 31 December 2012 was HK$1,045,194,000 (2011: HK$483,717,000).

Estimation of net realisable value for properties held for sale and inventories

Properties held for sale and inventories are stated at the lower of cost and net realisable value. The net realisable value is assessed with reference to market conditions and prices existing at the end of the reporting period and is determined by the Group having taken suitable external advice and in the light of recent market transactions. The carrying amounts of properties held for sale and inventories at 31 December 2012 were HK$3,078,117,000 (2011: HK$839,806,000) and HK$29,555,000 (2011: HK$32,117,000), respectively.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on the products and services they provide and has four reportable operating segments as follows:

(a) the property and land development segment develops and sells properties and develops land;

(b) the property leasing segment leases office and commercial premises;

(c) the hotel operations segment provides hotel accommodation services; and

(d) the "others" segment mainly comprises the provision of property management, design and decoration services, the operation of an observation deck, the trading of goods, and the provision of export agency services.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, other investment income and finance costs as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, prepaid tax, pledged deposits, restricted bank balances, cash and cash equivalents, the current balance of other financial assets and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings and related interest payables, tax payable, provision for land appreciation tax, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted in accordance with the terms and conditions mutually agreed by the parties involved.

The Group's operations are mainly conducted in Mainland China. The management considered there is one reportable geographic segment as all revenues from external customers are generated in Mainland China and the Group's significant non-current assets are located in Mainland China.

4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2012	Property and land development HK$'000	Property leasing HK$'000	Hotel operations HK$'000	Others HK$'000	Total HK$'000
Segment revenue:					
Sales to external customers	13,445,438	1,106,417	2,010,179	613,632	17,175,666
Intersegment sales	575,539	4,865	8,960	383,370	972,734
	14,020,977	1,111,282	2,019,139	997,002	18,148,400
Reconciliation:					
Elimination of intersegment sales					(972,734)
Total revenue					17,175,666
Segment results	4,659,105	2,623,052	442,871	59,863	7,784,891
Reconciliation:					
Elimination of intersegment results					(3,874)
Interest income					169,535
Other investment income					28,628
Corporate and other unallocated expenses					(269,788)
Finance costs					(986,043)
Profit before tax					6,723,349
Segment assets	53,292,918	17,574,980	15,570,646	6,837,916	93,276,460
Reconciliation:					
Elimination of intersegment assets					(39,624,737)
Corporate and other unallocated assets					28,850,521
Total assets					82,502,244
Segment liabilities	26,142,592	434,459	7,930,371	7,990,468	42,497,890
Reconciliation:					
Elimination of intersegment liabilities					(38,951,074)
Corporate and other unallocated liabilities					44,452,598
Total liabilities					47,999,414
Other segment information:					
Share of profits of joint ventures	–	–	–	2,463	2,463
Depreciation and amortisation	6,802	3,379	138,770	81,840	230,791
Recognition of prepaid land lease payments	1,400	–	48,482	1,092	50,974
Loss on disposal of items of property, plant and equipment	7	397	14,252	884	15,540
Impairment losses recognised in the income statement	–	–	319	–	319
Fair value gains on investment properties	–	1,625,855	–	–	1,625,855
Fair value gains on transfers from properties held for sale to investment properties	–	9,646	–	–	9,646
Investments in joint ventures	–	–	–	38,516	38,516
Capital expenditure*	160,066	22,411	54,941	85,610	323,028

* Capital expenditure consists of additions to property, plant and equipment, intangible assets, prepaid land lease payments and investment properties.

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4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2011	Property and land development HK$'000	Property leasing HK$'000	Hotel operations HK$'000	Others HK$'000	Total HK$'000
Segment revenue:					
Sales to external customers	2,995,528	988,530	2,133,826	473,808	6,591,692
Intersegment sales	2,368	10,697	–	84,915	97,980
	2,997,896	999,227	2,133,826	558,723	6,689,672
Reconciliation:					
Elimination of intersegment sales					(97,980)
Total revenue					6,591,692
Segment results	2,317,908	2,063,598	417,145	78,164	4,876,815
Reconciliation:					
Elimination of intersegment results					8,940
Interest income					194,827
Other investment income					1,938
Corporate and other unallocated expenses					(125,926)
Finance costs					(859,274)
Profit before tax					4,097,320
Segment assets	36,236,067	16,898,131	9,892,777	659,444	63,686,419
Reconciliation:					
Elimination of intersegment assets					(13,050,989)
Corporate and other unallocated assets					19,135,608
Total assets					69,771,038
Segment liabilities	13,741,898	306,489	1,871,118	405,283	16,324,788
Reconciliation:					
Elimination of intersegment liabilities					(12,998,125)
Corporate and other unallocated liabilities					35,897,120
Total liabilities					39,223,783
Other segment information:					
Share of profits of joint ventures	–	–	–	3,619	3,619
Depreciation and amortisation	3,164	7,748	207,889	5,503	224,304
Recognition of prepaid land lease payments	–	–	52,544	–	52,544
Loss on disposal of items of property, plant and equipment	6	5,019	1,454	34	6,513
Impairment losses recognised in the income statement	–	–	124,825	56	124,881
Fair value gains on investment properties	–	930,697	–	–	930,697
Fair value gains on transfers from properties held for sale to investment properties	–	267,963	–	–	267,963
Investments in joint ventures	–	–	–	36,052	36,052
Capital expenditure*	33,164	36,532	35,513	3,476	108,685

* Capital expenditure consists of additions to property, plant and equipment, intangible assets, prepaid land lease payments and investment properties.

4. OPERATING SEGMENT INFORMATION (Continued)

Information about major customers

During the year, there was one customer accounted for 10% or more of the Group's revenue and its revenues amounted to HK$2,704,035,000. In 2011, there were two customers individually accounted for 10% or more of the Group's revenue and their respective revenues amounted to HK$1,673,128,000 and HK$1,304,843,000.

The sales to the above customers were included in the property and land development segment.

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the gross proceeds from the sale of properties and the land development, net of business tax; gross rental income from investment properties, net of business tax; income from hotel operations, property management and related services rendered, net of business tax; an appropriate proportion of contract revenue of service contracts; and the net invoiced value of goods sold, after allowances for returns and trade discounts, during the year.

An analysis of the revenue, other income and gains is as follows:

	Notes	2012 HK$'000	2011 HK$'000
Revenue			
Sale of properties		10,796,423	1,322,400
Land development		2,649,015	1,673,128
Gross rental income		1,106,417	988,530
Hotel operations		2,010,179	2,133,826
Others		613,632	473,808
		17,175,666	6,591,692
Other income			
Bank interest income		169,535	194,827
Other investment income		28,628	1,938
		198,163	196,765
Gains			
Fair value gains on investment properties	18	1,625,855	930,697
Fair value gains on transfers from properties held for sale to investment properties		9,646	267,963
Foreign exchange differences, net		11,658	118,467
Gain on de-registration of subsidiaries		–	3,972
Gain on disposal of a subsidiary	39	–	1,137,510
Government grants*		70,725	–
Others		15,232	16,677
		1,733,116	2,475,286
		1,931,279	2,672,051

* Various government grants have been received from the relevant authorities for the Group's businesses conducted in certain cities in Mainland China. There are no unfulfilled conditions or contingencies relating to these grants.

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6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	2012 HK$'000	2011 HK$'000
Cost of properties sold		6,340,542	534,976
Cost of land development		2,058,284	1,029,517
Cost of services provided		1,578,145	1,452,230
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties		111,134	86,087
Depreciation	14	222,806	217,514
Amortisation of intangible assets	20	7,985	6,790
Minimum lease payments under operating leases in respect of land and buildings		14,240	9,341
Recognition of prepaid land lease payments	19	50,974	52,544
Auditors' remuneration		4,000	3,850
Employee benefit expense (including directors' and chief executive's remuneration (note 8)):			
Wages and salaries		728,114	670,975
Equity-settled share option expense	37	1,892	1,431
Pension scheme contributions (defined contribution scheme)		85,374	55,755
Less: Amount capitalised		(6,625)	(2,825)
Net pension scheme contributions*		78,749	52,930
		808,755	725,336
Loss on disposal of items of property, plant and equipment**		15,540	6,513
Impairment of items of property, plant and equipment**		–	123,549
Impairment of inventories**		–	287
Impairment of trade receivables**	24	319	1,045

* At 31 December 2012, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2011: Nil).

** These items are included in "Other expenses and losses" on the face of the consolidated income statement.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Group 2012 HK$'000	2011 HK$'000
Interest on bank loans and other loans wholly repayable within five years	1,445,727	1,161,421
Interest on notes wholly repayable beyond five years	264,236	187,745
Interest on an amount due to a fellow subsidiary	11,307	14,909
Interest on an amount due to the immediate holding company	–	7,863
Total interest expense	1,721,270	1,371,938
Less: Interest capitalised	(735,227)	(512,664)
	986,043	859,274

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group 2012 HK$'000	2011 HK$'000
Fees	720	960
Other emoluments:		
Salaries, allowances and benefits in kind	4,033	4,065
Performance related bonuses*	5,307	4,033
Equity-settled share option expense	325	455
Pension scheme contributions	565	487
	10,230	9,040
	10,950	10,000

* Certain executive directors of the Company are entitled to bonus payments which are determined with reference to the performance of the Group's operations.

During the year, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 37 to the financial statements. The fair value of such options, which has been recognised in the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

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8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2012 HK$'000	2011 HK$'000
Mr. Lau Hon Chuen, Ambrose	240	240
Mr. Su Xijia	240	240
Mr. Liu Hongyu	240	240
Mr. Ngai Wai Fung@	–	120
Mr. Gao Shibin@	–	120
	720	960

@ Mr. Gao Shibin and Mr. Ngai Wai Fung ceased to be directors of the Company upon the expiry of their terms of directors at the Company's annual general meeting held on 17 June 2011.

There were no other emoluments payable to the independent non-executive directors during the year (2011: Nil).

(b) Executive directors, non-executive directors and the chief executive

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Performance related bonuses HK$'000	Equity-settled share option expense HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2012						
Executive directors:						
Mr. He Cao#	–	1,386	1,983	39	313	3,721
Mr. Li Congrui	–	1,193	1,296	38	252	2,779
Mr. He Binwu	–	1,454	2,028	96	–	3,578
	–	4,033	5,307	173	565	10,078
Non-executive directors:						
Mr. Luo Dongjiang	–	–	–	39	–	39
Ms. Li Xuehua	–	–	–	86	–	86
Mr. Li Xin	–	–	–	27	–	27
	–	–	–	152	–	152
	–	4,033	5,307	325	565	10,230

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

(b) Executive directors, non-executive directors and the chief executive (Continued)

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Performance related bonuses HK$'000	Equity-settled share option expense HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2011						
Executive directors:						
Mr. He Cao#	–	1,386	1,663	–	270	3,319
Mr. Li Congrui	–	643	684	–	122	1,449
Mr. He Binwu	–	1,422	1,251	177	–	2,850
Mr. Jiang Nan@	–	614	435	71	95	1,215
		4,065	4,033	248	487	8,833
Non-executive directors:						
Mr. Luo Dongjiang	–	–	–	–	–	–
Ms. Li Xuehua	–	–	–	177	–	177
Mr. Li Xin	–	–	–	–	–	–
Mr. Wang Hongjun@	–	–	–	30	–	30
	–	–	–	207	–	207
	–	4,065	4,033	455	487	9,040

\# Mr. He Cao was the chief executive officer of the Company during the year.

@ Mr. Wang Hongjun and Mr. Jiang Nan ceased to be directors of the Company upon the expiry of their terms of directors at the Company's annual general meeting held on 17 June 2011.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2011: Nil).

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9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three directors which included the chief executive (2011: three directors which included the chief executive), details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining two (2011: two) highest paid employee who are neither a director nor chief executive of the Company are as follows:

	Group	
	2012 HK$'000	2011 HK$'000
Salaries, allowances and benefits in kind	2,404	2,288
Performance related bonuses	2,289	2,098
Equity-settled share option expense	119	82
Pension scheme contributions	607	563
	5,419	5,031

The number of non-director and non-chief executive, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2012	2011
HK$2,000,001 to HK$2,500,000	–	1
HK$2,500,001 to HK$3,000,000	2	1
	2	2

During the year and in prior years, share options were granted to two non-director and non-chief executive highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 37 to the financial statements. The fair value of such options, which has been recognised in the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

10. INCOME TAX

	Group	
	2012 HK$'000	2011 HK$'000
Current		
PRC corporate income tax	1,381,979	610,621
PRC land appreciation tax (note 33)	1,145,318	216,139
	2,527,297	826,760
Deferred (note 34)	255,716	359,806
Total tax charge for the year	2,783,013	1,186,566

Hong Kong profits tax

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2011: Nil).

10. INCOME TAX (Continued)

PRC corporate income tax

PRC corporate income tax has been provided at the rate of 25% (2011: 25%) on the taxable profits of the Group's PRC subsidiaries.

In 2011, pursuant to the relevant PRC income tax rules and regulations, preferential corporate income tax rates were granted to certain of the Group's PRC subsidiaries which were established and located in Shanghai Pudong New Area, Shenzhen Special Economic Zone, Hainan Special Economic Zone, Zhuhai Special Economic Zone and Changsha Pilot Zone. These companies were subject to the rate of 24% or tax rates in accordance with the tax practices as approved by the tax authorities in charge in 2011.

PRC land appreciation tax ("LAT")

According to the requirements of the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值稅暫行條例) effective from 1 January 1994 and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值稅暫行條例實施細則) effective from 27 January 1995, all gains arising from a transfer of real estate property in Mainland China effective from 1 January 1994 are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sale of properties less deductible expenditures including borrowing costs and all property development expenditures.

A reconciliation of the tax expense applicable to profit/(loss) before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

Group – 2012

	Hong Kong		Mainland China		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Profit/(loss) before tax	(339,373)		7,062,722		6,723,349	
Tax at the statutory income tax rate	(55,997)	16.5	1,765,681	25.0	1,709,684	25.4
Effect of withholding tax at 5% on the profit of a subsidiary established in the PRC distributed to the parent	–	–	95,149	1.3	95,149	1.4
Profits and losses attributable to joint ventures	–	–	(616)	–	(616)	–
Income not subject to tax	(180)	0.1	(8,168)	(0.1)	(8,348)	(0.1)
Expenses not deductible for tax	56,177	(16.6)	143,951	2.1	200,128	3.0
Tax losses utilised from previous periods	–	–	(103,446)	(1.5)	(103,446)	(1.5)
Tax losses not recognised	–	–	31,667	0.5	31,667	0.5
Tax exception	–	–	(194)	–	(194)	–
LAT (note 33)	–	–	1,145,318	16.2	1,145,318	17.0
Tax effect of LAT	–	–	(286,329)	(4.1)	(286,329)	(4.3)
Tax charge at the Group's effective rate	–	–	2,783,013	39.4	2,783,013	41.4

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10. INCOME TAX (Continued)

Group – 2011

	Hong Kong HK$'000	%	Mainland China HK$'000	%	Total HK$'000	%
Profit/(loss) before tax	(94,509)		4,191,829		4,097,320	
Tax at the statutory income tax rate	(15,594)	16.5	1,047,957	25.0	1,032,363	25.2
Lower tax rates for specific provinces or enacted by local authority	–	–	(161,100)	(3.8)	(161,100)	(3.9)
Effect of withholding tax at 5% on the profit of a subsidiary established in the PRC distributed to the parent	–	–	40,346	1.0	40,346	1.0
Profits and losses attributable to joint ventures	–	–	(869)	–	(869)	–
Income not subject to tax	(23,010)	24.3	(277)	–	(23,287)	(0.6)
Expenses not deductible for tax	38,604	(40.8)	51,190	1.2	89,794	2.1
Tax losses utilised from previous periods	–	–	(18,029)	(0.4)	(18,029)	(0.4)
Tax losses not recognised	–	–	65,259	1.6	65,259	1.6
LAT (note 33)	–	–	216,139	5.2	216,139	5.3
Tax effect of LAT	–	–	(54,050)	(1.5)	(54,050)	(1.3)
Tax charge at the Group's effective rate	–	–	1,186,566	28.3	1,186,566	29.0

The share of tax attributable to joint ventures amounting to HK$832,000 (2011: HK$1,205,000) is included in "Share of profits of joint ventures" in the consolidated income statement.

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 December 2012 includes a loss of HK$43,528,000 (2011: a profit of HK$97,162,000) which has been dealt with in the financial statements of the Company (note 38(b)).

12. DIVIDEND

	2012 HK$'000	2011 HK$'000
Proposed final – HK7.0 cents (2011: HK4.0 cents) per ordinary share	**641,304**	366,460

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 9,161,489,489 (2011: 9,161,489,489) in issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued on the deemed conversion of the Group's perpetual convertible securities into ordinary shares. As the impact of the Company's share options outstanding had an anti-dilutive effect on the basic earnings per share amount presented, they were not accounted for in the calculation of the diluted earnings per share amount.

The calculations of basic and diluted earnings per share are based on:

	2012 HK$'000	2011 HK$'000
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	**3,377,727**	2,344,352

	Number of shares 2012	 2011
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**9,161,489,489**	9,161,489,489
Effect of dilution – weighted average number of ordinary shares:		
Perpetual convertible securities	**1,644,763,250**	1,644,763,250
	10,806,252,739	10,806,252,739

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14. PROPERTY, PLANT AND EQUIPMENT

Group

	Hotel properties HK$'000	Leasehold improvements HK$'000	Buildings HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2012							
At 31 December 2011 and at 1 January 2012:							
Cost	6,572,179	67,422	406,129	1,662,470	57,227	53,190	8,818,617
Accumulated depreciation and impairment	(1,013,803)	(63,962)	(43,604)	(769,838)	(30,672)	(5,248)	(1,927,127)
Net carrying amount	5,558,376	3,460	362,525	892,632	26,555	47,942	6,891,490
At 1 January 2012, net of accumulated depreciation and impairment	5,558,376	3,460	362,525	892,632	26,555	47,942	6,891,490
Additions	7,829	461	(1,199)	20,357	13,226	256,945	297,619
Disposals	(17,046)	–	(315)	(941)	(121)	–	(18,423)
Depreciation provided during the year	(112,706)	(1,294)	(7,423)	(94,088)	(7,295)	–	(222,806)
Gains on properties revaluation in relation to the transfers to investment properties	–	–	9,466	–	–	–	9,466
Transfer to investment properties (note 18)	–	–	(23,704)	–	–	–	(23,704)
Transfer from investment properties (note 18)	–	–	20,039	–	–	–	20,039
Transfer from properties held for sale	–	–	2,837	–	–	–	2,837
Transfers	8,528	(57)	907	6,272	–	(15,650)	–
Exchange realignment	(1,260)	(3)	(57)	(361)	13	758	(910)
At 31 December 2012, net of accumulated depreciation and impairment	5,443,721	2,567	363,076	823,871	32,378	289,995	6,955,608
At 31 December 2012:							
Cost	6,279,018	67,794	411,493	1,586,216	69,267	295,242	8,709,030
Accumulated depreciation and impairment	(835,297)	(65,227)	(48,417)	(762,345)	(36,889)	(5,247)	(1,753,422)
Net carrying amount	5,443,721	2,567	363,076	823,871	32,378	289,995	6,955,608

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

Group

	Hotel properties HK$'000	Leasehold improvements HK$'000	Buildings HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2011							
At 1 January 2011:							
Cost	6,303,374	64,108	335,374	1,588,927	49,361	7,729	8,348,873
Accumulated depreciation and impairment	(760,676)	(56,047)	(36,319)	(665,523)	(25,140)	–	(1,543,705)
Net carrying amount	5,542,698	8,061	299,055	923,404	24,221	7,729	6,805,168
At 1 January 2011, net of accumulated depreciation and impairment	5,542,698	8,061	299,055	923,404	24,221	7,729	6,805,168
Additions	3,616	130	–	17,441	7,417	58,398	87,002
Disposals	(1,287)	–	(2,619)	(2,780)	(97)	(554)	(7,337)
Depreciation provided during the year	(111,504)	(1,280)	(7,642)	(90,908)	(6,180)	–	(217,514)
Impairment	(113,850)	(3,737)	–	(5,962)	–	–	(123,549)
Gains on properties revaluation in relation to the transfers to investment properties	111,668	–	376	–	–	–	112,044
Transfer to investment properties (note 18)	(147,575)	–	(2,998)	–	–	–	(150,573)
Transfer from investment properties (note 18)	–	–	54,422	–	–	–	54,422
Transfers	5,616	–	5,923	7,384	–	(18,923)	–
Exchange realignment	268,994	286	16,008	44,053	1,194	1,292	331,827
At 31 December 2011, net of accumulated depreciation and impairment	5,558,376	3,460	362,525	892,632	26,555	47,942	6,891,490
At 31 December 2011:							
Cost	6,572,179	67,422	406,129	1,662,470	57,227	53,190	8,818,617
Accumulated depreciation and impairment	(1,013,803)	(63,962)	(43,604)	(769,838)	(30,672)	(5,248)	(1,927,127)
Net carrying amount	5,558,376	3,460	362,525	892,632	26,555	47,942	6,891,490

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14. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company

	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2012			
At 1 January 2012:			
Cost	590	2,357	2,947
Accumulated depreciation	(539)	(1,902)	(2,441)
Net carrying amount	51	455	506
At 1 January 2012, net of accumulated depreciation	51	455	506
Additions	15	–	15
Depreciation provided during the year	(28)	(404)	(432)
At 31 December 2012, net of accumulated depreciation	38	51	89
At 31 December 2012:			
Cost	605	2,357	2,962
Accumulated depreciation	(567)	(2,306)	(2,873)
Net carrying amount	38	51	89

	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2011			
At 1 January 2011:			
Cost	583	2,357	2,940
Accumulated depreciation	(435)	(1,431)	(1,866)
Net carrying amount	148	926	1,074
At 1 January 2011, net of accumulated depreciation	148	926	1,074
Additions	7	–	7
Depreciation provided during the year	(104)	(471)	(575)
At 31 December 2011, net of accumulated depreciation	51	455	506
At 31 December 2011:			
Cost	590	2,357	2,947
Accumulated depreciation	(539)	(1,902)	(2,441)
Net carrying amount	51	455	506

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

All of the Group's hotel properties and buildings are situated in Mainland China and are held under the following lease terms:

	2012 HK$'000	2011 HK$'000
Long term leases	773,348	1,123,526
Medium term leases	5,033,449	4,797,375
	5,806,797	5,920,901

At 31 December 2012, certain of the Group's hotel properties and buildings included in property, plant and equipment with net carrying amounts of approximately HK$3,279,204,000 (2011: HK$5,361,573,000) and HK$304,587,000 (2011: HK$146,306,000), respectively, were pledged to secure bank loans granted to the Group (note 32).

15. PROPERTIES UNDER DEVELOPMENT

		Group	
	Notes	2012 HK$'000	2011 HK$'000
Carrying amount at 1 January		18,874,377	13,641,588
Acquisition of subsidiaries	40	629,869	–
Formation of a joint operation	22	–	2,685,763
Additions		12,793,599	2,907,167
Transfer to properties held for sale		(8,879,805)	(1,133,315)
Exchange realignment		13,220	773,174
Carrying amount at 31 December		23,431,260	18,874,377
Current portion		(10,383,932)	(7,030,281)
Non-current portion		13,047,328	11,844,096

All of the Group's properties under development are situated in Mainland China and are held under the following lease terms:

	2012 HK$'000	2011 HK$'000
Long term leases	10,388,079	7,984,679
Medium term leases	13,043,181	10,889,698
	23,431,260	18,874,377

At 31 December 2012, certain of the Group's properties included in properties under development with net carrying amounts of approximately HK$4,928,638,000 (2011: HK$5,693,596,000) and HK$995,650,000 (2011: Nil) were pledged to secure bank loans granted to the Group (note 32) and to an unrelated third party, respectively.

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16. LAND UNDER DEVELOPMENT

Land under development represents the project cost, land requisition cost, compensation cost and other preliminary infrastructure costs in relation to the Group's land development projects in Changsha Meixi Lake and Sanya Yazhouwan (the "Projects") which are situated in Mainland China. Though the Group does not have ownership title or land use right to such land, the Group is given the right to carry out construction and preparation works in respect of land infrastructure and ancillary public facilities as well as other development works in the Projects. When the land plots are sold by the local government, the Group is entitled to receive from the local authorities the land development fee.

		Group	
		2012	2011
	Note	HK$'000	HK$'000
Carrying amount at 1 January		11,845,893	–
Additions		2,413,015	13,324,348
Acquisition of subsidiaries	40	84,358	–
Recognised during the year		(2,238,229)	(1,749,764)
Exchange realignment		(1,375)	271,309
Carrying amount at 31 December		12,103,662	11,845,893
Current portion		(6,695,959)	(2,623,209)
Non-current portion		5,407,703	9,222,684

17. PROPERTIES HELD FOR SALE

All the properties held for sale are stated at cost. The Group's properties held for sale are situated in Mainland China and are held under the following lease terms:

	Group	
	2012	2011
	HK$'000	HK$'000
Long term leases	2,132,543	36,785
Medium term leases	945,574	803,021
	3,078,117	839,806

At 31 December 2012, certain of the Group's properties included in properties held for sale with net carrying amounts of approximately HK$1,427,161,000 (2011: HK$148,916,000) were pledged to secure bank loans granted to the Group (note 32).

18. INVESTMENT PROPERTIES

	Notes	Group 2012 HK$'000	2011 HK$'000
Carrying amount at 1 January		**14,889,712**	12,773,590
Additions		**20,492**	6,893
Net gain from a fair value adjustment	5	**1,625,855**	930,697
Transfer from properties held for sale		**32,087**	414,623
Transfer from owner-occupied properties	14	**23,704**	150,573
Transfer to owner-occupied properties	14	**(20,039)**	(54,422)
Exchange realignment		**2,922**	667,758
Carrying amount at 31 December		**16,574,733**	14,889,712

The Group's investment properties are situated in Mainland China and are held under medium term leases.

The Group's investment properties were revalued individually on 31 December 2012 by Knight Frank Petty Limited and CB Richard Ellis Limited, independent professionally qualified valuers, at HK$16,574,733,000 (2011: HK$14,889,712,000) on an open market, existing use basis. These investment properties are leased to third parties under operating leases, further summary details of which are included in note 42(a) to the financial statements.

At 31 December 2012, certain of the Group's investment properties with carrying values of HK$10,406,408,000 (2011: HK$13,387,042,000) were pledged to secure bank loans granted to the Group (note 32).

19. PREPAID LAND LEASE PAYMENTS

	Note	Group 2012 HK$'000	2011 HK$'000
Carrying amount at 1 January		**1,765,474**	1,730,085
Additions		**1,291**	3,259
Recognised during the year		**(50,974)**	(52,544)
Exchange realignment		**(444)**	84,674
Carrying amount at 31 December		**1,715,347**	1,765,474
Current portion included in prepayments, deposits and other receivables	25	**(51,006)**	(50,925)
Non-current portion		**1,664,341**	1,714,549

The Group's leasehold land is situated in Mainland China and is held under the following lease terms:

	2012 HK$'000	2011 HK$'000
Long term leases	**235,238**	401,372
Medium term leases	**1,480,109**	1,364,102
	1,715,347	1,765,474

At 31 December 2012, certain of the Group's prepaid land lease payments with net carrying amounts of HK$108,161,000 (2011: HK$397,785,000) were pledged to secure bank loans granted to the Group (note 32).

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20. INTANGIBLE ASSETS

Group

	Computer software HK$'000	Club membership HK$'000	Total HK$'000
31 December 2012			
At 1 January 2012:			
Cost	46,805	9,388	56,193
Accumulated amortisation and impairment	(27,799)	(1,598)	(29,397)
Net carrying amount	19,006	7,790	26,796
Cost at 1 January 2012, net of accumulated amortisation and impairment	19,006	7,790	26,796
Additions	3,626	–	3,626
Amortisation provided during the year	(7,737)	(248)	(7,985)
Exchange realignment	(16)	(2)	(18)
At 31 December 2012	14,879	7,540	22,419
At 31 December 2012:			
Cost	50,435	9,387	59,822
Accumulated amortisation and impairment	(35,556)	(1,847)	(37,403)
Net carrying amount	14,879	7,540	22,419
31 December 2011			
At 1 January 2011:			
Cost	39,585	6,584	46,169
Accumulated amortisation and impairment	(19,988)	(1,057)	(21,045)
Net carrying amount	19,597	5,527	25,124
Cost at 1 January 2011, net of accumulated amortisation and impairment	19,597	5,527	25,124
Additions	5,020	2,238	7,258
Amortisation provided during the year	(6,547)	(243)	(6,790)
Exchange realignment	936	268	1,204
At 31 December 2011	19,006	7,790	26,796
At 31 December 2011:			
Cost	46,805	9,388	56,193
Accumulated amortisation and impairment	(27,799)	(1,598)	(29,397)
Net carrying amount	19,006	7,790	26,796

20. INTANGIBLE ASSETS (Continued)

Company

	Club membership HK$'000	Total HK$'000
31 December 2012		
At 1 January 2012:		
Cost	2,238	2,238
Accumulated amortisation and impairment	–	–
Net carrying amount	2,238	2,238
Cost at 1 January 2012, net of accumulated amortisation and impairment	2,238	2,238
Amortisation provided during the year	–	–
At 31 December 2012	2,238	2,238
At 31 December 2012:		
Cost	2,238	2,238
Accumulated amortisation and impairment	–	–
Net carrying amount	2,238	2,238
31 December 2011		
At 1 January 2011:		
Cost	–	–
Accumulated amortisation and impairment	–	–
Net carrying amount	–	–
Cost at 1 January 2011, net of accumulated amortisation and impairment	–	–
Additions	2,238	2,238
Amortisation provided during the year	–	–
At 31 December 2011	2,238	2,238
At 31 December 2011:		
Cost	2,238	2,238
Accumulated amortisation and impairment	–	–
Net carrying amount	2,238	2,238

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21. INVESTMENTS IN SUBSIDIARIES

	Company 2012 HK$'000	Company 2011 HK$'000
Unlisted investments, at cost	**21,050,076**	20,097,944

The amounts due from subsidiaries included in the Company's current assets of HK$5,640,277,000 (2011: HK$3,012,687,000) are unsecured, interest-free and are repayable on demand or within one year. The amounts due to subsidiaries included in the Company's non-current liabilities of HK$11,377,681,000 (2011: HK$8,010,157,000) are unsecured, interest-free and are not repayable within one year.

Particulars of the principal subsidiaries are as follows:

Company name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Shanghai Pudong Jinxin Real Estate Development Co., Ltd. ("Pudong Jinxin")*	The PRC/ Mainland China	US$5,600,000	50%#	–	Investment holding
Shanghai Port International Cruise Terminal Development Co., Ltd. ("SPICT")	The PRC/ Mainland China	RMB61,490,000	–	50%@	Property development
Shanghai International Shipping Service Center Co., Ltd. ("SISSC")*	The PRC/ Mainland China	RMB3,150,000,000	50%#	–	Property development
Sinochem Franshion Real Estate (Zhuhai) Co., Ltd.***	The PRC/ Mainland China	RMB490,000,000	100%	–	Property development
Sinochem Franshion Property (Beijing) Co., Ltd.***	The PRC/ Mainland China	US$635,000,000	100%	–	Property development
Shanghai Yin Hui Real Estate Development Co., Ltd. ("Shanghai Yin Hui")*	The PRC/ Mainland China	RMB1,355,000,000	50%#	–	Property development
Qingdao Franshion Development Co., Ltd.**	The PRC/ Mainland China	RMB100,000,000	–	100%	Investment holding
Chongqing Xingtuo development Co., Ltd***	The PRC/ Mainland China	US$200,000,000	–	100%	Property development
Jin Mao (Shanghai) Real Estate Co., Ltd**	The PRC/ Mainland China	RMB1,010,000,000	–	100%	Property development

21. INVESTMENTS IN SUBSIDIARIES (Continued)

Company name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Beijing Chemsunny Property Company Limited***	The PRC/ Mainland China	US$102,400,000	50%	50%	Property investment
Sinochem Jin Mao Property Management (Beijing) Co., Ltd.*	The PRC/ Mainland China	RMB5,000,000	85%	15%	Property management
Sinochem International Property and Hotels Management Co., Ltd.***	The PRC/ Mainland China	RMB387,600,000	25%	75%	Property management
Wangfujing Hotel Management Company Limited***	The PRC/ Mainland China	US$73,345,000	25%	75%	Hotel management
Sinochem Franshion (Shang Hai) Properties Management Company Limited***	The PRC/ Mainland China	US$8,000,000	100%	–	Investment holding
China Jin Mao Group Co., Ltd.***	The PRC/ Mainland China	RMB2,635,000,000	–	100%	Hotel operation and property investment
Shanghai Jin Mao Construction & Decoration Company Limited**	The PRC/ Mainland China	RMB10,000,000	–	100%	Provision of building decoration services
Beijing Jin Mao Real Estate Company Limited**	The PRC/ Mainland China	RMB1,600,000,000	–	100%	Hotel operation
Jin Mao Sanya Resort Hotel Company Limited**	The PRC/ Mainland China	RMB300,000,000	–	100%	Hotel operation
Beijing Franshion Rongchuang Properties Limited ("Franshion Rongchuang")**	The PRC/ Mainland China	RMB100,000,000	–	51%	Property development
Changsha Jin Mao Meixi Lake International Plaza Properties Limited***	The PRC/ Mainland China	US$134,810,000	–	100%	Property development
Changsha Meixi Lake International Research and Development Limited**	The PRC/ Mainland China	RMB10,000,000	–	80%	Property development
Changsha Xing Mao Development Limited**	The PRC/ Mainland China	RMB10,000,000	–	100%	Land development

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21. INVESTMENTS IN SUBSIDIARIES (Continued)

Company name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Sanya Yazhouwan Economic Development Company Limited ("Sanya Yazhouwan")**	The PRC/ Mainland China	RMB160,000,000	–	51%	Land development
Jin Mao Sanya Tourism Company Limited**	The PRC/ Mainland China	RMB500,000,000	–	100%	Hotel operation
Jin Mao Shenzhen Hotel Investment Company Limited**	The PRC/ Mainland China	RMB700,000,000	–	100%	Hotel operation
Jin Mao (Li Jiang) Zhi Ye Co., Ltd.**	The PRC/ Mainland China	RMB100,000,000	–	100%	Property development
Jin Mao (Li Jiang) Hotel Investment Co., Ltd.**	The PRC/ Mainland China	RMB100,000,000	–	100%	Property development
Jin Mao Investment (Chang Sha) Co., Ltd. ("Jin Mao Changsha")**	The PRC/ Mainland China	RMB3,750,000,000	–	80%	Land development
Franshion Capital Limited	British Virgin Islands/ Hong Kong	US$1	100%	–	Investment holding
Franshion Development Limited	British Virgin Islands/ Hong Kong	US$1	100%	–	Investment holding
Franshion Investment Limited	British Virgin Islands/ Hong Kong	US$1	100%	–	Investment holding
Changsha Franshion Shengrong Properties Limited**	The PRC/ Mainland China	RMB50,000,000	–	100%	Property development
Shanghai Yingtan Investment Limited**	The PRC/ Mainland China	RMB21,000,000	–	100%	Investment holding
Changsha Jin Yue Development Limited ("Changsha Jinyue")**	The PRC/ Mainland China	RMB33,333,333	–	70%	Property development

The English names of certain of above companies represent the best efforts by management of the Company in directly translating the Chinese names of these companies as no English names have been registered or available.

21. INVESTMENTS IN SUBSIDIARIES (Continued)

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

* Registered as Sino-foreign joint ventures under the PRC law
** Registered as limited liability companies under the PRC law
*** Registered as wholly-foreign-owned entities under the PRC law
\# The Group controls the boards of directors of those entities by virtue of its power to cast the majority of votes at meetings of the boards, and therefore has the power to exercise control over the entities operating and financing activities.
@ The entity is being a subsidiary of a non-wholly-owned subsidiary of the Company and, accordingly, is accounted for as a subsidiary by virtue of the Company's control over it.

Summarised financial information of the subsidiaries is as follows:

	Pudong Jinxin HK$'000	SISSC HK$'000	Shanghai Yin Hui HK$'000	Franshion Rongchuang HK$'000	Jin Mao Changsha HK$'000
2012					
Current assets	4,027,178	4,080,944	3,340,159	5,064,452	13,524,297
Non-current assets	371,141	1,589	999,414	17,911	267,197
Total assets	4,398,319	4,082,533	4,339,573	5,082,363	13,791,494
Current liabilities	2,992,787	235,637	1,324,117	4,638,550	2,372,243
Non-current liabilities	–	–	151,576	369,990	6,406,994
Total liabilities	2,992,787	235,637	1,475,693	5,008,540	8,779,237
Non-controlling interests	702,766	1,923,448	1,431,940	36,173	1,002,451
Revenue	1,539,234	–	2,973,768	–	2,810,303
Profit/(loss) for the year	404,650	(11,145)	1,219,228	(49,350)	418,183
Total comprehensive income for the year	405,771	(4,206)	1,223,627	(49,086)	450,460

	Pudong Jinxin HK$'000	SISSC HK$'000	Shanghai Yin Hui HK$'000	Franshion Rongchuang HK$'000	Jin Mao Changsha HK$'000
2011					
Current assets	3,560,730	51,692	914,862	–	13,669,832
Non-current assets	48,214	3,883,488	1,014,707	–	2,728
Total assets	3,608,944	3,935,180	1,929,569	–	13,672,559
Current liabilities	2,609,183	939,928	123,846	–	3,948,524
Non-current liabilities	–	–	592,697	–	4,317,250
Total liabilities	2,609,183	939,928	716,543	–	8,265,774
Non-controlling interests	499,881	1,497,626	606,513	–	1,081,357
Revenue	1,369,141	–	–	–	2,843,660
Profit/(loss) for the year	420,522	(9,303)	(9,303)	–	955,005
Total comprehensive income for the year	495,912	132,496	48,262	–	831,396

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21. INVESTMENTS IN SUBSIDIARIES (Continued)

Summarised financial information attributable to non-controlling shareholders is as follows:

	Pudong Jinxin HK$'000	SISSC HK$'000	Shanghai Yin Hui HK$'000	Franshion Rongchuang HK$'000	Jin Mao Changsha HK$'000
2012					
Profit/(loss) attributable to non-controlling interests	202,325	(5,572)	609,614	(24,181)	83,637
Dividend declared to non-controlling interests	–	–	–	–	162,118

	Pudong Jinxin HK$'000	SISSC HK$'000	Shanghai Yin Hui HK$'000	Franshion Rongchuang HK$'000	Jin Mao Changsha HK$'000
2011					
Profit/(loss) attributable to non-controlling interests	210,261	(4,651)	(4,651)	–	191,001
Dividend declared to non-controlling interests	407,055	–	–	–	191,703

Summarised cash flows of the subsidiaries are as follows:

	Pudong Jinxin HK$'000	SISSC HK$'000	Shanghai Yin Hui HK$'000	Franshion Rongchuang HK$'000	Jin Mao Changsha HK$'000
2012					
Net cash flows from/(used in) operating activities	587,784	(91,744)	1,640,695	(61,558)	(689,090)
Net cash flows used in investing activities	(362,064)	(534)	(850,977)	(1,636)	(263,158)
Net cash flows from/(used in) financing activities	(407,171)	152,717	(13,894)	740,451	350,438
Net increase/(decrease) in cash and cash equivalents	(181,451)	60,439	775,824	677,257	(601,810)
Cash and cash equivalents at beginning of the year	1,234,989	45,432	72,000	–	1,678,825
Cash and cash equivalents at end of the year	1,053,538	105,871	847,824	677,257	1,077,015

21. INVESTMENTS IN SUBSIDIARIES (Continued)

	Pudong Jinxin HK$'000	SISSC HK$'000	Shanghai Yin Hui HK$'000	Franshion Rongchuang HK$'000	Jin Mao Changsha HK$'000
2011					
Net cash flows used in operating activities	(173,941)	(144,292)	(373,814)	–	(9,264,499)
Net cash flows used in investing activities	(351)	(547)	–	–	(2,978)
Net cash flows from/(used in) financing activities	(301,325)	114,820	270,105	–	10,946,303
Net decrease in cash and cash equivalents	(475,617)	(30,019)	(103,709)	–	1,678,826
Cash and cash equivalents at beginning of the year	1,710,606	75,451	175,709	–	–
Cash and cash equivalents at end of the year	1,234,989	45,432	72,000	–	1,678,826

22. INVESTMENTS IN JOINT VENTURES

Joint ventures

	Group	
	2012 HK$'000	2011 HK$'000
Share of net assets	**38,516**	36,052

The amounts due from and to joint ventures are disclosed in note 26 to the financial statements.

Particulars of the principal joint ventures are as follows:

			Percentage of			
Name	Registered and paid-in capital	Place of registration	Ownership interest	Voting power	Profit sharing	Principal activities
Shanghai Jin Mao Jin Jiang Automobile Service Company Limited	RMB22,000,000	The PRC	50%	60%	50%	Lease of commercial vehicles
Shanghai Jin Mao Auto Hire Company Limited	RMB2,000,000	The PRC	45%	54%	45%	Lease of commercial vehicles

The above table lists the joint ventures of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other joint ventures would, in the opinion of the directors, result in particulars of excessive length.

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22. INVESTMENTS IN JOINT VENTURES (Continued)

The following table illustrates the summarised financial information of the Group's joint ventures:

	2012 HK$'000	2011 HK$'000
Share of the joint ventures' assets and liabilities		
Current assets	10,325	7,344
Non-current assets	40,718	36,219
Current liabilities	(12,527)	(7,511)
Net assets	38,516	36,052

	2012 HK$'000	2011 HK$'000
Share of the joint ventures' results		
Revenue	26,526	25,880
Other revenue	653	472
	27,179	26,352
Total expenses	(23,884)	(21,528)
Tax	(832)	(1,205)
Profit after tax	2,463	3,619

Joint operations

On 11 May 2010, the Company entered into a framework cooperation agreement with Qingdao Urban Construction Investment (Group) Co., Ltd. ("Qingdao Urban Investment Group") pursuant to which the Company and Qingdao Urban Investment Group intended to jointly develop Lanhai Xingang City project located in Qingdao, the PRC.

On 5 November 2010, Qingdao Franshion Properties Co., Ltd. ("Qingdao Franshion"), an indirect wholly-owned subsidiary of the Company established for the purpose of operating Lanhai Xingang City project, and Qingdao Urban Investment Group entered into a capital increase agreement pursuant to which Qingdao Franshion agreed to inject RMB1 billion into Qingdao Lanhai Xingang City Properties Co., Ltd. ("Lanhai Xingang City"), a wholly-owned subsidiary of Qingdao Urban Investment Group, by way of capital injection to subscribe for its new registered capital.

On 28 July 2011, Qingdao Franshion completed the acquisition of 50% equity interest in Lanhai Xingang City through contributing RMB1 billion to its newly registered capital. On the same day, Qingdao Franshion and Qingdao Urban Investment Group entered into a supplementary agreement pursuant to which Lanhai Xingang City agreed to establish two branches, in which branch 1 would be unilaterally managed and controlled by Qingdao Franshion in respect of the development of the Southern region with a land area of 200 mu (the "Southern Region") and branch 2 would be unilaterally managed and controlled by Qingdao Urban Investment Group in respect of the development of the Northern region with a total land area of 140 mu (the "Northern Region"). The land use right certificate in connection with the Southern Region is registered under the name of Lanhai Xingang City Properties.

The Group assessed this supplementary arrangement as a joint operation and recognised the assets, liabilities and revenue and expenses of branch 1 as the Group is given the rights to the assets and has obligations for the liabilities of branch 1 pursuant to the terms of the supplement agreement.

22. INVESTMENTS IN JOINT VENTURES (Continued)

Joint operations (Continued)

The following table illustrates the summarised financial information of branch 1 of Lanhai Xingang City recognised in the Group's consolidated financial statements:

	2012 HK$'000	2011 HK$'000
Non-current assets		
Property, plant and equipment	4,210	3,988
Properties under development	1,860,205	2,760,656
Deferred tax assets	10,492	–
Total non-current assets	1,874,907	2,764,644
Current assets		
Properties under development	1,401,318	–
Prepayments, deposits and other receivables	21,840	25
Restricted bank balances	3,704	–
Cash and cash equivalents	222,968	24,548
Total current assets	1,649,830	24,573
Current liabilities		
Trade payables	188,295	101
Other payables and accruals	361,163	529,792
Total current liabilities	549,458	529,893
Net current assets/(liabilities)	1,100,372	(505,320)
Total assets less current liabilities	2,975,279	2,259,324
Net assets	2,975,279	2,259,324
Other income and gains	1,818	1,161
Selling and marketing expenses	(31,774)	(2,008)
Administrative expenses	(10,111)	(7,080)
Loss before tax	(40,067)	(7,927)
Income tax	10,459	–
Loss for the year	(29,608)	(7,927)

23. INVENTORIES

	Group	
	2012 HK$'000	2011 HK$'000
Raw materials	7,971	8,006
Consumables and tools	1,350	1,359
Hotel merchandise	18,542	20,502
Trading stock	1,692	2,250
	29,555	32,117

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24. TRADE RECEIVABLES

	Group 2012 HK$'000	Group 2011 HK$'000
Trade receivables	2,005,562	107,307
Impairment	(2,488)	(2,194)
	2,003,074	105,113

Consideration in respect of properties sold is payable in accordance with the terms of the related sale and purchase agreements, whilst the Group's trading terms with its customers in relation to the provision of hotel, decoration and other services are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one month, extending up to three months for major customers. Each customer has a maximum credit limit.

The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the end of the reporting period is as follows:

	Group 2012 HK$'000	Group 2011 HK$'000
Within 1 month	1,857,637	94,448
1 to 3 months	59,702	6,082
4 to 6 months	35,963	760
Over 6 months	49,772	3,823
	2,003,074	105,113

The movements in provision for impairment of trade receivables are as follows:

	Group 2012 HK$'000	Group 2011 HK$'000
At 1 January	2,194	1,127
Impairment losses recognised (note 6)	319	1,045
Amount written off as uncollectible	(25)	(59)
Exchange realignment	–	81
	2,488	2,194

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$2,488,000 (2011: HK$2,194,000) with a carrying amount before provision of HK$2,488,000 (2011: HK$2,194,000).

24. TRADE RECEIVABLES (Continued)

The individually impaired trade receivables related to customers that were in financial difficulties or were in default.

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	Group	
	2012 HK$'000	2011 HK$'000
Neither past due nor impaired	2,001,071	105,113
Over 3 months past due	2,003	–
	2,003,074	105,113

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on 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.

At 31 December 2012, the Group's trade receivables included gross amounts due from contract customers of HK$161,304,000 (2011: HK$63,137,000), being the difference between the contract costs incurred for the rendering of services, plus recognised profits less recognised losses to date, of HK$709,356,000 (2011: HK$502,731,000), and the progress billing amount of HK$548,052,000 (2011: HK$439,594,000).

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000
Prepayments	425,114	379,956	20,603	13,801
Deposits	1,112,589	709,875	–	849
Other receivables	43,405	29,787	6,716	8,115
Due from non-controlling shareholders	521,709	435,449	–	–
Entrustment loans to third parties	247,129	–	–	–
Prepaid land lease payments (note 19)	51,006	50,925	–	–
	2,400,952	1,605,992	27,319	22,765

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

The amounts due from non-controlling shareholders are unsecured, interest-free and repayable within one year, except for the amount of HK$308,325,000 which are interest-bearing at 3.5% per annum.

The entrustment loans to third parties are unsecured, interest-bearing at 6% per annum and repayable within one year.

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26. BALANCES WITH RELATED PARTIES

An analysis of the balances with related parties is as follows:

	Group		Company	
	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000
Due from related parties:				
Intermediate holding company	6,820	6,116	–	–
Immediate holding company	718	–	718	–
Fellow subsidiaries	2,713	12,052	–	–
Joint ventures	2,109	3,293	–	–
	12,360	21,461	718	–
Due to related parties:				
Ultimate holding company	2,443	2,974	–	–
Intermediate holding company	22,196	20,396	–	–
Fellow subsidiaries	74,438	54,875	–	–
Joint ventures	557	1,050	–	–
	99,634	79,295	–	–

All the balances are unsecured, interest-free and are repayable on demand.

27. OTHER FINANCIAL ASSETS

	Group	
	2012 HK$'000	2011 HK$'000
Non-current balance	41,335	–
Current balance	123,330	–
	164,665	–

The current balance of other financial assets represented financial products with original maturity of within three months when acquired from banks. The principals of these financial products are guaranteed by banks and cannot be withdrawn prior to the maturity date.

The non-current balance of other financial assets represented the amounts recoverable from non-controlling shareholders within three years as estimated by the management in relation to the acquisition of Sanya Yazhouwan, details of which are set out in note 40(ii) to the financial statements.

28. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

		Group		Company	
	Note	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000
Cash and bank balances		8,407,987	7,775,542	272,797	24,094
Time deposits		5,056,438	4,816,583	3,079,089	3,719,514
		13,464,425	12,592,125	3,351,886	3,743,608
Less:					
Pledged time deposits for short term bank loans	32	(220,761)	(236,602)	–	–
Restricted bank balances		(355,222)	(131,878)	–	–
		(575,983)	(368,480)	–	–
Cash and cash equivalents		12,888,442	12,223,645	3,351,886	3,743,608

28. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS (Continued)

At 31 December 2012, the cash and bank balances of the Group denominated in RMB amounted to HK$8,420,238,000 (2011: HK$5,650,626,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of within one year depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

Included in the Group's cash and cash equivalents are deposits of HK$245,093,000 (2011: HK$261,524,000) placed with Sinochem Group Finance Co., Ltd. ("Sinochem Finance"), a financial institution approved by the People's Bank of China. The interest rates on these deposits ranged from 0.385% to 1.485% per annum (2011: 0.50% to 1.49%). Further details of the interest income attributable to the deposits placed with Sinochem Finance are set out in note 44 to the financial statements.

29. DUE FROM NON-CONTROLLING SHAREHOLDERS

The amounts due from non-controlling shareholders are secured, interest-bearing at a rate of 8.54% and are repayable in three years.

30. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period is as follows::

	Group	
	2012	2011
	HK$'000	HK$'000
Within 1 year or on demand	**2,182,354**	2,332,536
1 to 2 years	**338,889**	136
2 to 3 years	**–**	112
Over 3 years	**4,469**	12,708
	2,525,712	2,345,492

The trade payables are non-interest-bearing and are normally settled on 60-day terms.

31. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Other payables	**1,647,993**	1,638,472	**8,900**	6,117
Receipts in advance	**8,235,344**	5,228,831	**–**	–
Accruals	**72,624**	57,039	**8,671**	9,115
Due to non-controlling shareholders	**1,823,865**	900,455	**–**	–
Dividend payable to non-controlling shareholders	**162,632**	407,055	**–**	–
	11,942,458	8,231,852	**17,571**	15,232

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31. OTHER PAYABLES AND ACCRUALS (Continued)

Other payables are non-interest-bearing with an average term of not more than one year.

The amounts due to non-controlling shareholders are unsecured, interest-free and are repayable within one year, except for the amount of HK$1,088,320,000 which is interest-bearing at 6% per annum and is repayable within three years. The amounts due to non-controlling shareholders at 31 December 2011 were unsecured, interest-bearing at rates ranging from 7.32% to 7.87% per annum and were repayable within one year.

32. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

	2012			2011		
	Effective interest rate (%)	Maturity	HK$'000	Effective interest rate(%)	Maturity	HK$'000
Current						
Bank loans, secured	4.20	2013	204,697	4.50	2012	205,232
Bank loans, unsecured	3.72-5.85	2013	3,272,962	2.02-6.12	2012	3,138,676
Other loans, unsecured*	5.04	2013	246,660	5.99	2012	246,700
Current portion of long term bank loans, secured	5.54-7.05	2013	2,698,250	5.99-7.76	2012	1,203,896
Current portion of long term bank loans, unsecured	1.78-6.15	2013	2,529,607	–	–	–
Debenture, secured	–	–	–	4.22	2012	1,233,500
			8,952,176			6,028,004
Non-current						
Bank loans, secured	5.54-7.05	2014-2021	11,616,950	5.99-7.76	2013-2019	13,209,342
Bank loans, unsecured	–	–	–	1.74-1.94	2013	2,099,520
Notes, unsecured	4.83-6.85	2017-2021	7,706,296	6.85	2021	3,862,518
			19,323,246			19,171,380
			28,275,422			25,199,384

* The balance represents an amount due to a fellow subsidiary of the Company.

Company

	2012			2011		
	Effective interest rate (%)	Maturity	HK$'000	Effective interest rate (%)	Maturity	HK$'000
Current						
Bank loans, unsecured	1.78-1.98	2013	2,492,608	2.02	2012	777,600
Non-current						
Bank loans, unsecured	–	–	–	1.74-1.94	2013	2,099,520
			2,492,608			2,877,120

32. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

	Group		Company	
	2012	2011	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000
Analysed into:				
Bank loans repayable:				
Within one year	8,705,516	4,547,804	2,492,608	777,600
In the second year	2,253,856	5,238,568	–	2,099,520
In the third to fifth years, inclusive	5,094,643	3,640,059	–	–
Beyond five years	4,268,451	6,430,235	–	–
	20,322,466	19,856,666	2,492,608	2,877,120
Other borrowings repayable:				
Within one year	246,660	1,480,200	–	–
In the second year	–	–	–	–
In the third to fifth years, inclusive	3,854,157	–	–	–
Beyond five years	3,852,139	3,862,518	–	–
	7,952,956	5,342,718	–	–
	28,275,422	25,199,384	2,492,608	2,877,120

Notes:

(a) The Group's loan facilities amounting to HK$36,734,325,000 (2011: HK$33,488,691,000), of which HK$19,644,151,000 (2011: HK$21,003,821,000) had been utilised as at the end of the reporting period, are secured by the Group's hotel properties, buildings, properties under development, properties held for sale, investment properties, prepaid land lease payments and time deposits.

(b) Certain of the Group's bank loans are secured by:

(i) mortgages over certain of the Group's hotel properties and buildings which had an aggregate net carrying value at the end of the reporting period of approximately HK$3,583,791,000 (2011: HK$5,507,879,000) (note 14);

(ii) mortgages over certain of the Group's properties under development, which had an aggregate carrying amount at the end of the reporting period of HK$4,928,638,000 (2011: HK$5,693,596,000) (note 15);

(iii) mortgages over certain of the Group's properties held for sale, which had an aggregate carrying amount at the end of the reporting period of HK$1,427,161,000 (2011: HK$148,916,000) (note 17);

(iv) mortgages over certain of the Group's investment properties, which had an aggregate carrying value at the end of the reporting period of approximately HK$10,406,408,000 (2011: HK$13,387,042,000) (note 18);

(v) mortgages over certain of the Group's prepaid land lease payments, which had an aggregate carrying amount at the end of the reporting period of HK$108,161,000 (2011: HK$397,785,000) (note 19); and

(vi) the pledge of certain of the Group's time deposits amounting to approximately HK$220,761,000 (2011: HK$236,602,000) (note 28).

(c) Except for the bank and other borrowings amounting to approximately HK$10,156,313,000 (2011: HK$7,097,981,000) which are denominated in United States dollars and HK$400,000,000 (2011: Nil) which are denominated in Hong Kong dollars, all bank and other borrowings are denominated in RMB.

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33. PROVISION FOR LAND APPRECIATION TAX

Group

	HK$'000
At 1 January 2011	822,594
Charge to the income statement during the year (note 10)	216,139
Payment during the year	(587,705)
Transfer from prepaid tax	–
Exchange realignment	32,689
At 31 December 2011 and 1 January 2012	**483,717**
Charge to the income statement during the year (note 10)	**1,145,318**
Payment during the year	**(513,956)**
Transfer from prepaid tax	**(71,583)**
Exchange realignment	**1,698**
At 31 December 2012	**1,045,194**

PRC land appreciation tax

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

Effective from 1995, the local tax bureau requires the prepayment of LAT on the pre-sale and sale proceeds of property development. According to the relevant tax notices issued by local tax authorities, the Group is required to pay LAT in advance at 1.5% to 3.5% on the sales and pre-sales proceeds of the Group's properties.

The Group has estimated, made and included in taxation a provision for LAT according to the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects. The tax authorities might disagree with the basis on which the provision for LAT is calculated.

34. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

Group

	Revaluation of properties HK$'000	Depreciation allowance in excess of related depreciation HK$'000	Withholding taxes HK$'000	Total HK$'000
Gross deferred tax liabilities at 1 January 2011	1,750,869	310,069	–	2,060,938
Deferred tax charged to the income statement during the year (note 10)	299,665	34,072	20,458	354,195
Exchange realignment	93,870	16,178	479	110,527
Gross deferred tax liabilities at 31 December 2011 and 1 January 2012	2,144,404	360,319	20,937	2,525,660
Deferred tax charged to the income statement during the year (note 10)	407,527	36,417	64,414	508,358
Deferred tax charged to the statement of comprehensive income during the year	2,363	–	–	2,363
Exchange realignment	956	58	(3)	1,011
Gross deferred tax liabilities at 31 December 2012	2,555,250	396,794	85,348	3,037,392

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34. DEFERRED TAX (Continued)

Deferred tax assets

Group

	Provision for LAT HK$'000	Losses available for off setting against future taxable profits HK$'000	Unrealised profit arising from intra-group transactions HK$'000	Others HK$'000	Total HK$'000
Gross deferred tax assets at 1 January 2011	194,627	16,664	32,448	12,635	256,374
Deferred tax credited/(charged) to the income statement during the year (note 10)	(83,545)	(12,520)	81,043	9,411	(5,611)
Exchange realignment	7,702	532	1,902	818	10,954
Gross deferred tax assets at 31 December 2011 and 1 January 2012	118,784	4,676	115,393	22,864	261,717
Deferred tax credited to the income statement during the year (note 10)	142,080	62,364	664	47,534	252,642
Exchange realignment	431	198	(205)	336	760
Gross deferred tax assets at 31 December 2012	261,295	67,238	115,852	70,734	515,119

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position.

The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2012 HK$'000	2011 HK$'000
Net deferred tax assets recognised in the consolidated statement of financial position	427,852	178,052
Net deferred tax liabilities recognised in the consolidated statement of financial position	(2,950,125)	(2,441,995)
	(2,522,273)	(2,263,943)

The Group also has tax losses arising in Mainland China of HK$305,967,000 (2011: HK$471,982,000) that will expire in one to five years for offsetting against future taxable profits.

34. DEFERRED TAX (Continued)

Deferred tax assets (Continued)

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2012, the Group recognised deferred tax liabilities of approximately HK$85,348,000 (2011: HK$20,937,000) for withholding taxes that would be payable on the unremitted earnings of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that the remaining unremitted earnings of the Group's subsidiaries, joint ventures and joint operations will be distributed in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries, joint ventures and joint operations in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$3,655,689,000 at 31 December 2012 (2011: HK$2,965,517,000).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

35. PERPETUAL CONVERTIBLE SECURITIES

On 12 October 2010, Franshion Capital Limited, a direct wholly-owned subsidiary of the Company, issued perpetual convertible securities with a nominal value of US$600 million (equivalent to HK$4,655,166,000). There was no movement in the number of perpetual convertible securities during the year. The direct transaction costs attributable to the perpetual convertible securities amounted to HK$67,166,000.

The perpetual convertible securities are convertible at the option of the holders of perpetual convertible securities into ordinary shares of the Company at any time on or after 11 October 2011 at the initial conversion price of HK$2.83 per ordinary share of the Company. While the perpetual convertible securities confer a right to receive distributions at 6.8% per annum, Franshion Capital Limited may, at its sole discretion, elect to defer a distribution pursuant to the terms of the perpetual convertible securities.

The perpetual convertible securities have no maturity date and are redeemable at the option of Franshion Capital Limited at any time after 11 October 2015 at 110% of the outstanding principal amount, together with all outstanding arrears of distribution (if any) and the distribution accrued to the date fixed for redemption. The perpetual convertible securities are also redeemable at the option of the holders of perpetual convertible securities upon any delisting or prolonged suspension (for a period of 90 consecutive days) arising from or as a result of an application to the Stock Exchange having been initiated or made by the Company or such delisting or prolonged suspension having been effected or imposed through any other means controlled by the Company or otherwise resulting from any action of the Company.

In the opinion of the directors, the Group is able to control the delivery of cash or other financial assets to the holders of perpetual convertible securities due to redemption other than an unforeseen liquidation of the Company or Franshion Capital Limited. Accordingly, the perpetual convertible securities are classified as equity instruments.

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36. SHARE CAPITAL

Shares

	2012 HK$'000	2011 HK$'000
Authorised:		
20,000,000,000 ordinary shares of HK$1 each	**20,000,000**	20,000,000
Issued and fully paid:		
9,161,489,489 ordinary shares of HK$1 each	**9,161,489**	9,161,489

There was no movement in share capital during the year.

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 37 to the financial statements.

37. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's executive and non-executive and the Group's senior management, key technical and professional personnel, managers and employees, but do not include the Company's independent non-executive directors. The Scheme became effective on 22 November 2007 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise and exercisability of the share options is related to the performance of individuals and of the Company. The board of directors will determine performance targets concerned and set out in the grant notice. The share options granted will become exercisable after two years from the grant date or a later date as set out in the relevant grant notice, and in any event shall end not later than seven years from the grant date but subject to the provisions for early termination of employment.

The exercise price of share options is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the grant date of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the grant date; and (iii) the par value of the Company's share.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

37. SHARE OPTION SCHEME (Continued)

The following share options were outstanding under the Scheme during the year:

	2012 Weighted average exercise price HK$ per share	2012 Number of options	2011 Weighted average exercise price HK$ per share	2011 Number of options
At 1 January	3.37	2,764,688	3.37	4,477,356
Granted during the year	2.44	58,267,500	–	–
Forfeited during the year	3.37	(1,502,111)	3.37	(1,516,888)
Expired during the year	3.37	–	3.37	(195,780)
At 31 December	2.46	59,530,077	3.37	2,764,688

The exercise prices and exercise periods of the share options outstanding as at that end of the reporting period are as follows:

2012

Number of options	Exercise price* HK$ per share	Exercise period
1,262,577	3.37	5 May 2010 to 4 May 2015
17,480,250	2.44	28 November 2014 to 27 November 2019
17,480,250	2.44	28 November 2015 to 27 November 2019
23,307,000	2.44	28 November 2016 to 27 November 2019
59,530,077		

2011

Number of options	Exercise price* HK$ per share	Exercise period
1,292,144	3.37	5 May 2010 to 4 May 2015
1,472,544	3.37	5 May 2012 to 4 May 2015
2,764,688		

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

The fair value of the share options granted during the year was HK$51,858,000 (HK$0.89 each) (2011: Nil), of which the Group recognised a share option expense of HK$1,513,000 (2011: Nil) during the year ended 31 December 2012.

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37. SHARE OPTION SCHEME (Continued)

The fair value of the share options granted during the year ended 31 December 2008 was HK$7,604,000, of which the Group recognised a share option expense of HK$379,000 (2011: HK$1,431,000).

The fair value of equity-settled share options granted during the year was estimated as at the date of grant, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

Dividend yield (%)	1.64
Expected volatility (%)	48.85
Historical volatility (%)	48.85
Risk-free interest rate (%)	0.30
Expected life of options (year)	5.05
Weighted average share price (HK$ per share)	2.44

The expected life of the options is calculated based on the average of weighted vesting period and contractual period. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

At the end of the reporting period, the Company had 59,530,077 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 59,530,077 additional ordinary shares of the Company and an additional share capital of HK$59,530,000 and share premium of approximately HK$86,898,000 (before issue expenses).

38. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 153 to 154 of the financial statements.

Capital reserve

The capital reserve represents additional contribution made by the shareholders of the Company's subsidiaries and, in the case of an acquisition of an additional equity interest in a non-wholly-owned subsidiary, the difference between the cost of acquisition and the non-controlling interests acquired.

PRC statutory surplus reserve

Transfers from retained profits to the statutory surplus reserve were made in accordance with the relevant PRC rules and regulations and the articles of association of the Group's subsidiaries established in Mainland China and were approved by the board of directors of the respective subsidiaries.

The statutory surplus reserve can be used to cover previous years' losses, if any, and may be converted into capital in proportion to equity holders' existing equity holding, provided that the balance after such conversion is not less than 25% of their registered capital.

38. RESERVES (Continued)

(a) Group (Continued)

Assets revaluation reserve

The assets revaluation reserve arose from changes in use from own-occupied properties to investment properties carried at fair value.

Share option reserve

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

(b) Company

	Notes	Share premium account HK$'000	Share option reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2011		6,109,789	3,682	196,631	6,310,102
Total comprehensive income for the year	11	–	–	504,217	504,217
Equity-settled share option arrangements	37	–	1,431	–	1,431
Transfer of share option reserve upon the forfeiture or expiry of share option		–	(1,703)	1,703	–
Proposed final 2011 dividend		–	–	(366,460)	(366,460)
At 31 December 2011 and at 1 January 2012		6,109,789	3,410	336,091	6,449,290
Total comprehensive income for the year	11	–	–	572,072	572,072
Equity-settled share option arrangements	37	–	1,892	–	1,892
Transfer of share option reserve upon the forfeiture or expiry of share option		–	(2,060)	2,060	–
Proposed final 2012 dividend	12	–	–	(641,304)	(641,304)
At 31 December 2012		6,109,789	3,242	268,919	6,381,950

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39. DISPOSAL OF A SUBSIDIARY

	2012 HK$'000	2011 HK$'000
Net assets disposed of:		
Properties under development	–	689,107
Cash and cash equivalents	–	2,303
	–	691,410
Gain on disposal of a subsidiary	–	1,137,510
Release of exchange differences on translation of foreign operations	–	4,634
	–	1,833,554
Satisfied by: Cash	–	1,833,554

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2012 HK$'000	2011 HK$'000
Cash consideration	–	1,833,554
Cash and cash equivalents disposed of	–	(2,303)
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	–	1,831,251

40. ACQUISITION OF SUBSIDIARIES

(i) On 30 November 2012, the Group completed the acquisition of 70% equity interest in Changsha Jinyue through the capital injection of RMB23,333,000 (equivalent to HK$28,753,000) to Changsha Jinyue. Changsha Jinyue is principally engaged in the development of commercial and residential properties on a piece of land situated in Changsha, Hunan Province, the PRC.

As at the date of acquisition, Changsha Jinyue had assets comprising properties under development of HK$629,869,000 and cash and cash equivalents of HK$12,348,000, and had liabilities comprising of other payables of HK$629,869,000. Changsha Jinyue had not begun its planned principal activities on the date of acquisition because the project was in the pre-development stage.

(ii) On 25 April 2012, the Group and Hainan LongHigh Industrial Group Company Limited, an unrelated third party, which was the then holding company of Sanya Yazhouwan, entered into a cooperation agreement pursuant to which the two parties agreed to participate into a land development project in Sanya, Hainan Province, the PRC.

Upon the approval of the aforementioned land development project to Sanya Yazhouwan by the local authorities on 28 December 2012, the Group completed the acquisition of 51% equity interest in Sanya Yazhouwan through capital injection of RMB150,000,000 (equivalent to HK$184,995,000).

As at the date of acquisition, Sanya Yazhouwan had assets comprising cash and cash equivalents of HK$12,333,000 and a land under development of HK$84,358,000, and had not begun its planned principal activities on the date of acquisition because the project was in the pre-development stage. In addition, the Group recognised other financial assets of HK$41,335,000 which represented the amounts recoverable from non-controlling shareholders within three years as estimated by the management in relation to the acquisition of Sanya Yazhouwan.

41. CONTINGENT LIABILITIES

At the end of the reporting period, the Group has provided guarantees in respect of mortgage facilities for certain purchasers of the Group's properties amounting to approximately HK$1,638,383,000 (2011: HK$639,788,000).

42. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 18) under operating lease arrangements, with leases negotiated for terms ranging from one to ten years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At the end of the reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2012 HK$'000	2011 HK$'000
Within one year	**1,110,471**	836,629
In the second to fifth years, inclusive	**1,185,721**	781,145
After five years	**6,887**	1,035
	2,303,079	1,618,809

(b) As lessee

The Group and the Company leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to five years.

At the end of the reporting period, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000
Within one year	**14,123**	13,977	**517**	3,116
In the second to fifth years, inclusive	**17,437**	2,250	**248**	145
	31,560	16,227	**765**	3,261

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43. COMMITMENTS

In addition to the operating lease commitments detailed in note 42(b) above, the Group had the following capital commitments at the end of the reporting period:

	Group 2012 HK$'000	2011 HK$'000
Contracted, but not provided for:		
Properties under development	8,869,629	3,604,177
Land under development	397,599	969,431
Property, plant and equipment	8,133	–
	9,275,361	4,573,608

	Group 2012 HK$'000	2011 HK$'000
Authorised, but not contracted:		
Properties under development	–	2,621,492

44. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	Notes	Group 2012 HK$'000	2011 HK$'000
Fellow subsidiaries:			
Rental income	(i)	202,664	189,564
Property management fee income	(i)	18,052	19,428
Income from hotel operations	(i)	–	214
Interest expense	(ii)	11,307	14,909
Interest income	(iii)	6,058	2,795
The immediate holding company:			
Interest expense	(ii)	–	7,863
Rental expense	(i)	2,532	2,627
The intermediate holding company:			
Rental income	(i)	76,578	73,360
Property management fee income	(i)	14,287	14,151
The ultimate holding company:			
Rental income	(i)	8,997	8,288
Property management fee income	(i)	527	826
Income from hotel operations	(i)	–	13

44. RELATED PARTY TRANSACTIONS (Continued)

(a) (Continued)

Notes:

(i) These transactions were carried out in accordance with the terms and conditions mutually agreed by the parties involved.

(ii) The interest expenses were charged at rates ranging from 6.40% to 6.65% (2011: 2.30% to 5.99%) per annum.

(iii) The interest income was determined at rates ranging from 0.385% to 1.485% (2011: 0.50% to 1.49%) per annum.

(b) Compensation of key management personnel of the Group

	2012 HK$'000	2011 HK$'000
Short term employee benefits	21,771	19,943
Post-employment benefits	2,118	1,905
Equity-settled share option expense	534	639
Total compensation paid to key management personnel	24,423	22,487

The number of non-director and non-chief executive, key management personnel whose remuneration fell within the following bands is as follows:

	Number of key management personnel	
	2012	2011
Nil to HK$1,000,000	1	1
HK$1,000,001 to HK$1,500,000	0	1
HK$1,500,001 to HK$2,000,000	1	3
HK$2,000,001 to HK$2,500,000	3	1
HK$2,500,001 to HK$3,000,000	2	1
	7	7

Further details of directors' and the chief executive's emoluments are included in note 8 to the financial statements.

(c) Transactions and balances with other state-owned entities

The Group is indirectly controlled by the PRC government and operates in an economic environment predominated by entities directly or indirectly owned or controlled by the government through its agencies, affiliates or other organisations (collectively "State-owned Entities" ("SOEs")). During the year, the Group had transactions with other SOEs including, but not limited to, borrowings, deposits, the sale of properties developed, the provision of property lease and management service and the provision of sub-contracting services. The directors of the Company consider that these transactions with other SOEs are activities conducted in the ordinary course of business and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and the other SOEs are ultimately controlled or owned by the PRC government. The Group has also established pricing policies for its products and services and such pricing policies do not depend on whether or not the customers are SOEs.

The related party transactions in respect of all items in note 44(a) also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

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45. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

	Group					
	2012			2011		
Financial assets	Financial assets at fair value through profit or loss HK$'000	Loans and receivables HK$'000	Total HK$'000	Financial assets at fair value through profit or loss HK$'000	Loans and receivables HK$'000	Total HK$'000
Trade receivables	–	2,003,074	2,003,074	–	105,113	105,113
Financial assets included in prepayments, deposits and other receivables (note 25)	–	1,924,832	1,924,832	–	1,175,111	1,175,111
Due from related parties	–	12,360	12,360	–	21,461	21,461
Due from non-controlling shareholders	–	123,330	123,330	–	–	–
Other financial assets	164,665*	–	164,665	–	–	–
Restricted bank balances	–	355,222	355,222	–	131,878	131,878
Pledged deposits	–	220,761	220,761	–	236,602	236,602
Cash and cash equivalents	–	12,888,442	12,888,442	–	12,223,645	12,223,645
	164,665	17,528,021	17,692,686	–	13,893,810	13,893,810

* These other financial assets were designated as financial assets at fair value through profit or loss upon initial recognition.

	Group	
	2012	2011
Financial liabilities	Financial liabilities at amortised cost HK$'000	Financial liabilities at amortised cost HK$'000
Trade payables	2,525,712	2,345,492
Financial liabilities included in other payables and accruals (note 31)	3,634,490	2,754,413
Due to related parties	99,634	79,295
Interest-bearing bank and other borrowings	28,275,422	25,199,384
	34,535,258	30,378,584

45. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

	Company 2012	2011
Financial assets		
	Loans and receivables HK$'000	Loans and receivables HK$'000
Due from subsidiaries	5,640,277	3,012,687
Financial assets included in prepayments, deposits and other receivables (note 25)	6,716	8,964
Due from related parties	718	–
Cash and cash equivalents	3,351,886	3,743,608
	8,999,597	6,765,259
Financial liabilities		
	Financial liabilities at amortised cost HK$'000	Financial liabilities at amortised cost HK$'000
Due to subsidiaries	11,377,681	8,010,157
Financial liabilities included in other payables and accruals (note 31)	8,900	6,117
Interest-bearing bank and other borrowings	2,492,608	2,877,120
	13,879,189	10,893,394

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46. FAIR VALUE AND FAIR VALUE HIERARCHY

The carrying amounts and fair values of the Group's and the Company's financial instruments are as follows:

Group

	Carrying amounts		Fair values	
	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000
Financial assets				
Trade receivables	2,003,074	105,113	2,003,074	105,113
Financial assets included in prepayments, deposits and other receivables (note 25)	1,924,832	1,175,111	1,924,832	1,175,111
Due from related parties	12,360	21,461	12,360	21,461
Due from non-controlling shareholders	123,330	–	123,330	–
Other financial assets	164,665	–	164,665	–
Restricted bank balances	355,222	131,878	355,222	131,878
Pledged deposits	220,761	236,602	220,761	236,602
Cash and cash equivalents	12,888,442	12,223,645	12,888,442	12,223,645
	17,692,686	13,893,810	17,692,686	13,893,810
Financial liabilities				
Trade payables	2,525,712	2,345,492	2,525,712	2,345,492
Financial liabilities included in other payables and accruals (note 31)	3,634,490	2,754,413	3,634,490	2,754,413
Due to related parties	99,634	79,295	99,634	79,295
Interest-bearing bank and other borrowings	28,275,422	25,199,384	28,613,668	24,342,438
	34,535,258	30,378,584	34,873,504	29,521,638

46. FAIR VALUE AND FAIR VALUE HIERARCHY (Continued)

Company

	Carrying amounts		Fair values	
	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000
Financial assets				
Due from subsidiaries	**5,640,277**	3,012,687	**5,640,277**	3,012,687
Financial assets included in prepayments, deposits and other receivables (note 25)	**6,716**	8,964	**6,716**	8,964
Due from related parties	**718**	–	**718**	–
Cash and cash equivalents	**3,351,886**	3,743,608	**3,351,886**	3,743,608
	8,999,597	6,765,259	**8,999,597**	6,765,259
Financial liabilities				
Due to subsidiaries	**11,377,681**	8,010,157	**11,377,681**	8,010,157
Financial liabilities included in other payables and accruals (note 31)	**8,900**	6,117	**8,900**	6,117
Interest-bearing bank and other borrowings	**2,492,608**	2,877,120	**2,492,608**	2,877,120
	13,879,189	10,893,394	**13,879,189**	10,893,394

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

The fair value of cash and cash equivalents, pledged deposits, restricted bank balances, trade receivables, amounts due from non-controlling shareholders, the current balance of other financial assets, financial assets included in prepayments, deposits and other receivables, trade payables, financial liabilities included in other payables and accruals, the current portion of interest-bearing bank and other borrowings, amounts due from subsidiaries, and amounts due from/to related parties approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of amounts due to subsidiaries, the non-current balance of other financial assets and the non-current portion of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments on similar terms, credit risk and remaining maturities.

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46. FAIR VALUE AND FAIR VALUE HIERARCHY (Continued)

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

Assets measured at fair value:

Level 3

	Group	
	2012	2011
	HK$'000	HK$'000
Other financial assets	**164,665**	–

None of the Group's assets was categorised in Level 1 nor Level 2 as at 31 December 2012 (2011: Nil).

The movements in fair value measurements in Level 3 during the year are as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Other financial assets:		
At 1 January	**–**	–
Purchases	**164,665**	–
At 31 December	**164,665**	–

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 fair value measurements (2011: Nil).

The Company did not have any financial assets measured at fair value as at 31 December 2012 (2011: Nil).

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans and other borrowings and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and payables, which arise directly from its operations.

It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with floating interest rates.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. The Group's policy is to maintain approximately 30% of its interest-bearing borrowings at fixed interest rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's and the Company's profit before tax (through the impact on floating rate borrowings).

	Group		Company	
	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax HK$'000	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax HK$'000
31 December 2012				
RMB	**27**	**(39,755)**	**27**	**–**
USD	**27**	**(2,250)**	**27**	**(2,193)**
HKD	**27**	**(1,092)**	**27**	**(1,092)**
RMB	**(27)**	**39,755**	**(27)**	**–**
USD	**(27)**	**2,250**	**(27)**	**2,193**
HKD	**(27)**	**1,092**	**(27)**	**1,092**
31 December 2011				
RMB	27	(43,253)	27	–
USD	27	(7,393)	27	(7,271)
RMB	(27)	43,253	(27)	–
USD	(27)	7,393	(27)	7,271

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the year and had applied the exposure to interest rate risk to those bank and other borrowings in existence at that date. The estimated percentage increase or decrease represents management's assessment of a reasonably possible change in interest rates over the year until the next annual end of the reporting period.

Notes to Financial Statements

31 December 2012

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreign currency risk

All of the Group's turnover and substantially all of the Group's operating expenses are denominated in RMB, which is currently not a freely convertible currency. The PRC Government imposes controls on the convertibility of RMB into foreign currencies and, in certain cases, the remittance of currency out of Mainland China. Shortages in the availability of foreign currencies may restrict the ability of the Group's PRC subsidiaries to remit sufficient foreign currencies to pay dividends or other amounts to the Group.

Under existing PRC foreign exchange regulations, payments of current account items, including dividends, trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from the State Administration for Foreign Exchange by complying with certain procedural requirements. However, approval from appropriate PRC Governmental authorities is required where RMB is to be converted into foreign currencies and remitted out of Mainland China to pay capital account items, such as the repayment of bank loans denominated in foreign currencies.

Currently, the Group's PRC subsidiaries may purchase foreign currencies for settlement of current account transactions, including the payment of dividends to the Company, without the prior approval of the State Administration for Foreign Exchange. The Group's PRC subsidiaries may also retain foreign currencies in their current accounts to satisfy foreign currency liabilities or to pay dividends. Since foreign currency transactions on the capital account are still subject to limitations and require approval from the State Administration for Foreign Exchange, this could affect the ability of the Group's subsidiaries to obtain the required foreign currencies through debt or equity financing, including by means of loans or capital contributions.

The Group's financial assets and liabilities are not subject to foreign currency risk, except for certain short term deposits denominated in United States dollars. The fluctuations in the exchange rates of RMB against foreign currencies could affect the Group's results of operations.

There are limited hedging instruments available in Mainland China to reduce the Group's exposure to exchange rate fluctuations between the RMB and other currencies. To date, the Group has not entered into any hedging transactions in an effort to reduce the Group's exposure to foreign currency exchange risk. While the Group may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedges may be limited, and the Group may not be able to hedge the Group's exposure successfully, or at all.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the exchange rate between HK$ and United States dollars ("US$") on the Group's profits for the years ended 31 December 2012 and 2011.

	Group	
Increase/(decrease) in US$ rate	**Increase/ (decrease) in profit for the year 2012 HK$'000**	Increase/ (decrease) in profit for the year 2011 HK$'000
+1%	**(77,908)**	(53,964)
-1%	**77,908**	53,964

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreign currency risk (Continued)

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the exchange rate between RMB and US$ on the Group's profits for the years ended 31 December 2012 and 2011.

	Group	
Increase/(decrease) in US$ rate	Increase/ (decrease) in profit for the year 2012 HK$'000	Increase/ (decrease) in profit for the year 2011 HK$'000
+5%	(10,056)	81,396
-5%	10,056	(81,396)

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its land development revenue, the sale of properties, leasing activities, the provision of hotel and property management services and its financing activities, including deposits with banks and financial institutions and derivatives. Credit risk is managed by requiring tenants to pay rentals in advance. Outstanding tenants' receivables are regularly monitored. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial asset.

Liquidity risk

Due to the capital intensive nature of the Group's business, the Group ensures that it maintains sufficient cash and credit facilities to meet its liquidity requirements. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and other interest-bearing loans. In the opinion of the directors, most of the borrowings that mature within one year are able to be renewed and the Group is expected to have adequate source of funding to finance and manage its liquidity position.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

Group

			2012		
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total HK$'000
Interest-bearing bank and other borrowings	10,341,133	3,412,558	11,763,998	9,360,132	34,877,821
Trade payables	2,525,712	–	–	–	2,525,712
Other payables	3,634,490	–	–	–	3,634,490
Due to related parties	99,634	–	–	–	99,634
	16,600,969	3,412,558	11,763,998	9,360,132	41,137,657

Notes to Financial Statements

31 December 2012

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

Group (Continued)

	2011				
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total HK$'000
Interest-bearing bank and other borrowings	7,085,105	6,372,170	6,037,128	11,693,421	31,187,824
Trade payables	2,345,492	–	–	–	2,345,492
Other payables	1,847,982	–	–	–	1,847,982
Due to related parties	79,295	–	–	–	79,295
	11,357,874	6,372,170	6,037,128	11,693,421	35,460,593

Company

	2012				
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total HK$'000
Interest-bearing bank and other borrowings	2,515,368	–	–	–	2,515,368
Other payables	8,900	–	–	–	8,900
Due to subsidiaries	–	–	11,377,681	–	11,377,681
	2,524,268	–	11,377,681	–	13,901,949

	2011				
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total HK$'000
Interest-bearing bank and other borrowings	829,680	2,114,756	–	–	2,944,436
Other payables	6,117	–	–	–	6,117
Due to subsidiaries	–	–	8,010,157	–	8,010,157
	835,797	2,114,756	8,010,157	–	10,960,710

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital management (Continued)

The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, issue new shares or sell assets to reduce debt. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2012 and 31 December 2011.

The Group monitors capital on the basis of the debt-to-adjusted-capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total interest-bearing bank and other borrowings (as shown in the statement of financial position) less cash and cash equivalents, restricted bank balances and pledged deposits and other financial assets included in current assets. Adjusted capital comprises all components of equity (including non-controlling interests) and amounts due to related parties. The Group aims to maintain the debt-to-adjusted-capital ratio at a reasonable level. The debt-to-adjusted-capital ratios as at the end of the reporting period were as follows:

		Group	
	Notes	**2012 HK$'000**	2011 HK$'000
Interest-bearing bank and other borrowings	32	**28,275,422**	25,199,384
Less: Cash and cash equivalents	28	**(12,888,442)**	(12,223,645)
Restricted bank balances and pledged deposits	28	**(575,983)**	(368,480)
Other financial assets included in current assets	27	**(123,330)**	–
Net debt		**14,687,667**	12,607,259
Total equity		**34,502,830**	30,547,255
Add: Amounts due to related parties	26	**99,634**	79,295
Adjusted capital		**34,602,464**	30,626,550
Debt-to-adjusted-capital ratio		**42.4%**	41.2%

48. EVENTS AFTER THE REPORTING PERIOD

On 2 February 2013, the Group and Bateson Investment Limited entered into a share sales and purchase agreement pursuant to which the Group agreed to acquire 51% equity interests of Leading Holdings Limited from Bateson Investment Limited at a cash consideration of RMB816,000,000. In addition, the Group also agreed to acquire 51% shareholders' loan of Leading Holdings Limited at a cash consideration of US$47,793,273. Leading Holdings Limited and its subsidiaries are principally engaged in the development, construction and operation of a real estate project in Nanjing, the PRC.

49. COMPARATIVE AMOUNTS

In order to be consistent with the accounting policy of the Group's immediate holding company during the current year, the interest paid included in the consolidated statement of cash flows is included in financing activities; and accordingly, the comparative amount has been reclassified from operating activities to financing activities.

50. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 25 March 2013.

Five-Year Financial Information

31 December 2012

I. MAJOR INFORMATION OF INCOME STATEMENTS

	2008 HK$'000	2009 HK$'000	2010 HK$'000	2011 HK$'000	**2012 HK$'000**
RESULTS					
Revenue	3,913,468	6,320,902	6,348,001	6,591,692	**17,175,666**
Cost of sales	(1,715,516)	(3,021,689)	(3,045,079)	(3,016,723)	**(9,976,971)**
Gross profit	2,197,952	3,299,213	3,302,922	3,574,969	**7,198,695**
Other income and gains	381,250	485,560	1,274,375	2,672,051	**1,931,279**
Selling and marketing expenses	(168,912)	(254,734)	(266,686)	(307,128)	**(439,132)**
Administrative expenses	(494,582)	(552,500)	(640,683)	(851,250)	**(968,054)**
Other expenses and losses	(2,923)	(3,068)	(3,107)	(135,667)	**(15,859)**
Finance costs	(405,641)	(499,963)	(606,196)	(859,274)	**(986,043)**
Share of profits of joint ventures	(6,208)	(927)	2,900	3,619	**2,463**
PROFIT BEFORE TAX	1,500,936	2,473,581	3,063,525	4,097,320	**6,723,349**
Income tax expense	(401,788)	(742,484)	(931,714)	(1,186,566)	**(2,783,013)**
PROFIT FOR THE YEAR	1,099,148	1,731,097	2,131,811	2,910,754	**3,940,336**
Attributable to:					
Owners of the parent	900,934	1,174,408	1,713,616	2,344,352	**3,377,727**
Non-controlling interests	198,214	556,689	418,195	566,402	**562,609**
	1,099,148	1,731,097	2,131,811	2,910,754	**3,940,336**

II. MAJOR INFORMATION OF FINANCIAL POSITION

	2008 HK$'000	2009 HK$'000	2010 HK$'000	2011 HK$'000	**2012 HK$'000**
Total non-current assets	23,961,343	29,025,701	35,639,777	44,803,431	**44,303,165**
Total current assets	10,585,593	11,116,810	15,715,375	24,967,607	**38,199,079**
Total assets	34,546,936	40,142,511	51,355,152	69,771,038	**82,502,244**
Total current liabilities	14,870,504	14,652,412	10,886,405	17,610,408	**25,726,043**
Total non-current liabilities	5,752,290	7,543,233	13,749,546	21,613,375	**22,273,371**
Total liabilities	20,622,794	22,195,645	24,635,951	39,223,783	**47,999,414**
Equity attributable to:					
Owners of the parent	11,040,045	16,419,645	23,124,496	26,170,749	**28,877,841**
Non-controlling interests	2,884,097	1,527,221	3,594,705	4,376,506	**5,624,989**
Total equity	13,924,142	17,946,866	26,719,201	30,547,255	**34,502,830**

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