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CHINA SCE PROPERTY HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1966.HK

2012 ANNUAL REPORT

CONTENTS

Xiamen • Provence Town

CORPORATE PROFILE

China SCE Property Holdings Limited ("China SCE" or the "Company") and its subsidiaries (collectively, the "Group") were established in 1996 and listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") in February 2010 (Stock Code: 1966). The Group's major businesses include investment holding, real estate development, property investment and property management. The Company upholds "We Build to Inspire" (專築您的感動) as its corporate mission, strives to satisfy customers' needs and pursues excellence in product quality. After many years of development, the Company has established a good brand image in the industry and was granted the awards and honours of "Top 100 Real Estate Enterprises in China" and"Stars of the Top 100 Real Estate Enterprises in China" for five consecutive years.

China SCE is headquartered in Xiamen as its development base for carrying out its national development strategy of "firming its foothold in the West Taiwan Strait Economic Zone, expanding into the Bohai Rim Economic Zone and paying attention to the Pearl River Delta Economic Zone". As of 31 December 2012, the Group owned a land bank with an aggregate planned gross floor area ("GFA") of approximately 8.71 million sq.m., distributed over Quanzhou (including Shishi, Jinjiang and Nan'an), Xiamen, Zhangzhou, Longyan, Shenzhen, Beijing, Langfang, Tangshan, Anshan and Linfen, etc.

China SCE will fully utilise the international capital platform that was established through its listing in Hong Kong to implement prudent financial development strategies. In future development, the Company will actively implement its development strategies on the basis of emphasising and improving product quality as it always did, and strives to become a regional leader in the industry to maximize the value created for the shareholders and make greater contributions to both the real estate industry and the society at large.

Xiamen • SCE Building

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Wong Chiu Yeung *(Chairman)*
Mr. Chen Yuanlai
Mr. Cheng Hiu Lok
Mr. Li Wei
Mr. Huang Youquan
Mr. Liu Zhijie *(retired on 10 May 2012)*

Non-executive Director

Mr. Fung Ka Pun *(resigned on 6 January 2013)*

Independent Non-executive Directors

Mr. Ting Leung Huel Stephen
Mr. Lu Hong Te
Mr. Dai Yiyi

COMPANY SECRETARY

Mr. Li Siu Po

AUTHORISED REPRESENTATIVES

Mr. Wong Chiu Yeung
Mr. Li Siu Po

AUDIT COMMITTEE

Mr. Ting Leung Huel Stephen *(Chairman)*
Mr. Lu Hong Te
Mr. Dai Yiyi

REMUNERATION COMMITTEE

Mr. Dai Yiyi *(appointed as Chairman on 1 April 2012)*
Mr. Wong Chiu Yeung *(resigned as Chairman on 1 April 2012 but remained as member)*
Mr. Ting Leung Huel Stephen

NOMINATION COMMITTEE

Mr. Wong Chiu Yeung *(appointed as Chairman on 1 April 2012)*
Mr. Lu Hong Te
Mr. Dai Yiyi *(appointed as member on 1 April 2012)*
Mr. Cheng Hiu Lok *(resigned as Chairman and member on 1 April 2012)*
Mr. Li Wei *(resigned as member on 1 April 2012)*

CORPORATE GOVERNANCE COMMITTEE

(established on 1 April 2012)

Mr. Li Wei *(Chairman)*
Mr. Ting Leung Huel Stephen
Mr. Lu Hong Te

AUDITORS

Ernst & Young
Certified Public Accountants

LEGAL ADVISORS

As to Hong Kong Law:
Chiu & Partners

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS AND HEAD OFFICE IN THE PRC

SCE Building
No. 208, Nanwu Road
Gaoqi, Xiamen
Fujian Province
China

CORPORATE INFORMATION

PLACE OF BUSINESS IN HONG KONG

Room 1606, Nanyang Plaza
No. 57 Hung To Road
Kwun Tong, Kowloon
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17/F, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS

Industrial and Commercial Bank of China
Agricultural Bank of China
Bank of China
China Construction Bank
The Hongkong and Shanghai Banking Corporation
Hang Seng Bank

INVESTOR RELATIONS

Email: ir@sce-re.com
Fax: (86) 592 5721 855

STOCK CODE

The Stock Exchange of Hong Kong Limited: 1966.HK

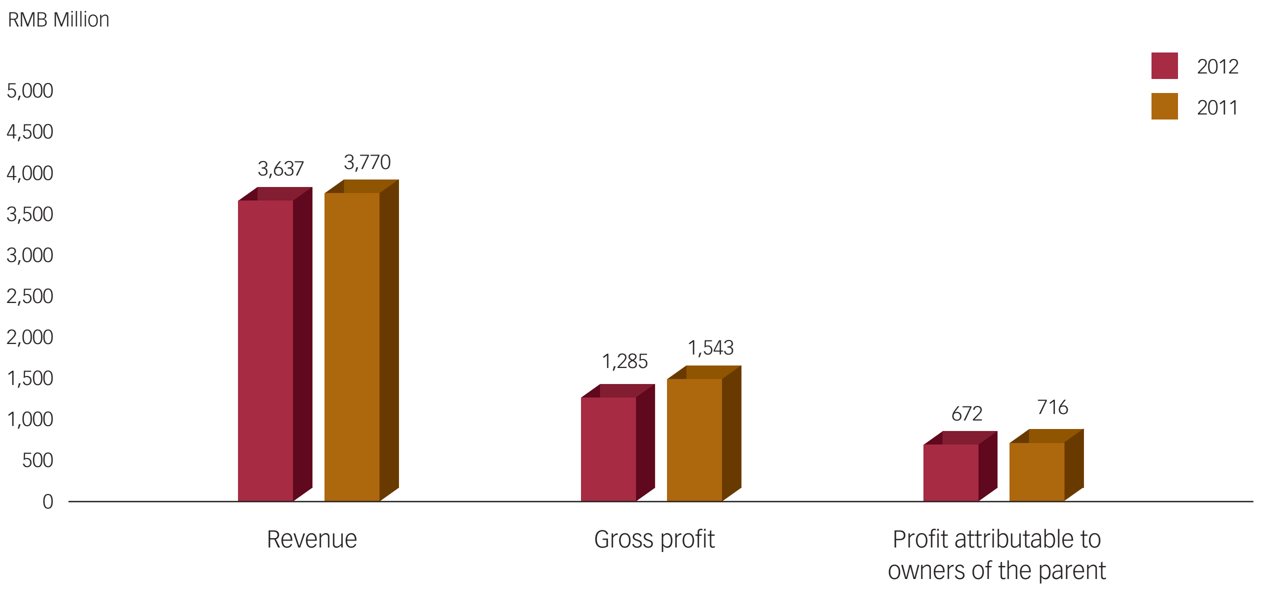
COMPANY WEBSITE

www.sce-re.com

FINANCIAL HIGHLIGHTS

SUMMARY OF RESULTS

	For the year ended 31 December		
	2012	2011	Change
	RMB'000	RMB'000	(%)
Revenue	**3,636,658**	3,770,348	(3.5)
Gross profit	**1,284,635**	1,542,709	(16.7)
Profit before tax	**1,292,097**	1,467,877	(12.0)
Income tax expense	**(391,073)**	(590,874)	(33.8)
Profit for the year	**901,024**	877,003	2.7
Profit attributable to:			
Owners of the parent	**672,003**	715,757	(6.1)
Non-controlling interests	**229,021**	161,246	42.0
	901,024	877,003	2.7
Earnings per share			
Basic	**RMB23.6 cents**	RMB25.1 cents	(6.1)



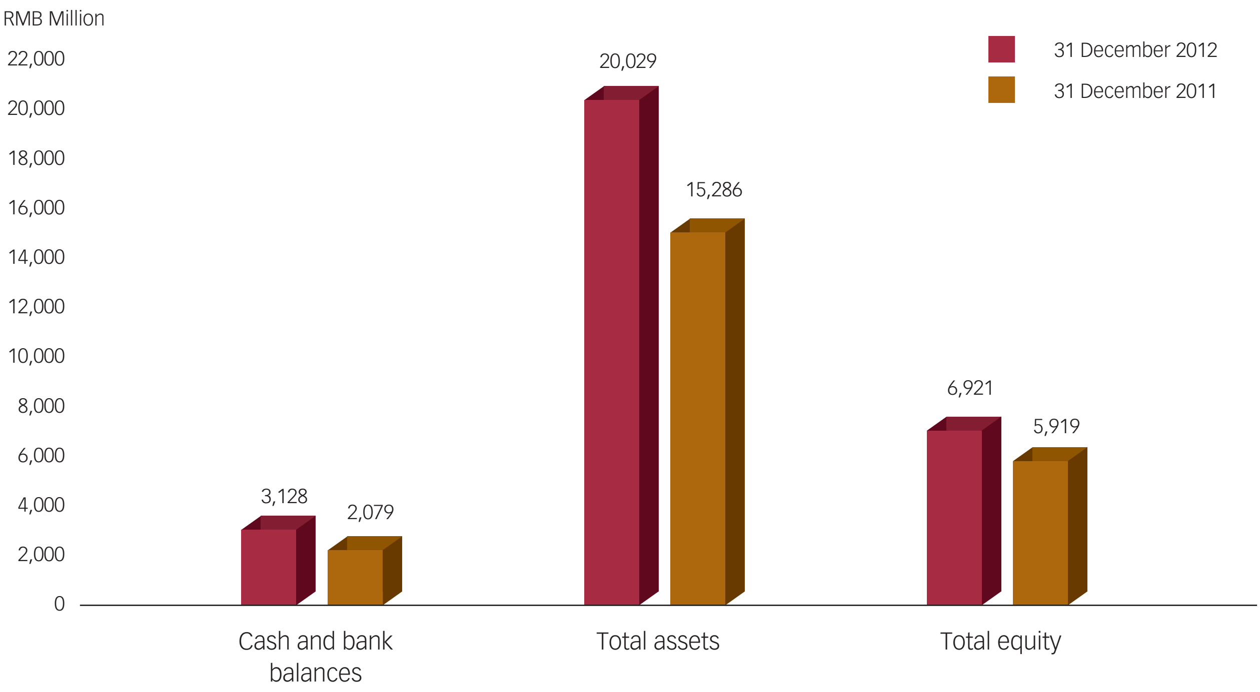
FINANCIAL HIGHLIGHTS

REVENUE ANALYSIS

	For the year ended 31 December		
	2012	2011	Change
	RMB'000	RMB'000	(%)
Sales of properties	**3,522,162**	3,680,800	(4.3)
Gross rental income	**65,356**	58,721	11.3
Property management fees	**49,140**	30,827	59.4
Total	**3,636,658**	3,770,348	(3.5)

FINANCIAL POSITION

	31 December 2012 RMB'000	31 December 2011 RMB'000	Change (%)
Cash and bank balances	**3,128,290**	2,079,362	50.4
Total assets	**20,028,730**	15,285,874	31.0
Total liabilities	**(13,107,846)**	(9,366,967)	39.9
Total equity	**6,920,884**	5,918,907	16.9



REVIEW OF SIGNIFICANT EVENTS

Awarded the Honor of "Top 100 Real Estate Enterprises in China" and "Stars of Top 100" for the Fifth Consecutive Year

According to the "Research Report on the Top 100 Real Estate Enterprises in China" jointly compiled by the Enterprise Research Institute of the Development Center of the State Council, the Real Estate Research Institute of Tsinghua University and China Index Academy released on 23 March 2012, the Company was honored with the titles of "Top 100 Real Estate Enterprises in China" and "Stars of Top 100" for the fifth consecutive year since 2008.

Official Launch of Gold Coast Phase 1

Gold Coast Phase 1 in Shishi, Quanzhou, was launched to the market on 29 April 2012.

Scenically situated on the seashore in Shishi, Quanzhou, Gold Coast is adjacent to the Coastal Thoroughfare along the beautiful 3.8-km stretch of coastline in Quanzhou and enjoys exclusive sea view. The project will be developed as a bay area complex comprising resort facilities, commercial space and high-end residential properties.

Quanzhou • Gold Coast

RMB20 Million Donation to Xiamen University Education Foundation

In May 2012, Mr. Wong Chiu Yeung, Chairman of the Company presented a RMB20 million donation to the Xiamen University Education Foundation on behalf of China SCE.

Successful Land Acquisition in Xiamen, Fujian Province

A joint-venture company which was established by a subsidiary of the Company and an independent third party acquired a land parcel at Wuyuan Bay in Xiamen, Fujian Province. The Company holds 65% of the equity interests of the joint venture.

The land parcel is located at Wuyuan Bay Zone in Xiamen with a site area of approximately 37,000 sq.m. and a total planned GFA of approximately 89,000 sq.m. The project, which has been named "The Prestige", will be developed into a bayside residential community comprising high-rise towers and low-density residences.

REVIEW OF SIGNIFICANT EVENTS

Grand Launch of Royal Spring City • Spring Villa

Royal Spring City • Spring Villa, located in Anshan, Liaoning Province, was officially launched to the market in June 2012. The exemplary garden zone and show houses of low-density residences were also open to the public on the same day.

Anshan • Royal Spring City • Spring Villa

Royal Spring City is situated at Anhai Road West in Anshan with the privilege of hot spring resources from Tanggangzi. Spring Villa, Phase 1 of this project, occupies a site area of approximately 200,000 sq.m. with a total planned GFA of approximately 169,000 sq.m. The project is set to become one of the few high-end low-density residential communities in the vicinity of Anshan.

HK$400 Million Term Loan Facility Secured

The Company entered into an agreement with The Hongkong and Shanghai Banking Corporation Limited and Hang Seng Bank on 23 July 2012, pursuant to which the banks agreed to grant to the Company a term loan facility with a principal amount of HK$400 million, to finance the land acquisitions and general corporate purposes. The facility has an effective term of 3 years from the date of the agreement and is guaranteed by certain subsidiaries of the Company and secured by pledges over their capital stocks.

Official Launch of Sunshine City in Xiamen

Sunshine City in Xiamen was officially launched to the market on 21 July 2012.

Sunshine City is conveniently accessible to public transportation. It is adjacent to High-speed Railway North Station in Jimei District, Xiamen, and is soon to be the first station of Xiamen Metro Line 1. With a site area of approximately 43,000 sq.m. and a total planned GFA of approximately 143,000 sq.m., the project will be developed into a residential community targeted at young home-buyers.

Xiamen • Sunshine City

REVIEW OF SIGNIFICANT EVENTS

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Launch of Fortune Plaza • World City

Fortune Plaza • World City was officially launched on 25 August 2012.

Fortune Plaza • World City, with a site area of approximately 100,000 sq.m. and a total planned GFA of approximately 317,000 sq.m., is the Phase 3 of Fortune Plaza, a large-scale urban complex in eastern Quanzhou. The development comprises a shopping mall, Golden Avenue and furnished SOHO apartments.

Quanzhou • Fortune Plaza • Parkview Bay

Successful Acquisition of Land Parcel in Shishi, Quanzhou, Fujian Province

On 17 August 2012, China SCE made a successful bid through a subsidiary for two commercial-cum-residential sites in Shishi, Quanzhou, Fujian Province for a consideration of approximately RMB623 million.

The two sites are located within the core section of Shishi with a site area of approximately 43,000 sq.m. and a total planned GFA of approximately 298,000 sq.m. The project, which has been named “SCE Plaza,” will be developed into a prime urban complex in Shishi.

SEP

“China Real Estate Gold Key Award” for Fortune Plaza • World City

At the Third World Forum for Chinese Entrepreneurs held at the Xiamen International Conference Center on 9 September 2012, Fortune Plaza • World City was awarded the 2012 “China Real Estate Gold Key Award-Model of Commercial Complex”.

The “China Real Estate Gold Key Award” is among the most prestigious awards for China’s real estate sector, being the official national awards jointly presented by the China International Fair for Investment & Trade and World Forum for Chinese Entrepreneurs.

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Issuance of US$200 Million Senior Notes Due 2017

On 14 November 2012, the Company successfully issued senior notes with an amount of US$200 million, which will be due in 2017 and bear at a coupon rate of 11.5% per annum (the “2012 Senior Notes”). The 2012 Senior Notes are listed on the Hong Kong Stock Exchange, and the proceeds will be used to finance both the new and existing projects and for general corporate purposes of the Group.

REVIEW OF SIGNIFICANT EVENTS

Successful Bid for Land Parcel in Longyan, Fujian Province

On 6 November 2012, the Company made a successful bid through a subsidiary for a residential site in Longyan, Fujian Province for a consideration of RMB430 million. This land acquisition represented an important step for the Company's outreach to other regions in Fujian Province beyond the Xiamen–Zhangzhou–Quanzhou metropolitan area.

The land parcel is located in Xinluo District of Longyan with a site area of approximately 71,000 sq.m. and a total planned GFA of approximately 267,000 sq.m. The project has been named "Sapphire Boomtown."

Successful Bid for Land Parcel in Quanzhou, Fujian Province

On 17 December 2012, the Company made a successful bid through a subsidiary for a residential-cum-commercial land parcel in Jiangnan New District, Quanzhou, Fujian Province at a consideration of RMB301 million.

Located in north of Sunjiang Road in Jiangnan New District of Quanzhou with a site area of approximately 37,000 sq.m. and a total planned GFA of approximately 138,000 sq.m., the site is well supported by comprehensive commercial, transportation and education facilities. It will be developed into an integrated complex named "Sunshine City," comprising residential, commercial units and office spaces.

Acquisition of 55% Equity Interests in Sanhe Hengmei Real Estate Co., Ltd.

On 27 December 2012, China SCE acquired 55% equity interests in Sanhe Hengmei Real Estate Co., Ltd. (the "Joint Venture Company") by injecting RMB55 million into the Joint Venture Company through a subsidiary.

The Joint Venture Company is intended to develop a land parcel in Yanjiao Development Zone, Sanhe, Langfang, Hebei Province, with a site area of approximately 133,000 sq.m. and a total planned GFA of approximately 425,000 sq.m. The project is to be developed into a large-scale community.

Awarded the Honor of "2012 Benchmark Listed Enterprise"

On 20 December 2012, the "2012 New Real Estate Annual Conference" hosted by New Real Estate, an authoritative magazine for China's real estate sector, was held in Beijing.

On the basis of comprehensive assessment of benchmarks including profitability, risk management and future growth potential, China SCE was awarded the honor of "2012 Benchmark Listed Enterprise."

CHAIRMAN'S STATEMENT

Wong Chiu Yeung
Chairman

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of China SCE and its subsidiaries (collectively, the "Group"), I am pleased to present the annual results of the Group for the year ended 31 December 2012.

RESULTS AND DIVIDENDS

For the year ended 31 December 2012, the Group recorded a revenue of approximately RMB3,637 million and a gross profit of approximately RMB1,285 million, representing a decrease of approximately 3.5% and approximately 16.7% respectively over 2011.

Profit attributable to owners of the parent for 2012 decreased by approximately 6.1% to approximately RMB672 million from approximately RMB716 million in 2011.

The Board resolved not to declare any final dividend in respect of the year ended 31 December 2012.

MARKET REVIEW

In order to promote a healthy development of the property market, the PRC government repeatedly expressed macro-control on the real estate sector in 2012. In the first quarter of 2012, the real estate market in China continued to experience adjustments, leading a significant decline in the trading volume of commodity housing in major cities in the PRC. In a bid to revive the weak economy, the central bank lowered the reserve requirement ratio twice in the first half of 2012, which could, to a certain extent, ease the tight credit market. Meanwhile, the central bank also lowered the lending and deposit benchmark interest rate for two consecutive times in June and July 2012, respectively, which reduced the purchasing costs for the home buyers. Such moves, to a certain extent, have boosted home buyers' confidence and given impetus to rigid demand fulfillment as well as market recovery. Indeed, trading volume of commodity housing has been increasing in the second quarter of 2012, the selling price of commodity housing has been rebounding in the third quarter and even at an accelerating rate in the fourth quarter.

During the reporting period, the Group adjusted its own development pace in a timely manner in accordance with the development trend of the real estate industry, achieving good operating results.

CHAIRMAN'S STATEMENT

BUSINESS REVIEW

Contracted Sales

In 2012, the Group recorded contracted sales area of approximately 0.67 million sq.m. with a contracted sales amount of approximately RMB6,016 million, representing a robust year-on-year growth of approximately 30% and approximately 32%, respectively. The annual contracted sales amount hit a record high, exceeding our annual sales target of RMB4,000 million by approximately 50%.

In 2012, we had 12 projects in total on sale, five of them were newly launched during the year, namely Fortune Plaza • World City, Gold Coast Phase 1 and Sunshine Mansion Phase 2 in Quanzhou, Sunshine City in Xiamen and Royal Spring City • Spring Villa in Anshan. Due to our proactive adjustments on product structure for fulfilling rigid demand as well as the adoption of flexible pricing strategy for addressing market trend, excellent pre-sale performance was achieved in the second half of the year, which accounted for approximately 67% of our total contracted sales amount for 2012.

Project Development

Fujian Province was still our core region for property development in 2012. New projects commenced construction during the year with an aggregate planned GFA of approximately 0.97 million sq.m. including Fortune Plaza • World City, International Finance Center • The Regent in Quanzhou, Sunshine City and The Prestige in Xiamen and Sapphire Boomtown Phase 2 in Zhangzhou.

As at 31 December 2012, the Group had 10 properties under development with an aggregate planned GFA of approximately 1.90 million sq.m.

Land Bank

In 2012, the Group sped up its business expansion on the back of strong cash flow position secured. We have acquired five plots of new land with an aggregate planned GFA of approximately 1.22 million sq.m. As at 31 December 2012, the Group owned a land bank with an aggregate planned GFA of approximately 8.71 million sq.m. In view of current position in project development, it is anticipated that our existing land bank will satisfy the Group's needs for development in the coming four to five years.

CHAIRMAN'S STATEMENT

Financial Strategy

The Group has embarked its business expansion essentially based on a strong financial position. The Group performed well in global financing during the year. In July 2012, the Company was granted a term loan facility with a principal amount of HK$400 million in Hong Kong. In November 2012, the Company issued senior notes due 2017 in the principal amount of US$200 million at a coupon rate of 11.5% per annum. Furthermore, the Group issued additional senior notes with a principal amount of US$150 million in January 2013 with a yield of approximately 9.4% per annum. As a result of the offshore financing mentioned above, the Group has stronger cash flow which further enhanced the Group's risk tolerance level in order to support long term business development.

OUTLOOK

Despite the implementation of macro-control policies entitled "The Five New Measures" (新國五條) by the PRC government, we strongly believe that such macro-control policies aim at curbing investment and speculative demand for property, leading the real estate industry to develop in a more reasonable and healthy manner that is favorable to industrial scale. The "Urbanization advanced actively and steadily" advocated by the PRC government will provide tremendous opportunities for the real estate industry to develop. Urbanization will generate huge potential rigid demand for housing as well as demand for improved housing that each property developer should consider carefully. Under the normalized macro-control, one of the main drivers to boost the volume and price of properties since the second half of 2012 has been rigid demand. We anticipate that the selling price and transaction volume in the property market will continue to grow steadily in 2013.

Looking forward, the Group will, as always, strive to achieve high-quality growth on the back of prudent financial policies, providing shareholders investment returns for their long-term support.

APPRECIATION

Last but not least, on behalf of the Board, I would like to express our sincere appreciation to all staff for their diligence and contributions in the past year. I would also like to take this opportunity to express our sincere gratitude to our shareholders, business partners and customers.

Wong Chiu Yeung
Chairman

Hong Kong, China
27 March 2013

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

In 2012, despite facing unfavorable situation caused by the Eurozone debt crisis and the sluggish global economic recovery, the economy in the PRC remained stable. According to preliminary statistics of the National Bureau of Statistics of China, the gross domestic product (the "GDP") of China was approximately RMB51,932.2 billion in 2012, a year-on-year increase of approximately 7.8% at comparable prices, the GDP growth of Fujian Province reached approximately 11.4% which was higher than the country's overall GDP growth rate. In respect of the property market, in 2012, the PRC government has maintained the macro-control policies on the property sector adopted in 2011 with no subsequent tougher macro-control policies issued. With relevant measures that promoting economic growth implemented by the PRC government in 2012, signs of recovery in China's property market were shown resulting from cuts in lending rate as well as credit relaxation.

Xiamen • The Regent

Since the second quarter of 2012, China's property market has started to turn around with gradual growth in transaction volume driven by strategy of "Price for Volume" adopted by a number of property developers. In the fourth quarter of 2012, market rebound has apparently accelerated as proven by a solid increase in the selling price of commodity housing. According to the "2012 Development and Sales of Properties in China" issued by the National Bureau of Statistics of China, China's sales of commodity housing in 2012 was approximately 1,113 million sq.m., representing a year-on-year increase of approximately 1.8%, and area of residential housing sold was up by approximately 2%, indicating that the property market, in general, has developed in a steady and more rational manner even under the effects of macro-control policies.

BUSINESS REVIEW

Property Sales

In 2012, the Group recorded contracted sales area of approximately 0.67 million sq.m. with an amount of approximately RMB6,016 million, representing a year-on-year growth of approximately 30% and approximately 32% respectively. The annual contracted sales amount was approximately 50% above our sales target of RMB4,000 million set at the beginning of 2012.

In 2012, the Group had 12 projects in total on sale, five of them were newly launched during the year, namely, Fortune Plaza • World City, Gold Coast Phase 1 and Sunshine Mansion Phase 2 in Quanzhou, Sunshine City in Xiamen and Royal Spring City • Spring Villa in Anshan. To address the changing market environment, the Group has adopted flexible operating strategies to focus more on rigid demand in our product mix and adjust our property sales plan in due course, as a result, a remarkable sales performance was achieved. Property sales distribution by city during the year is set out as follows:

MANAGEMENT DISCUSSION AND ANALYSIS

Zhangzhou • Sapphire Boomtown

City	Contracted Sales Area (sq.m.)	Contracted Sales Amount (RMB million)
Quanzhou	428,269	3,643
Xiamen	189,263	1,708
Zhangzhou	8,952	77
Other	42,926	588
Total	669,410	6,016

In 2012, the Group recognised delivered area of properties of approximately 0.40 million sq.m. and recognised revenue from property sales of approximately RMB3,522 million. Average property selling price was approximately RMB8,709 per sq.m., representing a year-on-year increase of approximately 31%.

Project Development

Properties under development as at 31 December 2012

Fujian Province was still our core region for property development in 2012. Five new projects commenced construction during the year with an aggregate planned GFA of approximately 0.97 million sq.m.,including Fortune Plaza • World City, International Finance Center • The Regent in Quanzhou, Sunshine City and The Prestige in Xiamen and Sapphire Boomtown Phase 2 in Zhangzhou.

MANAGEMENT DISCUSSION AND ANALYSIS

Together with the above-mentioned new projects under construction, the Group had 10 projects under development in various stages with a total planned GFA of approximately 1.90 million sq.m. as at 31 December 2012. Details of the properties under development are as follows:

Name of Project	City	Type of Property	Percentage of Interest Attributable to the Group (%)	Total Planned GFA (sq.m.)
Fortune Plaza • Royal Terrace	Quanzhou	Residential	58	202,129
Fortune Plaza • World City	Quanzhou	Commercial	58	317,036
International Finance Center • The Regent	Quanzhou	Residential and commercial	34	256,196
Sapphire Peninsula	Quanzhou	Residential and commercial	100	267,676
Sunshine Mansion Phase 2	Quanzhou	Residential and commercial	80	172,156
Portion A of Gold Coast Phase 1	Quanzhou	Residential, commercial and tourism related integrated development	45	118,060
Sunshine City	Xiamen	Residential and commercial	100	143,000
The Prestige	Xiamen	Residential	65	89,244
Sapphire Boomtown Phase 2	Zhangzhou	Residential and commercial	100	163,033
Royal Spring City • Spring Villa	Anshan	Residential and commercial	70	168,729
Total				1,897,259

Quanzhou • Fortune Plaza • Royal Terrace

Properties held for future development as at 31 December 2012

As at 31 December 2012, the Group had a total planned GFA of approximately 6.13 million sq.m. held for future development, details of which are set out as follows:

Name of Project	**City**	**Type of Property**	**Percentage of Interest Attributable to the Group** (%)	**Total Planned GFA** (sq.m.)
Fortune Plaza Phases 4 & 5	Quanzhou	Residential, commercial, office and hotel	58	500,785
Sunshine Town Phase 2	Quanzhou	Residential and commercial	100	220,229
Portion B of Gold Coast Phase 1, Phases 2 & 3	Quanzhou	Residential, commercial and tourism related integrated development	45	1,095,608
International Finance Center Phase 2	Quanzhou	Commercial	34	148,804
Nan'an World City	Quanzhou	Residential and commercial	80	660,000
SCE Plaza	Quanzhou	Residential and commercial	60	297,529
Sunshine City	Quanzhou	Residential and commercial	100	137,902
Sapphire Boomtown Phases 3 & 4	Zhangzhou	Residential and commercial	100	208,688
Sapphire Boomtown	Longyan	Residential	100	267,240
Beijing Project	Beijing	Residential and commercial	100	38,195
Royal Spring City (excluding Phase 1)	Anshan	Residential and commercial	70	1,645,139
SCE International Community Phases 2 & 3	Linfen	Residential and commercial	90	485,878
Langfang Project	Langfang	Residential and commercial	55	424,777
Total				6,130,774

Xiamen • The Regent

MANAGEMENT DISCUSSION AND ANALYSIS

Properties completed in 2012

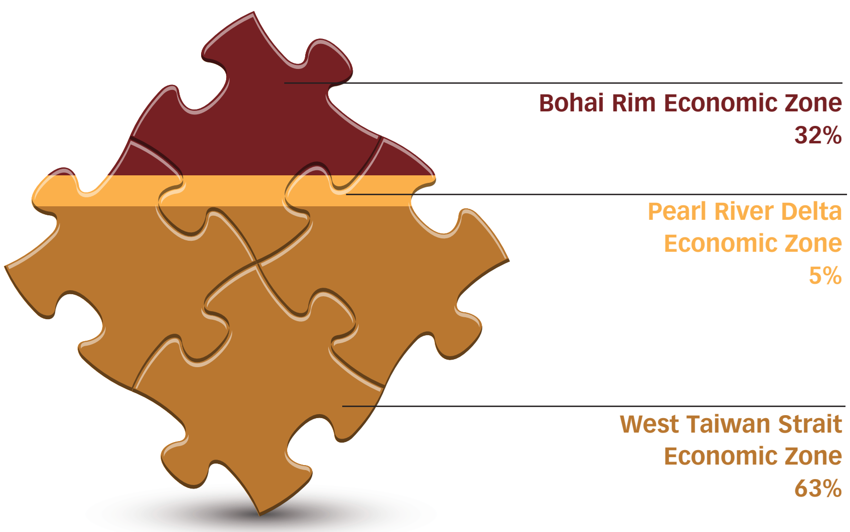
Construction of properties with total GFA of approximately 0.47 million sq.m. was completed in 2012 as scheduled, details of which are set out as follows:

City	Type of Property	Total GFA (sq.m.)
Quanzhou	Residential and commercial	171,217
Xiamen	Residential and commercial	209,014
Zhangzhou	Residential and commercial	20,895
Other	Residential and commercial	64,911
Total		466,037

Land Bank

In 2012, we acquired five parcels of new land located in Xiamen, Quanzhou and Longyan, Fujian Province as well as Langfang, Hebei Province with an aggregate planned GFA of approximately 1.22 million sq.m. (planned GFA attributable to the Group approximately 0.88 million sq.m.) for a total consideration of approximately RMB2,263 million. The successful bidding for a residential land located in Longyan, Fujian Province represented a milestone step in our expansion into other parts of Fujian Province outside South Fujian.

As at 31 December 2012, the Group owned a land bank with an aggregate planned GFA of approximately 8.71 million sq.m. (planned GFA attributable to the Group approximately 6.06 million sq.m. in aggregate). From a geographic distribution perspective, the Group owned 24 projects spanning across 13 cities. Approximately 63% of the Group's land bank was located in the West Taiwan Strait Economic Zone, approximately 32% in the Bohai Rim Economic Zone, and the remaining 5% in Shenzhen in Pearl River Delta Economic Zone. We believe that our existing land bank will satisfy the Group's needs for development in the coming four to five years.

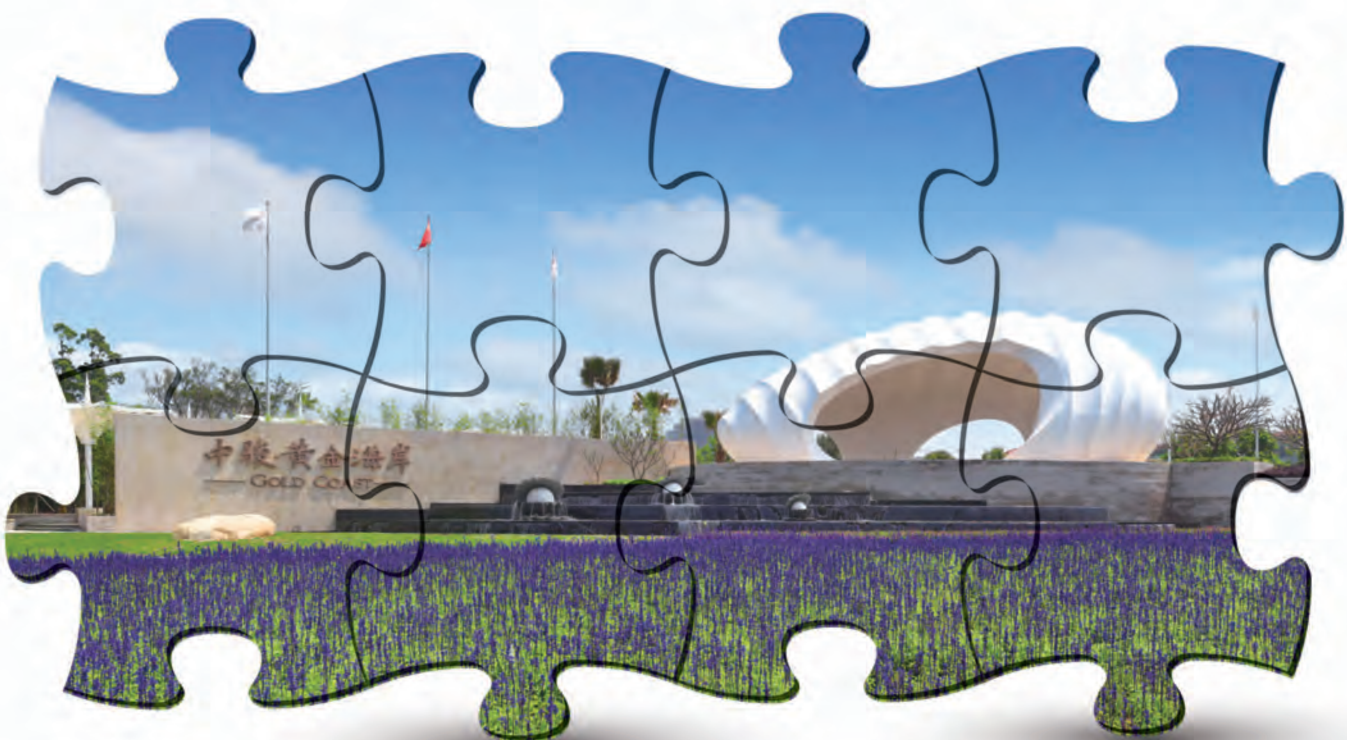


MANAGEMENT DISCUSSION AND ANALYSIS

The Group has accelerated its business expansion on the back of our sufficient cash flow. We successfully bid two parcels of land located in Shishi, Quanzhou, Fujian Province and Nanchang, Jiangxi Province with an aggregate planned GFA of approximately 0.42 million sq.m. in January and February 2013 respectively for a total consideration of approximately RMB958 million. In particular, the acquisition of the land in Nanchang, Jiangxi Province was a pilot trail in developing the Group's business into the Pan West Taiwan Strait Economic Zone.

OUTLOOK

Signals of intensifying the effects of macro-control on the property market have been sent repeatedly by the PRC government since the end of 2012. In the State Council Executive Meeting dated 20 February 2013 hosted by Premier Wen Jiabao, the PRC government expressed its determination to implement "The Five New Measures" (新國五條) to strengthen control over the property market by reiterating its desire to curtail house purchases for speculation and investment, fine-tuning the home purchase quota policy and implementing differential housing credit policies, expressly stating a general direction of non-relaxation of macro-control on the property market.



Quanzhou • Gold Coast

MANAGEMENT DISCUSSION AND ANALYSIS

It is noteworthy that the PRC government aims at establishing an effective and long-term system for a healthy development of the property market by setting up a comprehensive regulatory regime for the property market, allowing more housing demand for self-use, instead of speculative or investment demand, will be satisfied. In addition, urbanization in China will generate constant demand for housing, and sustainable economic growth will stimulate demand for improved housing, suggesting that China's property market will undergo a long-term growth cycle. Under these circumstances, property developers are facing pressure brought about by the policies, while ample market opportunities are being provided. Therefore, property developers have to cautiously gauge the industry trends and seize any opportunities for development.

We are of the view that the policies of macro-control on the property market, though, will be implemented by the PRC government on a long-term and on-going basis, the active promotion of "urbanization" by China's new leaders will prolong the moderate recovery of China's property market since the second half of 2012. Leveraging our own strengths on development, we are cautiously optimistic about our prospects. We also, as always, prudently adjust our operating strategy which is regarded as the foundation of our business development.

Planned Project Development in 2013

Properties planned for commencement in 2013

We will carry projects to the development stage in an orderly fashion in 2013. New projects with an aggregate planned GFA of approximately 2.11 million sq.m. are planned to commence development, details of which are as follows:

Name of Project	City	Type of Property	Percentage of Interest Attributable to the Group (%)	Total Planned GFA (sq.m.)
Fortune Plaza • Marina Bay	Quanzhou	Residential and commercial	58	233,151
Sunshine City	Quanzhou	Residential and commercial	100	137,902
Portion B of Gold Coast Phase 1	Quanzhou	Residential, commercial and tourism related integrated development	45	193,008
Sunshine Town Phase 2	Quanzhou	Residential and commercial	100	220,229
The Prestige	Quanzhou	Residential and commercial	100	111,972
SCE Plaza	Quanzhou	Residential and commercial	60	297,529
Sapphire Boomtown	Longyan	Residential	100	267,240
Sapphire Hill Phase 1	Shenzhen	Residential and commercial	63	268,331
Langfang Project Phase 1	Langfang	Residential and commercial	55	242,051
SCE International Community Phase 2	Linfen	Residential and commercial	90	141,647
Total				2,113,060

MANAGEMENT DISCUSSION AND ANALYSIS

Properties planned for pre-sale in 2013

In 2013, the Group expects to launch 9 new projects to the market, namely The Prestige in Xiamen, Sapphire Boomtown in Longyan, Sapphire Boomtown Phase 2 in Zhangzhou, Fortune Plaza • Marina Bay, International Finance Center • The Regent, Sunshine Town Phase 2, SCE Plaza and Sunshine City in Quanzhou as well as Langfang Project Phase 1 in Langfang. Together with the unsold part of the projects launched in prior years, area available for pre-sale in 2013 is approximately 2.0 million sq.m.

Operating Strategy

It is our practice to cautiously expand the Group's land bank. Our national development strategy of "firming its foothold in the West Taiwan Strait Economic Zone, expanding into the Bohai Rim Economic Zone and paying attention to the Pearl River Delta Economic Zone" will not be altered in the foreseeable future, and expansion into other potential regions will be carried out prudently supported by adequate market research. In respect of strategy for project development, we will adjust our product mix in due course according to market demand, and moderately increase the ratio in products for rigid demand with higher turnover rate, so as to accelerate cash flow.

Brand Building

We truly believe that profitability enhancement could only be achieved by pursuing quality as well as building brand awareness on the base of high quality. We insist on no compromise on the quality of our products, and endeavor to maintain a balance between quality and speed of construction cycle, so as to ensure our ability to develop business on an ongoing basis.

As a property developer focusing on quality with sound financial measures implemented, the Group is well-prepared for such sophisticated operating environment. We move forward with confidence into a better position, laying a strong foundation for the Group's future development.

Xiamen • The Regent

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The revenue of the Group mainly includes sale of properties, rental income and property management income.

The annual revenue decreased by approximately 3.5% from approximately RMB3,770,348,000 in 2011 to approximately RMB3,636,658,000 in 2012, which was attributable to the decrease in property sales income.

- **Sale of properties**

  Income from property sales decreased by approximately 4.3% from approximately RMB3,680,800,000 in 2011 to approximately RMB3,522,162,000 in 2012, which was mainly due to the decrease in delivered area by approximately 27.0% from approximately 553,990 sq.m. in 2011 to approximately 404,442 sq.m. in 2012, despite the increase in average unit selling price from approximately RMB6,644 per sq.m. in 2011 to approximately RMB8,709 per sq.m. in 2012.

- **Rental income**

  Rental income increased by approximately 11.3% from approximately RMB58,721,000 in 2011 to approximately RMB65,356,000 in 2012, which was mainly attributable to the increase in rental income from the shopping mall of World City in Beijing.

- **Property management income**

  Property management income increased by approximately 59.4% from approximately RMB30,827,000 in 2011 to approximately RMB49,140,000 in 2012, which was mainly attributable to the increase in number and floor area of properties under management.

Cost of Sales

Cost of sales increased by approximately 5.6% from approximately RMB2,227,639,000 in 2011 to approximately RMB2,352,023,000 in 2012. The increase in cost of sales was mainly attributable increase in unit land cost and construction cost.

Gross Profit

Gross profit decreased by approximately 16.7% from approximately RMB1,542,709,000 in 2011 to approximately RMB1,284,635,000 in 2012. Gross profit margin decreased from approximately 40.9% in 2011 to approximately 35.3% in 2012. The decrease in gross profit margin was attributable to the increase in unit land cost and construction cost in 2012.

Other Income and Gains

Other income and gains decreased by approximately 9.3% from approximately RMB107,617,000 in 2011 to approximately RMB97,627,000 in 2012. The decrease in other income and gains was mainly attributable to the decrease in interest income and income from the provision of construction services.

Changes in Fair Value of Investment Properties

The fair value gains of investment properties increased by approximately 9.6% from approximately RMB348,361,000 in 2011 to approximately RMB381,754,000 in 2012. The increase in the fair value of investment properties was mainly attributable to the addition of the shopping mall of Fortune Plaza • World City into investment properties.

Selling and Marketing Expenses

Selling and marketing expenses decreased by approximately 21.7% from approximately RMB130,807,000 in 2011 to approximately RMB102,389,000 in 2012. The decrease in selling and marketing expenses was mainly attributable to the decrease in the number of projects launched for pre-sale. The selling and marketing expenses in 2012 accounted for only approximately 1.7% of total contracted sales amount in 2012, when compared to that of approximately 2.9% in 2011.

Administrative Expenses

Administrative expenses increased by approximately 26.9% from approximately RMB204,129,000 in 2011 to approximately RMB259,016,000 in 2012. The increase in administrative expenses was mainly attributable to the increase in administrative staff costs due to employment of additional management personnel and operating expenses to cope with the needs of business expansion, as well as substantial increase in charitable donations, including a donation of RMB20,000,000 to Xiamen University.

Finance Costs

Finance costs decreased by approximately 18.2% from approximately RMB130,872,000 in 2011 to approximately RMB107,052,000 in 2012. Finance costs mainly represented borrowing costs of partial senior notes which have not been capitalized as such proceeds were not used for project development.

Income Tax Expense

Income tax expense decreased by approximately 33.8% from approximately RMB590,874,000 in 2011 to approximately RMB391,073,000 in 2012. The decrease in income tax expense was mainly due to less provision for land appreciation tax made in 2012 as a result of decrease in gross profits of delivered projects.

Profit Attributable to Owners of the Parent

Profit attributable to owners of the parent decreased by approximately 6.1% from approximately RMB715,757,000 in 2011 to approximately RMB672,003,000 in 2012, which was mainly attributable to the decrease in net profit margin of projects delivered in 2012. Earnings per share decreased by approximately 6.1% from RMB25.1 cents in 2011 to RMB23.6 cents in 2012.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Cash Position

As at 31 December 2012, the Group's cash and bank balances were approximately RMB3,128,290,000 (31 December 2011: approximately RMB2,079,362,000), of which approximately RMB2,373,094,000 (31 December 2011: approximately RMB2,002,463,000) was denominated in RMB, approximately RMB15,454,000 (31 December 2011: approximately RMB10,703,000) was denominated in Hong Kong dollars and approximately RMB739,742,000 (31 December 2011: approximately RMB66,196,000) was denominated in US dollars.

According to the relevant laws and regulations of the PRC, certain property development companies of the Group are required to place certain amounts of cash and bank deposits into designated bank accounts to provide guarantees for the development of the relevant properties. The Group also places certain deposits in banks in the PRC to secure certain loans from Hong Kong's banks. As at 31 December 2012, the amount of restricted cash and pledged deposits were approximately RMB678,069,000 (31 December 2011: approximately RMB191,884,000) and approximately RMB173,000,000 (31 December 2011: Nil), respectively.

Borrowings and Pledged Assets

As at 31 December 2012, the balances of the Group's bank and other borrowings and senior notes amounted to approximately RMB3,760,300,000 (31 December 2011: approximately RMB3,126,933,000) and approximately RMB3,195,049,000 (31 December 2011: approximately RMB1,953,506,000), respectively. Of the bank and other borrowings, approximately RMB2,111,571,000 (31 December 2011: approximately RMB1,406,736,000) was repayable within one year, approximately RMB1,266,898,000 (31 December 2011: approximately RMB1,382,690,000) was repayable in the second year and approximately RMB381,831,000 (31 December 2011: approximately RMB321,590,000) was repayable within three to five years. No balance (31 December 2011: approximately RMB15,917,000) was repayable after five years. The senior notes issued in 2011 and the 2012 Senior Notes were for a term of five years and, unless early redeemed, will mature on 14 January 2016 and 14 November 2017, respectively.

As at 31 December 2012, approximately RMB3,760,300,000 (31 December 2011: approximately RMB3,126,933,000) of bank and other borrowings was secured by the Group's bank deposits, property and equipment, investment properties, prepaid land lease payments, properties under development and completed properties held for sale with a total carrying value of RMB7,708,590,000 (31 December 2011: approximately RMB7,295,629,000), and capital stocks of certain subsidiaries. The senior notes issued in 2011 and the 2012 Senior Notes were guaranteed by certain subsidiaries of the Company and secured by pledges over their capital stocks.

As at 31 December 2012, except for certain bank borrowings of approximately RMB493,727,000 (31 December 2011: approximately RMB31,432,000) and the 2012 Senior Notes of approximately RMB1,228,886,000 (31 December 2011: Nil) which were denominated in Hong Kong dollars and US dollars, respectively, all the Group's bank and other borrowings were denominated in Renminbi. The senior notes issued in 2011 were denominated in Renminbi but have been swapped into US dollars by the various cross currency swap contracts entered into by the Group in the current year.

As at 31 December 2012, the Group's bank borrowings bore interest at floating interest rates, while other borrowings, the senior notes issued in 2011 and the 2012 Senior Notes bore interest at fixed interest rates.

Gearing Ratio

The net gearing ratio was calculated by dividing the net amount of borrowings (including bank and other borrowings, the senior notes issued in 2011 and the 2012 Senior Notes after deduction of cash and cash equivalents, restricted cash and pledged deposits) by total equity. As at 31 December 2012, the net gearing ratio was 55.3% (31 December 2011: 50.7%).

Exchange Rate Fluctuation Exposures

The majority of the Group's income, expenses, bank deposits and bank and other borrowings are denominated in Renminbi. Save as certain bank deposits, bank borrowings and the 2012 Senior Notes which were denominated in foreign currencies, exchange rate changes of Renminbi against other currencies will not have a material adverse effect on the operation of the Group. In addition, the Group had entered into various cross currency swap contracts in current period in order to manage foreign currency risk arising from retranslation of the RMB2 billion senior notes issued in 2011 held by the Company.

CONTINGENT LIABILITIES

As at 31 December 2012, the Group provided financial guarantees to the banks in respect of the following items:

	2012 **RMB'000**	2011 RMB'000
Guarantees in respect of mortgage facilities provided for certain purchasers of the Group's properties	**2,877,392**	2,338,262

In addition, the Group's share of the jointly-controlled entities' own financial guarantees, which are not included in the above, is as follows:

	2012 **RMB'000**	2011 RMB'000
Guarantees in respect of mortgage facilities provided for certain purchasers of the jointly-controlled entities' properties	**75,804**	17,802

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL COMMITMENTS

As at 31 December 2012, the capital commitments of the Group were as follows:

	2012 RMB'000	2011 RMB'000
Contracted, but not provided for:		
Capital expenditure for properties under development, prepaid land lease payments and construction of investment and owner-occupied properties in Mainland China	**2,759,219**	1,960,821

In addition, the Group's share of the jointly-controlled entities' own capital commitments, which are not included in the above, is as follows:

	2012 RMB'000	2011 RMB'000
Contracted, but not provided for:		
Capital expenditure for jointly-controlled entities' properties under development and prepaid land lease payments	**54,056**	219,931

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2012, the Group had a total of 1,600 employees (2011: 1,436 employees). The total cost of employees was approximately RMB115,002,000 (2011: approximately RMB99,430,000). We provide employees with competitive remuneration and benefits, and the remuneration policy will be reviewed on a regular basis based on the performance and contribution of the employees and the industry remuneration level. In addition, the Group also provides various training courses to enhance the employees' skills and capabilities in all aspects.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The remuneration of the senior management of the Group by band and the respective number of persons for the year ended 31 December 2012 are set out below:

Remuneration bands	Number of persons
RMB500,001 to RMB1,000,000	**6**
RMB1,000,001 to RMB1,500,000	**2**
RMB1,500,001 to RMB2,000,000	**2**

Further details of Directors' remuneration and the five highest paid employees are set out in note 9 and 10 to the financial statements, respectively.

PROPERTY PROFILE

Fortune Plaza • Royal Terrace

Located at the south of Haixia Sports Center, Fengze District, Quanzhou

Type of property: Residential

Shareholding of the Group: 58%

	Planned GFA (sq.m.)	Expected date of completion
Completed properties held for sale	9,449	N/A
Properties under development	202,129	2013

Sunshine Mansion

Located at the junction between Liunan Road and Nanda Road, Nan'an, Quanzhou

Type of property: Residential and commercial

Shareholding of the Group: 80%

	Planned GFA (sq.m.)	Expected date of completion
Completed properties held for sale	26,014	N/A
Properties under development	172,156	2013

Gold Coast

Located at Yongning Town, Shishi, Quanzhou

Type of property: Commercial, residential and tourism related integrated development

Shareholding of the Group: 45%

	Planned GFA (sq.m.)	Expected date of completion
Completed properties held for sale	16,943	N/A
Properties under development	118,060	2013 to 2014
Properties held for future development	1,095,608	2016 or after

PROPERTY PROFILE

Sapphire Peninsula

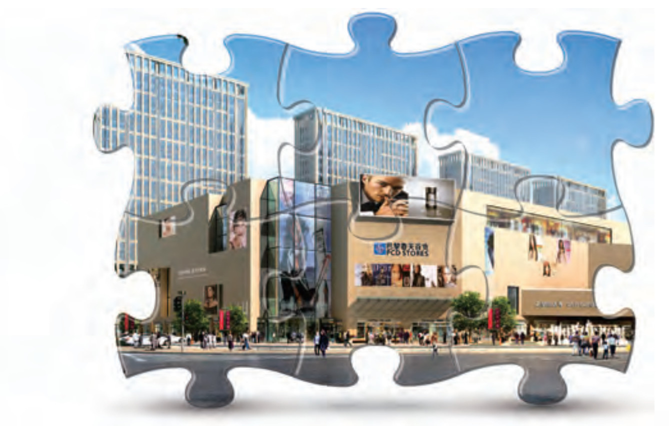
Located at Xingxia Road, the southern zone of Quanzhou Bridge, Quanzhou

Type of property: Residential and commercial
Shareholding of the Group: 100%

	Planned GFA (sq.m.)	Expected date of completion
Properties under development	267,676	2013

Fortune Plaza • World City

Located at south of Haixia Sports Center, northwest of Anji Road, Fengze District, Quanzhou

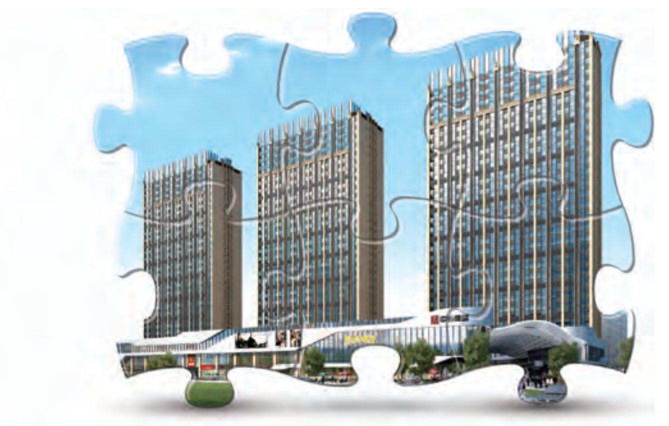


Type of property: Commercial
Shareholding of the Group: 58%

	Planned GFA (sq.m.)	Expected date of completion
Properties under development	317,036	2013 to 2014

SCE Plaza

Located at west of Zhenzhong Road, Shishi, Quanzhou



Type of property: Residential and commercial
Shareholding of the Group: 60%

	Planned GFA (sq.m.)	Expected date of completion
Properties held for future development	297,529	2014 to 2015

PROPERTY PROFILE

International Finance Center
Located on the southern part of Baozhou Road East section, Quanzhou

Type of property: Residential and commercial
Shareholding of the Group: 34%

	Planned GFA (sq.m.)	Expected date of completion
Properties under development	256,196	2014 to 2015
Properties held for future development	148,804	2016 or after

Sunshine Town Phase 2
Located at Nanhuan Road, Xiamei Town, Nan'an, Quanzhou

Type of property: Residential and commercial
Shareholding of the Group: 100%

	Planned GFA (sq.m.)	Expected date of completion
Properties held for future development	220,229	2015

Fortune Plaza Phases 4 & 5
Located next to the Haixia Sports Center, Fengze District, Quanzhou

Type of property: Residential, commercial, offices and hotel
Shareholding of the Group: 58%

	Planned GFA (sq.m.)	Expected date of completion
Properties held for future development	500,785	2015 or after

PROPERTY PROFILE

Sunshine City

Located north of Sunjiang Road, Jiangnan New District, Quanzhou

Type of property: Residential and commercial
Shareholding of the Group: 100%

	Planned GFA (sq.m.)	Expected date of completion
Properties held for future development	137,902	2016

World City

Located at east of Meilin Road and north of Jiangbei Avenue, Nan'an, Quanzhou

Type of property: Residential and commercial
Shareholding of the Group: 80%

	Planned GFA (sq.m.)	Expected date of completion
Properties held for future development	660,000	2016 or after

Sunshine City

Located at southwest of the junction of Shengguo Road and Shengyan Road, adjacent to High-speed Railway North Station, Jimei District, Xiamen

Type of property: Residential and commercial
Shareholding of the Group: 100%

	Planned GFA (sq.m.)	Expected date of completion
Properties under development	143,000	2013

PROPERTY PROFILE

The Prestige

Located at southwest of the junction of Wuyuan Bay Road and Jinhu Road, Huli District, Xiamen

Type of property: Residential

Shareholding of the Group: 65%

	Planned GFA (sq.m.)	Expected date of completion
Properties under development	89,244	2014 to 2015

Sapphire Boomtown Phases 2, 3 & 4

Located at Shuixian Avenue, Longwen District, Zhangzhou

Type of property: Residential and commercial

Shareholding of the Group: 100%

	Planned GFA (sq.m.)	Expected date of completion
Properties under development	163,033	2014 to 2015
Properties held for future development	208,688	2016 or after

Sapphire Boomtown

Located at east of Lianzhuang Road and north of Tianxing Road, Xinluo District, Longyan

Type of property: Residential

Shareholding of the Group: 100%

	Planned GFA (sq.m.)	Expected date of completion
Properties held for future development	267,240	2015

PROPERTY PROFILE

Royal Spring City

Located at west of Anhai Road and north of Tanggangzi Sanatorium, Qianshan District, Anshan

Type of property: Residential and commercial
Shareholding of the Group: 70%

	Planned GFA (sq.m.)	Expected date of completion
Properties under development	168,729	2013
Properties held for future development	1,645,139	2016 or after

Sapphire Hill Phase 1

Located in Tongle Community, Longgang Road, Longgang District, Shenzhen;
northwest of the cross of Shenzhen-Shantou Highway and Shenzhen-Shantou Expressway

Type of property: Residential and commercial
Shareholding of the Group: 63%

	Planned GFA (sq.m.)	Expected date of completion
Properties held for future development	268,331	2015

SCE International Community Phases 2 & 3

Located at the junction of Gulou North Avenue and Banxia Road, Yaodu District, Linfen

Type of property: Residential and commercial
Shareholding of the Group: 90%

	Planned GFA (sq.m.)	Expected date of completion
Properties held for future development	485,878	2015 or after

PROPERTY PROFILE

Langfang Project

Located at north of North Outer Ring Road, Yanjiao Development Zone, Sanhe, Langfang

Type of property: Residential and commercial
Shareholding of the Group: 55%

	Planned GFA (sq.m.)	Expected date of completion
Properties held for future development	424,777	2015 or after

Beijing Project

Located at Dewai Avenue, Xicheng District, Beijing

Type of property: Residential and commercial
Shareholding of the Group: 100%

	Planned GFA (sq.m.)	Expected date of completion
Properties held for future development	38,195	2016

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Wong Chiu Yeung (黃朝陽), aged 47, is one of the founders of the Group and the Chairman of the Board and President of the Company, as well as the Chairman of the Nomination Committee and a member of the Remuneration Committee of the Company. He is also the director of certain subsidiaries of the Company established in the PRC, Hong Kong and the British Virgin Islands. He was appointed as the Executive Director on November 30, 2007. He is responsible for formulating business development strategies for the Group, design management and commercial property management. Since his involvement in the development of the Group's first property project in 1996 (namely Junda Center), Mr. Wong has been involved in all of the projects developed by the Group thereafter, and has 17 years of experience in real estate development. Mr. Wong is a member of the National Committee of Chinese People's Political Consultative Conference (中國政治協商會議全國委員會), vice chairman of Hong Kong Association for the Promotion of Peaceful Reunification of China (中國和平統一促進會香港總會), guest professor of Nanchang University (南昌大學), vice chairman of the board of directors of Quanzhou Normal University (泉州師範學院), chairman of the board of directors of Nan'an Overseas Chinese Middle School (南安華僑中學), permanent honorable chairman of each of Hong Kong Federation of Fujian Association (香港福建社團聯會). Mr. Wong has completed an Executive Master of Business Administration programme in Xiamen University.

Chen Yuanlai (陳元來), aged 46, is one of the founders of the Group and the Vice Chairman of the Board. He was appointed as the Executive Director on August 12, 2009. He is also the director of certain subsidiaries of the Company established in the PRC, Hong Kong and the British Virgin Islands. He is responsible for formulating business development strategies for the Group. Since his involvement in the development of the Group's first project in 1996 (namely Junda Center), he has been involved in all of the projects developed by the Group thereafter, and has 17 years of experience in real estate development. Mr. Chen also has extensive experience in investment management and project management through his involvement in all projects developed by the Group. He is the director of Fujian Provincial Young Entrepreneurs Association (福建省青年企業家協會) and a member of Fujian Provincial Youth Federation (福建省青年聯合委員會). Mr. Chen was a representative of the Second Session of the People's Congress of Fengze District in Quanzhou (泉州市豐澤區第二屆人民代表大會). Mr. Chen completed the Executive Management course in Business Administration of Commercial Real Estate Development and Funding, a one year programme offered by School of Professional and Continuing Education of Hong Kong University and Fudan University, Shanghai, in May 2008. Mr. Chen is currently attending an Executive Master of Business Administration programme in Xiamen University.

Cheng Hiu Lok (鄭曉樂), aged 48, is one of the founders of the Group and the Vice Chairman of our Board. He was appointed as the Executive Director on August 12, 2009. He is also the director of certain subsidiaries of the Company established in the PRC, Hong Kong and the British Virgin Islands. He is responsible for formulating business development strategies for the Group. Since his involvement in the development of the Group's first project in 1996 (namely Junda Center), he has been involved in all of the projects developed by the Group thereafter. Mr. Cheng has 17 years of experience in real estate development. Mr. Cheng also has extensive experience in investment management, project management and construction management through his involvement in the projects developed by the Group. Mr. Cheng completed his college education at Fujian Normal University (福建師範大學) in 1987.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Li Wei (李維), aged 42, is an Executive Director and the Executive Vice President of the Company, as well as the Chairman of the Corporate Governance Committee which was established on 1 April 2012. He was appointed as the Executive Director on August 12, 2009. He is also the director of certain subsidiaries of the Company established in the PRC and Hong Kong. Mr. Li is responsible for the daily operational management and operation plan of the Group, including management of Office of President, Administrative and Human Resources Department. Before joining the Group in June 2006, Mr. Li was the general manager of the Corporate Operations Department and the Credit Department of the Xiamen Branch of China Construction Bank. Mr. Li graduated from the Department of Banking and Finance of Xiamen University with a bachelor's degree in economics in 1992.

Liu Zhijie (劉志傑), aged 56, was appointed as an Executive Director of the Company on May 1, 2011 and retired as an Executive Director on May 10, 2012. Mr. Liu is the Vice President of the Company. He is also the director of certain subsidiaries of the Company established in the PRC. He is responsible for the construction management of the Group. He joined the Group in 1998. Mr. Liu completed his college education in civil engineering at Fujian College of Architecture and Civil Engineering (福建省建築高等專科學校) in 1981. Mr. Liu possesses extensive experience in construction and cost management.

Huang Youquan (黃攸權), aged 44, is an Executive Director and the Vice President of the Company. He is responsible for the financial management of the Group. He was appointed as the Executive Director on May 1, 2011. He is also the director of certain subsidiaries of the Company established in the PRC and Hong Kong. Before joining the Group in 2003, Mr. Huang was the audit manager and assistant to the head of the Xiamen office of Fujian Hongshen Accounting Firm (福建弘審會計師事務所有限公司廈門分公司). Mr. Huang graduated from the Department of Mathematics of Xiamen University with a bachelor's degree in science in 1991. Mr. Huang is a PRC Certified Public Accountant and a member of the Fujian Institute of Certified Public Accountants. Mr. Huang has completed an Executive Master of Business Administration programme in Xiamen University.

NON-EXECUTIVE DIRECTOR

Fung Ka Pun (馮家彬), aged 67, was appointed as a Non-executive Director of the Company on January 6, 2010 and resigned on January 5, 2013. He is also the director of certain subsidiaries of the Company established in the PRC and Hong Kong. Mr. Fung is a fellow member of the Association of International Accountants and a member of the Institute of Chartered Secretaries & Administrators. Mr. Fung is an independent non-executive director of two listed companies in Hong Kong, namely Yuexiu Transport Infrastructure Limited (1052) and Lee Hing Development Co., Ltd. (0068). From June 1995 to March 2010, Mr. Fung was an executive director of CIAM Group Limited (0378). From April 2010 to September 2011, Mr. Fung was an executive director and vice chairman of the board of directors of Hao Tian Resources Group Limited (0474). From September 2004 to August 2010, Mr. Fung was an independent non-executive director of Denway Motors Limited, a company previously listed in the Hong Kong Stock Exchange and was privatised by way of a scheme of arrangement in August 2010. From August 2006 to June 2012, Mr. Fung was an independent non-executive director of Samling Global Limited, a company previously listed in the Hong Kong Stock Exchange and was privatised by way of a scheme of arrangement in June 2012. Mr. Fung is the founder and chairman of Goodwill International (Holdings) Limited. Mr. Fung has over 30 years of experience in finance, securities and corporate finance business. Mr. Fung is also a director of Mateland Holdings Limited, a joint venture partner of the Regent Project of the Company.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ting Leung Huel Stephen (丁良輝), aged 59, MH, FCCA, FCPA (Practising), CTA (HK), ACA, FHKIoD, was appointed as an Independent Non-executive Director of the Company on January 6, 2010. He is also the Chairman of the Audit Committee and a member of the Remuneration Committee and Corporate Governance Committee. Mr. Ting is an accountant in public practice and has more than 30 years of experience in this field. Currently, he is the managing partner of Ting Ho Kwan & Chan, Certified Public Accountants (Practising). Mr. Ting is a member of the 9th, 10th and 11th Chinese People's Political Consultative Conference, Fujian. Mr. Ting is a non-executive director of Chow Sang Sang Holdings International Limited (0116) and an independent non-executive director of six other listed companies in Hong Kong, namely Tong Ren Tang Technologies Company Limited (1666), Tongda Group Holdings Limited (0698), JLF Investment Company Limited (0472), Computer and Technologies Holdings Limited (0046), Texhong Textile Group Limited (2678) and Dongyue Group Limited (0189). From June 2002 to November 2011, Mr. Ting was an independent non-executive director of MMG Limited (formerly known as "Minmetals Resources Limited") (1208), a company listed in Hong Kong.

Lu Hong Te (呂鴻德), aged 52, was appointed as an Independent Non-executive Director of the Company on January 6, 2010, and is also a member of the Audit Committee, Nomination Committee and Corporate Governance Committee. Mr. Lu obtained a bachelor's degree in industrial management science from National Cheng Kung University in 1983, and a master's degree and a doctoral degree in marketing from the Graduate Institute of Business Administration of the College of Management of National Taiwan University in 1985 and 1992, respectively. Mr. Lu is a professor at the department of business administration of Chung Yuan Christian University in Taiwan, specializing in marketing management and corporate competitive strategies. He also serves as a visiting professor at institutions including National University of Singapore, Nanyang Technological University's EMBA Center and Xiamen University's EMBA Center. Mr. Lu is an independent non-executive director of Capxon International Electronic Company Limited (0469), ANTA Sports Products Limited (2020) and China Lilang Limited (1234), the shares of which are listed on the Hong Kong Stock Exchange. He is also an independent director of four companies in Taiwan, namely Everlight Chemical Industrial Corporation (1711) and Aiptek International Inc. (6225) which are listed on the Taiwan Stock Exchange Corporation and Firich Enterprises Co., Ltd. (8076) and Lanner Electronics Inc. (6245), the shares of which are traded in the Gre Tai Securities Market in Taiwan.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Dai Yiyi (戴亦一), aged 45, was appointed as an Independent Non-executive Director of the Company on January 6, 2010, and is also the Chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee. Mr. Dai is the vice dean and a full-time professor of the Executive Master of Business Administration programme of the School of Management of Xiamen University and also serves as an adjunct professor for real estate CEO programmes hosted by Tsinghua University and Peking University. From 1997 to 2001, Mr. Dai served as the research secretary, assistant to the dean and vice dean of the Planning and Statistics Department at the School of Economics of Xiamen University. From 2003 to 2007, Mr. Dai served as the deputy head and then the head of the Executive Master of Business Administration programme for senior management personnel held by the School of Management of Xiamen University. Mr. Dai was a senior visiting scholar at the School of Management of McGill University (Canada) in 2002 and a senior visiting scholar at Northwestern University (USA) from 2007 to 2008. Mr. Dai has been a consultant with the Fujian Real Estate Association since 2005. Mr. Dai is an independent non-executive director of Mingfa Group (International) Company Limited (0846), a company listed in Hong Kong, and is an independent director of Xiamen C&D Inc. and Xiamen International Trade Group Corp., Ltd., which are listed on the Shanghai Stock Exchange, and Fujian Septwolves Industry Co., Ltd. and Guangdong Shirongzhaoye Co., Ltd., which are listed on the Shenzhen Stock Exchange. Mr. Dai graduated from Xiamen University with a bachelor's degree in economics in 1989, and received a doctoral degree in economics from Xiamen University in 1999. He also completed training at the 6th Ford Program of the Sino-American Economics Training Centre of Renmin University of China. Mr. Dai was awarded a certificate as a PRC certified property valuer in 1997.

SENIOR MANAGEMENT

Huang Jing Song (黃勁松), aged 43, is the Vice President of the Company, as well as the General Manager of the Marketing Management Department. He is responsible for the sales and marketing management and property management of the Group. Before joining the Group in 2010, Mr. Huang was the deputy general manager of the Trading Business Department of Xiamen International Trade Group Corp., Ltd. (廈門國貿集團股份有限公司) and the general manager of Xiamen International Motors Co., Ltd. (廈門國貿汽車股份有限公司). Mr. Huang graduated from the Department of International Trade of Xiamen University with a bachelor's degree in economics in 1991 and obtained his master's degree of business administration from the National University of Singapore in 1998. Mr. Huang has more than 20 years of experience in enterprises management.

Bian Yinghua (卞應華), aged 39, is the Assistant President of the Company. He takes important roles in financing and investor relations work of the Group. Before joining the Group in September 2007, Mr. Bian was the deputy head of the Strategic Development Department of China Ocean Shipping (Group) Company. Mr. Bian graduated from the Department of Civil Engineering of Dalian University of Technology (大連理工大學) with a bachelor's degree in engineering in 1996.

Li Siu Po (李少波), aged 44, is the Financial Controller and Company Secretary of the Company. He is responsible for the financial reporting, investor relations and company secretarial work of the Group. Before joining the Group in January 2008, Mr. Li was a manager of one of the international CPA firms. Mr. Li graduated from the Department of Accounting in Hong Kong Polytechnic University with a bachelor's degree in accounting in 1994. Mr. Li is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr. Li has extensive experience in financial management and auditing.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Tang Xiaojuan (湯筱娟), aged 40, is the General Manager of the Commercial Property Company. She is responsible for commercial property management of the Group. Prior to joining the Group in August 2002, Ms. Tang served as the office manager of Xiamen Yong Hong Ji Real Estate Development Company Limited (廈門永宏基房地產開發有限公司). Ms. Tang graduated from the Department of International Trade and Economics in Jiangxi University of Finance and Economics (江西財經學院) with a bachelor's degree in economics in 1994. Ms. Tang is currently attending an Executive Master of Business Administration programme in Xiamen University.

Zheng Quanlou (鄭全樓), aged 41, is the General Manager of the Design Department management. He is responsible for design management of the Group. Before joining the Group in November 1998, Mr. Zheng was the on-site manager of Quanzhou Dong Hai Development Company Limited (泉州市東海開發有限公司). Mr. Zheng completed his college education in construction engineering at College of Architecture and Civil Engineering of Fujian (福建省建築高等專科學校) in 1992 and obtained his bachelor's degree from the Department of Civil Engineering of Fujian Agriculture and Forestry University in 2009. Mr. Zheng is a PRC Registered Cost Engineer, and serves as an expert of bid evaluation of construction project in Quanzhou since 2006. Mr. Zheng is currently attending an Executive Master of Business Administration programme in Xiamen University.

Zhang Haitao (張海濤), aged 44, is the General Manager of the Financial Department. She is responsible for the financial management of the Group. Before joining the Group in January 2007, Ms. Zhang was the senior manager of Xiamen Tianjian Huatian Accounting Firm (廈門天健華天會計師事務所). Ms. Zhang graduated from the Department of Accounting of Xiamen University with a bachelor's degree in economics in 1990. Ms. Zhang is a PRC Certified Public Accountant and a senior accountant with extensive auditing experience. Ms. Zhang has completed an Executive Master of Business Administration programme in Xiamen University.

Ku Weihong (庫衛紅), aged 44, is the General Manager of the Office of President. She is responsible for internal audit & legal affairs of the Group. Prior to joining the Group in November 2010, Ms. Ku served as the chief legal officer of Powerlong Real Estate Holdings Limited. Ms. Ku graduated from the Department of Law of Peking University with a bachelor's degree in law in 1990. Ms. Ku holds the lawyer qualification certificate of the PRC and has extensive experience in legal affairs.

Liu Chao (劉超), aged 37, is the General Manager of the Construction Department. He is responsible for construction management of the Group. Prior to joining the Group in August 1999, Mr. Liu served as an engineer of China Railway Engineering Corporation. Mr. Liu graduated from the Department of Civil Engineering of Shanghai Tiedao University (上海鐵道大學) with a bachelor's degree in engineering in 1996.

Li Lijun (李麗君), aged 35, is the General Manager of the Property Management Company. She is responsible for property management related work of the Group. Prior to joining the Group in August 2009, Ms. Li served as the general manager assistant of Human Resources Department of Xiamen CCRE Group. Ms. Li graduated from the Department of Business Administration of Fuzhou University in 2000.

COMPANY SECRETARY

Li Siu Po (李少波), a member of our senior management, is the Financial Controller and Company Secretary of the Company. The biography of Mr. Li is set forth above.

CORPORATE GOVERNANCE REPORT

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

The Company has been committed to maintain a high standard of corporate governance so as to enhance the operational efficiency of the Company. The Company believes that such commitment is beneficial to safeguard the interests of the Company and the Shareholders.

During the year ended 31 December 2012, the Company and the Board had been in compliance with the code provisions of the Corporate Governance Code (the "Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules"), save as disclosed in the paragraphs headed "Chairman and Chief Executive Officer" and "Directors' Attendance Record at Meetings" below.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions of Directors of Listing Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its code for securities transactions by directors.

The Company has made specific enquiries of all the Directors and all the Directors confirmed that they have strictly complied with the required standards set out in the Model Code during the year under review.

THE BOARD OF DIRECTORS

Board Composition

The members of the Board of the Company during the year ended 31 December 2012 are set out below:

Executive Directors
Mr. Wong Chiu Yeung *(Chairman)*
Mr. Chen Yuanlai
Mr. Cheng Hiu Lok
Mr. Li Wei
Mr. Liu Zhijie (retired on 10 May 2012)
Mr. Huang Youquan

Non-executive Director
Mr. Fung Ka Pun (Resigned on 6 January 2013)

Independent Non-executive Directors
Mr. Ting Leung Huel Stephen
Mr. Lu Hong Te
Mr. Dai Yiyi

Biographical details of the Directors and the senior management of the Group are set out in the section headed "Biography of Directors and Senior Management" in the annual report. There is no financial, business, family or other material/relevant relationships between Board members.

Mr. Ting Leung Huel Stephen, one of the Independent Non-executive Directors, has considerable experience in accounting and financial management, which is in line with the requirement of Rule 3.10 (2) of the Listing Rules which states that "at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise".

As required under Rule 3.10A of the Listing Rules, an issuer must appoint independent non-executive directors representing at least one-third of the board and comply with this rule by 31 December 2012. Mr. Liu Zhijie, a former Executive Director, retired as an Executive Director during the period with effect from 10 May 2012. Accordingly, the Independent Non-executive Directors of the Company represent one-third of the Board and comply with the relevant requirements of the Listing Rules since 10 May 2012.

Mr. Fung Ka Pun, a former Non-executive Director, has decided not to renew his term of appointment as Non-executive Director with the Company with effect from 6 January 2013 upon the expiration of his term of appointment due to his wish to focus his time and efforts pursuing his personal business development in the future. After his resignation, Mr. Fung Ka Pun has been engaged as the Company's consultant since January 2013.

In accordance with the provision A.1.8 of the Code, the Company has arranged appropriate insurance cover for the Directors and senior management in respect of any possible legal action against them.

In accordance with the provision A.6.5 of the Code, all directors should participate in continuous professional development to develop and refresh their knowledge and skills. During the year under review, the Company has arranged suitable training for all Directors to ensure that their contribution to the Board remains informed and relevant. During the year, the Directors have either attended the training arranged by the Company or attended other relevant training in order to comply with the requirement of provision A.6.5 of the Code.

Directors' Responsibilities

The Board is responsible to all shareholders for supervising and overseeing all major matters of the Company, including the formulation and approval of overall management and operation strategies, reviewing the internal control and risk management systems, reviewing financial performance, considering dividend policy and monitoring the performance of the senior management, so as to achieve high efficiency in relevant business of the Company. The senior management is responsible for the daily management and specific operation of the Group.

Directors' Attendance Record at Meetings

Pursuant to provision A.1.1 of the Code, the Board should meet regularly and board meetings should be held at least four times a year. For the year ended 31 December 2012, the Company has held nine board meetings. It is considered that the Directors were well acknowledged to the operation of the Group for the year under review. The attendance of each Director for the board meetings and general meeting of the Company is contained in the following table:

	Number of attendance/ Total number of board meeting	Number of attendance/ Total number of general meeting
Executive Directors:		
Mr. Wong Chiu Yeung	9/9	1/1
Mr. Chen Yuanlai	8/8[1]	0/1
Mr. Cheng Hiu Lok	8/8[1]	0/1
Mr. Li Wei	8/8[1]	1/1
Mr. Liu Zhijie	2/2[2]	0/1
Mr. Huang Youquan	8/8[1]	0/1
Non-executive Director:		
Mr. Fung Ka Pun	9/9	1/1
Independent Non-executive Directors:		
Mr. Ting Leung Huel Stephen	9/9	1/1
Mr. Lu Hong Te	9/9	0/1[3]
Mr. Dai Yiyi	9/9	0/1[3]

1 Except for our Chairman Mr. Wong Chiu Yeung, all Executive Directors absented themselves from the board meeting held on 31 December 2012 where the composition of the Executive Directors and related issues were discussed.

2 Mr. Liu Zhijie retired from his office of an Executive Director with effect from 10 May 2012 and attended two board meetings held before his retirement.

3 Under provision A.6.7 of the Code, independent non-executive directors and other non-executive directors should also attend general meetings. Under provision E.1.2 of the Code, chairman of the board committees should attend the annual general meeting. Due to other business engagements, Mr. Lu Hong Te (an independent non-executive Director) and Mr. Dai Yiyi (an independent non-executive Director and the chairman of the remuneration committee of the Board), could not attend the annual general meeting of the Company held on 10 May 2012 (the "2012 AGM"). However, there were other executive Directors, non-executive Director and independent non-executive Director (namely, Mr. Ting Leung Huel Stephen, a member of the remuneration committee of the Board) present at the 2012 AGM to enable the Board to develop a balanced understanding of the views of shareholders of the Company and to answer questions raised at the 2012 AGM.

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under provision A.2.1 of the Code, the roles of the Chairman and the Chief Executive Officer should be separate and should not be performed by the same individual. During the year under review, Mr. Wong Chiu Yeung performed his duties as both the Chairman and the Chief Executive Officer of the Company. The Board believes that serving by the same individual as Chairman and Chief Executive Officer during the rapid development of the business is beneficial to the consistency of business plans and decision-making of the Company.

COMPLIANCE OF NON-COMPETITION DEED

The Company entered into a non-competition deed (the "Non-competition Deed") with Mr. Wong Chiu Yeung on 6 January 2010 pursuant to which Mr. Wong has undertaken to the Company not to compete with any business of the Group and shall use his best endeavors to procure his affiliates not to engage in, assist or support a third party in the operation of, or participate or be interested in any property development business in the PRC. Furthermore, Mr. Wong has undertaken to the Company (for itself and for the benefit of the Group) that during the term of the Non-competition Deed to procure any investment or commercial opportunity relating to property development business in the PRC that he or any of his affiliates identifies or proposes or that is offered or presented to them by a third party to first refer such opportunity to the Company in accordance with terms of the Non-competition Deed.

The Company has received a declaration from Mr. Wong of his compliance with the terms of the Non-competition Deed during the year ended 31 December 2012 and up to the date of this report.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Board has received the written confirmation from each of the Independent Non-executive Directors, confirming that he has met the independence requirement set out in Rule 3.13 of the Listing Rules. The Board considers that all the Independent Non-executive Directors are independent under these independence requirements.

The Independent Non-executive Directors play an important role in applying their independent analyses and professional judgments to provide a professional and fair view to the decisions of the Board. This is not only beneficial to the warranty of the scientific element of the decision, but also enhancing the protection of interests of the Company and the shareholders.

REMUNERATION COMMITTEE

With effect from 1 April 2012, Rule 3.25 of the Listing Rules requires that the majority members of the remuneration committee must be independent non-executive directors and the chairman must be an independent non-executive director. In order to comply with the relevant requirements, the Board made adjustments to the members of the Remuneration Committee as follows: with effect from 1 April 2012, Mr. Wong Chiu Yeung resigned as Chairman of the Remuneration Committee but remained as a member of the Remuneration Committee, Mr. Dai Yiyi, an Independent Non-executive Director, was appointed as Chairman of the Remuneration Committee, and Mr. Ting Leung Huel Stephen, an Independent Non-executive Director, remained as a member of the Remuneration Committee.

The prime duties of the Remuneration Committee are:

- to make recommendations to the Board on the Company's policy and structure for all directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

- to make recommendations to the Board on the remuneration packages of individual executive directors and senior management;

- to make recommendations to the Board on the remuneration of non-executive directors.

During the year under review, the Remuneration Committee has held two meetings. All the members attended the two meetings.

NOMINATION COMMITTEE

With effect from 1 April 2012, provision A.5.1 of the Code requires that, the majority members of the nomination committee must be independent non-executive directors and the chairman must be the chairman of the Board or an independent non-executive director. In order to comply with the relevant requirements, the Board of the Company made adjustments to the members of the Nomination Committee as follows: with effect from 1 April 2012, Mr. Cheng Hiu Lok resigned as Chairman and member of the Nomination Committee and Mr. Li Wei also resigned as member of the Nomination Committee; Mr. Wong Chiu Yeung, the Chairman of the Board, was appointed as the Chairman of the Nomination Committee, Mr. Dai Yiyi, an Independent Non-executive Director, was appointed as a member of the Nomination Committee, and Mr. Lu Hong Te, an Independent Non-executive Director, remained as a member of the Nomination Committee.

The prime duties of the Nomination Committee are:

- to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

- to identify individuals suitably qualified to become members of the Board and select or make recommendations to the Board on the selection of individuals nominated for directorships;

- to assess the independence of the independent non-executive directors;

- to make recommendations to the Board on relevant matters relating to the appointment or re-appointment of directors and succession planning for directors in particular the chairman and chief executive officer.

During the year under review, the Nomination Committee has held one meeting. All the members attended the meeting.

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE

The Company established an Audit Committee on 6 January 2010 in compliance with Rule 3.21 of the Listing Rules. As required, the Audit Committee of the Company comprises three Independent Non-executive Directors, with Mr. Ting Leung Huel Stephen as the Chairman. The other two members are Mr. Lu Hong Te and Mr. Dai Yiyi.

The prime duties of the Audit Committee are:

- responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and other terms of engagement of the external auditor, and any questions of its resignation or dismissal;

- to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

- to monitor the integrity of the Company's financial statements and annual report and accounts, interim report and to review significant financial reporting judgments contained in them;

- oversight of the Company's financial reporting system and internal control procedures.

During the year under review, the Audit Committee has held two meetings. All members attended the two meetings.

CORPORATE GOVERNANCE COMMITTEE

Pursuant to provision D.3.1 of the Code, the Company established a Corporate Governance Committee on 1 April 2012 to better implement and review the policies and practices on corporate governance. Mr. Li Wei, an Executive Director, was appointed as Chairman of the Corporate Governance Committee and Mr. Ting Leung Huel Stephen and Mr. Lu Hong Te, both Independent Non-executive Directors, were appointed as members of the Corporate Governance Committee.

The prime duties of the Corporate Governance Committee are:

- to develop and review the Company's policies and practices on corporate governance and to make recommendations to the Board;

- to review and approve the annual corporate governance report and related disclosures in the annual and interim reports of the Company and ensuring compliance with relevant requirements under the Listing Rules or the rules of any other stock exchange in respect of which the securities of the Company are listed or quoted, or other laws, regulations, rules and codes as may be applicable to the Company;

- to make sure that appropriate monitoring systems are in place to ensure compliance against the relevant internal controls systems, processes and policies, and in particular to monitor the implementation of the Company's plans to maintain high compliance with its own risk management standards;

- to review and monitor the training and continuous professional development of directors and senior management;

- to review the Company's compliance with the corporate governance code from time to time adopted by the Company and the disclosure in the corporate governance report to be contained in the Company's annual reports.

During the year under review, the Corporate Governance Committee has held one meeting. All the members attended the meeting.

AUDITORS' REMUNERATION

For the year under review, the fees paid to the auditor of the Company in respect of the audit services and non-audit services provided to the Company amounted to RMB2,630,000 and RMB1,326,000, respectively.

The Audit Committee is responsible to recommend to the Board on matters related to the appointment, re-appointment and removal of the auditors. The Audit Committee recommended the re-appointment of Ernst & Young as the external auditors of the Group for the year ending 31 December 2013, subject to the approval of the shareholders at the annual general meeting of the Company.

DIRECTORS' RESPONSIBILITY ON THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2012, and confirm that the financial statements give a true view of the financial positions and results of the Company and the Group as at the date and for the year of the date ended, and are prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. The statement of the external auditors of the Company, Ernst & Young, about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditors' Report on page 58.

CORPORATE GOVERNANCE REPORT

INTERNAL CONTROLS

The Board is fully responsible for maintaining proper and effective internal controls and for regularly reviewing the operational efficiency of the financial, operational, compliance, risk controls, human resources and other aspects of the system in order to safeguard the independence of the respective duties and powers of the Group which in turn protecting the investment of shareholders and the assets of the Company.

The Audit and Legal Department of the Company is responsible for regular review and audit of the finance and operation of the Company and its subsidiaries for the purpose of ensuring the internal controls are in place and functioning properly as intended. For weaknesses of internal controls and accounting procedures of the Group which the external auditors have identified and reported to the Company, the Company would pay full attention to the recommendations made by the external auditors and make appropriate improvements.

Besides, the Company has also appointed Ernst & Young (China) Advisory Limited to examine and evaluate the internal control system of the Company for the year. The 2012 internal control assessment report revealed that no material control weakness was identified.

During the year under review, the Board has constructed a review on the internal control system of the Group and its effectiveness and concluded that the internal control system of the Company was adequate and effective during the year.

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

Establishing a good relationship with investors plays a vital role in enhancing the operational efficiency of the Company and in protecting interests of the shareholders. The Company insists a transparent, honest and timely disclosure of related information on the business development of the Company through various channels to ensure that the shareholders and investors have an adequate understanding of the operations of the Company.

A full report will be published on our website at http://www.sce-re.com. The website of the Company also provides information such as e-mail address, correspondence address, telephone numbers etc. for making inquiries to the Company in order to maintain effective communication with the shareholders and investors. In addition, interim and annual reports, circulars and notices of the Company will be despatched to shareholders in due course.

During the year, the Company has received numerous visits from investors and arranged investors and analysts to visit our property sites at various locations. The Company has also presented to them the development strategies and business operation status of the Company. The Company also participated in various investor conferences to enhance the industry awareness of the Company. We believe actively seeking face-to-face communication with shareholders and investors is the best way to enhance their confidence in the Company.

The Company's annual general meeting of shareholders is a good opportunity for communication between the Board and shareholders of the Company. Notice of annual general meetings and related documents will be sent to the shareholders pursuant to the requirements of the Listing Rules, and will be published on the website of the Hong Kong Stock Exchange and of the Company.

SHAREHOLDERS' RIGHTS

1. Procedures for shareholders to convene an extraordinary general meeting

1.1 The following procedures for shareholders (the "Shareholders", each a "Shareholder") of the Company to convene an extraordinary general meeting (the "EGM") of the Company are prepared in accordance with Article 58 of the articles of association of the Company:

(1) One or more Shareholders (the "Requisitionist(s)") holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall have the right, by written requisition (the "Requisition"), to require an EGM to be called by the Directors for the transaction of any business specified therein.

(2) Such Requisition shall be made in writing to the Board or the company secretary of the Company via email at the email address of the Company at ir@sce-re.com.

(3) The EGM shall be held within two months after the deposit of such Requisition.

(4) If the Board fail to proceed to convene such meeting within twenty-one (21) days of the deposit of such Requisition, the Requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the Requisitionist(s) as a result of the failure of the Board shall be reimbursed to the Requisitionist(s) by the Company.

2. Procedures for raising enquiries

2.1 Shareholders should direct their questions about their shareholdings, share transfer, registration and payment of dividend to the Company's Hong Kong share registrar, details of which are set out in the section headed "Corporate Information" of this annual report.

2.2 Shareholders may at any time raise any enquiry in respect of the Company via email at the email address of the Company at ir@sce-re.com.

2.3 Shareholders are reminded to lodge their questions together with their detailed contact information for the prompt response from the Company if it deems appropriate.

CORPORATE GOVERNANCE REPORT

3. Procedures and contact details for putting forward proposals at shareholders' meetings

3.1 To put forward proposals at a general meeting of the Company, a Shareholder should lodge a written notice of his/her/its proposal ("Proposal") with his/her/its detailed contact information via email at the email address of the Company at ir@sce-re.com.

3.2 The identity of the Shareholder and his/her/its request will be verified with the Company's Hong Kong share registrar and upon confirmation by the branch share registrar that the request is proper and in order and made by a Shareholder, the Board will determine in its sole discretion whether the Proposal may be included in the agenda for the general meeting to be set out in the notice of meeting.

3.3 The notice period to be given to all the Shareholders for consideration of the Proposal raised by the Shareholder concerned at the general meeting varies according to the nature of the Proposal as follows:

(1) Notice of not less than 21 clear days and not less than 20 clear business days in writing if the Proposal requires approval in an annual general meeting;

(2) Notice of not less than 21 clear days and not less than 10 clear business days in writing if the Proposal requires approval by way of a special resolution in an extraordinary general meeting;

(3) Notice of not less than 14 clear days and not less than 10 clear business days in writing if the Proposal requires approval in an extraordinary general meeting other than by way of a special resolution of the Company.

REPORT OF THE DIRECTORS

The Directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is principally engaged in property development, property investment and property management in the PRC during the year. Details of the principal activities of the subsidiaries are set out in note 21 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2012 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 60 to 149. The Directors do not recommend the payment of any final dividend for the year ended 31 December 2012.

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The Company's shares have been listed on the Hong Kong Stock Exchange since 5 February 2010. Proceeds from the issuance of new shares pursuant to the Company's initial public offering amounted to approximately HK$1,500 million (RMB1,318 million) (net of related issuing expenses). Such net proceeds have been used in the following manner:

	Amount raised *(RMB million)*	**Amount used as at 31 December 2012** *(RMB million)*
Land premium	660	660
Development of existing property projects	528	528
General working capital	130	130
	1,318	1,318

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the Company's prospectus and audited financial statements, is set out on page 150. This summary does not form part of the audited financial statements.

REPORT OF THE DIRECTORS

PROPERTY AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property and equipment and investment properties of the Group during the year are set out in notes 15 and 16 to the financial statements, respectively.

PROPERTIES UNDER DEVELOPMENT

Details of the properties under development of the Group during the year are set out in note 19 to the financial statements.

COMPLETED PROPERTIES HELD FOR SALE

Details of the completed properties held for sale of the Group during the year are set out in note 24 to the financial statements.

SHARE CAPITAL

There were no movements in either the Company's authorised or issued share capital during the year.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 38(e) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2012, the Company's reserves available for distribution calculated in accordance with the provisions of the Companies Law of the Cayman Islands amounted to RMB1,657,205,000.

REPORT OF THE DIRECTORS

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling RMB31,110,000.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2012, sales to the Group's five largest customers accounted for less than 30% of the Group's total revenue for the year. Purchases from the Group's five largest suppliers amounted for less than 30% of the total purchases for the year.

None of the Directors or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and suppliers.

DIRECTORS

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

Executive Directors:

Mr. Wong Chiu Yeung	
Mr. Chen Yuanlai	
Mr. Cheng Hiu Lok	
Mr. Li Wei	
Mr. Liu Zhijie	(retired on 10 May 2012)
Mr. Huang Youquan	

Non-executive Director:

Mr. Fung Ka Pun	(resigned on 6 January 2013)

Independent Non-executive Directors:
- Mr. Ting Leung Huel Stephen
- Mr. Lu Hong Te
- Mr. Dai Yiyi

In accordance with article 84 of the Company's articles of association, at each annual general meeting, one third of the directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every director shall be subject to retirement at an annual general meeting at least once every three years. The directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of directors upon reaching any age limit.

Mr. Wong Chiu Yeung, Mr. Huang Youquan and Mr. Ting Leung Huel Stephen will retire as Directors at the forthcoming annual general meeting and being eligible, will offer themselves for re-election at the meeting.

REPORT OF THE DIRECTORS

The Company has received annual confirmations of independence from all the three Independent Non-executive Directors and as at the date of this report still considers them to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 34 to 38 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Wong Chiu Yeung, Mr. Chen Yuanlai, Mr. Cheng Hiu Lok and Mr. Li Wei, has entered into a service contract with the Company for a term of three years commencing from 5 February 2010. Mr. Huang Youquan has entered into a service contract with the Company for a term from 1 May 2011 to 4 February 2013. Each of their service contracts is renewable automatically upon the expiry of the then current term of appointment, subject to termination by either party giving not less than three months' written notice.

The Company has issued a letter of appointment to each of Mr. Fung Ka Pun, being the Non-executive Director, Mr. Ting Leung Huel Stephen, Mr. Lu Hong Te and Mr. Dai Yiyi, being the Independent Non-executive Directors of the Company for an initial term of three years commencing from 6 January 2010. Upon expiry of the initial term, Mr. Fung Ka Pun has tendered his resignation as a Non-executive Director with effect from 6 January 2013; and the Company has issued a letter of appointment to each of Mr. Ting Leung Huel Stephen, Mr. Lu Hong Te and Mr. Dai Yiyi, for their appointment as the Independent Non-executive Directors of the Company for a term of three years commencing from 6 January 2013 to 5 January 2016, which is renewable automatically thereafter for successive term of one year each commencing from the next day after the expiry of the then current term of appointment, subject to termination by either party giving not less than two months' written notice and the retirement by rotation requirement in accordance with the articles of association of the Company and the Listing Rules.

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's board of directors with reference to directors' duties, responsibilities and performance and the results of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

Save as the transactions set out in note 44 to the financial statements and the transaction specified in the paragraph headed "Connected Transaction" in this section, no Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during the year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES, AND DEBENTURES

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

Long positions in ordinary shares of the Company:

	Interest in shares			
Name of Director	**Beneficial Owner**	**Interest of controlled corporation**	**Number of shares held**	**Percentage of the Company's issued share capital**
Mr. Wong Chiu Yeung ("Mr. Wong")	1,000,000	1,640,000,000 (Note 1)	1,641,000,000	57.5%
Mr. Chen Yuanlai ("Mr. Chen")	–	120,000,000 (Note 2)	120,000,000	4.2%
Mr. Cheng Hiu Lok ("Mr. Cheng")	–	120,000,000 (Note 3)	120,000,000	4.2%
Mr. Fung Ka Pun ("Mr. Fung") (Note 4)	–	12,380,000 (Note 5)	12,380,000	0.4%

Note 1: These 1,640,000,000 shares are registered in the name of Newup Holdings Limited ("Newup"). Mr. Wong holds 100% of the entire issued share capital of Newup and is deemed to be interested in the 1,640,000,000 shares held by Newup pursuant to the SFO.

Note 2: These 120,000,000 shares are registered in the name of Rising Trade Holdings Limited. Mr. Chen holds 100% of the entire issued share capital of Rising Trade Holdings Limited and is deemed to be interested in the 120,000,000 shares held by Rising Trade Holdings Limited pursuant to the SFO.

Note 3: These 120,000,000 shares are registered in the name of Wealthy Gate Holdings Limited. Mr. Cheng holds 100% of the entire issued share capital of Wealthy Gate Holdings Limited and is deemed to be interested in the 120,000,000 shares held by Wealthy Gate Holdings Limited pursuant to the SFO.

Note 4: Mr. Fung resigned as a Non-executive Director with effect from 6 January 2013.

Note 5: These 12,380,000 shares are registered in the name of Goodwill International (Holdings) Limited of which 2,600,000 shares are held in trust of the K P Fung Family Trust, a discretionary trust set up by Mr. Fung. 19% and 25.44% of the entire issued share capital of Goodwill International (Holdings) Limited is directly and indirectly owned by Mr. Fung, respectively. As such, he is deemed to be interested in all these shares held by Goodwill International (Holdings) Limited, as to 9,780,000 shares as interest of controlled corporation and as to 2,600,000 shares as founder of a discretionary trust.

REPORT OF THE DIRECTORS

Save as disclosed above, as at 31 December 2012, none of the Directors and chief executives of the Company had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any of the Directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The participants of the Scheme include any directors (including executive directors, non-executive directors and independent non-executive directors) and employees of any member of the Group and any advisors, consultants, distributors, contractors, customers, suppliers, agents, business partners, joint venture business partners, service providers of any member of the Group.

The Scheme became effective on 6 January 2010 and unless otherwise cancelled or amended, will remain in force for a period of 10 years to 5 January 2020.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 30% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting. Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors of the Company. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 5 business days from the date of delivery of the offer letter, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, which period may commence from the date of the offer of the share options, and ends on a date which is not later than 10 years from the date of the grant of the share options.

At the time of grant of the share options, the Company may specify any minimum period(s) for which an option must be held before it can be exercised.

The exercise price of the share options is determinable by the directors, but shall not be less than the highest of (i) the closing price of the Company's shares as quoted on the Hong Kong Stock Exchange's daily quotation sheets on the date of the offer of the share options; and (ii) the average closing price of the Company's shares as quoted on the Hong Kong Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares.

Further details of the Scheme are disclosed in note 37 to the financial statements. No share options had been granted under the Scheme since the Scheme has become effective.

CONTRACT OF SIGNIFICANCE

No contracts of significance in relation to the Group's business to which the Company, or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted during or at the end of the year.

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.

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

At 31 December 2012, the interests or short positions of the persons (other than a director or chief executive of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or which would fall to be disclosed to the Company and the Hong Kong Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO were as follows:

Long positions:

Name	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Newup (Note)	Beneficial owner	1,640,000,000	57.5%

Note: Newup is wholly-owned and controlled by Mr. Wong; accordingly, Mr. Wong is deemed to be interested in the shares held by Newup. Mr. Wong is the sole director of Newup.

Save as disclosed above, at 31 December 2012, no person, other than a Director or chief executive of the Company, whose interests are set out in the section "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had registered an interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or which would fall to be disclosed to the Company and the Hong Kong Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO.

REPORT OF THE DIRECTORS

CONNECTED TRANSACTION

In addition to the related party transactions which constitute connected transactions or continuing connected transactions as mentioned in note 44 to the financial statements, on 27 September 2012, Fujian Straits West-Coast Investment Co., Ltd. ("Fujian Straits West-Coats") (an indirect non-wholly owned subsidiary of the Company) as vendor and Mr. Fung Ka Pun ("Mr. Fung") (a former non-executive Director, which has resigned on 6 January 2013) and his wife, Ms. Choi Hon Hing ("Mrs. Fung") as purchasers entered into a sale and purchase agreement, pursuant to which Fujian Straits West-Coast sold a retail shop in Fortune Plaza • World City in Quanzhou, Fujian Province to Mr. Fung and Mrs. Fung at a consideration of approximately RMB6.31 million. The sale is in the ordinary course of business of the Group. As Mr. Fung was a then non-executive Director and Mrs. Fung is the wife of Mr. Fung, both Mr. Fung and Mrs. Fung are connected persons of the Company. Therefore, the sale constitutes a connected transaction under Chapter 14A of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the Listing Rules as at 27 March 2013, being the latest practicable date prior to the date of this report.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the year and up to the date of this report, none of the Directors are considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

DISCLOSURE PURSUANT TO RULES 13.18 OF THE LISTING RULES

As disclosed in the announcement of the Company dated 23 July 2012, by an agreement (the "Facility Agreement") dated 23 July 2012 entered into by and among, inter alia, the Company as borrower, certain of its subsidiaries as original guarantors, and a syndicate of banks, the banks have agreed to grant to the Company a term loan facility in the principal amount of HK$400,000,000 (the "Facility") to finance land acquisition and general corporate funding of the Group.

The Facility is for a term of three years commencing from the date of the Facility Agreement, and is guaranteed by certain subsidiaries of the Company and secured by pledges over their capital stocks.

The Facility Agreement contains a requirement that Mr. Wong Chiu Yeung ("Mr. Wong"), a controlling shareholder and an executive Director, must remain the single largest shareholder in the Company and must hold legally and beneficially and directly or indirectly 40% or more of all classes of the Company's voting share capital. A breach of such requirement will constitute an event of default under the Facility Agreement, and as a result, the Facility is liable to be declared immediately due and payable. The occurrence of such circumstance may trigger the cross default provisions of the RMB2,000,000,000 US$ settled 10.5% senior notes due 2016 issued by the Company in January 2011 and the US$350 million 11.5% senior notes due 2017 issued by the Company in November 2012 and January 2013.

As at the date of this annual report, Mr. Wong and his associates together own approximately 57.5% of the voting share capital of the Company.

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events of the Group after the reporting period are set out in note 48 to the financial statements.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD
Wong Chiu Yeung
Chairman

Hong Kong
27 March 2013

INDEPENDENT AUDITORS' REPORT

ERNST & YOUNG
安 永

To the shareholders of China SCE Property Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China SCE Property Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 60 to 149, which comprise the consolidated and company statements of financial position as at 31 December 2012, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

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

INDEPENDENT AUDITORS' REPORT

To the shareholders of China SCE Property Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

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 disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

27 March 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
REVENUE	6	**3,636,658**	3,770,348
Cost of sales		**(2,352,023)**	(2,227,639)
Gross profit		**1,284,635**	1,542,709
Other income and gains	6	**97,627**	107,617
Changes in fair value of investment properties	16	**381,754**	348,361
Selling and marketing expenses		**(102,389)**	(130,807)
Administrative expenses		**(259,016)**	(204,129)
Other expenses		**(5,098)**	(1,720)
Finance costs	7	**(107,052)**	(130,872)
Exchange differences arising from retranslation of senior notes, net	8	**2,546**	(48,411)
Share of profits and losses of:			
Jointly-controlled entities		**1,018**	(4,964)
Associates		**(1,928)**	(9,907)
PROFIT BEFORE TAX	8	**1,292,097**	1,467,877
Income tax expense	11	**(391,073)**	(590,874)
PROFIT FOR THE YEAR		**901,024**	877,003
OTHER COMPREHENSIVE INCOME/(LOSS):			
Cash flow hedges:			
Changes in fair value of derivative financial instruments		**(31,637)**	–
Reclassification adjustments for exchange losses included in the profit or loss of the consolidated statement of comprehensive income		**(19,545)**	–
		(51,182)	–
Share of other comprehensive income/(loss) of jointly-controlled entities		**(93)**	2,370
Share of other comprehensive income/(loss) of associates		**(1,939)**	7,227
Release upon deregistration of a jointly-controlled entity		**(4,286)**	–
Release upon a deemed acquisition of subsidiaries		**(9,850)**	–
Exchange differences arising from net investment hedge in foreign operations	8	**1,042**	(45,853)
Exchange differences on translation of foreign operations		**16,142**	49,646
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**(50,166)**	13,390
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**850,858**	890,393

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
Profit attributable to:			
Owners of the parent	12	**672,003**	715,757
Non-controlling interests		**229,021**	161,246
		901,024	877,003
Total comprehensive income attributable to:			
Owners of the parent		**618,819**	717,636
Non-controlling interests		**232,039**	172,757
		850,858	890,393
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	14		
Basic and diluted		**RMB23.6 cents**	RMB25.1 cents

Details of dividends for the year are disclosed in note 13 to the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
NON-CURRENT ASSETS			
Property and equipment	15	**144,864**	159,973
Investment properties	16	**2,854,000**	1,855,000
Prepaid land lease payments	17	**2,263,953**	2,910,310
Intangible asset	18	**4,319**	4,486
Properties under development	19	**1,261,631**	899,644
Contract in progress	20	**313,072**	279,864
Investments in jointly-controlled entities	22	**279,146**	284,683
Investments in associates	23	**51,673**	24,900
Prepayments and deposits	26	**974,259**	567,209
Deferred tax assets	35	**138,039**	241,192
Total non-current assets		**8,284,956**	7,227,261
CURRENT ASSETS			
Properties under development	19	**6,481,298**	4,450,136
Completed properties held for sale	24	**1,064,592**	606,079
Trade receivables	25	**388,350**	172,368
Prepayments, deposits and other receivables	26	**571,887**	305,943
Due from related parties	27	**25,527**	410,893
Tax recoverable		**83,830**	33,832
Restricted cash	28	**678,069**	191,884
Pledged deposits	28	**173,000**	–
Cash and cash equivalents	28	**2,277,221**	1,887,478
Total current assets		**11,743,774**	8,058,613
CURRENT LIABILITIES			
Trade payables	29	**812,921**	788,588
Receipts in advance	30	**2,806,387**	1,473,005
Other payables and accruals	31	**1,334,638**	759,802
Interest-bearing bank and other borrowings	32	**2,111,571**	1,406,736
Due to related parties	27	**70,250**	81,124
Tax payable		**727,884**	913,569
Total current liabilities		**7,863,651**	5,422,824
NET CURRENT ASSETS		**3,880,123**	2,635,789
TOTAL ASSETS LESS CURRENT LIABILITIES		**12,165,079**	9,863,050

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2012

	Notes	**2012** **RMB'000**	2011 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**12,165,079**	9,863,050
NON-CURRENT LIABILITIES			
Other payables	31	**–**	15,000
Interest-bearing bank and other borrowings	32	**1,648,729**	1,720,197
Senior notes	33	**3,195,049**	1,953,506
Derivative financial instruments	34	**31,637**	–
Deferred tax liabilities	35	**352,399**	243,606
Provision for major overhauls	36	**16,381**	11,834
Total non-current liabilities		**5,244,195**	3,944,143
Net assets		**6,920,884**	5,918,907
EQUITY			
Equity attributable to owners of the parent			
Issued capital	37	**250,683**	250,683
Reserves	38	**4,590,666**	4,071,811
		4,841,349	4,322,494
Non-controlling interests		**2,079,535**	1,596,413
Total equity		**6,920,884**	5,918,907

Director

Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2012

	Attributable to owners of the parent											
	Issued capital RMB'000 (note 37)	Share premium account RMB'000 (note 38(e))	Capital reserve RMB'000 (note 38(b))	Statutory surplus reserve RMB'000 (note 38(c))	Merger reserve RMB'000 (note 38(d))	Other reserves RMB'000	Hedging reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2011	250,683	1,749,699	(173)	115,268	30	6,403	–	66,057	1,479,092	3,667,059	1,017,891	4,684,950
Profit for the year	–	–	–	–	–	–	–	–	715,757	715,757	161,246	877,003
Other comprehensive income/(loss) for the year:												
Share of other comprehensive income of jointly-controlled entities	–	–	–	–	–	2,370	–	–	–	2,370	–	2,370
Share of other comprehensive income of associates	–	–	–	–	–	7,227	–	–	–	7,227	–	7,227
Exchange differences arising from net investment hedge in foreign operations	–	–	–	–	–	–	(45,853)	–	–	(45,853)	–	(45,853)
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	38,135	–	38,135	11,511	49,646
Total comprehensive income/(loss) for the year	–	–	–	–	–	9,597	(45,853)	38,135	715,757	717,636	172,757	890,393
Capital contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	489,096	489,096
Acquisition of a non-controlling interest	–	–	62,089	–	–	–	–	–	–	62,089	(83,331)	(21,242)
Final 2010 dividend	–	–	–	–	–	–	–	–	(124,290)	(124,290)	–	(124,290)
Transfer to statutory surplus reserve	–	–	–	71,773	–	–	–	–	(71,773)	–	–	–
At 31 December 2011	250,683	1,749,699*	61,916*	187,041*	30*	16,000*	(45,853)*	104,192*	1,998,786*	4,322,494	1,596,413	5,918,907

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2012

	Attributable to owners of the parent											
	Issued capital RMB'000 (note 37)	Share premium account RMB'000 (note 38(e))	Capital reserve RMB'000 (note 38(b))	Statutory surplus reserve RMB'000 (note 38(c))	Merger reserve RMB'000 (note 38(d))	Other reserves RMB'000	Hedging reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2012	250,683	1,749,699*	61,916*	187,041*	30*	16,000*	(45,853)*	104,192*	1,998,786*	4,322,494	1,596,413	5,918,907
Profit for the year	-	-	-	-	-	-	-	-	672,003	672,003	229,021	901,024
Other comprehensive income/(loss) for the year:												
Share of other comprehensive loss of jointly-controlled entities	-	-	-	-	-	(93)	-	-	-	(93)	-	(93)
Share of other comprehensive loss of associates	-	-	-	-	-	(1,939)	-	-	-	(1,939)	-	(1,939)
Release upon deregistration of a jointly-controlled entity	-	-	-	-	-	(4,286)	-	-	-	(4,286)	-	(4,286)
Release upon a deemed acquisition of subsidiaries	-	-	-	-	-	(9,850)	-	-	-	(9,850)	-	(9,850)
Exchange differences arising from net investment hedge in foreign operations	-	-	-	-	-	-	1,042	-	-	1,042	-	1,042
Cash flow hedges	-	-	-	-	-	-	(51,182)	-	-	(51,182)	-	(51,182)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	13,124	-	13,124	3,018	16,142
Total comprehensive income/(loss) for the year	-	-	-	-	-	(16,168)	(50,140)	13,124	672,003	618,819	232,039	850,858
Capital contribution from non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	334,200	334,200
Acquisition of a non-controlling interest	-	-	(7,470)	-	-	-	-	-	-	(7,470)	(30)	(7,500)
Deemed acquisition of subsidiaries (note 39)	-	-	-	-	-	-	-	-	-	-	913	913
Dividend paid to non-controlling shareholders of a subsidiary	-	-	-	-	-	-	-	-	-	-	(84,000)	(84,000)
Final 2011 dividend	-	(92,494)	-	-	-	-	-	-	-	(92,494)	-	(92,494)
Transfer to statutory surplus reserve	-	-	-	88,628	-	-	-	-	(88,628)	-	-	-
At 31 December 2012	250,683	1,657,205*	54,446*	275,669*	30*	(168)*	(95,993)*	117,316*	2,582,161*	4,841,349	2,079,535	6,920,884

* These reserve accounts comprise the consolidated reserves of RMB4,590,666,000 (2011: RMB4,071,811,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**1,292,097**	1,467,877
Adjustments for:			
Finance costs		**93,323**	130,872
Share of profits and losses of:			
Jointly-controlled entities	22	**(1,018)**	4,964
Associates		**1,928**	9,907
Fair value gain on remeasurement of investments in associates	6	**(41,237)**	–
Interest income	6	**(29,984)**	(57,086)
Write-off of items of property and equipment	8	**5,098**	1,720
Gain on disposal of items of property and equipment, net	6, 8	**(93)**	(3,218)
Depreciation	15	**23,643**	13,954
Amortisation of prepaid land lease payments	17	**47,925**	48,259
Changes in fair value of investment properties	16	**(381,754)**	(348,361)
Amortisation of an intangible asset	18	**167**	176
Loss on derivative financial instruments	7	**13,729**	–
		1,023,824	1,269,064
Additions to prepaid land lease payments	17	**(1,160,110)**	(1,370,553)
Increase in properties under development		**(2,613,432)**	(3,099,205)
Increase in contract in progress	20	**(33,208)**	(253,407)
Decrease in completed properties held for sale		**2,308,258**	2,202,710
Increase in trade receivables		**(215,982)**	(145,261)
Increase in prepayments, deposits and other receivables		**(781,980)**	(284,214)
Decrease/(increase) in amounts due from related parties		**(99,836)**	1,901
Increase in trade payables		**23,829**	345,132
Increase/(decrease) in receipts in advance		**1,136,641**	(58,953)
Increase/(decrease) in other payables and accruals		**(245,854)**	49,296
Increase in provision for major overhauls	36	**4,014**	3,842
Deferred gains from an associate	23	**–**	18,702
Cash used in operations		**(653,836)**	(1,320,946)
Interest received		**29,984**	57,086
Interest paid		**(316,709)**	(324,660)
PRC corporate income tax paid		**(203,840)**	(139,042)
PRC land appreciation tax paid		**(210,869)**	(100,132)
Net cash flows used in operating activities		**(1,355,270)**	(1,827,694)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
Net cash flows used in operating activities		**(1,355,270)**	(1,827,694)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property and equipment	15	**(12,493)**	(62,140)
Deemed acquisition of subsidiaries	39	**8,913**	–
Additions to investment properties	16	**(300,257)**	(67,811)
Proceeds from disposal of items of property and equipment		**767**	6,529
Dividends received from jointly-controlled entities		**24,647**	10,465
Investments in jointly-controlled entities		**–**	(6,000)
Decrease/(increase) in advances of loans to jointly-controlled entities and associates		**363,432**	(336,224)
Decrease/(increase) in restricted cash		**(393,062)**	61,354
Increase in pledged deposits		**(173,000)**	–
Decrease/(increase) in time deposits with original maturity over three months		**41,000**	(66,000)
Net cash flows used in investing activities		**(440,053)**	(459,827)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of senior notes		**1,254,725**	2,000,000
Issuance costs of senior notes		**(26,129)**	(50,575)
New bank and other borrowings		**2,335,201**	1,760,000
Repayment of bank and other borrowings		**(1,919,597)**	(1,344,972)
Increase in advances from non-controlling shareholders of certain subsidiaries		**442,398**	143,857
Acquisition of non-controlling interests		**–**	(34,042)
Decrease in an amount due to a non-controlling shareholder of certain subsidiaries		**(1,410)**	(1,410)
Capital contribution from non-controlling shareholders		**334,200**	489,096
Increase/(decrease) in amounts due to related parties, net		**(10,553)**	4,005
Dividends paid	38	**(92,494)**	(124,290)
Dividends paid to non-controlling shareholders of a subsidiary		**(84,000)**	–
Settlement of derivative financial instruments		**(5,858)**	–
Net cash flows from financing activities		**2,226,483**	2,841,669
NET INCREASE IN CASH AND CASH EQUIVALENTS		**431,160**	554,148
Cash and cash equivalents at beginning of year		**1,821,478**	1,268,891
Effect of foreign exchange rate changes, net		**(417)**	(1,561)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**2,252,221**	1,821,478
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**2,126,748**	1,368,716
Non-pledged time deposits with original maturity of less than three months when acquired		**125,473**	452,762
Non-pledged time deposits with original maturity of over three months when acquired		**25,000**	66,000
Cash and cash equivalents as stated in the statement of financial position	28	**2,277,221**	1,887,478
Less: Non-pledged time deposits with original maturity of over three months when acquired		**(25,000)**	(66,000)
Cash and cash equivalents as stated in the statement of cash flows		**2,252,221**	1,821,478

STATEMENT OF FINANCIAL POSITION

31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
NON-CURRENT ASSETS			
Investment in a subsidiary	21	**–**	–
Due from subsidiaries	21	**1,436,200**	1,447,142
Total non-current assets		**1,436,200**	1,447,142
CURRENT ASSETS			
Prepayments	26	**299**	646
Due from subsidiaries	21	**3,354,311**	2,150,681
Cash and cash equivalents	28	**91,879**	13,655
Total current assets		**3,446,489**	2,164,982
CURRENT LIABILITIES			
Other payables and accruals	31	**128,331**	97,405
Due to a subsidiary	21	**1,056**	815
Interest-bearing bank and other borrowings	32	**72,388**	–
Total current liabilities		**201,775**	98,220
NET CURRENT ASSETS		**3,244,714**	2,066,762
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,680,914**	3,513,904
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	32	**314,746**	–
Senior notes	33	**3,195,049**	1,953,506
Derivative financial instruments	34	**31,637**	–
Total non-current liabilities		**3,541,432**	1,953,506
Net assets		**1,139,482**	1,560,398
EQUITY			
Issued capital	37	**250,683**	250,683
Reserves	38(e)	**888,799**	1,309,715
Total equity		**1,139,482**	1,560,398

Director

Director

NOTES TO FINANCIAL STATEMENTS

31 December 2012

1. CORPORATE INFORMATION

China SCE Property Holdings Limited (the "Company") is incorporated in the Cayman Islands as an exempted company with limited liability. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company and its subsidiaries (collectively referred to as the "Group") were principally engaged in property development, property investment and property management in the People's Republic of China (the "PRC") during the year.

In the opinion of the directors, the ultimate holding company of the Company is Newup Holdings Limited, which is incorporated in the British Virgin Islands (the "BVI").

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and derivative financial instruments, which have been measured at fair value.

These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand ("RMB'000") except when otherwise indicated.

Basis of consolidation

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2012

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

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

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

The principal effects of adopting HKAS 12 Amendments — Amendments to HKAS 12 *Income Taxes — Deferred Tax: Recovery of Underlying Assets* are as follows:

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

The presumption that deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale has been rebutted by the Group as the Group's investment properties are held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Accordingly, the Group continues to measure deferred tax liabilities arising from the fair value changes of their investment properties using tax rate that would apply on recovery of the assets through use. Therefore, the adoption of the amendments did not have any impact on the financial position or performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs

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

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Government Loans*[2]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities*[2]
HKFRS 9	*Financial Instruments*[4]
HKFRS 10	*Consolidated Financial Statements*[2]
HKFRS 11	*Joint Arrangements*[2]
HKFRS 12	*Disclosure of Interests in Other Entities*[2]
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 — *Transition Guidance*[2]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) — *Investment Entities*[3]
HKFRS 13	*Fair Value Measurement*[2]
Amendments to HKAS 1	Amendments to HKAS 1 *Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income*[1]
HKAS 19 (2011)	*Employee Benefits*[2]
HKAS 27 (2011)	*Separate Financial Statements*[2]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*[2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities*[3]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*[2]
Annual Improvements 2009–2011 Cycle	Amendments to a number of HKFRSs issued in June 2012[2]

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

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

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

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs *(Continued)*

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

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

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

HKFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled, compared with the requirements in HKAS 27 and HK(SIC)-Int 12 *Consolidation — Special Purpose Entities*. HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also addresses the issues raised in HK(SIC)-Int 12. Based on the preliminary analyses performed, HKFRS 10 is not expected to have any impact on the currently held investments of the Group.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK(SIC)-Int 13 *Jointly Controlled Entities — Non-Monetary Contributions by Venturers*. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e., joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation.

HKFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities previously included in HKAS 27 *Consolidated and Separate Financial Statements*, HKAS 31 *Interests in Joint Ventures* and HKAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs *(Continued)*

In July 2012, the HKICPA issued amendments to HKFRS 10, HKFRS 11 and HKFRS 12 which clarify the transition guidance in HKFRS 10 and provide further relief from full retrospective application of these standards, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Group is different between HKFRS 10 and HKAS 27 or HK(SIC)-Int 12 at the beginning of the annual period in which HKFRS 10 is applied for the first time. Furthermore, for disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before HKFRS 12 is first applied.

The amendments to HKFRS 10 issued in December 2012 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with HKFRS 9 rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The Group expects that these amendments will not have any impact on the Group as the Company is not an investment entity as defined in HKFRS 10.

Consequential amendments were made to HKAS 27 and HKAS 28 as a result of the issuance of HKFRS 10, HKFRS 11 and HKFRS 12. The Group expects to adopt HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (2011), HKAS 28 (2011), and the subsequent amendments to these standards issued in July and December 2012 from 1 January 2013.

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

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

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

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs *(Continued)*

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of a subsidiary are included in the Company's statement of comprehensive income to the extent of dividends received and receivable. The Company's investment in a subsidiary is stated at cost less any impairment losses.

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

(a) a subsidiary, if the Group/Company has unilateral control, directly or indirectly, over the joint venture;

(b) a jointly-controlled entity, if the Group/Company does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Group/Company does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with HKAS 39, if the Group/Company holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

NOTES TO FINANCIAL STATEMENTS

31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Jointly-controlled entities

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

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

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and reserves of associates is included in the profit or loss of the consolidated statement of comprehensive income and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred.

Business combinations and goodwill

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill *(Continued)*

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of non-financial assets

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

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss of the statement of comprehensive income in the period in which it arises in those expense categories consistent with the function of the impaired asset.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property and equipment and depreciation

Property and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

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

Leasehold land under finance leases	Over the lease terms
Buildings	Over the lease terms
Leasehold improvements	Over the shorter of the lease terms and 20%
Furniture, fixtures and office equipment	19% to 25%
Transportation equipment	10% to 25%

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Properties under development

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

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond the normal operating cycle. On completion, the properties are transferred to completed properties held for sale.

Revenue is only recognised upon completion of the development. Sales deposits/instalments received and receivable from purchasers in respect of pre-sale of properties under development prior to completion of the development are included in current liabilities.

Completed properties held for sale

Completed properties held for sale are stated at the lower of cost and net realisable value. Cost is determined by an apportionment of total land and construction costs attributable to the unsold properties. Net realisable value is determined by reference to the sales proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing market conditions.

Service concession arrangement

The Group has entered into a service concession arrangement with a government body in Quanzhou, the PRC, for the operation and management of certain sports and recreation facilities. The transactions related to such service concession arrangement are accounted for by the Group as follows:

Consideration paid by the Group

An intangible asset (operating concession) is recognised to the extent that the Group receives a right to charge users of the public services. The intangible asset (operating concession) is accounted for in accordance with the policy set out for "Intangible asset (other than goodwill)" below.

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3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Service concession arrangement *(Continued)*

Operating services

Revenue relating to operating services is accounted for in accordance with the policy for "Revenue recognition" below.

Contractual obligations to restore the sports and recreation facilities to a specified level of serviceability

The Group has contractual obligations which it must fulfil as a condition of its licence. The obligations are (a) to maintain the sports and recreation facilities it operates to a specified level of serviceability and (b) to restore the sports and recreation facilities to a specified condition before they are handed over to the grantor at the end of the service concession arrangement. These contractual obligations to maintain or restore the sports and recreation facilities, except for the upgrade element, are recognised and measured in accordance with the policy set out for "Provisions" below.

Intangible asset (other than goodwill)

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

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss of the statement of comprehensive income in the period the intangible asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant intangible asset.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible asset (other than goodwill) *(Continued)*

Operating concession

Operating concession represents the right to operate certain sports and recreation facilities and is stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is provided on the straight-line basis over the period of the operating concession granted to the Group of 30 years.

Investment properties

Investment properties include both completed investment properties and investment properties under construction.

Completed investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Investment properties under construction or development for future use as investment properties are classified as investment properties under construction. Such properties under construction are measured initially at cost, including transaction costs, and stated at fair value, subsequent to initial recognition, at the end of the reporting period when the fair value can be determined reliably.

Gains or losses arising from changes in the fair values of completed investment properties and investment properties under construction are included in profit or loss of the statement of comprehensive income in the year in which they arise.

Any gains or losses on the retirement or disposal of a completed investment property or an investment property under construction are recognised in profit or loss of the statement of comprehensive income in the year of the retirement or disposal.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to profit or loss of the statement of comprehensive income so as to provide a constant periodic rate of charge over the lease terms.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

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

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

Investments and other financial assets

Initial recognition and measurement

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

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

The Group's financial assets include cash and bank balances, amounts due from related parties, deposits and trade and other receivables which are classified and accounted for as loans and receivables.

Subsequent measurement

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial assets

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

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

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

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

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

Impairment of financial assets

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

Financial assets carried at amortised cost

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

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3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

Financial assets carried at amortised cost (Continued)

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

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

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

Financial liabilities

Initial recognition and measurement

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

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

The Group's financial liabilities include trade and other payables, accruals, amounts due to related parties, derivative financial instruments, interest-bearing bank and other borrowings, and senior notes.

Subsequent measurement

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities *(Continued)*

Loans and borrowings

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

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

Senior notes

Senior notes issued by the Company that contain both liability and early redemption option (which is not closely related to the host contract) are classified separately into respective items on initial recognition. At the date of issue, both the liability and early redemption option components are recognised at fair value.

In subsequent periods, the liability component of the senior notes is carried at amortised cost using the effective interest method. The early redemption option is measured at fair value with changes in fair value recognised in profit or loss of the statement of comprehensive income.

Transaction costs that relate to the issue of the senior notes are allocated to the liability and early redemption components in proportion to their relative fair values. Transaction costs relating to the early redemption option are charged to profit or loss of the statement of comprehensive income immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the senior notes using the effective interest method.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long position and ask price for short positions), without any deduction for transaction costs.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts to hedge its foreign currency risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the profit or loss of the statement of comprehensive income, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

For the purpose of hedge accounting, hedges are classified as:

- cash flow hedges when hedging the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability; or

- hedges of a net investment in a foreign operation.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derivative financial instruments and hedge accounting *(Continued)*

Initial recognition and subsequent measurement (Continued)

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the hedging reserve, while any ineffective portion is recognised immediately in the profit or loss of the statement of comprehensive income as other expenses.

Amounts recognised in other comprehensive income are transferred to the profit or loss of the statement of comprehensive income when the hedged transaction affects profit or loss, such as when hedged financial income or financial expense is recognised.

Hedges of a net investment

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a similar way to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised in other comprehensive income while any gains or losses relating to the ineffective portion are recognised in profit or loss of the statement of comprehensive income. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the profit or loss of the statement of comprehensive income.

Current versus non-current classification

Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

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3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Cash and cash equivalents

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

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

Provisions

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

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

Income tax

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

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

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

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

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

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

(b) from the rendering of services, when the services have been rendered;

(c) rental income, on a time proportion basis over the lease terms;

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

(e) facilities rental income, on a time proportion basis over the lease terms.

Land development contract

The Group has entered into a land development contract (the "Land Development Contract") with the local government of Nan'an City (the "Nan'an Government"), the PRC, to carry out the construction and preparation works in respect of land infrastructure and ancillary public facilities on certain land parcels in Nan'an City.

Pursuant to the Land Development Contract, upon completion of the necessary construction and development works of each land parcel, the Group will be entitled to the entire sale proceeds arising from the sale of the relevant land parcel by the Nan'an Government through public auction.

Revenue from the Land Development Contract is recognised upon the transfer of risks and rewards in connection with the land parcel developed and when the amount of revenue can be measured reliably, which occurs upon the completion of related construction and development works as well as the sale of the relevant land parcel. The timing of sale of each land parcel by the Nan'an Government is uncertain and out of the control of the Group.

Costs incurred by the Group in connection with the Land Development Contract comprise the aggregate costs of construction, materials and supplies, capitalised borrowing costs on related borrowing funds during the period of development and other costs directly attributable to such land development contract and are classified as "Contract in progress" before the relevant land parcels are sold.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Land development contract *(Continued)*

Contract in progress is stated at the lower of cost and net realisable value. Net realisable value takes into account the Group's share of the proceeds derived from the sale of the relevant land parcels by the Nan'an Government, less costs to completion and the costs to be incurred in realising the revenue derived from the sale of the land parcels based on prevailing market conditions.

Other employee benefits

Pension schemes

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

The employees of the Group's subsidiaries which operates in Mainland China are required to participate in a central pension scheme (the "Pension Scheme") operated by the local municipal government. The subsidiaries are required to contribute certain percentages of their payroll costs to the Pension Scheme. The only obligation of the Group with respect to the Pension Scheme is to pay the ongoing contributions under the Pension Scheme. The contributions are charged to profit or loss of the statement of comprehensive income as they become payable in accordance with the rules of the Pension Scheme.

Borrowing costs

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

Dividends

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Final dividends are recognised as a liability when they have been approved by the shareholders.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

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

Differences arising on settlement or translation of monetary items are recognised in the profit or loss of the statement of comprehensive income with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to profit or loss of the statement of comprehensive income. Tax charges and credits attributable to exchange differences on these monetary items are also recorded in other comprehensive income.

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

The functional currencies of certain subsidiaries, jointly-controlled entities and associates operating outside the PRC are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their statements of comprehensive income are translated into RMB at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss of the statement of comprehensive income.

For the purpose of the consolidated statement of cash flows, the cash flows of non-PRC entities are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of non-PRC entities which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Operating lease commitments — Group as lessor

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

Classification between investment properties and owner-occupied properties

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

Classification between investment properties and properties held for sale

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Judgements *(Continued)*

Valuation of properties under development and completed properties held for sale

Properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. The cost of each unit in each phase of development is determined using the weighted average method. The estimated net realisable value is the estimated selling price less selling expenses and the estimated cost of completion (if any), which are estimated based on the best available information.

If there is an increase in costs to completion or a decrease in net sales value, the net realisable value will decrease and this may result in a provision for properties under development and completed properties held for sale. Such provision requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the periods in which such estimate is changed will be adjusted accordingly.

Allocation of construction cost on properties under development

When developing properties, the Group typically divides the development projects into phases. Costs directly related to the development of a phase are recorded as the cost of such phase. Costs that are common to each phase are allocated to each phase based on the saleable floor area of each phase as a percentage of the total saleable floor area of the entire project. The cost of the unit sold is determined by the floor area in square metre sold during the year multiplies by the average cost per square metre of that particular phase of the project.

Whether the presumption that investment properties stated at fair value are recovered through sale is rebutted in determining deferred tax

The Group has investment properties located in the PRC which are measured at fair value. Investment property is property held to earn rentals or for capital appreciation or both. In considering whether the presumption in HKAS 12 *Income Taxes* that an investment property measured at fair value will be recovered through sale is rebutted in determining deferred tax, the Group has developed certain criteria in making that judgement, such as whether an investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time or through sale. The presumption is rebutted only in the circumstance that there is sufficient evidences such as historical transaction, future development plan and management's intention to demonstrate the investment property is held with the objective to consume substantially all of the economic benefits over time, rather than through sale. Continuous assessments on the presumption will be made by management at each reporting date.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are, described below.

Estimation of fair value of investment properties

Investment properties, including completed investment properties and investment properties under construction, were revalued at each reporting date during the year based on the appraised market value provided by independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimation, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at each reporting date.

PRC corporate income tax ("CIT")

The Group is subject to income taxes in the PRC. As a result of the fact that certain matters relating to the income taxes have not been confirmed by the local tax bureau, objective estimate and judgement based on currently enacted tax laws, regulations and other related policies are required in determining the provision for income taxes to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the income tax and tax provisions in the period in which the differences realise.

PRC land appreciation tax ("LAT")

The Group is subject to LAT in the PRC. The provision for LAT is based on management's best estimates according to the understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon the completion of the property development projects. The Group has not finalised its LAT calculation and payments with the tax authorities for certain of its property development projects. The final outcome could be different from the amounts that were initially recorded.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

NOTES TO FINANCIAL STATEMENTS

31 December 2012

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

Allowance on trade and other receivables

The provision policy for doubtful debts of the Group is based on the ongoing evaluation of the collectability and aged analysis of the outstanding receivables and on management's estimation. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the creditworthiness and the past collection history of each customer. If the financial conditions of the customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Provision for major overhauls

The Group has contractual obligations which it must fulfil as a condition of the operating concession granted by the grantor, which are (a) to maintain the sports and recreation facilities it operates to a specified level of serviceability and (b) to restore the sports and recreation facilities to a specified condition before they are handed over to the grantor at the end of the service concession arrangement. These contractual obligations to maintain or restore the sports and recreation facilities, except for the upgrade element, are recognised and measured in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, i.e., at the best estimate of the expenditure that would be required to settle the present obligation at the end of the reporting period. The estimation of the expenditure requires the Group to estimate the expected future cash outlays on major overhauls of the facilities over the service concession period and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

5. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the businesses of property development, property investment and property management. For management purposes, the property development and property investment businesses are monitored as one operating segment on a project basis to allocate resources and assess performance. For financial reporting purposes, the property management segment combines with the property development and investment segment as its reported revenue, reported results and assets are less than 10% of the consolidated revenue, consolidated profit and consolidated assets of the Group.

The Group's revenue from external customers from each product or service is set out in note 6 to the financial statements.

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

During the year, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

6. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the gross proceeds, net of business tax, and other sales related taxes from the sale of properties; gross rental income received and receivable from investment properties, and property management fee income, net of business tax, received and receivable during the year.

An analysis of the Group's revenue, other income and gains is as follows:

	2012 **RMB'000**	2011 RMB'000
Revenue		
Sale of properties	**3,522,162**	3,680,800
Gross rental income	**65,356**	58,721
Property management fees	**49,140**	30,827
	3,636,658	3,770,348
Other income and gains		
Bank interest income	**29,984**	57,086
Provision of construction services	**–**	20,160
Foreign exchange gains, net (note 8)	**10,684**	16,799
Gain on disposal of items of property and equipment, net	**93**	3,218
Fair value gain on remeasurement of investments in associates	**41,237**	–
Others	**15,629**	10,354
	97,627	107,617

NOTES TO FINANCIAL STATEMENTS

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7. FINANCE COSTS

An analysis of finance costs is as follows:

	2012 RMB'000	2011 RMB'000
Interest on bank loans and other borrowings and senior notes wholly repayable within five years	**456,639**	425,361
Interest on bank loans repayable beyond five years	**–**	785
Increase in a discounted amount of provision for major overhauls arising from the passage of time (note 36)	**533**	344
Loss on derivative financial instruments	**13,729**	–
Total interest expense on financial liabilities not at fair value through profit or loss	**470,901**	426,490
Less: Interest capitalised	**(363,849)**	(295,618)
	107,052	130,872

8. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	**2012** **RMB'000**	2011 RMB'000
Cost of properties sold		**2,314,988**	2,202,710
Cost of services provided		**36,868**	24,753
Depreciation	15	**23,643**	13,954
Amortisation of land lease payments	17	**47,925**	48,259
Amortisation of an intangible asset*	18	**167**	176
Provision for major overhauls	36	**4,014**	3,842
Minimum lease payments under operating leases for land and buildings		**2,620**	4,212
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties		**372**	217
Auditors' remuneration		**2,630**	2,430
Employee benefit expense (including directors' remuneration (note 9)):			
Salaries and other staff costs		**105,101**	89,941
Pension scheme contributions		**9,901**	9,489
Less: Amount capitalised		**(22,796)**	(20,955)
		92,206	78,475
Write-off of items of property and equipment**	15	**5,098**	1,720
Gain on disposal of items of property and equipment, net		**(93)**	(3,218)
Exchange differences arising from retranslation of senior notes		**15,957**	94,264
Less: Amount recognised in other comprehensive income as a result of net investment hedge		**1,042**	(45,853)
Less: Reclassification from hedging reserve as a result of cash flow hedges	34	**(19,545)**	–
Net exchange differences arising from retranslation of senior notes		**(2,546)**	48,411
Other foreign exchange differences, net	6	**(10,684)**	(16,799)
Exchange differences, net		**(13,230)**	31,612

* The amortisation of an intangible asset for the year is included in "Cost of sales" in the consolidated statement of comprehensive income.

** This item is included in "Other expenses" on the face of the consolidated statement of comprehensive income of the Group.

NOTES TO FINANCIAL STATEMENTS

31 December 2012

9. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	2012 **RMB'000**	2011 RMB'000
Fees	**780**	796
Other emoluments:		
Salaries, allowances and benefits in kind	**5,330**	5,400
Discretionary performance related bonuses	**4,913**	4,533
Pension scheme contributions	**56**	50
	10,299	9,983
	11,079	10,779

(a) Independent non-executive directors

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total RMB'000
2012					
Independent non-executive directors:					
Mr. Ting Leung Huel Stephen	195	–	–	–	195
Mr. Lu Hong Te	195	–	–	–	195
Mr. Dai Yiyi	195	–	–	–	195
	585	–	–	–	585

9. DIRECTORS' REMUNERATION *(Continued)*

(a) Independent non-executive directors *(Continued)*

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total RMB'000
2011					
Independent non-executive directors:					
Mr. Ting Leung Huel Stephen	199	–	–	–	199
Mr. Lu Hong Te	199	–	–	–	199
Mr. Dai Yiyi	199	–	–	–	199
	597	–	–	–	597

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2011: Nil).

(b) Executive directors and a non-executive director

	Fees RMB'000	**Salaries, allowances and benefits in kind RMB'000**	**Discretionary performance related bonuses RMB'000**	**Pension scheme contributions RMB'000**	**Total RMB'000**
2012					
Executive directors:					
Mr. Wong Chiu Yeung ("Mr. Wong")	**–**	**1,171**	**1,464**	**11**	**2,646**
Mr. Chen Yuanlai	**–**	**976**	**952**	**11**	**1,939**
Mr. Cheng Hiu Lok	**–**	**976**	**952**	**11**	**1,939**
Mr. Li Wei	**–**	**976**	**813**	**11**	**1,800**
Mr. Liu Zhijie *	**–**	**327**	**–**	**3**	**330**
Mr. Huang Youquan	**–**	**904**	**732**	**9**	**1,645**
Non-executive director:					
Mr. Fung Ka Pun **	**195**	**–**	**–**	**–**	**195**
	195	**5,330**	**4,913**	**56**	**10,494**

* Mr. Liu Zhijie has retired as an executive director of the Company with effect from 10 May 2012.

** Mr. Fung Ka Pun has resigned as a non-executive director of the Company with effect from 6 January 2013.

NOTES TO FINANCIAL STATEMENTS

31 December 2012

9. DIRECTORS' REMUNERATION *(Continued)*

(b) Executive directors and a non-executive director *(Continued)*

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total RMB'000
2011					
Executive directors:					
Mr. Wong Chiu Yeung	–	1,196	1,196	10	2,402
Mr. Chen Yuanlai	–	996	775	10	1,781
Mr. Cheng Hiu Lok	–	996	775	10	1,781
Mr. Li Wei	–	996	664	9	1,669
Mr. Liu Zhijie	–	608	524	4	1,136
Mr. Huang Youquan	–	608	599	7	1,214
Non-executive director:					
Mr. Fung Ka Pun	199	–	–	–	199
	199	5,400	4,533	50	10,182

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2011: Nil).

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2011: four) directors, details of whose remuneration are set out in note 9 above. Details of the remuneration for the year of the remaining one (2011: one) non-director, highest paid employee for the year are as follows:

	2012	2011
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**976**	996
Discretionary performance related bonuses	**813**	664
Pension scheme contributions	**11**	–
	1,800	1,660

The number of non-director, highest paid employee whose remuneration fell within the following band:

	2012	2011
RMB1,500,001 to RMB2,000,000	**1**	1

NOTES TO FINANCIAL STATEMENTS

31 December 2012

11. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2011: Nil). Taxes on profits assessable in Mainland China have been calculated at the rates of tax prevailing in the cities in which the Group's subsidiaries operate.

	2012	2011
	RMB'000	RMB'000
Group:		
Current charge for the year:		
PRC CIT	**90,171**	411,302
PRC LAT	**92,301**	278,139
	182,472	689,441
Deferred (note 35)	**208,601**	(98,567)
Total tax charge for the year	**391,073**	590,874

On 16 March 2007, the National People's Congress approved the PRC Corporate Income Tax Law (the "New CIT Law"), which became effective on 1 January 2008. The New CIT Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rates for domestic-invested and foreign-invested enterprises at 25%. Pursuant to "Guo Fa [2007] No. 39" promulgated on 26 December 2007, for the Group's subsidiaries in Xiamen and Shenzhen which enjoyed a preferential tax rate of 15% prior to 1 January 2008, the tax rate is transitioned to 25% over five years at rates of 18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and 25% in 2012.

11. INCOME TAX *(Continued)*

A reconciliation of the tax expense applicable to profit before tax at the statutory/applicable rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	2012 RMB'000	2011 RMB'000
Profit before tax	**1,292,097**	1,467,877
At the statutory/applicable rates of different jurisdictions	**344,376**	392,854
Lower tax rates for specific cities	**(82,550)**	(68,910)
Effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiaries	**–**	(7,304)
Profits and losses attributable to jointly-controlled entities and associates	**(4,112)**	4,274
Income not subject to tax	**(7,812)**	(4,868)
Expenses not deductible for tax	**31,783**	45,063
Tax losses utilised from previous periods	**–**	(9,949)
Tax losses not recognised	**23**	1,743
Tax effect on unrealised profits arising from transactions within the Group	**36,097**	30,327
LAT	**92,301**	278,139
Tax effect of LAT	**(19,033)**	(70,495)
Tax charge at the Group's effective rate	**391,073**	590,874

The share of tax credit for the year ended 31 December 2012 attributable to jointly-controlled entities and associates amounting to RMB7,892,000 (2011: tax charge of RMB7,412,000) and RMB5,488,000 (2011: tax charge of RMB416,000), respectively, are included in "Share of profits and losses of jointly-controlled entities and associates" in the consolidated statement of comprehensive income.

12. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 December 2012 includes a loss of RMB95,014,000 (2011: RMB163,577,000) which has been dealt with in the financial statements of the Company (note 38(e)).

NOTES TO FINANCIAL STATEMENTS

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13. DIVIDENDS

	2012 **RMB'000**	2011 RMB'000
Proposed final — Nil (2011: HK4 cents) per ordinary share	–	92,494
	–	92,494

A final dividend of HK4 cents per ordinary share amounting to RMB92,494,000 for the year ended 31 December 2011 was paid on 25 May 2012 by the Company.

The directors do not recommend payment of any final dividend for the year ended 31 December 2012.

14. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share amount is based on the profit for the year attributable to owners of the parent, and the weighted average number of ordinary shares of 2,853,200,000 (2011: 2,853,200,000) in issue during the year (note 37).

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2012 and 2011 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those years.

15. PROPERTY AND EQUIPMENT

	Land and buildings RMB'000	Leasehold improvements RMB'000	Furniture, fixtures and office equipment RMB'000	Transportation equipment RMB'000	Total RMB'000
31 December 2012					
At 1 January 2012:					
Cost	73,495	30,638	19,463	80,111	203,707
Accumulated depreciation	(7,961)	(12,152)	(10,072)	(13,549)	(43,734)
Net carrying value	65,534	18,486	9,391	66,562	159,973
At 1 January 2012, net of accumulated depreciation	65,534	18,486	9,391	66,562	159,973
Additions	–	3,107	4,876	4,510	12,493
Deemed acquisition of subsidiaries (note 39)	–	–	751	1,062	1,813
Depreciation	(2,803)	(4,644)	(4,618)	(11,578)	(23,643)
Write-off	(1,037)	(3,874)	(187)	–	(5,098)
Disposals	–	–	(674)	–	(674)
At 31 December 2012, net of accumulated depreciation	61,694	13,075	9,539	60,556	144,864
At 31 December 2012:					
Cost	72,385	29,871	24,229	85,683	212,168
Accumulated depreciation	(10,691)	(16,796)	(14,690)	(25,127)	(67,304)
Net carrying value	61,694	13,075	9,539	60,556	144,864

15. PROPERTY AND EQUIPMENT *(Continued)*

	Land and buildings RMB'000	Leasehold improvements RMB'000	Furniture, fixtures and office equipment RMB'000	Transportation equipment RMB'000	Total RMB'000
31 December 2011					
At 1 January 2011:					
Cost	73,989	30,207	16,869	24,325	145,390
Accumulated depreciation	(5,572)	(7,757)	(7,144)	(9,307)	(29,780)
Net carrying value	68,417	22,450	9,725	15,018	115,610
At 1 January 2011, net of accumulated depreciation	68,417	22,450	9,725	15,018	115,610
Additions	–	2,267	3,653	56,220	62,140
Transfer from completed properties held for sale	1,208	–	–	–	1,208
Depreciation	(2,389)	(4,395)	(2,928)	(4,242)	(13,954)
Write-off	–	(1,578)	(142)	–	(1,720)
Disposals	(1,702)	(258)	(917)	(434)	(3,311)
At 31 December 2011, net of accumulated depreciation	65,534	18,486	9,391	66,562	159,973
At 31 December 2011:					
Cost	73,495	30,638	19,463	80,111	203,707
Accumulated depreciation	(7,961)	(12,152)	(10,072)	(13,549)	(43,734)
Net carrying value	65,534	18,486	9,391	66,562	159,973

At 31 December 2012, certain of the Group's buildings with an aggregate carrying amount of RMB54,061,000 (2011: RMB62,412,000) were pledged to banks to secure the bank loans granted to the Group (note 41).

The Group's leasehold land included in property and equipment with a net carrying amount of RMB7,105,000 (2011: RMB7,920,000) is situated in Hong Kong and is held under a medium term lease.

16. INVESTMENT PROPERTIES

	Completed RMB'000	Under construction RMB'000	Total RMB'000
Carrying amount at 31 December 2010 and 1 January 2011	1,311,000	85,000	1,396,000
Additions	–	67,811	67,811
Transfer from completed properties held for sale	6,041	–	6,041
Transfer from properties under development	–	36,787	36,787
Net gain from a fair value adjustment	82,959	265,402	348,361
Carrying amount at 31 December 2011 and 1 January 2012	1,400,000	455,000	1,855,000
Additions	32,000	268,257	300,257
Transfer	320,224	(320,224)	–
Transfer from prepaid land lease payments	–	241,687	241,687
Transfer from properties under development	–	75,302	75,302
Net gain from a fair value adjustment	22,776	358,978	381,754
Carrying amount at 31 December 2012	1,775,000	1,079,000	2,854,000

All of the Group's investment properties are situated in Mainland China and are held under medium term leases.

The Group's investment properties were revalued on 31 December 2012 by DTZ Debenham Tie Leung, independent professionally qualified valuers, at RMB2,854,000,000 (2011: RMB1,855,000,000).

The fair value of completed investment properties was based on either the capitalisation of net income derived from the existing tenancies with allowance for the reversionary income potential of the properties, or making the reference to comparable market transactions. The fair value of investment properties under construction is determined on the basis of the residual method. The use of the residual method to value investment properties under construction requires considering the significant risks which are relevant to the development process, including but not limited to construction and letting risks.

At 31 December 2012, the Group's investment properties with an aggregate carrying amount of RMB2,539,000,000 (2011: RMB1,559,000,000) were pledged to secure the bank loans granted to the Group (note 41).

The Group's investment properties are leased to third parties and companies controlled by Mr. Wong under operating leases, further summary details of which are included in note 42(a).

17. PREPAID LAND LEASE PAYMENTS

	2012	2011
	RMB'000	RMB'000
Carrying amount at 1 January	**2,975,405**	1,653,111
Additions	**1,160,110**	1,370,553
Deemed acquisition of subsidiaries	**275,984**	–
Transfer to properties under development	**(1,807,534)**	–
Transfer to investment properties	**(241,687)**	–
Recognised during the year	**(47,925)**	(48,259)
Carrying amount at 31 December	**2,314,353**	2,975,405
Current portion included in prepayments, deposits and other receivables	**(50,400)**	(65,095)
Non-current portion	**2,263,953**	2,910,310

The Group's leasehold land is situated in Mainland China and is held under the following lease terms:

	2012	2011
	RMB'000	RMB'000
Long term leases	**1,006,725**	2,159,670
Medium term leases	**1,307,628**	815,735
	2,314,353	2,975,405

At 31 December 2012, certain of the Group's leasehold land with an aggregate carrying amount of RMB554,092,000 (2011: RMB797,707,000) were pledged to banks to secure the bank loans granted to the Group (note 41).

18. INTANGIBLE ASSET

	Operating concession	
	2012	2011
	RMB'000	RMB'000
Cost at 1 January, net of accumulated amortisation	**4,486**	4,662
Amortisation provided during the year	**(167)**	(176)
At 31 December	**4,319**	4,486
At 31 December:		
Cost	**4,861**	4,861
Accumulated amortisation	**(542)**	(375)
Net carrying amount	**4,319**	4,486

On 28 March 2006, Quanzhou Straits Sports Centre Co., Ltd. (the "Straits Sports Centre") entered into an operating right concession agreement (the "Operating Right Agreement") with Quanzhou Sports Bureau (the "Sports Bureau"), a local government body in Quanzhou, the PRC, at a cash consideration of RMB5,000,000. Pursuant to the Operating Right Agreement, the Straits Sports Centre is granted an operating concession (the "Operating Concession") to operate and manage certain sports and recreation facilities (the "Facilities") in Quanzhou for a period of 30 years (the "Operating Period").

This service concession arrangement involves the Group as operator (i) paying a specific amount as consideration to obtain the Operating Concession of the Facilities; (ii) operating and maintaining the Facilities at a specified level of serviceability on behalf of the Sports Bureau for the Operating Period; and (iii) receiving a right to charge users using the Facilities. The Group is entitled to operate and manage the Facilities, and is entitled to all the income associated with the operation of the Facilities. However, the relevant government bodies as grantors will control and regulate the scope of services provided and the prices charged by the Group during the Operating Period, retain ownership, and be entitled to any residual interest in the Facilities at the end of the Operating Period.

The cost of the Operating Concession is being amortised over the Operating Period.

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19. PROPERTIES UNDER DEVELOPMENT

	2012 RMB'000	2011 RMB'000
Properties under development expected to be completed:		
Within normal operating cycle included under current assets	**6,481,298**	4,450,136
Beyond normal operating cycle included under non-current assets	**1,261,631**	899,644
	7,742,929	5,349,780
Properties under development expected to be completed within normal operating cycle and recovered:		
Within one year	**3,291,768**	1,964,620
After one year	**3,189,530**	2,485,516
	6,481,298	4,450,136

All of the Group's properties under development are located in Mainland China and are held under long term leases.

At 31 December 2012, certain of the Group's properties under development, including the relevant land use rights, with an aggregate carrying amount of RMB3,840,727,000 (2011: RMB4,435,515,000) were pledged to banks to secure the bank loans granted to the Group (note 41).

20. CONTRACT IN PROGRESS

	2012 RMB'000	2011 RMB'000
At 1 January	**279,864**	26,457
Additions	**33,208**	253,407
At 31 December	**313,072**	279,864

On 18 August 2009, the Group entered into the Land Development Contract with the Nan'an Government to carry out the construction and preparation works in respect of land infrastructure and ancillary public facilities over certain land parcels in Nan'an City. Pursuant to the Land Development Contract, though the Group does not have ownership title or land use right to such land parcels, when the land parcels are sold by the Nan'an Government through public auctions, the Group is entitled to the entire sales proceeds arising from such land sales.

20. CONTRACT IN PROGRESS *(Continued)*

The development of the relevant land parcels commenced in 2010 and is expected to be completed gradually in or after 2015.

Contract in progress represents costs incurred by the Group in connection with the construction and development of the relevant land parcels under the Land Development Contract and comprises costs of construction, materials and supplies, capitalised borrowing costs on related borrowing funds during the period of development and other costs directly attributable to such Land Development Contract.

21. INVESTMENTS IN SUBSIDIARIES

	Company	
	2012	2011
	RMB'000	RMB'000
Unlisted investment, at cost	**–**	–
Due from subsidiaries	**1,436,200**	1,447,142
	1,436,200	1,447,142

The amounts due from and to subsidiaries included in the Company's current assets and current liabilities are unsecured, interest-free and repayable on demand. As at 31 December 2012, the carrying amounts of such balances approximated to their fair values.

The amounts advanced to the subsidiaries included in the investments in subsidiaries above are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors, these advances are considered as quasi-equity loans to the subsidiaries.

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21. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Particulars of the principal subsidiaries of the Group are set out below:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Affluent Way International Limited ø	BVI	US$1	100	–	Investment holding
South China Property International Limited ø	Hong Kong	HK$10,000	–	100	Investment holding
Bohai International Investment Limited ^ø	Hong Kong	HK$10,000	–	100	Investment holding
Dragon Tale Investments Limited ø	BVI	US$1	–	100	Investment holding
Xiamen Zhongjun Industrial Co., Ltd. ** (廈門中駿集團有限公司)	PRC	HK$1,670,000,000	–	100	Investment holding and trading of construction materials
Xiamen Guanjun Aviation Storage Services Co., Ltd. * (廈門冠駿航空倉儲服務有限公司 #)	PRC	RMB50,000,000	–	100	Property investment
Beijing World City Property Management Co., Ltd. ** (北京世界城物業管理有限公司 #)	PRC	RMB50,000,000	–	100	Property management
Tangshan SCE Real Estate Development Co., Ltd. * (唐山中駿房地產開發有限公司 #)	PRC	RMB100,000,000	–	100	Property development
Nan'an Junjie Real Estate Development Co., Ltd. * (南安駿杰房地產開發有限公司 #)	PRC	RMB100,000,000	–	80	Property development

21. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Particulars of the principal subsidiaries of the Group are set out below: *(Continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Beijing Dushishengjing Real Estate Development Co., Ltd. * (北京都市聖景房地產開發有限公司#)	PRC	RMB10,000,000	–	100	Property development
Zhangzhou Long Wen Hua Gang Real Estate Development Co., Ltd. * (漳州龍文華港房地產發展有限公司#)	PRC	RMB100,000,000	–	100	Property development
Beijing Jinghui Real Estate Development Co., Ltd. **^ (北京京匯房地產開發有限公司#)	PRC	RMB100,000,000	–	100	Property development
Quanzhou Junjing Real Estate Development Co., Ltd. * (泉州駿景房地產開發有限公司#)	PRC	RMB200,000,000	–	100	Property development
Zhongjun (Quanzhou) Real Estate Development Co., Ltd. * (中駿(泉州)房地產開發有限公司#)	PRC	RMB315,000,000	–	100	Property development
Nan'an Huajing Real Estate Development Co., Ltd. * (南安市華景房地產開發有限公司#)	PRC	RMB70,000,000	–	100	Property development
Shenzhen Fanya Real Estate Development Co., Ltd. ** (深圳泛亞房地產開發有限公司#)	PRC	HK$160,000,000	–	63.2	Property development

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21. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Particulars of the principal subsidiaries of the Group are set out below: *(Continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Fujian Taijing Construction Co., Ltd. * (福建泰景建設有限公司 #)	PRC	RMB59,720,000	–	100	Property construction
Shanxi Yuanhong Real Estate Development Co., Ltd. * (山西源宏房地產開發有限公司 #)	PRC	RMB100,000,000	–	90	Property development
Xiamen Zhongjun Tianfeng Real Estate Co., Ltd. *** (廈門中駿天峰房地產有限公司 #)	PRC	RMB240,000,000	–	60	Property development
Fujian Straits West-Coast Investment Co., Ltd. * (福建省海峽西岸投資有限公司 #)	PRC	RMB700,000,000	–	58	Property development
Quanzhou Straits Sports Center Co., Ltd. * (泉州市海峽體育中心有限公司 #)	PRC	RMB300,000,000	–	58	Operation and management of sports and recreation facilities
Fujian SCE Gulf Construction and Development Co., Ltd. *** (福建中駿海灣建設開發有限公司 #)	PRC	US$103,250,000	–	38.25	Undertaking of the pre-development work for a land site

21. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Particulars of the principal subsidiaries of the Group are set out below: *(Continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Anshan SCE Real Estate Development Co., Ltd. *** (鞍山中駿房地產開發有限公司 #)	PRC	RMB370,940,000	–	70	Property development
Xiamen Junxianghexin Real Estate Development Co., Ltd. *@ (廈門駿翔和信房地產有限公司 #)	PRC	RMB150,000,000	–	100	Property development
Quanzhou Puxi Third Property Co., Ltd. *** (泉州市浦西三號置業有限公司 #)	PRC	RMB900,000,000	–	34	Property development
Xiamen Junyou Real Estate Development Co., Ltd. *∞ (廈門駿友房地產開發有限公司 #)	PRC	RMB340,000,000	–	100	Property development
Nan'an Junhong Real Estate Development Co., Ltd. * (南安駿宏房地產開發有限公司 #)	PRC	RMB150,000,000	–	80	Property development
South Fujian Gold Coast Resort Co., Ltd. Shishi ** (石獅市閩南黃金海岸渡假村有限公司 #)	PRC	RMB205,000,000	–	45	Property development

21. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Particulars of the principal subsidiaries of the Group are set out below: *(Continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Shishi Junde Real Estate Development Co., Ltd.* (石獅駿德房地產開發有限公司#)	PRC	RMB200,000,000	–	60	Property development
Sanhe Hengmei Real Estate Co., Ltd.* (三河市恒美房地產有限公司#)	PRC	RMB100,000,000	–	55	Property development
Xiamen Huihongda Investment Co., Ltd.*∞ (廈門輝宏達投資有限公司#)	PRC	RMB301,000,000	–	65	Property development

* Registered as limited liability companies under the PRC law

** Registered as wholly-foreign-owned entities under the PRC law

*** Registered as Sino-foreign joint ventures under the PRC law

The English names of these companies represent the best effort made by management of the Company to directly translate their Chinese names as no official English names have been registered.

^ At 31 December 2012, the equity interests of these companies were pledged to a bank to secure a bank loan of RMB8,043,000 (2011: RMB24,313,000) granted to the Group (note 32).

@ Pursuant to the relevant agreements concluded between the Group and the non-controlling shareholder of this subsidiary, the Group is entitled to all the results and assets and obligated to all liabilities of this subsidiary effective from the date of the relevant agreements by paying the non-controlling shareholder a fixed return and a consideration for the capital contributed by the non-controlling shareholder. The legal ownership of the relevant non-controlling interest will be transferred to the Group by the non-controlling shareholder when the Group settles all the fixed return and the consideration. Accordingly, the relevant non-controlling interest was considered as being acquired by the Group at the date of the relevant agreements.

ø At 31 December 2012, the equity interests of these companies were pledged under share mortgage to the holders of the senior notes to secure the 2011 Senior Notes of RMB2,000,000,000 and 2012 Senior Notes of US$200,000,000 (2011: 2011 Senior Notes of RMB2,000,000,000) (note 33).

∞ At 31 December 2012, certain equity interests of these companies were pledged to the Fund Investors (as defined in note 32) below for other borrowings of RMB261,000,000 granted to the Group (note 32).

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

22. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES

	2012 RMB'000	2011 RMB'000
Share of net assets	**117,387**	145,396
Due from jointly-controlled entities	**161,759**	139,287
	279,146	284,683

The amounts due from jointly-controlled entities are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the jointly-controlled entities are as follows:

Name	Nominal value of registered/ paid-up capital	Place of incorporation/ registration	Percentage of ownership interest attributable to the Group	Principal activities
Well China International Investment Holdings Limited	Ordinary shares of HK$140,000,000	Hong Kong	49[(1)]	Investment holding
Quanzhou Yuanhang Real Estate Development Co., Ltd. * (泉州遠航房地產開發有限公司#)	Registered capital of RMB150,000,000	PRC	49[(1)]	Property development and investment
Poly-Wuyi (Hong Kong) Development Limited	Ordinary shares of HK$10,000	Hong Kong	50	Investment holding
Xiamen Vanke Maluanwan Property Co., Ltd. * (廈門市萬科馬鑾灣置業有限公司#)	Registered capital of RMB30,000,000	PRC	20	Property development

* Registered as limited liability companies under the PRC law

\# The English names of these companies represent the best effort made by management of the Company to directly translate their Chinese names as no official English names have been registered.

(1) Pursuant to the relevant shareholders' agreements, the Group is entitled to a 50% voting right in the boards of directors of these entities.

All of the above investments in jointly-controlled entities are held through subsidiaries of the Company.

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22. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES *(Continued)*

The following table illustrates the summarised financial information of the Group's jointly-controlled entities:

	2012 RMB'000	2011 RMB'000
Share of the jointly-controlled entities' assets and liabilities:		
Non-current assets	**252,069**	210,360
Current assets	**502,779**	321,358
Current liabilities	**(523,244)**	(294,471)
Non-current liabilities	**(114,217)**	(91,851)
Net assets	**117,387**	145,396
Share of the jointly-controlled entities' results:		
Revenue	**8,897**	40,420
Other income	**2,615**	1,280
	11,512	41,700
Total expenses	**(18,386)**	(39,252)
Tax	**7,892**	(7,412)
Profit/(loss) after tax	**1,018**	(4,964)

23. INVESTMENTS IN ASSOCIATES

	2012 RMB'000	2011 RMB'000
Share of net assets	**51,673**	43,602
Deferred gains	**–**	(18,702)
	51,673	24,900

23. INVESTMENTS IN ASSOCIATES *(Continued)*

Particulars of the associates are as follows:

Name	Nominal value of registered/ paid-up capital	Place of incorporation/ registration	Percentage of ownership interest attributable to the Group	Principal activities
Quanzhou Baoxing Real Estate Development Co., Ltd. * (泉州寶興房地產開發有限公司 #)	Registered capital of RMB48,000,000	PRC	30	Property development
China Bright Investments Limited	Ordinary shares of HK$100	Hong Kong	20	Investment holding
Xiamen Dayoufu Property Consultation Co. ** (廈門大友富置業顧問有限公司 #)	Registered capital of HK$3,000,000	PRC	20	Property agency

* Registered as a limited liability company under the PRC law

** Registered as a wholly-foreign-owned entity under the PRC law

\# The English names of these companies represent the best effort made by management of the Company to directly translate their Chinese names as no official English names have been registered.

The Group's shareholdings in all associates are held indirectly by subsidiaries of the Company.

All associates have been accounted for using the equity method in these financial statements and their financial year end date is coterminous with that of the Group.

The following table illustrates the summarised financial information, on a 100% basis, of the Group's associates extracted from their financial statements:

	2012 RMB'000	2011 RMB'000
Assets	**193,448**	997,076
Liabilities	**(18,889)**	(847,862)
Revenue	**14,648**	7,217
Profit/(loss)	**21,938**	(21,056)

24. COMPLETED PROPERTIES HELD FOR SALE

All of the Group's completed properties held for sale are located in Mainland China and are held under long term leases. All the completed properties held for sale are stated at cost.

At 31 December 2012, certain of the Group's completed properties held for sale with an aggregate carrying amount of RMB547,710,000 (2011: RMB440,995,000) were pledged to banks to secure the bank loans granted to the Group (note 41).

25. TRADE RECEIVABLES

The Group's trade receivables arise from the sale of properties, leasing of investment properties and provision of property management services.

Consideration in respect of properties is payable by the purchasers in accordance with the terms of the related sale and purchase agreements. The Group normally requires its customers to make payment of monthly/quarterly charges in advance in relation to the leasing of investment properties and provision of property management services. The Group generally grants a rent-free period for three months to the lessees of the Group's investment properties, extending up to six months for major customers.

Since the Group's trade receivables are related to a number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. All trade receivables are non-interest-bearing.

The aged analysis of the trade receivables that are not considered to be impaired is as follows:

	2012	2011
	RMB'000	RMB'000
Neither past due nor impaired	**383,980**	159,644
1 to 6 months past due	**1,305**	8,518
7 to 12 months past due	**979**	2,193
Over 1 year past due	**2,086**	2,013
	388,350	172,368

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of diversified customers with no recent history of default and have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Prepayments (note)	**1,175,665**	710,525	**299**	646
Deposits	**307,405**	107,056	**–**	–
Other receivables	**63,076**	55,571	**–**	–
	1,546,146	873,152	**299**	646
Non-current portion	**(974,259)**	(567,209)	**–**	–
Current portion	**571,887**	305,943	**299**	646

Note: The balances included prepayments for the acquisition of land use rights in Mainland China amounting to RMB924,259,000 (2011: RMB517,209,000) as at 31 December 2012.

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

27. BALANCES WITH RELATED PARTIES

An analysis of the balances with related parties is as follows:

	Group	
	2012	2011
	RMB'000	RMB'000
Due from related parties:		
Companies controlled by Mr. Wong	**531**	–
Jointly-controlled entities	**24,489**	110,713
Associates	**507**	300,180
	25,527	410,893
Due to related parties:		
Companies controlled by Mr. Wong	**–**	321
Jointly-controlled entities	**18,182**	18,182
Associates	**52,068**	62,621
	70,250	81,124

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27. BALANCES WITH RELATED PARTIES *(Continued)*

Except for RMB100,000,000 due from an associate in prior year which bears interest at 9% per annum and is repayable within one year, the balances are non-trade in nature, unsecured, interest-free and are repayable on demand. The carrying amounts of the balances with related parties approximate to their fair values.

None of the amounts due from related parties is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

28. CASH AND CASH EQUIVALENTS, RESTRICTED CASH AND PLEDGED DEPOSITS

	Group		**Company**	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash and bank balances	**2,977,817**	1,560,600	**91,879**	13,655
Time deposits	**150,473**	518,762	**–**	–
Less: Restricted cash (notes)	**(678,069)**	(191,884)	**–**	–
Pledged deposits (notes)	**(173,000)**	–	**–**	–
Cash and cash equivalents	**2,277,221**	1,887,478	**91,879**	13,655

Notes:

(a) Pursuant to the relevant regulations in the PRC, certain property development companies of the Group are required to place at designated bank accounts certain amounts of pre-sale proceeds of properties as guarantee deposits for the construction of the related properties. The deposits can only be used for purchases of construction materials and payments of the construction fees of the relevant property projects when approval from relevant local government authorities is obtained. At 31 December 2012, such guarantee deposits amounted to RMB599,581,000 (2011: RMB103,163,000).

(b) According to the relevant mortgage facility agreements signed by certain subsidiaries of the Group with their banks, the subsidiaries are required to place at designated bank accounts certain amounts as deposits for potential default of mortgage loans advanced to property purchasers. Such guarantee deposits will be released after the property ownership certificates of the relevant properties have been passed to the banks. As at 31 December 2012, such deposits amounted to RMB15,468,000 (2011: RMB4,991,000).

(c) Pursuant to a management agreement entered into between the Sports Bureau and Straits Sports Centre, the fund advanced by the Sports Bureau and deposited in a designated bank account can only be used for the payments of construction costs and expenditure incurred for the construction of the Facilities. As at 31 December 2012, such advance amounted to RMB6,220,000 (2011: RMB9,940,000).

(d) In addition to the restrictions as detailed in notes (a), (b) and (c), certain subsidiaries of the Group are also required to place certain amounts as guarantee deposits for public maintenance fund or the use of the loan proceeds which deposited in specific bank accounts are restricted. As at 31 December 2012, the aggregate amount of such deposits was RMB56,800,000 (2011: RMB73,790,000).

(e) The bank deposits were pledged to secure general banking facilities granted to the Group (note 41).

28. CASH AND CASH EQUIVALENTS, RESTRICTED CASH AND PLEDGED DEPOSITS *(Continued)*

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to RMB2,373,094,000 (2011: RMB2,002,463,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. All the bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

29. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2012	2011
	RMB'000	RMB'000
Within 1 year	**799,618**	772,566
Over 1 year	**13,303**	16,022
	812,921	788,588

The trade payables are non-interest-bearing and repayable within the normal operating cycle or on demand.

30. RECEIPTS IN ADVANCE

Receipts in advance represent sales proceeds received from buyers in connection with the Group's pre-sale of properties during the year.

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31. OTHER PAYABLES AND ACCRUALS

		Group		Company	
	Notes	**2012**	2011	**2012**	2011
		RMB'000	RMB'000	**RMB'000**	RMB'000
Deposits received		**236,027**	149,445	**–**	–
Accruals		**153,529**	120,470	**120,460**	97,405
Due to non-controlling shareholders of certain subsidiaries	(a)	**22,500**	16,410	**–**	–
Advances from non-controlling shareholders of certain subsidiaries	(b)	**809,970**	348,872	**–**	–
Derivative financial instruments	34	**7,871**	–	**7,871**	–
Other payables		**104,741**	139,605	**–**	–
		1,334,638	774,802	**128,331**	97,405
Non-current portion		**–**	(15,000)	**–**	–
Current portion		**1,334,638**	759,802	**128,331**	97,405

Notes:

(a) The balances are interest-free, except for an amount of RMB15,000,000 at 31 December 2012 (2011: RMB15,000,000) which bears interest at 6.00% per annum (being the one-year borrowing rate offered by the People's Bank of China) (2011: 6.56% per annum).

(b) The balances are unsecured, interest-free and repayable on demand.

Other payables are non-interest-bearing and are expected to be settled within one year. As at 31 December 2012, the carrying amounts of the Group's accruals, other payables and the balances with non-controlling shareholders of certain subsidiaries approximate to their fair values.

32. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

	2012			2011		
	Contractual interest rate (%) per annum	Maturity	RMB'000	Contractual interest rate (%) per annum	Maturity	RMB'000
Current						
Bank loans — secured	2.50 – 8.00	2013	1,738,381	2.50 – 8.53	2012	878,433
Current portion of long term bank loans — secured	6.46 – 8.32	2013	373,190	5.99 – 8.65	2012	378,303
Other loans — secured	–	–	–	10.00	2012	150,000
			2,111,571			1,406,736
Non-current						
Bank loans — secured	6.10 – 8.32	2014–2017	1,275,956	5.99 – 8.65	2013 – 2017	1,720,197
Other loans — secured	10.50 – 13.50	2014–2015	372,773	–	–	–
			1,648,729			1,720,197
			3,760,300			3,126,933

Company

	2012			2011		
	Contractual interest rate (%) per annum	Maturity	RMB'000	Contractual interest rate (%) per annum	Maturity	RMB'000
Current						
Bank loans — secured	3.65	2013	72,388	–	–	–
Non-current						
Bank loans — secured	6.10	2015	314,746	–	–	–
			387,134			–

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32. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Analysed into:				
Bank loans repayable:				
Within one year or on demand	**2,111,571**	1,256,736	**72,388**	–
In the second year	**914,125**	1,382,690	**78,687**	–
In the third to fifth years, inclusive	**361,831**	321,590	**236,059**	–
Beyond five years	**–**	15,917	**–**	–
	3,387,527	2,976,933	**387,134**	–
Other borrowings repayable:				
Within one year	**–**	150,000	**–**	–
In the second year	**352,773**	–	**–**	–
In the third to fifth years, inclusive	**20,000**	–	**–**	–
	372,773	150,000	**–**	–
	3,760,300	3,126,933	**387,134**	–

Notes:

(a) Certain of the Group's bank loans are secured by the Group's bank deposits, property and equipment, investment properties, prepaid land lease payments, properties under development and completed properties held for sale, details of which are disclosed in note 41 to the financial statements.

(b) Certain of the Group's bank loans with an aggregate amount of RMB8,043,000 (2011: RMB24,313,000) were secured by share charges in respect of the equity interests of certain subsidiaries of the Group (note 21).

(c) Except for certain secured bank loans of RMB493,727,000 (2011: RMB31,432,000) as at 31 December 2012, which were denominated in Hong Kong dollars, all of the Group's bank and other borrowings were denominated in RMB.

(d) At the end of the reporting period, all borrowing bear interest at floating interest rates. The carrying amounts of the Group's bank and other borrowings approximate to their fair values.

(e) Certain of the Group's bank loans with an aggregate amount of RMB99,000,000 were secured by land use right of an associate of the Group as at 31 December 2011.

(f) Certain of the Group's bank loans of RMB314,746,000 are secured by a specific performance obligation imposed on Mr. Wong and pursuant to which Mr. Wong is required to hold legally and beneficially and directly or indirectly 40% or more of all class of the Company's voting share capital. Non-compliance with the aforesaid obligation by Mr. Wong would constitute an event of default under the relevant loan agreement and a cross default provision of the 2011 Senior Notes and 2012 Senior Notes.

(g) Certain subsidiaries of the Group in the PRC which are engaged in development of real estate projects have entered into certain financing arrangements with various investors (the "Fund Investors") pursuant to which the Fund Investors raised funds and invested in these subsidiaries in the form of capital contribution (the "Fund Investment"). The Fund Investment bears interest at 10.5% per annum and the Fund Investors is entitled to exercise an option requiring the Group to repurchase the Fund Investment in two years and the Fund Investment with an aggregate sum of RMB 261,000,000 as at 31 December 2012 is therefore classified as other borrowings in the consolidated statement of financial position of the Group. The Fund Investment is also secured by pledges over the equity interests of these subsidiaries (note 21).

33. SENIOR NOTES

Group and Company

	2012				2011			
	Principal at original currency 'million	**Contractual interest rate (%) per annum**	**Maturity**	**RMB'000**	Principal at original currency 'million	Contractual interest rate (%) per annum	Maturity	RMB'000
2011 Senior Notes	**RMB2,000***	**10.50**	**2016**	**1,966,163**	RMB2,000	10.50	2016	1,953,506
2012 Senior Notes	**US$200**	**11.50**	**2017**	**1,228,886**	–	–	–	–
				3,195,049				1,953,506

* The 2011 Senior Notes are denominated in RMB and settled in US$, and bear coupon at 10.5% per annum payable semi-annually in arrears.

The Company, at its option, can redeem all or a portion of the 2011 and 2012 Senior Notes at any time prior to the maturity date at the redemption prices (principal amount plus applicable premium) plus accrued and unpaid interest up to the redemption date, as set forth in the written agreement between the Company and the trustees of the 2011 and 2012 Senior Notes.

The Senior Notes are secured by pledges over the equity interests of certain subsidiaries of the Company (note 21).

The fair value of the early redemption option of the 2011 and 2012 Senior Notes was not significant and was therefore not recognised by the Group on inception and at 31 December 2012.

34. DERIVATIVE FINANCIAL INSTRUMENTS

	Group and Company Liabilities	
	2012 RMB'000	2011 RMB'000
Cross currency interest rate swap contracts	**39,508**	–
Less: Portion classified as non-current	**(31,637)**	–
Current portion (note 31)	**7,871**	–

The Group entered into certain cross currency interest rate swap contracts ("Swap Contracts") with The Hongkong and Shanghai Banking Corporation Limited (the "HSBC") to hedge against the foreign currency risk arising from the 2011 Senior Notes. The Swap Contracts balances vary with the changes in foreign exchange forward rates.

34. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

Cash flow hedges

The total notional principal amount of the outstanding Swap Contracts at 31 December 2012 was RMB2,000,000,000 with fixed exchange rates from RMB to US$ at 6.6341 and fixed interest rates ranging from 12.0% to 12.2%.

The terms of these Swap Contracts have been negotiated to match the respective terms of the 2011 Senior Notes. The cash flow hedges of 2011 Senior Notes were assessed to be highly effective and the net fair value loss on cash flow hedges of RMB31,637,000 included in the hedging reserve was as follows:

	2012 **RMB'000**	2011 RMB'000
Total fair value losses included in the hedging reserve	**31,637**	–
Reclassification adjustments for exchange losses included in the profit or loss of the consolidated statement of comprehensive income (note 8)	**19,545**	–
Net movement on cash flow hedges	**51,182**	–

35. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	Withholding taxes **RMB'000**	**Revaluation of properties** **RMB'000**	**Total** **RMB'000**
At 31 December 2010 and 1 January 2011	7,304	213,304	220,608
Charged/(credited) to profit or loss of the statement of comprehensive income during the year	(7,304)	87,091	79,787
At 31 December 2011 and 1 January 2012	–	300,395	300,395
Deemed acquisition of subsidiaries (note 39)	–	9,397	9,397
Charged to profit or loss of the statement of comprehensive income during the year	–	94,152	94,152
At 31 December 2012	–	403,944	403,944

35. DEFERRED TAX *(Continued)*

Deferred tax assets

	Unrealised profits arising from intra-group transactions RMB'000	Provision of LAT RMB'000	Accruals RMB'000	Losses available for offsetting against future taxable profits RMB'000	Total RMB'000
At 31 December 2010 and 1 January 2011	4,346	50,129	–	65,152	119,627
Credited/(charged) to profit or loss of the statement of comprehensive income during the year	30,361	49,697	131,727	(33,431)	178,354
At 31 December 2011 and 1 January 2012	34,707	99,826	131,727	31,721	297,981
Deemed acquisition of subsidiaries (note 39)	–	–	–	6,052	6,052
Credited/(charged) to profit or loss of the statement of comprehensive income during the year	13,973	(23,824)	(104,725)	127	(114,449)
At 31 December 2012	48,680	76,002	27,002	37,900	189,584

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2012 RMB'000	2011 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**138,039**	241,192
Net deferred tax liabilities recognised in the consolidated statement of financial position	**352,399**	243,606

35. DEFERRED TAX *(Continued)*

At 31 December 2012, the Group has tax losses arising in Mainland China of RMB167,421,000 (2011: RMB143,060,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of certain of these losses of RMB15,822,000 (2011: RMB16,175,000) as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC CIT Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement became effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries, jointly-controlled entities and associates established in the PRC in respect of earnings generated from 1 January 2008.

At 31 December 2012, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB2,064,575,000 at 31 December 2012 (2011:RMB1,489,233,000).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

36. PROVISION FOR MAJOR OVERHAULS

Pursuant to the Operating Right Agreement, the Group has contractual obligations which it must fulfil as a condition of the Operating Concession. The obligations are (a) to maintain the Facilities it operates to a specified level of serviceability and (b) to restore the Facilities to a specified condition before they are handed over to the Sports Bureau at the end of the Operating Concession. These contractual obligations to maintain or restore the sports and recreation facilities, except for the upgrade element, are recognised and measured in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, i.e., at the best estimate of the expenditure that would be required to settle the present obligation at the reporting date. The future expenditure on these maintenance and restoration costs is collectively referred to as "major overhauls". The estimation basis is reviewed on an ongoing basis, and revised where appropriate.

36. PROVISION FOR MAJOR OVERHAULS *(Continued)*

The movements in the provision for the major overhauls of the Facilities for the year are as follows:

	2012 **RMB'000**	2011 RMB'000
At 1 January	**11,834**	7,648
Additional provisions	**4,014**	3,842
Increase in a discounted amount arising from the passage of time (note 7)	**533**	344
At 31 December	**16,381**	11,834

37. SHARE CAPITAL

Shares

	2012 **HK$**	2011 HK$
Authorised:		
10,000,000,000 ordinary shares of HK$0.10 each	**1,000,000,000**	1,000,000,000
Issued and fully paid:		
2,853,200,000 ordinary shares of HK$0.10 each	**285,320,000**	285,320,000
Equivalent to RMB'000	**250,683**	250,683

There was no movement in the Company's share capital during the year.

Share option scheme

The Company operates a share option scheme (the "Scheme") which was adopted at the special general meeting held on 6 January 2010. Employees (including directors) of the Group are included in the eligible participants under the Scheme. A total of 285,320,000 shares will be available for issue under the Scheme, which represented 10% of the aggregate of the shares in issue on the date the shares of the Company commence trading on the Hong Kong Stock Exchange. Each participant cannot be entitled to more than 1% of the total number of shares in issue in any 12-month period. The option shall expire, in any event, not later than 10 years from the date of grant of the option subject to the provision for early termination set out in the Scheme. The Scheme remains in force until 5 January 2020. No option has been granted under the Scheme since the adoption of the Scheme.

38. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the year are presented in the consolidated statement of changes in equity on pages 64 and 65 of the financial statements.

(b) Capital reserve

Capital reserve represents the difference between the amounts of consideration and the carrying values of non-controlling interests acquired or disposed of.

(c) Statutory surplus reserve

Transfers from retained profits to the statutory surplus reserve were made in accordance with the relevant PRC rules and regulations and the articles of association of the Company's subsidiaries established in the PRC and were approved by the respective boards of directors.

For the entities concerned, the statutory surplus reserve can be used to cover previous years' losses, if any, and may be converted into capital in proportion to equity holders' existing equity holdings, provided that the balance after such conversion is not less than 25% of their registered capital.

(d) Merger reserve

The merger reserve represents the excess of the Company's share of the nominal value of the paid-up capital of the subsidiaries acquired over the Company's cost of acquisition of the subsidiaries under common control upon the group reorganisation completed in December 2007.

(e) Company

	Note	Share premium account RMB'000	Hedging reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits/ (accumulated losses) RMB'000	Total RMB'000
At 1 January 2011		1,749,699	–	(68,756)	130,615	1,811,558
Total comprehensive loss for the year		–	–	(78,180)	(299,373)	(377,553)
Final 2010 dividend		–	–	–	(124,290)	(124,290)
At 31 December 2011		1,749,699	–	(146,936)	(293,048)	1,309,715
Total comprehensive loss for the year		–	–	(8,386)	(268,854)	(277,240)
Cash flow hedges		–	(51,182)	–	–	(51,182)
Final 2011 dividend	13	(92,494)	–	–	–	(92,494)
At 31 December 2012		**1,657,205**	**(51,182)**	**(155,322)**	**(561,902)**	**888,799**

39. BUSINESS COMBINATION

Year ended 31 December 2012

Deemed acquisition of subsidiaries

On 31 August 2012, the Group reached an agreement (the "Management Agreement") with one of the shareholders of Grand Richy Investments Limited ("Grand Richy"), a then 45% associate of the Group, for the entrustment of its power in the board of directors of Grand Richy to the Group. Upon the execution of the Management Agreement, the Group is entitled to control the financing and operating policies of Grand Richy. Accordingly, Grand Richy became a 45%-owned subsidiary of the Group. Grand Richy and its subsidiaries (collectively the "Grand Richy Group") are principally engaged in property development in Mainland China.

The fair values of the identifiable assets and liabilities of the Grand Richy Group as at the date of acquisition were as follows:

	Notes	**Fair value recognised on acquisition RMB'000**
Property and equipment	15	1,813
Prepaid land lease payments		270,593
Properties under development		450,407
Prepayments, deposits and other receivables		11,100
Tax recoverable		3,404
Restricted cash		93,123
Cash and bank balances		8,913
Trade payables		(504)
Receipts in advance		(196,741)
Other payables		(319,103)
Interest-bearing bank and other borrowings		(318,000)
Deferred tax liabilities	35	(3,345)
Non-controlling interests		(913)
Total identifiable net assets at fair value		747
Reclassification of investments in associates		(747)
		–

NOTES TO FINANCIAL STATEMENTS

31 December 2012

39. BUSINESS COMBINATION *(Continued)*

Year ended 31 December 2012 *(Continued)*

Deemed acquisition of subsidiaries *(Continued)*

An analysis of the cash flows in respect of the acquisition of the Grand Richy Group is as follows:

	RMB'000
Cash and bank balances acquired	8,913
Net inflow of cash and cash equivalents included in cash flows from investing activities	8,913

The results of the subsidiaries acquired during the year had no significant impact on the Group's consolidated revenue or profit for that year.

40. FINANCIAL GUARANTEE CONTRACTS

At the end of the reporting period, the Group had financial guarantees which were not provided for in the financial statements as follows:

	2012 RMB'000	2011 RMB'000
Guarantees in respect of mortgage facilities provided for certain purchasers of the Group's properties (notes)	**2,877,392**	2,338,262

Notes:

(i) As at 31 December 2012, 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 on mortgage payments by these purchasers before the expiry of the guarantees, the Group is responsible for repaying the outstanding mortgage principals together with the accrued interest and penalties owed by the defaulted purchasers to the banks.

Under the above arrangement, the related properties were pledged to the banks as collateral for the mortgage loans, upon default on mortgage repayments by these purchasers, the banks are entitled to take over the legal titles and will realise the pledged properties through open auction. The Group is responsible for repaying the banks when the proceeds from the auction of the properties cannot cover the outstanding mortgage principals together with the accrued interest and penalties.

The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon the issuance of real estate ownership certificates to the purchasers, which will generally be available within one to two years after the purchasers take possession of the relevant properties.

(ii) The fair value of the guarantees is not significant and the directors of the Company consider that in the case of default on payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalties and therefore no provision has been made in the financial statements for the guarantees.

40. FINANCIAL GUARANTEE CONTRACTS *(Continued)*

In addition, the Group's share of the jointly-controlled entities' own financial guarantees, which are not included in the above, is as follows:

	2012 **RMB'000**	2011 RMB'000
Guarantees in respect of mortgage facilities provided for certain purchasers of the jointly-controlled entities' properties	**75,804**	17,802

41. PLEDGE OF ASSETS

At the end of the reporting period, the following assets of the Group were pledged to certain banks for securing the loans granted to the Group:

	2012 **RMB'000**	2011 RMB'000
Bank deposits (note 28)	**173,000**	–
Property and equipment (note 15)	**54,061**	62,412
Investment properties (note 16)	**2,539,000**	1,559,000
Prepaid land lease payments (note 17)	**554,092**	797,707
Properties under development (note 19)	**3,840,727**	4,435,515
Completed properties held for sale (note 24)	**547,710**	440,995
	7,708,590	7,295,629

42. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 16) under operating lease arrangements, with leases negotiated for terms ranging from one to fifteen years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 December 2012, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2012 RMB'000	2011 RMB'000
Within one year	21,767	19,409
In the second to fifth years, inclusive	–	402
	21,767	19,811

(b) As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to five years.

At 31 December 2012, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2012 RMB'000	2011 RMB'000
Within one year	624	1,647
In the second to fifth years, inclusive	18	2,989
	642	4,636

43. COMMITMENTS

In addition to the operating lease commitments detailed in note 42(b) above, the Group had the following capital commitments at the end of the reporting period:

	2012 **RMB'000**	2011 RMB'000
Contracted, but not provided for:		
Capital expenditure for properties under development, prepaid land lease payments and construction of investment and owner-occupied properties in Mainland China	**2,759,219**	1,960,821

In addition, the Group's share of the jointly-controlled entities' own capital commitments, which are not included in the above, is as follows:

	2012 **RMB'000**	2011 RMB'000
Contracted, but not provided for:		
Capital expenditure for jointly-controlled entities' properties under development and prepaid land lease payments	**54,056**	219,931

At the end of the reporting period, the Company did not have any significant commitments.

44. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances detailed in note 27 to the financial statements, the Group had the following transactions with related parties during the year:

	Notes	**2012** **RMB'000**	2011 RMB'000
Sales of properties to:			
Directors	(i)	**12,755**	–
Family members of the directors	(i)	**2,665**	7,990
Rental income from companies controlled by Mr. Wong	(ii)	**2,054**	1,765
Property management fee income from companies controlled by Mr. Wong	(ii)	**1,075**	266
Sales agency fees paid to an associate	(iii)	**7,030**	4,185
Interest income from an associate	(iv)	**–**	2,700
Provision of construction services to an associate	(v)	**–**	20,160

44. RELATED PARTY TRANSACTIONS *(Continued)*

(a) *(Continued)*

Notes:

(i) The properties were sold at prices mutually agreed by both parties.

(ii) Terms on the rental and management fee income of office premises were mutually agreed between both parties.

(iii) The sales agency fees were charged at rates ranging from 0.9% to 1.2% of the selling prices of the relevant properties sold.

(iv) The interest income represented the interest arising from a loan to an associate charged at a fixed rate of 9% per annum on outstanding principal.

(v) Terms on the construction services were mutually agreed between both parties.

(b) During the prior year, an associate of the Group pledged its land use right as security for certain of the Group's bank loans with an aggregate amount of RMB99,000,000.

(c) In the opinion of the directors, the directors of the Company represent the key management personnel of the Group. Further details of the compensation of key management personnel of the Group are set out in note 9 to the financial statements.

Transactions of items (a)(i) and (a)(ii) above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

45. FINANCIAL INSTRUMENTS BY CATEGORY

Except for the derivative financial instruments, which is measured at fair value, other financial assets and liabilities of the Company and the Group as at 31 December 2012 and 2011 are loans and receivables and financial liabilities stated at amortised cost, respectively.

46. FAIR VALUE AND FAIR VALUE HIERARCHY

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

46. FAIR VALUE AND FAIR VALUE HIERARCHY *(Continued)*

Liabilities measured at fair value:

Group and Company

As at 31 December 2012

	Level 1
	RMB'000
Derivative financial instruments	39,508

The Group did not have any financial liabilities measured at fair value as at 31 December 2011.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other borrowings, senior notes, amounts due from/to related parties, and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. Other than deposits held at banks, the Group does not have significant interest-bearing assets. Restricted deposits were held at banks in the PRC at the same saving rate of unrestricted deposits throughout the year. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank borrowings with floating interest rates.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Interest rate risk *(Continued)*

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax. There is no material impact on other components of the Group's equity.

	Increase/ (decrease) in basis points	Effect on profit before tax RMB'000
2012		
RMB	**150**	**(38,697)**
HK$	**150**	**(7,406)**
RMB	**(150)**	**38,697**
HK$	**(150)**	**7,406**
2011		
RMB	150	(37,168)
HK$	150	(486)
RMB	(150)	37,168
HK$	(150)	486

Foreign currency risk

All of the Group's turnover and substantially all of the Group's operating expenses are denominated in RMB, which is not a freely convertible currency. The PRC Government imposes controls on the convertibility of RMB into foreign currencies and, in certain cases, the remittance of currency out of Mainland China. Shortages in the availability of foreign currencies may restrict the ability of the Group's PRC subsidiaries to remit sufficient foreign currencies to pay dividends or other amounts to the Group.

Under existing PRC foreign exchange regulations, payments of current account items, including dividends, trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from the State Administration for Foreign Exchange Bureau by complying with certain procedural requirements. However, approval from appropriate PRC governmental authorities is required where RMB is to be converted into a foreign currency and remitted out of China to pay capital account items, such as the repayment of bank loans denominated in foreign currencies.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Foreign currency risk *(Continued)*

Currently, the Group's PRC subsidiaries may purchase foreign currencies for settlement of current account transactions, including payment of dividends to the Company, without prior approval of the State Administration for Foreign Exchange Bureau. The Group's PRC subsidiaries may also retain foreign currencies in their current accounts to satisfy foreign currency liabilities or to pay dividends. Since foreign currency transactions on the capital account are still subject to limitations and require approval from the State Administration for Foreign Exchange Bureau, this could affect the Group's subsidiaries' ability to obtain required foreign currency through debt or equity financing, including by means of loans or capital contributions from the shareholders.

The Group's financial assets and liabilities including certain amounts due from/(to) related parties denominated in Hong Kong dollars ("HK$"), certain short term deposits denominated in HK$ and US$ and the Senior Notes denominated in RMB are subject to foreign currency risk. Therefore, the fluctuations in the exchange rates of RMB against foreign currencies could affect the Group's results of operations.

In order to minimise the impact of changes in the exchange rates of RMB against foreign currencies, the Group obtains most of its bank and other borrowings in RMB to finance its operation in the PRC.

The Group had also entered into Swap Contracts in current year in order to manage foreign currency risk arising from the retranslation of the 2011 Senior Notes held by the Company.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB exchange rate against HK$, with all other variables held constant, of the Group's profit before tax.

	Increase/ (decrease) in exchange rate	Effect on profit before tax RMB'000
2012		
If HK$ weakens against RMB	**5%**	**(2)**
If HK$ strengthens against RMB	**(5%)**	**2**
2011		
If HK$ weakens against RMB	5%	(50,234)
If HK$ strengthens against RMB	(5%)	50,234

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk

It is the Group's policy that all customers are required to pay deposits in advance of the purchase of properties. In addition, the Group does not have any significant credit risk as the credit given to any individual or corporate entity is not significant. The Group performs appropriate and sufficient credit verification procedures for every credit sale transaction to minimise credit risk. There is no significant concentration of credit risk within the Group.

The Group has arranged bank financing for certain purchasers of property units and provided guarantees to secure obligations of such purchasers for repayments. Detailed disclosure of these guarantees is made in note 40.

The credit risk of the Group's other financial assets, which mainly comprise cash and short term deposits, other receivables and amounts due from related parties, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Liquidity risk

Due to the capital intensive nature of the Group's business, the Group ensures that it maintains sufficient cash and credit lines to meet its liquidity requirements. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. In the opinion of the directors of the Company, the Group will have adequate sources of funding to finance its operation needs and manage its liquidity position.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

Group

			2012		
	Within one year or on demand RMB'000	In the second year RMB'000	In the third to fifth years, inclusive RMB'000	Beyond five years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	2,338,376	1,385,026	396,259	–	4,119,661
Senior notes	354,293	354,293	4,002,606	–	4,711,192
Trade payables	812,921	–	–	–	812,921
Financial liabilities included in other payables and accruals	1,326,767	–	–	–	1,326,767
Due to related parties	70,250	–	–	–	70,250
Derivative financial instruments	7,871	–	31,637	–	39,508
	4,910,478	1,739,319	4,430,502	–	11,080,299
Financial guarantees issued: Maximum amount guaranteed	2,877,392	–	–	–	2,877,392

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk *(Continued)*

Group *(Continued)*

	2011				
	Within one year or on demand RMB'000	In the second year RMB'000	In the third to fifth years, inclusive RMB'000	Beyond five years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	1,503,414	1,479,902	345,587	17,099	3,346,002
Senior notes	210,000	210,000	210,000	2,315,000	2,945,000
Trade payables	788,588	–	–	–	788,588
Financial liabilities included in other payables and accruals	760,294	15,492	–	–	775,786
Due to related parties	81,124	–	–	–	81,124
	3,343,420	1,705,394	555,587	2,332,099	7,936,500
Financial guarantees issued: Maximum amount guaranteed	2,338,262	–	–	–	2,338,262

The maturity profile of the Company's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

Company

	2012				
	Within one year or on demand RMB'000	**In the second year RMB'000**	**In the third to fifth years, inclusive RMB'000**	**Beyond five years RMB'000**	**Total RMB'000**
Interest-bearing bank and other borrowings	**86,205**	**90,170**	**240,969**	**–**	**417,344**
Senior notes	**354,293**	**354,293**	**4,002,606**	**–**	**4,711,192**
Financial liabilities included in other payables and accruals	**120,460**	**–**	**–**	**–**	**120,460**
Due to a subsidiary	**1,056**	**–**	**–**	**–**	**1,056**
Derivative financial instruments	**7,871**	**–**	**31,637**	**–**	**39,508**
	569,885	**444,463**	**4,275,212**	**–**	**5,289,560**

NOTES TO FINANCIAL STATEMENTS

31 December 2012

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk *(Continued)*

Company *(Continued)*

	2011				
	Within one year or on demand RMB'000	In the second year RMB'000	In the third to fifth years, inclusive RMB'000	Beyond five years RMB'000	Total RMB'000
Senior notes	210,000	210,000	210,000	2,315,000	2,945,000
Financial liabilities included in other payables and accruals	97,405	–	–	–	97,405
Due to a subsidiary	815	–	–	–	815
	308,220	210,000	210,000	2,315,000	3,043,220

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2012 and 31 December 2011.

The Group monitors capital using a net gearing ratio, which is net debt divided by the total equity. Net debt includes total interest-bearing bank and other borrowings and senior notes (as shown in the consolidated statement of financial position) less cash and bank balances (including restricted cash, time deposits and pledged deposits). Capital comprises all components of equity (i.e., share capital, non-controlling interests and reserves). The Group aims to maintain a healthy and stable net gearing ratio.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Capital management *(Continued)*

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

	2012	2011
	RMB'000	RMB'000
Interest-bearing bank and other borrowings (note 32)	**3,760,300**	3,126,933
Senior notes (note 33)	**3,195,049**	1,953,506
Less: Cash and bank balances (note 28)	**(3,128,290)**	(2,079,362)
Net debt	**3,827,059**	3,001,077
Total equity	**6,920,884**	5,918,907
Net gearing ratio	**55.3%**	50.7%

48. EVENTS AFTER THE REPORTING PERIOD

On 21 January 2013, the Group issued additional senior notes with an aggregate principal amount of US$150,000,000 at a price of 108% of the principal amount. The additional notes have been consolidated and formed a single class with the 2012 Senior Notes. The Group raised net proceeds of approximately US$159,120,000 (after deduction of underwriting commissions and other expenses.)

49. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 March 2013.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements and accountants' report dated 25 January 2010, is set out as below:

RESULTS

	Year ended 31 December				
	2012	2011	2010	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
REVENUE	**3,636,658**	3,770,348	4,131,295	586,463	331,179
Cost of sales	**(2,352,023)**	(2,227,639)	(2,537,800)	(292,804)	(203,335)
Gross profit	**1,284,635**	1,542,709	1,593,495	293,659	127,844
Other income and gains	**97,627**	107,617	22,219	16,039	6,962
Changes in fair value of investment properties	**381,754**	348,361	64,228	371,613	211,366
Selling and marketing expenses	**(102,389)**	(130,807)	(101,066)	(38,955)	(27,143)
Administrative expenses	**(259,016)**	(204,129)	(171,583)	(91,197)	(64,883)
Other expenses	**(5,098)**	(1,720)	(832)	(137)	(247)
Finance costs	**(107,052)**	(130,872)	(6,891)	(5,642)	(3,324)
Exchange differences arising from retranslation of senior notes, net	**2,546**	(48,411)	–	–	–
Share of profits and losses of:					
Jointly-controlled entities	**1,018**	(4,964)	92,283	(1,598)	(4,697)
Associates	**(1,928)**	(9,907)	35,565	(3,095)	(4,413)
PROFIT BEFORE TAX	**1,292,097**	1,467,877	1,527,418	540,687	241,465
Income tax expense	**(391,073)**	(590,874)	(591,107)	(178,996)	(75,606)
PROFIT FOR THE YEAR	**901,024**	877,003	936,311	361,691	165,859
Attributable to:					
Owners of the parent	**672,003**	715,757	946,125	373,434	168,458
Non-controlling interests	**229,021**	161,246	(9,814)	(11,743)	(2,599)
	901,024	877,003	936,311	361,691	165,859

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2012	2011	2010	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
TOTAL ASSETS	**20,028,730**	15,285,874	10,577,689	8,705,494	5,366,768
TOTAL LIABILITIES	**(13,107,846)**	(9,366,967)	(5,892,739)	(6,393,268)	(4,792,841)
NON-CONTROLLING INTERESTS	**(2,079,535)**	(1,596,413)	(1,017,891)	(802,851)	(116,424)
	4,841,349	4,322,494	3,667,059	1,509,375	457,503