

Annual Report 2012



遠洋地產控股有限公司
Sino-Ocean Land Holdings Limited

(Incorporated in Hong Kong with limited liability under the Hong Kong Companies Ordinance)
(Stock Code:03377)

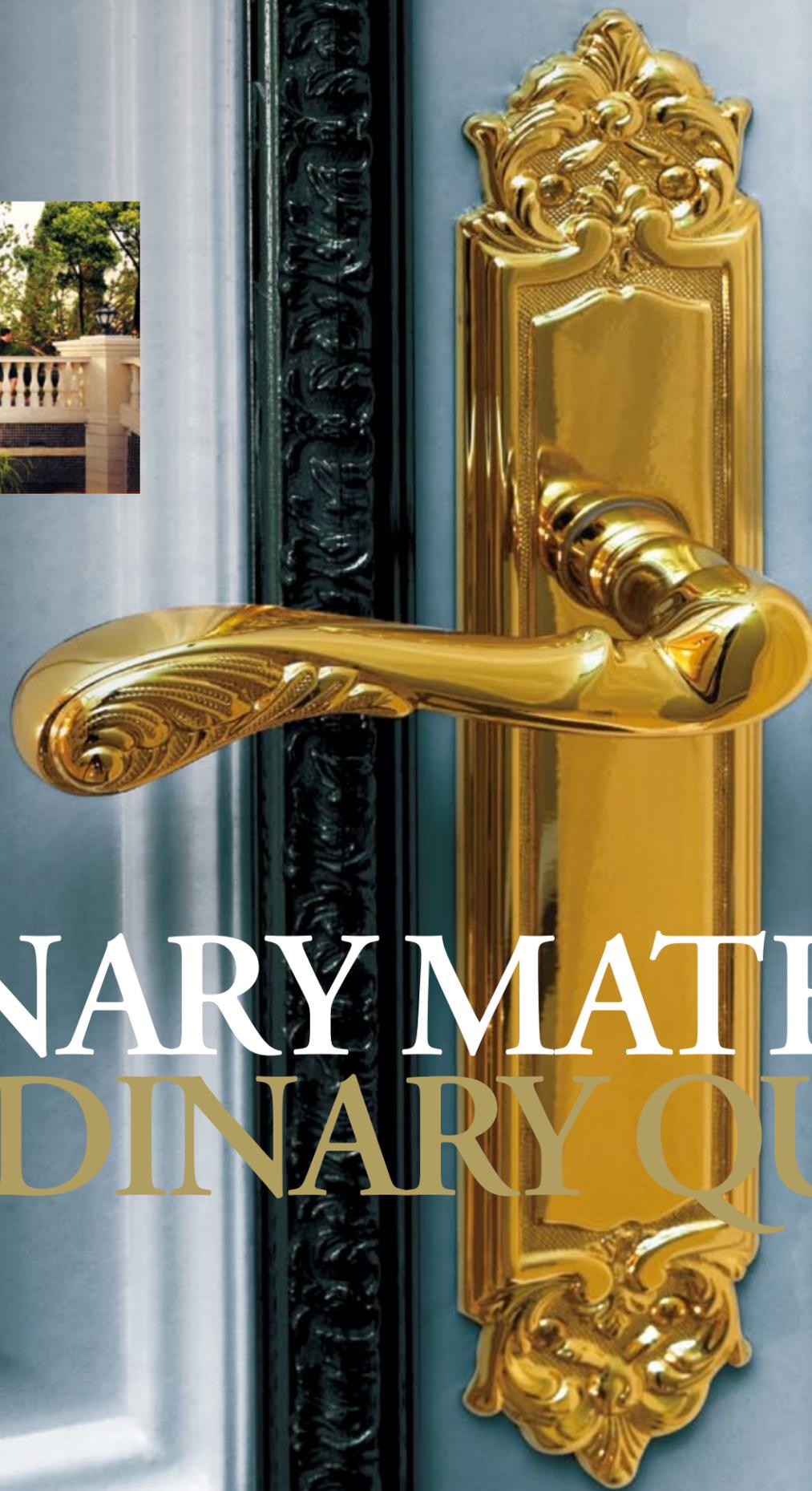
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ORDINARY
WE BUILD THE
EXTRAORDINARY



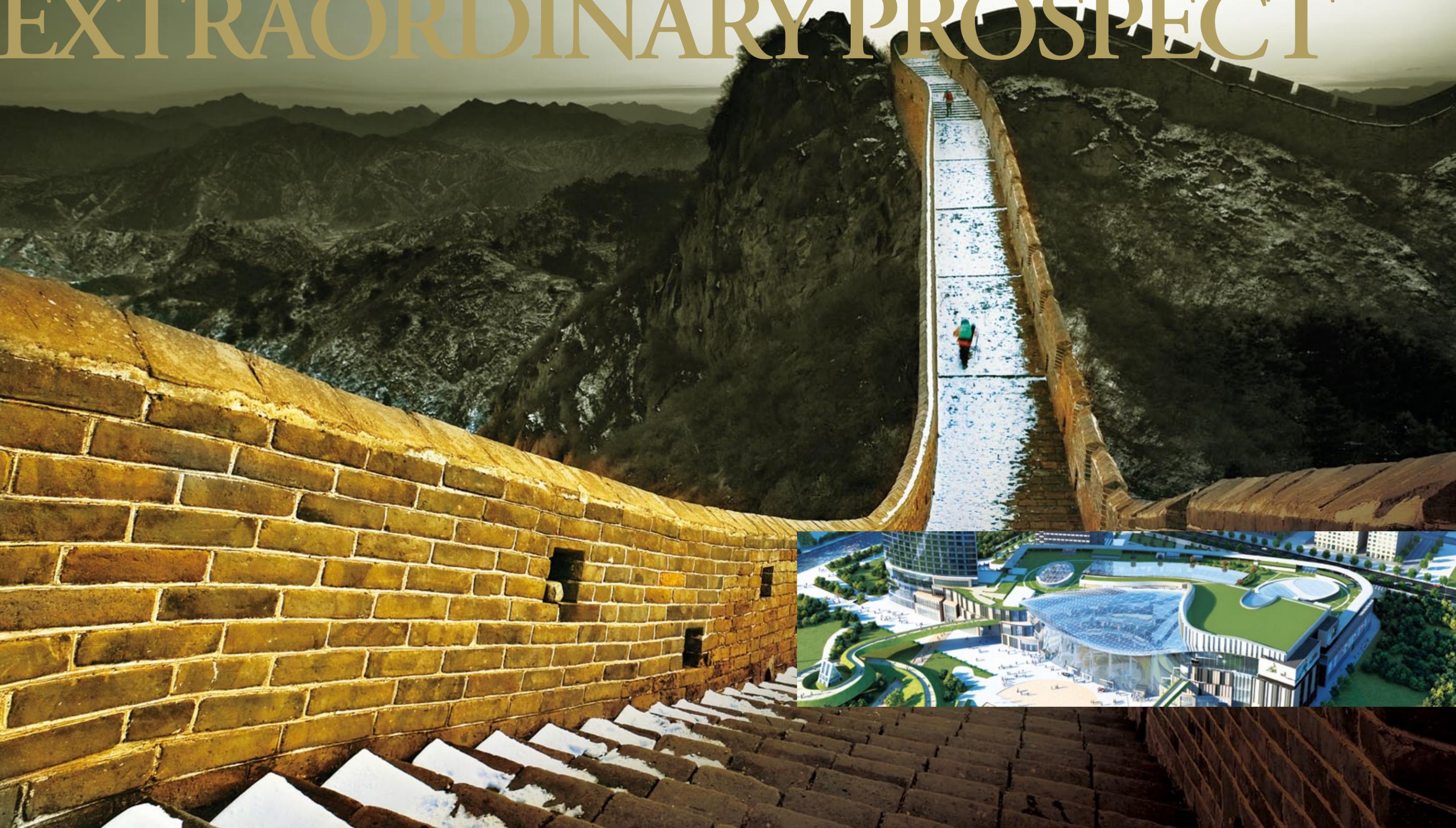
ORDINARY TALENTS EXTRAORDINARY TASKS





ORDINARY MATERIALS
EXTRAORDINARY QUALITY

ORDINARY MIND EXTRAORDINARY PROSPECT



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ABOUT US

Sino-Ocean Land is one of the leading property developers in Beijing and the Pan-Bohai Rim and actively accomplishing our national strategic plan with a coastal and riparian focus. We focus on developing mid-to-high end residential properties, high-end office premises and retail properties. We have over 50 development projects in various stages of development in 19 high growth cities across the country, including Beijing; Dalian, Qinhuangdao, Tianjin and Qingdao in the Pan-Bohai Rim; Changchun, Shenyang and Fushun in the Northeast Region; Shanghai, Hangzhou, Zhenjiang, Huangshan, Wuhan, Chongqing and Chengdu along Yangtze River; Shenzhen, Zhongshan, Haikou and Sanya in the Southern Region.

On the back of our dedication to provide high-quality products and professional services, Sino-Ocean Land has built up a strong brand in Beijing, the Pan-Bohai Rim and the Southern Region. As at 31 December 2012, we have approximately 23 million sq.m. landbank, in which projects located in Beijing and the Pan-Bohai Rim accounted for about 57% of our total landbank, comparing to that of 60% last year, our increasing presence in other PRC regions is exhibited.

Up to now, our Group has been selected as a constituent of the Hang Seng Composite Index ("HSCI"), the Hang Seng Composite Industry Index — Properties and Construction, Hang Seng Mainland 100, Hang Seng Composite Mid Cap Index and Hang Seng Global Composite Index.

WE BUILD THE EXTRAORDINARY SINO-OCEAN



FINANCIAL & OPERATION HIGHLIGHTS

Highlights

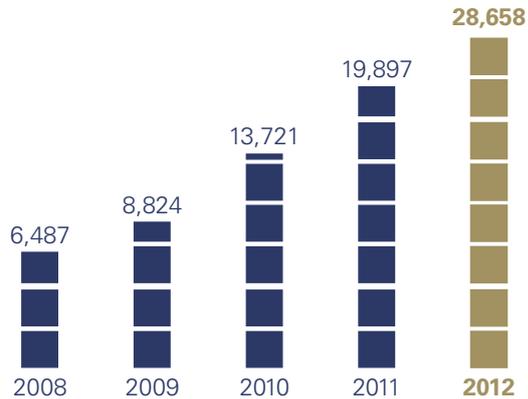
(RMB million)	2012	2011	YoY (%)
Contracted sales	31,119	27,005	15%
Revenue	28,658	19,897	44%
Gross profit	7,699	6,258	23%
Profit before income tax	7,235	5,174	40%
Profit for the year	3,987	2,621	52%
Profit attributable to owners of the Company	3,796	2,571	48%
Earnings per share (RMB)			
— Basic	0.542	0.352	54%
— Diluted	0.541	0.351	54%
Dividend per share (HKD)	0.23	0.15	53%
Dividend payout ratio	29%	27%	2 pts
Gross profit margin	27%	31%	-4 pts
Net profit margin	13%	13%	-
Saleable GFA sold (sq.m.)	2,611,000	2,096,000	25%
Saleable GFA delivered (sq.m.)	2,055,000	1,481,000	39%

(RMB million)	2012	2011	YoY (%)
Total assets	128,305	110,285	16%
Equity attributable to owners of the Company	38,260	35,268	8%
Cash resources*	16,147	12,417	30%
Current ratio	1.8	2.0	-10%
Net gearing ratio*	42%	60%	-18 pts
Landbank (sq.m.)	22,969,000	23,989,000	-4%

*: Including the restricted bank deposits

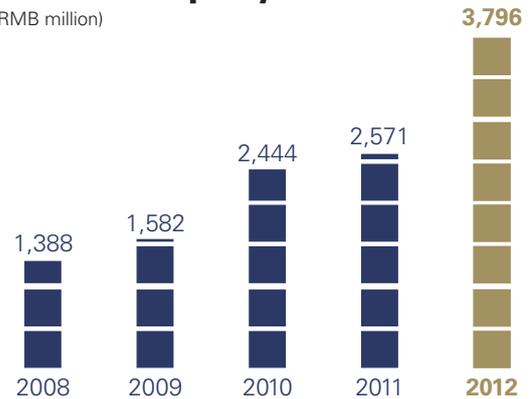
Revenue

(RMB million)



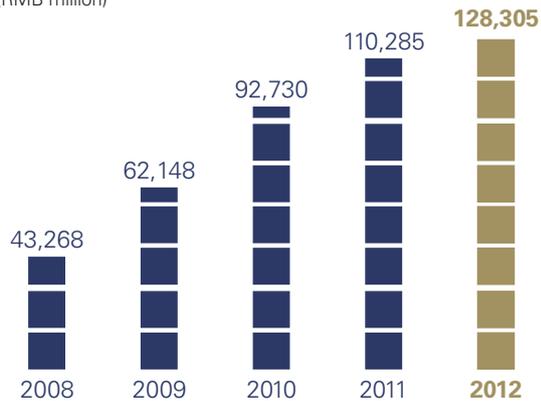
Profit attributable to owners of the Company

(RMB million)



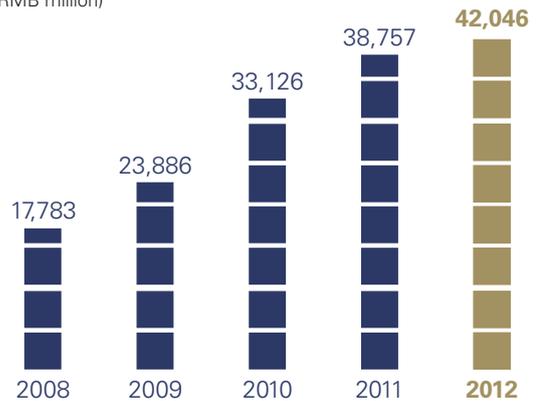
Total assets

(RMB million)



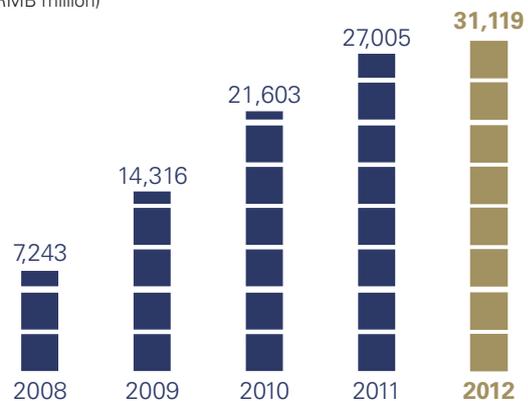
Total equity

(RMB million)



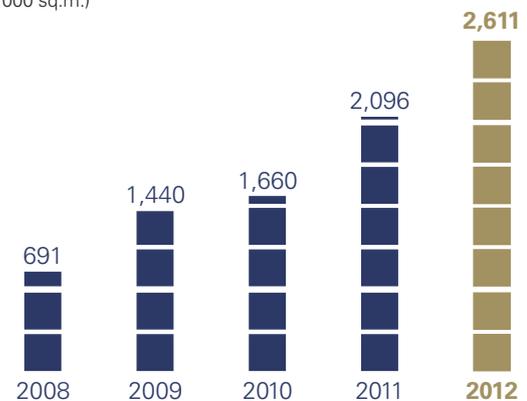
Contracted sales

(RMB million)



Saleable GFA sold

('000 sq.m.)



DEVELOPMENT HISTORY

2011

2012

1993-1995

- June 1993 – COSCO Real Estate Development Corporation was set up.
- January 1994 – the company started studying the real estate business management and procedure. The primary goal was investment and determining business strategy.
- January 1995 – the company exploring Real Estate Representative for the mother company (COSCO). Managing all real estate projects of COSCO around China and investing in real estate.

1996-1998

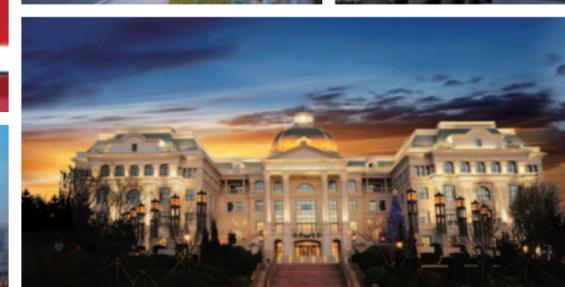
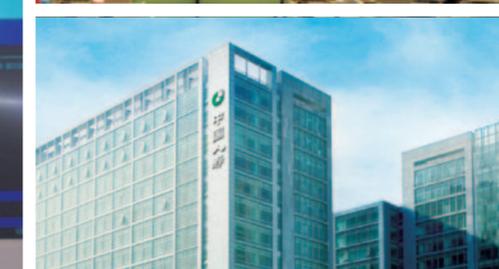
- February 1996 – the company was continuing to manage COSCO's real estate projects, started developing construction business independently.
- September 1997 – the company put its business focus on the real estate market in the Beijing region.
- July 1998 – the State residences system reform policy was implemented and the company stepped up its development of commodity property.

1999-2001

- February 1999 – the company was approved by Ministry of Construction as a class 1 real estate development enterprise.
- April 2000 – the company began large-scale development of several projects in parallel. Change from management duties to development duties.
- December 2001 – Sinochem Corporation became a shareholder of the company and held 50% of the equity, with the China Ocean Shipping (Group) Company holding the rest.

2002-2003

- March 2002 – the company began to implement 'the three-step' strategy.
- April 2003 – the company became a Sino-foreign joint venture following the introduction of new shareholders.



2004-2005

- December 2004 – the company started to expand beyond Beijing and entered the Tianjin market.
- September 2005 – the company announced it will enter the capital market, seeking a listing.

2006

- January 2006 – entered the Zhongshan market, marking its expansion into the Pearl River Delta.
- April 2006 – entered the Dalian market, marking its expansion into the North-East Economic District.
- November 2006 – successfully introduced six internationally renowned private investors.

2007

- September 2007 – Sino-Ocean Land Holdings Limited was listed on the Main Board of the Stock Exchange of Hong Kong.
- October 2007 – entered the Hangzhou market, marking its expansion into the Yangtze River Delta.



2008-2010

- March 2008 – became a constituent of Hang Seng Composite Index and Hang Seng China-Affiliated Corporations Indexes.
- 2009 – China Life Insurance (Group) Company became the substantial shareholder of the Company in 2009.
- December 2010 – NanFung Group became a major shareholder of Sino-Ocean Land.

THREE-STEP STRATEGY

Since 2002 Sino-Ocean Land has been operating on a 'three-step' development strategy. The first step is reinforcing our foothold in Beijing and the Pan-Bohai Rim, second is expanding ourselves into other cities in China and finally in the position of 'development + operation + real estate finance', a natural progression.

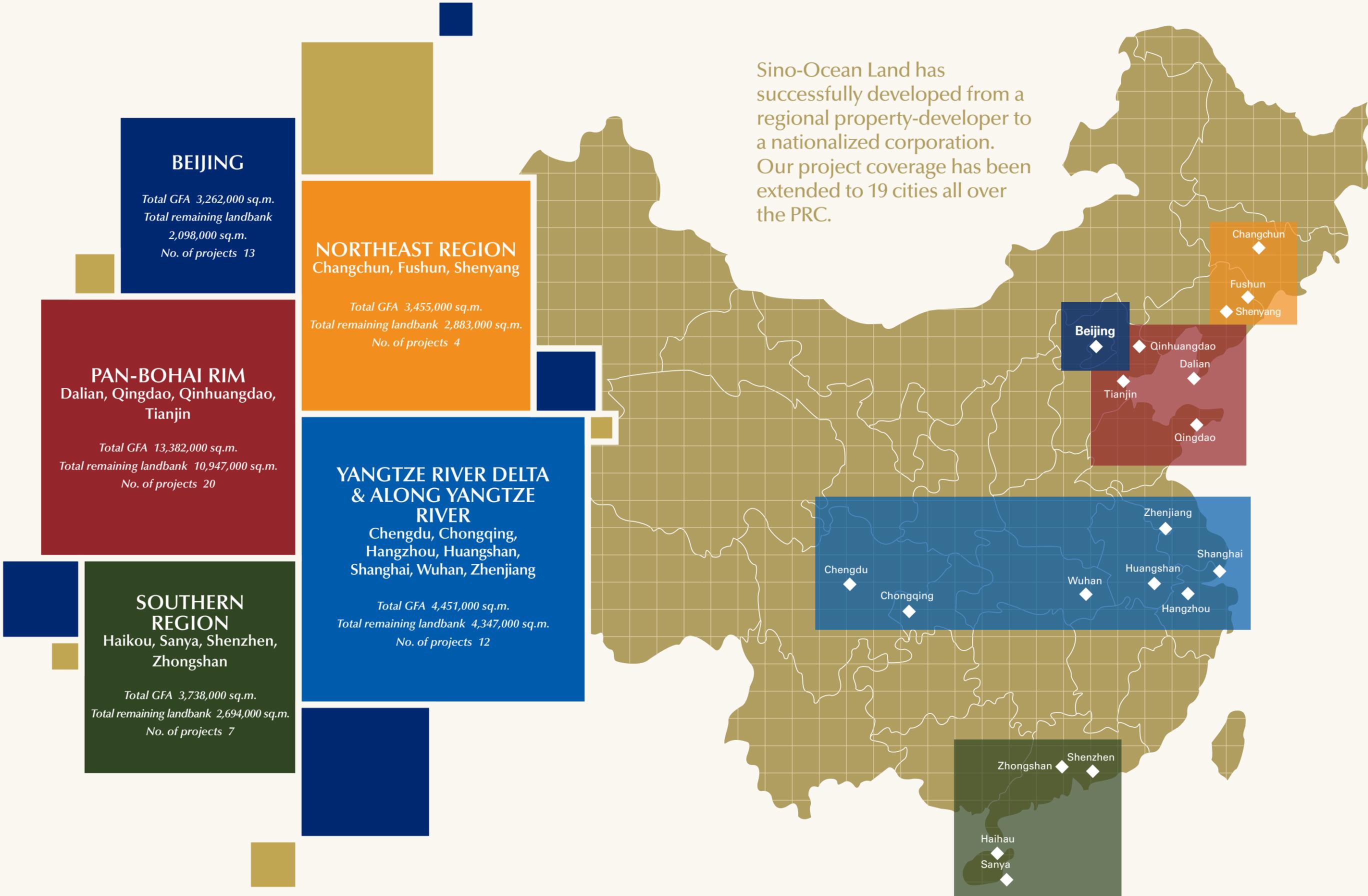
2011

- April 2011—The first CSR Report was published, setting up Sino-Ocean Land's initial CSR system.
- September 2011— Sino-Ocean Land and KKR established a real estate investment platform in China, marking an important breakthrough of the Company's real estate finance business.

2012

- Under the theme of "Focus on Values and Foundations to Build the Extraordinary", the annual management meeting was convened by Sino-Ocean Land on 6 January. The direction for future development was officially formulated, highlighting a principle of "Stringent Cost Control, Accelerated Asset Turnover, Higher Quality and Maximizing Potentials". The Group made moves to pursue a higher degree of professionalism in management by establishing two regional management centres in Beijing and Dalian, respectively, and municipal project teams in 19 cities. The Beijing Business Department and Northeast Region Business Department will be discontinued. As a result, our management and reporting framework transited from three to two tiers. Aiming at building a professional management and control system, the Company issued 28 policies on systems and 6 on standardized processes which encompass different management aspects, including planning, marketing, construction, cost control, design, customer services and property management. Such management optimization measures yielded remarkable results.
- On 20 April, it was resolved to establish the "Sino-Ocean Land Senior Housing Business Development Centre" under our head office. This led to the formation of Yuan Kang Retirement Investment Management Company Limited (遠康安老投資管理有限公司) which marked Sino-Ocean Land's maiden move in developing a future profit generating point after various attempts and explorations in the senior housing sector. On 20 September, INDIGO (Beijing), the Group's joint urban complex project with Swire Properties Limited, came into full operation. Tenancies were secured for 85% of shopping center spaces and over 60% of the shops were in operation. Occupancy rate for office premises surpassed 86%, underpinned by tenants like Alstom, Mercedes-Benz and other Fortune 500 companies. As noted, eight shopping malls, amongst them Ocean We-Life Plaza which is developed under our own brand, will be unveiled in succession. Sino-Ocean Land will be able to supply commercial properties with GFA of not less than 200,000 sq.m. each year until 2015.

Sino-Ocean Land has successfully developed from a regional property-developer to a nationalized corporation. Our project coverage has been extended to 19 cities all over the PRC.



CHAIRMAN'S STATEMENT

“Dear Shareholders,
It is my pleasure to present the results of Sino-Ocean Land Holdings Limited (the “Company”) and its subsidiaries (together referred to as “the Group” or “we”) for the year ended 31 December 2012.”



Annual Results and Final Dividend for 2012

For the 12 months ended 31 December 2012, the Group recorded revenue of RMB28,658 million and gross profit of RMB7,699 million, representing year-on-year (“YoY”) increases of 44% and 23% respectively. Profit attributable to owners of the Company totaled RMB3,796 million and earnings per share was RMB0.542.

Based on the profit attributable to owners of the Company in 2012, the Board of Directors is pleased to propose a final dividend of HK\$0.17 per share for the year ended

31 December 2012. Together with the interim dividend of HK\$0.06 per share, the total dividend per share for 2012 was HK\$0.23 (HK\$0.15 in 2011) with a dividend payout ratio of 29% (27% in 2011).

The Board also recommends offering shareholders the option to receiving the 2012 final dividend wholly or partly in the form of new shares allotted and credited as fully paid up in lieu of cash, subject to approval by shareholders for payment of the 2012 final dividend at the Company’s annual general meeting (the “AGM”), and the granting by the Listing Committee of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) of the listing of, and permission to deal in, the new shares to be issued pursuant thereto.

Strategic Review

2012 marked the third year of the Group’s phase three strategic development plan. Guided by a roadmap of ‘stringent cost control; accelerated asset turnover; focus on developing established regions; and exploring new businesses’ laid out at the beginning of the year, we realized sustainable growth in sales, operating revenue and net profit. We are pleased to report that we have met and indeed exceeded all result targets. For the year 2012, the Group realized contracted sales of RMB31,119 million, representing a YoY growth of 15%, and the target was met two months ahead of schedule.

Stringent Cost Control Measures Enhanced Profits

Thanks to a more stringent and refined audit system for full project cycle construction cost targets, the Group successfully compressed and optimized building costs. Greater efforts were directed to push forward strategic procurement and regional centralized purchasing; databases for costs, suppliers and workmanship standards were established; and cost control became more



systematic. Our determination in controlling costs was well communicated throughout the Group and all measures were effectively implemented. During the year, the ratio of selling and marketing costs together with administrative expenses to total revenue ratio dropped 1%. Always safeguarding financial soundness, we also seized the opportunity to optimize our debt structure. Interest-bearing liabilities were reduced in size to RMB32.4 billion, down 3.6% YoY. In 2012, we booked an impressive net profit of RMB3,796 million, up 48% YoY.

Extensive Measures Speeded up Asset Turnover for Higher Efficiency

At the beginning of 2012, we adjusted our 'group-region-city-and-project' organization structure for a new two-tier framework of 'group-city-and-project'. Efforts were concentrated on building municipal enterprises based on product and business lines. On the front of organizational restructure, we streamlined manpower as well as reporting levels and speeded up response. As a result, overall operating efficiency was significantly improved. The Group realized RMB28,658 million of sales revenue in 2012, up nearly 44% YoY, while total workforce was downsized instead of upsized. Total asset turnover increased to 24% during the year, representing 4% growth YoY.

Nationwide Setup Created Strategic Advantages and Strengthened Market Share

The number of cities contributing to the Group's contracted sales grew more than double from 9 in 2010 to 18 in 2012. Carried over sales from property development in 2012 totaled RMB26,053 million, up 48% YoY. Such revenue was contributed by 10 cities. Staying prudent, the Group only acquired three land lots in cities with existing presence during 2012. Lot no. 3 of Zhong Hua Lu in Dalian, Phase 2 Fushun Ocean City and the Shengping project in Shenzhen.



Ocean • Diamond Bay

Total GFA: **2,510,000 sq.m.**
 Total saleable GFA: **1,629,000 sq.m.**
 Attributable interest to our Group: **90%**
 Usage: **Residential and retail space**

key features. The first feature is subduing growth with total volume remaining high. In 2012, GFA sold in commodity housing totaled 1.113 billion sq.m., up only 1.8% YoY. The pace of growth has been slowing down for three consecutive years (10.1% in 2010; 4.9% in 2011). While decelerated growth is partly a result of actual government intervening measures, China's weaker economic growth has also made an impact. Meanwhile, the percentage of working-age people in the national population has been trending down, and the pace of urbanization is slowing down after crossing the 50% mark. The outlook of the property market is still positive, nonetheless. There is an undoubtedly huge demand for commodity housing — The Chinese economy will still see 7–8% growth in the future; there is still great demand from great numbers of home-buyers; and urbanization will progress at a rate of 1% annually in the next decade.

The second feature is differentiation between cities, corporations and products have been intensifying and market concentration continued to heighten.

Although sales volume grew invariably in all cities in China, there was considerable disparity between tier 1, tier 2 and tier 3 cities which recorded 41%, 31% and 22% growth respectively (Source: CREIS). Such difference is quite comprehensible. Over the past few years, tier 1 cities and some over-heated tier 2 cities saw the tightest restriction on purchase, which created greater backlog demand. As the market bottomed in the first quarter, expectations changed quickly. Property buyers regained enthusiasm and the markets rebounded. Relative to these big cities, tier 3 and tier 4 cities saw milder rises in transaction volume. Control measures introduced earlier had limited impact on these markets so there was no incentive for rebound, yet overall market capacity was still above the 2009 high and there was further industry

Progressive Business Diversification Set to Enhance Return

After several years of dedicated effort, the commercial property business segment is now ready for harvest. As at the end of 2012, investment properties held by the Group totaled approximately leasable area of 488,000 sq.m. and works in progress exceeded 1 million sq.m. Rental income continued to grow, reaching RMB414 million (2011: RMB340 million) to record a significant YoY increase of 22%. Indigo (Beijing), the Group's joint project with Swire Properties Limited, came into full operation. Tenancies were secured for 80% of shopping center spaces and office premises. The Group's first ever independent

shopping center development and investment project Ocean We-Life Plaza (Beijing) also came into operation in January 2013. The Group's real estate financing assets under management now exceed RMB2 billion and they are now a new source of profit contribution. The senior housing segment advanced by leaps and bounds in the period under review. The construction of the first project in Beijing will soon be completed.

Market Review

Having trod a road of high speed growth for more than a decade, the property market of China is now relatively mature. It has entered a new era characterized by three

CHAIRMAN'S STATEMENT

consolidation. Top 20 companies with strongest national contracted sales saw their market shares up 2% to approximately 18%, sustaining the trend that the strong is getting stronger. In 2012, GFA sold of offices grew at a faster pace than residential properties. As domestic companies continue to expand, demand for quality offices, particularly in developed tier 1 and tier 2 cities, remained strong.

The third feature is that the industry generally recognizes the importance of business diversification. Many real estate companies are actively exploring property investment. In the past few years, many traditional residential property developers, including industry leaders, announced ambitious development plans to tap the commercial property market. This fueled another round of 'commercial property fever', with many tier 2 and tier 3 cities planning mega commercial developments like offices, shopping centres, urban complexes and high-class hotels. Given that commercial property developments are very different from residential projects, the former faces unprecedented great challenges and high risks while backing of stronger operating strengths and system integration capabilities is essential. It is by no means an easy path. We feel that the commercial property market should be approached with caution and good preparations must be made at least five years in advance before fully engaging oneself. Instead of jumping on the bandwagon, we think it is important to make detailed deployment. To enjoy success in the commercial property market, it is imperative to work through every link of the chain, from investment, financing, land acquisition, market positioning, planning and design, promotion, construction to operation. It is a classic case of 'one careless move loses the whole game.'

Market Outlook

We think the property market in China will maintain stable growth in 2013, with market diversification becoming more evident. Market situation in the second half will depend on many factors including price tendency. If increases exceed government and buyer expectations, there will be downside risk. Given the existing stringent control measures, the government will essentially ensure detailed implementation of the policy in 2013. As reflected by the market, the existing differentiated control measures are very effective. This approach is likely to continue and intensify demand from owner-occupiers will continue to drive the market.

Specifically, demand in tier 1 cities will remain strong because supply is scarce and the local population bases generally exceed 10 million. Furthermore, these cities

generally absorb thousands of new residents every year so the demand will remain strong and there is definite upward pressure for price adjustment. However, property prices relative to personal income are already quite high, and the rigid backlog demand stocked up since 2011 has been progressively released since the second quarter of 2012, coupled by the fact that this is a major target for government intervention measures, so it is highly unlikely for property prices to go up drastically. Less urbanized than tier 1 cities, tier 2 cities have relatively large and low-density population bases which offer significant late-developing advantage. They are new growth poles of the national economy as well as the property market. Given a more balanced situation of overall supply and demand, and a steady release of demand in the future, property prices in tier 2 cities will appreciate steadily. Tier 3 and tier 4 cities, on the other hand, are generally facing the risk of excessive supply, although regions within the radiation range of major cities will fare better. Despite external uncertainties, the Group remains optimistic about economically developed coastal and riverside core cities and their peripheral regions. Our basic argument is that these regions enjoy greater economic strength and are supported by new urban populations with stronger late-starter momentum.

Getting prepared for possible economic downturn, the Chinese government has been engineering the next stimulus package to push forward a national strategy for new urbanization. This will be augmented by plans to double resident income, promote domestic trade and expand consumption. In this economic backdrop, buyers will continue to favor commercial properties in core and prime locations of tier 1 cities and developed tier 2 and tier 3 cities. However, when assessing the potentials of any commercial property project, it is important to consider the location, the local government as well as the developer. In addition to construction and operation capabilities, a developer should also have means and channels to financing, so as to address the huge capital need of property development projects.

Our Strategy

Looking back at the Group's performance since inception 20 years ago, we take pride in what we have achieved to date. We do recognize, nonetheless, the need to put past results aside and seek continued development and growth. For 2013, the Group's business purpose is to enhance profitability and continue on a road of sustainable development that underscores effectiveness and quality.

First: enhance effectiveness. Aiming at further enhancing product and service quality, we will implement a price adjustment strategy to improve margins. At the same time,

we will continue to actively control selling and marketing and administrative expenses to improve capital efficiency, optimize debt structure and maintain financial integrity. The Group will also continue to improve the cost control system and launch a cost management plan, while ongoing tactical procurement and centralized purchasing initiatives will continue to help us realize economies of scale.

Second: enhance quality. To begin with, we will build three major product lines — mid-range, luxury and low-density properties — to focus on buyers' needs and enhance operating efficiency. This will translate into economies of scale and lay a sound foundation for growth in business results. Next, we will step up efforts in training, implementation and audit of product construction standardization and standardized management. The ongoing general manager approval system for work project management and planning will ensure that product construction capabilities can be upgraded continuously. Lastly, on the front of property management and customer service, the group will increase the frequency of our partner manufacturer and customer satisfaction survey and introduce nodal point assessment to turn the satisfaction survey into a true management tool.

Third: a stronger structure for sustainable growth. One key point is to ensure a balanced business structure. The Group will have about 200,000 to 300,000 sq.m. properties coming into operation, including the commercial premises of Ocean We-Life Plaza Beijing; commercial premises of We-Life Tianjin; commercial premises of Pinnacle One, another joint project with Swire Properties in Chengdu; and offices and commercial premises of Ocean International Center II in Beijing. Meanwhile, we have built tactical partnership with Emeritus, the prominent senior housing business operator in the US. The first retirement property project in Yizhuang, Beijing, will come into operation soon. Another key point is to ensure timely land development. Going forward, we will stick to our prudent principles and regional development focus to seize opportunities to maintain sizeable land reserves to meet development requirements in the coming three to five years. The third key point is to ensure continuous development of our team. Through training programs like "Ocean Explorer", "Voyage Starter" and "Captain", we recruit capable employees from high schools as well as qualified labor unions, and identify existing employees with promotion potentials. Strong support is provided for staff development and team building. The fourth key point is to optimize the management platform. An integrated information system will go online for commissioning within this year. It will further reduce management cost and promote control effectiveness.

Corporate Governance

Compliance is the cornerstone of our operation. We strive for the highest level of corporate governance. To raise standards on an ongoing basis, we keep abreast of the latest corporate governance developments. Following the shareholding structure adjustment in 2010, China Life and Nan Fung Group became the Group's largest and second largest shareholders respectively. In the last two years, our shareholding structure has been diversified, balanced and sound. This favourable status will be unchanged in the future.

As the world's biggest life insurer by capitalization, China Life has an extensive business network in China. It is also a highly experienced player of the investment market. Nan Fung Group is one of Hong Kong's leading property developers with a strong reputation in the high-class residential and commercial property sectors. These two shareholders have great strengths and they have made timely, professional and objective inputs to our management for more than two years. They provide robust support for the Group's future business growth.

Our Board continues to maintain a balanced governance structure. Our four board committees enhance the Board's operation efficiency and optimize decision-making, while aiding the development of hierarchical systems. Being financial, legal or real estate experts, our ten directors in office offer their respective expertise to make significant contributions to financial management, risk control and investment decision-making. Our four independent non-executive directors, in particular, provide professional and independent monitoring as well as advice to facilitate business development. In the future, the Group will maintain and indeed improve our high level of governance.

Appreciations

On behalf of the Board, I would like to extend my deepest gratitude to all shareholders, investors, local governments, partners and clients for their unfailing support. We sincerely thank our directors, the management team and staff. Without their unstinting efforts, we would not have enjoyed such outstanding results and met our goals in the past year.

LI Ming
Chairman

12 March 2013, Hong Kong.

CORPORATE SOCIAL RESPONSIBILITY REPORT

ON OUR CORPORATE SOCIAL RESPONSIBILITY

In 2012, Sino-Ocean Land continued to enlarge the scope of responsibility fulfillment in its principal businesses to ensure sustainable development for not only our business, but also our value partners (namely our shareholders, customers, employees and cooperation partners), the government, the community, the environment and the society. Our engagement in charitable activities continued to focus on 2 major areas, namely education and environmental protection. By promoting charitable causes internally among our staff as well as joining forces with third parties, we have made our social responsibility fulfillment program more scientific and more sustainable.

Stringent cost controls: delivering management value

On 7 January 2012, the Sino-Ocean Value Year was officially launched. For 5 years in a row, Sino-Ocean Land has persisted in focusing on its core tasks by adopting annual management themes, under which efforts have been made to advance the implementation of our development strategies; drive corporate management reforms; enhance brand building and communications; propagate our corporate culture; and

“ Positioning ourselves as “a reliable partner”, we strive to enhance our business management, deliver on our corporate values and live up to our CSR commitments, thereby achieving mutual growth with our stakeholders and delivering economic, social and environmental sustainability. ”

foster professional staff qualities. Under the theme of “Value Partner”, we sought to deliver investment return for investors, excellent products and services for customers, and prospect career development for employees. Through in-depth communications within the Company and with the government, media, investors, consumers and suppliers, we have enhanced their understanding of, and identification with, Sino-Ocean Land’s strategic development.





“Sino-Ocean Green Office Day” was held on a monthly basis, to make appeals to employees in a lively way to encourage energy conservation in day-to-day work, so as to lower office costs and help reduce Company expenses.

A journey to quality: fostering product value

The “Journey to Quality”, a media tour under the theme of “Quality by Heart and New Value,” was organized by Sino-Ocean Land, where industry experts and members of the media were invited to join project reviews and professional seminars held at the “hinterland” of Sino-Ocean Land’s projects. It was an occasion for recapitulating Sino-Ocean Land’s experience in substantiating product quality over 20 years since its establishment, while reaping the benefit of professional and media opinions. Starting from Beijing and traveling through cities such as Haikou, Sanya, Dalian, Huangshan and Shanghai, before

heading back to Beijing at the end, the tour has earned unanimous endorsement for the quality of our products and services at all the cities visited. The activity spoke powerfully for Sino-Ocean Land’s product identity and value. It was an unequivocal embodiment of its development model as a group.

CEM-induced: enhancing customer value and experience

While continuing to focus on its products, Sino-Ocean Land also increased its efforts on providing services, to ensure customer satisfaction and pleasant surprises. In 2012, the philosophy and management tools for customer experience were successfully introduced in the Ocean LA VIE project, where customer satisfaction for products was constantly enhanced by streamlining the system and improving key customer contact points to raise servicing standards.

Green zone demonstration: delivering value through eco-friendly designs

In 2012, our “Old Community, New Green” campaign focused on the “rational use of solar resources,” and the “solar energy-powered quadrangle”. The integrated showcase was officially completed in November 2012. Following the demonstration of low-carbon and water conservation features, this project, set in a spectacular quadrangle architecture, also focused on the illustration of a household energy saving system that improves indoor illumination with effectively reduced power consumption without affecting normal domestic living. The “solar energy-powered quadrangle” project consists of four parts, namely, tubular daylighting device, solar energy power generation, LEG lights and underground pipe ventilation.

Concerns for education of the disadvantaged for sustainable social values

“Little Partner Education Sponsorship Scheme”, formerly known as the “Sustainable Education Sponsorship Scheme”, aims to provide real help to teachers and students in remote and poverty areas as well as other groups with special needs in form of educational subsidies. By launching four projects, namely, “Sino-Ocean Charity Foundation Subsidy”, “Sino-Ocean Charity Foundation Scholarship”, “Sino-Ocean Charity Foundation Care Fund”, special actions and online platform, we extended our care and helping hands to nearly 50 schools in 7 provinces or municipalities directly under the Central Government. For example, our first project, “Sino-Ocean Charity Foundation Care Fund”, won acclaims across the industry, it helped Bai Chonghui, a child who suffered from haemophilia, resume schooling.



Focusing on social issues to reflect diversified social values

Retirement housing is an emerging industry in line with the current development trend of the nation’s real estate sector. In earnest fulfillment of its social responsibility as a corporate citizen, Sino-Ocean Land officially commenced its research work on retirement housing during the first half of the year with a number of professional organizations, so as to build an integrated platform of academic research and industrial operation for the retirement housing service chain on a joint effort basis.

Local support for corporate social responsibility

In 2012, an increasing number of our city companies have committed themselves to social responsibility fulfillment. For example, our Wuhan Company organized the “Charity Venture across the Qinghai Tibetan Region” to deliver solar power equipment to

boarding schools in Xiaoxiang Centre, Nangqian County, Yushuzhou, Qinghai. While realizing our social value, this program has also delivered public as well as individual values by bringing more customers and parties to these areas where they helped to make modest wishes of impoverished students come true and facilitate religious development locally.

During the annual National Teacher Day in September, a long-term education sponsorship program, “Hainan Little Partner Education Sponsorship Scheme”, was started in Sanya, Hainan, which provided further educational support to locals.

Volunteering Guizhou Expedition

“Sino-Ocean Charity Fund Volunteering Guizhou Expedition” is a long term volunteer project of the Sino-Ocean Charity Fund. Since its debut in 2008, different groups of volunteers, comprising staff and other members of the society, have been commissioned to start up education sponsorship schemes in Xinjiang, Qinghai, Sichuan and Yunan.

Under the direction of the Ministry of Education and the Central Commission of China Communist Youth League, the Sino-Ocean Seafaring Students-in-action Incentive Scheme has been rolled out for four consecutive years, seeking to promote involvement and contribution of university students in charitable actions through sponsorships granted to outstanding youths nationwide. A total of 135 projects were recognized for their excellence. A report on these projects will be issued, with recommendations, to relevant governmental authorities for reference after suitable ones are selected for Sino-Ocean Land.

For further details, please refer to “Reliability Results in Values – Sino-Ocean Land’s CSR Report 2012”.



A photograph of a modern, multi-story building with a large glass entrance and a courtyard with a fountain and trees. The building features a prominent glass facade and a central entrance with a canopy. The courtyard includes a fountain, trees, and a paved area. The overall scene is bathed in a warm, golden light, suggesting late afternoon or early morning.

MANAGEMENT DISCUSSION & ANALYSIS

MANAGEMENT DISCUSSION & ANALYSIS

FINANCIAL REVIEW

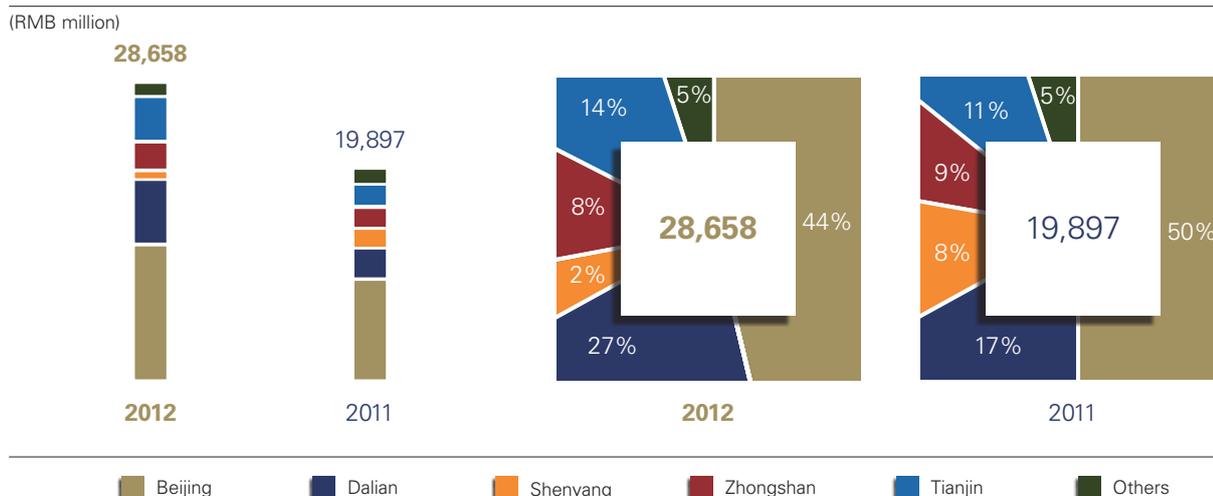
During 2012, Sino-Ocean Land fully implemented our nationalized strategy while maintaining as one of the leading residential property developers in Beijing and the Pan-Bohai Rim Region in terms of attributable GFA sold in private housing. We also secured a leading position in other regions with our business presence including Huangshan and Zhongshan. Our Group recorded an increase in revenue for the year 2012 of RMB8,761 million,

or 44% to around RMB28,658 million (2011: RMB19,897 million). Our profit attributable to owners of the Company amounted to RMB3,796 million (2011: RMB2,571 million), a significant increase of 48% as compared to 2011. Basic earnings per share was RMB0.542 (2011: RMB0.352). Contracted sales amount reached a record high of RMB31,119 million (2011: RMB27,005 million) with total saleable GFA sold of approximately 2,611,000 sq.m. (2011: 2,096,000 sq.m.).

Revenue breakdown of major business segments in 2012 and 2011 are set out below.

(RMB million)	2012	2011	YoY (%)
Property development	26,053	17,618	48%
Property investment	414	340	22%
Property management	453	377	20%
Other real estate related businesses (including upfitting and decoration business)	1,738	1,562	11%
Total	28,658	19,897	44%

Revenue contributions by geographical locations.





Revenue

Our Group's revenue in 2012 grew by 44% to RMB28,658 million, from RMB19,897 million in 2011. The property development segment remains as the largest contributor which accounted for about 91% of total revenue. In terms of geographical locations, Beijing as our home base remained the largest revenue contributor, accounting for about 44% of our Group's revenue in 2012 (2011: 50%) and amounted to RMB12,512 million (2011: RMB9,855 million). The rise in revenue but decline in proportion was mainly due to higher contribution of revenue and in GFA delivered from areas outside Beijing in 2012. Revenue contributed from Dalian, Shenyang, Tianjin and Zhongshan significantly increased by 64% to RMB14,775 million. This is the result of our nationalized strategy to diversify our revenue contributions from various cities to mitigate the risk from single market fluctuations. With our diversified landbank portfolio, we will see a more balanced mix of revenue contributions while Beijing maintains its leading position in the future.

Ocean • LA VIE

Total GFA: **304,000 sq.m.**

Total saleable GFA: **301,000 sq.m.**

Attributable interest to our Group: **85.72%**

Usage: **Residential and Villa**

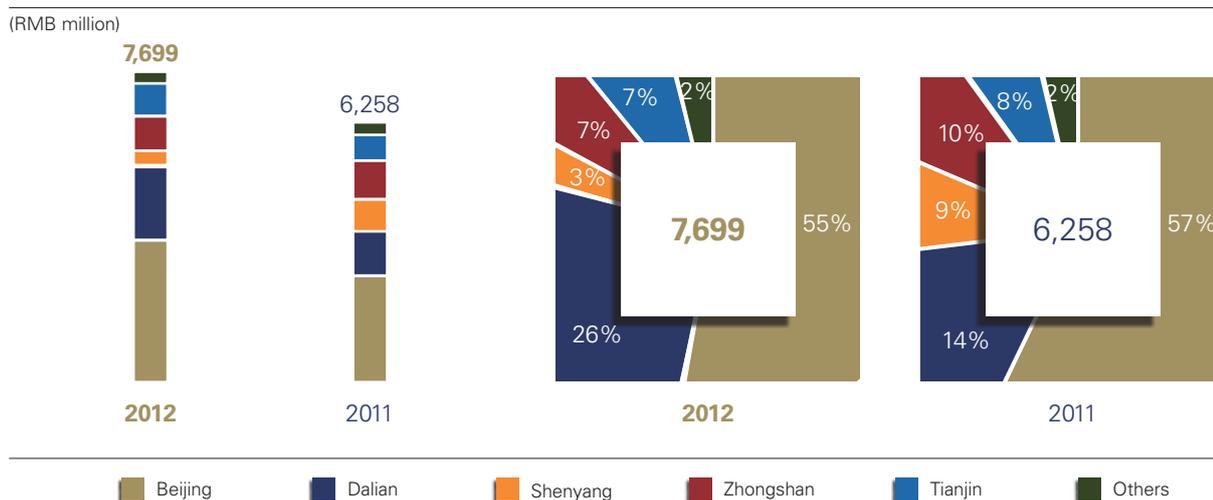
Cost of sales

Property development cost again made up the most significant cost of sales, accounting for approximately 88% of our Group's total cost of sales during 2012.

Excluding car parks, average land cost for property development business slightly dropped from approximately RMB2,600 per sq.m. in 2011 to RMB2,400 per sq.m. in 2012. The average land cost continued to be relatively stable mainly due to diversification of geographical location with more contributions from second and third-tier cities. As a result of increase in material and other related costs due to delivery of more GFA from mid-to-high end residential projects, average construction cost (excluding car parks) for property development business in 2012 was approximately RMB5,700 per sq.m., increased from RMB4,500 per sq.m. in 2011.

Gross profit

Gross profit by geographical locations:



Gross profit increased by 23% from RMB6,258 million in 2011 to RMB7,699 million in 2012. Gross profit margin decreased to 27% (2011: 31%). The average selling price has gently increased to RMB12,700 per sq.m. (including car parks) compared to RMB11,900 per sq.m. in 2011 on GFA delivered, which offset by the increment in construction and material costs (including labour cost) in 2012.

Other income and losses

Other income decreased by 7% to RMB209 million in 2012 compared to RMB225 million in 2011. Such decrease was mainly due to the drop in the overall interest income. Our Group recorded other losses (net) of RMB126 million in 2012 as compared to other gains (net) of RMB128 million in 2011. Other losses (net) mainly comprised the impairment of available-for-sale financial assets and goodwill.

Revaluation of investment properties

Our Group recognized an increase in fair value on its investment properties (before tax and minority interests) of RMB1,535 million for the year 2012 (2011: RMB513 million).

Operating expenses

In line with our growth in contracted sales amount and our effort in pushing up our sales and marketing force so as to promote our availability for sale projects to potential buyers in 2012, selling and marketing expenses increased to RMB963 million during the current year (2011: RMB776 million). These costs accounted for approximately 3% of the total contracted sales amount in 2012 (2011: 3%).

For administrative expenses, the amount incurred in 2012 increased to RMB853 million in 2012 (2011: RMB820 million), in line with our revenue growth and coverage of more cities. With the implementation of our integrated IT system and other efficiency enhancements, our Group managed the overall administrative expenses accounted for about 3% of total revenue for the current year (2011: 4%). We will continue our cost control measures to keep these costs at a relatively low level.

Finance costs

Total borrowings as at year ended 31 December 2012 was approximately RMB32,393 million (2011: RMB33,587 million). Majority of our funding was efficiently applied to our projects. As a result, we were able to capitalize most of the interest expenses and thus leaving RMB625 million

to be charged through consolidated income statement during the current year, compared to RMB419 million in 2011. Due to the general increment in borrowing costs in the PRC, our weighted average interest rate increased to 7.72% in 2012, (2011: 6.67%) while total interest expenses paid or accrued to RMB2,946 million (2011: RMB2,240 million).

Taxation

The aggregate of enterprise income tax and deferred tax increased by 20% to RMB1,729 million in 2012 (2011: RMB1,446 million), with effective tax rate of 30% (2011: 36%). In addition, consistent to the increase in gross profit, land appreciation tax in 2012 increased to RMB1,519 million (2011: RMB1,108 million).

Profit attributable to owners of the Company

Profit attributable to owners of the Company swelled by 48% to RMB3,796 million in 2012, compared to RMB2,571 million in 2011. Return on average equity (excluding

convertible securities and capital securities) stated at approximately 13% in 2012 (2011: 10%). Our management will continue to focus on the improvement of our shareholders' return as their on-going task.

Financial resources and liquidity

In June 2012, with overwhelming support from investors, our Group successfully refinanced our previous syndicated loan with the size of USD600 million. During the year, our Group further refined our funding structure, liquidity and credit policies under the overchanging financial market and global economic environment. We recorded a decrease in total borrowings from RMB33,587 million to RMB32,393 million as at the year end of 2012.

As at 31 December 2012, our Group had total cash resources (including cash and cash equivalents and restricted bank deposits) of RMB16,147 million and a current ratio of 1.8 times. Together with the unutilized credit facilities of about RMB32,973 million, our Group is ensured to be financially sound. We have ample financial resources and an adaptable financial management policy to meet our business expansion in the coming years.

The maturities of our Group's total borrowings are set out as follows:

(RMB million)	As at 31 December 2012	As at 31 December 2011	YoY (%)
Within 1 year	11,520	14,482	-20%
1 to 2 years	7,460	6,779	10%
2 to 5 years	11,263	10,001	13%
Over 5 years	2,150	2,325	-8%
Total	32,393	33,587	-4%

MANAGEMENT DISCUSSION & ANALYSIS

Based on the total borrowings less cash resources divided by total equity minus minority interest, our Group's net gearing ratio meliorated from 60% to 42% as at 31 December 2012, which is mainly attributable to the increase in cash and cash equivalents amounted to RMB16,147 million. (2011: RMB12,417 million). Nevertheless, we expect the net gearing ratio to remain relatively stable in 2013 and will be controlled below 80% as laid down by our Board, in order to maintain our Group's overall financial healthiness.

Financial guarantees and charge on assets

As at 31 December 2012, the value of the guarantees provided by our Group to banks for mortgages extended to property buyers before completion of their mortgage registration was RMB3,837 million (2011: RMB3,159 million).

During the year, our Group had pledged some of its land use rights, properties under development, completed properties held for sale, investment properties, etc. to secure short-term bank loans (including the current portion of long-term borrowings) of RMB7,185 million (2011: RMB879 million) and long-term bank loans of RMB11,869 million (2011: RMB12,018 million). As at 31 December 2012, total pledged assets accounted for approximately 35% of the total assets of our Group (2011: 27%).

Capital commitments

Our Group entered into certain agreements in respect of land acquisition and property development. As at 31 December 2012, our Group had a total capital commitment of RMB30,305 million (2011: RMB33,142 million).

Contingent liabilities

In line with the prevailing commercial practice in the PRC, our Group provides guarantees for mortgages extended to property buyers before completion of their mortgage registration. As at 31 December 2012, the total amount of the aforesaid guarantees provided by our Group was RMB3,837 million (2011: RMB3,159 million). In the past, our Group had not incurred any material loss from providing such guarantees, as the guarantees were given as a transitional arrangement that would be terminated upon the completion of the mortgage registration and were secured by the buyers' properties.

BUSINESS REVIEW

Property development

1) Recognized Sales

Revenue from property development business grew by 48% in 2012 and amounted to RMB26,053 million (2011: RMB17,618 million). Saleable GFA delivered increased by 39% from approximately 1,481,000

sq.m. in 2011 to approximately 2,055,000 sq.m. in 2012. Excluding car parks sales, the average selling price recognized in 2012 was about RMB13,000 per sq.m. (2011: RMB12,500 per sq.m.).

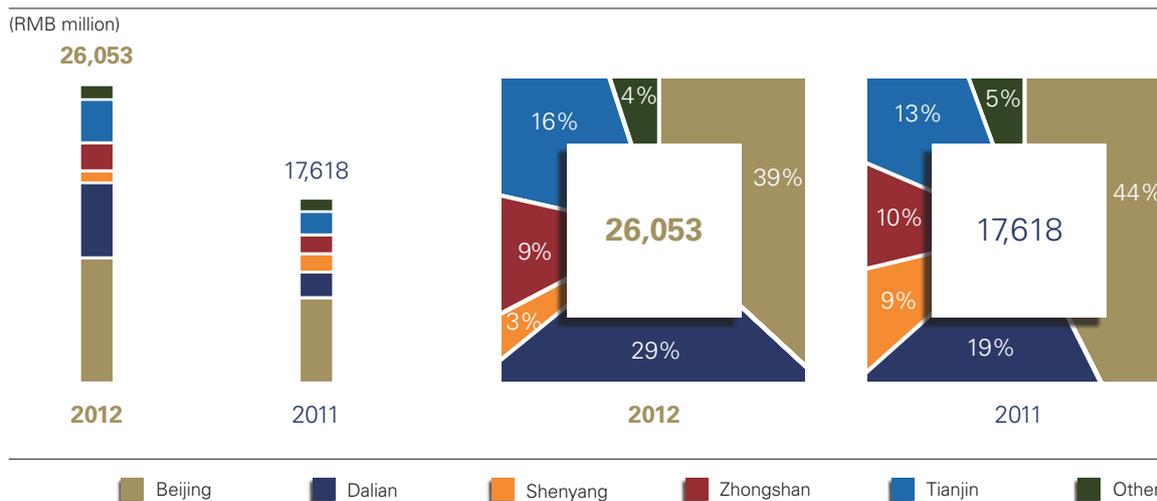
The following table presents the saleable GFA delivered and relevant information of each project in 2012:

Cities	Projects	Revenue (RMB million)	Saleable GFA delivered (sq.m.)	Average selling price recognized (RMB/sq.m.)	Interest attributable to our Group (%)
Beijing	Ocean Great Harmony	2,914	82,430	35,400	100%
	Ocean Honored Chateau	5	253	19,800	100%
	Ocean LA VIE	1,730	26,736	64,700	85.72%
	Ocean Landscape	11	675	16,300	100%
	Ocean Landscape Eastern Area	121	5,409	22,400	100%
	Ocean Manor	838	40,260	20,800	100%
	Ocean Oriental Mansion	1,821	121,085	15,000	100%
	POETRY OF RIVER	2,012	108,779	18,500	100%
	The Place	502	27,576	18,200	100%
Changchun	Ocean Cannes Town	559	89,431	6,300	51%
Dalian	Chanson Garden	1	227	4,400	100%
	Ocean Holiday Manor	657	74,424	8,800	100%
	Ocean Plaza	3,148	244,708	12,900	69.53%
	Ocean Prospect	18	1,121	16,100	100%
	Ocean Seasons	264	22,293	11,800	100%
	Ocean TIMES	838	113,112	7,400	100%
	Ocean Worldview	2,522	200,662	12,600	100%
	Huangshan	An Island Paradise	133	17,120	7,800
Qinhuangdao	Wan Hai Yi Hao	7	1,108	6,300	100%
Sanya	Ocean Mansion	264	13,319	19,800	70%
Shenyang	Ocean Paradise	605	68,262	8,900	100%
Tianjin	Ocean City	2,294	266,132	8,600	100%
	Ocean Express	279	30,881	9,000	97.05%
	Ocean Great Harmony	630	50,714	12,400	100%
	Ocean Paradise	5	194	25,800	96.99%
	Ocean Prospect	912	89,865	10,100	100%

MANAGEMENT DISCUSSION & ANALYSIS

Cities	Projects	Revenue (RMB million)	Saleable GFA delivered (sq.m.)	Average selling price recognized (RMB/sq.m.)	Interest attributable to our Group (%)
Wuhan	Ocean Manor	275	29,193	9,400	55%
	Ocean World	83	16,230	5,100	55%
Zhongshan	Ocean City	2,180	234,174	9,300	100%
Subtotal		25,628	1,976,373	13,000	
Car parks (various projects)		425	78,864	5,400	
Total		26,053	2,055,237	12,700	

Breakdown of our Group's revenue from property development by geographical locations in 2012 and 2011 is as follows:

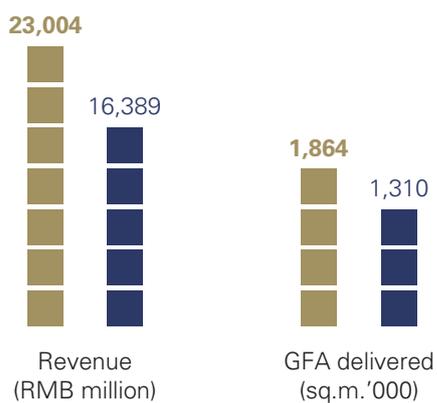


In terms of property types, residential properties (including villa) continued to contribute the largest portion of property development revenue, accounting for 88% in 2012 (2011: 93%). The average selling price recognized for the revenue from residential

properties (including villa) in 2012 was about RMB12,300 per sq.m. (2011: RMB12,500 per sq.m.) while corresponding total saleable GFA delivered increased by 42% from approximately 1,310,000 sq.m. in 2011 to approximately 1,864,000 sq.m. in 2012.

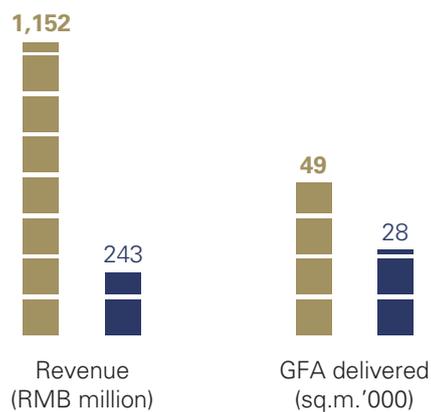
The following graphs indicate the revenue from property development in terms of property types in 2012 and 2011:

Residential and villa



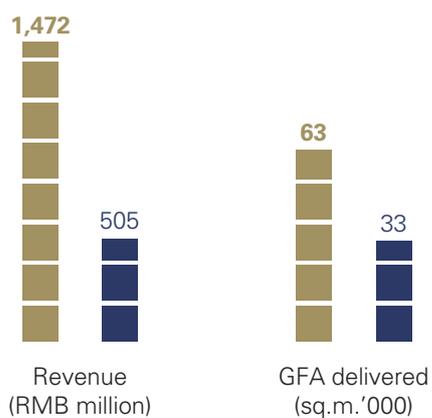
■ 2012 ■ 2011

Office premises



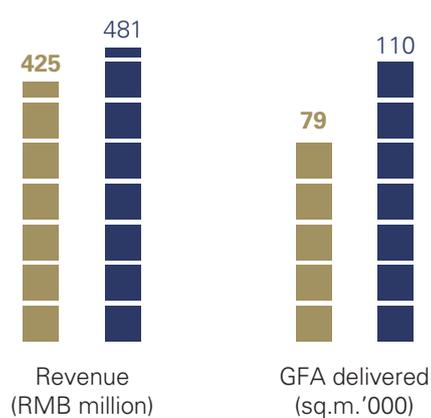
■ 2012 ■ 2011

Retail space



■ 2012 ■ 2011

Car parks



■ 2012 ■ 2011

MANAGEMENT DISCUSSION & ANALYSIS

2) Contracted Sales

Contracted sales reached a record high in 2012 to RMB31,119 million, up 15% compared to RMB27,005 million in 2011. Total GFA sold, including car parks, increased by 25% to about 2,611,000 sq.m. (2011: 2,096,000 sq.m.). Average selling price per sq.m. in 2012 was about RMB11,900 (2011: RMB12,900) (including car parks sale) and RMB12,100 (2011: RMB13,400) (excluding car parks

sale). The gentle drop in ASP was mainly due to higher contributions from ordinary second-tier cities other than the over-heated ones. Outstanding contracted sales to be recognized in 2013 or later amounted to RMB34,875 million, increased by 17% compared to RMB29,809 million as at the year end of 2011, promising a solid base for our Group's future revenue growth.

The following table lists the contracted sales amounts and GFA sold by projects in 2012:

Cities	Project	Contracted sales amount (RMB million)	Saleable GFA sold (sq.m.)	Average selling price (RMB/sq.m.)	Interest attributable to our Group (%)
Beijing	Ocean Crown	2,074	40,855	50,800	100%
	Ocean Great Harmony	95	2,032	46,800	100%
	Ocean LA VIE	2,805	51,554	54,400	85.72%
	Ocean Landscape Eastern	84	4,121	20,400	100%
	Ocean Office Park	857	44,894	19,100	100%
	Ocean Oriental Mansion	1,215	84,370	14,400	100%
	Ocean Palace	1,030	36,104	28,500	100%
	POETRY OF RIVER	382	17,858	21,400	100%
Changchun	Ocean Cannes Town	662	95,345	6,900	51%
Chongqing	Sino-Ocean International GOLF Resort	310	42,207	7,300	87.25%
Dalian	Ocean Diamond Bay	2,400	164,675	14,600	90%
	Ocean Holiday Manor	333	36,866	9,000	100%
	Ocean Plaza	805	69,944	11,500	69.53%
	Ocean Seasons	36	2,000	18,000	100%
	Ocean TIMES	898	135,231	6,600	100%
	Ocean Worldview	2,250	229,915	9,800	100%
Fushun	Ocean City	521	113,833	4,600	65%
Haikou	Ocean Zen House	75	5,060	14,800	70%
Hangzhou	Canal Business Center	744	23,358	31,900	51%
	Grand Canal Milestone	788	28,551	27,600	70%
	Ocean In Your Heart	532	32,014	16,600	100%
Huangshan	An Island Paradise	124	13,706	9,000	100%

Cities	Project	Contracted sales amount (RMB million)	Saleable GFA sold (sq.m.)	Average selling price (RMB/sq.m.)	Interest attributable to our Group (%)
Qingdao	Ocean Prospect	525	27,802	18,900	100%
	Ocean Seasons	790	59,117	13,400	100%
Qinhuangdao	Ocean Century	967	128,530	7,500	100%
Sanya	Ocean Mansion	138	8,013	17,200	70%
Shanghai	BOND CASTLE	44	1,101	40,000	100%
	Ocean Chanson Mansion	722	42,188	17,100	100%
	Ocean Mansion No.7	805	50,258	16,000	100%
Shenyang	Ocean Paradise	1,005	120,682	8,300	100%
	Ocean Residence	361	44,230	8,200	92.5%
Tianjin	Ocean City	1,350	166,610	8,100	100%
	Ocean Express	222	25,964	8,600	97.05%
	Ocean Great Harmony	462	39,512	11,700	100%
	Ocean International Center	121	8,215	14,700	96.99%
	Ocean Prospect	561	53,140	10,600	100%
Wuhan	Ocean Manor	236	22,108	10,700	55%
	Ocean World	63	12,488	5,000	55%
Zhenjiang	Ocean Beach	373	62,744	5,900	55%
Zhongshan	Ocean City	2,070	245,450	8,400	100%
	Ocean New Era	818	148,057	5,500	40%
Subtotal		30,653	2,540,702	12,100	
Carparks (various projects)		466	70,584	6,600	
Total		31,119	2,611,286	11,900	

There were altogether 41 projects available for sale in 2012 (2011: 41), of which 22 were located in the Pan-Bohai Rim region and accounting for about 65% (2011: 79%) of total contracted sales amount (excluding car parks). Beijing was still the largest

contributor in terms of contracted sales amount in 2012, accounting for approximately 28% (2011: 36%). We foresee a higher proportion of contribution from other second-tier cities in China in the coming years while maintaining a strong presence in Beijing.

MANAGEMENT DISCUSSION & ANALYSIS

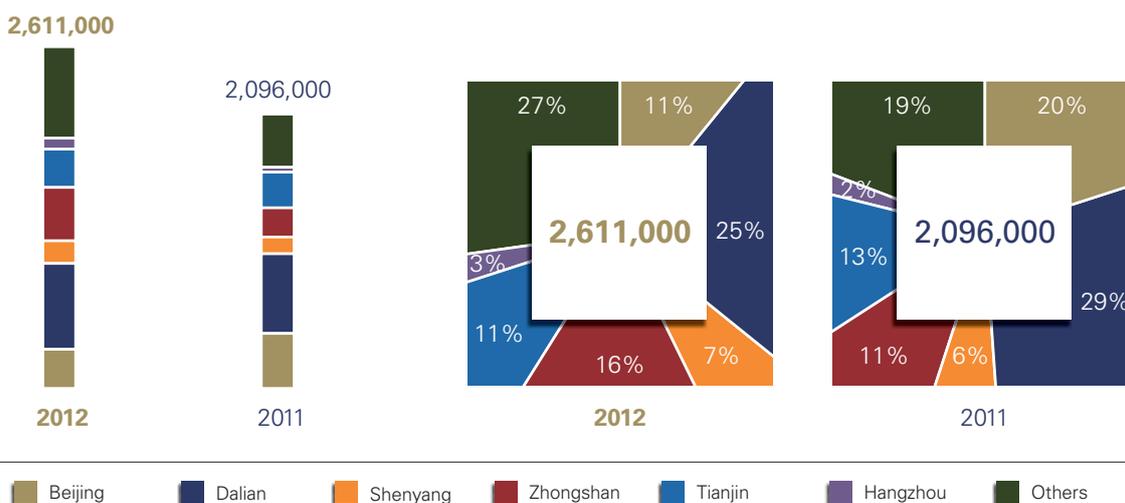
The following graphs indicate the breakdown of contracted sales amount by geographical locations in 2012 and 2011:

(RMB million)



The following graphs indicate the breakdown of saleable GFA sold by geographical locations in 2012 and 2011:

(sq.m.)

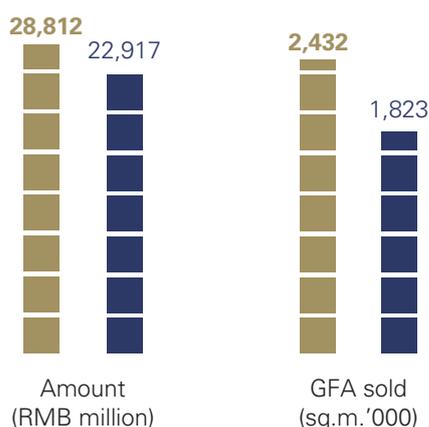


In terms of property types, residential properties (including villa) continued to contribute the largest portion of contracted sales amount and accounted for 93% in 2012 (2011: 85%). The average selling price for residential

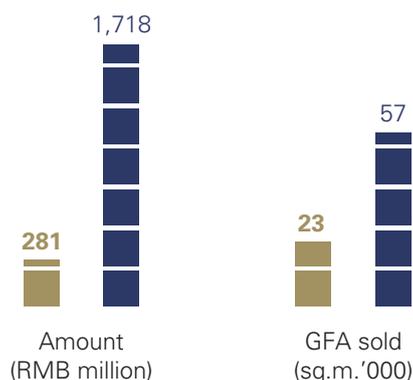
properties (including villa) in 2012 was about RMB11,800 per sq.m. (2011: approximately RMB13,100 per sq.m.) while the total GFA sold for residential use increased by 33% from approximately 1,823,000 sq.m. in 2011 to approximately 2,432,000 sq.m. in 2012.

The following graphs indicate the contracted sales amount in terms of major property types in 2012 and 2011:

Residential and villa



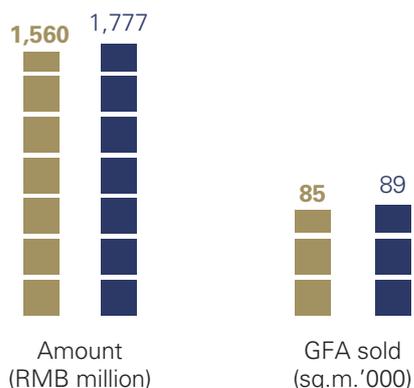
Office premises



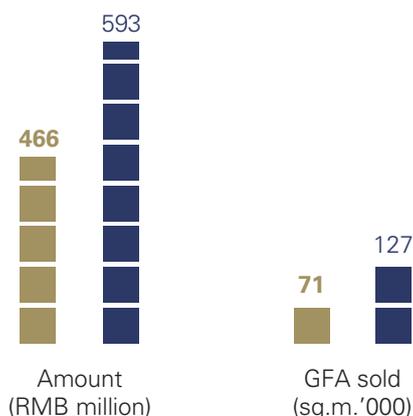
■ 2012 ■ 2011

■ 2012 ■ 2011

Retail space



Car parks



■ 2012 ■ 2011

■ 2012 ■ 2011

MANAGEMENT DISCUSSION & ANALYSIS

3) Construction Progress and Developing Projects

Total GFA and total saleable GFA completed in 2012 were approximately 2,826,000 sq.m. and 2,362,000 sq.m., going up by 51% and 46% respectively

compared to that in 2011. Meanwhile, we will maintain our construction scale in order to have enough GFA available for sale and for delivery to support our growth in 2013.

Cities	Projects	GFA completed in 2012 (sq.m.)	Target GFA to be completed in 2013 (sq.m.)
Beijing	Ocean Crown	–	21,000
	Ocean Great Harmony	91,000	–
	Ocean LA VIE	39,000	100,000
	Ocean Landscape Eastern Area	–	29,000
	Ocean Manor	63,000	46,000
	Ocean Oriental	175,000	–
	Ocean Palace	–	88,000
	POETRY OF RIVER	257,000	–
	The Place	102,000	–
Changchun	Ocean Cannes Town	108,000	234,000
Chongqing	Sino-Ocean International GOLF Resort	–	213,000
Dalian	Ocean Holiday Manor	155,000	13,000
	Ocean Plaza	293,000	–
	Ocean Seasons	22,000	–
	Ocean TIMES	147,000	416,000
	Ocean Worldview	224,000	315,000
	Ocean MIDTOWN	–	91,000
Fushun	Ocean City	–	124,000
Haikou	Ocean Zen House	–	59,000
Hangzhou	Canal Business Center Project	–	188,000
Huangshan	An Island Paradise	31,000	33,000
Qingdao	Ocean Prospect	–	147,000
Qinghuangdao	Ocean Century	–	398,000
Shanghai	BOND CASTLE	65,000	–
	Ocean Mansion No.7	53,000	65,000
Shenyang	Ocean Paradise	66,000	135,000
	Ocean Residence	–	181,000

Cities	Projects	GFA completed in 2012 (sq.m.)	Target GFA to be completed in 2013 (sq.m.)
Tianjin	Ocean City	320,000	200,000
	Ocean Great Harmony	126,000	96,000
	Ocean Prospect	119,000	–
Zhenjiang	Ocean Beach	–	97,000
Zhongshan	Ocean City	370,000	318,000
	Ocean New Era	–	187,000
Total		2,826,000	3,794,000

4) Landbank

Our Group's landbank decreased by 4% to 22,969,000 sq.m. as at 31 December 2012 (2011: 23,989,000 sq.m.); while landbank with attributable interest increased by 6% to 19,375,000 sq.m. (2011: 20,647,000 sq.m.). During 2012, we acquired 3 plots of land with total GFA of 1,342,000 sq.m. and

attributable interest of approximately 1,027,000 sq.m with average acquisition cost per sq.m. of about RMB3,300. The average land cost per sq.m. of our Group's landbank as at 31 December 2012 was approximately RMB3,200 (2011: RMB3,000).

Details of the newly acquired land plots during 2012 were as follows:

Cities	Projects	Total GFA acquired (sq.m.)	GFA attributable to our Group (sq.m.)	Interest attributable to our Group (%)
Dalian	Zhonghua Road Land Plot #3	712,000	712,000	100%
Fushun	Ocean City	210,000	137,000	65%
Shenzhen	Shengping Project	420,000	178,000	42.5%
Total		1,342,000	1,027,000	

The following table sets forth the landbank by stages of development as at 31 December 2012:

	Approximate total GFA (sq.m.)	Approximate total Saleable GFA (sq.m.)	Remaining Landbank (sq.m.)
Completed properties held for sales	6,545,000	5,563,000	1,226,000
Properties under development	10,426,000	8,255,000	10,426,000
Properties held for future development	11,317,000	8,846,000	11,317,000
Total	28,288,000	22,664,000	22,969,000

MANAGEMENT DISCUSSION & ANALYSIS

Our Group's landbank as at 31 December 2012 was as below:

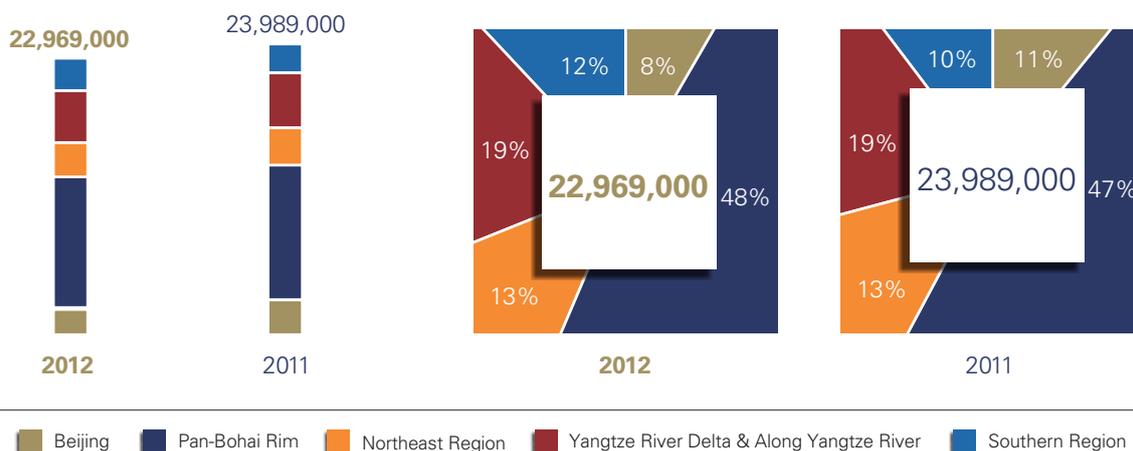
Region	Cities	Projects	Approximate total GFA (sq.m.)	Approximate total saleable GFA (sq.m.)	Remaining Landbank (sq.m.)	Interest attributable to our Group (%)
Beijing	Beijing	CBD Z6 Plot	245,000	190,000	245,000	80%
		CBD Z13 Plot	120,000	108,000	120,000	10%
		Jingmian Project	88,000	78,000	88,000	35%
		Ocean Crown	211,000	181,000	211,000	100%
		Ocean Great Harmony	353,000	314,000	12,000	100%
		Ocean LA VIE	304,000	301,000	277,000	85.72%
		Ocean Landscape Eastern Area E02/03 Project	103,000	71,000	103,000	100%
		Ocean Manor	245,000	219,000	204,000	100%
		Ocean Oriental Mansion	175,000	151,000	35,000	100%
		Ocean Palace	436,000	385,000	436,000	100%
		Ocean We-life Plaza	87,000	78,000	87,000	100%
		POETRY OF RIVER	793,000	705,000	211,000	100%
		The Place	102,000	86,000	69,000	100%
				3,262,000	2,867,000	2,098,000
Pan-Bohai Rim	Dalian	Ocean Diamond Bay	2,510,000	1,629,000	2,510,000	90%
		Ocean Holiday Manor	396,000	343,000	396,000	100%
		Ocean MIDTOWN	91,000	73,000	91,000	100%
		Ocean Plaza	293,000	253,000	9,000	69.53%
		Ocean Seasons	138,000	104,000	11,000	100%
		Ocean TIMES	563,000	473,000	416,000	100%
		Ocean Worldview	1,987,000	1,470,000	1,260,000	100%
		Sino-Ocean Technopole	922,000	540,000	922,000	100%
		Wyndham Grand Plaza				
		Royale Sino-Ocean	111,000	52,000	111,000	100%
	Xiaoyao Bay Project	219,000	175,000	219,000	100%	
	Zhonghua Road Land Plot #3	712,000	697,000	712,000	100%	
	Qingdao	Ocean Honored Chateau	133,000	78,000	133,000	100%
		Ocean Prospect	147,000	109,000	147,000	100%
		Ocean Prospect Phase 2	146,000	114,000	146,000	100%
	Qinhuangdao	Ocean Century	1,458,000	1,328,000	1,458,000	100%
	Tianjin	Ocean City	2,266,000	1,894,000	1,579,000	100%
		Ocean Express	337,000	288,000	52,000	97.05%
		Ocean Great Harmony	347,000	259,000	282,000	100%
		Ocean International Center	285,000	248,000	285,000	96.99%
Ocean Prospect		321,000	291,000	208,000	100%	
		13,382,000	10,418,000	10,947,000		

Region	Cities	Projects	Approximate total GFA (sq.m.)	Approximate total saleable GFA (sq.m.)	Remaining Landbank (sq.m.)	Interest attributable to our Group (%)
Northeast Region	Changchun	Ocean Cannes Town	1,169,000	916,000	1,086,000	51%
	Fushun	Ocean City	1,393,000	1,369,000	1,393,000	65%
	Shenyang	Ocean Paradise	712,000	677,000	223,000	100%
		Ocean Residence	181,000	168,000	181,000	92.5%
			3,455,000	3,130,000	2,883,000	
Yangtze River Delta & Along Yangtze River	Chengdu	Pinnacle One	384,000	214,000	384,000	50%
	Chongqing	Sino-Ocean International GOLF Resort	563,000	471,000	563,000	87.25%
	Hangzhou	Canal Business Center Project	919,000	480,000	919,000	51%
		Grand Canal Milestone	208,000	140,000	208,000	70%
		Ocean In Your Heart	169,000	109,000	169,000	100%
	Huangshan	An Island Paradise	88,000	87,000	81,000	100%
	Shanghai	BOND CASTLE	194,000	88,000	194,000	100%
		Ocean Chanson Manson	375,000	278,000	375,000	100%
		Ocean Mansion NO.7	118,000	89,000	118,000	100%
	Wuhan	Ocean Manor	77,000	71,000	35,000	55%
		Ocean World	456,000	398,000	401,000	55%
Zhenjiang	Ocean Beach	900,000	682,000	900,000	55%	
			4,451,000	3,107,000	4,347,000	
Southern Region	Haikou	Ocean Zen House	107,000	104,000	107,000	70%
	Sanya	Ocean Mansion	55,000	48,000	7,000	70%
		Tang Di Project	14,000	12,000	14,000	52.5%
	Shenzhen	Ocean Express	557,000	438,000	557,000	84.7%
		Shengping Project	420,000	340,000	420,000	42.5%
Zhongshan	Ocean City	2,089,000	1,725,000	1,093,000	100%	
	Ocean New Era	496,000	475,000	496,000	40%	
			3,738,000	3,142,000	2,694,000	
Total			28,288,000	22,664,000	22,969,000	

MANAGEMENT DISCUSSION & ANALYSIS

The following graphs set forth the landbank by geographical locations as at 31 December 2012 and 2011:

(sq.m.)



Property investment

Investment properties provide a steady and reliable income and cash flow to our Group in addition to the possible capital gains from appreciation in value. They also help us to diversify our risk from market turbulence in the property development business. In 2012, revenue from property investment increased by 22% to RMB414 million (2011:

RMB340 million). As at 31 December 2012, our Group held 4 investment properties and held several car parks for rental service excluding those held by our subsidiary, Gemini Investments (Holdings) Limited. Our investment properties are mainly A-grade office premises with a total leasable area of approximately 488,000 sq.m.

List of our investment properties as at 31 December 2012 as below.

	Approximate leasable area (sq.m.)	Office premises (sq.m.)	Retail space (sq.m.)	Others (sq.m.)	Occupancy rate as at 31 December 2012 (%)	Interest attributable to our Group (%)
Ocean Plaza (Beijing)	28,000	26,000	–	2,000	Over 97%	72%
Ocean International Center Block A (Beijing)	101,000	75,000	9,000	17,000	Over 97%	100%
Ocean Office Park (Beijing)	118,000	81,000	22,000	15,000	Over 95%	100%
INDIGO (Beijing)	227,000	63,000	92,000	72,000	Over 80%	50%
Ocean Express (Beijing) Car parks	14,000	–	–	14,000	81%	100%
Total	488,000	245,000	123,000	120,000		

FLOURISHING AND FUTURE COMMERCIAL PROPERTIES

Established in 2010, the Commercial Properties Business Department of Sino-Ocean Land has developed abilities in a myriad of aspects, including commercial project positioning, planning and design, development and construction, solicitation and operation, laying a solid foundation for its office premises operation and management in less than three years. To date, we have 20 commercial properties projects in various stages of development across the nation, comprising A-grade office premises, high end shopping malls, five star hotels and quality serviced apartments.

Save for the above four principal investment properties, the INDIGO (頤堤港) project in Beijing with Swire Properties Limited commenced operation in 2012. Going forward, it is intended that the commercial properties to be held will be situated in developed cities, such as CBD projects in Beijing, Dacisi project in Chengdu and Ocean International Center in Tianjin.

Currently, we have at hand investment properties with GFA of approximately 500,000 sq.m. that are in operation, including office premises in the Beijing CBD core and star hotels in popular tourist destination cities. We are poised to establish a diversified presence of commercial properties across the nation under the brand name of Sino-Ocean Land, paving road for the Group's future return on investment and profitability.

Property management

For the year ended 31 December 2012, our Group's revenue from the provision of property management services amounted to RMB453 million, representing a 20% increase compared to RMB377 million in 2011. A total GFA of 9,535,000 sq.m. (2011: 7,214,000 sq.m.) was covered by our Group's property management services which has significantly increased by 2,321,000 sq.m..

OTHER INFORMATION

Risk of exposure to exchange rate fluctuations and related hedging

In 2012, our Group had no investments in hedging speculative derivatives. In view of the potential Renminbi exchange rate fluctuations, our Group will consider arranging for monetary and interest rate swaps at appropriate times to avoid the corresponding risks.

Employees and human resources

As at 31 December 2012, our Group had 6,414 employees (31 December 2011: 6,852 employees), a 6% decrease in headcount. The lower headcount is mainly due to our cost controlling policy and simplified organization structure implemented during 2012 to reduce complex reporting structure and speed up decision making.

During 2012, taking into account the amortisation of share options, the level of our overall staff cost was about RMB1,288 million (2011: RMB952 million). Besides the share option scheme adopted in previous years, we have successfully adopted and launched a restricted share award scheme. We believe that these schemes will provide long-term incentive and rewards to our staff.

We will continuously review our salary and compensation schemes to make them competitive to retain our talented staff so that these talented staff can ultimately bring in higher return to our shareholders and investors.

INVESTOR RELATIONS

Our Group has always been committed to maintaining effective communication with the financial community and other stakeholders with integrity and openness and in adherence to the best practice in information disclosure in terms of accuracy, transparency and consistency. After years of dedicated hard work, our Group's investor relations practice has been recognized as one of the best among our industry peers.

DILIGENT COMMUNICATIONS THAT STRENGTHEN CONFIDENCE

While uncertainties continued to prevail in the macro economic environment in 2012, the macro control measures that regulated the real estate market remained an unchanged fundamental factor. The current regulations over the real estate sector, unprecedented in duration and magnitude, has profoundly altered the entire real estate industry of China, while the property and stock markets continued to be volatile.

Notwithstanding, we persisted in a transparent and pragmatic approach to communications at all times. With an emphasis on interactions with investors and stakeholders, As well as market latest development updates and data, such as our strategic plans and marketing strategies and their effectiveness, etc, we also conveyed to the market the unwavering confidence of our

employees. Meanwhile, ongoing improvement had been set as a persistent goal for our team, who practiced the highest standard of investor relations.

In addition, we actively liaised with investors. In 2012, we conducted meaningful exchanges with representatives from nearly 560 funds and securities firms and retail shareholders through day-to-day contact and major investors' conferences. We also received some 300 visitors at over 110 site visits.

Through our efforts, investors and analysts have gained a better understanding of our products and the latest market conditions, and their confidence in our Company has been enhanced as a result.

MAINTAINING HIGH STANDARDS AND SEEKING PROGRESS IN A PRAGMATIC MANNER

We maintained our high standards in information disclosure to ensure the timely dissemination of relevant corporate information via the official company website, monthly newsletters and other channels.

Our 2011 annual results and 2012 interim results presentations held in 2012 have drawn extensive interest, each recording attendance of about 110 members from

the financial community. Following these two results presentations, the Company's management and investor relations team hosted roadshows in Hong Kong, Singapore and US and held meetings with representatives of about 80 funds and stakeholders. These meetings promoted investors' understanding of our Group's strategies and at the same time allowed our management to gain more insights into the capital market's expectations of our Group. These activities would be useful for improving our management, profitability and corporate governance.

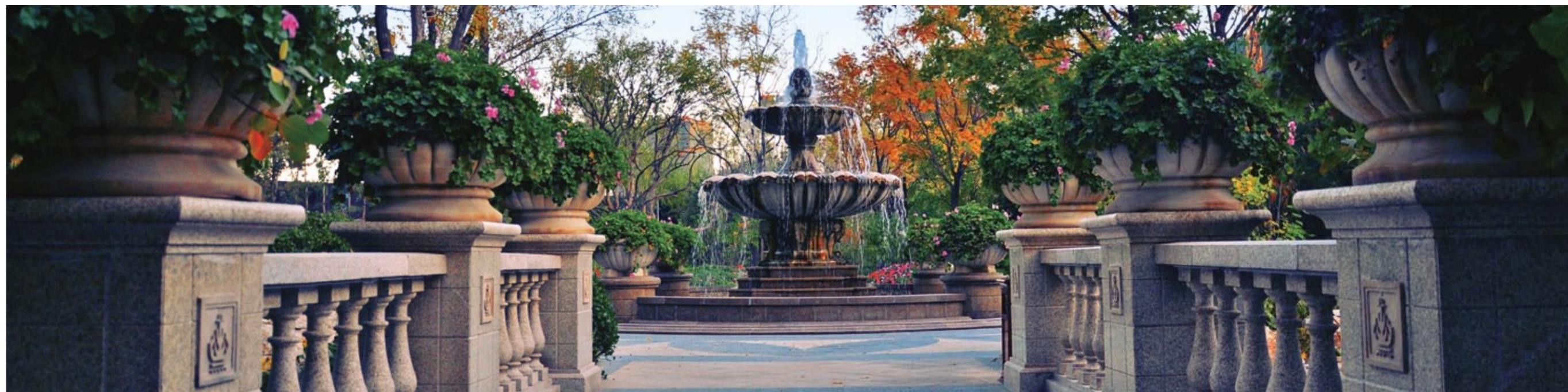
ACTING IN TANDEM WITH MARKET TRENDS AND LEADING BY EXAMPLE

In 2012, we continued to step up our efforts on in-depth communication with analysts to gain more extensive coverage and inclusions in more recommendation lists. Thanks to these efforts, securities firms covering the Company increased to 30 from 26, including HSBC and UOB Kay Hian in addition to Goldman Sachs, Citi, J.P. Morgan, China International Capital Corporation, Macquarie and Standard Chartered. Furthermore, we have increased the number of special forums held to enable exchanges between our management and securities firms in response to key concerns of the capital market, facilitating effective and smooth disclosure of corporate information.

More than 100 shareholders and other stakeholders attended the Annual General Meeting in May 2012. After the meeting, management representatives spoke with some interested retail shareholders to enhance mutual understanding.

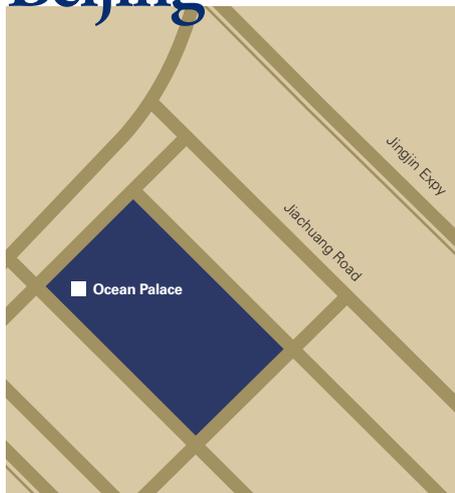
We would like to express our sincere appreciation to all stakeholders for their support.

If you have any queries or comments, you are welcome to contact us at ir@sinoceanland.com. We pledge to give satisfactory responses to the extent permitted by applicable laws, regulations and the Listing Rules. We will post our responses to your questions on our company website if we consider them in the interest of other shareholders or investors. We take all comments and suggestions seriously and will act upon them where feasible to improve our performance.



PROJECTS OVERVIEW — RESIDENTIAL PROPERTY

Beijing



Ocean Palace

Total GFA: **436,000 sq.m.**

Total saleable GFA: **385,000 sq.m.**

Attributable interest to our Group: **100%**

Usage: **Residential and villa**



Dalian



Ocean Diamond Bay

Total GFA: **2,510,000 sq.m.**

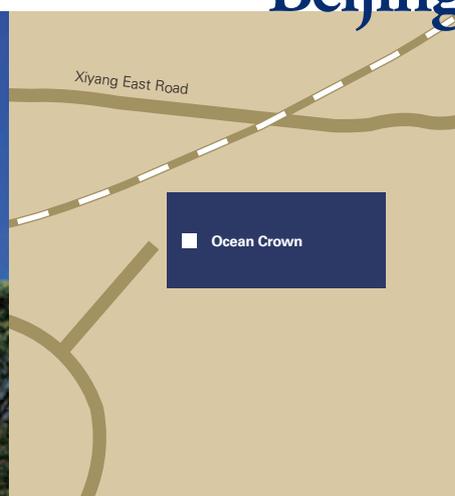
Total saleable GFA: **1,629,000 sq.m.**

Attributable interest to our Group: **90%**

Usage: **Residential and retail space**



Beijing



Ocean Crown

Total GFA: **211,000 sq.m.**

Total saleable GFA: **181,000 sq.m.**

Attributable interest to our Group: **100%**

Usage: **Residential and villa**

Dalian



Ocean Holiday Manor

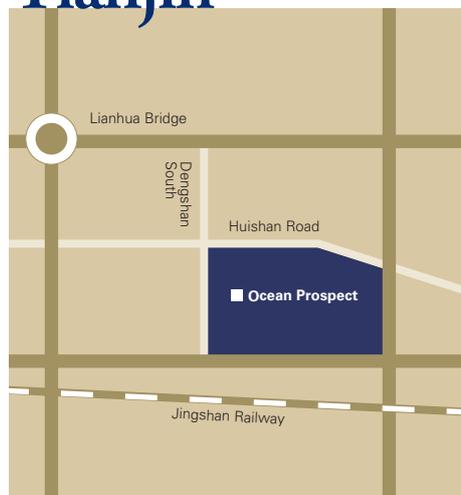
Total GFA: **396,000 sq.m.**

Total saleable GFA: **343,000 sq.m.**

Attributable interest to our Group: **100%**

Usage: **Residential and retail space**

Tianjin



Ocean Prospect

Total GFA: **321,000 sq.m.**

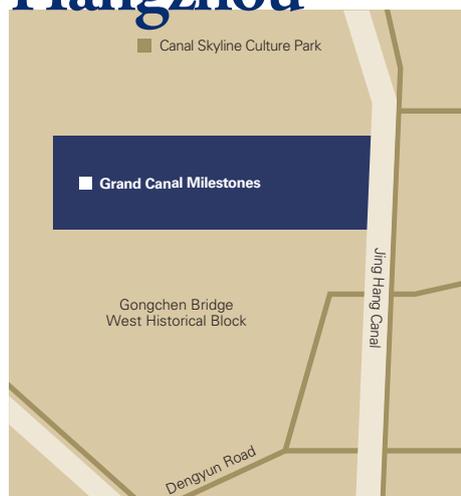
Total saleable GFA: **291,000 sq.m.**

Attributable interest to our Group: **100%**

Usage: **Residential and retail space**



Hangzhou



Grand Canal Milestone

Total GFA: **208,000 sq.m.**

Total saleable GFA: **140,000 sq.m.**

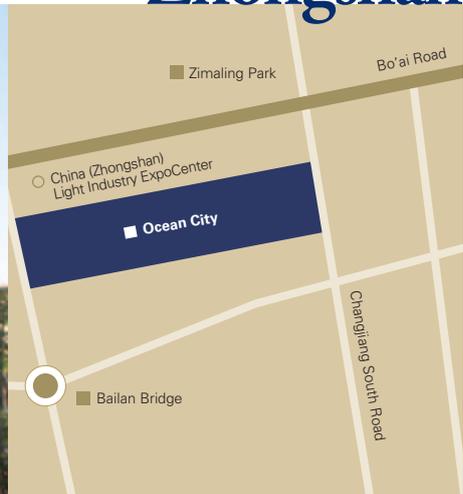
Attributable interest to our Group: **70%**

Usage: **Residential and retail space**





Zhongshan



Ocean City

Total GFA: **2,089,000 sq.m.**
 Total saleable GFA: **1,725,000 sq.m.**
 Attributable interest to our Group: **100%**
 Usage: **Residential and retail space**



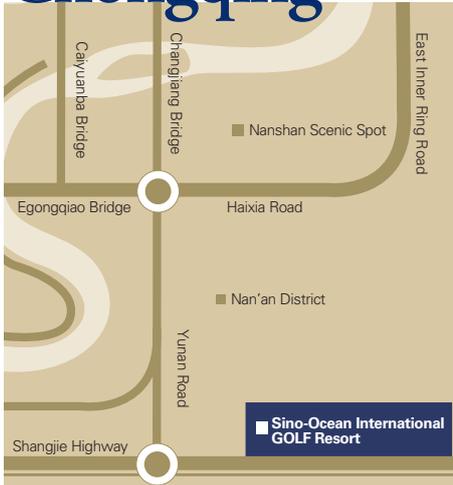
Shanghai



BOND CASTLE

Total GFA: **194,000 sq.m.**
 Total saleable GFA: **88,000 sq.m.**
 Attributable interest to our Group: **100%**
 Usage: **Residential and villa**

Chongqing



Sino-Ocean International GOLF Resort

Total GFA: **563,000 sq.m.**
 Total saleable GFA: **471,000 sq.m.**
 Attributable interest to our Group: **87.25%**
 Usage: **Residential and retail space**



Wuhan



Ocean Manor

Total GFA: **77,000 sq.m.**
 Total saleable GFA: **71,000 sq.m.**
 Attributable interest to our Group: **55%**
 Usage: **Residential and villa**

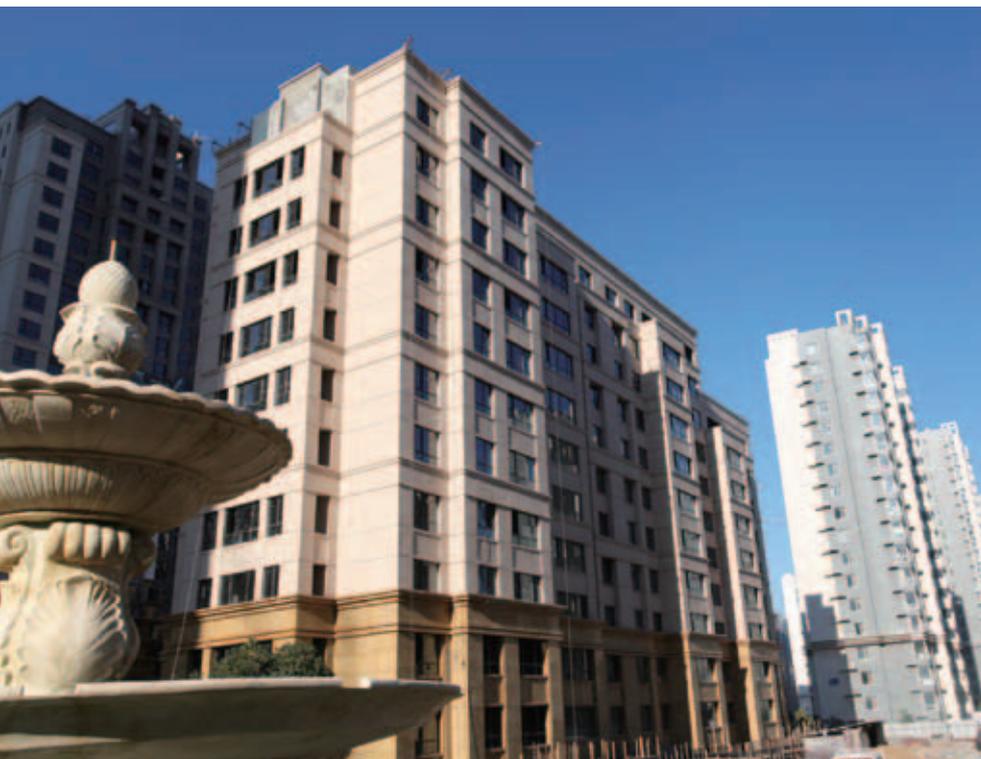


Shenyang



Ocean Residence

Total GFA: **181,000 sq.m.**
 Total saleable GFA: **168,000 sq.m.**
 Attributable interest to our Group: **92.5%**
 Usage: **Residential and retail space**



Ocean Prospect

Total GFA: **147,000 sq.m.**
 Total saleable GFA: **109,000 sq.m.**
 Attributable interest to our Group: **100%**
 Usage: **Residential and retail space**

Qinhuangdao



Ocean Century

Total GFA: **1,458,000 sq.m.**

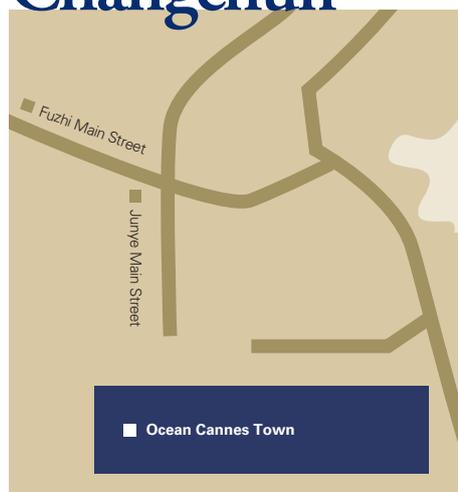
Total saleable GFA: **1,328,000 sq.m.**

Attributable interest to our Group: **100%**

Usage: **Residential and retail space**



Changchun



Ocean Cannes Town

Total GFA: **1,169,000 sq.m.**

Total saleable GFA: **916,000 sq.m.**

Attributable interest to our Group: **51%**

Usage: **Residential and retail space**



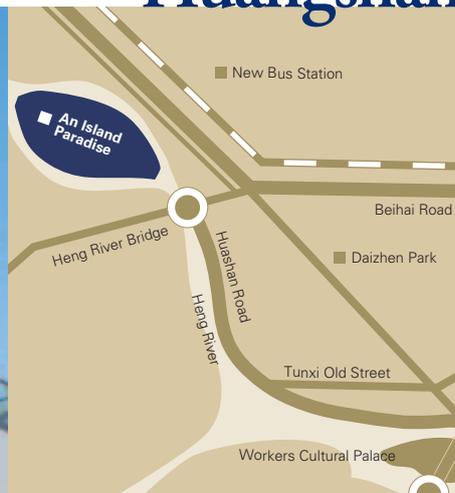
Haikou



Ocean Zen House

Total GFA: **107,000 sq.m.**
 Total saleable GFA: **104,000 sq.m.**
 Attributable interest to our Group: **70%**
 Usage: **Residential and villa**

Huangshan



An Island Paradise

Total GFA: **88,000 sq.m.**
 Total saleable GFA: **87,000 sq.m.**
 Attributable interest to our Group: **100%**
 Usage: **Residential and villa**

PROJECTS OVERVIEW — COMMERCIAL PROPERTY

Beijing



INDIGO

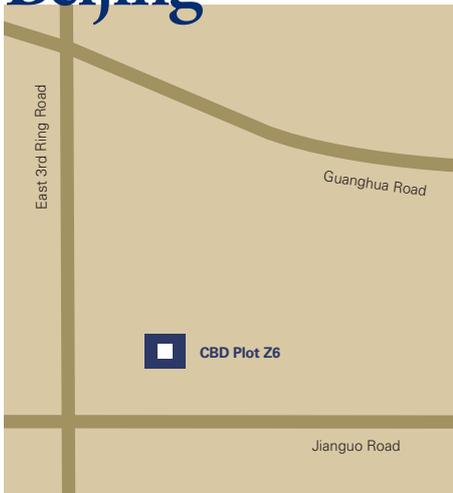
Total GFA: **296,000 sq.m.**

Attributable interest to our Group: **50%**

Usage: **Office, hotel and retail space**



Beijing



CBD Plot Z6

Total GFA: **245,000 sq.m.**

Attributable interest to our Group: **80%**

Usage: **Office and retail space**



Beijing



Ocean We-life Plaza

Total GFA: **87,000 sq.m.**

Attributable interest to our Group: **100%**

Usage: **Office and retail space**

Tianjin

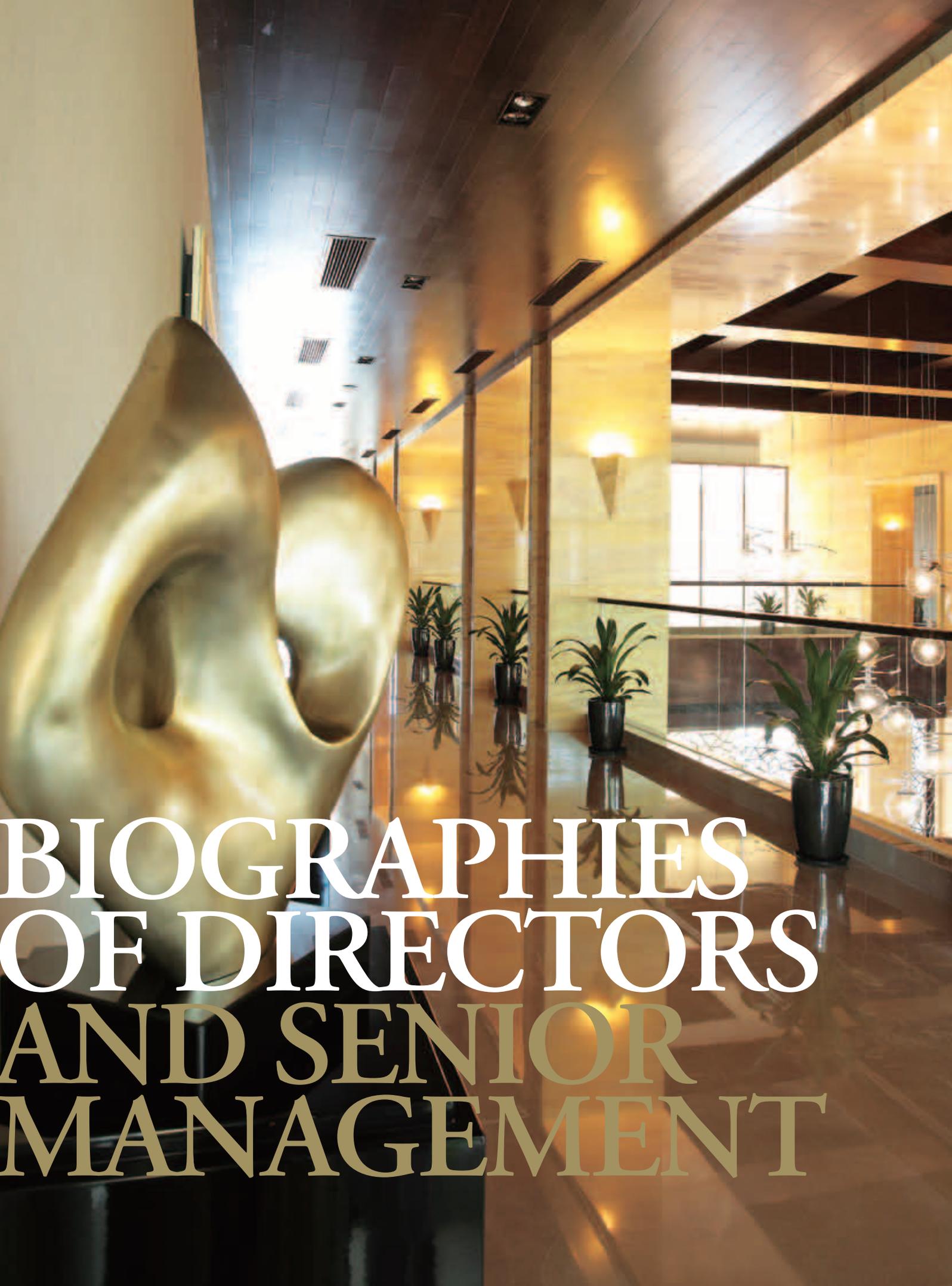


Ocean International Center

Total GFA: **285,000 sq.m.**

Attributable interest to our Group: **100%**

Usage: **Office and retail space**

A photograph of a modern office hallway. In the foreground, a large, abstract, golden sculpture with a central hole is positioned on the left. The hallway is brightly lit with recessed ceiling lights and wall sconces. To the right, there is a glass-walled office area with a dark railing. Several potted plants are placed along the hallway. The overall atmosphere is professional and contemporary.

BIOGRAPHIES
OF DIRECTORS
AND SENIOR
MANAGEMENT

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT



EXECUTIVE DIRECTOR

Mr. LI Ming (李明)

Aged 49, is the Chairman of the Board, the Chairman of the Nomination Committee and the Chairman of the Investment Committee of the Board of the Company. Mr. Li joined the Group as a general manager in July 1997 and became the Chief Executive Officer in August 2006. Mr. Li also serves as the chairman, legal representative, a director or a general manager of a number of our subsidiaries and project companies. With extensive experience in corporate governance, property development and property investment, Mr. Li is primarily responsible for our Company's overall operation management and the implementation of development strategies. Mr. Li obtained a Bachelor's Degree in Motor Vehicle Transportation from the Jilin Industrial University in July 1985 and a Master's Degree in Business Administration from the China Europe International Business School in May 1998; he also obtained a senior engineer qualification. Mr. Li is currently a member of the Chinese People's Political Consultative Conference of the Beijing Municipality, a member of the People's Congress of the Chaoyang District of the Beijing Municipality and the vice-president of the China Real Estate Association.

EXECUTIVE DIRECTOR

Mr. WANG Xiaoguang (王晓光)

Aged 49, is the Chief Operating Officer of the Company. Mr. Wang joined the Group in December 2008. Mr. Wang also serves as the chairman and/or legal representative of a number of our subsidiaries and project companies. With extensive experience in property development and property investment, Mr. Wang is extensively involved in the Company's overall management, primarily responsible for the comprehensive operation management of the development business of the Group. Mr. Wang obtained a Bachelor's Degree in Machinery from the Jilin University in July 1986 and obtained a Master's Degree in Business Administration from the Dongbei University of Finance and Economics in June 2005. Mr. Wang is currently a member of the Internal and Judicial Affairs Committee of People's Congress of Dalian Municipality, the vice chairman of Dalian General Chamber of Commerce, and the vice chairman of Liaoning Province Real Estate Development Association.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT



EXECUTIVE DIRECTOR

Mr. CHEN Runfu (陳潤福)

Aged 48, is the Vice President of the Company. Mr. Chen joined the Group in 1995. Mr. Chen also serves as a director or a general manager of a number of our subsidiaries and project companies. With extensive experience in property development and property investment, Mr. Chen is primarily responsible for the Group's strategy management, investment management, equity management and branding management. Mr. Chen obtained a Bachelor's Degree in Harbor and Channel Engineering from the Dalian Institute of Technology (currently the Dalian University of Technology) in July 1986 and a Master's Degree in Business Administration from the China Europe International Business School in September 2005.

NON-EXECUTIVE DIRECTOR

Ms. LIU Hui (劉暉)

Aged 43, is a member of the Nomination Committee of the Board of the Company. Ms. Liu joined the Group in March 2010. Ms. Liu has over 20 years of working experience in banking and investment management fields. She held various positions including general manager and deputy general manager of China Life Insurance Asset Management Company Limited and a division head of the headquarters of China Construction Bank. She was appointed as general manager of investment management department of China Life Insurance Company Limited ("China Life") in February 2009. Ms. Liu graduated from the Renmin University of China with a Bachelor's Degree in Economics in July 1992, and obtained a Master's Degree in Business Administration from the Tsinghua University in June 2000. She is a senior economist. Ms. Liu is recommended by China Life.



NON-EXECUTIVE DIRECTOR

Mr. YANG Zheng (楊征)

Aged 43, is a member of the Audit Committee of the Board of the Company. Mr. Yang joined the Group in March 2011. Mr. Yang joined China Life as assistant to the general manager of the finance department in July 2005 and was promoted to the deputy general manager of the same department in October 2006. Mr. Yang has been the general manager of the finance department of China Life since March 2009. Prior to joining China Life, Mr. Yang worked at China North Industries Corp. from August 1993 to August 1998 and acted as a senior financial analyst at Molex Inc. in the USA from July 2000 to June 2005. Mr. Yang graduated from Beijing University of Technology in 1993. He then obtained a Master's Degree in Business Administration from Northeastern University in the USA in 2000. Mr. Yang is an economist, and a member of American Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Mr. Yang is recommended by China Life.

NON-EXECUTIVE DIRECTOR

Mr. CHEUNG Vincent Sai Sing (張世成)

Aged 32, is a member of the Investment Committee of the Board of the Company. Mr. Cheung joined the Group in March 2011. Mr. Cheung joined Nan Fung Development Limited ("Nan Fung Development") in 2009. Mr. Cheung currently holds a position as director of Nan Fung Development and is responsible for leading the daily operation and the proposition, consultation, and approval of investments of Nan Fung Development and its affiliated companies. He has extensive experience in the financial sector. Before joining Nan Fung Development, Mr. Cheung was the vice president of the Interest Rates Structuring at Barclays Capital Asia Limited from 2008 to 2009, where he worked with a number of institutional and retail clients in Asia. Before that, Mr. Cheung was the vice president of the Interest Rates Structuring and Medium Term Notes Trading at Citigroup Global Markets Asia Limited from 2004 to 2008. Mr. Cheung has become a Committee Member of the All-China Youth Federation and a Council Member of the Hong Kong United Youth Association since 2010. Mr. Cheung graduated from the University of California, Berkeley, graduating with honors in Molecular and Cell Biology in 2003. Mr. Cheung is recommended by Nan Fung Development.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT



INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. TSANG Hing Lun (曾慶麟)

Aged 63, is the chairman of the Audit Committee and a member of the Investment Committee of the Board of the Company. Mr. Tsang joined the Group in June 2007. Mr. Tsang is a fellow member of the Hong Kong Institute of Directors, the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Mr. Tsang graduated from the Chinese University of Hong Kong with a Bachelor's Degree in Business Administration (1st Class Honors) in 1973. Mr. Tsang has served in a senior management capacity in several publicly listed companies operating in Hong Kong and Singapore. Mr. Tsang joined Hang Seng Bank in 1973 and served for 17 years. He acted as an assistant general manager of the planning and development division. He joined the UOB Group in Singapore in 1990 as its head of International Branches Division and its first vice president. Mr. Tsang also acted as an executive director of China Champ Group in 1994, as an alternate chief executive and a deputy general manager of the China Construction Bank, Hong Kong Branch from 1995 to 1998. Mr. Tsang currently acts as an independent non-executive director and the chairman of the audit committee of Sinotrans Shipping Limited, Beijing Media Corporation Limited and China Rongsheng Heavy Industries Group Holdings Limited, companies listed on the Stock Exchange. Mr. Tsang is also an independent non-executive director of China GrenTech Corporation Limited, a company previously listed on the NASDAQ of USA but got privatized at the end of April 2012.

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. GU Yunchang (顧雲昌)

Aged 68, is a member of the Audit Committee, Nomination Committee, Remuneration Committee and the Investment Committee of the Board of the Company. Mr. Gu joined the Group in June 2007. He joined the Ministry of Construction in 1979 and has over 30 years' experience in market theory and policy research, including research and analysis of the PRC property market. Mr. Gu has participated in state level research projects such as "2000 China" and "National Xiaokang Residential Property Technological Industry Project". Mr. Gu has been awarded the First Class National Science Technology Advance Award in China twice. Mr. Gu was appointed as the vice-president and the secretary general of the China Real Estate Association from August 1998 to March 2006, and was appointed as the vice-chairman of the China Real Estate Association Research in 2006. Mr. Gu currently serves as an independent director of E-House (China) Holdings Limited, a company listed on the New York Stock Exchange in the USA, and was appointed as an independent non-executive director of COFCO Property (Group) Co., Ltd., a company listed on the Shenzhen Stock Exchange, with effect from 23 April 2012, and an independent non-executive director of CIFI Holdings (Group) Co. Ltd., a company listed on the Stock Exchange, with effect from November 2012. Mr. Gu was an independent non-executive director of Shimao Property Holdings Limited, a company listed on the Stock Exchange.



INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. HAN Xiaojing (韓小京)

Aged 58, is the chairman of the Remuneration Committee and a member of the Nomination Committee and the Audit Committee of the Board of the Company. He joined the Group in June 2007. Mr. Han is the founding partner of the Commerce & Finance Law Offices. He has over 25 years' practical experience in corporate and securities law in China especially in the restructuring of large-scale state-owned enterprises and private companies and offshore listing of the Chinese companies. Mr. Han obtained a Master's Degree in Law from the China University of Political Science and Law in 1985. He is currently an independent director of Shenzhen Overseas Chinese Town Holding Company, a company listed on the Shenzhen Stock Exchange in the PRC and an independent non-executive director of Far East Horizon Limited, a company listed on the Stock Exchange. Mr. Han was a supervisor of Beijing Capital International Airport Company Limited, a company listed on the Stock Exchange.

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. ZHAO Kang (趙康)

Aged 64, is a member of the Remuneration Committee and the Nomination Committee of the Board of the Company. He joined the Group in June 2007. With extensive experience in real estate industry, Mr. Zhao joined the Committee of Beijing Municipal and Rural Construction from 1978 to 1980, and was appointed the deputy general manager, general manager and chairman of Beijing Urban Development (Group) Co., Ltd. from 1980 to 2005. During the period from 2005 to 2012, Mr. Zhao was the chairman of Beijing National Olympics Investment Company Limited (北京國奧投資有限公司) which was in charge of the development and construction of the Beijing Olympic Village and the National Gymnasium in Beijing. Mr. Zhao graduated from the Department of Construction at the Tsinghua University in 1975. Mr. Zhao was a member of the Tenth and Eleventh Committee of the Chinese People's Political Consultative Conference of the Beijing Municipal. Mr. Zhao was an independent director of Beijing Capital Co. Ltd., a company listed on the Shanghai Stock Exchange in the PRC.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Li Jianbo (李建波), aged 50, is the Vice President of the Company. Mr. Li joined the Group in September 2009. With extensive experience in human resources and operation management in multi-national companies, Mr. Li is the joint secretary of the Board of the Company, primarily engaged in the overall operation management and workflow management, and responsible for human resources management and secretarial administrative management of the Company. Mr. Li obtained a Bachelor's Degree in Computer Engineering from the Tsinghua University in July 1985 and obtained a Master's Degree in Business Administration from the State University of New Jersey in the USA in August 2000. For the period from 22 October 2010 to 17 March 2011, Mr. Li was the chairman and an executive director of Gemini Investments (Holdings) Limited, a subsidiary of the Company and a company listed on the Stock Exchange.

Mr. XU Li (徐立), aged 51, is the Vice President of the Company. Mr. Xu joined the Group in October 1997. With extensive experience in property development and property investment, Mr. Xu is primarily engaged in the overall management of the Company's operations and in charge of the daily management of the Company's Beijing regional management department and assisting the Chief Operating Officer in the operation management of the Group's development business. Mr. Xu obtained a Bachelor's Degree in Industrial and Residential Construction from the Liaoning Radio and Television University in December 1992 and obtained a Master's Degree in Business Administration from Cheung Kong Graduate School of Business in September 2010.

Mr. SUM Pui Ying, Adrian (沈培英), aged 51, is the Chief Financial Officer and the Company Secretary of the Company. Mr. Sum joined the Group in May 2007. Mr. Sum is a fellow member of the Hong Kong Institute of Certified Public Accountant and a member of the Institute of Chartered Accountants in England & Wales. With extensive experience in governing the companies listed on the Hong Kong Stock Exchange, Mr. Sum is primarily engaged in the overall management of the Company's operations and responsible for the Company's financial management, company secretarial and compliance affairs, real estate finance and investor relations affairs and assisting in corporate financing and investment management. Mr. Sum obtained a Professional Diploma in Accounting from the Hong Kong Polytechnic University in 1988, a Master's Degree in Business Administration from the University of Wales in 1991 and a Diploma in Legal Studies from the University of Hong Kong in 1996. Mr. Sum is the chairman and a non-executive director of Gemini Investments (Holdings) Limited, a subsidiary of the Company and a company listed on the Stock Exchange.

Mr. CHEN Zuyuan (譚祖元), aged 51, is the Vice President of the Company. Mr. Chen joined the Group in February 2003. With extensive experience in property development and planning and design, Mr. Chen is primarily engaged in the overall management of the Company's operations, investigation, design, research and development as well as overall coordination of the Group's key projects, assisting in corporate financing, investment management and assisting the Chief Operating Officer in the execution of operation management of the Group's development business. Mr. Chen obtained a Bachelor's Degree in Industrial and Civil Construction from the Hunan University in July 1983 and a Master's Degree in Business Administration from the China Europe International Business School in September 2006.

Mr. LU Zhijun (陸志軍), aged 44, is the Vice President of the Company. Mr. Lu joined the Group in January 2009. With extensive experience in property development and property investment, Mr. Lu is primarily responsible for the overall operation management of the Company, in charge of the daily management of the Company's Dailian regional management department and assisting the Chief Operating Officer in the operation management of the Group's development business. Mr. Lu obtained a Master's Degree in Business Administration from the Dongbei University of Finance and Economics in June 2006.

Mr. WANG Fushun (王福順), aged 51, is the Vice President of the Company. Mr. Wang joined the Group in 2002. Mr. Wang also serves as a director or general manager of a number of the Group's subsidiaries and project companies. With extensive experience in development and operation of residential and commercial properties, Mr. Wang is primarily responsible for the overall operation and management of the Company, directing of the development and operation of Commercial Real Estate Division as a whole, and assisting the Chief Executive Officer in the Group's commercial investment, operation and management. Mr. Wang obtained a Bachelor's degree and a Master's Degree in Engineering Mechanical Design and Manufacturing from Northeast Forestry University in July 1982 and in March 1987, respectively.

Mr. WEN Haicheng (溫海成), aged 44, is the Vice President of the Company. Mr. Wen joined the Group in January 2009. Mr. Wen is a Chartered Builder of The Chartered Institute of Building, U.K. and a senior engineer at professor level. With extensive experience in engineering construction and project management, Mr. Wen is primarily engaged in the overall operation and management of the Company. He is also responsible for the management of the Group's various specialized subsidiaries, assisting the Chief Executive Officer in the Group's risk management and assisting the Chief Operating Officer in the operation and management of the Group's development business. Mr. Wen obtained a Bachelor's Degree in Engineering from the Chongqing Institute of Architecture and Engineering in July 1992, a Master's Degree in Engineering from the Chongqing Jianzhu University and a Ph.D. in Management from the Chongqing University in June 1999 and December 2007, respectively.

DIRECTORS' REPORT

The Board is pleased to present its report and the audited financial statements of the Company and of the Group for the year ended 31 December 2012.

PRINCIPAL OPERATIONS AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The Company is an investment holding company. Its subsidiaries are mainly engaged in the real estate development, construction, reparation and decoration, property investment, property management and hotel operation businesses. The Group is one of the largest real estate companies in Beijing.

The analysis of the Group's revenue and operating results in its major operation activities is set out in note 6 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

Results of the Group for the year ended 31 December 2012 are set out in the consolidated income statement on page 91.

During the year under review, an interim dividend in respect of the period ended 30 June 2012 of HKD0.06 per ordinary share and a final dividend in respect of the financial year ended 31 December 2011 of HKD0.10 per ordinary share were paid respectively.

The Directors proposed to recommend at the forthcoming AGM to be held on 10 May 2013 the payment of a final dividend of HKD0.17 per ordinary share for the year ended 31 December 2012. The final dividend will be paid in cash, with a scrip dividend option offered to all shareholders excluding shareholders with registered addresses outside Hong Kong. The final dividend and the scrip dividend option are subject to the approval of the shareholders at the forthcoming AGM and the granting by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the new shares. The final dividend will be paid to the shareholders whose name is standing in the register of members of ordinary shares of the Company on Thursday, 16 May 2013. In order to qualify for the proposed final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited (the

"Share Registrar") at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Thursday, 16 May 2013.

The register of members of ordinary shares of the Company will be closed from Tuesday, 7 May 2013 to Friday, 10 May 2013 (both dates inclusive), during which period, no transfer of ordinary shares will be registered. In order to qualify for attending the forthcoming AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Share Registrar no later than 4:30 p.m. on Monday, 6 May 2013.

RESERVES

Movements in the reserves of the Group and the Company during the year under review are set out in note 29 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

The Company's total distributable reserves as at 31 December 2012 amounted to RMB1,236 million.

SHARE CAPITAL

Movements in the share capital of the Company during the year under review and as at 31 December 2012 are set out in note 27 to the consolidated financial statements.

FIXED ASSETS

Movements in the Group's fixed assets are set out in note 7 to the consolidated financial statements.

BORROWINGS AND CAPITALIZATION OF INTERESTS

Details of borrowings are set out in note 33 to the consolidated financial statements. Details of the Group's capitalized interest expenses and other borrowing costs during the year under review are set out in note 42 to the consolidated financial statements.

DONATIONS

For the year ended 31 December 2012, the Group's donations to charity and other purposes were approximately RMB6 million (2011: RMB2.77 million).

REMUNERATION POLICY AND RETIREMENT BENEFITS OF THE GROUP

The Group's remuneration system has been determined by reference to the corporate business performance, the efficiency and accomplishments of the staff, and the remuneration level of the same industry in the market. The Company offers share options and introduces restricted share award scheme to the competitive staff so as to provide staff salaries and benefits with market competitiveness and to ensure availability of human resources for the sustained development of the Company.

Details of the Group's the retirement benefit plans are set out in note 41 to the consolidated financial statements.

BASIS OF DETERMINING REMUNERATION TO DIRECTORS

The same remuneration philosophy is applicable to the Directors of the Company. Apart from benchmarking against the market, the Company looks at individual experience, qualification and responsibilities involved in the Company in determining the exact level of remuneration for each Director. Appropriate benefits schemes are in place for the Directors, including the share option scheme and the restricted share award scheme, similar to those offered to other employees of the Group.

FIVE-YEAR FINANCIAL SUMMARY

A five-year financial summary of the Group is set out on page 180.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Save as disclosed in the paragraph headed "Restricted Share Award Scheme", neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the year under review.

CONVERTIBLE SECURITIES

As announced by the Company on 27 July 2010, the perpetual subordinated convertible securities (the "Convertible Securities") were issued by a wholly owned

subsidiary of the Company, in an aggregate principal amount of USD900 million. The net proceeds from the issue of the Convertible Securities were applied in financing new and existing projects (including construction costs and land costs) and for general corporate purpose. Details of Convertible Securities are set out in note 31 to the consolidated financial statements.

CAPITAL SECURITIES

As announced by the Company on 6 May 2011, the perpetual subordinated capital securities callable 2016 (the "Capital Securities") were issued by a wholly-owned subsidiary of the Company, in an aggregate principal amount of USD400 million, which have been fully subscribed by certain investors. The net proceeds from the issue of the Capital Securities were applied to finance new and existing projects (including construction costs, land costs and investment properties) and for general corporate purposes. Details of the Capital Securities are set out in note 32 to the consolidated financial statements.

RESTRICTED SHARE AWARD SCHEME

The restricted share award scheme (the "Award Scheme") was adopted by the Board on 22 March 2010 (the "Adoption Date") as an incentive to retain and encourage the employees for the continual operation and development of our Group. Unless early terminated by the Board, the Award Scheme shall continue in full force and effect from the Adoption Date for a term of 10 years.

According to the Award Scheme, the maximum number of shares to be awarded under the Award Scheme is 169,104,822 shares, representing 3% of the issued share capital of the Company as at the Adoption Date. The restricted shares will be purchased by the trustee from the market out of cash contributed by our Group and be held in trust for the relevant selected employees until such shares are vested with the relevant selected employees in accordance with the provisions of the Award Scheme. The shares awarded to the directors and employees of the Group at no consideration will be vested in three years in which 40% of awarded shares will be vested after one year from the date of award and 7.5% of awarded shares will be vested quarterly thereafter.

DIRECTORS' REPORT

During the year under review, the trustee of the Award Scheme, pursuant to the terms of the rules and trust deed of the Award Scheme, had acquired 1,332,331 shares of the Company by way of receiving scrip share in lieu of cash dividend in an amount of approximately HKD4,291,000. Up to 31 December 2012, 35,034,649 shares of the Company

had been acquired from the market, at an aggregate consideration of approximately RMB132 million (including transaction costs), and from receiving scrip shares in lieu of cash dividend by the trustee, representing 0.62% of the issued share capital of the Company as at the Adoption Date.

Details of the number of shares awarded under Award Scheme and the shares vested during the year under review are set out as below:

Date of award	Share awarded	Awarded Shares			Balance as at 31 December 2012
		Balance as at 1 January 2012	No. of shares vested during the year	No. of shares being lapsed during the year (note i)	
18 March 2011	16,991,200	16,991,200	10,493,464	250,440	6,247,296

Note:

- (i) Pursuant to the Award Scheme, 250,440 awarded shares were lapsed upon the resignation of awardees.

SHARE OPTION SCHEME

A share option scheme of the Company (the "Share Option Scheme"), which was approved by the shareholders' written resolutions, is valid and effective for a period of 10 years until 27 September 2017, unless it is terminated early in accordance with the provisions of the Share Option Scheme. Under the Share Option Scheme, the Board may grant share options to eligible employees and Directors of the Group. The purpose of the Share Option Scheme is to provide an incentive for employees of the Group to work with commitment towards enhancing the value of the Company and its shares for the benefit of the shareholders and to compensate employees of the Group for their contribution based on their individual performance and that of the Company.

The total number of shares in respect of which share options may be granted under the Share Option Scheme is not permitted to exceed 424,286,000 shares, representing

7.25% of the total number of shares of the Company as at 31 December 2012. Without prior approval from the Company's shareholders, the number of shares in respect of which share options were granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time.

The share options granted under the Share Option Scheme are exercisable within five years period in which 40% of share options become exercisable after one year from the offer date, 70% of share options become exercisable after two years from the offer date, and all share options become exercisable after three years from the offer date. A consideration of HKD1.00 is payable by each grantee accepting on the grant of share options. Options are exercisable at a price that is determined by the Board of the Company, which will not be less than the higher of the closing price of the Company's shares on the offer date, and the average closing prices of the shares for the five business days immediately preceding the offer date.

During the year under review, movements of share options granted to the Directors, chief executives, and employees of the Group under the Share Option Scheme are as follows:

	Date of share option granted	Exercise price per share (HKD)	No. of share options outstanding as at 1 January 2012	No. of share options granted during the year	No. of share options exercised during the year (note)	No. of share options lapsed during the year	No. of share options outstanding as at 31 December 2012
Directors							
Mr. LI Ming	8 Oct 2007	7.70	4,280,000	–	–	(4,280,000)	–
	19 Sept 2008	2.55	3,000,000	–	–	–	3,000,000
	30 Jul 2009	8.59	4,280,000	–	–	–	4,280,000
	12 Jan 2012	3.57	–	6,280,000	–	–	6,280,000
Mr. WANG Xiaoguang	19 Sept 2008	2.55	500,000	–	–	–	500,000
	30 Jul 2009	8.59	800,000	–	–	–	800,000
	5 Oct 2009	7.11	910,000	–	–	–	910,000
	12 Jan 2012	3.57	–	2,855,000	–	–	2,855,000
Mr. CHEN Runfu	8 Oct 2007	7.70	1,710,000	–	–	(1,710,000)	–
	19 Sept 2008	2.55	1,000,000	–	(1,000,000)	–	–
	30 Jul 2009	8.59	1,710,000	–	–	–	1,710,000
	12 Jan 2012	3.57	–	2,610,000	–	–	2,610,000
Ms. LIU Hui	12 Jan 2012	3.57	–	400,000	–	–	400,000
Mr. YANG Zheng	12 Jan 2012	3.57	–	400,000	–	–	400,000
Mr. CHEUNG Vincent Sai Sing	12 Jan 2012	3.57	–	400,000	–	–	400,000
Mr. TSANG Hing Lun	24 Jan 2008	7.70	140,000	–	–	–	140,000
	19 Sept 2008	2.55	30,000	–	(30,000)	–	–
	30 Jul 2009	8.59	200,000	–	–	–	200,000
	12 Jan 2012	3.57	–	600,000	–	–	600,000
Mr. GU Yunchang	24 Jan 2008	7.70	200,000	–	–	–	200,000
	19 Sept 2008	2.55	100,000	–	–	–	100,000
	30 Jul 2009	8.59	200,000	–	–	–	200,000
	12 Jan 2012	3.57	–	600,000	–	–	600,000
Mr. HAN Xiaojing	24 Jan 2008	7.70	200,000	–	–	–	200,000
	19 Sept 2008	2.55	100,000	–	–	–	100,000
	30 Jul 2009	8.59	200,000	–	–	–	200,000
	12 Jan 2012	3.57	–	600,000	–	–	600,000
Mr. ZHAO Kang	24 Jan 2008	7.70	200,000	–	–	–	200,000
	19 Sept 2008	2.55	100,000	–	–	–	100,000
	30 Jul 2009	8.59	200,000	–	–	–	200,000
	12 Jan 2012	3.57	–	600,000	–	–	600,000
Subtotal			<u>20,060,000</u>	<u>15,345,000</u>	<u>(1,030,000)</u>	<u>(5,990,000)</u>	<u>28,385,000</u>

DIRECTORS' REPORT

	Date of share option granted	Exercise price per share (HKD)	No. of share options outstanding as at 1 January 2012	No. of share options granted during the year	No. of share options exercised during the year (note)	No. of share options lapsed during the year	No. of share options outstanding as at 31 December 2012
Employees	28 Sept 2007	7.70	50,205,500	–	–	(50,205,500)	–
	24 Jan 2008	7.70	7,570,000	–	–	(1,680,000)	5,890,000
	19 Sept 2008	2.55	20,834,500	–	(11,781,500)	(235,500)	8,817,500
	30 Jul 2009	8.59	16,675,000	–	–	(1,975,000)	14,700,000
	2 Sept 2009	7.01	19,891,000	–	–	(3,581,000)	16,310,000
	5 Oct 2009	7.11	24,635,000	–	–	(1,895,000)	22,740,000
	12 Jan 2012	3.57	–	144,655,000	–	(12,175,000)	132,480,000
				<u>139,811,000</u>	<u>144,655,000</u>	<u>(11,781,500)</u>	<u>(71,747,000)</u>
			<u>159,871,000</u>	<u>160,000,000</u>	<u>(12,811,500)</u>	<u>(77,737,000)</u>	<u>229,322,500</u>

Note: The weighted average price of the shares immediately before the dates on which the share options were exercised was HKD4.57.

The average fair value of 160,000,000 share options granted on 12 January 2012 is HKD1.336482 per option. In determining the fair value of share options, the Binomial Lattice Model has been used and the following variables have been applied to the model:

Measurement date	12 January 2012
Variables	
— the expected volatility	56.67%
— the annual risk-free interest rate	0.826%
— the expected dividend yield	4.2%
— the expected life from the measurement date	5 years

Notes:

- (i) The closing price per share immediately before 12 January 2012, the date of granting the options was HKD3.55.
- (ii) The expected volatility referred to the 5-year, weekly annualized volatilities of two peers with same principal business and whose shares are listed in the Stock Exchange.
- (iii) The risk-free rate represents the yield of the Hong Kong Exchange Fund Notes corresponding to the expected life of the options as at the measurement date as above.
- (iv) The expected dividend yield is with reference to the historical dividend.

DIRECTORS

The table below sets out certain information on the members of the Board during the year and up to the date of this report:

Name	Position
Mr. LI Ming	Executive Director and Chairman
Mr. WANG Xiaoguang	Executive Director
Mr. CHEN Runfu	Executive Director
Ms. LIU Hui	Non-executive Director
Mr. YANG Zheng	Non-executive Director
Mr. CHEUNG Vincent Sai Sing	Non-executive Director
Mr. TSANG Hing Lun	Independent non-executive Director
Mr. GU Yunchang	Independent non-executive Director
Mr. HAN Xiaojing	Independent non-executive Director
Mr. ZHAO Kang	Independent non-executive Director

In accordance with Article 110 of the Articles of Association of the Company, Mr. CHEN Runfu, Mr. YANG Zheng, Mr. Tsang Hing Lun and Mr. GU Yunchang shall retire by rotation and, being eligible, offer themselves for re-election pursuant to Article 112 of the Articles of Association at the forthcoming AGM.

Mr. WANG Xiaoguang will retire as an executive director of the Company with effect from the conclusion of the forthcoming AGM which is expected to be held on 10 May 2013, due to other business commitments which require more of his time and attention.

Brief biographical details of the Directors and senior management are set out on pages 61 to 67.

DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed for re-election at the forthcoming AGM has a service contract with any member of the Company which is not determinable within one year without the payment of compensation other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance in relation to the Group's business to which the Company, any of its subsidiaries, fellow subsidiaries or its parent company was a party and in which any Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the financial year or at any time during the financial year under review.

DIRECTORS' RIGHTS TO PURCHASE SHARES OR DEBENTURES

Save for the share options granted pursuant to the Share Option Scheme as set out above, at no time during the year under review, was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18, were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES IN SHARES AND UNDERLYING SHARES AND DEBENTURES

As at 31 December 2012, the interests and short positions of each Director and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

Name	Nature of interest	No. of ordinary shares held (long position)	No. of underlying shares comprised in share options (note i)	Restricted shares (note ii)	Total	Percentage in the Company's issued share capital
Mr. LI Ming	Founder of discretionary trust	125,878,375 (note iii)	–	–	125,878,375	2.152%
	Beneficiary of trust	1,391,375 (note iv)	–	–	1,391,375	0.024%
	Beneficial owner	–	13,560,000	834,825	14,394,825	0.246%
Mr. WANG Xiaoguang	Interest of controlled corporation	102,355,189 (note v)	–	–	102,355,189	1.750%
	Beneficial owner	468,250	5,065,000	280,950	5,814,200	0.099%
Mr. CHEN Runfu	Beneficial owner	334,436	4,320,000	200,664	4,855,100	0.083%
Ms. LIU Hui	Beneficial owner	37,500	400,000	22,500	460,000	0.008%
Mr. YANG Zheng	Beneficial owner	–	400,000	–	400,000	0.007%
Mr. CHEUNG Vincent Sai Sing	Beneficial owner	–	400,000	–	400,000	0.007%
Mr. TSANG Hing Lun	Beneficial owner	137,500	940,000	22,500	1,100,000	0.019%
Mr. GU Yunchang	Beneficial owner	37,500	1,100,000	22,500	1,160,000	0.020%
Mr. HAN Xiaojing	Beneficial owner	37,500	1,100,000	22,500	1,160,000	0.020%
Mr. ZHAO Kang	Beneficial owner	37,500	1,100,000	22,500	1,160,000	0.020%

Notes:

- i. The share options were granted pursuant to the share option scheme of the Company, the details of which are set out as above in the paragraph headed "Share Option Scheme".
- ii. The restricted shares were granted pursuant to the restricted share award scheme of the Company, the details of which are set out as above in the paragraph headed "Restricted Share Award Scheme".
- iii. The 125,878,375 shares are held by a discretionary trust of which Mr. LI Ming is the founder.
- iv. The 1,391,375 shares are held by a discretionary trust of which Mr. LI Ming, his spouse and his son are the beneficiaries.
- v. The 102,355,189 shares were registered in the name of and beneficially owned by, Key Sky Group Limited. Mr. WANG Xiaoguang was interested in 50% of Key Sky Group Limited. Mr. WANG was deemed to be interested in these shares by virtue of the SFO.

Save as disclosed above, none of the directors nor the chief executives of the Company or their associates had any interest or short positions in any of the shares, underlying shares or debentures of the Company or any of its associated corporations as defined in the SFO.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

The register of substantial shareholders required to be kept by the Company under section 336 of Part XV of the SFO shows that as at 31 December 2012, the Company had been notified of the following substantial shareholders' interests and short positions in the shares of the Company, being interests of 5% or more, in addition to those disclosed above in respect of the Directors and chief executives of the Company.

Name of shareholders	Capacity	Long/short position	No. of ordinary shares held	No. of ordinary shares convertible under the Convertible Securities	Total	Percentage in the Company's issued share capital
China Life Insurance (Group) Company (note i)	Interest of controlled corporation	Long	1,453,658,959	–	1,453,658,959	24.848%
CHEN Din Hwa ("Mr. Chen") (deceased) (note ii)	Interest of controlled corporation	Long	824,200,580	–	824,200,580	14.089%
	Person having a security interest in shares	Long	214,500,000	–	214,500,000	3.667%
	Interest of controlled corporation	Long	–	526,313,172	526,313,172	8.997%
HSBC Trustee (Guernsey) Limited (note iii)	Interest of controlled corporation	Long	340,980,500	–	340,980,500	5.829%

Notes:

- i. The 1,453,658,959 shares were registered in the name of, and beneficially owned by, China Life Insurance Company Limited. China Life Insurance (Group) Company was interested in 68.37% of China Life Insurance Company Limited. China Life Insurance (Group) Company was deemed to be interested in these shares by virtue of the SFO.
- ii. Mr. Chen held a long position in 1,038,700,580 shares of the Company and 526,313,172 shares convertible under the Convertible Securities comprising:
 - (a) 695,692,130 shares and 128,508,450 shares were beneficially owned by Spring Glory Investment Limited and Gavast Estates Limited respectively. Both Spring Glory Investment Limited and Gavast Estates Limited were wholly-owned by Keymark Associates Limited. Keymark Associates Limited was wholly-owned by Nan Fung Property Consolidated Limited (formerly known as Nan Fung Textiles Consolidated Limited). Nan Fung Property Consolidated Limited was wholly-owned by Nan Fung Group Holdings Limited (formerly known as Chen's Holdings Limited). Nan Fung Group Holdings Limited was wholly-owned by Nan Fung International Holdings Limited. Nan Fung International Holdings Limited was wholly-owned by Chen's Group International Limited, which in turn was wholly-owned by Mr. Chen;
 - (b) 214,500,000 shares in which Nan Fung Finance Limited has a security interest. Nan Fung Finance Limited was wholly owned by Nan Fung Property Consolidated Limited. Nan Fung Property Consolidated Limited was wholly-owned by Nan Fung Group Holdings Limited. Nan Fung Group Holdings Limited was wholly-owned by Nan Fung International Holdings Limited. Nan Fung International Holdings Limited was wholly-owned by Chen's Group International Limited, which in turn was wholly-owned by Mr. Chen;

DIRECTORS' REPORT

- (c) 510,543,065 shares and 15,770,107 shares convertible under the Convertible Securities were beneficially owned by Kind Talent Limited and Absolute Gain Trading Limited respectively. Kind Talent Limited was wholly-owned by Absolute Gain Trading Limited. Absolute Gain Trading Limited was wholly-owned by Nan Fung Group Holdings Limited. Nan Fung Group Holdings Limited was wholly-owned by Nan Fung International Holdings Limited. Nan Fung International Holdings Limited was wholly owned by Chen's Group International Limited, which in turn was wholly-owned by Mr. Chen. Details of the Convertible Securities can be referred to the Company's announcement dated 13 July 2010; and
 - (d) Mr. Chen passed away on 17 June 2012.
- iii. The 340,980,500 shares were registered in the name of, and beneficially owned by Crystal Will Holdings Limited. Crystal Will Holdings Limited was wholly-owned by Wharf China Development Limited. Wharf China Development Limited was wholly-owned by Wharf China Holdings Limited. Wharf China Holdings Limited was wholly-owned by The Wharf (Holdings) Limited. WF Investment Partners Limited was interested in 42.98% of The Wharf (Holdings) Limited. WF Investment Partners Limited was wholly-owned by Wheelock Investments Limited. Wheelock Investments Limited was wholly-owned by Wheelock and Company Limited. HSBC Trustee (Guernsey) Limited was interested in 48.98% of Wheelock and Company Limited. HSBC Trustee (Guernsey) Limited was deemed to be interested in these shares by virtue of the SFO.

Save as disclosed above, as at 31 December 2012, no person or corporation had any interest in the share capital of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO as having an interest in 5% or more of, or any short position in, the issued share capital of the Company.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the articles of association of the Company and there is no restriction against such rights which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

COMPETING INTERESTS

None of the Directors has interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

MAJOR SUPPLIERS AND CUSTOMERS

The Group's principal operation is property development. During the year under review, purchase from the Group's five largest suppliers (excluding land supply) accounted for less than 30% of the total purchase for the year.

The Group's major products are principally commodity housings, and its major customers bases are general individual home buyers, involving a relatively large number of customers. During the year under review, sales to the Group's five largest customers accounted for less than 30% of the turnover for the year.

As far as the Directors are aware, neither the Directors, their associates, nor the substantial shareholders had any interest in the five largest customers and suppliers of the Group.

CONNECTED TRANSACTION

Pursuant to Chapter 14A of the Listing Rules, the following connected transaction is required to be disclosed in the annual report of the Company. The connected transaction which also constitutes related party transaction is set out in note 51 to the consolidated financial statements.

Disposal of 20% equity interest in joint venture

On 27 April 2012, Beijing Wanyang Shiji Chuangye Investment Management Limited (北京萬洋世紀創業投資管理有限公司) ("Beijing Wanyang") (an indirect wholly-owned subsidiary of the Company) and China Life Investment Holdings Limited (國壽投資控股有限公司) ("China Life Investment") entered into the memorandum of understanding (the "MOU") pursuant to which Beijing Wanyang has conditionally agreed to dispose of, and China Life Investment has conditionally agreed to acquire, 20% equity interest in China Life Yuantong Real Estate Company Limited at a consideration of RMB141,000,000.

As at 27 April 2012, China Life holds 24.45% of the issued share capital of the Company and is a substantial shareholder of the Company. China Life Investment is a subsidiary of China Life Insurance (Group) Company, which is the holding company of China Life, and thus an associate of China Life. Therefore, China Life Investment is a connected person of the Company for the purpose of Chapter 14A of the Listing Rules. Accordingly, transactions contemplated under the MOU constitute a connected transaction of the Company.

DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

The Company entered into a facility agreement (the "Facility Agreement") on 15 June 2012 for a 3-year term loan facilities in different currencies in the principal amount of approximately USD600 million. Under the Facility Agreement, it would constitute an event of default if (i) China Life Insurance Company Limited and Nan Fung International Holdings Limited are together no longer the largest shareholder of the Company or no longer maintain (directly or indirectly) beneficially not less than 30% of the issued share capital of the Company; or (ii) neither China Life Insurance Company Limited nor Nan Fung International Holdings Limited is the single largest shareholder of the Company. Upon and at any time after the occurrence of an event of default, the lenders may (i) cancel the facility available under the Facility Agreement with immediate effect; (ii) declare that all or part of the loan outstanding together with accrued interest and all other amounts accrued or outstanding be immediately due and payable; (iii) declare that all or part of the loans be payable on demand; and/or (iv) instruct the security agent to enforce all or any of the security documents and/or to preserve the security constituted by any security document and/or to exercise any right, power and remedy available to the security agent under any security document.

SUFFICIENT PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, the Company has maintained a sufficient public float of more than 25% of the Company's issued shares as required under the Listing Rules during the year.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. Corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 78 to 85.

AUDITORS

The consolidated financial statements for the year ended 31 December 2012 have been audited by PricewaterhouseCoopers, Certified Public Accountants, who will retire and, being eligible, offer themselves for reappointment at the forthcoming AGM.

EVENTS AFTER THE BALANCE SHEET DATE

On 7 February 2013, Sino Prosperity Holdings One ("Fund Holdco One", a wholly-owned subsidiary of the Sino-Prosperity Real Estate Fund L.P.) served a notice to Sino-Ocean Land (Hong Kong) Limited ("SOL HK", a wholly-owned subsidiary of the Group) under which Fund Holdco One has required SOL HK to buy back the 49% equity interest in Great Wise Investment Ltd. ("Great Wise", a subsidiary of the Group) and the relevant portion of outstanding shareholder's loan advanced to Great Wise by Fund Holdco One at a price of approximately USD103,318,000. The transaction was completed on 8 March 2013.

By order of the Board

LI Ming
Chairman

Hong Kong, 12 March 2013

CORPORATE GOVERNANCE REPORT

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

COMMITMENT TO CORPORATE GOVERNANCE

The Board and the management of the Group are committed to achieving and maintaining high standards of corporate governance, which they consider to be critical in safeguarding the integrity of the Company's operations and maintaining investors' trust in the Company. The management of the Group also actively observes the latest corporate governance developments in Hong Kong and overseas.

Corporate governance practices

In the opinion of the Board, the Company has complied with the provisions of the Code on Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code (effective from 1 April 2012) (collectively, the "CG Code") as set out in Appendix 14 to the Listing Rules throughout the year under review, except for the deviation as disclosed in this report.

Directors' securities transactions

The Company has adopted a code of conduct regarding securities transactions by the directors (the "Code of Conduct") on terms no less exacting than the required standards set out in the Model Code in Appendix 10 of the Listing Rules. The Company has made specific enquiries with each Director and each of them confirmed that he or she had complied with all required standards under the Code of Conduct.

THE BOARD

Responsibilities

The Board, led by the Chairman, is responsible for achieving the corporate goals, formulating the development strategy, regularly reviewing the organizational structure, and monitoring the business activities and the performance of management so as to protect and maximize the interests of the Company and its shareholders. Matters relating to the daily operations of the Group are delegated to the management. The delegated functions, power and work tasks are periodically reviewed to ensure that they remain appropriate. The Board will give clear directions to the management team as to their powers of management,

and circumstances where the management team should report back. Approval has to be obtained from the Board prior to any decision being made or any commitments being entered into on behalf of the Company that are outside the scope of the operational authority delegated by the Board. Matters reserved for the Board are the overall strategy of the Group, major acquisitions and disposals, major capital investments, dividend policy, significant changes in accounting policies, material contracts, appointment and retirement of Directors, remuneration policy and other major operational and financial matters. During the year under review, the Board, among others, considered and approved the annual budget, management results and performance update against annual budget, together with business reports from the management, reviewed and approved the interim results for the period ended 30 June 2012 and the final results for the year ended 31 December 2012, approved the Group's major acquisitions and other critical business operations, assessed the internal control and the financial matters of the Group.

The Board is collectively responsible for performing the corporate governance duties including:

- (a) to develop, review and implement the Company's policy and practices on corporate governance;
- (b) to review and monitor the training and continuous professional development of directors and senior management;
- (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and
- (e) to review the Company's compliance with the CG Code which is amended from time to time, and its disclosure in the corporate governance report.

Based on the above corporate governance duties, the Board determined to divide the Remuneration and Nomination Committee into the Remuneration Committee and the Nomination Committee in order to separate their role and function. Furthermore, the compliance manual on connected transactions was updated and a shareholders' communication policy was devised.

Board composition

As at 31 December 2012, the Board comprises ten Directors, including three executive Directors, Mr. LI Ming, Mr. WANG Xiaoguang and Mr. CHEN Runfu; three non-executive Directors, Ms. LIU Hui, Mr. YANG Zheng and Mr. CHEUNG Vincent Sai Sing; and four independent non-executive directors (“INEDs”), Mr. TSANG Hing Lun, Mr. GU Yunchang, Mr. HAN Xiaojing and Mr. ZHAO Kang.

The members of the Board represent a wide background and rich industry experience with appropriate professional qualifications. Please refer to the section headed “Biographies of Directors and Senior Management” for the profiles of the Directors.

Save as disclosed in the section headed “Biographies of Directors and Senior Management”, the Directors have no other financial, business, family or other material/relevant relationships with one another.

(i) Chairman and Chief Executive Officer

The roles of the chairman (the “Chairman”) and the chief executive officer (the “Chief Executive Officer”) of the Company are served by Mr. LI Ming and have not been segregated as required under code A.2.1 of the CG Code, however, the Company considers that the combination of the roles of the Chairman and the Chief Executive Officer will involve a realignment of power and authority under the existing corporate structure and facilitate the ordinary business activities of the Company. Although the responsibilities of the Chairman and the Chief Executive Officer are vested in one person, all major decisions are made in consultation with the Board and the senior management of the Company. There are four INEDs and three non-executive Directors in the Board. The Board considers that there is sufficient balance of power and that the current arrangement maintains a strong management position and also facilitates the ordinary business activities of the Company. The Board will review the current structure from time to time and will make any necessary arrangements as appropriate.

(ii) Non-executive Directors and Independent Non-executive Directors

During the year under review, the Board had four INEDs, being more than one-third of the Board and at all times met the requirements of the Listing Rules relating to the appointment of at least three INEDs with one of them possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received annual confirmations from each of the four INEDs in respect of their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all the INEDs are independent parties in accordance with the independence guidelines set out in the Listing Rules and free of any relationship that could materially interfere with the exercise of their independent judgements.

Ms. LIU Hui and Mr. YANG Zheng, the non-executive Directors, have agreed not to receive the director’s fees of HK\$300,000 each during the year under review.

Appointment, re-election and removal of Directors

Pursuant to the letters of appointment, all non-executive directors and INEDs are appointed for a term of around one year ending on 15 May 2013 subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the articles of association of the Company (the “Articles”).

Pursuant to the Articles, any Director appointed by the Board to fill a casual vacancy or as an addition to the existing Board shall hold office only until the next following general meeting of the Company, and shall be eligible for re-election. Every Director, including the non-executive Director, is subject to retirement by rotation at least once every three years. One-third of the Directors must retire from office at each annual general meeting and their re-election is subject to the approval of shareholders.

In compliance with the provisions of the Articles, Mr. CHEN Runfu, Mr. YANG Zheng, Mr. Tsang Hing Lun and Mr. GU Yunchang shall retire by rotation at the forthcoming AGM and, being eligible, will offer themselves for re-election.

CORPORATE GOVERNANCE REPORT

Mr. WANG Xiaoguang will retire as an executive director of the Company with effect from the conclusion of the forthcoming AGM which is expected to be held on 10 May 2013, due to other business commitments which require more of his time and attention.

Meetings

The Board conducts meeting on a regular basis and on an ad hoc basis, as required by business needs. During the year under review, the Board convened four meetings to approve interim and final results announcement, financial reports, to recommend or declare dividends and to discuss the overall strategy and monitor financial and operation performance of the Company.

The attendance of each individual director at the board meetings and annual general meeting during the year under review is set out in the following table:

Directors	Number of meeting attended/held	
	Board Meeting	Annual General Meeting
Mr. LI Ming	4/4	1/1
Mr. WANG Xiaoguang	4/4	0/1
Mr. CHEN Runfu	4/4	0/1
Ms. LIU Hui	4/4	1/1
Mr. YANG Zheng	4/4	0/1
Mr. CHEUNG Vincent Sai Sing	4/4	1/1
Mr. TSANG Hing Lun	4/4	1/1
Mr. GU Yunchang	4/4	0/1
Mr. HAN Xiaojing	4/4	0/1
Mr. ZHAO Kang	4/4	0/1

Mr. YANG Zheng, the non-executive director, and Mr. HAN Xiaojing, Mr. GU Yunchang and Mr. ZHAO Kang, the independent non-executive directors, were unable to attend the annual general meeting of the Company held on 11 May 2012 (as provided for in code A.6.7 of the CG Code) as they were engaged in other business.

Notices of regular Board meetings were given to all Directors at least 14 days before the meetings. For other board committee meetings, reasonable notice is generally given.

The agenda accompanying board papers are given to all Directors in a timely manner. All Directors are properly briefed on issues arising at any Board meetings by the Chairman.

All Directors have full and timely access to all relevant information as well as advice and services of the company secretary of the Company (the "Company Secretary"). Upon making request to the Board, all Directors may obtain independent professional advice at the Company's expense for carrying out their functions.

Where a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter would only be dealt with by a Board meeting and only independent Directors who, and whose associates, have no material interest in the transaction would be present at such Board meeting.

Training for Directors

For any newly appointed Director, he/she will be provided with an induction course so as to ensure that he/she has appropriate understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations as a director under the Listing Rules and the relevant regulatory requirements.

There are also arrangements in place for providing continuing briefing and professional development to Directors, whenever necessary, in order to ensure that

they have a proper understanding of the Company's operations and business. To assist their continuous professional development, the Company Secretary recommends several relevant seminars and courses for the Directors to attend.

All the Directors also understand the importance of continuous professional development. They are committed to participating any suitable training to develop and refresh their knowledge and skills. A record of the training received by the respective directors are kept and updated by the Company Secretary of the Company.

During the year under review, the Directors participated in the following trainings:

Directors	Type of trainings
Mr. LI Ming	A, B, C
Mr. WANG Xiaoguang	A, C
Mr. CHEN Runfu	A, C
Ms. LIU Hui	A, C
Mr. YANG Zheng	A, C
Mr. CHEUNG Vincent Sai Sing	A, C
Mr. TSANG Hing Lun	A, B, C
Mr. GU Yunchang	A, C
Mr. HAN Xiaojing	C
Mr. ZHAO Kang	C

A: attending seminars and/or conference and/or forums

B: giving talk at seminar(s) or forum(s)

C: reading newspapers, professional journals and updates relating to the economy, general business, real estate or director's duties and responsibilities etc.

Directors' and officers' liability insurance and indemnity

The Company has arranged appropriate liability insurance to indemnify its Directors and officers for their liabilities arising out of corporate activities. During the year under review, no claim has been made against the Directors and the officers of the Company.

BOARD COMMITTEES

The Board has set up four board committees, namely, the audit committee, the remuneration committee, the nomination committee and the investment committee (collectively the "Board Committees"), for overseeing particular aspects of the Company's affairs. The Board Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense.

CORPORATE GOVERNANCE REPORT

The attendance of each individual committee member at the board committee meetings during the year under review is set out in the following table:

Directors	Number of meeting attended/held				
	Audit Committee Meeting	Remuneration Committee Meeting (note)	Nomination Committee Meeting (note)	Remuneration and Nomination Committee Meeting (note)	Investment Committee Meeting
Mr. LI Ming	–	–	1/1	–	1/1
Ms. LIU Hui	–	–	1/1	–	–
Mr. YANG Zheng	1/2	–	–	–	–
Mr. CHEUNG Vincent Sai Sing	–	–	–	–	1/1
Mr. TSANG Hing Lun	2/2	–	–	–	1/1
Mr. GU Yunchang	2/2	1/1	1/1	1/1	1/1
Mr. HAN Xiaojing	2/2	1/1	1/1	1/1	–
Mr. ZHAO Kang	–	1/1	1/1	1/1	–

Note: With effect from 11 May 2012, the Remuneration and Nomination Committee was restructured into the Remuneration Committee and the Nomination Committee.

Audit Committee

After Mr. YANG Zheng became a member of audit committee of the Company (the "Audit Committee") on 11 May 2012, the Audit Committee consists of three INEDs and a non-executive director of the Company, namely Mr. TSANG Hing Lun, Mr. GU Yunchang, Mr. HAN Xiaojing and Mr. YANG Zheng. Mr. TSANG Hing Lun, who has professional qualifications in accountancy, is the chairman of the Audit Committee. None of them is a member of the former or existing auditors of the Company.

The main duties of the Audit Committee are to audit and supervise the financial reporting process of the Group. The Audit Committee is also responsible for considering the appointment and remuneration of the auditors and any matters related to the removal and resignation of the auditors. Their written terms of reference had been updated during the year in line with Corporate Governance Code and are available on the websites of the Company and the Stock Exchange.

The Audit Committee held two meetings during the year under review, executive directors, senior management and the external auditor of the Company were invited to join the discussions at the meetings.

The tasks, among others, performed by the Audit Committee during the year under review included:

- (i) review of the interim and annual consolidated financial statements;
- (ii) discussion with the external auditors on the issues of, including but not limited to financing structure, land appreciation tax, progress of various projects, joint venture operation, and implementation of new tax rule in the PRC;
- (iii) review of the cash flow projection for 2012 and monitor of the overall financial position of the Group;
- (iv) review of the adequacy and effectiveness of the internal control system and recommendation to the Board for improvement of internal control, credit control and risk management;
- (v) review of the application of the relevant General Accepted Accounting Principles and recommendation to the Board for the adoption of accounting policies;
- (vi) review of the adequacy of the provision for material liabilities and impairment of assets; and
- (vii) meeting with the external auditor in the absence of executive directors and senior management to discuss issues regarding audit.

Remuneration Committee

After restructuring the board committees with effect from 11 May 2012, the remuneration committee of the Company (the "Remuneration Committee") comprises three members, all being INEDs, namely Mr. HAN Xiaojing (the chairman of the committee), Mr. GU Yunchang and Mr. ZHAO Kang.

The main duties of the Remuneration Committee are to make recommendations and proposals to the Board in respect of the remuneration policies and to review and approve the remunerations which are determined based on the results and performance of the Company by making reference to the Company's objectives as approved from time to time by the Board. Their written terms of reference had been updated during the year in line with Corporate Governance Code and are available on the websites of the Company and the Stock Exchange.

The remuneration of Directors is determined with reference to their experience, qualifications, responsibilities involved in the Company and the prevailing market conditions. Details of emoluments of Directors for the year under review are set out in note 41(a) to the consolidated financial statements. The emoluments paid to senior management during the year under review were within the following bands:

	Number of Senior Management
Nil to HKD6,000,000	–
HKD6,000,001 to HKD7,000,000	3
HKD7,000,001 to HKD8,000,000	–
HKD8,000,001 to HKD9,000,000	–
HKD9,000,001 to HKD10,000,000	2
HKD10,000,001 to HKD11,000,000	1
HKD11,000,001 to HKD12,000,000	1
Over HKD12,000,000	–

Nomination Committee

After restructuring the board committees with effect from 11 May 2012, the nomination committee of the Company (the "Nomination Committee") comprises five members, being an executive director, Mr. LI Ming, a non-executive director, Ms. LIU Hui, and three INEDs, namely Mr. HAN Xiaojing, Mr. GU Yunchang and Mr. ZHAO Kang. Mr. LI Ming is the chairman of the committee.

The tasks, among others, performed by the Remuneration Committee (or the Remuneration and Nomination Committee) (as the case may be) during the year under review included:

- (i) review and approval of the report of the labour cost for the year ended 31 December 2011 and the budget of the labour cost for the year ended 31 December 2012;
- (ii) review and approval of the report of remuneration packages for senior management for the year ended 31 December 2012;
- (iii) review of the progress of share options granted; and
- (iv) recommendation to the Board on the remuneration of non-executive directors.

The main duties of the Nomination Committee are to nominate candidates for directorship, consider nominations for directorship and make recommendations to the Board in respect of such appointments. If necessary, the Nomination Committee will also convene meetings and submit reports to the Board. Their written terms of reference had been updated during the year in line with Corporate Governance Code and are available on the websites of the Company and the Stock Exchange.

CORPORATE GOVERNANCE REPORT

The tasks, among others, performed by the Nomination Committee (or the Remuneration and Nomination Committee)(as the case may be) during the year under review included:

- (i) review and recommendation of the rotation of directors pursuant to the Articles;
- (ii) review and approval of appointment of senior management; and
- (iii) review of human resource management and staff development system.

Investment Committee

After restructuring the board committees with effect from 11 May 2012, the investment committee of the Company (the "Investment Committee") comprises four members, being an executive director, Mr. LI Ming, a non-executive director, Mr. CHEUNG Vincent Sai Sing, and two INEDs, Mr. TSANG Hing Lun and Mr. GU Yunchang. Mr. LI Ming is the chairman of the committee. It will meet at the request of any member of the committee and the head of finance department will also participate in discussions. The Investment Committee is authorized, at the expense of the Group, to seek advice from external professionals or to arrange them to attend the meetings.

The main duties of the Investment Committee are to review the Group's investment strategy and to examine and make decision on the prospective major investments. Their written terms of reference had been updated during the year and are available on the websites of the Company and the Stock Exchange.

Company Secretary

The Company Secretary is responsible for ensuring that board procedures comply with all applicable laws, rules and regulations and advising the Board on corporate governance matters.

Moreover, the Company Secretary is responsible for keeping all Directors updated on Listing Rules, regulatory requirements, as well as internal codes of conduct of the Company.

During the year under review, the Company Secretary has taken not less than 15 hours of relevant professional training.

Accountability and Audit

The Directors of the Company acknowledged their responsibility to present a balanced, clear and understandable assessment in the consolidated financial statements of the annual and interim reports, other price sensitive announcements and other financial disclosures required under the Listing Rules, and to report to regulators as well as to disclose information required pursuant to statutory requirements. When the Directors were aware of material uncertainties relating to events or conditions that might cast significant doubt upon the Company's ability to continue as a going concern, such uncertainties would be clearly and prominently set out and discussed in detail in this Corporate Governance Report.

The statement of the independent auditor of the Company about their reporting responsibilities and opinion on the financial statements of the Company for the year ended 31 December 2012 is set out in the Independent Auditor's Report on page 87.

INTERNAL CONTROL

The internal controls of the Group are designed to help the Group protecting its assets and information. The presence of internal controls empowers the Group to implement best business practices in challenging business environments. The Group's internal controls cover a number of in-house procedures and policies. The management of the Group had reviewed the Group's internal control system for the year ended 31 December 2012. The system comprises, among others, the relevant financial, operational and compliance controls and risk management procedures, the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programs and budget, and the results of the review and its recommendations and opinions has submitted to the Audit Committee and the Board for consideration.

INDEPENDENT AUDITOR

The Group's independent auditor is PricewaterhouseCoopers ("PwC"). PwC is responsible for auditing and forming an independent opinion on the Group's annual consolidated financial statements. Apart from the statutory audit of the annual consolidated financial statements, PwC was also engaged to perform a review of the interim consolidated financial statements of the Group for the six months ended 30 June 2012.

For the year ended 31 December 2012, remunerations payable to PwC for the provision of statutory audit services and non-auditing services amounted to RMB11 million and RMB2.8 million respectively. The non-auditing services mainly represent review of interim financial information.

SHAREHOLDERS' RIGHTS AND COMMUNICATION

As one of the measures to safeguard the shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on every substantial matters, including the election of individual directors, for shareholders' consideration and voting. Furthermore, the Company regards the annual general meeting as an important event and Directors, chairman of each board committee, senior management and external auditors make an effort to attend the annual general meetings of the Company to address the shareholders' queries. All resolutions proposed at shareholders' meetings will be voted by poll. The poll voting results will be posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.sinoceanland.com) on the same day of the relevant general meetings.

Shareholder(s) holding not less than one-twentieth of the paid up capital of the Company can make a requisition to convene an extraordinary general meeting pursuant to Section 113 of the Companies Ordinance of Hong Kong (the "Companies Ordinance"). The requisition must state the objects of the meeting, and must be signed by the relevant shareholder(s) and deposited at the registered office of the Company. Besides, Section 115A of the Companies Ordinance provides that (i) shareholder(s) representing not less than one-fortieth of the total voting rights of all shareholders of the Company or (ii) not less than 50 shareholders holding the shares in the Company on which there has been paid up an average sum of not less than HK\$2,000 per shareholder can put forward proposals for consideration at a general meeting of the Company by depositing a requisition in writing signed by the relevant shareholder(s) at the registered office of the Company.

The Company adheres to high standards with respect to the disclosure of its financial statements. To foster two-way communication amongst the Company, its shareholders and potential investors, the Company has established an Investor Relations Department to respond to enquiries from shareholders and the public. In addition, the Company is committed to maximizing the use of its website as a channel to provide updated information in a timely manner and strengthen the communication with both the shareholders and the public. Further information about investor relations are set out in the section headed "Investor Relations".

AMENDMENTS TO THE MEMORANDUM AND THE ARTICLES OF ASSOCIATION

According to the ordinary resolution passed on the annual general meeting held on 11 May 2012, the authorized share capital of the Company was increased from HKD8,000,000,000 divided into 10,000,000,000 ordinary shares of HKD0.8 each to HKD16,000,000,000 divided into 20,000,000,000 ordinary shares of HKD0.80 each.

Furthermore, certain amendments to the Articles were also passed by a special resolution on the same meeting, mainly, in relation to:

- (a) make necessary changes in line with the certain amendments to the Listing Rules after the share of the Company are listed on the Stock Exchange; and
- (b) remove all references to the previous substantial shareholders of the Company.

Particulars of the amendments to the Articles are set out in the circular dated 30 March 2012. An updated version of the memorandum and articles of association of the Company is available on the websites of the Company and the Stock Exchange.

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. LI Ming (*Chairman*)
Mr. WANG Xiaoguang
Mr. CHEN Runfu

Non-executive Directors

Ms. LIU Hui
Mr. YANG Zheng
Mr. CHEUNG Vincent Sai Sing

Independent Non-executive Directors

Mr. TSANG Hing Lun
Mr. GU Yunchang
Mr. HAN Xiaojing
Mr. ZHAO Kang

AUDIT COMMITTEE

Mr. TSANG Hing Lun
Mr. YANG Zheng
Mr. GU Yunchang
Mr. HAN Xiaojing

NOMINATION COMMITTEE

Mr. LI Ming
Ms. LIU Hui
Mr. GU Yunchang
Mr. HAN Xiaojing
Mr. ZHAO Kang

REMUNERATION COMMITTEE

Mr. HAN Xiaojing
Mr. GU Yunchang
Mr. ZHAO Kang

INVESTMENT COMMITTEE

Mr. LI Ming
Mr. CHEUNG Vincent Sai Sing
Mr. TSANG Hing Lun
Mr. GU Yunchang

COMPANY SECRETARY

Mr. SUM Pui Ying, Adrian

AUTHORIZED REPRESENTATIVES

Mr. LI Ming
Mr. SUM Pui Ying, Adrian

REGISTERED OFFICE

Suite 601, One Pacific Place
88 Queensway
Hong Kong

PRINCIPAL PLACE OF BUSINESS

31–33 Floor, Tower A
Ocean International Center
56 Dongsihuanzhonglu
Chaoyang District
Beijing
PRC

PRINCIPAL BANKERS *(in alphabetical order)*

Agricultural Bank of China, Ltd.
Banco Tai Fung
Bank of Beijing Co., Ltd.
Bank of China (Hong Kong) Limited
Bank of Communications Co., Ltd.
China CITIC Bank Corporation Ltd
China Construction Bank Corporation
China Everbright Bank Company Limited
China Guangfa Bank Co., Ltd.
China Merchants Bank Co., Ltd.
China Minsheng Banking Corp., Ltd.
DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited
Industrial and Commercial Bank of China (Asia) Ltd.
Industrial and Commercial Bank of China, Ltd.
Industrial Bank Co., Ltd.
PingAn Bank Co., Ltd.
Postal Savings Bank of China Co., Ltd.
Shanghai Pudong Development Bank Co., Ltd.
The Bank of East Asia Limited
The Hongkong and Shanghai Banking Corporation Limited
Wing Lung Bank Limited

AUDITOR

PricewaterhouseCoopers

LEGAL ADVISOR

Paul Hastings

SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

LISTING INFORMATION

The Stock Exchange of Hong Kong Limited
Stock Code: 03377

COMPANY WEBSITE

www.sinooceanland.com

INVESTOR RELATIONS CONTACT

ir@sinooceanland.com

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Sino-Ocean Land Holdings Limited

(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Sino-Ocean Land Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 88 to 179, which comprise the consolidated and company balance sheets 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 cash flow statement 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.

Auditor' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 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 auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

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.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 12 March 2013

CONSOLIDATED BALANCE SHEET

As at 31 December			
	Note	2012 RMB'000	2011 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	212,817	225,472
Land use rights	8	9,231	9,477
Investment properties	9	7,202,254	5,462,375
Goodwill	10	457,286	630,383
Interests in jointly controlled entities	12	1,477,657	1,052,135
Interests in associates	13	665,011	606,013
Available-for-sale financial assets	16	838,163	244,727
Trade and other receivables	22	475,129	598,245
Deferred income tax assets	34	2,393,892	1,502,833
		13,731,440	10,331,660
Current assets			
Deposits for land use rights	21	5,083,619	8,188,492
Properties under development	19	71,974,209	65,470,147
Inventories, at cost		78,787	68,149
Amounts due from customers for contract work	24	832,163	419,743
Land development cost recoverable	20	1,638,503	4,028,979
Completed properties held for sale	23	9,091,870	3,274,201
Available-for-sale financial assets	16	155,400	196,200
Other investment	17	63,091	15,580
Financial assets at fair value through profit or loss	18	189,076	412,486
Trade and other receivables	22	9,319,742	5,463,192
Restricted bank deposits	25	5,399,197	3,768,822
Cash and cash equivalents	26	10,747,479	8,647,794
		114,573,136	99,953,785
Total assets		128,304,576	110,285,445
EQUITY			
Capital and reserves attributable to owners of the company			
Share capital and premium	27	20,735,481	20,231,084
Shares held for Restricted Share Award Scheme	27	(92,435)	(131,959)
Reserves	29	335,260	169,548
Retained earnings	28		
— Proposed final dividend	45	806,942	462,059
— Others		7,973,044	6,035,547
		29,758,292	26,766,279
Convertible securities	31	5,969,279	5,969,279
Capital securities	32	2,532,866	2,532,866
		38,260,437	35,268,424
Non-controlling interests		3,785,801	3,488,740
Total equity		42,046,238	38,757,164

As at 31 December			
	Note	2012	2011
		RMB'000	RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	33	20,873,439	19,105,661
Deferred income tax liabilities	34	1,698,080	1,386,739
		22,571,519	20,492,400
Current liabilities			
Borrowings	33	11,519,608	14,481,805
Trade and other payables	35	16,190,564	10,174,821
Advances from customers	36	30,681,259	22,870,209
Income tax payable		5,276,267	3,509,046
Derivative financial instrument	37	19,121	–
		63,686,819	51,035,881
Total liabilities		86,258,338	71,528,281
Total equity and liabilities		128,304,576	110,285,445
Net current assets		50,886,317	48,917,904
Total assets less current liabilities		64,617,757	59,249,564

Approved by the Board of Directors on 12 March 2013

LI Ming
Executive Director

CHEN Runfu
Executive Director

The notes on pages 96 to 179 are an integral part of these consolidated financial statements.

BALANCE SHEET

As at 31 December			
	Note	2012 RMB'000	2011 RMB'000
ASSET			
Non-current assets			
Investments in subsidiaries	11	3,495,434	3,517,692
Current assets			
Amounts due from subsidiaries	11	30,950,509	29,794,598
Other receivables		2,060	2,060
Cash and cash equivalents	26	433,817	386,071
		31,386,386	30,182,729
Total assets		34,881,820	33,700,421
EQUITY			
Share capital and premium	27	20,735,976	20,231,084
Reserve	29	446,360	358,384
Retained earnings	28		
— proposed final dividend	45	806,942	462,059
— others		428,964	560,267
Total equity		22,418,242	21,611,794
LIABILITY			
Non-current liabilities			
Borrowings	33	3,575,128	—
Current liabilities			
Borrowings	33	362,971	3,558,678
Amount due to subsidiaries	11	8,502,143	8,502,145
Other payables	35	23,336	27,804
		8,888,450	12,088,627
Total liabilities		12,463,578	12,088,627
Total equity and liabilities		34,881,820	33,700,421
Net current assets		22,497,936	18,094,102
Total assets less current liabilities		25,993,370	21,611,794

Approved by the Board of Directors on 12 March 2013

LI Ming
Executive Director

CHEN Runfu
Executive Director

The notes on pages 96 to 179 are an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 December	
		2012 RMB'000	2011 RMB'000
Revenue	6	28,657,796	19,896,946
Cost of sales		(20,958,600)	(13,639,195)
Gross profit		7,699,196	6,257,751
Interest and other income	38	208,788	224,992
Other (losses)/gains — net	39	(125,957)	128,258
Fair value gains on investment properties	9	1,535,304	512,778
Selling and marketing expenses		(962,992)	(776,087)
Administrative expenses		(853,443)	(820,250)
Operating profit		7,500,896	5,527,442
Finance costs	42	(625,363)	(419,436)
Share of gains of jointly controlled entities		362,060	68,911
Share of losses of associates		(2,677)	(2,571)
Profit before income tax		7,234,916	5,174,346
Income tax expense	43	(3,247,607)	(2,553,548)
Profit for the year		3,987,309	2,620,798
Attributable to:			
Owners of the company		3,796,032	2,570,657
Non-controlling interests		191,277	50,141
		3,987,309	2,620,798
Earnings per share attributable to owners of the company during the year (expressed in RMB)			
Basic earnings per share	44	0.542	0.352
Diluted earnings per share	44	0.541	0.351

The notes on pages 96 to 179 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December	
		2012 RMB'000	2011 RMB'000
Profit for the year		3,987,309	2,620,798
Other comprehensive income			
Fair value gains/(losses) on available-for-sale financial assets	29	22,610	(38,183)
Reserves realized upon disposal of available-for-sale financial assets	29	–	(18,279)
Currency translation differences	29	(13,633)	(13,906)
Other comprehensive income for the year		8,977	(70,368)
Total comprehensive income for the year		3,996,286	2,550,430
Total comprehensive income attributable to:			
— Owners of the company		3,805,009	2,500,289
— Non-controlling interests		191,277	50,141
		3,996,286	2,550,430

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to owners of the company										
		Share capital	Share premium	Shares held for Restricted Share Award Scheme	Other reserves	Retained earnings	Total	Convertible securities	Capital securities	Total	Non-controlling interests	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2012		4,304,667	15,926,417	(131,959)	169,548	6,497,606	26,766,279	5,969,279	2,532,866	35,268,424	3,488,740	38,757,164
Profit for the year		-	-	-	-	3,796,032	3,796,032	-	-	3,796,032	191,277	3,987,309
Other comprehensive income:												
Fair value gains on available-for-sale financial assets		-	-	-	22,610	-	22,610	-	-	22,610	-	22,610
Currency translation differences		-	-	-	(13,633)	-	(13,633)	-	-	(13,633)	-	(13,633)
Total comprehensive income		-	-	-	8,977	3,796,032	3,805,009	-	-	3,805,009	191,277	3,996,286
Transactions with owners of the company												
Dividends relating to 2011		70,998	202,078	-	-	(461,745)	(188,669)	-	-	(188,669)	(28,500)	(217,169)
Dividends relating to 2012		44,664	150,519	-	-	(283,391)	(88,208)	-	-	(88,208)	-	(88,208)
Expenses on share-based payment	29	-	-	-	119,240	-	119,240	-	-	119,240	-	119,240
Transfer from retained earnings	29	-	-	-	61,339	(61,339)	-	-	-	-	-	-
Issue of shares pursuant to exercise of employee share options	27	8,347	28,286	-	(10,027)	-	26,606	-	-	26,606	-	26,606
Vesting of shares under restricted share award scheme	27	-	(495)	39,524	(39,029)	-	-	-	-	-	-	-
Distribution relating to convertible securities	28	-	-	-	-	(448,809)	(448,809)	-	-	(448,809)	-	(448,809)
Distribution relating to capital securities	28	-	-	-	-	(258,368)	(258,368)	-	-	(258,368)	-	(258,368)
Contribution from non-controlling interests		-	-	-	104,110	-	104,110	-	-	104,110	478,653	582,763
Total contributions by and distributions to owners of the company		124,009	380,388	39,524	235,633	(1,513,652)	(734,098)	-	-	(734,098)	450,153	(283,945)
Increase in non-controlling interests as a result of disposal of interests without change of control		-	-	-	1,174	-	1,174	-	-	1,174	1,826	3,000
Increase in non-controlling interests as a result of acquisition of additional interests in a subsidiary		-	-	-	(536)	-	(536)	-	-	(536)	536	-
Increase in non-controlling interests as a result of other acquisition		-	-	-	-	-	-	-	-	-	26,360	26,360
Decrease in non-controlling interests as a result of acquisition of additional interests in a subsidiary from non-controlling interests	49	-	-	-	(79,536)	-	(79,536)	-	-	(79,536)	(266,844)	(346,380)
Decrease in non-controlling interests as a result of disposal of subsidiaries	50	-	-	-	-	-	-	-	-	-	(106,247)	(106,247)
Total transactions with owners of the company		124,009	380,388	39,524	156,735	(1,513,652)	(812,996)	-	-	(812,996)	105,784	(707,212)
Balance at 31 December 2012		4,428,676	16,306,805	(92,435)	335,260	8,779,986	29,758,292	5,969,279	2,532,866	38,260,437	3,785,801	42,046,238

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to owners of the company										Total equity RMB'000
		Share capital RMB'000	Share premium RMB'000	Shares held for Restricted Share Award Scheme RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Convertible securities RMB'000	Capital securities RMB'000	Total RMB'000	Non-controlling interests RMB'000	
Balance at 1 January 2011		4,290,394	15,831,018	(95,986)	(226,865)	5,301,879	25,100,440	5,970,266	–	31,070,706	2,055,098	33,125,804
Profit for the year		–	–	–	–	2,570,657	2,570,657	–	–	2,570,657	50,141	2,620,798
Other comprehensive income:		–	–	–	–	–	–	–	–	–	–	–
Fair value losses on available-for-sale financial assets		–	–	–	(38,183)	–	(38,183)	–	–	(38,183)	–	(38,183)
Reserves realized in consolidated income statement upon disposal of available-for-sale financial assets		–	–	–	(18,279)	–	(18,279)	–	–	(18,279)	–	(18,279)
Currency translation differences		–	–	–	(13,906)	–	(13,906)	–	–	(13,906)	–	(13,906)
Total comprehensive income		–	–	–	(70,368)	2,570,657	2,500,289	–	–	2,500,289	50,141	2,550,430
Transactions with owners of the company												
Dividends relating to 2010		23,102	93,187	–	–	(376,076)	(259,787)	–	–	(259,787)	(99,833)	(359,620)
Dividends relating to 2011	45	–	–	–	–	(232,173)	(232,173)	–	–	(232,173)	–	(232,173)
Expenses on share-based payment	29	–	–	–	47,010	17,738	64,748	–	–	64,748	–	64,748
Transfer from retained earnings	29	–	–	–	153,214	(153,214)	–	–	–	–	–	–
Issue of shares pursuant to exercise of employee share options	27	649	2,212	–	(783)	–	2,078	–	–	2,078	–	2,078
Share buyback	27	(9,478)	–	–	9,478	(40,458)	(40,458)	–	–	(40,458)	–	(40,458)
Issue of capital securities	32	–	–	–	–	–	–	–	2,532,866	2,532,866	–	2,532,866
Adjust for accrued expenses on issuing convertible securities		–	–	–	–	–	–	(987)	–	(987)	–	(987)
Distribution relating to convertible securities		–	–	–	–	(460,996)	(460,996)	–	–	(460,996)	–	(460,996)
Distribution relating to capital securities		–	–	–	–	(129,751)	(129,751)	–	–	(129,751)	–	(129,751)
Purchase of shares for restricted share award scheme	27	–	–	(35,973)	–	–	(35,973)	–	–	(35,973)	–	(35,973)
Contribution from non-controlling interests		–	–	–	–	–	–	–	–	–	288,697	288,697
Total contributions by and distributions to owners of the company		14,273	95,399	(35,973)	208,919	(1,374,930)	(1,092,312)	(987)	2,532,866	1,439,567	188,864	1,628,431
Increase in non-controlling interests as a result of disposal interests without change of control		–	–	–	466,130	–	466,130	–	–	466,130	1,333,745	1,799,875
Decrease in non-controlling interests as a result of acquisition of additional interests in subsidiaries from non-controlling shareholders		–	–	–	(208,268)	–	(208,268)	–	–	(208,268)	(126,556)	(334,824)
Decrease in non-controlling interests as a result of disposal of a subsidiary		–	–	–	–	–	–	–	–	–	(12,552)	(12,552)
Total transactions with owners of the company		14,273	95,399	(35,973)	466,781	(1,374,930)	(834,450)	(987)	2,532,866	1,697,429	1,383,501	3,080,930
Balance at 31 December 2011		4,304,667	15,926,417	(131,959)	169,548	6,497,606	26,766,279	5,969,279	2,532,866	35,268,424	3,488,740	38,757,164

The notes on pages 96 to 179 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

	Note	Year ended 31 December	
		2012 RMB'000	2011 RMB'000
Cash flows from operating activities			
Cash generated from/(used in) operations	46	9,270,904	(3,433,740)
Interest paid		(2,789,038)	(1,994,950)
Income tax paid		(2,063,493)	(4,072,085)
Net cash generated from/(used in) operating activities		4,418,373	(9,500,775)
Cash flows from investing activities			
Purchases of property, plant and equipment	7	(33,578)	(74,078)
Proceeds from sale of property, plant and equipment	46	10,588	6,571
Purchases of Investment properties	9	(204,575)	–
Purchases of available-for-sale financial assets		(570,786)	(272,870)
Proceeds from disposal of available-for-sale financial assets		–	446,403
Dividends received from available-for-sale financial assets	38	16,253	19,362
Proceeds from notes receivables	22(d)	90,000	–
Acquisition of additional interests in a subsidiary	49	(346,380)	(290,094)
Prepayment for purchasing equity shares of a third party		–	(51,790)
Proceeds from disposal of subsidiaries, net of cash disposed	50	141,716	347,763
Proceeds from disposal of interests in subsidiaries without change of control		3,000	499,875
Capital injection to jointly controlled entities	12	(119,539)	(312,887)
Capital return from a jointly controlled entity	12	49,802	–
Capital injection to associates	13	(197,000)	(220,547)
Investment in an associates	13	(3,600)	–
Proceeds of disposal of partial interests in an associate to a subsidiary of a shareholder	51(b)	141,000	–
Proceeds from entrusted loans		292,465	–
Interest received		53,953	123,974
Net cash (used in)/generated from investing activities		(676,681)	221,682
Cash flows from financing activities			
Proceeds from borrowings		19,289,405	16,733,116
Repayments of borrowings		(20,304,257)	(12,345,705)
Repayments to a shareholder		–	(1,897,846)
Capital injection from non-controlling interests		582,763	288,697
Dividends paid to non-controlling interests		(28,500)	(99,833)
Dividends paid to owners of the company		(276,877)	(491,960)
Adjust for accrued expenses on issuing convertible securities		–	(987)
Proceeds from issuance of capital securities	32	–	2,532,866
Distribution relating to convertible securities		(454,232)	(469,875)
Distribution relating to capital securities		(258,368)	(129,751)
Purchase of shares for restricted share award scheme	27	–	(35,973)
Issue of shares pursuant to exercise of employee share options		26,606	2,078
Bond arrangement fee		(217,800)	–
Share buyback	28	–	(40,458)
Net cash (used in)/generated from financing activities		(1,641,260)	4,044,369
Net increase/(decrease) in cash and cash equivalents		2,100,432	(5,234,724)
Cash and cash equivalents at beginning of the year	26	8,647,794	13,977,211
Exchange losses on cash and cash equivalents		(747)	(94,693)
Cash and cash equivalents at end of the year	26	10,747,479	8,647,794

The notes on pages 96 to 179 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

Sino-Ocean Land Holdings Limited (the “Company”) is a limited liability company incorporated in Hong Kong on 12 March 2007. The address of its registered office is Suite 601, One Pacific Place, 88 Queensway, Hong Kong. The Company and its subsidiaries (together, the “Group”) are principally engaged in investment holding, property development and property investment in the People’s Republic of China (the “PRC”).

The consolidated financial statements are presented in Renminbi (“RMB”), unless otherwise stated. The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

These consolidated financial statements have been approved for issue by the Board of Directors on 12 March 2013.

2 Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”). They have been prepared under the historical cost convention, as modified by the revaluation of investment properties, available-for-sale financial assets, financial assets at fair value through profit or loss, other investment and derivative financial instruments, which are carried at fair values.

The preparation of the consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 5.

3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The following amendment to standard is mandatory for the first time for financial year beginning 1 January 2012.

The HKICPA has amended HKAS 12, “Income taxes”, to introduce an exception to the principle for the measurement of deferred tax assets or liabilities arising on an investment property measured at fair value. HKAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. The amendment introduces a rebuttable presumption that an investment property measured at fair value is recovered entirely by sale. The amendment is applicable retrospectively to annual periods beginning on or after 1 January 2012.

The Group has adopted this amendment retrospectively for the financial year ended 31 December 2012. As investment properties of the Group are with a business model to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale, the presumption is rebutted and related deferred tax is not remeasured. Accordingly the adoption of this new accounting policy has no impact on the financial statements of the Group in the current and prior years.

3 Summary of significant accounting policies *(Continued)*

3.1 Changes in accounting policy and disclosures *(Continued)*

(b) New and amended standards, and interpretations mandatory for the financial year beginning 1 January 2012 but not currently relevant to the Group (although they may effect the accounting for future transactions and events)

HKFRS 1, "First time adoption", on hyperinflation and fixed dates, effective on or after 1 July 2011. The first amendment replaces references to a fixed date of "1 January 2004" with "the date of transition to HKFRSs", thus eliminating the need for companies adopting HKFRSs for the first time to restate derecognition transactions that occurred before the date of transition to HKFRSs. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with HKFRSs after a period when the entity was unable to comply with HKFRSs because its functional currency was subject to severe hyperinflation.

HKFRS 7, "Financial instruments: Disclosures", on transfer of financial assets, effective on or after 1 July 2011. These amendments are as part the IASBs comprehensive review of off balance sheet activities. The amendments promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial asset.

(c) New and amended standards relevant to the Group that have been issued but are not effective for the financial year beginning 1 January 2012 and have not been early adopted

The Group's assessment of the impact of these new and amended standards is set out below.

HKFRS 9, "Financial instruments", addresses the classification, measurement and recognition of financial assets and financial liabilities. HKFRS 9 was issued in November 2009 and October 2010. It replaces the parts of HKFRS 39 that relate to the classification and measurement of financial instruments. HKFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the HKAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess HKFRS 9's full impact and intends to adopt HKFRS 9 no later than the accounting period beginning on or after 1 January 2015. The Group will also consider the impact of the remaining phases of HKFRS 9 when completed by the Board.

HKFRS 10, "Consolidated financial statements", builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group will apply HKFRS 10 no later than the accounting period beginning on or after 1 January 2013. It is not expected to have any material impact on the Group's financial statements.

HKFRS 11, "Joint arrangements", is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. Proportional consolidation of joint ventures is no longer allowed. The Group will apply HKFRS 11 no later than the accounting period beginning on or after 1 January 2013. It is not expected to have any material impact on the Group's financial statements.

3 Summary of significant accounting policies *(Continued)*

3.1 Changes in accounting policy and disclosures *(Continued)*

(c) **New and amended standards relevant to the Group that have been issued but are not effective for the financial year beginning 1 January 2012 and have not been early adopted** *(Continued)*

HKFRS 12, "Disclosures of interests in other entities", includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group will apply HKFRS 12 no later than the accounting period beginning on or after 1 January 2013. It is not expected to have any material impact on the Group's financial statements.

HKFRS 13, "Fair value measurement", aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements, which are largely aligned between HKFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs or US GAAP. The Group will apply HKFRS 13 no later than the accounting period beginning on or after 1 January 2013. It is not expected to have any material impact on the Group's financial statements.

HKAS 1, "Financial statement presentation" regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in "other comprehensive income" (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. The Group is yet to assess HKAS 1's full impact and intends to adopt HKAS 1 upon its effective date, which is for the accounting period beginning on or after 1 January 2015.

There are no other HKFRSs or HK(IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

3.2 Subsidiaries

3.2.1 Consolidation

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control.

De-facto control may arise from circumstances where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

3 Summary of significant accounting policies *(Continued)*

3.2 Subsidiaries *(Continued)*

3.2.1 Consolidation *(Continued)*

(a) Business combinations

The Group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interest are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

3.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

3 Summary of significant accounting policies *(Continued)*

3.3 Jointly controlled entities

A jointly controlled entity is an entity jointly controlled by the Group and other parties and none of the participating parties has unilateral control over the entity. Investments in jointly controlled entities are accounted for using the equity method of accounting and are initially recognized at cost. The Group's investment in jointly controlled entities includes goodwill identified on acquisition, net of any accumulated impairment loss (Note 3.10).

The Group's share of its jointly controlled entities' post-acquisition profits or losses is recognized in the consolidated income statement, and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a jointly controlled entity equals or exceeds its interest in the jointly controlled entity, including any other long-term interests and unsecured receivables that, in substance, form part of the investment in the jointly controlled entity, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entity.

Unrealized gains on transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interests in the jointly controlled entities. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of jointly controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

3.4 Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss (Note 3.10).

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profits or losses is recognized in the consolidated income statement, and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other long-term interests and unsecured receivables that, in substance, form part of the investment in the associate, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

3.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive committee that makes strategic decisions.

3 Summary of significant accounting policies *(Continued)*

3.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within "finance income or cost". All other foreign exchange gains and losses are presented in the income statement within "other (losses)/gains — net".

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortized cost are recognized in profit or loss, and other changes in carrying amount are recognized in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities, such as equity instruments held at fair value through profit or loss, are recognized in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary items such as equities classified as available-for-sale financial assets are included in the fair value reserve in equity.

(c) Group entities

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at average exchange rates; and
- (iii) all resulting exchange differences are recognized as a separate component of equity.

3 Summary of significant accounting policies *(Continued)*

3.7 Properties

(a) Investment properties

Investment property, principally comprising land held under operating leases and buildings owned by the Group, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the entities in the Group. Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is initially accounted for as if it were a finance lease.

Investment property is measured initially at cost, including related transaction costs.

After initial recognition, investment property is carried at fair value, assessed annually by a professional independent valuer. Fair value is based on active market prices, adjusted, if necessary, for any differences in the nature, location or condition of the specific asset. If such information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

Property that is being constructed or developed as investment property is carried at fair value. Where fair value is not reliably determinable, such investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier).

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market condition.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the consolidated income statement during the financial period in which they are incurred.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is completed, at which time it is reclassified and subsequently accounted for as investment property.

If an item of property, plant and equipment becomes an investment property because its use has changed, any differences resulting between the carrying amount and the fair value of this item at the date of transfer is recognized in equity as a revaluation of property, plant and equipment under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognized in the consolidated income statement.

(b) Land use rights

All lands in China mainland are state-owned and no individual land ownership right exists. The Group acquired the rights to certain lands, and the premiums paid for such rights are recorded as land use rights. Land use rights are classified and accounted for in accordance to the intended use of respective properties as erected on the lands.

3 Summary of significant accounting policies *(Continued)*

3.7 Properties *(Continued)*

(b) Land use rights *(Continued)*

For properties that are held for own use, corresponding land use rights are separately stated in the balance sheet, and are stated at cost and amortized over the use terms of 40 to 70 years using the straight-line method.

For properties that are held for development and subsequent sale, corresponding land use rights are accounted for as part of the development costs, and are accounted for under Note 3.15.

3.8 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Buildings and leasehold improvements	5–50 years
Hotel property	50 years
Machinery	8 years
Vehicles	8 years
Office equipment	5 years
Electronic equipment	3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 3.10).

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are recognized within "other gains — net", in the consolidated income statement.

3.9 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiaries, jointly controlled entities and associates at the date of acquisition. Goodwill on acquisitions of jointly controlled entities or associates is included in investments in jointly controlled entities or associates and is tested for impairment as part of the overall balance. Separately recognized goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The Group allocates goodwill to each business segment in which it operates.

3 Summary of significant accounting policies *(Continued)*

3.10 Impairment of non-financial assets

Assets that have an indefinite useful life or are not yet available for use are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

3.11 Financial assets

3.11.1 Classification

The Group classifies its financial assets into financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets. Loans and receivables are classified as "trade and other receivables", "restricted bank deposit" and "cash and cash equivalents" in the balance sheet (Note 3.16 and 3.17).

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

3.11.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value, unless in situation where fair value cannot be reliably measured, in which respective available-for-sale financial assets are subsequently carried at cost. Loans and receivables are subsequently carried at amortized cost using the effective interest method. Unrealized gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognized in equity. When securities classified as available-for-sale are sold, the accumulated fair value adjustments are included in the consolidated income statement as gains or losses from investment securities.

3 Summary of significant accounting policies *(Continued)*

3.11 Financial assets *(Continued)*

3.11.2 Recognition and measurement *(Continued)*

Gains or losses arising from changes in the fair value of the “financial assets at fair value through profit or loss” category are presented in the income statement within “other (losses)/gains — net” in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the income statement as part of other income when the Group’s right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognized in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the income statement as “gains and losses from investment securities”.

Interests on available-for-sale securities calculated using the effective interest method are recognized in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognized in the income statement as part of other income when the Group’s right to receive payments is established.

3.12 Derivative financial instruments

Derivative financial instruments of the Group represent call options granted to the counterparty. Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value.

3.13 Impairment of financial assets

(a) Assets carried at amortized cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred 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 (a “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower’s financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or

3 Summary of significant accounting policies *(Continued)*

3.13 Impairment of financial assets *(Continued)*

(a) Assets carried at amortized cost *(Continued)*

- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
 - (i) adverse changes in the payment status of borrowers in the portfolio;
 - (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

For loans and receivables category, the amount of the losses is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the losses is recognized in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment losses is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment losses decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment losses is recognized in the consolidated income statement.

(b) Assets classified as available-for-sale

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. For debt securities, the Group uses the criteria refer to (a) above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative losses — measured as the difference between the acquisition cost and the current fair value, less any impairment losses on that financial asset previously recognized in profit or loss — is removed from equity and recognized in the separate consolidated income statement. Impairment losses recognized in the separate consolidated income statement on equity instruments are not reversed through the separate consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment losses were recognized in profit or loss, the impairment losses are reversed through the separate consolidated income statement.

3.14 Land development cost recoverable

These costs refer to costs capitalized on primary land development projects, in preparation for such lands to undergo the process of open market bidding. Primary land development works included demolitions and relocations, ground levelings, as well as establishments of elementary public facilities. A fixed amount of compensation is usually agreed with respective governmental authorities for such works. Costs recoverable are recognized at cost, less provision for impairment.

3 Summary of significant accounting policies *(Continued)*

3.15 Inventories

(a) Properties under development

Properties under development are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to estimated sales proceeds of the properties sold in the ordinary course of business less costs to complete development and estimated selling expenses.

Development costs of properties comprises land use rights, construction costs, borrowing costs and professional fees as incurred during the development period. On completion, all development costs of the properties are transferred to completed properties held for sale.

(b) Completed properties held for sale

Completed properties held for sale are completed properties remaining unsold at year end and are stated at the lower of cost and net realisable values. Cost comprises development costs attributable to the unsold properties. Net realisable values is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing marketing conditions.

(c) Other inventories

Other inventories mainly comprise raw materials for upfitting, food and beverages and hotel consumables. Goods are valued at the lower of cost and net realisable value. Cost, calculated on the weighted average basis, comprises invoiced price, delivery and other direct costs relating to purchases. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

3.16 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

3.17 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

3.18 Share capital

Ordinary shares are classified as equity. Incremental cost directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3.19 Convertible and Capital securities

Convertible and Capital securities with no contracted obligation to repay its principal nor to pay any distribution are classified as part of equity. Respective distributions if and when declared are treated as equity dividends.

3 Summary of significant accounting policies *(Continued)*

3.20 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

3.21 Financial liabilities

(a) Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

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

(b) Convertible bonds

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortized cost basis until extinguished on conversion or maturity of the bonds. The fair value of the conversion option is initially recognized at fair value and is subsequently premeasured at its fair value at each balance sheet date. Changes in the fair value of the conversion option are recognized in the consolidated income statement.

3.22 Current and deferred income tax

The tax expense for the year comprises current and deferred income tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the country where the Company's subsidiaries, jointly controlled entities and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss it is not accounted for. Deferred income tax is determined using tax rates (tax law) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

3 Summary of significant accounting policies *(Continued)*

3.22 Current and deferred income tax *(Continued)*

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, jointly controlled entities and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3.23 Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employee up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

(b) Bonus entitlements

Expected costs of bonus payments are recognized as liabilities when constructive obligations are present, as a result of services rendered by employees and reliable estimations of the obligations can be made.

(c) Retirement benefits

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement plans organized by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the PRC government.

The Group also participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme") for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of the lower of 5% of eligible employees' relevant aggregate income and HKD1,000. The assets of this pension scheme are held separately from those of the Group in independently administered funds.

The Group's contributions to the defined contribution retirement schemes are expensed as incurred.

3 Summary of significant accounting policies *(Continued)*

3.24 Share-based payments

The Group operates a number of equity-settled, share-based compensation plans, including “share option scheme” and restricted share award scheme, under which the entity receives services from employees as consideration for equity instruments (options and shares) of the Group.

- **Share options scheme**

The fair value of the employee services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted.

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. The impact of the revision to original estimates, if any, is recognized in the consolidated income statement, with a corresponding adjustment to equity.

The cash subscribed for the shares issued when the options are exercised is credited to share capital (nominal value) and share premium, net of any directly attributable transaction costs.

The social security contributions payable in connection with the grant of the share options is considered an integral part of the grant itself, and the charge will be treated as a cash-settled transaction.

- **Restricted share award scheme**

The fair value of the employee services received in exchange for the grant of these share-based awards is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the shares awarded at the grant date.

When Trustee purchases the Company’s shares from the open market, the consideration paid, including any directly attributable incremental costs, is presented as ‘Shares held for restricted share award scheme’ in the consolidated statement of changes in equity and deducted from total equity. When the Trustee transfers the Company’s shares to grantees upon vesting, the related costs of the awarded shares are credited to “Shares held for restricted share award scheme” with a corresponding adjustment to the share premium.

At the end of each reporting period, the Group revises its estimates of the number of these share-based awards that are expected to become vested. The impact of the revision to original estimates, if any, is recognized in the consolidated income statement, with a corresponding adjustment to equity.

3.25 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

3 Summary of significant accounting policies *(Continued)*

3.26 Financial guarantee liabilities

Financial guarantee liabilities are recognized in respect of the financial guarantee provided by the Group to the property purchasers.

Financial guarantee liabilities are recognized initially at fair value plus transaction costs that are directly attributable to the issue of the financial guarantee liabilities. After initial recognition, such contracts are measured at the higher of the present value of the best estimate of the expenditure required to settle the present obligation and the amount initially recognized less cumulative amortization.

Financial guarantee liabilities are derecognized from the balance sheet when, and only when, the obligation specified in the contract is discharged or cancelled or expired.

3.27 Contract work

Contract costs are recognized when incurred.

When the outcome of a contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable.

When the outcome of a contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognized over the period of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected losses are recognized as expenses immediately.

The Group uses the “percentage of completion method” to determine the appropriate amount to be recognized in a given period. Depending on the nature of contracts, the stage of completion is measured by reference to (a) the proportion of contract costs incurred for work performed to date to estimated total contract costs; (b) the amount of work certified by site engineers; or (c) completion of physical proportion of the contract work. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. They are presented as inventories, prepayments or other assets, depending on their nature.

Contract work-in-progress is valued at the cost price of the work done, plus a part of the expected profit upon completion of the project in proportion to the progress made and less progress receivables and provisions. Provisions are recognized for expected losses on contract work-in-progress, as soon as they are foreseen, and deducted from the cost price. The cost price includes direct project costs, consisting of direct payroll costs, materials, costs of subcontracted work, other direct costs, rental charges and maintenance costs for the equipment used. The progress of a project is determined on the basis mentioned in preceding paragraph. Profits are not recognized unless a reliable estimate can be made of the result on completion of the project. The balance of the value of contract work-in-progress and progress receivables is determined on a project by project basis.

The Group presents as an asset the “amounts due from customers for contract work” for all contracts in progress for which costs incurred plus recognized profits exceed progress receivables. Progress receivables not yet paid by customers and retention are included within “trade and other receivables”.

3 Summary of significant accounting policies *(Continued)*

3.28 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown, net of returns, discounts and after eliminating sales within the Group.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, the type of transaction and the specifics of each arrangement.

(a) Sale of properties

Revenue from sales of properties is recognized when the risks and rewards of the properties transferred to the purchaser, which is when the construction of the relevant properties have been completed and properties have been delivered to the purchaser pursuant to the sale agreements, and collectability of related receivables is reasonably assured. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in current liabilities, and are separately stated in the balance sheet as advances from customers.

(b) Rental income

Rental income is recognized on a straight-line basis over the lease terms.

(c) Interest income

Interest income is recognized using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

(d) Dividend income

Dividend income is recognized when the right to receive payment is established.

(e) Property management and agency fee income

Property management and agency fee income is recognized in the accounting period in which the services are rendered.

(f) Hotel operating income

Hotel operating income is recognized upon the provision of services.

(g) Revenue from upfitting and construction contracts

Revenue from individual upfitting and construction contract is recognized, over the period of the contracts, when the outcome of the contracts can be estimated reliably and it is probable that these contracts will be profitable.

When the outcome of a contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable.

The Group uses the "percentage of completion method" to determine the appropriate amount to be recognized in a given period. Depending on the nature of contracts, the stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date to estimated total contract costs.

3 Summary of significant accounting policies *(Continued)*

3.29 Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

(a) The Group is the lessee

Payments made under operating leases (net of any incentives received from the lessor), are charged to the consolidated income statement on a straight-line basis over the period of the lease.

(b) The Group is the lessor

When assets are leased out under an operating lease, the assets are included in the balance sheet based on the nature of the assets. Lease income is recognized over the term of the lease on a straight-line basis.

3.30 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's and Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

4 Financial risk management

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow interest rate risk, and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The board of directors reviews and approves policies for managing each of these risks and they are summarized below.

(a) Market risk

(i) Foreign exchange risk

The Group and the Company are exposed to foreign exchange risk arising from future commercial transactions and recognized assets and liabilities which are not denominated in the Group and the Company's functional currency. Majority of the Group and the Company's foreign currency transactions and balances are denominated in Hong Kong dollars ("HKD") and United States dollars ("USD"). The Group and the Company currently do not have a foreign currency hedging policy. However, the management of the Group and the Company monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Conversion of RMB into foreign currency is subject to the rules and regulations of the foreign exchange control, as promulgated by the PRC government.

As at 31 December 2012, if RMB had strengthened by 5% against HKD and USD with all other variable held constant, post-tax gain for the year of the Group would have been RMB148,643,000 higher (2011: RMB79,010,000 higher), mainly as the result of foreign exchange gain on translation of HKD/USD dominated cash and cash equivalents, net of foreign exchange gains on translation of HKD/USD dominated derivative financial instruments and borrowings.

4 Financial risk management *(Continued)*

4.1 Financial risk factors *(Continued)*

(a) Market risk *(Continued)*

(ii) **Cash flow and fair value interest rate risk**

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from long-term borrowings with prevailing market interest rates. Such risk is partly offset by cash held at prevailing market interest rates. During 2012 and 2011, the Group's borrowings at prevailing market interest rates were denominated in RMB, HKD and USD.

The Group's fair value interest rate risk relates primarily to its fixed rate and other payables. The Group currently does not utilize any derivative contracts to hedge its exposure to interest rate risk. However, management will consider hedging significant interest rate exposure should the need arise.

As at 31 December 2012, if interest rates have been increased/decreased by 50 basis points with all other variables held constant, the Group's post-tax profit, after taking into account the impact of interest capitalisation, would decrease/increase by approximately RMB6,472,000 (2011: RMB4,121,000).

(b) Credit risk

Credit risk arises from restricted bank deposits, cash and cash equivalents, trade and other receivables and available-for-sale financial assets. The carrying amount of restricted bank deposits, cash and cash equivalents, trade and other receivables and available-for-sales financial assets, represent the Group's maximum exposure to credit risk in relation to its financial assets.

To manage such exposure, the Group has policies in place to ensure that sales are made to purchasers with appropriate financial strengths and credit history, at the same time appropriate percentages of down payments are made. Deposits are placed with banks with appropriate credit ratings. Monitoring procedures are also in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews and assesses the recoverable amount of each individual trade receivables on a regular basis to ensure that adequate impairment losses are made for irrecoverable amounts. The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

Credit risk arises from restricted bank deposits is limited, as all counterparties are banks with appropriate credit rankings.

The Group has provided guarantees to certain customers to secure their repayment obligations to the bank, for their purchases of property units. If a customer defaults on the payment of its mortgage during the term of the guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount together with any accrued interest. Under such circumstances, the Group is able to sell the property to recover any amounts paid by the Group to the bank. The directors of the Company consider that the Group's exposure to credit risk in this regard is minimal.

(c) Liquidity risk

Cash flow forecasting is performed in the operating entities of the Group in and aggregated by Group Finance. Group Finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities, and currency restrictions regulations at all times so that the Group does not breach borrowing limits on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets.

4 Financial risk management *(Continued)*

4.1 Financial risk factors *(Continued)*

(c) Liquidity risk *(Continued)*

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amount disclosed in the table is the contractual undiscounted cash flows. Comparative information has been restated as permitted by the amendments to HKFRS7 for the liquidity risk disclosures.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Group					
At 31 December 2012					
Borrowings	12,027,663	8,204,105	13,677,412	3,385,050	37,294,230
Trade and other payables excluding statutory liabilities	15,646,338	–	–	–	15,646,338
	27,674,001	8,204,105	13,677,412	3,385,050	52,940,568
At 31 December 2011					
Borrowings	16,430,561	7,843,876	10,986,597	2,828,815	38,089,849
Trade and other payables excluding statutory liabilities	9,732,193	–	–	–	9,732,193
	26,162,754	7,843,876	10,986,597	2,828,815	47,822,042
Company					
At 31 December 2012					
Borrowings	374,069	1,112,450	2,933,546	–	4,420,065
Trade and other payables excluding statutory liabilities	8,525,479	–	–	–	8,525,479
	8,899,548	1,112,450	2,933,546	–	12,945,544
At 31 December 2011					
Borrowings	3,699,006	–	–	–	3,699,006
Trade and other payables excluding statutory liabilities	8,529,949	–	–	–	8,529,949
	12,228,955	–	–	–	12,228,955

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Financial risk management *(Continued)*

4.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated balance sheet plus net debt.

The gearing ratios at 31 December 2012 and 2011 were as follows.

	As at 31 December	
	2012 RMB'000	2011 RMB'000
Total borrowings (Note 33)	32,393,047	33,587,466
Less: cash and cash equivalents (Note 26)	(10,747,479)	(8,647,794)
Net debt	21,645,568	24,939,672
Total equity	42,046,238	38,757,164
Total capital	63,691,806	63,696,836
Gearing ratio	34%	40%

The decrease in the gearing ratio during 2012 resulted primarily from the decrease in total borrowings (Note 33) and increase of cash and cash equivalents (Note 26), and the increase in total equity.

4.3 Fair value estimation

The table below analyses financial instatements carried at fair value, by valuation method, the different levels have been defined as follow:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

4 Financial risk management *(Continued)*

4.3 Fair value estimation *(Continued)*

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2012 and 2011.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Group				
At 31 December 2012				
Other investment (Note 17)	63,091	–	–	63,091
Financial assets at fair value through profit or loss (Note 18)	189,076	–	–	189,076
Available-for-sale financial assets: equity securities (Note 16)	647,184	–	346,379	993,563
	<u>899,351</u>	<u>–</u>	<u>346,379</u>	<u>1,245,730</u>
Liabilities				
Group				
At 31 December 2012				
Derivative financial instruments (Note 37)	–	19,121	–	19,121
	<u>–</u>	<u>19,121</u>	<u>–</u>	<u>19,121</u>

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Group				
At 31 December 2011				
Other investment (Note 17)	15,580	–	–	15,580
Financial assets at fair value through profit or loss (Note 18)	412,486	–	–	412,486
Available-for-sale financial assets: equity securities (Note 16)	218,973	–	221,954	440,927
	<u>647,039</u>	<u>–</u>	<u>221,954</u>	<u>868,993</u>

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily HKSE equity investments classified as available-for-sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Financial risk management *(Continued)*

4.3 Fair value estimation *(Continued)*

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

There were no significant transfers of financial assets between level 1 and level 2 fair value hierarchy classifications.

The following table presents the changes in level 3 instruments for the year ended 31 December 2012.

	Available-for-sale financial assets equity securities RMB'000
Opening balance	221,954
Additions	165,292
Losses recognized in profit or loss due to impairment (Note 39)	(40,800)
Losses recognized in equity	(67)
Closing balance	<u>346,379</u>

The following table presents the changes in level 3 instruments for the year ended 31 December 2011.

	Available-for-sale financial assets equity securities RMB'000
Opening balance	181,663
Additions	76,754
Fair value gains recognized in equity	2,440
Disposals	(38,903)
Closing balance	<u>221,954</u>

5 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

5.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Estimate of fair value of investment properties

The Group carries its investment properties at fair value with changes in the fair values recognized in profit or loss. It obtains independent valuations from independent qualified valuers, DTZ Debenham Tie Leung Limited, BMI Appraisals Limited, at least annually. At the end of each reporting period, the management updates their assessment of the fair value of each property, taking into account the most recent independent valuations. The key assumptions used in this determination and the sensitivity of the directors' estimates of these assumptions to the carrying amount of the investment properties are set out in Note 9.

(b) Estimate of fair value of employee share options

Up till 31 December 2012, fair value of employee share options issued by the Group is assessed by an independent qualified valuer, DTZ Debenham Tie Leung Limited at their respective issuance dates. The valuation is performed on the basis of open market value of the Group's listed shares, as well as estimations for the realization rates in the future. The assumptions used are mainly based on market conditions existing at each balance sheet date, as well as prior years' records of the Group's resignation rates.

(c) Income taxes and land appreciation tax ("LAT")

The Group is primarily subjected to various PRC taxes, as it is principally engaged in property development in the PRC. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

The implementation and settlement of LAT varies among various tax jurisdictions in cities of the PRC. LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including land use rights, borrowing costs, business taxes, property development and other related expenditures. These taxes are incurred upon transfer of property ownership.

Significant judgment is required in determining the extent of land appreciation and its related taxes. The Group recognized LAT based on management's best estimates according to the understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the consolidated income statement in the periods in which such taxes are finalized with local tax authorities.

(d) Deferred income tax

Deferred income tax assets relating to certain temporary differences and tax losses are recognized when management considers it probable that future taxable profit will be available against which the temporary differences or tax losses can be utilized. The outcome of their actual utilisation may be different.

5 Critical accounting estimates and judgements *(Continued)*

5.2 Critical judgements

(a) Revenue recognition

The Group has recognized revenue from the sale of properties held for sale as disclosed in Note 3.28. The assessment of when an entity has transferred the significant risks and rewards of ownership to buyers requires the examination of the circumstances of the transaction. In most cases, the transfer of risks and rewards of ownership coincides with the date when the equitable interest in the property vests to the buyer, upon release of the respective property to the purchaser.

As disclosed in Note 47, the Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. These guarantees will expire when relevant property ownership certificates are lodged with the banks by the purchasers. In order to obtain mortgages, the purchasers would have settled certain percentage of the total contract amount in accordance with related PRC regulations upon delivery of the properties. The directors of the Company are of the opinion that such settlements provide sufficient evidence of the purchasers' commitment to honour contractual obligation of the bank loans. In addition, based on past experiences, there were no significant defaults of mortgage facilities by the purchasers resulted in the bank guarantees were called upon. Accordingly, the directors believe that significant risks and rewards associated to the ownership of the properties have been transferred to the purchasers.

(b) Estimated impairment of assets

The Group tests at least annually whether assets have suffered any impairment in accordance with the accounting policies stated in Note 3.10. Assets are also reviewed for impairment, whenever events or changes in circumstances are noted, that may potentially causes the carrying amount of the assets to exceed its recoverable amount. The recoverable amount of an asset or a cash generating units is determined as the higher of cash generating unit's fair value less cost to sell and its value-in-use which requires the use of assumptions and estimates. In 2012, based on such reviews the directors have determined that certain of Group's goodwill (Note 10), investments in available-for-sale financial assets (Note 16) and completed property held for sale (Note 23) were impaired, and relevant provision had been made. Refer to the financial statements for details of such provisions.

(c) Estimations for total properties construction cost

The Group makes estimations on properties construction cost upon recognition of respective costs of sales. Such estimates are substantiated by detail budgetary information as developed by the management, and will be assessed periodically, as the constructions progresses. Should these estimates depart from their actual finalized costs, such differences would affect the accuracy of costs of sales recognized.

6 Segment information

Management has determined the operating segments based on the reports reviewed by the chief operating committee (the “Committee”) that are used to make strategic decisions.

The Committee considers the business from both a geographic and product perspective. From the product perspective, management considers the performance of property development and property investment. Property development businesses are further segregated geographically into Beijing, Tianjin, North-east as well as all other territories.

Other operations as carried out by the Group mainly include property management services, hotel operation, property sales agency services, as well as upfitting services. These are not included within the reportable operating segments, as they are not included in the reports provided to the Committee. The results of these operations are included in the “All other segments” column.

The Committee assesses the performance of the operating segments based on a measure of operating profit. This measurement basis excludes the effects of non-recurring expenditure from the operating segments. Finance costs and corporate finance income are not included in the result for each operating segment that is reviewed by the Committee, as they are driven by activities of the central treasury function, which manages the cash position of the Group. The measure also excludes the effects of any unrealized gains/losses from investments in jointly controlled entities and associates as well as fair value gains/losses from investment properties and corporate overheads. Other information provided to the Committee, except as noted below, is measured in a manner consistent with that in the financial statements.

Total assets exclude corporate cash and cash equivalents, investments in jointly controlled entities and associates, available-for-sale financial assets, other investments, financial assets at fair value through profit or loss and deferred income tax assets, all of which are managed on a central basis. Total liabilities exclude borrowings, deferred income tax liabilities, distribution payables and derivative financial instrument, all of which are managed on central basis as well. These are part of the reconciliation to total balance sheet assets and liabilities.

Transactions between segments are carried out at arm’s length. The revenue from external parties reported to the Committee is measured in a manner consistent with that in the consolidated income statement.

Revenue consists of sales from the property development segment, which mainly represent property sales income, and rental income as derived from the investment property segment, which are RMB26,052,706,000 and RMB413,858,000 for the year ended 31 December 2012 and RMB17,618,075,000 and RMB340,062,000 for the year ended 31 December 2011 respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 Segment information (Continued)

The segment information provided to the Committee for the reportable segments for the year ended 31 December 2012 and 2011 is as follows:

	Property development				Investment property	All other segments	Inter-company		Total	
	Beijing	Tianjin	North-east	Others			Total	elimination		Total
	RMB'000	RMB'000	RMB'000	RMB'000			RMB'000	RMB'000		RMB'000
Year ended 31 December 2012										
Total revenue	10,133,593	4,133,092	8,802,205	3,025,984	419,143	5,089,881	31,603,898	-	31,603,898	
Inter-segment revenue	(42,168)	-	-	-	(5,285)	(2,898,649)	(2,946,102)	-	(2,946,102)	
Revenue (from external customers)	10,091,425	4,133,092	8,802,205	3,025,984	413,858	2,191,232	28,657,796	-	28,657,796	
Segment operating profit	3,664,131	365,512	2,021,020	565,279	369,921	775,696	7,761,559	(1,283,895)	6,477,664	
Depreciation and amortization (Note 40)	(532)	(1,643)	(5,282)	(9,706)	(374)	(29,526)	(47,063)	-	(47,063)	
Goodwill disposed for sales of properties (Note 10)	-	(13,877)	-	(33,693)	-	-	(47,570)	-	(47,570)	
Goodwill impairment (Note 10)	-	-	-	-	-	(125,527)	(125,527)	-	(125,527)	
Income tax expense (Note 43)	(1,434,151)	(103,154)	(825,875)	(271,598)	(418,247)	(194,582)	(3,247,607)	-	(3,247,607)	
Finance income	116,750	48,322	218,107	86,368	49,934	446,316	965,797	(937,835)	27,962	
Year ended 31 December 2011										
Total revenue	7,823,397	2,253,284	4,962,671	2,708,583	344,101	4,569,410	22,661,446	-	22,661,446	
Inter-segment revenue	(129,860)	-	-	-	(4,039)	(2,630,601)	(2,764,500)	-	(2,764,500)	
Revenue (from external customers)	7,693,537	2,253,284	4,962,671	2,708,583	340,062	1,938,809	19,896,946	-	19,896,946	
Segment operating profit	3,189,170	440,591	1,520,132	947,392	272,670	350,321	6,720,276	(1,382,063)	5,338,213	
Depreciation and amortization (Note 40)	(918)	(1,683)	(7,039)	(8,224)	(814)	(30,290)	(48,968)	-	(48,968)	
Goodwill disposed for sales of properties (Note 10)	-	(7,140)	-	(68,049)	-	-	(75,189)	-	(75,189)	
Income tax expense (Note 43)	(1,310,489)	(189,201)	(512,114)	(304,818)	(48,558)	(188,368)	(2,553,548)	-	(2,553,548)	
Finance income	123,930	92,295	279,452	107,248	30,895	537,394	1,171,214	(1,059,758)	111,456	
As at 31 December 2012										
Total segment assets	40,321,137	10,669,910	37,786,905	48,997,695	6,512,683	51,598,382	195,886,712	(78,636,050)	117,250,662	
Additions to non-current assets (other than financial instruments and deferred income tax assets)	4,065	131	2,897	6,173	297	236,779	250,342	-	250,342	
Total segment liabilities	28,030,098	5,265,874	19,170,221	32,218,350	1,016,849	43,561,931	129,263,323	(77,304,942)	51,958,381	
As at 31 December 2011										
Total segment assets	36,627,577	11,357,343	35,575,631	34,987,901	6,187,329	28,146,919	152,882,700	(51,185,920)	101,696,780	
Additions to non-current assets (other than financial instruments and deferred income tax assets)	1,422	2,594	3,903	11,344	564	54,251	74,078	-	74,078	
Total segment liabilities	14,852,035	4,515,462	11,476,473	16,217,060	1,037,273	22,586,169	70,684,472	(34,325,534)	36,358,938	

6 Segment information *(Continued)*

A reconciliation of segment operating profit to profit before income tax is provided as follows:

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Segment operating profit	6,477,664	5,338,213
Corporate finance income	82,346	49,252
Corporate overheads	(594,418)	(372,801)
Fair value gain on investment properties (Note 9)	1,535,304	512,778
Share of gains of jointly controlled entities	362,060	68,911
Share of losses of associates	(2,677)	(2,571)
Finance costs (Note 42)	(625,363)	(419,436)
Profit before income tax	7,234,916	5,174,346

Reportable and other segments' assets and liabilities are reconciled to total assets and liabilities as follows:

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Total segment assets	117,250,662	101,696,780
Corporate cash and cash equivalents	5,271,624	4,558,691
Investment in jointly controlled entities (Note 12)	1,477,657	1,052,135
Investment in associates (Note 13)	665,011	606,013
Available-for-sale financial assets (Note 16)	993,563	440,927
Other investment (Note 17)	63,091	15,580
Financial assets at fair value through profit or loss (Note 18)	189,076	412,486
Deferred income tax assets (Note 34)	2,393,892	1,502,833
Total assets per consolidated balance sheet	128,304,576	110,285,445
Total segment liabilities	51,958,381	36,358,938
Current borrowings (Note 33)	11,519,608	14,481,805
Non-current borrowings (Note 33)	20,873,439	19,105,661
Deferred income tax liabilities (Note 34)	1,698,080	1,386,739
Distribution payable (Note 35)	189,709	195,138
Derivative financial instrument (Note 37)	19,121	–
Total liabilities per consolidated balance sheet	86,258,338	71,528,281

The Company is incorporated in Hong Kong, with most of its major subsidiaries domiciled in the PRC. All revenues from external customers of the Group are derived in the PRC for the years ended 31 December 2012 and 2011.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 Segment information *(Continued)*

As at 31 December 2012, total non-current assets other than financial instruments and deferred income tax assets located in the PRC is RMB9,701,332,000 (2011: RMB7,859,984,000), the total of these non-current assets located in Hong Kong is RMB322,924,000 (2011: RMB241,471,000).

For the year ended 31 December 2012 and 2011, the Group does not have any single customer with the transaction value over 10% of the external sales.

7 Property, plant and equipment

	Buildings and leasehold improvements	Machinery	Vehicles	Office equipment	Electronic equipment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2012						
Opening net book amount	121,941	5,522	48,859	27,552	21,598	225,472
Additions	7,552	3,198	7,593	3,813	11,422	33,578
Transfer from completed property held for sale	12,189	-	-	-	-	12,189
Disposals	-	(1,531)	(5,367)	(3,434)	(948)	(11,280)
Depreciation charge (Note 40)	(17,922)	(1,361)	(8,604)	(7,087)	(11,843)	(46,817)
Disposals of subsidiaries (Note 50)	-	-	(17)	(54)	(254)	(325)
Closing net book amount	123,760	5,828	42,464	20,790	19,975	212,817
At 31 December 2012						
Cost	168,757	10,096	88,606	55,730	56,757	379,946
Accumulated depreciation	(44,997)	(4,268)	(46,142)	(34,940)	(36,782)	(167,129)
Net book amount	123,760	5,828	42,464	20,790	19,975	212,817
Year ended 31 December 2011						
Opening net book amount	116,772	6,865	56,528	19,769	14,961	214,895
Additions	30,118	1,333	11,271	14,303	17,053	74,078
Disposals	-	(170)	(5,280)	(855)	(670)	(6,975)
Depreciation charge (Note 40)	(19,119)	(2,086)	(12,438)	(5,410)	(9,669)	(48,722)
Disposals of subsidiaries	(5,830)	(420)	(1,222)	(255)	(77)	(7,804)
Closing net book amount	121,941	5,522	48,859	27,552	21,598	225,472
At 31 December 2011						
Cost	149,016	9,575	88,026	56,886	49,877	353,380
Accumulated depreciation	(27,075)	(4,053)	(39,167)	(29,334)	(28,279)	(127,908)
Net book amount	121,941	5,522	48,859	27,552	21,598	225,472

7 Property, plant and equipment *(Continued)*

Depreciation expense of RMB35,555,000 (2011: RMB36,196,000) has been charged in “cost of sales”, RMB11,262,000 (2011: RMB12,526,000) in “administrative expenses”.

As at 31 December 2012 and 2011, buildings with the carrying values of RMB70,186,000 and RMB71,256,000 respectively were pledged as collateral for the Group’s borrowings (Note 33).

8 Land use rights

The Group’s interests in land use rights represent prepaid operating lease payments in the PRC which are held on leases of less than 50 years. The movements are as follows:

	Year ended 31 December	
	2012 RMB'000	2011 RMB'000
At beginning of the year	9,477	9,723
Amortisation charge (Note 40)	(246)	(246)
At end of the year	9,231	9,477

As at 31 December 2012 and 2011, land use rights of the Group with carrying values of RMB6,042,000 and RMB6,186,000 respectively were pledged as collateral for the Group’s borrowings (Note 33).

9 Investment properties

	Year ended 31 December	
	2012 RMB'000	2011 RMB'000
At fair value		
At beginning of the year	5,462,375	4,988,572
Addition	204,575	–
Disposal of subsidiaries	–	(150,000)
Transfer from completed properties held for sale	–	111,025
Fair value gains	1,535,304	512,778
At end of the year	7,202,254	5,462,375

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 Investment properties *(Continued)*

(a) Amounts recognized in profit and loss for investment properties

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Rental income (Note 6)	413,858	340,062
Direct operating expenses arising from investment properties that generate rental income	42,833	73,181
Direct operating expenses that did not generate rental income	5,147	10,901

(b) Valuation basis

The fair value of the Group's investment properties as at 31 December 2012 and 2011 was valued by DTZ Debenham Tie Leung Limited and BMI Appraisals Limited, independent and professionally qualified valuers, respectively. Valuations were based on either capitalisation of net rental income derived from the existing tenancies with allowance for the reversionary income potential of the properties or on direct comparison approach assuming sale of each of these properties in its existing state with the benefit of vacant possession by making reference to comparable sales transactions as available in the relevant market.

(c) Non-current assets pledged as security

As at 31 December 2012 and 2011, investment properties of the Group with carrying values of RMB4,705,590,000 and RMB4,396,840,000 respectively were pledged as collateral for the Group's borrowings (Note 33).

(d) Leasing arrangements

Minimum lease payments under non-cancellable operating leases of investment properties not recognized in the financial statements are receivable as follows:

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Within 1 year	419,615	350,533
Between 1 to 5 years	699,748	570,641
After 5 years	46,706	54,724
	1,166,069	975,898

The Group's interests in investment properties at their net book values are analyzed as follows:

	2012	2011
	RMB'000	RMB'000
In PRC, held on: Leases of less than 50 years	6,997,679	5,462,375

10 Goodwill

	RMB'000
Year ended 31 December 2012	
Opening net book amount	630,383
Goodwill disposed of for sales of properties, charged to cost of sales	(47,570)
Impairment charge (i)	(125,527)
	<hr/>
Closing net book amount	457,286
	<hr/>
At 31 December 2012	
Cost	883,668
Goodwill disposed of for sales of properties, charged to cost of sales	(300,855)
Impairment charge	(125,527)
	<hr/>
Net book amount	457,286
	<hr/>
Year ended 31 December 2011	
Opening net book amount	705,572
Goodwill disposed for sales of properties, charged to cost of sales	(75,189)
	<hr/>
Closing net book amount	630,383
	<hr/>
At 31 December 2011	
Cost	883,668
Goodwill disposed for sales of properties, charged to cost of sales	(253,285)
	<hr/>
Net book amount	630,383
	<hr/>

Goodwill is allocated to the Group's cash generating units identified according to operating segment. An operating segment level summary of the goodwill allocation is presented below.

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Property development	454,951	502,521
Investment property	–	125,527
Others	2,335	2,335
	<hr/>	<hr/>
	457,286	630,383
	<hr/>	<hr/>

The recoverable amount of a cash-generating unit is determined based on fair value less cost to sell calculation. These calculations use observable market prices for the units.

- (i) This represented impairment provision made for the entire goodwill recognized in 2010 arising from the acquisition of Gemini Investments (Holdings) Limited ("Gemini"), a company incorporated in Hong Kong, whose shares are listed on the Main Board of the Hong Kong Stock Exchange Limited. Such provision was made as the expected benefits from economies of scale at the time of acquisition has not happened and the uncertainties of crystallisation of such economies of scale in the foreseeable future. None of the goodwill impairment is expected to be deductible for income tax purpose.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 Investments in subsidiaries – Company

	As at 31 December	
	2012 RMB'000	2011 RMB'000
Unlisted investments, at cost	3,407,371	3,407,371
Contribution to the Restricted Share Award Scheme Trust	88,063	110,321
	3,495,434	3,517,692
Amounts due from subsidiaries	30,950,509	29,794,598
Amounts due to subsidiaries	(8,502,143)	(8,502,145)
	25,943,800	24,810,145

Amounts due from and to subsidiaries are unsecured, interest free and repayable on demand.

The directors are of the opinion that the following is a list of the subsidiaries as at 31 December 2012 which materially affect the results or assets of the Group:

Name	Country/place of incorporation and operation	Legal status	Issue/paid in capital (In thousand)	Effective interest held as at 31 December 2012	Principal activities
(1) Sino-Ocean Land Limited 遠洋地產有限公司	PRC	Limited liability company	RMB6,368,240	100%	Property development
(2) 遠洋國際建設有限公司	PRC	Limited liability company	RMB600,000	100%	Renovation service
(3) Beijing Zhong Lian Land Development Company, Limited 北京中聯置地房地產開發有限公司	PRC	Limited liability company	RMB560,000	100%	Property development
(4) Beijing Yuankun Real Estate Development Company, Limited 北京遠坤房地產開發有限公司	PRC	Limited liability company	RMB500,000	100%	Property development
(5) 北京萬洋世紀創業投資管理有限公司	PRC	Limited liability company	RMB341,000	100%	Consultant service
(6) 北京碧城創業投資管理有限公司	PRC	Limited liability company	RMB336,000	100%	Consultant service
(7) Beijing Yuanqian Property Co., Ltd. 北京遠乾置業有限公司	PRC	Limited liability company	RMB300,000	100%	Investment holdings
(8) Beijing Yuan Yang Building Co., Ltd. 北京遠洋大廈有限公司	PRC	Limited liability company	USD30,000	72%	Investment property

11 Investments in subsidiaries — Company (Continued)

Name	Country/place of incorporation and operation	Legal status	Issue/paid in capital (In thousand)	Effective interest held as at 31 December 2012	Principal activities
(9) Beijing Linda Huaxia Real Estate Development Company, Limited 北京林達華夏房地產開發有限公司	PRC	Limited liability company	RMB219,000	100%	Property development
(10) 北京遠洋園林工程有限公司	PRC	Limited liability company	RMB200,000	100%	Renovation service
(11) Beijing Wuhe Real Estate Development Company, Limited 北京五河房地產開發有限公司	PRC	Limited liability company	RMB100,000	75%	Land development
(12) Beijing Yuan Sheng Land Development Company, Limited 北京遠盛置業有限公司	PRC	Limited liability company	RMB100,000	100%	Property development
(13) Beijing Sino-Ocean Grand Architectural Decoration Engineering Co. Ltd. 遠洋裝飾工程有限公司	PRC	Limited liability company	RMB100,000	80%	Renovation services
(14) Beijing De Jun Land Development Company Limited 北京德俊置業有限公司	PRC	Limited liability company	RMB90,000	100%	Property development
(15) Beijing Dong Rong Real Estate Development Co., Ltd. 北京東隆房地產開發有限公司	PRC	Limited liability company	USD12,370	85.72%	Property development
(16) Beijing Jin He Wan Sheng Real Estate Development Company Limited 北京金和萬盛房地產開發有限公司	PRC	Limited liability company	RMB75,000	100%	Land development
(17) Beijing Yuan Hao Land Development Company, Limited 北京遠豪置業有限公司	PRC	Limited liability company	RMB60,000	100%	Property development
(18) Beijing Yuan He Real Estate Development Company Limited 北京遠河房地產開發有限公司	PRC	Limited liability company	RMB30,000	100%	Property development
(19) Beijing Tianlin Real Estate Development Company, Limited 北京市天麟房地產開發有限公司	PRC	Limited liability company	RMB30,000	100%	Property development
(20) 北京遠東新地置業有限公司	PRC	Limited liability company	RMB30,000	100%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 Investments in subsidiaries — Company (Continued)

Name	Country/place of incorporation and operation	Legal status	Issue/paid in capital (In thousand)	Effective interest held as at 31 December 2012	Principal activities
(21) Beijing Yin Gang Real Estate Development Company Limited 北京銀港房地產開發有限公司	PRC	Limited liability company	RMB10,000	100%	Investment holdings
(22) Beijing Yuan-lian Real Estate Development Company, Limited 北京遠聯置地房地產開發有限公司	PRC	Limited liability company	RMB10,000	100%	Property development
(23) Tianjin Yuan-bin Real Estate Development Company, Limited 天津遠濱房地產開發有限公司	PRC	Limited liability company	RMB600,000	97.05%	Property development
(24) Tianjin Pulida Real Estate Construction and Development Company Limited 天津普利達房地產開發有限公司	PRC	Limited liability company	RMB420,000	100%	Property development
(25) Tianjin Yuan-Chi Real Estate Development Company, Limited 天津市遠馳房地產開發有限公司	PRC	Limited liability company	RMB400,000	96.99%	Property development
(26) Sino-Ocean Real Estate (Tianjin) Co., Ltd. 遠洋地產(天津)有限公司	PRC	Limited liability company	RMB170,000	94.1%	Investment holding
(27) 天津宇華房地產開發有限公司	PRC	Limited liability company	RMB100,000	100%	Property development
(28) Tianjin Yuanying Real Estate Development Company, Limited 天津市遠贏房地產開發有限公司	PRC	Limited liability company	RMB30,000	100%	Property development
(29) 大連新悅置業有限公司	PRC	Limited liability company	USD241,000	90%	Property development
(30) 大連滙洋置業有限公司	PRC	Limited liability company	USD166,122	51%	Property development
(31) 大連廣宇置業有限公司	PRC	Limited liability company	USD213,200	90%	Property development
(32) 大連聖基置業有限公司	PRC	Limited liability company	USD114,545	90%	Property development
(33) 大連宏澤置業有限公司	PRC	Wholly foreign owned enterprise	USD105,000	100%	Property development

11 Investments in subsidiaries — Company (Continued)

Name	Country/place of incorporation and operation	Legal status	Issue/paid in capital (In thousand)	Effective interest held as at 31 December 2012	Principal activities
(34) 大連世甲置業有限公司	PRC	Limited liability company	USD97,850	100%	Property development
(35) Dalian Sunny-Ocean Property Limited 大連明遠置業有限公司	PRC	Limited liability company	USD80,000	100%	Property development
(36) 大連永圖置業有限公司	PRC	Wholly foreign owned enterprise	USD79,500	90%	Property development
(37) Dalian Sky-Upright Property Limited 大連正乾置業有限公司	PRC	Sino-foreign equity joint venture	USD76,860	100%	Property development
(38) 大連鑫融置業有限公司	PRC	Wholly foreign owned enterprise	USD90,000	100%	Property development
(39) 大連至遠置業有限公司	PRC	Wholly foreign owned enterprise	USD69,754	90%	Property development
(40) 大連潤峰置業有限公司	PRC	Wholly foreign owned enterprise	USD64,560	90%	Property development
(41) 大連源豐置業有限公司	PRC	Sino-foreign equity joint venture	USD50,700	100%	Property development
(42) 大連遠佳產業園開發有限公司	PRC	Wholly foreign owned enterprise	USD35,000	100%	Property development
(43) Dalian Kaimeng Real Estate Co., Ltd. 大連凱盟房地產開發有限公司	PRC	Limited liability company	RMB150,000	100%	Property development
(44) 大連通遠房地產開發有限公司	PRC	Limited liability company	RMB8,000	100%	Land development
(45) Wanxiang Zhiye (Shenyang) Co., Ltd. 萬祥置業(瀋陽)有限公司	PRC	Limited liability company	RMB582,830	100%	Property development
(46) Liaoning Wanxiang Property Co., Ltd. 遼寧萬祥置業有限公司	PRC	Limited liability company	RMB459,240	100%	Property development
(47) 瀋陽萬洋投資管理諮詢有限公司	PRC	Limited liability company	HKD367,500	100%	Consultant service
(48) 瀋陽碧城投資管理諮詢有限公司	PRC	Limited liability company	USD47,000	100%	Consultant service

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 Investments in subsidiaries – Company (Continued)

Name	Country/place of incorporation and operation	Legal status	Issue/paid in capital (In thousand)	Effective interest held as at 31 December 2012	Principal activities
(49) 遠洋地產(遼寧)有限公司	PRC	Limited liability company	RMB20,000	92.5%	Property development
(50) 撫順德創置業有限公司	PRC	Limited liability company	RMB387,953	65%	Property development
(51) 長春東方聯合置業有限公司	PRC	Limited liability company	RMB200,000	51%	Property development
(52) 青島遠佳置業有限公司	PRC	Limited liability company	RMB666,670	100%	Property development
(53) 青島遠景置業有限公司	PRC	Limited liability company	RMB369,650	100%	Property development
(54) 青島遠豪置業有限公司	PRC	Limited liability company	RMB428,239	100%	Property development
(55) Qinhuangdao Ocean Land Development Company, Limited 秦皇島海洋置業房地產開發有限公司	PRC	Limited liability company	RMB100,000	100%	Property development
(56) 杭州遠洋天祺置業有限公司	PRC	Sino-foreign equity joint venture	USD147,760	51%	Property development
(57) 杭州遠洋運河商務區開發有限公司	PRC	Sino-foreign equity joint venture	USD143,210	51%	Property development
(58) Hang Zhou Yuan Yang Lai Fu Real Estate Development Company Limited 杭州遠洋萊福房地產開發有限公司	PRC	Limited liability company	RMB500,000	70%	Property development
(59) 杭州遠洋新河酒店置業有限公司	PRC	Sino-foreign equity joint venture	USD83,620	51%	Property development
(60) 杭州德遠瑞祥置業有限公司	PRC	Limited liability company	RMB723,000	100%	Property development
(61) 遠洋地產(上海)有限公司	PRC	Limited liability company	RMB20,000	100%	Property development
(62) 上海遠望置業有限公司	PRC	Limited liability company	RMB20,000	100%	Property development
(63) 上海遠正置業有限公司	PRC	Limited liability company	RMB20,000	100%	Property development

11 Investments in subsidiaries — Company (Continued)

Name	Country/place of incorporation and operation	Legal status	Issue/paid in capital (In thousand)	Effective interest held as at 31 December 2012	Principal activities
(64) 上海遠鑫置業有限公司	PRC	Limited liability company	RMB20,000	100%	Property development
(65) 遠洋地產(鎮江)有限公司	PRC	Limited liability company	RMB50,000	55%	Property development
(66) 黃山東方紅影視產業投資有限公司	PRC	Limited liability company	RMB244,767	100%	Property development
(67) 遠洋地產(中山)開發有限公司	PRC	Sino-foreign equity joint venture	RMB720,000	100%	Property development
(68) 中山市遠見房地產開發有限公司	PRC	Limited liability company	RMB30,000	40%	Property development
(69) 天基房地產開發(深圳)有限公司	PRC	Limited liability company	HKD160,000	84.7%	Land development
(70) 三亞南國奧林匹克花園有限公司	PRC	Limited liability company	RMB64,100	70%	Property development
(71) 三亞棠棣莊園投資有限公司	PRC	Limited liability company	RMB64,000	52.5%	Property development
(72) 海南浙江椰香村建設開發有限公司	PRC	Limited liability company	RMB15,000	70%	Property development
(73) 武漢弘福置業有限公司	PRC	Limited liability company	RMB45,000	55%	Property development
(74) 重慶遠騰房地產開發有限公司	PRC	Sino-foreign equity joint venture	RMB1,100,000	87.25%	Property development
(75) 重慶國際高爾夫俱樂部有限公司	PRC	Limited liability company	RMB96,290	85%	Land development
(76) Gemini Investments (Holdings) Limited 盛洋投資(控股)有限公司	Hong Kong	HK Listed company	HKD22,275	70.15%	Investment holding
(77) Sino-Ocean Land Capital Inv Ltd 遠洋地產資本投資有限公司	BVI	Limited company	USD50	100%	Investment holding
(78) Shine Wind Development Limited 耀勝發展有限公司	BVI	Limited company	USD10	100%	Investment holding
(79) Sino-Ocean Land (Hong Kong) Limited 遠洋地產(香港)有限公司	Hong Kong	Limited company	HKD10	100%	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 Investments in subsidiaries – Company (Continued)

Name	Country/place of incorporation and operation	Legal status	Issue/paid in capital (In thousand)	Effective interest held as at 31 December 2012	Principal activities
(80) Mission Success Limited 穎博有限公司	Hong Kong	Limited company	HKD –	100%	Investment holding
(81) Dynamic Class Limited 昇能有限公司	Hong Kong	Limited company	HKD –	100%	Investment holding
(82) Mega Precise Profits Limited	BVI	Limited company	USD –	100%	Investment holding
(83) Smart State Properties Limited	BVI	Limited company	USD –	100%	Investment holding
(84) Faith Ocean Int'l Ltd 信洋國際有限公司	BVI	Limited company	USD –	100%	Investment holding
(85) Sino-Ocean Land (Perpetual Finance) Ltd 遠洋地產(恒財)有限公司	BVI	Limited company	USD –	100%	Investment holding
(86) Fame Gain Holdings Limited 名得控股有限公司	BVI	Limited company	USD –	100%	Investment holding

12 Interests in jointly controlled entities

	Year ended 31 December	
	2012 RMB'000	2011 RMB'000
At beginning of the year	1,052,135	687,826
Capital injection (c)	119,539	312,887
Capital return from Sino Prosperity Real Estate Fund L.P.	(49,802)	–
Share of results of jointly controlled entities	355,785	51,422
At end of the year	1,477,657	1,052,135

12 Interests in jointly controlled entities *(Continued)*

- (a) Following are the details of the jointly controlled entities of the Group as at 31 December 2012 and 2011, all of which are unlisted:

Name	Country of incorporation and operation	Legal status	Issue/paid in capital (In thousand)	Effective interest held as at 31 December		Principal activities
				2012	2011	
Beijing Linlian Property Company Limited 北京麟聯置業有限公司	PRC	Limited liability company	RMB400,000	50%	50%	Land and property development
Chengdu Qiansong construction development Company Limited 成都乾松城市建設開發有限公司	PRC	Limited liability company	RMB50,000	50%	50%	Land and property development
Chengdu Qianhao Real Estate Company Limited 成都乾豪置業有限公司	PRC	Limited liability company	RMB635,267	50%	50%	Land and property development
Chengdu Yingang Real Estate Company Limited 成都銀港置業有限公司	PRC	Limited liability company	RMB8,000	50%	50%	Land and property development
Sino Prosperity Real Estate Fund L.P. (a(i)) (c(ii))	Cayman island	Exempted limited partnership	USD66,000	38%	50%	Investment management
Sino Prosperity Real Estate (GP), L.P. (c(ii))	Cayman island	Exempted limited partnership	USD706	50%	50%	Investment management
Sino Prosperity Real Estate Limited (c(i))	Cayman island	Exempted limited liability company	USD806	50%	50%	Investment management
Sino Prosperity Real Estate Advisor Limited (c(i))	Cayman island	Exempted limited liability company	USD100	50%	50%	Investment management
Tianjin Yuanjinluzhou Investment Fund Management Company Limited (c(ii)) 天津遠津綠洲股權投資基金管理 有限公司	PRC	Limited liability company	RMB10,000	50%	50%	Investment management
Beijing Yuanbotengda Business Management Company Limited ("Beijing Yuanbotengda") (a(iii)) 北京遠博騰達商業管理有限公司	PRC	Limited liability company	RMB1,000	51%	–	Business management

- (i) Although the Group holds less than 50% of the interests of Sino Prosperity Real Estate Fund L.P., the Group exercises joint control under the contractual agreements in the strategic financial and operating policy decisions of that fund.
- (ii) Although the Group holds more than 50% of the equity shares of Beijing Yuanbotengda, the Group exercises joint control under the contractual agreements in the strategic financial and operating policy decisions of that company.

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12 Interests in jointly controlled entities *(Continued)*

(b) The Group's share of the assets and liabilities, revenues and results of the jointly controlled entities are set out as follows:

Name	Assets RMB'000	Liabilities RMB'000	Revenues RMB'000	Results RMB'000	% interest held
2012					
Beijing Linlian Property Company Limited	2,649,069	1,566,682	101,955	243,998	50%
Chengdu Qiansong construction development Company Limited	121,564	102,250	–	(1,034)	50%
Chengdu Qianhao Real Estate Company Limited	1,622,904	469,734	115	98,150	50%
Chengdu Yingang Real Estate Company Limited	146,077	28,091	–	17,421	50%
Sino Prosperity Real Estate Fund L.P.	265,654	1,359	–	(72)	38%
Sino Prosperity Real Estate (GP), L.P.	1,495	2,501	–	(16)	50%
Sino Prosperity Real Estate Limited	1,707	2,518	–	(107)	50%
Sino Prosperity Real Estate Advisor Limited	2,966	1,448	–	1,683	50%
Tianjin Yuanjinluzhou Investment Fund Management Company Limited	6,096	2,761	8,692	2,061	50%
Beijing Yuanbotengda Business Management Company Limited	574	89	457	(24)	51%
	4,818,106	2,177,443	111,219	362,060	
2011					
Beijing Linlian Property Company Limited	2,131,405	1,316,373	1,535	94,532	50%
Chengdu Qiansong construction development Company Limited	45,670	25,242	–	(4,583)	50%
Chengdu Qianhao Real Estate Company Limited	1,014,325	710,564	–	(13,872)	50%
Chengdu Yingang Real Estate Company Limited	97,262	5,692	–	(200)	50%
Sino Prosperity Real Estate Fund L.P.	257,368	54,034	–	(4,100)	50%
Sino Prosperity Real Estate (GP), L.P.	2,936	713	–	(1)	50%
Sino Prosperity Real Estate Limited	315	15	–	(12)	50%
Sino Prosperity Real Estate Advisor Limited	1,304	115	915	875	50%
Tianjin Yuanjinluzhou Investment Fund Management Company Limited	3,114	1,841	–	(3,728)	50%
	3,553,699	2,114,589	2,450	68,911	

As at 31 December 2012, the Group's share of capital commitments of these jointly controlled entities amounted to RMB185,592,000 (2011: RMB239,434,000) from these interests in jointly controlled entities. There were no contingent liabilities shared from these interests in jointly controlled entities as at 31 December 2012 (2011: nil).

12 Interests in jointly controlled entities *(Continued)*

(c) Capital injection

During the year, the Group contributed capital injections to the following jointly controlled entities:

	As at 31 December	
	2012 RMB'000	2011 RMB'000
Beijing Linlian Property Company Limited	104,500	–
Beijing Yuanbotengda Business Management Company Limited	510	–
Chengdu Qianhao Real Estate Company Limited	14,529	6,366
Chengdu Yingang Real Estate Company Limited	–	91,770
The KKR fund (i)	–	209,751
Tianjin Yuanjinluzhou Investment Fund Management Company Limited (ii)	–	5,000
	119,539	312,887

- (i) On 5 September 2011, Chance Bright Limited, a subsidiary of the Group, entered into a framework cooperation agreement (the "agreement") with KKR SPRE Holdings L.P. ("KKR"), a third party, based on which a series of limited companies and limited partnerships were established, and jointly controlled by both parties, to collectively act as the general partner of Sino Prosperity Real Estate Fund L.P. (the "KKR fund"). Pursuant to the agreement, targeted capital of the KKR fund is amounted to USD200,000,000.

As at 31 December 2011, approximately USD64,000,000 (equivalent to RMB403,000,000) was injected into the KKR fund. The entire proceeds were then injected into Great Wise Limited, a subsidiary of the Group, and as a result, the KKR fund became a 49% non-controlling interest of Great Wise Limited (Note 33(b)(iii)).

- (ii) On 1 August 2011, Beijing Yuankun Real Estate Limited, a subsidiary of the Group, entered into an investment cooperation agreement (the "agreement") with Guoneng Greenland Investment Management Limited, a third party, based on which Tianjin Yuanjinluzhou Investment Fund Management Company Limited was established, and jointly controlled by both parties, to act as the general partner of Yuanjin Fengde and Yuanjin Ruide (the "Yuanjin funds").

As at 31 December 2011, approximately RMB230,000,000 was injected into the Yuanjin funds. Such proceeds were then injected into Zhongshan Yuanjian Real Estate Company Limited ("Zhongshan Yuanjian"), a subsidiary of the Group, and as a result, Yuanjin funds became a 50% non-controlling interests of Zhongshan Yuanjian (Note 33(b)(iii)).

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13 Interests in associates

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
At beginning of the year	606,013	397,458
Capital injection	197,000	220,547
Addition	3,600	–
Disposal of partial interests in an associate to a subsidiary of a shareholder (Note 51(b))	(120,667)	–
Share of results of associates	(20,935)	(11,992)
At end of the year	665,011	606,013

(a) Following are the details of the associates of the Group at 31 December 2012 and 2011, all of which are unlisted:

Name	Country of incorporation and operation	Legal status	Issue/paid in capital (In thousand)	Effective interest held as at 31 December		Principal activities
				2012	2011	
Beijing Central Business District Development and Construction Company Limited 北京商務中心區開發建設有限責任公司	PRC	Limited liability company	RMB680,850	47%	47%	Land development
Beijing Shengyong Property Development and investment Company Limited 北京盛永置業投資有限公司	PRC	Limited liability company	RMB500,000	35%	35%	Property development and investment services
Beijing Kunlian Xinhe Business Management Company Limited 北京坤聯信和商業管理有限責任公司	PRC	Limited liability company	RMB5,000	40%	40%	Consulting management
Guoshou Yuantong Real Estate Company Limited ("Guoshou Yuantong") (i) 國壽遠通置業有限公司	PRC	Limited liability company	RMB600,000	10%	29%	Property development and investment services
CIGIS (China) Limited 建設綜合勘察研究設計院有限公司	PRC	Limited liability company	RMB50,000	35%	35%	Survey and design
Shenzhen Lean Property Development Company Limited 深圳市樂安房地產有限公司	PRC	Limited liability company	RMB10,000	30%	–	Property development

(i) Although the Group holds less than 20% of the equity shares of Guoshou Yuantong, the Group exercises significant influence under the contractual agreements in the strategic financial and operating policy decisions of that company.

13 Interests in associates *(Continued)*

(b) The Group's share of the assets and liabilities, revenues and results of the associates is set out as follows:

Name	Assets RMB'000	Liabilities RMB'000	Revenues RMB'000	Losses RMB'000	% interest held
2012					
Beijing Central Business District Development and Construction Company Limited	791,690	480,475	–	(2,246)	47%
Beijing Shengyong Property Development and investment Company Limited	383,555	226,105	206	(2,775)	35%
Beijing Kunlian Xinhe Business Management Company Limited	1,998	–	–	–	40%
Guoshou Yuantong Real Estate Company Limited	285,292	35,519	–	(249)	10%
CIGIS (China) Limited	104,493	46,487	144,157	2,593	35%
Shenzhen Lean Property Development Company Limited	27,607	24,753	–	–	30%
	1,594,635	813,339	144,363	(2,677)	
2011					
Beijing Central Business District Development and Construction Company Limited	745,566	432,105	–	(2,501)	47%
Beijing Shengyong Property Development and investment Company Limited	247,129	86,903	–	(1,955)	35%
Beijing Kunlian Xinhe Business Management Company Limited	1,990	–	–	–	40%
Guoshou Yuantong Real Estate Company Limited	429,381	255,320	–	62	29%
CIGIS (China) Limited	92,354	63,573	132,861	1,823	35%
	1,516,420	837,901	132,861	(2,571)	

There were no other contingent liabilities or capital commitments relating to the Group's interests in the associates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 Financial instruments by category

(a) Group

	Loans and receivables RMB'000	Assets at fair value through profit and loss RMB'000	Available- for-sale RMB'000	Total RMB'000
Assets				
As at 31 December 2012				
Available-for-sale financial assets (Note 16)	–	–	993,563	993,563
Financial assets at fair value through profit or loss (Note 18)	–	189,076	–	189,076
Trade and other receivables excluding prepayments	5,737,366	–	–	5,737,366
Restricted bank deposits (Note 25)	5,399,197	–	–	5,399,197
Cash and cash equivalents (Note 26)	10,747,479	–	–	10,747,479
	21,884,042	189,076	993,563	23,066,681
As at 31 December 2011				
Available-for-sale financial assets (Note 16)	–	–	440,927	440,927
Financial assets at fair value through profit or loss (Note 18)	–	412,486	–	412,486
Trade and other receivables excluding prepayments	3,327,716	–	–	3,327,716
Restricted bank deposits (Note 25)	3,768,822	–	–	3,768,822
Cash and cash equivalents (Note 26)	8,647,794	–	–	8,647,794
	15,744,332	412,486	440,927	16,597,745

14 Financial instruments by category (Continued)

(a) Group (Continued)

	Other financial liabilities RMB'000
Liabilities	
As at 31 December 2012	
Borrowings (Note 33)	32,393,047
Trade and other payables excluding tax payable	15,646,338
Derivative financial instrument (Note 37)	19,121
	48,058,506
As at 31 December 2011	
Borrowings (Note 33)	33,587,466
Trade and other payables excluding tax payable	9,732,193
Derivative financial instrument (Note 37)	–
	43,319,659

(b) Company

	Loans and receivables RMB'000
Assets	
As at 31 December 2012	
Amounts due from subsidiaries (Note 11)	30,950,509
Other receivables excluding prepayments	2,060
Cash and cash equivalents (Note 26)	433,817
	31,386,386
As at 31 December 2011	
Amounts due from subsidiaries (Note 11)	29,794,598
Other receivables excluding prepayments	2,060
Cash and cash equivalents (Note 26)	386,071
	30,182,729

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 Financial instruments by category *(Continued)*

(b) Company *(Continued)*

	Other financial liabilities RMB'000
Liabilities	
As at 31 December 2012	
Borrowings (Note 33)	3,938,099
Amount due to subsidiaries (Note 11)	8,502,143
Other payables excluding tax payable	23,336
	12,463,578
As at 31 December 2011	
Borrowings (Note 33)	3,558,678
Amount due to subsidiaries (Note 11)	8,502,145
Other payables excluding tax payable	27,804
	12,088,627

15 Credit quality of financial assets

(a) Group

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates:

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Trade receivables		
Counterparties without external credit rating	1,062,557	927,378
Trade receivables that are neither past due nor impaired	85,761	359,670

All bank deposits are with reputable corporate banks. None of the bank deposits is considered as exposed to major credit risk.

None of the financial assets that are fully performing has been renegotiated in 2012 and 2011.

(b) Company

All bank deposits are with reputable banks. None of the bank deposits is considered as exposure to major credit risk.

16 Available-for-sale financial assets

	As at 31 December	
	2012 RMB'000	2011 RMB'000
Investment in listed securities held in the SOL Fund (a)	647,184	218,973
Investment in other unlisted equity securities (b)	346,379	221,954
	993,563	440,927
Less: non-current portion	(838,163)	(244,727)
Current portion	155,400	196,200

- (a) On 31 March 2008, SOL Investment Fund Limited ("SOL"), a special purpose entity of the Group, was incorporated in and under the laws of the Cayman Islands, with the purpose to carry out investment activities for the Group. The sole underlying investment in SOL is SOL Fund, representing a portfolio of investments in listed shares, and its fair value as at 31 December 2012 was based on the respective quoted closing prices.
- (b) Available-for-sale financial assets of the Group include certain unlisted equity securities, mainly denominated in RMB. The fair value of unlisted securities approximates net asset values of respective securities.

Available-for-sale financial assets include the following:

	As at 31 December	
	2012 RMB'000	2011 RMB'000
Fair value:		
— listed	647,184	218,973
— unlisted	346,379	221,954
	993,563	440,927
Market value of listed securities	647,184	218,973

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 Available-for-sale financial assets *(Continued)*

Available-for-sale financial assets are denominated in the following currencies:

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
— HKD	647,184	218,973
— RMB	337,550	216,901
— USD	8,829	5,053
	993,563	440,927

Impairment losses amounting to RMB40,800,000 were recognized in profit or loss as at 31 December 2012 with respect to an unlisted equity security (2011: nil) (Note 39).

17 Other investment

Other investment represents gold bullions stated at fair values less costs to sell. The fair values are determined by reference to the quoted market price. Losses arising on measurement amounting to RMB1,623,000 (2011: RMB118,000) were recognized in profit or loss (Note 39).

18 Financial assets at fair value through profit or loss — Group

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Listed securities — held-for-trading		
Equity securities listed in Hong Kong	158,266	43,975
Equity securities listed elsewhere	30,810	368,511
Market value of listed securities	189,076	412,486

Financial assets at fair value through profit or loss are presented within “operating activities” as part of changes in working capital in the statement of cash flows (Note 46).

Changes in fair values of financial assets at fair value through profit or loss are recorded in “other (losses)/gains — net” in the income statement (Note 39).

The fair value of all equity securities is based on their current bid prices in an active market.

19 Properties under development

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
At beginning of the year	65,470,147	41,393,331
Additions	24,386,933	24,351,562
Transfer from land development cost recoverable	–	87,702
Transfer from deposits for land use rights	5,729,244	11,564,701
Disposal of subsidiaries (Note 50(b))	(499,532)	–
Disposals	–	(769,230)
Provision for impairment	–	(170,354)
Transfer to completed properties held for sale	(23,112,583)	(10,987,565)
At end of the year	71,974,209	65,470,147
Properties under development comprises:		
Land use rights	38,349,707	36,175,616
Construction costs and capitalized expenditure	29,210,984	26,098,993
Interest capitalized	4,413,518	3,195,538
	71,974,209	65,470,147

Land use rights are analyzed as follows:

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
In the PRC held on:		
Leases of over 50 years	33,420,537	30,114,028
Leases within 50 years	4,929,170	6,061,588
	38,349,707	36,175,616

Properties under development are all located in the PRC.

As at 31 December 2012 and 2011, properties under development of approximately RMB37,420,859,000 and RMB24,934,788,000 respectively were pledged as collateral for the Group's borrowings (Note 33).

All properties under development are expected to be completed within the normal operating cycle of the Group, in which RMB34,632,399,000 (2011: RMB38,237,926,000) is expected to be completed and available for sale more than twelve months after the balance sheet date.

20 Land development cost recoverable

Land development cost recoverable refers to capitalized costs on primary land development projects. The land use right certificates belong to the government for these projects, and the Group subsequently receives at least the costs incurred as compensation from the government after work has been completed. Main activities for primary land development projects included dismantling and land leveling works.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 Deposits for land use rights

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Deposits to local land authorities (a)	5,083,619	7,653,214
Deposits to third parties	–	535,278
	5,083,619	8,188,492

(a) Deposits of approximately RMB5,083,619,000 and RMB7,653,214,000 were paid to local land authorities for open market bidding of land use rights as at 31 December 2012 and 2011 respectively.

22 Trade and other receivables

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Trade receivables	1,062,557	927,378
Less: provision for impairment	(80,269)	(31,749)
Trade receivables — net (a)	982,288	895,629
Prepayments for acquisition	–	51,790
Tax prepayments for advances from customers	3,284,151	2,298,024
Entrusted loan to third parties (b)	175,000	475,000
Entrusted loan to a jointly controlled entity	–	25,000
Entrusted loan to an associate (c)	398,306	365,771
Notes receivables (d)	–	46,147
Receivable from government (e)	2,146,969	201,321
Receivable from disposals of subsidiaries (f)	–	50,199
Amounts due from jointly controlled entities (g)	1,031,333	624,756
Amounts due from associates (h)	219,285	113,453
Amounts due from non-controlling interests	45,720	112,127
Cooperation deposits (i)	215,006	127,350
Other prepayments	773,354	383,907
Other receivables	523,459	290,963
	9,794,871	6,061,437
Less: non-current portion	(475,129)	(598,245)
Current portion	9,319,742	5,463,192

The carrying amounts of trade and other receivables approximated to their respective fair values as at 31 December 2012 and 2011.

22 Trade and other receivables *(Continued)*

(a) Trade receivables

Proceeds from services and sales rendered are to be received in accordance with the term of respective agreement. Ageing analysis of trade receivables at the respective balance sheet dates is as follows:

	As at 31 December	
	2012 RMB'000	2011 RMB'000
Within 6 months	466,271	872,704
Between 6 months to 1 year	406,095	35,770
Between 1 year to 2 years	183,518	15,080
Between 2 years to 3 years	2,865	1,593
Over 3 years	3,808	2,231
	1,062,557	927,378

- (i) As at 31 December 2012, trade receivables of RMB896,527,000 (2011: RMB535,959,000) were past due but not impaired. These related to a number of independent customers from upfitting services and property management services, for whom there is no significant financial difficulty and no recent history of default. Based on past experience, the overdue amounts can be recovered.
- (ii) As at 31 December 2012, trade receivables of RMB80,269,000 (2011: RMB31,749,000) were impaired. The individually impaired receivables mainly related to receivables of upfitting and property managements fees.

Movements on the provision for impairment of trade receivables are as follows:

	As at 31 December	
	2012 RMB'000	2011 RMB'000
At 1 January	(31,749)	(6,051)
Provision for receivable impairment	(48,520)	(28,469)
Unused amounts reversed	—	2,771
At 31 December	(80,269)	(31,749)

- (b) As at 31 December 2012, entrusted loans amounting to RMB175,000,000 (2011: RMB475,000,000) represent amounts lent to certain third parties. These balances are secured by respective share capital of the third parties and repayable on demand, interest bearing from 5.56% to 6.65% (2011: from 5.31% to 12%). RMB175,000,000 (2011: RMB150,000,000) are payable in 2013.
- (c) Entrusted loans to an associate are unsecured, interest bearing at rate 5.31% (2011: 5.31%) and are repayable in 2014.

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22 Trade and other receivables *(Continued)*

- (d)** On 8 January 2008, the Group subscribed notes receivables with an aggregate principal amount of USD30 million (the "Notes") from an independent third party.

As at 31 December 2011, the Group, together with other subscribers (the "investors") of the Notes, was in arrangement with the issuer for repayments of the principal of the Notes, as well as respective interests. On 20 January 2012, a payment deed was signed between the investors and the issuer of the Notes, with principal and respective interests committed to be fully settled by 2014.

As at 31 December 2012, the Group reversed RMB43,853,000 impairment of such receivable due to partial repayments of the principal of the Notes from the issuer.

- (e)** This mainly represents payment made for land development cost which will be subsequently reimbursed by the government.
- (f)** As at 31 December 2011, balances represented considerations receivable from the disposal of ordinary shares of Glorious Property Holding Limited ("Glorious") through disposal of a subsidiary. Such amount has been settled during the year by repurchase of ordinary shares of Glorious by the Group. Refer to Note 37 for details.
- (g)** Amounts due from jointly controlled entities are interest free, and repayable on demand.
- (h)** Amounts due from associates are interest free and repayable on demand.
- (i)** Balances represent amounts paid to certain third parties, with the intention of future cooperation in real estate project development. As at 31 December 2012, such cooperation is still in negotiation stage, and it is expected to close in 2013.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The carrying amounts of the Group's trade and other receivables are mainly denominated in RMB.

23 Completed properties held for sale

All completed properties held for sale are located in the PRC on lease between 40 to 70 years, and are stated at cost less accumulated amortization of land use rights for the years ended 2012 and 2011 respectively.

	As at 31 December	
	2012 RMB'000	2011 RMB'000
Completed properties held for sale comprised:		
Land use rights	2,396,915	474,910
Construction costs and capitalized expenditure	6,548,003	2,627,776
Interest capitalized	146,952	171,515
	9,091,870	3,274,201

As at 31 December 2012, RMB2,583,448,000 completed properties held for sale amounting to were pledged as collateral for the Group's borrowings (2011: RMB204,826,000) (Note 33).

Impairment loss amounting to RMB92,630,000 were recognized in profit or loss for the year ended 31 December 2012 (2011: Nil).

23 Completed properties held for sale *(Continued)*

Land use rights are analyzed as follows:

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
In the PRC held on:		
Leases of over 50 years	1,585,233	249,900
Leases within 50 years	811,682	225,010
	<u>2,396,915</u>	<u>474,910</u>

24 Amount due from customers for contract work

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Contract cost incurred plus recognized profit	5,056,919	3,220,385
Less: Progress receivables	<u>(4,224,756)</u>	<u>(2,800,642)</u>
Contract work-in-progress	832,163	419,743
Representing:		
Amounts due from customers for contract work	<u>832,163</u>	<u>419,743</u>

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Contract revenue recognized as revenue in the year	<u>1,617,189</u>	<u>1,491,681</u>

25 Restricted bank deposits

Restricted bank deposits mainly represent guaranteed deposits for the mortgage loan facilities granted by the banks to the purchasers of the Group's properties, as well as for projects co-developed with third parties. The balances also include guaranteed deposits placed in the banks, as guaranteed funds of construction projects to meet certain local authorities' requirements.

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26 Cash and cash equivalents

	As at 31 December			
	Group		Company	
	2012	2011	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at bank and in hand	8,879,649	6,895,995	15,888	36,064
Short-term bank deposits	1,867,830	1,751,799	417,929	350,007
Cash and cash equivalents	10,747,479	8,647,794	433,817	386,071
Denominated in:				
— RMB	9,561,603	6,771,457	88,276	53
— HKD	798,741	783,320	272,146	267,592
— USD	387,119	1,093,006	73,379	118,415
— other currencies	16	11	16	11
	10,747,479	8,647,794	433,817	386,071

The effective interest rates on short-term bank deposits ranged from 0.01% to 2.86% for the year ended 31 December 2012 (2011: 0.5% to 3.55%).

The Group's cash and cash equivalents denominated are deposited with banks in the PRC and Hong Kong, respectively. The conversion of the RMB denominated balances into foreign currencies, which are placed within the PRC, is subject to the rules and regulations of foreign exchange control promulgated by the PRC Government.

27 Share capital and premium

	Number of ordinary shares of HKD 0.8 each	Nominal value of ordinary shares HK\$'000	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Shares held for Restricted Share Award Scheme RMB'000	Total RMB'000
Opening balance 1 January 2012	5,660,257,632	4,528,206	4,304,667	15,926,417	–	20,231,084
Issue of shares pursuant to exercise of employee share options	12,811,500	10,249	8,347	28,286	–	36,633
Issue of scrip dividends	177,072,131	141,658	115,662	352,597	–	468,259
Vesting of shares under restricted share award scheme	–	–	–	(495)	–	(495)
	5,850,141,263	4,680,113	4,428,676	16,306,805	–	20,735,481
Restricted share award scheme (a)						
Opening balance 1 January 2012	(33,702,318)	–	–	–	(131,959)	(131,959)
Issue of scrip dividends	(1,332,331)	–	–	–	–	–
Vesting of shares under restricted share award scheme	10,493,464	–	–	–	39,524	39,524
At 31 December 2012	(24,541,185)	–	–	–	(92,435)	(92,435)
At 31 December 2012	5,825,600,078	4,680,113	4,428,676	16,306,805	(92,435)	20,643,046
Opening balance 1 January 2011	5,638,374,432	4,510,699	4,290,394	15,831,018	–	20,121,412
Issue of shares pursuant to exercise of employee share options	982,500	786	649	2,212	–	2,861
Issue of scrip dividends	35,200,700	28,161	23,102	93,187	–	116,289
Share buyback	(14,300,000)	(11,440)	(9,478)	–	–	(9,478)
	5,660,257,632	4,528,206	4,304,667	15,926,417	–	20,231,084
Restricted share award scheme (a)						
Opening balance 1 January 2011	(21,528,000)	–	–	–	(95,986)	(95,986)
Shares purchased during the year	(12,174,318)	–	–	–	(35,973)	(35,973)
At 31 December 2011	(33,702,318)	–	–	–	(131,959)	(131,959)
At 31 December 2011	5,626,555,314	4,528,206	4,304,667	15,926,417	(131,959)	20,099,125

- (a) On 22 March 2010, the board of the Company resolved to adopt a restricted share award scheme, pursuant to which existing shares are purchased from the market and be held in trust for the relevant selected employees, until such shares are vested in accordance with the provision of the scheme. As at 31 December 2012, 6,247,296 (2011: 16,991,200) shares were granted but not yet vested under the scheme.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 Retained earnings

	Year ended 31 December			
	Group		Company	
	2012	2011	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January	6,497,606	5,301,879	1,022,326	437,181
Profit for the year	3,796,032	2,570,657	958,716	1,216,114
Dividends relating to 2010	–	(376,076)	–	(376,076)
Dividends relating to 2011 (Note 45)	(461,745)	(232,173)	(461,745)	(232,173)
Dividends relating to 2012 (Note 45)	(283,391)	–	(283,391)	–
Distribution relating to convertible securities (Note 31)	(448,809)	(460,996)	–	–
Distribution relating to capital securities (Note 32)	(258,368)	(129,751)	–	–
Share buyback	–	(40,458)	–	(40,458)
Transfer from employee share option reserve for forfeited options	–	17,738	–	17,738
Transfer to statutory reserve fund	(61,339)	(153,214)	–	–
At 31 December	8,779,986	6,497,606	1,235,906	1,022,326

29 Reserves

(a) Group

	Capital redemption reserve	Merger reserve	Statutory reserve	Translation reserve	Investment revaluation reserve	Employee share option	Restricted share award scheme	Other reserve	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2012	14,376	(763,427)	825,330	(39,097)	(33,489)	344,008	30,661	(208,814)	169,548
Fair value loss on available-for-sale financial assets	-	-	-	-	22,610	-	-	-	22,610
Currency translation differences	-	-	-	(13,633)	-	-	-	-	(13,633)
Expenses on share-based payment	-	-	-	-	-	98,003	21,237	-	119,240
Expiry of share option	-	-	-	-	-	(137,457)	-	137,457	-
Issue of shares pursuant to exercise of employee share options	-	-	-	-	-	(10,027)	-	-	(10,027)
Vesting of shares under restricted share award scheme	-	-	-	-	-	-	(39,029)	-	(39,029)
Transfer from retained earnings	-	-	61,339	-	-	-	-	-	61,339
Capital injection from non-controlling interests	-	-	-	-	-	-	-	104,110	104,110
Increase in non-controlling interests as a result of disposal of interests without change of control	-	-	-	-	-	-	-	1,174	1,174
Decrease in non-controlling interests as a result of acquisition of additional interests in a subsidiary	-	-	-	-	-	-	-	(536)	(536)
Decrease in non-controlling interests as a result of acquisition of additional interests in subsidiaries from non-controlling interests (Note 49)	-	-	-	-	-	-	-	(79,536)	(79,536)
At 31 December 2012	14,376	(763,427)	886,669	(52,730)	(10,879)	294,527	12,869	(46,145)	335,260

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 Reserves (Continued)

(a) Group (Continued)

	Capital redemption reserve	Merger reserve	Statutory reserve	Translation reserve	Investment revaluation reserve	Employee share option	Restricted share award scheme	Other reserve	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2011	4,898	(763,427)	672,116	(25,191)	22,973	328,442	-	(466,676)	(226,865)
Fair value loss on available-for-sale financial assets	-	-	-	-	(38,183)	-	-	-	(38,183)
Reserves realized in consolidated income statement upon disposal of available-for-sale investments	-	-	-	-	(18,279)	-	-	-	(18,279)
Currency translation differences	-	-	-	(13,906)	-	-	-	-	(13,906)
Expenses on share based payment	-	-	-	-	-	16,349	30,661	-	47,010
Share buyback	9,478	-	-	-	-	-	-	-	9,478
Issue of shares pursuant to exercise of employee share options	-	-	-	-	-	(783)	-	-	(783)
Transfer from retained earnings	-	-	153,214	-	-	-	-	-	153,214
Increase in non-controlling interests as a result of disposal of interests without change of control	-	-	-	-	-	-	-	466,130	466,130
Decrease in non-controlling interests as a result of acquisition of additional interests in subsidiaries from non-controlling interests	-	-	-	-	-	-	-	(208,268)	(208,268)
At 31 December 2011	14,376	(763,427)	825,330	(39,097)	(33,489)	344,008	30,661	(208,814)	169,548

Statutory reserves represent reserves of the PRC incorporated companies which are set aside for future development purposes in accordance with the regulations in the PRC. The allocation is based on certain percentages of the companies' profit of the year, which is allocated on an annual basis.

(b) Company

	RMB'000
At 1 January 2012	358,384
Employee share options	98,003
Issue of shares pursuant to exercise of employee share options	(10,027)
Share buyback	-
At 31 December 2012	446,360
At 1 January 2011	333,340
Employee share options	16,349
Issue of shares pursuant to exercise of employee share options	(783)
Share buyback	9,478
At 31 December 2011	358,384

30 Share option

Share options are granted to several directors and to selected employees, in which 40% of the options are exercisable 1 year from the grant date; 70% of the options are exercisable 2 years from the grant date, and all options are exercisable 3 years from the grant date. The options have a contractual option term of 5 years. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	Average exercise price in HK dollar per share HKD	Shares (thousands)
At 1 January 2012	6.82	159,871
Granted during the year	3.57	160,000
Lapsed during the year	7.01	(77,737)
Exercised during the year	2.55	(12,812)
At 31 December 2012	4.73	229,322

Out of the 229,322,000 outstanding options (2011: 159,871,000), 81,498,000 (2011: 97,855,000) were exercisable as at 31 December 2012.

Share options outstanding as at 31 December 2012 have the following expiry dates and exercise prices:

Expiry date	Exercise price in HK dollar per share	Shares (thousands)
24 January 2013	7.70	6,630
19 September 2013	2.55	12,618
30 July 2014	8.59	22,290
2 September 2014	7.01	16,310
5 October 2014	7.11	23,650
12 January 2017	3.57	147,824
		229,322

147,824,000 options were granted for the year ended 31 December 2012 (2011: nil). The weighted average fair value of options granted during the year 2012 determined using the binomial lattice model was HKD1.34 per option. Significant inputs into the model included weighted average share prices, volatility assumptions, dividend yields as well as annual risk-free interest rate estimations.

31 Convertible securities

On 27 July 2010, Sino-Ocean Land Capital Finance Limited, a wholly owned subsidiary, issued a perpetual subordinated convertible securities (the "convertible securities") callable in 2015, with an initial aggregate principal amount of USD900,000,000.

Such convertible securities are guaranteed by and convertible into shares of the Company, at the same time bear distribution at a rate of 8% per annum, payable semi-annually. The issuer of the convertible securities may elect to defer distribution, and is not subject to any limits as to the number of times distribution can be deferred.

Holders of the convertible securities have the right to convert such convertible securities into shares of the Company at any time, commencing from 12 months after the issue date, at a fixed price of HKD6.85 per share.

As the convertible securities have no contracted obligation to repay its principal nor to pay any distributions, they do not meet the definition for classification of a financial liabilities under HKAS 32. As a result, the whole instrument is classified as part of equity, and respective distributions if and when declared are treated as equity dividends.

The Group had not elected to defer distribution payments for the semi-annual period ended 27 January 2013, and such distribution had been fully settled as at the date of the approval of these financial statements.

32 Capital securities

On 13 May 2011, Sino-Ocean Land (Perpetual Finance) Limited, a wholly owned subsidiary, issued a perpetual subordinated capital securities (the "capital securities") callable in 2016, with an initial aggregate principal amount of USD400,000,000.

Such capital securities are guaranteed by the Company, at the same time bear distribution at a rate of 10.25% per annum, payable semi-annually. The issuer of the capital securities may elect to defer distribution, and is not subject to any limits as to the number of times distribution can be deferred.

As the Group have no contracted obligation to repay its principal nor to pay any distributions, the capital securities do not meet the definition as financial liabilities under HKAS 32 under the term of the capital securities. As a result, the whole instrument is classified as equity, and respective distributions if and when declared are treated as equity dividends.

33 Borrowings

	As at 31 December			
	Group		Company	
	2012	2011	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current				
Bank borrowings (a)	17,200,032	12,335,692	3,575,128	–
Other borrowings (b)	3,673,407	6,769,969	–	–
Total non-current borrowings	20,873,439	19,105,661	3,575,128	–
Current				
Current portion of long-term bank borrowings (a)	5,682,024	8,130,239	362,971	3,056,444
Current portion of long-term other borrowings (b)	2,599,800	4,080,000	–	–
Short-term bank borrowings (a)	1,004,836	1,500,034	–	502,234
Short-term other borrowings (b)	2,232,948	771,532	–	–
Total current borrowings	11,519,608	14,481,805	362,971	3,558,678
Total borrowings	32,393,047	33,587,466	3,938,099	3,558,678

- (a) As at 31 December 2012 and 2011, bank borrowings amounting to RMB19,054,681,000 and RMB12,897,300,000 were secured by property, plant and equipment (Note 7), land use rights (Note 8), investment properties (Note 9), properties under development (Note 19), completed properties held for sale (Note 23) of the Group.

As at 31 December 2012, the Company had no pledge for borrowings (2011: nil).

(b) Other borrowings

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Bond issuance (i)	2,406,843	2,586,411
Borrowings from trust companies (ii)	4,699,800	7,679,800
Borrowings from jointly controlled entities (iii)	405,148	583,758
Borrowings from third parties (iv)	994,364	771,532
	8,506,155	11,621,501
Less: non-current portion	(3,673,407)	(6,769,969)
Current portion	4,832,748	4,851,532

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33 Borrowings *(Continued)*

(b) Other borrowings *(Continued)*

- (i) On 23 June 2009, Sino-Ocean Land Limited, a wholly owned subsidiary of the Company, issued bonds with an aggregate principal amount of RMB2,600,000,000 and a maturity period of 6 years. The net proceeds were RMB2,576,900,000 (net of issuance costs of RMB23,100,000). The bond carries a fixed annual interest rate of 4.40% for the first three years and the Group has the option to increase such interest rate from 0 to 100 basis points at the end of the third year. Interests are payable annually, with the principal fully repayable on 22 June 2015. Bond holders have the right to sell all or part of the bond at its face value to the issuer from the interest payment date of the third year.

In 2012, the interest rate of such bond have increased to 5.40% per annum.

- (ii) Such loans bear interests rate from 7% to 13% per annum, and are repayable after 24 months from the inception date of the loan.
- (iii) The balances represented the loans from the two of our jointly controlled entities (Note 12(c)(i) and Note 12(c)(ii)) to the Group's subsidiaries as at 31 December 2012 and 2011. Such loans bear interests at floating rates, and are repayable from 2013 to 2016.
- (iv) Balance represents borrowings from certain individual third parties, bear interests rate from 10% to 12%, and is repayable before January 2014.

- (c) The maturities of the Group's total borrowings at respective balance sheet dates are set out as follows:

	As at 31 December	
	2012 Bank and other borrowings RMB'000	2011 Bank and other borrowings RMB'000
Total borrowings		
— Within 1 year	11,519,608	14,481,805
— Between 1 and 2 years	7,460,666	6,779,214
— Between 2 and 5 years	11,263,273	10,001,447
— Over 5 years	2,149,500	2,325,000
	32,393,047	33,587,466

33 Borrowings (Continued)

(d) The Group's borrowings denominated in RMB, USD and HKD respectively are set out as follows:

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Denominated in:		
— RMB	26,899,918	26,631,880
— HKD	819,302	405,350
— USD	4,673,827	6,550,236
	32,393,047	33,587,466

(e) The weighted average effective interest rates at the respective balance sheet dates are set out as follows:

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Bank borrowings	6.77%	6.40%
Other borrowings	9.71%	8.13%

(f) The exposure of the Group's borrowings to interest-rate changes and the contractual repricing dates are as follows:

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Within 6 months	20,648,611	18,840,573
Between 6 and 12 months	3,063,200	430,000
Between 1 and 5 years	8,681,236	14,316,893
	32,393,047	33,587,466

(g) The carrying amounts of non-current borrowings approximated to their respective fair values as at 31 December 2012 and 2011.

Fair values of non-current borrowings as at 31 December 2012 are based on cash flows discounted using weighted average rate of return of 8.21% (2011: 8.22%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34 Deferred income tax

The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Deferred income tax assets:		
— to be recovered after more than 12 months	1,164,878	480,237
— to be recovered within 12 months	1,229,014	1,022,596
	2,393,892	1,502,833
Deferred income tax liabilities:		
— to be recovered after more than 12 months	(1,698,080)	(1,380,256)
— to be recovered within 12 months	—	(6,483)
	(1,698,080)	(1,386,739)
Deferred income tax assets, net	695,812	116,094

The gross movement on the deferred income tax account is as follows:

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
At beginning of the year	(116,094)	537,128
Recognized in the income statement (Note 43)	(579,718)	(653,222)
At end of the year	(695,812)	(116,094)

34 Deferred income tax (Continued)

The movement in deferred income tax assets and liabilities during the years ended 31 December 2012 and 2011, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets

	Recognition of financial				Total RMB'000
	Recognition of expenses	guarantee liabilities	Unrealized gain	Tax losses	
	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 January 2012	813,388	18,486	534,984	135,975	1,502,833
Credited/(charged) to income statement	689,860	(6,017)	173,905	33,311	891,059
At 31 December 2012	1,503,248	12,469	708,889	169,286	2,393,892
At 1 January 2011	429,695	11,307	324,856	48,386	814,244
Credited to income statement	383,693	7,179	210,128	87,589	688,589
At 31 December 2011	813,388	18,486	534,984	135,975	1,502,833

Deferred income tax liabilities

	Investment				Total RMB'000
	Depreciation difference	properties revaluation	Property revaluation	Others	
	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 January 2012	(51,195)	(736,676)	(593,748)	(5,120)	(1,386,739)
Credited/(charged) to income statement	(8,962)	(398,264)	95,885	-	(311,341)
At 31 December 2012	(60,157)	(1,134,940)	(497,863)	(5,120)	(1,698,080)
At 1 January 2011	(60,094)	(596,674)	(689,484)	(5,120)	(1,351,372)
Credited/(charged) to income statement	8,899	(140,002)	95,736	-	(35,367)
At 31 December 2011	(51,195)	(736,676)	(593,748)	(5,120)	(1,386,739)

Deferred income tax assets are recognized for tax losses carry-forwards to the extent that the realisation of the related benefit through the future profits is probable. These tax losses are going to expire within five years. The Group did not recognize deferred income tax assets of RMB36,729,000 (2011: RMB45,735,000) in respect of losses amounting to RMB146,917,000 (2011: RMB182,938,000) that can be carried forward against future taxable income.

Deferred income tax liabilities of RMB115,512,000 (2011: RMB120,110,000) have not been recognized for the withholding tax that would be payable on the undistributed earnings of certain subsidiaries. Such amounts are permanently reinvested. Undistributed earnings totaled RMB2,310,103,000 at 31 December 2012 (2011: RMB2,402,146,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 Trade and other payables

(a) Group

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Trade payables	9,960,027	5,687,484
Accrued expenses	2,814,236	1,977,633
Distribution payable (Note 31)	189,709	195,138
Amounts due to jointly controlled entities	1,886	3,181
Amounts due to associates	194,338	190
Amounts due to non-controlling interests (i)	319,762	503,828
Amounts due to government	185,000	128,000
Consideration payable	—	120,000
Other taxes payable	544,226	442,628
Provision for financial guarantee liabilities(ii)	82,255	64,134
Other payables	1,899,125	1,052,605
	16,190,564	10,174,821

The carrying amounts of trade payables and other payables approximate their fair values.

- (i) Amounts due to non-controlling interests are unsecured, interest free, and repayable on demand.
- (ii) The provision for financial guarantee liabilities given to purchasers of the Group's properties as set out in Note 47 is as follows:

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
At beginning of the year	64,134	58,989
Addition	63,659	53,766
Reversal	(45,538)	(48,621)
At end of the year	82,255	64,134

35 Trade and other payables (Continued)

(a) Group (Continued)

(iii) Ageing analysis of the trade payables is as follows:

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Within 6 months	7,082,600	4,621,569
Between 6 months to 12 months	2,000,383	635,849
Between 1 year to 2 years	543,099	383,132
Between 2 years to 3 years	292,824	25,339
Over 3 years	41,121	21,595
	<u>9,960,027</u>	<u>5,687,484</u>

(b) Company

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Other payables	23,336	27,804
	<u>23,336</u>	<u>27,804</u>

36 Advances from customers

Advances from customers represent amounts received from sale of properties, where the risks and rewards of the properties sold had not yet been transferred as at year-end.

37 Financial derivative instrument

In December 2012, the Group entered into a supplemental agreement with Win Powerful Investments Limited ("Win Powerful"), a third party company, under which the Group would purchase back the entire 52,840,000 ordinary shares of Glorious from Win Powerful at price of HKD1.32 per share. Such purchase was settled by offsetting the original consideration receivable (Note 22(f)) from Win Powerful as at the date of purchase at similar amount. In addition, the Group granted a call option to Win Powerful, with the fair value of approximately RMB19,121,000, which would allow Win Powerful to purchase no more than 52,840,000 ordinary shares of Glorious from the Group at exercise price of HKD1.77 per share during the period from 11 December 2012 to 10 December 2015 ("the Transaction"). As a result of the Transaction, the Group recorded loss amounting to RMB8,709,000 (Note 39).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38 Interest and other income

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Dividend income from available-for-sale financial assets	16,253	19,362
Interest income	110,308	160,708
Others	82,227	44,922
	208,788	224,992

39 Other (losses)/gains – net

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Gains/(Losses) on disposal of subsidiaries, net (Note 50)	70,685	(1,910)
Gains on disposal of partial interests in an associate to a subsidiary of a shareholder (Note 51 (b))	20,333	–
Fair value losses of other investment	(1,623)	(118)
Gains on disposal of other investment	1,238	–
Gains on revaluation of financial assets at fair value through profit or losses	17,365	6,670
Gains on disposal of financial assets at fair value through profit or losses	5,601	–
Goodwill impairment	(125,527)	–
Losses on disposal of property, plant and equipment	(692)	(404)
Impairment losses of available-for-sale financial assets	(40,800)	–
Exchange gains	5,409	120,706
Gains on disposal of available-for-sale financial assets	–	18,279
Other losses on de-recognition of receivable from disposal of a subsidiary (Note 37)	(8,709)	–
Other losses	(69,237)	(14,965)
	(125,957)	128,258

40 Expenses by nature

Expenses by nature comprised cost of sales, selling and marketing expenses and administrative expenses as follows:

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Cost of properties and land use rights sold:		
— Land use rights	4,245,869	1,225,321
— Capitalized interest	1,100,549	679,579
— Construction related cost	11,830,570	8,580,960
Cost of upfitting services rendered	1,400,986	1,322,546
Direct investment property expenses (Note 9)	47,980	84,082
Employee benefit expense (Note 41)	733,805	467,753
Consultancy fee	121,484	154,308
Auditor's remuneration	13,802	15,250
Depreciation (Note 7)	46,817	48,722
Amortization of land use rights (Note 8)	246	246
Advertising and marketing	879,977	706,619
Business taxes and other levies	1,654,614	1,170,680
Impairment losses	118,076	397,824
Office expenditure	102,127	96,532
Properties maintenance expenses	193,273	124,178
Energy expenses	62,583	57,692
Others	222,277	103,240
	22,775,035	15,235,532

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41 Employee benefits expense

The employee benefits expense of the Group, including its directors' emoluments is as follows:

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Salaries, wages and bonuses	974,571	721,837
Retirement benefits contribution	60,095	53,165
Share options granted to directors and employees	98,003	16,349
Restricted share award scheme	21,237	30,661
Other allowances and benefits	133,757	129,490
	1,287,663	951,502
Less: capitalized in properties under development	(553,858)	(483,749)
	733,805	467,753

The Group's employees participate in various retirement benefit plans organized by the relevant municipal and provincial government in the PRC under which the Group was required to make monthly contributions at rates ranging from 10% to 20%, depending on the applicable local regulations, of the employees' salary for the years ended 31 December 2012 and 2011.

In addition, the Group participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme for all employees in Hong Kong. The contributions to the Mandatory Provident Fund Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income (with a cap of HKD20,000).

41 Employee benefits expense (Continued)

(a) Directors' emoluments

The remunerations of every director for the years are set out below:

	Year ended 31 December											
	2012						2011					
	Employer's contribution to retirement						Employer's contribution to retirement					
	Fees	Salary and bonus	benefit scheme	Other long-term welfare	Share-based payments	Total	Fees	Salary and bonus	benefit scheme	Other long-term welfare	Share-based payments	Total
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Li Ming	-	4,630	3,365	1,072	7,612	16,679	-	5,500	4,030	3,066	6,472	19,068
Mr. Wang Xiaoguang	-	8,070	171	-	3,112	11,353	-	7,430	258	-	2,283	9,971
Mr. Chen Runfu	-	2,430	152	-	2,655	5,237	-	3,630	226	-	1,935	5,791
Ms. Liu Hui	-	-	-	-	336	336	-	-	-	-	108	108
Mr. Yang Zheng	-	-	-	-	259	259	-	-	-	-	-	-
Mr. Cheung Sai Sing	243	-	-	-	259	502	170	-	-	-	-	170
Mr. Tsang Hing Lun	243	-	-	-	498	741	203	-	-	-	219	422
Mr. Gu Yunchang	243	-	-	-	498	741	203	-	-	-	224	427
Mr. Han Xiaojing	243	-	-	-	498	741	203	-	-	-	224	427
Mr. Zhao Kang	243	-	-	-	498	741	203	-	-	-	224	427
	1,215	15,130	3,688	1,072	16,225	37,330	982	16,560	4,514	3,066	11,689	36,811

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2011: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2011: three) highest paid individuals during the year are as follows:

	Year ended 31 December	
	2012 RMB'000	2011 RMB'000
Basic salaries and allowance	4,620	4,620
Bonuses	8,510	12,533
Retirement scheme contributions	370	500
Share-based payments	11,984	5,886
	25,484	23,539

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41 Employee benefits expense *(Continued)*

(b) Five highest paid individuals *(Continued)*

The emoluments fell within the following bands:

	Year ended 31 December	
	2012	2011
RMB6,081,000 (equivalent to HK\$7,500,000) to RMB6,487,000 (equivalent to HK\$8,000,000)	–	1
RMB7,703,000 (equivalent to HK\$9,500,000) to RMB8,109,000 (equivalent to HK\$10,000,000)	1	–
RMB8,109,000 (equivalent to HK\$10,000,000) to RMB8,514,000 (equivalent to HK\$10,500,000)	1	1
RMB8,919,000 (equivalent to HK\$11,000,000) to RMB9,325,000 (equivalent to HK\$11,500,000)	1	1
RMB9,730,000 (equivalent to HK\$12,000,000) to RMB10,136,000 (equivalent to HK\$12,500,000)	–	1
RMB10,946,000 (equivalent to HK\$13,500,000) to RMB11,352,000 (equivalent to HK\$14,000,000)	1	–
RMB16,622,000 (equivalent to HK\$20,500,000) to RMB17,028,000 (equivalent to HK\$21,000,000)	1	–
RMB19,055,000 (equivalent to HK\$23,500,000) to RMB19,460,000 (equivalent to HK\$24,000,000)	–	1
	5	5

- (c) During the years ended 31 December 2012 and 2011, no emoluments were paid by the Group to any of the above directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for losses of office.

42 Finance costs

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Interest expense:		
— Bank borrowings	2,019,193	1,269,986
— Other borrowings	926,623	970,161
Less: interest capitalized at a capitalisation rate of 7.72% (2011: 6.67%) per annum	(2,320,453)	(1,820,711)
	625,363	419,436

43 Income tax expense

Majority of the group entities are subject to PRC enterprise income tax, which has been provided based on the statutory income tax rate of 25% of the assessable income of each of these group entities for the years ended 31 December 2012 and 2011. Other group entities are mainly subject to Hong Kong profits tax.

The amount of income tax expense charged to the consolidated income statement represents:

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Current income tax:		
— PRC enterprise income tax	2,308,304	2,099,207
— PRC land appreciation tax	1,519,021	1,107,563
Deferred income tax (Note 34)	(579,718)	(653,222)
	3,247,607	2,553,548

Taxation on the Group's profit before tax differs from the theoretical amount that would arise using the enacted tax rate of the home country of the Group as follows:

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Profit before income tax	7,234,916	5,174,346
Adjust for: Share of gains of jointly controlled entities	(362,060)	(68,911)
Share of losses of associates	2,677	2,571
	6,875,533	5,108,006
Tax calculated at a tax rate of 25%	1,718,883	1,277,002
Effect of higher tax rate for the appreciation of land in the PRC	1,139,265	830,672
Income not subject to tax	(3,025)	(21,544)
Expenses not deductible for tax purposes	279,815	357,168
Dividend withholding tax	83,095	58,193
Tax losses not recognized	77,492	59,064
Utilisation of previously unrecognized tax losses	(47,918)	(7,007)
	3,247,607	2,553,548
Income tax expense		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44 Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the Company and held as shares held for Restricted Share Award Scheme (Note 27).

	Year ended 31 December	
	2012	2011
Profit attributable to owners of the company (RMB'000)	3,796,032	2,570,657
Distribution relating to convertible and capital securities (RMB'000)	(707,177)	(590,747)
Profit used to determine basic earnings per share (RMB'000)	3,088,855	1,979,910
Weighted average number of ordinary shares in issue (thousands)	5,702,860	5,622,327
Basic earnings per share (RMB per share)	0.542	0.352

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has three categories of dilutive potential ordinary shares: share options, shares held for the Restricted Share Award Scheme, and convertible securities. For the share option and shares held for the Restricted Share Award Scheme, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares during the year) based on the monetary value of the subscription rights attached to outstanding share options and the unvested awarded shares. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options and the payout of the awarded shares. Shares held for the Restricted Share Award Scheme of 16,991,200 shares, when calculated on a weighted average basis, were not included in the calculation of dilutive earnings per share for the year ended 31 December 2011 because of their anti-diluted effect. Convertible securities of 374,278,000 shares (note 31), when calculated on a average basis, were not included in the calculation of dilutive earnings per share for the years ended 31 December 2012 and 2011 because of their anti-diluted effect.

	Year ended 31 December	
	2012	2011
Profit attributable to owners of the company (RMB'000)	3,796,032	2,570,657
Distribution relating to convertible and capital securities (RMB'000)	(707,177)	(590,747)
Profit used to determine diluted earnings per share (RMB'000)	3,088,855	1,979,910
Weighted average number of ordinary shares in issue (thousands)	5,702,860	5,622,327
Adjustment for:		
— share options (thousands)	2,885	10,550
— shares held for the Restricted Share Award Scheme (thousands)	320	—
Weighted average number of ordinary shares for diluted earnings per share (thousands)	5,706,065	5,632,877
Diluted earnings per share (RMB per share)	0.541	0.351

45 Dividends

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Interim dividend paid	283,391	232,173
Proposed final dividend of RMB0.14 (2011: RMB0.08) per ordinary share (a)	806,942	462,059

(a) On 12 March 2013, the Company proposed a final dividend of RMB806,942,000 for the year ended 31 December 2012.

46 Cash used in operations

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Profit for the year	3,987,309	2,620,798
Adjustments for:		
— Income tax expense (Note 43)	3,247,607	2,553,548
— Depreciation (Note 7)	46,817	48,722
— Amortisation of land use rights (Note 8)	246	246
— Valuation gains on investment properties (Note 9)	(1,535,304)	(512,778)
— Goodwill disposed for sales of properties charged to cost of sales (Note 10)	47,570	75,189
— Goodwill impairment (Note 10)	125,527	—
— Share of results of jointly controlled entities (Note 12)	(355,785)	(51,422)
— Share of results of associates (Note 13)	20,935	11,992
— Other losses on de-recognition of receivable from disposals of subsidiaries (Note 37)	8,709	—
— Dividend income from available-for-sale financial assets (Note 38)	(16,253)	(19,362)
— Interest income	(53,953)	(123,974)
— (Gains)/Losses on disposal of subsidiaries (Note 39)	(70,685)	1,910
— Gains on disposal of partial interests in an associate (Note 39)	(20,333)	—
— Gains on disposal of available-for-sale financial assets (Note 39)	—	(18,279)
— Losses on sale of property, plant and equipment (Note 39)	692	404
— Fair value losses from other investment (Note 39)	1,623	118
— Fair value gains on financial assets at fair value through profit or loss (Note 39)	(17,365)	(6,670)
— Impairment losses of available-for-sale financial assets (Note 39)	40,800	—
— Other losses	69,237	—
— Impairment losses	118,076	397,824
— Finance cost (Note 42)	625,363	419,436
— Exchange losses	747	94,693
— Share-based payments	119,240	53,661
	6,390,820	5,546,056

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

46 Cash used in operations *(Continued)*

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):		
— Completed properties held for sale	(5,935,603)	(692,550)
— Inventories, at cost	(10,638)	(7,410)
— Amounts due from customers for contract work	(412,420)	(251,355)
— Trade and other receivables	(2,666,472)	(2,498,699)
— Land development cost recoverable	456,529	(1,272,869)
— Deposits for land use rights	3,104,873	10,636,568
— Cooperation deposit	(10,144)	(127,350)
— Trade and other payables	6,212,043	4,465,572
— Other investment	(49,134)	28,009
— Financial assets at fair value through profit or loss	297,389	(376,715)
— Prepayments	(394,198)	(200,810)
— Advanced proceeds received from customers	8,575,015	6,635,357
— Properties under development	(4,656,781)	(22,606,100)
— Restricted bank deposits	(1,630,375)	(2,711,444)
Cash generated from/(used in) operations	9,270,904	(3,433,740)

In the consolidated cash flow statement, proceeds from sale of property, plant and equipment comprise:

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Net book amount (Note 7)	11,280	6,975
Loss on disposal of property, plant and equipment (Note 39)	(692)	(404)
Proceeds from disposal of property, plant and equipment	10,588	6,571

47 Financial guarantees

(a) Group

The Group had the following financial guarantees as at 31 December 2012 and 2011:

	As at 31 December	
	2012 RMB'000	2011 RMB'000
Guarantees in respect of mortgage facilities for certain purchasers	3,837,194	3,158,916

As at 31 December 2012 and 2011, the Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends when the property purchasers obtain the "property title certificate" which is then pledged with the banks.

(b) Company

As at 31 December 2012 and 2011, the Company provided financial guarantees to certain subsidiaries for their borrowings, as well as for the issuance of convertible securities (Note 31) and capital securities (Note 32).

48 Commitments

(a) Capital commitments

(i) Capital commitments – Group

Capital expenditures contracted for at the balance sheet date but not yet incurred are as follows:

	As at 31 December	
	2012 RMB'000	2011 RMB'000
Land use rights	7,710,225	8,520,809
Properties under development	22,594,870	24,621,426
Contracted but not provided for	30,305,095	33,142,235

(ii) Capital commitments – Company

There are no capital commitments relating to the Company for the year ended 2012 and 2011.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

48 Commitments *(Continued)*

(b) Operating lease rental receivables

(i) Operating lease rental receivables – Group

The future aggregate minimum lease rental receivables under non-cancellable operating leases in respect of land and buildings are as follows:

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Within 1 year	425,433	353,929
Between 1 to 5 years	839,995	592,388
Over 5 years	105,019	66,754
	<u>1,370,447</u>	<u>1,013,071</u>

(ii) Operating lease rental receivables – Company

There are no operating lease rental receivables relating to the Company for the year ended 2012 and 2011.

49 Transactions with non-controlling interests

(a) Acquisition of additional interest in a subsidiary

On 27 December 2012, the Group acquired an additional 37% equity interest of Hangzhou Deyuan Ruixiang Property Limited (“Hangzhou Deyuan Ruixiang”) at consideration of RMB346,380,000. The carrying amount of the non-controlling interests in Hangzhou Deyuan Ruixiang on the date of acquisition was RMB266,844,000. The Group recognized a decrease in non-controlling interests of RMB266,844,000 and a decrease in equity attributable to owners of the Company of RMB79,536,000. The effect of changes in the ownership interest of Hangzhou Deyuan Ruixiang on the equity attributable to owners of the Company during the period is summarized as follows:

	As at 31 December 2012 RMB'000
Carrying amount of non-controlling interests acquired	266,844
Consideration paid to non-controlling interests	<u>(346,380)</u>
Excess of consideration paid recognized within equity	<u>(79,536)</u>

49 Transactions with non-controlling interests *(Continued)*

- (b) Effects of transactions with non-controlling interests on the equity attributable to equity holders for the year ended 31 December 2012:

	2012 RMB'000
Total comprehensive income for the year attributable to the owners of the Company	3,805,009
Changes in equity attributable to owners of the Company arising from the acquisition of additional interests in a subsidiary	<u>(79,536)</u>
	<u>3,725,473</u>

50 Disposal of subsidiaries

- (a) In March 2012, the Group disposed Beijing Yinfan Jiye Property Development Limited, a 70% owned subsidiary of the Group to third party at cash consideration of RMB35,023,000.

	2012 RMB'000
Proceeds on disposal of subsidiary	35,023
Carrying value of the subsidiary disposed — shown as below	<u>(32,519)</u>
Gain on disposal of the subsidiary	<u>2,504</u>

The assets and liabilities arising from the disposal are as follows:

	Carrying value RMB'000
Property, plant and equipment	17
Completed properties held for sale	13,115
Trade and other receivables	329,782
Cash and cash equivalents	542
Trade and other payables	<u>(297,001)</u>
Net assets of the subsidiary	46,455
Shares disposed	70%
Net assets disposed	32,519
Inflow of cash to dispose business, net of cash disposed	
Proceeds received in cash	35,023
Cash and cash equivalents in subsidiary disposed of	<u>(542)</u>
Cash inflow on disposal	<u>34,481</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

50 Disposal of subsidiaries *(Continued)*

- (b) In June 2012, the Group disposed Chengdu Tongyi Property Development Limited, a 51% owned subsidiary of the Group to third party at cash consideration of RMB164,260,000.

	2012 RMB'000
Proceeds on disposal of subsidiary	164,260
Carrying value of the subsidiary disposed — shown as below	(96,079)
	<hr/>
Gain on disposal of the subsidiary	68,181
	<hr/>

The assets and liabilities arising from the disposal are as follows:

	Carrying value RMB'000
Property, plant and equipment	308
Deferred income tax assets	3,389
Properties under development	499,532
Trade and other receivables	404,522
Cash and cash equivalents	57,025
Trade and other payables	(12,421)
Advance from customer	(763,965)
	<hr/>
Net assets disposed	188,390
Shares disposed	51%
Net assets disposed	96,079
Inflow of cash to dispose business, net of cash disposed	
Proceeds received in cash	164,260
Cash and cash equivalents in subsidiary disposed of	(57,025)
	<hr/>
Cash inflow on disposal	107,235
	<hr/>

51 Related party transactions

The following is a summary of significant related party balances and transactions entered into in the ordinary course of business between the Group and its related parties during the years ended 31 December 2012 and 2011:

(a) Sales of properties and services

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Provision of services:		
— A shareholder	54,641	—
— A jointly controlled entity	89,765	242,245
— An associate	159,390	1,439
	<u>303,796</u>	<u>243,684</u>

(b) Transaction with a subsidiary of a shareholder

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Gains on disposal of partial interests in an associate to a subsidiary of a shareholder(i)	<u>20,333</u>	<u>—</u>

- (i) In April 2012 the Group disposed partial interests of an associate to a subsidiary of a shareholder, at cash consideration of RMB141,000,000 (Note 13 and Note 39).

(c) Key management compensation

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Salaries and other short-term employee benefits	56,832	69,699
Post-employment benefits	6,216	7,131
Other long-term welfare	2,672	3,066
Share-based payments	42,853	19,525
	<u>108,573</u>	<u>99,421</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

51 Related party transactions *(Continued)*

(d) Year-end balances arising from sales of properties and services

	As at 31 December	
	2012 RMB'000	2011 RMB'000
Receivables from related parties:		
— An associate	1,199	6,547
— Jointly controlled entities	27,221	20,294
	<u>28,420</u>	<u>26,841</u>
Advance from related parties:		
— An associate	338	190
— Jointly controlled entities	85,656	11,399
	<u>85,994</u>	<u>11,589</u>

(e) Interest income

	Year ended 31 December	
	2012 RMB'000	2011 RMB'000
Interest received:		
— An associate	4,721	18,767
— Jointly controlled entities	118	533
	<u>4,839</u>	<u>19,300</u>

51 Related party transactions *(Continued)*

(f) Loans to related parties

	Year ended 31 December	
	2012 RMB'000	2011 RMB'000
Jointly controlled entities:		
At 1 January	1,181,756	817,356
Loans advanced during year	425,597	389,400
Loans repayments received	(576,020)	(25,000)
Interest charged	(118)	(533)
Interest received	118	533
	<u>1,031,333</u>	<u>1,181,756</u>
At 31 December		
An associate:		
At 1 January	479,224	337,239
Loans advanced during year	612,598	484,344
Loans repayments received	(474,231)	(342,359)
Interest charged	(4,721)	(18,767)
Interest received	4,721	18,767
	<u>617,591</u>	<u>479,224</u>
At 31 December		

(g) Advances from related parties

	Year ended 31 December	
	2012 RMB'000	2011 RMB'000
A shareholder:		
At 1 January	–	1,724,493
Interest charged	–	247,545
Interest payments	–	(247,545)
Loans repayments	–	(1,724,493)
	<u>–</u>	<u>–</u>
At 31 December		

52 Events after the balance sheet date

On 7 February 2013, Sino Prosperity Holdings One ("Fund Holdco One", a wholly-owned subsidiary of the "KKR" fund) served a notice to Sino-Ocean Land (Hong Kong) Limited ("SOL HK", a wholly-owned subsidiary of the Group) to exercise the Exit Right by requesting SOL HK to buy back 49% equity interest in Great Wise Investment Ltd. ("Great Wise", a subsidiary of the Group) and the relevant portion of outstanding loan advanced to Great Wise by Fund Holdco One at a price of USD103,318,000. The transaction was completed on 8 March 2013.

FIVE-YEAR FINANCIAL SUMMARY

RMB million	2012	2011	2010	2009	2008
Revenue	28,658	19,897	13,721	8,824	6,487
Gross profit	7,699	6,258	4,125	2,657	2,820
Profit attributable to owners of the Company	3,796	2,571	2,444	1,582	1,388
Total assets	128,305	110,285	92,730	62,148	43,268
Total liabilities	86,258	71,528	59,605	38,262	25,485
Shareholders' equity	38,260	35,268	31,071	23,368	16,653
Total equity	42,046	38,757	33,126	23,886	17,783

Note: Shareholders' equity = Total equity less non-controlling interests

LIST OF PROJECT NAMES

	Region	Cities	Project names (Chinese)	Project names (English)	Project names used before (Chinese)	Project names used before (English)		
1	Beijing	Beijing	遠洋山水(北京)	Ocean Landscape (Beijing)				
2			遠洋•沁山水(北京)	Ocean Landscape Eastern Area (Beijing)				
3			遠洋•沁山水 E02/03 項目(北京)	Ocean Landscape Eastern Area E02/03 Project (Beijing)				
4			遠洋天地(北京)	Ocean Paradise (Beijing)				
5			遠洋•萬和城(北京)	Ocean Great Harmony (Beijing)				
6			遠洋•萬和城 C區項目(北京)	Ocean Great Harmony Plot C Project (Beijing)				
7			遠洋國際中心(北京)	Ocean International Center (Beijing)				
8			遠洋都市網景(北京)	Ocean Cityscape (Beijing)				
9			遠洋風景(北京)	Ocean Prospect (Beijing)				
10			遠洋•光華國際(北京)	Ocean Office Park (Beijing)				
11			遠洋新幹線(北京)	Ocean Express (Beijing)				
12			遠洋公館(北京)	Ocean Honored Chateau (Beijing)				
13			遠洋•LA VIE(北京)	Ocean LA VIE (Beijing)				
14			遠洋一方(北京)	POETRY OF RIVER (Beijing)				
15			遠洋•新悅(北京)	The Place (Beijing)	遠洋一方東區	Poetry of River Eastern Area		
16			遠洋•傲北(北京)	Ocean Manor (Beijing)	北七家	Beiqijia Project		
17			頤堤港(北京)	INDIGO (Beijing)	將台商務中心	Jiangtai Business Center		
18			遠洋•東方公館(北京)	Ocean Oriental Mansion (Beijing)	通州玉橋項目	Tongzhou Yuqiao Project		
19			京棉項目(北京)	Jingmian Project (Beijing)				
20			遠洋•天著(北京)	Ocean Palace (Beijing)	亦庄三羊項目	Yizhuang Sanyang Project		
21			遠洋•萬和公館(北京)	Ocean Crown (Beijing)	大望京項目	Dawangjing Project		
22			遠洋大廈(北京)	Ocean Plaza (Beijing)				
23			CBD Z6 地塊(北京)	CBD Plot Z6 (Beijing)				
24			CBD Z13 地塊(北京)	CBD Plot Z13 (Beijing)				
25			遠洋未來廣場	Ocean We-life Plaza				
26			Pan-Bohai Rim	Dalian	遠洋風景(大連)	Ocean Prospect (Dalian)		
27					遠洋自然(大連)	Ocean Seasons (Dalian)		
28					紅星海世界觀(大連)	Ocean Worldview (Dalian)		
29					香頤花城(大連)	Chanson Garden (Dalian)		
30					遠洋壹中心(大連)	Ocean MIDTOWN (Dalian)	西山項目	Xishan Project
31					遠洋時代城(大連)	Ocean TIMES (Dalian)	大學城項目	University Zone
32					遠洋假日養生莊園(大連)	Ocean Holiday Manor (Dalian)	遠洋•拉斐莊園	Ocean Valley Lafite
33					遠洋創智高地(大連)	Sino-Ocean Technopole (Dalian)	IT產業園—工業部分	IT Zone—Industrial
34					遠洋廣場(大連)	Ocean Plaza (Dalian)		
35					遠洋溫德姆至尊豪庭大酒店(大連)	Wyndham Grand Plaza Royale Sino-Ocean (Dalian)		
36	遠洋•鑽石灣(大連)	Ocean Diamond Bay (Dalian)						
37	小窑灣項目(大連)	Xiaoyao Bay Project (Dalian)						
38	中華路三號地(大連)	Zhonghua Road Land Plot #3						
39	Qingdao	遠洋公館(青島)	Ocean Honored Chateau (Qingdao)					
40		遠洋風景(青島)	Ocean Prospect (Qingdao)					
41		遠洋自然(青島)	Ocean Seasons (Qingdao)					
42	Qinhuangdao	遠洋•海世紀(秦皇島)	Ocean Century (Qinhuangdao)					

LIST OF PROJECT NAMES

Region	Cities	Project names (Chinese)	Project names (English)	Project names used before (Chinese)	Project names used before (English)
43		灣海 1 號(秦皇島)	Wan Hai Yi Hao (Qinhuangdao)	灣海一號	Wan Hai Yi Hao
44	Tianjin	遠洋城(天津)	Ocean City (Tianjin)		
45		遠洋天地(天津)	Ocean Paradise (Tianjin)	海河新天地	Ocean Paradise
46		遠洋國際中心(天津)	Ocean International Center (Tianjin)		
47		遠洋新幹線(天津)	Ocean Express (Tianjin)		
48		遠洋•萬和城(天津)	Ocean Great Harmony (Tianjin)	倪黃莊項目	Nihuangzhuang Project
49		遠洋風景(天津)	Ocean Prospect (Tianjin)		
50	Northeast Region	遠洋•夏納小鎮(長春)	Ocean Cannes Town (Changchun)	長春淨月項目	Jingyue Project
51	Fushun	遠洋城(撫順)	Ocean City (Fushun)	將軍溝項目	Jiangjougou Project
52	Shenyang	遠洋天地(瀋陽)	Ocean Paradise (Shenyang)		
53		遠洋公館(瀋陽)	Ocean Residence (Shenyang)		
54	Yangtze River Delta & Along Yangtze River	睿東中心(成都)	Pinnacle One (Chengdu)	大慈寺項目	Dacisi Project
55	Chongqing	遠洋高爾夫國際社區(重慶)	Sino-Ocean International GOLF Resort (Chongqing)	國際高爾夫項目	Golf Club Project
56	Hangzhou	遠洋•大河宸章(杭州)	Grand Canal Milestone (Hangzhou)	大河宸章	Hang Yimian
57		遠洋公館(杭州)	Ocean Mansion (Hangzhou)	遠洋公館	Canal Commercial District
58		大運河商務區項目(杭州)	Canal Business Center Project (Hangzhou)		
59		遠洋心裡(杭州)	Ocean In Your Heart (Hangzhou)	普福項目	Pufu Project
60	Huangshan	遠洋桃花島(黃山)	An Island Paradise (Huangshan)	桃花島項目	Taohuadao Project
61	Shanghai	遠洋•博堡(上海)	BOND CASTLE (Shanghai)		
62		遠洋 7 號(上海)	Ocean Mansion No.7 (Shanghai)		
63		遠洋•香奈印象(上海)	Ocean Chanson Mansion (Shanghai)	楊行鎮項目	Yanghangzhen Project
64	Wuhan	遠洋莊園(武漢)	Ocean Manor (Wuhan)	有座莊園	Tangchen Project
65		遠洋•世界(武漢)	Ocean World (Wuhan)		
66	Zhenjiang	遠洋•香奈河畔(鎮江)	Ocean Beach (Zhenjiang)		
67	Southern Region	遠洋華墅(海口)	Ocean Zen House (Haikou)	遠洋浮木陣	Ocean Driftwood Array
68	Sanya	遠洋公館(三亞)	Ocean Mansion (Sanya)	遠洋奧林匹克公館	Ocean Olympics
69		棠棣項目一期(三亞)	Tang Di Project (Sanya)		
70	Shenzhen	遠洋新幹線(深圳)	Ocean Express (Shenzhen)	南聯項目	Nanlian Project
71		盛平項目(深圳)	Shengping Project (Shenzhen)		
72	Zhongshan	遠洋城(中山)	Ocean City (Zhongshan)		
73		遠洋啟宸(中山)	Ocean New Era (Zhongshan)	橫欄項目	Henglan Project

