建業地產股份有限公司
Central China Real Estate Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 0832.HK

根植中原造福百姓

胡葆森

From the land of Henan, for the people of China.

20 YEARS
1992-2012
建业二十年·感恩一亿人

www.centralchina.com

2012
ANNUAL REPORT

CONTENTS

Luoyang Huayang Square

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Wu Po Sum *(Chairman)*
Ms. Yan Yingchun

Non-executive Directors

Mr. Lim Ming Yan *(Vice-Chairman)*
(with Mr. Lucas Ignatius Loh Jen Yuh as alternate)
Mr. Leow Juan Thong Jason
Ms. Wu Wallis (alias Li Hua)
Mr. Hu Yongmin

Independent Non-executive Directors

Mr. Cheung Shek Lun
Mr. Wang Shi
Mr. Xin Luo Lin

BOARD COMMITTEES

Audit Committee

Mr. Cheung Shek Lun *(Chairman)*
Mr. Xin Luo Lin
Mr. Leow Juan Thong Jason

Remuneration Committee

Mr. Xin Luo Lin *(Chairman)*
Mr. Wu Po Sum
Mr. Cheung Shek Lun

Nomination Committee

Mr. Wu Po Sum *(Chairman)*
Mr. Cheung Shek Lun
Mr. Xin Luo Lin

CHIEF EXECUTIVE OFFICER

Mr. Chen Jianye

COMPANY SECRETARY

Mr. Wong Tak Chun

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 88, Jianye City Garden
Jianye Road, Zhengzhou City
Henan Province, the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 7701B–7702A
77th Floor, International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House,
24 Shedden Road, George Town,
Grand Cayman KY1-1110, Cayman Islands
(Butterfield Fulcrum Group (Cayman) Limited was replaced by Royal Bank of Canada Trust Company (Cayman) Limited as the principal share registrar and transfer agent of the Company in the Cayman Islands with effect from 26 January 2013)

Corporate Information *(Continued)*

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17th Floor, Hopewell Centre
183 Queen's Road East,
Wanchai, Hong Kong

PRINCIPAL BANKERS
Bank of China (Hong Kong) Limited
China Construction Bank Corporation
Industrial and Commercial Bank of China (Asia) Limited

LEGAL ADVISERS
As to Hong Kong Law
Li & Partners

As to Cayman Islands Law
Conyers Dill & Pearman (Cayman) Limited

INDEPENDENT AUDITORS
KPMG
Certified Public Accountants

FINANCIAL CALENDAR

2012 annual results announcement	:	25 March 2013
Book closure period (for determining shareholders' eligibility to attend and vote at the annual general meeting (the "2013 AGM"))	:	15 May 2013 to 20 May 2013 (both days inclusive)
2013 AGM	:	20 May 2013
Book closure period (for determining shareholders' entitlement to the proposed final dividend for 2012 (subject to shareholders' approval at the 2013 AGM)	:	24 May 2013
Payment date of final dividend	:	On or about 6 June 2013

WEBSITE
www.centralchina.com

SHAREHOLDERS' INFORMATION
Share listing
The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited

Ordinary Shares (as at 31 December 2012)

Shares outstanding	:	2,429,230,240 shares
Nominal value	:	HK$0.10 per share

INVESTOR RELATIONS CONTACT

Email address	:	ir@centralchina.com

HEAD OF INVESTOR RELATION & CHIEF INVESTMENT OFFICER
Mr. Mai Vinh

CORPORATE PROFILE

Zhengzhou Code One City

Corporate Profile *(Continued)*

Central China Real Estate Limited (we have prepared this annual report using a number of conventions, which you should consider when reading the information contained herein. When we use the terms "we", "us", "our", the "Company", the "Group", "CCRE", the "CCRE Group" and words of similar import, we are referring to Central China Real Estate Limited itself, or to Central China Real Estate Limited and its consolidated subsidiaries, as the context requires) was incorporated in the Cayman Islands on 15 November 2007 as an exempt company with limited liability, the shares of which were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 6 June 2008. The Group has been granted the First Class Honor of Real Estate Developer in the People's Republic of China (the "PRC" or "China").

The Company has been committed to the development of branded properties as its principal activity since its establishment. Over 20 years, we have continued to guide our citizens to new exposures in lifestyle through our articulately crafted architectural masterpieces in honor of our core value of "Taking Root in central China and Contributing to Society." The Company is of the view that an enterprise relates to the society in the same way as a tree relates to soil. When we establish our presence in a city, we co-operate with our local peer developers to contribute to the local community by improving the standards of construction, increasing tax collections for local governments and creating job opportunities. Our relentless efforts in driving the urbanisation process and promoting economic and social growth in Henan Province have won the accolades of government authorities, professionals, peers, investors, customers and our employees alike.

We position ourselves as a facilitator of urbanisation and all-round social progress for central China. Having operated in central China for more than 20 years, we are resolute as ever in our vision and mission of "building quality houses for the people of Henan". With the development of housing complexes such as "Forest Peninsula", "U-Town", "Code One City", "Sweet-Scented Osmanthus Garden" and "Jianye Eighteen Cities", we have improved the standard of residential housing in various cities in Henan and made important contributions to the urbanisation process of the province. Meanwhile, the Company endeavours to construct a unique mega-service regime in China's property sector comprising property, education, hotel, football and commercial resources, with a view to fostering new core competitiveness for the Company.

The Company is firmly committed to its philosophy of "providing customers with zero-defect products and first-rated services". In addition, we emphasise scientific decision-making, standardisation and professionalism in our business management to ensure the quality of our products and services.

In its persistent, professional pursuit of premium residential housing development over the past 20 years, the Company has fostered a "CCRE business model" focused on provincial and regional development, created a brand name well trusted for social responsibility, groomed a high-caliber management team, given substance to the corporate philosophy of "perseverance for excellence" and embarked on a development cycle of "ongoing profitability and stable growth".

As of now, the Company has established its presence in Henan's 18 prefecture-level cities and 8 county-level cities. As at 31 December 2012, the Company had completed aggregate GFA of approximately 8.67 million sq.m. and owned 36 projects/phases under construction with GFA of approximately 3.35 million sq.m. under development and land reserves with GFA of 16.11 million sq.m., including equity-owned GFA of 12.96 million sq.m. During the reporting period, GFA measured approximately 2.26 million sq.m. for newly commenced projects and 1.58 million sq.m. for properties sold.

In line with its corporate culture underpinned by "honesty, responsibility, integrity and focus", a state of business featuring a high level of integration between "economic and social benefits, material and spiritual pursuits, corporate and staff interests, strategic objectives and execution process" is coming into shape.

According to "2012 Research Report on Top 500 Chinese Property Developers" co-published by China Real Estate Research Association, China Real Estate Association and China Real Estate Appraisal on 21 March 2012, the Company's ranking among the Top 500 Chinese Property Developers rose from 33rd in 2011 to 28th. We also topped the list of "Top 10 PRC Property Developers in Regional Operations" for the second year in a row, being the only central China-based property developer among the top 30 and the top real estate developer in Henan. On 16 October 2012, the Company was further honoured with a 1st ranking among the "Top 10 China Real Estate Enterprises by Brand Value 2012".

The Company remains committed to making contributions to the development of the real estate industry and the private economic sector, as well as the strengthening of the nation and the prosperity of the nation.

Luohe Code One City

CHAIRMAN'S STATEMENT

Dear shareholders,

I am pleased to present to you on behalf of the board (the "Board") of directors (the "Directors" and each a "Director") of Central China Real Estate Limited the consolidated annual results (the "Annual Results") for the year ended 31 December 2012.

Henan sustained moderately fast economic growth in 2012, as the province implemented on all fronts the general strategy of revitalising Henan by building the central China economic zone and expediting the rise of central China. According to statistics, Henan's GDP for 2012 amounted to Renminbi ("RMB") 2.98 trillion, representing a year-on-year growth of 10.1%, which was 2.3 percentage points higher than the average national level. In terms of the real estate sector, contrary to tier-one cities where property prices were volatile, Henan reported an average selling price for commodity housing of RMB3,831 per sq.m., representing a year-on-year growth of 9.4% which was slightly higher than the national average. Once again, the performance of Henan's property market has indicated that it comprises mainly end-users rather than speculative investors.

With the benefit of the accelerating new urbanisation process of Henan and the stable development of the real estate sector, the Company reported prominent year-on-year growth in its results for 2012. Contracted sales of the Company amounted to RMB10.35 billion, representing a year-on-year growth of 27.4%. With GFA sales exceeding 1.58 million sq.m., we ranked 31st in the "2012 Ranking of China Real Estate Enterprises by GFA Sales" and maintained a pole position in the Henan market. Meanwhile, the Company continued to gain grounds in integrated strengths, as reflected in its 28th ranking in the "Top 500 PRC Property Developers 2012" up from 33rd in 2011. We also topped the list of "Top 10 PRC Property Developers in Regional Operations" for the second year in a row, being the only central China-based property developer among the top 30.

In 2012, the Company continued to adhere to its longstanding corporate culture, which was represented in day-to-day operation by a strong focus on products and services.

On this basis, and under the guiding principles of serialisation, standardisation and industrialization, our Company will set up architecture and design firms and start to study the development of the 4th generation CCRE product series, in a bid to advance our research and development on urban complex buildings and green architecture, as we continued to commit vigorous efforts to the improvement of product quality and the fostering of new core competitiveness. At the same time, the Company has also made new progress in its diligent efforts to build a province-wide service regime, as its call centre has been renamed the service command centre, while the backing networks and business platforms of the Supreme Card (至尊卡) have successively developed long-term communication mechanisms for various business modules, in order to identify customised and stratified services and strengthen implementation standards. This will form a unique competitive advantage unlikely to be emulated by other property players in Henan in the next three to five years.

Chairman's Statement *(Continued)*

As the Company celebrates its 20th anniversary in 2012, a theme for celebration known as "CCRE: 20 Years in Business and Gratitude to Millions" (建業二十年感恩一億人) has been adopted. We have organised a series of public events, including a grand media reception, a performance known as "The Long March Suite" (長征組歌) in honour of our patrons, and a celebration gala known as "The Long March of the CCRE People" (建業人的長征). A book set entitled the "Story of CCRE" (《建業書袋》) has also been published and a documentary entitled "Foundations for City Building of CCRE" (《建城基業》) has been made to give an account of the Company's history and corporate philosophy, in an effort to enhance our brand influence and recognition in Henan and the rest of the nation.

The Company's reputation in the capital market has been further enhanced by the successful issue in 2012 of Singapore Dollar ("S$" or "SGD") 175 million senior notes due 2016, public subscription of RMB700 million through appropriate trust arrangements for a term of not more than 5 years and the further issue in January 2013 of United States Dollar ("U.S. dollar" or "US$") 200 million senior notes due 2020 at a coupon rate of 8.0% per annum. We acquired new land reserves with a total GFA of 4.19 million sq.m. during the year according to our schedules at relatively low prices with the backing of our access to both domestic and overseas capital markets and significant enhancements in business capabilities. It is worth noting that the Company has continued to gain pace in tapping county-level cities, achieving prominent results in the expansion of county-level markets such as Xuchang, Shangqiu, Jiaozuo, Pingdingshan, Zhumadian, Luohe, Xinxiang and Zhoukou to open up broad prospects for ongoing further development of the Henan market. At the same time, the orderly launching of the Company's diversified portfolio of commercial properties, hotel properties and community commercial properties in tandem with the advancement of its provincial and regional strategies have provided a firm foundation for sustainable growth in the Company's profit.

While seeking to assure growth, China's macro-economy is expected to have a stronger focus on sustainable development in 2013, while property prices should continue to stabilise under property market regulatory measures. We remain convinced that, in the context of China's rapid urbanisation, the real estate sector will continue to be supported by genuine demands that cannot be thwarted. We at CCRE formulated in as early as 1999 and started to implement in 2002 the provincial and regional enterprise strategy, which today has positioned us in perfect tandem with the nation's plan to develop the central China economic zone and new urbanisation in Henan. As a result, we are now enjoying the advantages of "preemptive planning" and "first-mover" when leveraging the major opportunity for development afforded by the "urbanisation dividend". As a company accustomed to long-term perspectives in the determination of development strategies, we will continue to measure our current development against the norm of sustainability and prepare for the future by conducting prudent and effective operations now. To fulfill our commitment to the market, we will actively promote an innovative management style, seek to attain efficiency through innovation and benefits through efficiency and endeavor to realise our annual business objectives.

APPRECIATION

I would like to take this opportunity to express sincere gratitude to our management team and staff for their diligent work and contributions. In this era of change, the trust and recognition of shareholders has provided us with the driving force to go forward. We will continue to maximise shareholders' value by acting as the facilitator of urbanisation and general social progress in central China, seeking to enhance our contributions to the healthy and sustainable development of China's real estate industry as we head into the third decade of the Company's operation.

Wu Po Sum
Chairman

25 March 2013

Financial Highlights

	2012	2011	Change (%)
Financial Highlights *(RMB'000)*			
Turnover	6,345,527	6,638,354	-4.4
Profit attributable to equity shareholders	823,086	667,995	23.2
Financial Ratios			
Gearing ratio+ *(%)*	44.7	40.5	4.2*
Gross profit margin *(%)*	35.4	38.8	-3.4*
Net profit margin *(%)*	13.7	11.2	2.5*
Financial Information per Share *(RMB)*			
Earnings — Basic	0.3390	0.2977	13.9
Earnings — Diluted	0.3071	0.2977	3.2
Dividends			
Interim (Hong Kong Dollar ("H.K. Dollar" or "HK$"))	0.0450	–	
Final (HK$)	0.0800	0.1000	
	0.1250	0.1000	25%
Equity attributable to equity shareholders	2.13	1.91	11.5

Notes: * Change in percentage points

+ Gearing ratio represents net debt divided by total equity of the Company. Net debt represents outstanding bank loans, other loans, convertible bonds and senior notes, less cash and restricted bank deposits secured against bank loans. Total equity represents shareholders' equity and non-controlling interests.

MANAGEMENT DISCUSSION AND ANALYSIS

Puyang Jianye City

Management Discussion and Analysis

REVIEW OF OPERATIONS

(I) Market and Operations Review

1. *The macro-economic environment*

The PRC economy was generally stable in 2012, as the PRC government strengthened and improved its macro-economic control measures in a timely manner to address severe economic conditions at home and abroad, with an increased emphasis on the stabilisation of economic growth, China's GDP for 2012 amounted to RMB51.93 trillion, representing a year-on-year growth of 7.8%.

Henan sustained rapid growth in local imports and exports and foreign investments in recent years, as it welcomed industries relocating from overseas or other domestic regions and attracted numerous famous domestic or international enterprises to establish their presence in the province. For 2012, Henan recorded a GDP of RMB2.98 trillion, representing a year-on-year growth of 10.1%, which was 2.3 percentage points above the national growth rate.

2. *The property market*

Sentiments in the property market gradually improved during 2012 under the combined effect of support for reasonable demand for residential housing, improved credit environment and timely adjustment of operating strategies by property companies. The average selling price for commodity properties in the nationwide property market in 2012 was RMB5,791 per sq.m., representing a year-on-year growth of 8.1%.

In 2012, the average selling price for commodity properties in the Henan property market, the principal market for the Company's business development, was RMB3,831 per sq.m., representing a year-on-year growth of 9.4%, which was slightly higher than the nationwide average growth rate and which indicated once again that the Henan property market comprised mainly end-users rather than speculative investors.

Holiday Inn Nanyang

(II) Project Development

During the reporting period, the Company continued to penetrate county markets in the region and vigorously identify potentials for new profit niche on the back of its precise analysis and judgment on the impact of PRC government policies, achieving new benchmarks in management and business capabilities. Meanwhile, a range of marketing activities launched in connection with the Company's 20th anniversary celebrations have contributed to the continued growth of its regional market shares and contract sales exceeding RMB10 billion, which have provided a solid foundation for the Company's growth in scale and ongoing improvement in profitability.

During the reporting period, the Company commenced projects with an aggregate GFA of 2,263,217 sq.m. and completed projects with an aggregate GFA of 1,695,970 sq.m. The Company completed sales/pre-sales of projects with an aggregate GFA of 1,580,461 sq.m. for a total amount of RMB10.35 billion, representing an increase of 27.4% as compared to the same period last year.

(1) Development schedule

During the reporting period, the Company commenced construction of 24 projects/phases with newly commenced GFA of 2,263,217 sq.m.

Geographical breakdown of newly commenced projects for 2012

Location	**Newly commenced GFA** *(sq.m.)*
Zhengzhou	479,701
Other cities in Henan Province	1,783,516
Total	2,263,217

As at 31 December 2012, the Company had 36 projects/phases under development with total GFA of approximately 3,346,606 sq.m., including 5 projects/phases in Zhengzhou and 31 projects/phases in other cities of Henan.

Geographical breakdown of projects under development as at 31 December 2012

Location	**GFA under development** *(sq.m.)*
Zhengzhou	504,014
Other cities in Henan Province	2,842,592
Total	3,346,606

Management Discussion and Analysis *(Continued)*

During the reporting period, the Company completed 20 projects/phases with total completed GFA of 1,695,970 sq.m. Out of the saleable area of 1,448,200 sq.m., 1,044,234 sq.m. were sold, representing a sales ratio of 72.11%.

City	Development Project	Total GFA completed *(sq.m.)*	Saleable GFA *(sq.m.)*	Pre-sold/ sold GFA *(sq.m.)*
Zhengzhou	Central China U-Town Phase V (Second batch)	77,737	77,737	63,377
	Central China U-Town Phase VI	153,021	108,189	87,292
	Central China Code International Garden	11,499	11,499	6,606
	Central China Code Two City Phase I	90,458	83,881	60,952
Luoyang	Central China Golf Garden Phase III	155,982	155,982	125,612
	Central China Code One City Phase II (Second batch)	105,896	89,901	80,866
	Central China Huayang Square Phase V	276,117	197,917	148,732
Xinxiang	Central China Forest Peninsula (Golden Dragon) Phase I (Fourth batch)	50,278	50,070	28,448
Luohe	Central China Code One City Phase II	104,920	104,920	81,070
Jiyuan	Central China Code One City Phase II	77,041	77,041	33,675
	Central China Code One City Phase III	186,812	160,095	127,333
Jiaozuo	Central China Code One City Phase I	99,653	77,132	42,597
	Central China Forest Peninsula (Xiuwu) Phase I	25,140	25,140	10,158
Shangqiu	Central China U-Town Phase III	20,674	20,674	12,265
	Central China U-Town Phase IV	61,565	61,565	47,820
Nanyang	Central China Forest Peninsula Holiday Inn	51,200	–	–
Zhoukou	Central China Forest Peninsula Phase III (Multi-Storey)	23,765	22,955	22,797
Pingdingshan	Central China Forest Peninsula (Wugang) Phase I (Multi-Storey)	13,410	13,410	7,833
Kaifeng	Central China Forest Peninsula projects	92,019	92,019	41,329
	Central China Dongjing Menghua 3-4#	18,783	18,073	15,472
Total		**1,695,970**	**1,448,200**	**1,044,234**

(2) Sales Schedule

The aggregate GFA sold/pre-sold by the Group with signed contracts during the reporting period was 1,580,461 sq.m., with an aggregate amount of RMB10.35 billion received from sale/pre-sale with signed contracts, representing an increase of 27.4% when compared to last year.

Geographical breakdown of GFA sold/pre-sold as at 31 December 2012

Location	**Approximate saleable GFA sold** *(sq.m.)*	**Approximate total amount** *(RMB'000)*
Zhengzhou	290,927	3,759,728
Other cities in Henan Province	1,289,534	6,592,277
Total	1,580,461	10,352,005

(III) Land Reserves

In 2012, the Company acquired land reserves with a GFA of 4.19 million sq.m. through public auction. As at 31 December 2012, the Company had land reserves with a total GFA of 16.11 million sq.m., and obtained the state-owned land use right certificates in respect of sites with GFA of 11.55 million sq.m.

1. Public Land Auction

On 10 January 2012, Huaiyang Central China Real Estate Company Limited (淮陽縣建業城市建設有限公司), a wholly-owned subsidiary of the Company, acquired the land use rights of two land parcels located respectively at the west of Xihuang Road, the south of Wucai Road and the east of Xinmin Road in Huaiyang County in a listing for sale process held by Huaiyang County Land and Resources Bureau (淮陽縣國土資源局) for transfer of state-owned land use rights. The purchase prices for the acquisitions were RMB35.7 million and RMB60.3 million respectively. Land parcel No. 2011-019 has a site area of 33,196 sq.m. and a mandatory detailed planned plot ratio of 1.5–2.0 for residential land use and not more than 2.5 for commercial land use. Land parcel No. 2011-018 has a site area of 57,133 sq.m. and a mandatory detailed planned plot ratio of 1.5–2.0 for residential land use and not more than 3.0 for commercial land use.

On 20 January 2012, Tangyin Central China Real Estate Company Limited (湯陰縣建業城市建設有限公司), a 55%-owned subsidiary of the Company acquired the land use rights of two land parcels located respectively at Renhe Road and the southeast side of Zhonghua in Tangyin County in a listing for sale process held by Tangyin County Land and Resources Bureau (湯陰縣國土資源局) for transfer of state-owned land use rights. The purchase prices for the acquisitions were RMB78.5 million and RMB69.5 million respectively. Land parcel No. G-11-53 has a site area of 66,547 sq.m. and a mandatory detailed planned plot ratio of 2.0–3.0. Land parcel No. G-11-54 has a site area of 60,639 sq.m. and a mandatory detailed planned plot ratio of 2.0–3.0.

On 29 May 2012, Universal Food City Development (Henan) Co. Ltd. (河南建業環球美食城置業有限公司), a wholly-owned subsidiary of the Company, acquired the land use right of a land parcel located at the west of Xinyan Road and the north of Shengping Road in Zhongmou County in a listing for sale process held by Zhongmou County Land and Resources Bureau (中牟縣國土資源局) for transfer of state-owned land use right. The purchase price for the acquisition was RMB65.24 million. The land parcel has a site area of 63,957 sq.m. and a mandatory detailed planned plot ratio of 1.0–3.0.

On 29 May 2012, Zhengzhou Yipin Tianxia Zhiye Company Limited (鄭州一品天下置業有限公司), a wholly-owned subsidiary of the Company, acquired the land use right of a land parcel located at the west of Xinyan Road and the north of Wangdong Road in Zhongmou County in a listing for sale process held by Zhongmou County Land and Resources Bureau (中牟縣國土資源局) for transfer of state-owned land use right. The purchase price for the acquisition was RMB88.82 million. The land parcel has a site area of 82,237 sq.m. and a mandatory detailed planned plot ratio of 1.0–2.5.

On 6 June 2012, Puyang Central China City Construction Company Limited (濮陽建業城市建設有限公司), a wholly-owned subsidiary of the Company, acquired the land use right of a land parcel located at the south of Zhongyuan Road and the west of Dongpu Road in Puyang City in a listing for sale process held by Puyang City Land and Resources Bureau (濮陽市國土資源局) for transfer of state-owned land use right. The purchase price for the acquisition was RMB191.4 million. The land parcel has a site area of 58,001 sq.m. and a mandatory detailed planned plot ratio of 2.5–3.0.

On 13 June 2012, Suiping Central China City Development Company Limited (遂平建業城市建設有限公司), a wholly-owned subsidiary of the Company, acquired the land use rights of two land parcels located respectively at the north of Hexing Road and the east of a former cement factory in Suiping County in a listing for sale process held by Suiping Properties Exchange Centre (遂平縣地產交易中心) for transfer of state-owned land use rights. The purchase prices for the acquisitions were RMB40.25 million and RMB42.62 million respectively. Land parcel No. SP-2012-20A has a site area of 57,078 sq.m. and a mandatory detailed planned plot ratio of 1.0–2.0. Land parcel No. SP-2012-20B has a site area of 60,442 sq.m. and a mandatory detailed planned plot ratio of 1.0–2.0.

On 5 July 2012, Xuchang One City Development Company Limited (許昌一號城邦建設開發有限公司), a wholly-owned subsidiary of the Company, successfully bid for the land use right of a land parcel located at the west of Weiwen Road in Xuchang City in a listing for sale process held by Xuchang City Land and Resources Bureau (許昌市國土資源局) for transfer of state-owned land use right at a consideration of RMB172.71 million. The land parcel has a site area of 105,357 sq.m. (including 5,268 sq.m. designated for the construction of social security housing) and a mandatory detailed planned plot ratio of not more than 3.0.

On 16 July 2012, Central China Real Estate Nanyang Company Limited (建業住宅集團南陽置業有限公司), a 51%-owned subsidiary of the Company, acquired the land use rights of four land parcels located respectively at the west of Jiankang Road and the east of Xindong Road in Nanyang in a listing for sale process held by Nanyang City Land and Resources Bureau (南陽市國土資源局) for transfer of state-owned land use rights. The purchase prices for the acquisitions were RMB67.46 million, RMB61.68 million, RMB92.64 million and RMB90.48 million, respectively. Land parcel No. G2012-01 has a site area of 19,385 sq.m. and a mandatory detailed planned plot ratio of not more than 3.3. G2012-02 has a site area of 17,722 sq.m. and a mandatory detailed planned plot ratio of not more than 3.3. G2012-03 has a site area of 26,621 sq.m. and a mandatory detailed planned plot ratio of not more than 3.3. G2012-04 has a site area of 26,001 sq.m. and a mandatory detailed planned plot ratio of not more than 3.3.

Management Discussion and Analysis *(Continued)*

On 25 July 2012, Changyuan Central China City Development Company Limited (長垣建業城市建設有限公司), a wholly-owned subsidiary of the Company, acquired the land use rights of four land parcels located respectively at the south of Weiyi Road, east of Guihua Road and north of Weier Road in Changyuan County in a listing for sale process held by Changyuan County Land and Resources Bureau (長垣縣國土資源局) for transfer of state-owned land use rights. The purchase prices for the acquisitions were RMB65.26 million, RMB59.02 million, RMB52.91 million and RMB49.32 million, respectively. Land parcel No. G2012-27 has a site area of 32,225 sq.m. and a mandatory detailed planned plot ratio of 1.5–2.5. G2012-28 has a site area of 30,266 sq.m. and a mandatory detailed planned plot ratio of 1.5–2.5. G2012-29 has a site area of 30,675 sq.m. and a mandatory detailed planned plot ratio of 1.5–2.5. G2012-30 has a site area of 28,596 sq.m. and a mandatory detailed planned plot ratio of 1.5–2.5.

On 22 October 2012, Central China Real Estate Wugang Company Limited (舞鋼建業城市建設有限公司), a wholly-owned subsidiary of the Company, acquired the land use right of a land parcel located at the west of Wenzhou North Road and north of Tieshan Avenue in Wugang in a listing for sale process held by Wugang City Land and Resources Bureau (舞鋼市國土資源局) for transfer of state-owned land use right. The purchase price for the acquisition was RMB81.47 million. The land parcel has a site area of 108,598 sq.m. and a mandatory detailed planned plot ratio of not more than 1.5.

On 1 November 2012, Xiuwu Central China Real Estate Company Limited (修武建業房地產開發有限公司), a wholly-owned subsidiary of the Company, acquired the land use right of a land parcel located at the east of Qinglong Avenue South Section in Xiuwu County in a listing for sale process held by Xiuwu County Land and Resources Bureau (修武縣國土資源局) for transfer of state-owned land use right. The purchase price for the acquisition was RMB41.95 million. The land parcel has a site area of 55,928 sq.m. and a mandatory detailed planned plot ratio of 1.0–2.5.

On 23 November 2012, Baofeng Central China Taihe City Construction Company Limited (寶豐建業泰和城市建設有限公司), a 80%-owned subsidiary of the Company, acquired the land use right of a land parcel located at the south of Wenfeng Road Mid-section in Baofeng County in a listing for sale process held by Baofeng County Land and Resources Bureau (寶豐縣國土資源局) for transfer of state-owned land use right. The purchase price for the acquisition was RMB86.50 million. The land parcel has a site area of 85,189 sq.m. and a mandatory detailed planned plot ratio of 1.2–2.0.

On 23 November 2012, Yanling Central China Real Estate Company Limited (鄢陵建業易成旅游地產開發有限公司), a 60%-owned subsidiary of the Company, acquired the land use right of a land parcel located in the north section of Chenhuadian, 311 National Highway in Yanling County in a listing for sale process held by Yanling County Land and Resources Bureau (鄢陵縣國土資源局) for transfer of state-owned land use right. The purchase price for the acquisition was RMB170.40 million. The land parcel has a site area of 255,489 sq.m. and a mandatory detailed planned plot ratio of 1.0–2.0 for residential land use and not more than 2.5 for commercial land use.

On 28 November 2012, Zhecheng Central China City Construction Company Limited (柘城建業城市建設有限公司), a wholly-owned subsidiary of the Company, acquired the land use rights of three land parcels located respectively at Xueyuan Road (South) and Huaihai Road (West) in Zhecheng County in a listing for sale process held by Zhecheng County Land and Resources Bureau (柘城縣國土資源局) for transfer of state-owned land use rights. The purchase prices for the acquisitions were RMB25.64 million, RMB37.81 million and RMB43.39 million, respectively. Land parcel No. ZG2012-118 has a site area of 41,223 sq.m. and a mandatory detailed planned plot ratio of not more than 1.8. ZG2012-119 has a site area of 63,023 sq.m. and a mandatory detailed planned plot ratio of not more than 1.8. ZG2012-121 has a site area of 45,103 sq.m. and a mandatory detailed planned plot ratio of not more than 3.0.

On 30 November 2012, Henan Central China Union Zhiye Company Limited (河南建業聯盟置業有限公司), a wholly-owned subsidiary of the Company, acquired the land use rights of two land parcels located respectively at the south of Danjiang Road and west of Jinping Road in Shangjie District in a listing for sale process held by Shangjie District Land and Resources Bureau (上街區國土資源局) for transfer of state-owned land use rights. The purchase prices for the acquisitions were RMB56.65 million and RMB69.88 million, respectively. Land parcel No. GPCR2012024 has a site area of 52,818 sq.m. and a mandatory detailed planned plot ratio of 1.0–1.3. GPCR2012025 has a site area of 65,154.sq.m. and a mandatory detailed planned plot ratio of 1.0–1.3.

On 30 November 2012, Linying Central China City Construction Company Limited (臨潁建業城市建設有限公司), a wholly-owned subsidiary of the Company, acquired the land use right of a land parcel located at the south of Weier Road and west of Xincheng Road in Linying County in a listing for sale process held by Linying County Land and Resources Bureau (臨潁縣國土資源局) for transfer of state-owned land use right. The purchase price for the acquisition was RMB57.15 million. The land parcel has a site area of 49,805 sq.m. and a mandatory detailed planned plot ratio of 2.0–3.0.

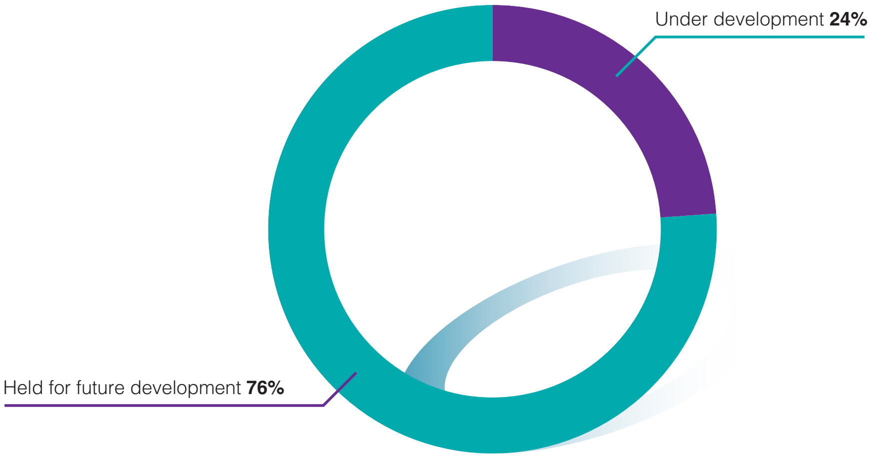
On 21 December 2012, Henan Central China Union Zhiye Company Limited (河南建業聯盟置業有限公司), a wholly-owned subsidiary of the Company, acquired the land use rights of five land parcels located respectively at the north of Jinjiang Road and west of Jinping Road in Shangjie District of Zhengzhou in a listing for sale process held by Shangjie District Land and Resources Bureau (上街區國土資源局) for transfer of state-owned land use rights. The purchase prices for the acquisitions were RMB70.99 million, RMB46.10 million, RMB44.11 million, RMB48.25 million and RMB60.57 million, respectively. Land parcel No. GPCR2012035 has a site area of 66,191 sq.m. and a mandatory detailed planned plot ratio of 1.0–1.3. GPCR2012036 has a site area of 42,982 sq.m. and a mandatory detailed planned plot ratio of 1.0–2.0. GPCR2012037 has a site area of 44,984 sq.m. and a mandatory detailed planned plot ratio of 1.0–3.0. GPCR2012038 has a site area of 41,124 sq.m. and a mandatory detailed planned plot ratio of 1.0–2.0. GPCR2012039 has a site area of 56,468 sq.m. and a mandatory detailed planned plot ratio of 1.0–2.0.

On 24 December 2012, Henan Central China Union Zhiye Company Limited (河南建業聯盟置業有限公司), a wholly-owned subsidiary of the Company, acquired the land use right of a land parcel located at the west of Huaiyang Road and north of Jinjiang Road in Shangjie District of Zhengzhou in a listing for sale process held by Shangjie District Land and Resources Bureau (上街區國土資源局) for transfer of state-owned land use right. The purchase price for the acquisition was RMB66.70 million. The land parcel has a site area of 62,187 sq.m. and a mandatory detailed planned plot ratio of 1.0–2.0.

Distribution of land reserves

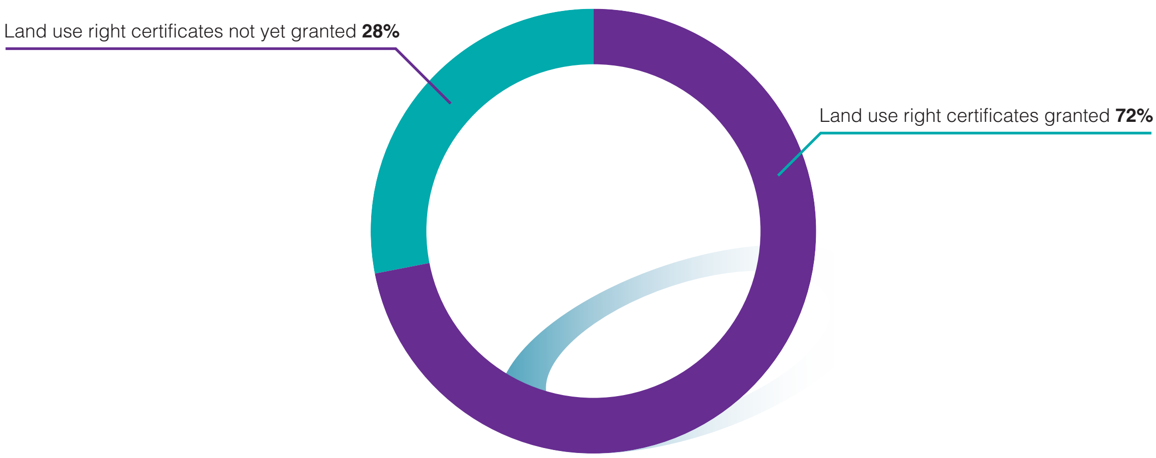
1. Distribution of the Company's land reserves by current development status

Fig: percentage of land under development and land held for future development to the Company's land reserves (as at 31 December 2012)



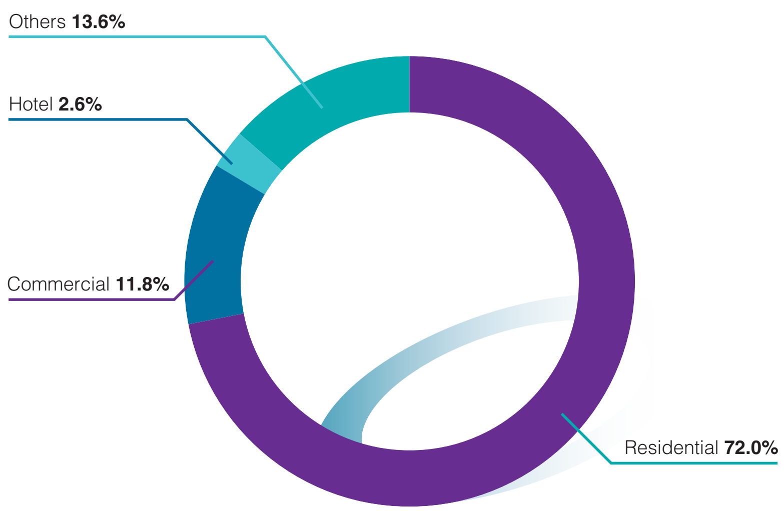
2. Distribution of the Company's land reserves by land use right certificates

Fig: percentage of the Company's land reserves for which land use right certificates had been granted and those had not been granted (as at 31 December 2012)



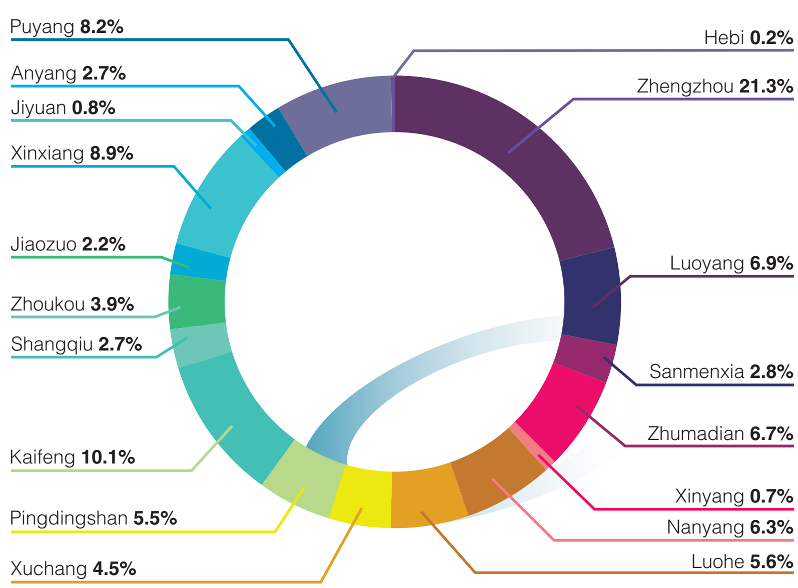
3. Distribution of the Company's land reserves by property types

Distribution of property types (as at 31 December 2012)



4. Distribution of the Company's land reserves by cities

Distribution of the Company's land reserves by cities (as at 31 December 2012)



(IV) Product Research and Development

The Company's product strategy is to "introduce new products to traditional markets and traditional products to new markets". In traditional markets, we enhance the market competitiveness of our products through ongoing innovation and provision of innovative and quality services. In new markets, we achieve speedy turnover and efficiency in development by fast replication of existing products through product serialisation and standardisation. During 2012, we focused our efforts mainly on the construction of serialised and standardised units with green architectural features, as well as the application work in connection with fully-furbished houses.

1. *Architectural design*

As the Company's provincial and regional development further unfolds, the complexity and diversity of its development projects are becoming more evident. Currently, the Company has completed improvements to the architectural designs of four product series, namely "Forest Peninsula", "U-Town", "Code One City" and "Sweet-Scented Osmanthus Garden". Meanwhile, we continue to drive the application of environment-friendly, energy-saving technologies in CCRE's green architectural products and introduce environmental protection technologies such as duplex landscaping, reclaimed water and biochemical treatment of refuse, etc, as well as standards for fully furbished units, so as to upgrade product quality at the root of the issue. Moreover, to cater to requirements arising in the drive of our provincial and regional strategy, steady progress has also been made in research endeavours in connection with resource integration and product design for multi-purpose developments and property projects with retirement homes.

The Company will implement the standards for fully-furbished units in respect of all residential projects in Zhengzhou in 2014 to encourage end-users to reduce wasteful consumption of building materials.

2. *Serialisation*

With the further progress of the Company's efforts in product serialization, the CCRE product lines have been substantially enriched and refined, with improvements in various segments of the design process and further reductions in the lead-time for design and construction, underlining prominent success of the strategy of serialisation.

With the design of Zhengzhou Tianzhu Project (鄭州天築項目) in 2012, the research, development and design of the fourth-generation CCRE product series has begun.

3. *Standardisation*

In 2012, we completed specialised, standardised designs for show flat zones, individual unit layouts, main gates and full furbishing work, etc and revised our standardization documents for centralized procurement. The further improvement in product standardisation has offered all-rounded technical support for the implementation of large-scale strategic sourcing of accessory and component products.

4. *Application of green construction*

As a forerunner in Henan's property sector, the Group has endeavoured to incorporate environmental protection elements to all segments in property development in rigorous compliance with environment-friendly principles and its green development philosophy. In 2012, "Puyang Code One City" became the first of our development projects to have obtained the "Green Architecture Mark" awarded by the Ministry of Construction, while the Zhengzhou Tianzhu Project (鄭州天築項目) was also in the process of green architectural design.

Management Discussion and Analysis *(Continued)*

(V) Customer Service and Customer Relationship

In 2012, the Company conducted comprehensive upgrades in respect of product quality, service quality, process control and resource integration in the two fundamental aspects of product and service in fulfillment of the strategic objective of building a mega service regime, with further clarifications of its strategic objective for the building of the service regime. We have also enhanced the monitoring and appraisal of various tasks through the 9617777 service hotline, in a bid to drive sound customers' relations through overall upgrades of fundamental services.

In terms of product quality, the Company facilitated the overall upgrade of product quality and service standards by responding to customers' feedback on defects in products and services. Customised products fulfilling the needs of clients and the market were being built and in-depth services favoured, or even relied upon, by property owners were being developed. Actions taken to minimise flaws and deficiencies have provided a significant driving force to the improvement of our corporate core competitiveness.

In terms of service quality, the CCRE Group Manual for Customers' Services, a standardisation document based on research on customers' feelings towards our residential products and services, has been compiled in line with the Company's commitment to the delivery of 5-star services to provide property owners with information on services available from the Company in connection with sales, delivery, property maintenance and additional services, with the aim of fulfilling customers' requirements in all aspects.

In terms of process control, the Company has formulated and implemented service upgrade plans for areas of customers' concern such as design, sales, engineering work and properties, all of which have been aimed at achieving customer satisfaction. In a 2012 customer satisfaction poll conducted by a third-party research institute, CCRE Group's score in overall customer satisfaction rose by 6 percentage points as compared to 2011.

In terms of resource integration, the Company acquired additional high-end customer resources through multiple channels while continuing to improve its existing customer resources. Meanwhile, we leveraged our enormous data base to conduct research on customer resources and strengthen the research and application of customer group classification, such as the in-depth analysis of target customer groups in county-level cities to identify any characteristics in customers' demands.

In addition, the Company has also maintained close monitoring over the servicing aspect of various segments and processes through the 9617777 service hotline, extending the scope of such service to cover areas of internal resources such as CCRE education, football, hotel, Supreme Card (至尊卡), business and properties, as well as social resources, in a move to strengthen its management functions and nourish a stronger sense of the privileged and exclusive status as owners of our property with a genuine experience in seamless services.

BUSINESS OUTLOOK

(I) Market outlook

1. *The macro-economic environment*

While major economies have adopted measures to stimulate economic growth, uncertainties continued to prevail in the world economy. Recently, the PRC government has stated its intention to strengthen and improve its macro-economic control and adjustment by enlarging domestic demand and increasing public investments in infrastructure. As such, the Company expects China to sustain stable economic growth in 2013.

The ongoing progress of the central China economic zone is expected to further enhance Henan's regional economic competitiveness and capacity to accommodate industrial activities. The Company expects moderately fast development in Henan's economy in 2013.

2. *The property market*

The PRC government has stated its intention to enhance property market regulatory measures in order to consolidate the positive effects of earlier actions. In view of the performance of the market since the launch of the latest regulatory measures, property market regulation in 2013 will mainly be concerned with the execution of promulgated policies. The Company expects the national property market to be generally stable in 2013.

Driven by the "national policy" of the development of a central China economic zone and the "provincial planning" for novel urbanisation in Henan, the progress of Henan's urbanisation is expected to be further accelerated, which augurs well for the property market's positive development in the long term. The Company expects the property market of Henan to remain stable in 2013.

(II) Business planning

In 2013, the Company will continue to work diligently to improve its capabilities in product research and analysis and its service standards, upgrade product quality on all fronts, improve mechanisms for incentives, checks and balances, strengthen personnel training and step up with the building of a three-tier market structure, with a view to forming a business portfolio well-balanced between risks and benefits to ensure ongoing, stable business development.

(1) In 2013, the Group expects to commence construction of a total of 33 projects or phases, with a GFA of 3,344,611 sq.m.

Geographical breakdown of commencement of construction in 2013

Location	Total GFA *(sq.m.)*	Percentage *(%)*
Zhengzhou	842,960	25%
Other cities in Henan Province	2,501,651	75%
Total	**3,344,611**	**100%**

(2) Completion plan

The Group expects to complete 29 projects (phases) with a GFA of 2,361,525 sq.m. in 2013.

Expected completion of construction in 2013

City	**Project**	**Expected Total GFA** *(sq.m.)*
Zhengzhou	Shangjie Jianye Forest Peninsula Phase III	49,335
	Central China Code Two City	159,721
	Central China Five Building	161,248
	Central China Jianye Le Meridien	65,436
Luoyang	Central China Huayang Square Phase V	28,093
	Central China Huayang Square Phase VI	180,510
	Jianye Triumph Plaza	202,450
Kaifeng	Central China Dongjing Menghua	90,000
Pingdingshan	Jianye Sweet-Scented Osmanthus Garden Phase II (Batch I)	75,112
Anyang	Central China Forest Peninsula (Tangyin) Phase I	87,237
Hebi	Central China Forest Peninsula Phase III	30,511
Xinxiang	Central China Code One City Phase I	186,789
	Central China U-Town Phase I	86,884
	Central China Forest Peninsula (Changyuan) Phase I	33,293
Jiaozuo	Central China Forest Peninsula Phase IV	25,165
	Central China Xiuwu Forest Peninsula Phase I	41,173
Puyang	Jianye City Phase VI	88,600
	Central China Code One City Phase I	43,504
Xuchang	Central China Forest Peninsula Phase II	97,204
Luohe	Central China Code One City Phase III	105,490
	Central China Four Points	40,441
Sanmenxia	Central China Code One City Phase I	91,213
Shangqiu	Central China U-Town Phase V	40,721
Zhoukou	Central China Forest Peninsula Phase III	67,775
	Central China Huaiyang Sweet-Scented Osmanthus Garden Phase I	47,827
Nanyang	Central China Forest Peninsula Phase II	95,818
Zhumadian	Jianye Eighteen Cities Phase I	38,606
	Central China Forest Peninsula (Suiping) Phase I	45,009
Xinyang	Central China South Lake No. 1	56,360
Total		**2,361,525**

Management Discussion and Analysis *(Continued)*

Major properties under development and for future development by subsidiaries/ jointly controlled entities

Location	Address	Main purpose: residential/ commercial/ hotel/ office	Construction Stage	Expected completion date	Attributable interest	Site area *(sq.m.)*	Total GFA *(sq.m.)*
Zhengzhou	Nongye Road, West of Beilei Road, Zhengzhou, Henan Province	Residential, Commercial	Foundation	2013	51%	56,921	247,746
Zhengzhou	North of Kangning Road, West of Dongfeng Road, Zhengzhou, Henan Province	Residential, Commercial	Planning	2015	50%	86,957	449,048
Zhengzhou	West of Xinyan Road, North of Shengping Road, Zhengzhou, Henan Province	Residential, Commercial	Planning	2015	100%	146,196	543,400
Zhengzhou	Fengjing District, Yanming Lake, Zhongmou County, Zhengzhou, Henan Province	Residential, Commercial	Planning	2019	60%	836,000	850,000
Zhengzhou	Shangjie District, South of Danjiang Road, West of Jingping Road, Zhengzhou, Henan Province	Residential, Commercial	Planning	2014	100%	431,909	676,350
Luoyang	East of Yiyi Road, South of Binhe Road, West of Suqin Street, North of Luoyi Road, Luoyang, Henan Province	Residential, Commercial	Planning	2015	100%	180,063	596,860
Puyang	West of Huaxing Road, East of Hua Chang Road, North of Zhongyuan Road, South of No.6 Road, Puyang, Henan Province	Residential, Commercial	Foundation	2013	100%	153,052	589,000
Nanyang	West of Jiankang Road, East of Xindong Road, Nanyang, Henan Province	Residential, Commercial, Office	Planning	2013	100%	89,729	388,026
Xinxiang	Xiangyang Road, Xinyi Road, Xinxiang, Henan Province	Residential, Commercial	Foundation	2013	100%	183,105	772,487
Zhumadian	Gangshan Road, Tuanjie Road, Zhumadian, Henan Province	Residential, Commercial	Foundation	2013	100%	199,984	661,294

FINANCIAL REVIEW

Turnover: Our turnover decreased by 4.4% to approximately RMB6,346 million in 2012 from approximately RMB6,638 million in 2011, primarily due to a decrease in average selling price from approximately RMB6,323 per sq.m. in 2011 to approximately RMB5,667 per sq.m. in 2012. The decrease in average selling price was primarily the result of the change of the product mix.

- **Income from sales of properties**: Turnover from property sales decreased by 4.6% to approximately RMB6,302 million in 2012 from approximately RMB6,608 million in 2011 due to the decrease in average selling price as discussed above.

- **Rental Income**: Turnover from property leasing remained at approximately RMB24 million in 2012.

- **Revenue from construction contracts**: Turnover from construction contracts was nil in 2012 as the project was completed at the end of 2011.

- **Revenue from hotel operation**: Turnover from hotel operation was approximately RMB20 million.

Cost of sales: Our cost of sales increased by 0.9% to approximately RMB4,100 million in 2012 from approximately RMB4,064 million in 2011. The slight increase in cost of sales is in line with the 6.8% increase in area sold from 1,060,982 sq.m. in 2011 to 1,133,485 sq.m. in 2012.

Gross profit: As a result of the aforesaid changes in turnover and cost of sales, our gross profit decreased by 12.8% to approximately RMB2,246 million in 2012 from approximately RMB2,574 million in 2011, while our gross profit margin decreased from 38.8% in 2011 to 35.4% in 2012.

Other revenue: Our other revenue increased by 55.7% to approximately RMB111 million in 2012 from approximately RMB71 million in 2011. This was primarily due to an increase in interest income from advances to our jointly controlled entities, related parties and third parties and increase in average bank balance.

Other net loss: Our other net loss was approximately RMB5 million in 2012 compared to other net loss of approximately RMB17 million in 2011. This net loss in 2012 was primarily due to the unrealised gain of RMB21 million incurred by trading securities as compared to a loss of RMB83 million in 2011, partially offset by the loss of deemed disposal of subsidiaries of RMB34 million.

Selling and marketing expenses: Our selling and marketing expenses increased by 36.5% to approximately RMB222 million in 2012 from approximately RMB162 million in 2011. This increase was primarily due to increased advertising and promotional expenses associated with our expanding business operations, hotel operation, and the increased salaries, other benefits and commissions paid to our sales and marketing staff.

General and administrative expenses: Our general and administrative expenses increased by 43.2% to approximately RMB398 million in 2012 from approximately RMB278 million in 2011. This increase was primarily due to an increase in salaries and other benefits paid to our administrative staff as well as depreciation of our fixed assets due to commencement of hotel operation. During 2012, the Group incurred an expense in connection with the consent solicitation in relation to the US$300m Senior Notes (as defined below) conducted by the Company.

Management Discussion and Analysis *(Continued)*

Other operating income: Other operating income amounted to approximately RMB47 million in 2012 compared to other operating income of approximately RMB13 million in 2011. We derived other operating income in 2012 primarily as a result of the consulting fee we charged our jointly controlled entities for managing their property projects, partially offset by the trust management fee paid to Bridge Trust Co., Ltd. as trustee in relation to the trusts it established. The increase in consultancy fee was the result of the increase in the area constructed by jointly controlled entities in 2012, as compared with 2011.

Share of losses of associates: Our share of losses of associates decreased by 57.8% to approximately RMB2 million in 2012 from approximately RMB4 million in 2011. Our share of losses of associates primarily represented our share of loss for operating expenses incurred by St. Andrews Golf Club (Zhengzhou) Company Limited, one of our associates. The decrease in loss is mainly due to the improved performance of the golf club.

Share of profits less losses of jointly controlled entities: Our share of profits less losses of jointly controlled entities was a gain of approximately RMB321 million in 2012 as compared to losses of approximately RMB7 million in 2011, primarily due to the recognition of revenue of the project company of Central China U-Town Phase VI, a jointly controlled entity. The revenue of the Group's jointly controlled entities amounted to approximately RMB2,575 million, representing sales of 209,721 sq.m. during 2012, in which a revenue of RMB1,649 million, representing sales of 123,801 sq.m., was attributable to the Group.

Finance costs: Our finance costs decreased by 28.2% to approximately RMB269 million in 2012 from approximately RMB375 million in 2011. This decrease was primarily due to fair value gains on the financial derivative embedded in the convertible bonds and the US$300m Senior Notes (as defined below).

Net increase in fair value of investment properties: We recorded an increase of approximately RMB17 million in fair value of our investment properties in 2012, as compared to an increase of approximately RMB2 million in 2011.

Income tax: Income tax comprises corporate income tax, land appreciation tax ("LAT") and withholding tax payable on dividend declared by PRC enterprises to non-PRC resident enterprises. Our income tax decreased by 9.2% from RMB1,075 million in 2011 to RMB976 million in 2012. The decrease in income tax over this period was primarily due to decrease in gross profit margin.

Profit for the year: As a result of the foregoing, our profit for the year increased by 17.1% to approximately RMB870 million in 2012 as compared to approximately RMB743 million in 2011.

Financial resources and utilisation: As at 31 December 2012, the Group's cash and cash equivalents amounted to approximately RMB3,950 million (31 December 2011: approximately RMB3,256 million). During the year, the Group distributed a final dividend of RMB199 million to the shareholders of the Company in relation to profit attributable to the year ended 31 December 2011 and an interim dividend of approximately RMB90 million in relation to profit attributable to the six months ended 30 June 2012.

Structure of Borrowings and Deposits

We continue to adopt a prudent financial policy and centralise our funding and financial management. Therefore, we are able to continue to maintain a high cash-on-hand ratio and a reasonable level of gearing. During the year, we successfully issued the SGD175m Senior Notes (as defined below) at a coupon rate of 10.75% due 2016. As at 31 December 2012, the repayment schedule of the Group's bank and other borrowings was as follows:

Repayment schedule	**2012** ***RMB'000***	2011 *RMB'000*
Bank loans		
Within one year	**675,000**	1,110,660
More than one year, but not exceeding two years	**412,000**	376,000
More than two years, but not exceeding five years	**447,500**	140,000
Exceeding five years	**62,000**	–
	1,596,500	1,626,660
Other loans		
Within one year	**739,702**	1,245,470
More than one year, but not exceeding two years	**868,980**	107,700
More than two years, but not exceeding five years	**47,000**	–
	1,655,682	1,353,170
Convertible bonds		
Within one year	**–**	549,665
More than one year, but not exceeding two years	**587,533**	–
	587,533	549,665
Senior notes		
Within one year or on demand	**–**	1,849,885
More than two years, but not exceeding five years	**2,730,589**	–
	2,730,589	1,849,885
Total borrowings	**6,570,304**	5,379,380
Deduct:		
Cash and cash equivalents	**(3,949,775)**	(3,255,528)
Restricted bank deposits secured against bank loans	**(106,951)**	(84,000)
Net borrowings	**2,513,578**	2,039,852
Total equity	**5,623,210**	5,041,752
Net gearing ratio (%)	**44.7%**	40.5%

Management Discussion and Analysis *(Continued)*

Pledge of assets: As at 31 December 2012, we had pledged completed properties, properties under development, properties for future development and bank deposits with an aggregate carrying amount of approximately RMB3,803 million (2011: approximately RMB3,014 million) to secure general bank credit facilities and other loans granted to us.

Financial guarantees: As at 31 December 2012, we provided guarantees of approximately RMB6,094 million (2011: approximately RMB4,768 million) to banks in favor of customers in respect of the mortgage loans provided by the banks to these customers for the purchase of the developed properties of our Group as well as those of our jointly controlled entities.

Capital commitment: As at 31 December 2012, we had contractual commitments undertaken by subsidiaries and jointly controlled entities attributable to our Group, the performance of which was underway or ready, in respect of property development amounting to approximately RMB3,338 million (2011: approximately RMB1,463 million), and we had authorised, but not yet contracted for, a further approximately RMB17,094 million (2011: approximately RMB15,839 million) in expenditure in respect of property development.

Foreign exchange risk: Our businesses are principally conducted in RMB. The majority of our assets are denominated in RMB. As at 31 December 2012, our major non-RMB assets and liabilities are (i) bank deposits and borrowings and convertible Bonds denominated in H.K. dollar and (ii) the senior notes denominated in U.S. dollar and SGD. We are subject to foreign exchange rate risk arising from future commercial transactions and recognised assets and liabilities which are denominated in non-RMB currencies. The majority of our foreign currency transactions and balances are denominated in H.K. dollar, U.S. dollar and SGD. Our foreign currency hedging policy is stated in note 2 to the financial statements.

Interest rate risks: The interest rates for a portion of our loans were floating. Upward fluctuation in interest rates will increase the interest cost of new and existing loans. We currently do not use derivative instruments to hedge its interest rate risks.

Human resources and remuneration policy: As at 31 December 2012, we had 1,489 employees (31 December 2011: 1,487 employees). Staff remuneration is determined on the basis of individual performance, experience and prevailing industry practices. We review our remuneration policy and arrangements on a regular basis and staff may be rewarded with bonuses and cash payments depending on individual performance appraisals. Our policies for insurance and provident fund are in compliance with national and local laws and regulations on labour affairs and social welfare. At the date of this report, there was no significant labor dispute which had or might have an adverse impact on our business operations.

INVESTOR RELATIONS REPORT

Puyang Jianye City

Investor Relations Report

The Group values effective communication with investors, media, and other stakeholders. With the goal of effective and timely delivery of information in mind, the Group's Investor Relations (IR) Department proactively seizes opportunities to communicate with investors and the public through various channels. In addition, the IR Department also strictly follows the non-selective disclosure of information in order for all stakeholders to receive the Group's business updates and announcements in the most timely and transparent manner. These practices facilitate transparent and clear communication on the Group's business updates and management philosophy to the stakeholders, which in turns enable the investors and the public to better understand the Group's business updates and development strategies

To maintain a close contact with the investment community and to convey the Group's latest updates effectively, the Group actively participates in one-on-one meetings, telephone or e-mail exchanges, roadshow and conference participation, besides the publication of interim and annual reports and the distribution of press releases, monthly newsletters and announcements. The Group's effort in fostering investor relations begins to bear fruits, as shown by the increasing broker research coverage and reputation among the investor community. The Group is also proactive in maintaining good media relations, as the Group's sales performance and business development during the year generated wider media coverage.

Gearing towards an enhanced mutual understanding between the Group and the investment community, the Group organized and participated in a number of investor relations activities. In 2012, the Group attended investor seminars and conferences organized by reputable investment banks and securities brokerages, including UBS, DBS Vickers, Citi Group, HSBC, Guoyuan Securities, Barclays, Deutsche Bank, JP Morgan, Haitong Securities, BoA Merrill Lynch, Standard Chartered, Nomura, CIMB, and Ji-Asia. In addition, the Group also frequently arranged site visits and meetings with officials and executives of the regional subsidiaries to foreign and local investors, in order to showcase the Group's business development and strategies.

Investor Relations Report *(Continued)*

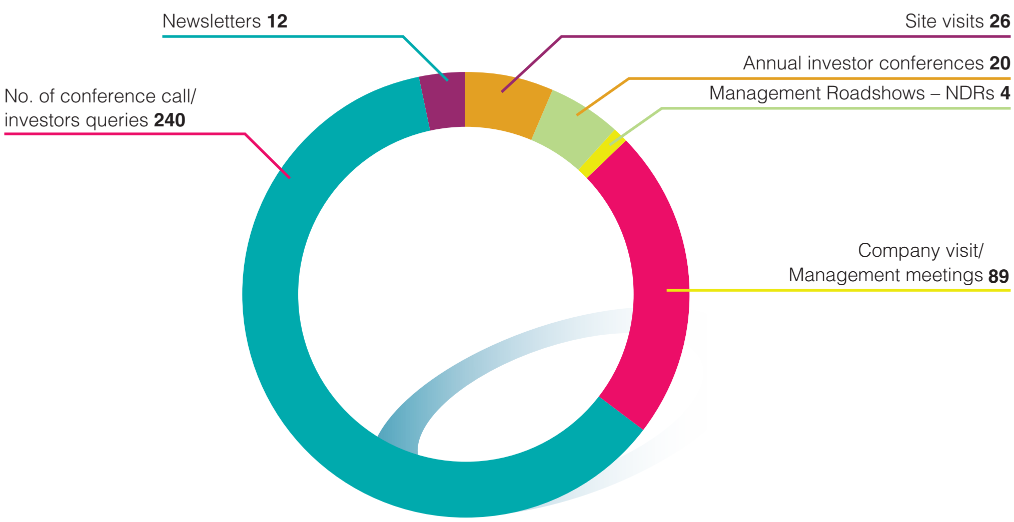
INVESTOR RELATIONS ACTIVITIES

Major Investor Relations Activities of the Group in 2012

Date	Conference	Organizer	Location
9–10 January 2012	UBS Greater China Conference 2012	UBS	Shanghai
11 January 2012	DBS Vickers Singapore Conference	DBS Vickers	Singapore
1–3 February 2012	9th Annual Citi Asia Pacific Investor Conference 2012	Citi Group	Hong Kong
2–4 April 2012	Singaporean Dollar Bond NDR	Deutsche Bank, Morgan Stanley, OCBC	Hong Kong, Singapore
17–20 April 2012	Post-Annual Result Management NDR	DBS Vickers	Hong Kong and Singapore
27 April 2012	HSBC 3rd Annual Asian Property Conference	HSBC	Hong Kong
9 May 2012	Guoyuan (Hong Kong) Strategy Conference (Theme: Property)	Guoyuan Securities	Shenzhen
10-11 May 2012	Citi Asia Pacific Property Conference 2012	Citi Group	Singapore
21–22 May 2012	Barclays Select: Asia Property Conference	Barclays	Hong Kong
28–30 May 2012	3rd Annual DB Access Asia Conference 2012	Deutsche Bank	Singapore
13–15 June 2012	JP Morgan China Conference 2012	JP Morgan	Beijing
20 June 2012	2012 Semi-annual Investment Conference	Haitong Securities	Shenzhen
4 July 2012	DBS Vickers Pulse of Asia Conference	DBS Vickers	Singapore
5–6 July 2012	HK/China Mini Conference	Citi Group	Hong Kong
10–13 July 2012	Greater China Property Corporate Day	BOA Merrill Lynch	Hong Kong
21–24 August 2012	Post-Interim Results Management NDR	DBS Vickers	Hong Kong, Singapore
6–7 September 2012	UBS Hong Kong/China Property Conference 2012	UBS	Hong Kong
15 October 2012	Standard Chartered Asia Reverse Investor Roadshow	Standard Chartered	Hong Kong
1–2 November 2012	Citi Greater China Investor Conference 2012	Citi Group	Macau
7–9 November 2012	BOA Merrill Lynch China Conference 2012	BOA Merrill Lynch	Beijing
15 November 2012	Nomura Fixed Income Corporate Day	Nomura	Hong Kong
26–27 November 2012	CIMB 8th Hong Kong/China Conference	CIMB	Hong Kong
5 December 2012	CCRE Management Roadshow	CBA — CCRE	Sydney
12 December 2012	Ji-Asia HK Conference	Ji-Asia	Hong Kong
Total number of conferences and roadshows attended			**24**

Investor Relations Report *(Continued)*

The chart below shows the IR activities done in 2012 (times)



PROSPECTS

The Group has steadily built a credible and well-regarded reputation among the people in Henan, for its two decades of dedicated effort in providing quality housing and leading the property development in Henan province. The IR department will keep up its effort in communicating with investors and stakeholders on the Group's business development in a timely and efficient manner.


Zhengzhou Code One City


Kaifeng Forest Peninsula


Shangqiu Sweet-Scented Osmanthus Garden

Corporate and Social Responsibility Report

1. SUSTAINABLE DEVELOPMENT

As a leader in Henan's property industry, the Group has drawn up the "CCRE Manifesto on Green Operation" and put green architecture and full furbishing into practice, in order to achieve maximum conservation of resources (energy, land, water and raw materials), protection of the environment and reduction of pollution as part of its efforts to foster harmony with Mother Nature in fulfillment of its corporate social responsibility. With this objective in sight, the Company is constantly keeping itself informed of development trends of the industry and making dedicated efforts in the research of eco-friendly and energy-saving architectures to meet expectations of the community and requirements of homeowners.

1. Green architecture

In line with the core principle of the "CCRE Manifesto on Green Operation" published in 2012, the product R&D institutions of the Company continued to advance the application of eco-friendly and energy-saving technologies in our new products. The fourth-generation products currently developed by the Company will feature further modern technologies and green elements, with sophisticated applications of environment-friendly technologies such as duplex landscaping, reclaimed water and biochemical treatment of refuse, as well as the adherence of standards for fully-furbished units, so as to upgrade product quality.

2. Construction

The Company will implement the new standards for fully-furbished units in respect of all residential projects in Zhengzhou in 2014 to encourage end-users to reduce wasteful consumption of building materials.

2. ACTIVE PARTICIPATION IN CHARITY TO UPHOLD VALUE OF CONTRIBUTING TO THE SOCIETY

With the belief of "Companies are built on the society as to trees are rooted in soil", the Group has been an avid supporter of charity and education for many years. In 2012, Mr. Wu Po Sum, Chairman of the Group, and the Group, together donated RMB44.11 million on charitable causes, including enhancing humanities, providing scholarships, and supporting poverty relieves. Mr. Wu Po Sum personally contributed RMB24.8 million on charitable work.

With the mission of raising the bar on humanities, Mr. Wu Po Sum is dedicated in education. Benyuan Community College ("The Community College"), one of the core projects of "Henan Benyuan Humanities Charitable Foundation" founded by Mr. Wu in 2011, was established in 2012 and is in smooth operation. As the first community college under the Foundation, the institute aims at supplementing the inadequacy knowledge on humanities in traditional education through family. At the same time, by nurturing humanities in families and fostering a learning atmosphere in the community, the Community College is determined to continue the traditional education on Chinese humanities. Since its operation, the Community College organized events including "Chi Heng Foundation — Care for AIDS orphans Art Exhibition", summer camp for traditional culture, resources donation for winter, lectures on traditional Chinese literature etc. All courses and events organized by the Community College are non-profit, as the operating costs are fully sponsored by Mr. Wu Po Sum. In addition, Mr. Wu's donation of over RMB23 million to the Children's library in Henan Province supported for the development of cultural facilities and education in his hometown.

The Group and its subsidiaries contributed RMB19.31 million in support to various charitable causes in Henan Province, including the construction of education facilities and environmental causes. In 2012, the Group donated RMB100,000 and RMB1 million respectively to Society of Entrepreneurs & Ecology (「阿拉善SEE生態協會」) and the "Henan Foundation for Care of the Next Generation" (「河南省關心下一代基金會」).

3. PROSPECT

With the goal of contributing to the society and the community in mind, the Group will keep up its long-term effort in the betterment of the Henan people, particularly in the aspects of environmental protection, community work, promoting humanities education and reaching out to the underprivileged. As a leading property developer in Henan Province with a strong commitment to social responsibilities, we will continue to fulfill our parts, adhere to our strategic objectives, steadily promote our business development, further improve our corporate governance and business management, and maximize value for shareholders.

Benyuan Community College

Visit and provided donations to the AIDS-affected village in Shangcai, Henan Province

The "Care for AIDS-affected Orphans" Exhibition featured artworks created by orphans affected by AIDS. The art pieces were sold for charitable donation to Chi Heng Foundation, a non-profit organization dedicated to AIDS-affected children and families.

Adults and children in the community attending Chinese calligraphy class at Benyuan Community College.

4. CORPORATE HONOURS

- 1 December 2012: CCRE was honoured with the title of "Top 50 Responsible Property Developers of China" in the 2nd version of "Top 100 Responsible Property Developers of China" announced at a news conference held at Beijing Century Guojian Hotel.

- 16 October 2012: CCRE ranked 1st among "Top China Real Estate Enterprises by Brand Value 2012 — Top 10 Real Estate Enterprises of Central China" at a news conference announcing the results of brand value assessment for real estate developers in China and a summit conference on real estate brand development held at China World Summit Wing.

- May 2012: CCRE was named among "Top 5 Chinese Listed Real Estate Companies by Development Speed 2012" and "Top 50 Chinese Listed Real Estate Companies by Overall Strengths 2012" in the "Top 100 Chinese Property Developers" jointly presented by China Real Estate Research Association, China Real Estate Association and China Real Estate Appraisal Centre.

- 21 March 2012: CCRE's ranking among the Top 500 Chinese Property Developers, announced in a news conference and top 500 summit meeting held at China World Summit Wing, rose from 33rd in 2011 to 28th. We also topped the list of "Top 10 PRC Property Developers in Regional Operations" for the second year in a row.

- 27 February 2012: CCRE was honoured with the title of "Top 100 Enterprises of Henan Province 2012" in the selection and commendation of 2012 top 100 enterprises (by strength and benchmarks) organized by the Henan Provincial People's Government. The Company was commended in the provincial government's official document and presented with an plaque of recognition.


Four Point Luohe


Puyang Jianye City


Holiday Inn Nanyang


The Five Buildings in Zhengzhou

Corporate Governance Report

The Company strives to attain and maintain high standards of corporate governance. It is the belief of the Board that effective corporate governance and disclosure practices are not only crucial in enhancing the Company's accountability and transparency and thus investors' confidence but also important to the Group's long-term success.

CORPORATE GOVERNANCE PRACTICES

The Company has always valued the superiority, steadiness and rationality of having a sound system of corporate governance and is committed to continuously improve its corporate governance and disclosure practices.

On 1 April 2012, various amendments to the former Code on Corporate Governance Practices (Appendix 14 to the Rules (the "Listing Rules") Governing the Listing of Securities on the Stock Exchange) became effective and the former code was renamed as the Corporate Governance Code.

For the year ended 31 December 2012, the Company complied with all code provisions and, where appropriate, adopted the recommended best practices set out in the new Corporate Governance Code (applicable to financial reports covering a period commencing on 1 April 2012) and the former Code on Corporate Governance Practices, with the exception of Code Provisions A.4.1 and A.6.7 as addressed below.

1. Code Provision A.4.1 — This Code Provision stipulates that all non-executive Directors should be appointed for a specific term, subject to re-election

   Mr. Hu Yongmin ("Mr. Hu"), a non-executive Director, was not appointed for a specific term. Mr. Hu was nominated by an investor who subscribed for convertible bonds and warrants issued by the Company on 31 August 2009 to the Board and was appointed as a non-executive Director on 3 September 2009. No service contract was entered into between Mr. Hu and the Company and he did not and will not receive any remuneration as a non-executive Director from the Company. The said investor will continue to have the right to nominate a person to be appointed as a non-executive Director as long as it has an interest in 5% or more of the shares of the Company.

   Save for Mr. Hu, all other non-executive Directors and independent non-executive Directors were appointed for a specific term. Since all Directors (including Mr. Hu) are subject to re-election by shareholders of the Company at annual general meetings and at least once every three years on a rotation basis in accordance with the articles of association of the Company, the Company considers that there are sufficient measures to ensure the corporate governance of the Company complies with the same level to that required under the Corporate Governance Code.

2. Code Provision A.6.7 — This Code Provision stipulates that independent non-executive Directors and other non-executive Directors, as equal Board members, should give the Board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and develop a balanced understanding of the views of shareholders.

   All Directors have given the Board and the committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation.

   Mr. Lim Ming Yan, Mr. Leow Juan Thong Jason, Mr. Hu Yongmin and Ms. Wu Wallis (alias Li Hua), all being non-executive Directors, and Mr. Wang Shi, being an independent non-executive Director, were unable to attend the annual general meeting of the Company held on 24 May 2012 as they were out of town for other businesses.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 to the Listing Rules as the code of conduct for the Directors in their dealings in the Company's securities. The Company made specific enquires with each Director and each of them confirmed that he or she had complied with the Model Code for the year ended 31 December 2012.

BOARD OF DIRECTORS

The Board, which is chaired by Mr. Wu Po Sum, consists of two executive Directors (except the period from 1 January 2012 to 25 June 2012, the Board consisted of three executive Directors) and seven non-executive Directors, three of whom are independent. The composition of the Board ensures a balance of skills and experience appropriate for the requirements of the business of Group and the exercising of independent opinion.

The Directors who held office during the year and up to the date of this report include:

Executive Directors

Mr. Wu Po Sum *(Chairman)*
Mr. Wang Tianye *(Chief Executive Officer) (resigned on 26 June 2012)*
Ms. Yan Yingchun

Non-executive Directors

Mr. Lim Ming Yan *(Vice-chairman)* (with Mr. Lucas Ignatius Loh Jen Yuh as alternate)
Mr. Leow Juan Thong Jason
Ms. Wu Wallis (alias Li Hua)
Mr. Hu Yongmin

Independent Non-executive Directors

Mr. Cheung Shek Lun
Mr. Wang Shi
Mr. Xin Luo Lin

Ms. Wu Wallis (alias Li Hua) is the daughter of Mr. Wu Po Sum. Save as disclosed, there is no family or other material relationship among the members of the Board. The biographical details of the Directors are set out on pages 48 to 51 of this report.

All executive Directors and non-executive Directors (except Mr. Hu Yongmin) have entered into service contracts with the Company for a specific term of three years. Under the articles of association (the "Articles of Association") of the Company, the Board is empowered to appoint any person as a Director to fill the casual vacancy on or as an additional Director. The Board considers a candidate's experience, skill and knowledge and competency and ability to fulfill duty of care and diligence and fiduciary duty and/or recommendation by the Nomination Committee (as defined below) (if any).

In compliance with Rules 3.10 and 3.10A of the Listing Rules, the Company has appointed three independent non-executive Directors (representing one-third of the Board), one of whom possesses the appropriate professional qualifications in accounting and financial management. Each of the three independent non-executive Directors has confirmed his independence of the Company and the Company considers each of them to be independent in accordance with the guidelines of assessing independence as set out in Rule 3.13 of the Listing Rules. Each of the three independent non-executive Directors has signed a letter of appointment with the Company for a specific term of three years.

Pursuant to the Articles of Association, at least one-third or, if the number is not a multiple of three, the nearest to one-third, of the Directors are subject to retirement from office by rotation and re-election at the annual general meeting of the Company once every three years. In accordance with article 87 of the Article of Association, Mr. Wu Po Sum, Ms. Wu Wallis (alias Li Hua), Mr. Hu Yongmin and Mr. Wang Shi will retire and, being eligible, will offer themselves for re-election at the 2013 AGM. All other Directors will continue in office.

All Directors have given sufficient time and attention to the affairs of the Group and in particular, the independent non-executive Directors have provided the Board with their diversified expertise and professional advices. The Board is of the view that there is a balanced composition of executive, non-executive and independent non-executive Directors in the Board and the independent non-executive Directors are able to provide sufficient checks and balances to safeguard the interests of the shareholders of the Company (the “Shareholders”) and the Group. The participation of the independent non-executive Directors in the Board and committee meetings also provides independent judgment on the issues relating to strategy, policy, performance, accountability, conflict of interest and standards of conduct.

The Board members have access to timely information relating to the Group’s business and will be provided with further documents and information upon request to enable them to make informed decisions.

The Company has subscribed appropriate and sufficient insurance coverage on Directors’ liabilities in respect of legal actions taken against Directors arising out of corporate activities.

RESPONSIBILITY OF THE BOARD

The Board is in charge of leadership and control of the Group and is responsible for maximising the Group’s financial performance and making decisions in the best interests of the Group and its Shareholders. Under the leadership of Mr. Wu Po Sum, the chairman of the Board (the “Chairman”), the Board is also responsible for formulating and overseeing the business strategies and policies of the Group, approving and monitoring annual budgets and business plans, reviewing operational and financial performance, reviewing and monitoring the Group’s financial control and risk management systems. The Board has delegated the daily operation and day-to-day management of the Group as well as the implementation of the Board’s policies and strategies to the executive Directors and management of the Group.

BOARD MEETINGS AND GENERAL MEETING

The Board holds meetings regularly and meets at other times as and when required to review financial, internal and compliance controls, risk management, company strategy and operating performance of the Group. In addition, the Board holds general meeting to maintain an on-going dialogue with the Shareholders. For the year ended 31 December 2012, the Board held 4 regular meetings, 5 ad hoc meetings and 1 general meeting.

The number of Board meetings and general meeting attended by each Director from 1 January 2012 to 31 December 2012 is set out in the following table:

Directors	Board Meeting	Audit Committee Meeting	Nomination Committee Meeting	Remuneration Committee Meeting	General Meeting
Number of meetings held	***9***	***2***	***–***	***2***	***1***
Mr. Wu Po Sum	7/9			2/2	1/1
Mr. Wang Tianye (resigned on 26 June 2012)	4/5				0/1
Ms. Yan Yingchun	9/9				1/1
Mr. Lim Ming Yan*	8/9				0/1
Mr. Leow Juan Thong Jason	9/9	2/2			0/1
Ms. Wu Wallis (alias Li Hua)	0/9				0/1
Mr. Hu Yongmin	9/9				0/1
Mr. Cheung Shek Lun	9/9	2/2		2/2	1/1
Mr. Wang Shi	0/9				0/1
Mr. Xin Luo Lin	3/9	2/2		2/2	1/1

* Mr. Lucas Ignatius Loh Jen Yuh (Alternate Director of Mr. Lim Ming Yan) attended 5 Board meetings on behalf of Mr. Lim Ming Yan.

Sufficient notice for regular Board meetings and notice of reasonable days for ad hoc Board meetings were given to all Directors so as to ensure that each of them had an opportunity to attend the meetings, and agenda and accompanying Board papers were given to all Directors in a timely manner. As agreed by the Board, the Directors may also seek independent professional advice at the Company's expense. During the intervals between Board meetings, the senior management of the Company provides the Directors with information on a timely basis regarding all major developments or changes in the Group's businesses.

Should a Director have a potential conflict of interest in a matter being considered in the Board meeting, he or she will abstain from voting in respect of the relevant resolution. Independent non-executive Directors with no conflict of interest will be present at meetings dealing with such issues.

Full Board or committee papers will be sent to all Directors at least three days before the intended date of a Board meeting or committee meeting.

Management has supplied the Board and its committees with adequate information and explanations so as to enable them to make an informed assessment of the financial and other information put before the Board and its committees for approval. Management is also invited to join the Board or committee meetings where appropriate.

All the Directors are also entitled to have access to timely information such as monthly updates in relation to our businesses and have separate and independent access to senior management.

DIRECTORS' TRAINING

During the year, all Directors were provided with regular updates on applicable legal and regulatory requirements. A memorandum on statutory obligations in relation to disclosure of inside information of a listed issuer in Hong Kong was distributed to all Directors as part of their reading materials in the continuous professional development plan of the Company and the Company confirmed that all Directors read the training materials.

In addition, every newly appointed Director will receive an induction on the first occasion of his appointment, so as to ensure that he has a proper understanding of the operations and business of the Company, and his or her responsibilities under laws, regulations and especially the governance policies of the Company

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman and the Chief Executive Officer are currently two separate positions held by Mr. Wu Po Sum and Mr. Chen Jianye respectively with clear distinction in responsibilities.

Mr. Wu Po Sum, being the Chairman, is responsible for the management and leadership of the Board to formulate overall strategies and business development directions for the Group, to ensure that adequate, complete and reliable information is provided to all Directors in a timely manner, and to ensure that the issues raised at the Board meetings are explained appropriately.

Mr. Chen Jianye, being the Chief Executive Officer, is responsible for the daily operations of the Group and the implementation of business policies, objectives and plans as formulated and adopted by the Board, and is accountable to the Board for the overall operation of the Group.

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility to present a balanced, clear and understandable assessment of the Group's performance, position and prospects in the consolidated financial statements of the annual and interim reports in accordance with statutory requirements and applicable accounting standards. Pursuant to Code Provision C.1.1 of the Corporate Governance Code, management would provide such explanation and information to the Board as will enable the Board to make an informal assessment of the financial and other information put before the Board for approval. The Directors confirm that, to the best of their knowledge, information and relief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Company's ability to continue as a going concern.

In preparing the financial statements for the year ended 31 December 2012, the Directors have selected appropriate accounting policies and applied them consistently, and have made judgments and estimates that are prudent and reasonable.

The Group has announced its annual and interim results in a timely manner within the limits of three months and two months respectively after the end of the relevant financial periods, as laid down in the Listing Rules.

INTERNAL CONTROL

The Board has the responsibility to maintain an effective internal control system in order to safeguard the Group's assets and Shareholders' interests, review and monitor the effectiveness of the internal control and risk management systems on a regular basis to ensure that the systems in place are adequate.

The Group's internal control system comprises, among others, the relevant financial, operational and compliance controls and risk management procedures, a well-established organisational structure with clearly defined lines of responsibility and authority. Each department is accountable for its daily operations and is required to implement the business strategies and policies adopted by the Board from time to time.

The Board conducted a review and assessment of the effectiveness of the Group's internal control system and procedures for the year ended 31 December 2012 by way of discussions with the management of the Group, members of the audit committee (the "Audit Committee") and external independent auditors. The Board believes that the existing internal control system is adequate and effective. The Board also reviewed the resources, qualification and experience of staff of the Group's accounting and financial reporting function and their training programmes and budget and was satisfied with their adequacy.

BOARD COMMITTEES AND CORPORATE GOVERNANCE FUNCTIONS

The Board has established three committees, namely the Audit Committee, the remuneration committee (the "Remuneration Committee") and the nomination committee (the "Nomination Committee") to oversee the relevant aspects of the Company's affairs. The three Board committees are provided with sufficient resources to discharge their duties.

The Board as a whole is responsible for performing the corporate governance duties including:

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of the Directors and senior management;

(c) to review and monitor the Company's policies and practices in compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

(e) to review the Company's compliance with the Corporate Governance Code and disclosures in this corporate governance report.

AUDIT COMMITTEE

In compliance with Rule 3.21 of the Listing Rules, the Audit Committee was established on 14 May 2008. The Audit Committee comprises three members, namely Mr. Cheung Shek Lun (the chairman of the Audit Committee), Mr. Xin Luo Lin and Mr. Leow Juan Thong Jason during the year ended 31 December 2012. None of them is a member of the former or existing auditor of the Company. The Board is of the view that the members of the Audit Committee have sufficient accounting and financial management expertise and experience to discharge their duties. However, the Audit Committee is authorised to obtain external legal or other independent professional advice if it considers necessary.

The Audit Committee has written terms of reference in accordance with the Code. The principal functions of the Audit Committee include:

- To make recommendations to the Board on the appointment, reappointment and removal of external independent auditors and to approve the remuneration and terms of such appointments;

- To review and monitor the independence and objectivity of the external independent auditors and effectiveness of the audit process in accordance with applicable standards;

- To review the Company's financial controls, internal control and risk management systems and other major financial matters;

- To review the Group's financial and accounting policies and practices, and to monitor the Company's financial operation and core business status;

- To ensure that the management has fulfilled its duty to maintain an effective internal control system;

- To ensure compliance with applicable statutory accounting and reporting requirements, legal and regulatory requirements, internal rules and procedures approved by the Board from time to time; and

- To review and monitor the integrity of the financial statements, annual and interim reports and the auditor's report to ensure that the information presents a true and balanced assessment of the Group's financial position.

The Audit Committee held two meetings during 2012 and conducted the following activities:

(i) reviewed the Group's financial results for the year ended 31 December 2011 and interim results for the six months ended 30 June 2012;

(ii) reviewed the audit plans and findings of the external auditor;

(iii) reviewed the revised terms of reference of the Audit Committee for the Board's approval;

(iv) reviewed the internal control and financial matters pursuant to its terms of reference; and

(v) made recommendation to the Board on the re-appointment of the external auditor and their remuneration.

The Audit Committee also met with the auditor annually in the absence of management to discuss matters relating to any issues arising from audit and any other matters the auditor may wish to raise.

For the year ended 31 December 2012, the external independent auditors' remuneration in respect of audit services provided to the Group amounted to approximately RMB4.3 million. During the year, service fee to external independent auditor for the issue of the SGD175m Senior Notes (as defined below) amounted to RMB400,000.

NOMINATION COMMITTEE

The Nomination Committee was established on 29 March 2012 with written terms of reference as suggested under the code provision in the Code. The Nomination Committee comprises three members, namely Mr. Wu Po Sum (the chairman of the Nomination Committee), Mr. Cheung Shek Lun and Mr. Xin Luo Lin, a majority of whom are independent non-executive Directors.

The primary duties of the Nomination Committee include: (i) reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least once a year and to make recommendations to the Board regarding any proposed changes to the Board for conforming to the strategy of the Company; (ii) identifying and nominating qualified individuals to act as Directors and to make recommendations to the Board regarding such matters; (iii) assessing the independence of the independent non-executive Directors; and (iv) making recommendations to the Board regarding the appointment or re-appointment of Directors and succession planning for the Directors, in particular the Chairman and the Chief Executive Officer.

The chairman of the Nomination Committee shall attend the annual general meeting of the Company to answer the questions raised by the Shareholders on Director's nomination and other nomination policy matters.

The Nomination Committee shall meet at least once a year (or in accordance with the regulations of regulatory authorities applicable to the Company from time to time) at the time as required to discharge its duties. The meeting shall be convened and chaired by the Chairman. During the year under review, no meeting was held by the Nomination Committee. However, subsequent to the end of 2012 and up to the date of this report, a meeting of Nomination Committee was held on 25 March 2013 to assess the independence of independent non-executive Directors and review the reappointment of Directors at the 2013 AGM.

REMUNERATION COMMITTEE

The Remuneration Committee was established on 14 May 2008 with written terms of reference as suggested under the code provision in the Code. The Remuneration Committee comprises three members, including two independent non-executive Directors, namely Mr. Xin Luo Lin (the chairman of the Remuneration Committee) and Mr. Cheung Shek Lun, and the Chairman and an executive Director, Mr. Wu Po Sum, during the year ended 31 December 2012.

The primary duties of the Remuneration Committee include (but not limited to) (i) making recommendations to the Board on the Company's policies and structures for all remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration; (ii) determining the terms of the specific remuneration package of individual executive Directors and senior management; and (iii) reviewing and approving remuneration proposal by reference to corporate goals and objectives resolved by the Directors from time to time.

The amount of the executive Directors' remuneration is determined by the Remuneration Committee on the basis of the relevant executive Directors' experience, responsibility, workload and the time devoted to the Group. The entire Directors' remuneration is reviewed by the Remuneration Committee from time to time.

The Remuneration Committee may also consult the Chairman on proposals relating to the remuneration of other executive Directors and has access to professional advice if necessary.

The Remuneration Committee held two meetings during 2012 and conducted the following activities:

(i) reviewed the remuneration policy of the Group and Directors' remunerations;

(ii) reviewed and approved the remuneration package of individual executive Directors and senior management; and

(iii) reviewed the revised terms of reference of the Remuneration Committee.

To comply with the Listing Rules effective from 1 April 2012, Mr. Xin Luo Lin, an independent non-executive Director, was appointed as the chairman of the Remuneration Committee in place of Mr. Wu Po Sum, the Chairman and an executive Director, with effect from 29 March 2012. Mr. Wu Po Sum has remained as a member of the Remuneration Committee.

COMPANY SECRETARY

In compliance with Rule 3.28 of the Listing Rules, the Company Secretary is a full time employee and has the day-to-day knowledge of the Company's affairs. The Company Secretary is responsible for advising the Board on corporate governance matters. For the year under review, the Company Secretary has confirmed that he has taken no less than 15 hours of relevant professional training.

SHAREHOLDERS' RIGHTS

The general meetings of the Company provide an opportunity for communication between the Shareholders and the Board. An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting.

Procedures for Shareholders to Convene an Extraordinary General Meeting and to Put Forward Proposals Thereat

The following procedures for the Shareholders to convene an extraordinary general meeting are prepared in accordance with Article 58 of the Articles of Association:

(1) One or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition.

(2) The requisition must state the objects of the meeting, and must be signed by the Shareholder(s) concerned and may consist of several documents in like form, each signed by one or more of those Shareholders.

(3) The requisition shall be made in writing to the Board or the Company Secretary via mail to the Company's principal place of business in Hong Kong at Room 7701B–7702A, 77th Floor, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong.

(4) The extraordinary general meeting shall be held within two months after the deposit of the requisition.

(5) If the Directors fail to proceed to convene the extraordinary general meeting within twenty-one (21) days of the deposit of such requisition, the Shareholder(s) himself or themselves may do so in the same manner, and all reasonable expenses incurred by him/her/them as a result of the failure of the Board shall be reimbursed to the shareholder(s) by the Company.

Proposals for Proposing a Person for Election as a Director

Subject to applicable laws and regulations, including the Companies Law of the Cayman Islands, the Listing Rules and the Articles of Association as amended from time to time, the Company may from time to time in general meeting by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an additional Director.

A Shareholder may propose a person (the "Person") for election as a Director by lodging the following documents at the Company's place of business in Hong Kong at Room 7701B-7702A, 77th Floor, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong:

(1) a notice in writing signed by the Shareholder concerned of his/her/its intention to propose the Person as a Director with full particulars of the Person including his/her full name and biographical details as required under Rule 13.51(2) of the Listing Rules; and

(2) a notice in writing signed by the Person of his/her willingness to be elected as a Director.

Such notices shall be lodged at least seven (7) days prior to the date of the general meeting and the period for lodgment of such notices shall commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and shall be at least seven (7) days in length.

Procedures for Raising Enquiries

To ensure effective communication between the Board and the Shareholders, the Company has adopted a Shareholders' communication policy in March 2012:

(1) Shareholders may direct their questions about their shareholdings to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited.

(2) Shareholders may at any time send their enquires and concerns to the Board in writing through the Company Secretary or the Chief Financial Officer whose contact details are as follows:

Central China Real Estate Limited
Room 7701B–7702A,
77th Floor, International Commerce Centre,
1 Austin Road West,
Kowloon, Hong Kong
Telephone: (852) 2620 5233
Fax: (852) 2620 5221
Email: general@centralchina.com

(3) Shareholders may also make enquiries with the Board at the general meetings of the Company.

MEMORANDUM OF ASSOCIATION AND ARTICLES OF ASSOCIATION

On 24 May 2012, the Shareholders approved by way of a special resolution the amendments to the Articles of Association which were made to reflect the updates to the Listing Rules during 2012. Save as disclosed above, there had been no significant changes in the constitutional documents of the Company during the year ended 31 December 2012.

CORPORATE COMMUNICATION AND INVESTOR RELATIONS

The major task and objective of the Group's investor relations is to clearly introduce the Group, including the business positioning, existing operations and future development of the Group, to the media, Shareholders, investors, analysts and investment banks through different communication channels. In future, the Group shall further enhance communication with the media, Shareholders, investors, analysts and investment banks on various aspects such as development strategies, operation and management, financial prospects and business operation through meetings, senior management's participation in investor forums, conferences and roadshows. The Group is confident in establishing and maintaining a good relationship with the international capital institutions through the continued enhancement of information transparency.

The Group emphasises the importance of maintaining good communication with the Shareholders, so as to increase the Company's transparency and understanding by the Shareholders. To enable that the Shareholders are effectively informed of the Group's status and developments, the Group issues announcements, circulars, notices, interim and annual reports in a timely manner. To enhance the Company's transparency, other information about the Company is published at the Company's website.

The Company's annual general meetings allow the Directors to meet and communicate with the Shareholders and to answer any queries that the Shareholders may have. An external independent auditor is also present at the annual general meetings. The Chairman will propose separate resolutions for each issue to be considered at the annual general meetings. A notice of annual general meeting is delivered to all Shareholders at least 20 clear business days prior to the date of the meeting, setting out details of each proposed resolution and other information. Voting results are posted on the websites of the Company and of the Stock Exchange.

Profile of Directors and Senior Management

EXECUTIVE DIRECTORS

Wu Po Sum (formerly known as Hua Jianming), aged 62, is an executive Director, the chairman of the Board of the Company and the founder of the Group. He is also a director of a number of subsidiaries of the Company. Mr. Wu is responsible for the formulation of development strategies, making decisions on investment projects and development directions of the Group. He graduated from Zhengzhou University majoring in English in 1979 and completed the CEO Program for China in China Europe International Business School on 27 March 2005. Mr. Wu is the father of Ms. Wu Wallis (alias Li Hua), a non-executive Director.

Mr. Wu has over 20 years of experience in real estate development and investment. He started his career with China Textile Import and Export Corporation Henan Branch in 1979. From 1982 to 1985, Mr. Wu was sent by the Department of Foreign Trade of Henan Province to work in Hong Kong. From 1985 to 1986, he was the assistant general manager of Central China International Economic Trade Company Limited ("CCIET"). From 1986 to 1988, Mr. Wu worked as the president and the general manager in Guoguang Industrial Company Limited, a subsidiary of CCIET. From 1988 to 1991, Mr. Wu served as the assistant general manager and the general manager in Central China International (Group) Limited and Central China Overseas Development Company Limited, respectively. He then entered the PRC real estate market in May 1992, when he laid the foundation for the Group and established the「建業」(Jianye) brand name. Mr. Wu devotes himself not only to the development of the Group's business, but also to public services and promoting the PRC real estate industry.

Mr. Wu has an interest in the shares of the Company, details of which are set out in the section headed "Directors' and chief executives' interests in shares, underlying shares or debentures" under Directors' report in this annual report.

Yan Yingchun, aged 53, is an executive Director and the head of the Board's office of the Company. She is also a director of a number of subsidiaries of the Company. Ms. Yan is responsible for the day-to-day operation of the Board and internal audit of the Group. She obtained a Diploma of Accounting from Zhongnan Financial and Economic University in 1986 and qualified as a senior accountant in the PRC in 2000. Ms. Yan has over 20 years of experience in financial management. Before joining the Group in February 1992, she worked in the Financial Section of Zhengzhou Hardware and Electric Appliance Company Limited as the deputy manager from 1985 to 1988. From 1988 to 1991, Ms. Yan served as the deputy general manager of the Finance Department of Central China Overseas Development Company Limited. She has served in the posts of finance manager, human resources manager, assistant to general manager, accountant in chief, vice-president and chief financial officer of Central China Real Estate Group (China) Company Limited since joining the Group.

Ms. Yan has an interest in the shares of the Company, details of which are set out in the section headed "Directors' and chief executives' interests in shares, underlying shares or debentures" under Director's report in this annual report.

NON-EXECUTIVE DIRECTORS

Lim Ming Yan, aged 50, is the Vice-Chairman of the Board and a non-executive Director. He is also a director of a number of subsidiaries of the Company. Mr. Lim obtained a Bachelor of Science Degree in Mechanical Engineering and Economics from the University of Birmingham, UK, in 1985 and attended the Advanced Management Program at Harvard Business School in 2002. He has over 16 years of experience in real estate development and investment and is currently the chief operating officer of CapitaLand Group ("CapitaLand"). Mr. Lim is also concurrently deputy chairman of the CapitaLand China Executive Committee, which co-ordinates and aligns CapitaLand's investments, operations, branding and resources in China. Prior to this, he was the chief executive officer of The Ascott Limited (resigned on 6 February 2012), a wholly-owned serviced residence business unit of CapitaLand and the chief executive officer of CapitaLand China Holdings Pte Ltd, responsible for growing CapitaLand into one of the leading foreign real estate developers in China.

For his contribution to the city of Shanghai, Mr. Lim was twice conferred the "Magnolia Silver Award" and the "Magnolia Gold Award" by the Shanghai Municipal Government in 2003 and 2005. He is also the deputy chairman of Beijing Association of Enterprises with Foreign Investments since September 2005. Mr. Lim was presented the Outstanding Chief Executive (Overseas) of the Year 2006 of the Singapore Business Awards. He was a non-executive director in Lai Fung Holdings Limited from 21 June 2006 to 5 March 2010, a company listed on the Stock Exchange. Mr. Lim was appointed as a non-executive director of Capitamalls Asia Limited since 25 October 2012, a company listed on the Stock Exchange.

Mr. Lim has interests in the shares and debentures of the Company, details of which are set out in the section headed "Directors' and chief executives' interests in shares, underlying shares or debentures" under Directors' report in this annual report.

Mr. Lucas Ignatius Loh Jen Yuh was appointed as Mr. Lim's alternate Director on 22 March 2010.

Leow Juan Thong Jason, aged 46, is a non-executive Director. He is also a director of a number of subsidiaries of the Company. Mr. Leow is currently the chief executive officer of CapitaLand (China) Investment Co. Ltd. He became a Certified Public Accountant in Singapore in 1994. Mr. Leow obtained an Executive Master degree in Business Administration from Fudan University and also attended the Advanced Management Program at Harvard Business School in 2007. He has over 18 years of experience in real estate investment. Prior to joining CapitaLand in 2001, Mr. Leow was a financial analyst at ST Aerospace Ltd and worked in DBS Finance Ltd for 3 years. He worked in The Ascott Group from 1994 to September 2001, mainly participating in property investment and development in the mainland of China. Mr. Leow is currently a non-executive director of Lai Fung Holdings Limited, a company listed on the Stock Exchange.

Mr. Leow has interests in the shares and debentures of the Company, details of which are set out in the section headed "Directors' and chief executives' interests in shares, underlying shares or debentures" under Directors' report in this annual report.

Profile of Directors and Senior Management *(Continued)*

Wu Wallis, alias Li Hua, aged 31, is a non-executive Director. She is also a director of a number of subsidiaries of the Company. Ms. Wu obtained a Bachelor of Architecture Degree from the University of New South Wales in Australia in 2006, and a Master of Applied Finance degree from Macquarie University in 2007. Before joining the Group in 2006, she worked in Woodhead International (Beijing) and Banatex Architects Pty Ltd in Sydney Australia in 2005. Ms. Wu is the daughter of Mr. Wu Po Sum, an executive Director and the chairman of the Board.

Hu Yongmin, aged 42, is a non-executive Director. Graduated from Fudan University, he is one of the co-founders and managing director of FountainVest China Growth Fund ("FountainVest"). Prior to the founding of FountainVest, Mr. Hu was a managing director of Temasek Holdings. He was also a member of Temasek's global investment committee, and head of its real estate investment. Previously an investment banker, Mr. Hu was a director and head of China telecom, media and technology investment banking for Credit Suisse and Shanghai Chief Representative for Bear Stearns. He was a non-executive director of Hopson Development Holdings Limited, a company listed on the Stock Exchange, from November 2005 to November 2006. Mr. Hu is currently a non-executive director of L.K. Technology Holdings Limited, a company listed on the Stock Exchange, and an independent director of Home Inns & Hotels Management Inc., a company listed on National Association of Security Dealers Automated Quotations ("NASDAQ").

INDEPENDENT NON-EXECUTIVE DIRECTORS

Cheung Shek Lun, aged 52, is an independent non-executive Director. He obtained a Bachelor Degree in Business Administration from the Chinese University of Hong Kong in 1986, a Bachelor Degree in Business from the University College of Southern Queensland in 1990, and a Bachelor Degree in Law from the University of Wolverhampton in 2002. Mr. Cheung worked as an assistant assessor in the Inland Revenue Department of the Hong Kong government from November 1986 to January 1989, an accountant in Hong Kong Telephone Company Limited from July 1989 to April 1990, an accounting manager, group senior vice president — accounting and other positions of Fortune (Shanghai) Limited from May 1990 to September 2006, and a senior executive of T.C.C. International Limited from October 2006 to October 2007 and the vice-chairman of InsiteAsset Management Group Ltd. since September 2008. He is currently a member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Chartered Association of Certified Accountants, a member of the Chartered Institute of Management Accountants, a member of the Institute of Chartered Secretaries and Administrators in the UK and a member of The Hong Kong Institute of Chartered Secretaries.

Wang Shi, aged 62, is an independent non-executive Director. He obtained a Bachelor Degree in Water Supply Studies from Lanzhou Transportation University in 1977. Mr. Wang has almost 21 years of experience in real estate development. He worked in the Guangzhou Railway Bureau from 1978 to 1980, Guangdong Provincial Committee from 1981 to 1983 and Shenzhen Special Region Development Company from 1983 to 1984. Mr. Wang founded Shenzhen Exhibition Centre of Modern Science and Education Equipment, the predecessor of China Vanke Co. Ltd in 1984 and acted as the general manager. He held the office of general manager of China Vanke Co. Ltd from 1988 to 1999, and has been the chairman of China Vanke Co. Ltd since 1988. Mr. Wang is currently an independent non-executive director of Sohu.com Inc., a company listed on the NASDAQ, an independent non-executive director of Shanghai Metersbonwe Fashion&Accessories Co., Ltd., a company listed on the Shenzhen Stock Exchange, an independent non-executive director of Modern Media Holdings Limited and an independent non-executive director of China Resources Land Limited. The shares of the latter two companies are listed on the Stock Exchange.

Xin Luo Lin, aged 63, is an independent non-executive Director. He was a postgraduate from the Beijing University in the PRC. Mr. Xin was a visiting scholar at the Waseda University, Japan between 1980 and 1983, an honorary research associate at the University of British Columbia, Canada during 1983 and 1984 and a visiting fellow at the Australia National University, Australia in 1985. He is an independent investor with over 21 years of experience in investment banking in the PRC, Hong Kong and Australia. Mr. Xin was a Senior Advisor to Potter Warburg, Australia from 1985 to 1989 and to Citic-Hambros, Australia, from 1995 to 1997, respectively. He is a Justice of Peace in New South Wales of Australia. Mr. Xin was a non-executive director of Sino-Tech International Holdings Limited,the shares of which are listed on the Stock Exchange, from August 2010 to June 2012. Mr. Xin was a non-executive director of China Environmental Technology Holdings Limited, the shares of which are listed on the Stock Exchange from March 2011 to August 2012 and was redesignated as an independent non-executive director since August 2012. He is currently a non-executive director of Asian Capital Holdings Limited, an independent non-executive director of Enerchina Holdings Limited and an independent non-executive director of Sinolink Worldwide Holdings Limited, the shares of those companies are listed on the Stock Exchange. Mr. Xin also serves as a director of Mori Denki Mfg. Co., Ltd., a company listed on the Tokyo Stock Exchange and a director and vice chairman of Oriental Technologies Investment Limited, a company listed on the Australian Stock Exchange.

SENIOR MANAGEMENT

Chen Jianye, aged 56, has been appointed as the Chief Executive Officer of the Company with effect from 26 June 2012. The appointment has no specified term. He was the chief operating officer of the Company since 27 December 2011. He joined the Group in 2007 and held a number of positions in the Group including the director, executive vice president and general manager, and president of Investment Development Centre of the Group. He obtained a Bachelor degree in Engineering from Heilongjiang College of Commerce* (黑龍江商學院) in 1982 and a Master degree in Business Administration from China People's University* (中國人民大學) in June 1998. Mr. Chen was a deputy manager of the office and the head of the science and technology department of Henan Oil Company* (河南省石油公司) from 1982 to 1987, a deputy director of the enterprise management department and a project assessment director of China Construction Bank Corporation, Henan Branch (中國建設銀行股份有限公司河南省分行), and a general manager of China Construction Bank Corporation, Anyang Branch (中國建設銀行股份有限公司安陽分行) from 1988 to 2002, and a general manager of Henan High-tech Venture Investment Holdings Limited* (河南高科技創業投資股份有限公司) from 2003 to 2006.

Mr. Chen has an interest in the shares of the Company, details of which are set out in the section headed "Directors' and chief executives' interests in shares, underlying shares or debentures" under Directors' report in this annual report.

Hu Bing, aged 36, is the Chief Financial Officer of the Company. Mr. Hu is a Certified Public Valuer and obtained the Master degree in Business Administration from Guanghua School of Management of Peking University in 2004. He has joined the Group since 2004. After joining the Group, he had held a number of positions including assistant to the general manager, deputy general manager, general manager, deputy director (project management) of Financial Management Center, director of Financial Management Center and general manager of (Budget Planning Department), vice president of the Group and general manager of Financial Management Center (responsible for finance and cost center), and vice president of the Group and general manager of Financial Management Center. Prior to joining the Group, Mr. Hu was a project manager in Shenzhen Sinocoms Appraisal Company Limited from 1997 to 2001 and worked in Beijing Zhongdingxing Financial Consulting Limited from 2001 to 2002.

Directors' Report

The Board presents the annual report together with the audited financial statements of the Group for the financial year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding, and its subsidiaries are principally engaged in property development in the People's Republic of China.

SEGMENT INFORMATION

Management considers there to be only one operating segment under the requirements of HKFRS 8.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2012 and its Consolidated Statement of Financial Position as at 31 December 2012, together with the Statement of Financial Position of the Company as at 31 December 2012, are set out in the financial statements on pages 66 to 164.

The Directors are pleased to recommend a final dividend of HK8.0 cents (2011: HK10.0 cents) per share for the year ended 31 December 2012. Subject to the approval of the proposed final dividend by the Shareholders at the 2013 AGM, it is expected that the final dividend will be paid on or around 6 June 2013 to the Shareholders whose names appear on the register of members of the Company on 24 May 2013.

CLOSURE OF THE REGISTER OF MEMBERS

(a) For determining the entitlement to attend and vote at the 2013 AGM

The register of members of the Company will be closed from Wednesday, 15 May 2013 to Monday, 20 May 2013, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to determine the identity of members who are entitled to attend and vote at the 2013 AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 14 May 2013.

(b) For determining the entitlement to the proposed final dividend for 2012 (subject to Shareholders' approval at the 2013 AGM)

The register of members will be closed on Friday, 24 May 2013, during that day no transfer of shares will be registered. In order to qualify for the proposed final dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Thursday, 23 May 2013.

FIVE YEAR FINANCIAL SUMMARY

A summary of the consolidated results and of the consolidated assets, liabilities and non-controlling interests of the Group for the last five financial years is set out on pages 165 to 166. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment and investment properties of the Group during the year under review are set out in notes 13 and 14 respectively to the financial statements.

The Group's investment properties were revalued at the year end date. The revaluation resulted in a net increase in fair value of RMB17.0 million which has been charged directly to the Consolidated Income Statement.

SENIOR NOTES

In March 2012, the Company completed the consent solicitation (the "Consent Solicitation") and obtained consents from holders holding approximately 94.22% of the aggregate principal amount of its US$300,000,000 12.25% senior notes due 2015 (the "US$300m Senior Notes") to certain amendments to, and certain waivers of past defaults under the indenture constituting the US$300m Senior Notes. For details of the Consent Solicitation and results thereof, please refer to the announcements of the Company dated 7 and 20 March 2012.

On 12 April 2012, the Company together with certain of its subsidiaries entered into a purchase agreement (the "Purchase Agreement") with Morgan Stanley & Co. International plc, Deutsche Bank AG, Singapore Branch and Oversea-Chinese Banking Corporation Limited in connection with the Company's proposed issue of secured senior notes due 2016 with principal amount of SGD175 million at a coupon rate of 10.75% per annum (the "SGD175m Senior Notes"). The proceeds from issue of the SGD175m Senior Notes shall be used to repay existing indebtedness and for general corporate purposes. Further details relating to the proposed issue of the SGD175m Senior Notes are disclosed in the announcements of the Company dated 10 and 12 April 2012.

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in note 32(a)(i) to the financial statements.

RESERVES

Details of the movements in the reserves of the Company and the Group during the year ended 31 December 2012 are set out in note 32(b)(ix) to the financial statements and in the Consolidated Statement of Changes in Equity, respectively.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2012, purchases from the Group's five largest suppliers (excluding purchases of land) accounted for less than 30% of the Group's total purchases and purchases from the largest supplier (excluding purchases of land) amounted to approximately 27% of the Group's total purchases. Sales to the Group's five largest customers accounted for less than 30% of the Group's total turnover and sales to the largest customer amounted to approximately 1% of the Group's total turnover.

Save as disclosed in the consolidated financial statements, to the best knowledge of the Directors, none of the Directors or chief executive of the Company or any Shareholder owning more than 5% of the Company's share capital or their respective associates, had any interest in the Group's five largest customers or five largest suppliers.

DIRECTORS

The Directors in office during the year ended 31 December 2012 and up to the date of this report are as follows:

Executive Directors

Mr. Wu Po Sum *(Chairman)*
Mr. Wang Tianye *(Chief Executive Officer) (resigned on 26 June 2012)*
Ms. Yan Yingchun

Non-Executive Directors

Mr. Lim Ming Yan *(Vice Chairman)* (with Mr. Lucas Ignatius Loh Jen Yuh as alternate)
Mr. Leow Juan Thong Jason
Mr. Hu Yongmin
Ms. Wu Wallis (alias Li Hua)

Independent Non-Executive Directors

Mr. Cheung Shek Lun
Mr. Wang Shi
Mr. Xin Luo Lin

In accordance with Article 87 of the Articles of Association of the Company, Mr. Wu Po Sum, Ms. Wu Wallis (alias Li Hua), Mr. Hu Yongmin and Mr. Wang Shi will retire from office by rotation at the 2013 AGM and, being eligible, offer themselves for re-election.

The Company has received, from each of the independent non-executive Directors, an annual written confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. Based on such information, the Company considers the independent non-executive Directors to be independent.

DIRECTORS' BIOGRAPHIES

Biographical details of the Directors are set out on pages 48 to 51.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Wu Po Sum and Ms. Yan Yingchun has entered into a service contract with the Company pursuant to which he/she agreed to act as executive Director for a term of three years with effect from 6 June 2011.

Each of Mr. Lim Ming Yan, Mr. Leow Juan Thong Jason and Ms. Wu Wallis (alias Li Hua) has entered into a service contract with the Company pursuant to which he/she agreed to act as non-executive Director for a term of three years with effect from 6 June 2011.

Each of Mr. Cheung Shek Lun and Mr. Wang Shi has signed a letter of appointment dated 6 June 2011 with the Company pursuant to which he agreed to act as independent non-executive Director for a term of three years with effect from 6 June 2011. Mr. Xin Luo Lin has signed a letter of appointment dated 1 March 2013 with the Company pursuant to which he agreed to act as independent non-executive Director for a term of three years with effect from 1 March 2013.

Save as disclosed above, no Director 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' INTEREST IN CONTRACTS

Save for the relevant transactions as disclosed in note 36 to the consolidated financial statements, none of the Directors had a significant beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended 31 December 2012, nor any contract of significance has been entered into during the year ended 31 December 2012 between the Company or any of its subsidiaries and the controlling Shareholders or any of its subsidiaries.

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

As at 31 December 2012, the interests and short positions of the Directors and chief executives in the share capital and 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 Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or pursuant to the Model Code, were as follows or as disclosed under the section headed "Share Option Schemes" below:

(a) Long positions in ordinary shares of the Company:

Name of Director or chief executive	Capacity/ Nature of interest	Number of shares held	Approximate percentage of the interest in the Company's issued share capital[4]
Mr. Wu Po Sum	Interest in a controlled corporation	1,146,315,639[1]	47.19%
	Beneficial owner	8,560,420[2]	0.35%
Ms. Yan Yingchun	Beneficial owner	3,588,200[2]	0.15%
Mr. Lim Ming Yan	Beneficial owner	2,563,000[2]	0.11%
Mr. Leow Juan Thong Jason	Beneficial owner	1,537,800[2]	0.06%
Mr. Chen Jianye	Beneficial owner	7,795,040[3]	0.32%

(b) Long positions in debentures of the Company

— US$300m Senior Notes

Name of Director	Capacity/ Nature of interest	Amount of debentures held	Approximate percentage of the interest in the US$300m Senior Notes[5]
Mr. Leow Juan Thong Jason	Beneficial owner	US$250,000	0.08%

— SGD175m Senior Notes

Name of Director or alternate Director	Capacity/ Nature of interest	Amount of debentures held	Approximate percentage of the interest in the SGD175m Senior Notes[6]
Mr. Lim Ming Yan	Beneficial owner	S$500,000	0.29%
Mr. Leow Juan Thong Jason	Beneficial owner	S$1,250,000	0.71%
Mr. Lucas Ignatius Loh Jen Yuh	Beneficial owner	S$250,000	0.14%

Notes:

1. The 1,146,315,639 Shares were registered in the name and were beneficially owned by Joy Bright Investments Limited ("Joy Bright"), a company wholly owned by Mr. Wu Po Sum. Accordingly, he was deemed to be interested in the 1,146,315,639 Shares by virtue of the SFO.

2. Such interest in the Shares is held pursuant to the share options granted under the Pre-IPO Share Option Scheme (as defined below) and the Share Option Scheme (as defined below), the details of which are disclosed note 30 of the financial statements of this annual report.

3. Of Mr. Chen Jianye's interest in 7,795,040 Shares, 7,768,040 Shares is held pursuant to the share options granted under the Pre-IPO Share Option Scheme and the Share Option Scheme, the details of which are disclosed on pages 57 to 59 of this annual report.

4. The percentage of the interest in the Company's issued share capital is based on a total of 2,429,230,240 shares of the Company in issue.

5. The percentage of the interest in the US$300m Senior Notes is based on the aggregate principal amount of US$300,000,000.

6. The percentage of the interest in the SGD175m Senior Notes is based on the aggregate principal amount of S$175,000,000.

Save as disclosed above or under the section headed "Share Option Schemes" below, as at 31 December 2012, none of the Directors, chief executives of the Company or their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executives were deemed or taken to have under the provisions of the SFO), or which were required to be and are recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEMES

The Company has two share option schemes, namely the pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") and the share option scheme (the "Share Option Scheme").

A. Pre-IPO Share Option Scheme

On 14 May 2008, the Company conditionally granted share options under the Pre-IPO Share Option Scheme to the Directors, employees and consultants of the Company. The exercise of these share options would entitle them to subscribe for an aggregate of 32,000,000 shares of the Company respectively. The initial exercise price was HK$2.75 per share and was adjusted to HK$2.682 per share on 27 June 2011 as a result of and following the rights issue conducted by the Company. The Pre-IPO Share Option Scheme was effective from the listing date of the Company's shares on the Stock Exchange.

The purpose of the Pre-IPO Share Option Scheme is to give the participants an opportunity to have a personal interest in the Company and to motivate the participants to optimise their performance and efficiency, and also to retain the participants whose contributions are important to the long-term growth and profitability of the Group.

The Pre-IPO Share Options shall expire on 13 May 2013. As at 31 December 2012, share options to subscribe for 25,937,560 Shares remained outstanding.

The Pre-IPO Share Option Scheme was terminated on the date immediately preceding the date of the prospectus of the Company, that is, 25 May 2008. The share options granted under the Pre-IPO Share Option Scheme but not yet exercised shall continue to be valid and exercisable in accordance with the terms of the Pre- IPO Share Option Scheme.

Movements of the share options granted under the Pre-IPO Share Option Scheme during the year from 1 January 2012 to 31 December 2012 were as follows:

			Number of share options granted under the Pre-IPO Share Option Scheme				
Name or category of participants	**Date of grant**	**Exercise price per share**	**As at 1 January 2012**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**As at 31 December 2012**
Directors							
Mr. Wu Po Sum	14 May 2008	HK$2.682	6,510,020	–	–	–	6,510,020
Mr. Wang Tianye[1]	14 May 2008	HK$2.682	2,563,000	–	–	(2,563,000)	–
Mr. Lim Ming Yan	14 May 2008	HK$2.682	2,563,000	–	–	–	2,563,000
Mr. Leow Juan Thong Jason	14 May 2008	HK$2.682	1,537,800	–	–	–	1,537,800
Ms. Yan Yingchun	14 May 2008	HK$2.682	1,537,800	–	–	–	1,537,800
			14,711,620	–	–	(2,563,000)	12,148,620
Chief Executive Officer							
Mr. Chen Jianye	14 May 2008	HK$2.682	205,040	–	–	–	205,040
Senior Management, other employees and consultants of the Group	14 May 2008	HK$2.682	13,840,200	–	–	(256,300)	13,583,900
			28,756,860	–	–	(2,819,300)	25,937,560

Notes:

1. Mr. Wang Tianye resigned as an executive Director and Chief Executive Officer of the Company with effect from 26 June 2012.

2. In relation to each grantee of the share options granted under the Pre-IPO Share Option Scheme, no share option is exercisable within the first year from the date of listing of the shares on the Stock Exchange, that is, 6 June 2008 (the "Listing Date"), not more than 20% of the share options are exercisable within the second year from the Listing Date and not more than 40% of the share options are exercisable in each of the this third and fourth year from the Listing Date.

B. Share Option Scheme

The Shareholders conditionally adopted the Share Option Scheme pursuant to the written resolutions dated 14 May 2008. The purpose of the Share Option Scheme is to provide the people and the parties working for the interests of the Group with an opportunity to obtain an equity interest in the Company, thus aligning their interest with the interests of the Group and thereby providing them with an incentive to work better for the interests of the Group.

Under the Share Option Scheme, the employees of the Group (including the executive Directors) and such other persons as the Board may consider appropriate may be granted options which entitle them to subscribe for Shares representing, when aggregated with any Shares subject to any other scheme(s) of the Company, up to a maximum of 10% of the Shares in issue of the Company as of 6 June 2008, unless the Company obtains a fresh approval from the Shareholders to renew the said limit or the Shareholders specifically approve the grant.

The total number of Shares issued or to be issued upon exercise of the share options granted and yet to be exercised under the Share Option Scheme or any other share option scheme(s) adopted by the Company must not exceed 30% of the total number of Shares in issue from time to time. The amount payable by a grantee on acceptance of a grant of the option is HK$1.00 (or its equivalent in RMB or any other currency acceptable to the Company).

The maximum number of Shares issued and to be issued upon exercise of the share options granted and to be granted pursuant to the Share Option Scheme and any other share option scheme(s) of the Company to each participant in any 12-month period up to and including the date of grant of the options must not exceed 1% of the total number of Shares in issue. Any further grant of options which would result in the number of the Shares issued as aforesaid exceeding the said 1% limit must be approved by the Shareholders in general meeting at which such participant and his or her associates must abstain from voting.

Any grant of share options to a participant who is a Director, chief executives, or substantial Shareholder or any of their respective associates must be approved by the independent non-executive Directors, excluding any independent non-executive Director who is the grantee of the share options.

The exercise periods of the share options may be specified by the Company at the time of the grant, and the share options shall expire no later than 10 years from the relevant date of the grant. As at 31 December 2012, share options to subscribe for 26,210,760 shares remained outstanding.

The subscription price for the shares under the Share Option Scheme shall be determined by the Board in its absolute discretion and notified to a participant, provided that such price shall be at least the highest of (i) the closing price of shares as stated in the Stock Exchange's daily quotations sheet on the date of offer of a share option which must be a trading day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheet for the five consecutive trading days immediately preceding the date of offer; and (iii) the nominal value of a Share.

The Share Option Scheme will expire on 13 May 2018.

Movement of share options granted under the Share Option Scheme during the year from 1 January 2012 to 31 December 2012 were as follows:

			Number of share options granted under the Share Option Scheme					
Name or category of participants	**Date of grant**	**Exercise price per share**	**As at 1 January 2012**	**Granted during the year**	**Exercised during the year**	**Adjustment**	**Lapsed during the year**	**As at 31 December 2012**
Directors								
Mr. Wu Po Sum	25 May 2010	HK$1.853	2,050,400	–	–	–	–	2,050,400
Mr. Wang Tianye[1]	25 May 2010	HK$1.853	2,050,400	–	–	(2,050,400)	–	–
Ms. Yan Yingchun	25 May 2010	HK$1.853	2,050,400	–	–	–	–	2,050,400
			6,151,200	–	–	(2,050,400)	–	4,100,800
Chief Executive Officer								
Mr. Chen Jianye	25 May 2010	HK$1.853	2,563,000	–	–	–	–	2,563,000
	25 May 2010	HK$2.160	5,000,000	–	–	–	–	5,000,000
Senior Management, other employees and	25 May 2010	HK$1.853	9,226,800	–	(1,230,240)	2,050,400	–	10,046,960
consultants of the Group	25 July 2011	HK$2.160	6,000,000	–	–	–	(1,500,000)	4,500,000
			22,789,800	–	(1,230,240)	2,050,400	(1,500,000)	22,109,960
			28,941,000	–	(1,230,240)	–	(1,500,000)	26,210,760

Notes:

1. Mr. Wang Tianye resigned as an executive Director and Chief Executive Officer of the Company with effect from 26 June 2012.

2. In relation to each grantee of the share options granted under the Share Option Scheme, no share option is exercisable within the first year from the respective dates of grant, that is, 25 May 2010 and 25 July 2011 (the "Dates of Grant"), not more than 20% of the share options are exercisable within the second year from the respective Dates of Grant and not more than 40% of the share options are exercisable in each of the third and fourth year from the respective Dates of Grant.

Additional information in relation to the Share Option Scheme is set out in note 30 to the financial statements.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

So far as is known to any Directors or chief executives of the Company, as at 31 December 2012, other than the interests and short positions of the Directors or chief executives of the Company as disclosed in the sections headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares or Debentures" and "Share Option Schemes" above, the following persons had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long positions in ordinary shares of the Company:

Name of Shareholder	Capacity/ Nature of interest	Number of shares held	Approximate percentage of the interest in the Company's issued share capital[1]
Joy Bright	Beneficial owner	1,146,315,639[2]	47.19%
CapitaLand LF (Cayman) Holdings Co., Ltd ("CapitaLand (Cayman)")	Beneficial owner	658,116,228[3]	27.09%
CapitaLand China Holdings Pte Ltd. ("CapitaLand China")	Interest in a controlled corporation	658,116,228[2]	27.09%
CapitaLand Residential Limited ("CapitaLand Residential")	Interest in a controlled corporation	658,116,228[3]	27.09%
CapitaLand Limited ("CapitaLand")	Interest in a controlled corporation	658,116,228[3]	27.09%
Temasek Holdings (Private) Limited ("Temasek Holdings")	Interest in a controlled corporation	658,116,228[3]	27.09%
FV Green Alpha Two Limited ("FV Green")	Beneficial owner	298,566,476[4]	12.29%

Notes:

1. The percentage of the interest in the Company's issued share capital is based on a total of 2,429,230,240 shares in issue.

2. Mr. Wu Po Sum holds 100% of the issued share capital of Joy Bright and is deemed to be interested in the 1,146,315,639 shares held by Joy Bright for the purposes of the SFO.

3. CapitaLand (Cayman) is directly wholly owned by CapitaLand China. CapitaLand China is directly wholly owned by CapitaLand Residential and CapitaLand Residential is directly wholly owned by CapitaLand. Temasek Holdings has an interest in approximately 40.93% of the issued share capital of CapitaLand. Therefore, each of CapitaLand China, CapitaLand Residential, CapitaLand and Temasek Holdings (Private) Limited is deemed or taken to be interested in the 658,116,228 shares which are owned by CapitaLand (Cayman) for the purposes of the SFO.

4. On 5 August 2009, the Company entered into a subscription agreement with FV Green (the "Subscription Agreement") relating to the issue and subscription of the convertible bonds (the "Convertible Bonds") at an aggregate principal amount of HK$687 million which were issued in conjunction with the warrants (the 'Warrants") entitling FV Green to subscribe for a maximum of 68,338,594 shares. On 28 June 2011, the Company completed the Rights Issue pursuant to which 428,000,000 right shares were allotted and issued. Hence the conversion price of the Convertible Bonds and the Warrants were adjusted to HK$2.984 per share and HK$3.947 per share which were made in accordance with the terms of the Convertible Bonds and the Warrants respectively. Based on the conversion price of HK$2.984 per share and assuming full conversion of the Convertible Bonds at such conversion price, the Convertible Bonds will be convertible into 230,227,882 shares (the "Conversion Shares"). The Warrants entitle FV Green to subscribe for a maximum of 68,338,594 shares (the "Warrant Shares") at the exercise price of HK$3.947 per share. As at the date of this report, none of the Conversion Shares and/or the Warrant Shares was issued by the Company to FV Green.

Save as disclosed above, as at 31 December 2012, there was no other person (other than the Directors or chief executives of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

COMPLIANCE WITH NON-COMPETITION UNDERTAKINGS

Mr. Wu Po Sum & Joy Bright

On 16 May 2008, Mr. Wu Po Sum (the ultimate controlling Shareholder) and Joy Bright (the controlling Shareholder which is a wholly owned subsidiary of Mr. Wu Po Sum) executed in favour of the Company, a non-competition undertaking (the "Non-competition Undertaking A") in respect of the conduct of their property developments or investments in the PRC. Under the Non-competition Undertaking A, each of Mr. Wu Po Sum and Joy Bright undertakes, among others, that during the validity of the Non-competition Undertaking A:

1. he or Joy Bright will not and will procure his or Joy Bright's associates not to engage, directly or indirectly, whether as a Shareholder, officer, partner, agent, consultant or otherwise and whether for profit, reward or otherwise, in any business which will or may, directly or indirectly, compete with the business carried out by the Group;

2. in the event that he/Joy Bright or any of his/Joy Bright's associates identifies or is offered any opportunities to engage in a business that is in competition with that of the Group, he/Joy Bright will and will procure that his/Joy Bright's associates will, as soon as practicable inform the Company of such opportunity and provide such information as is available to him/Joy Bright in respect of such opportunity to the Company. The Company has a right within one month thereafter to take up the opportunity and in the event that the Company decides to take up the opportunity, he/Joy Bright will use his/its best endeavor to assist the Group to obtain such opportunity; in the event that the Company declines such opportunity or fails to respond within the stipulated period, he/Joy Bright or his/Joy Bright's associates may take up such opportunity provided that the terms upon which he takes up such opportunity shall be no more favorable than those offered to the Group.

Pursuant to the annual declaration in relation to the compliance with the Non-competition Undertaking A dated 21 March 2013 provided by Mr. Wu Po Sum and Joy Bright respectively, each of them confirms that during the period from 1 January to 31 December 2012 (the "Relevant Period"), (i) all the relevant terms of the Non-competition Undertaking A have been fully complied with in all material respects; and (ii) neither of them identified or was offered any opportunities to engage in a business that is in competition with that of the Group.

CapitaLand (Cayman) & CapitaLand China

On 16 May 2008, CapitaLand (Cayman) (the strategic investor and the substantial Shareholder) and CapitaLand China (the holding company of CapitaLand (Cayman)) executed in favour of the Company, a non-competition undertaking (the "Non-competition Undertaking B") in respect of the conduct of their certain activities in the PRC. Under the Noncompetition Undertaking B, CapitaLand (Cayman) and CapitaLand China undertake, among others, that during the validity of the Non-competition Undertaking B:

1. each of them will not in the provinces of Henan, Hubei, Hunan, Shanxi, Anhui and Shaanxi (the "Provinces"), either on their own account or in conjunction with or on behalf of any natural person, company, corporation, association, partnership, organisation, business firm, joint venture, trust, unincorporated organisation or any other entity or organisation, or any governmental authority (the "Person(s)"), carry on or be engaged, concerned or interested directly or indirectly whether as Shareholder, director, employee, partner, agent or otherwise in carrying on the business of residential property development (other than as a holder of not more than 5% of the issued shares or debentures of any company listed on any recognized stock exchange);

2. in the event CapitaLand (Cayman)/CapitaLand China identifies or is offered any opportunity to participate in any project in any of the Provinces that falls within the business scope of the Group, CapitaLand (Cayman)/CapitaLand China agrees to notify the Company of such opportunity and that the Company shall have an option to negotiate and participate in such project provided that such option shall be exercisable by the Company within 30 days upon the receipt of the relevant information on such project from CapitaLand (Cayman)/CapitaLand China. Upon the expiry of such 30-day period, unless the Company has communicated to CapitaLand (Cayman)/CapitaLand China the Company's intention to participate in the relevant project, CapitaLand (Cayman)/CapitaLand China may participate in such project on its own account or in conjunction with or on behalf of any Person on terms no more favorable than those offered to the Group.

Pursuant to the annual declaration in relation to the compliance with the Non-competition Undertaking B dated 15 March 2013 provided by CapitaLand (Cayman) and CapitaLand China respectively, each of them confirms that during the Relevant Period, (i) all the relevant terms of the Non-competition Undertaking B have been fully complied with in all material respects; and (ii) neither of them identified or was offered any opportunity to participate in any project in any of the Provinces that falls within the business scope of the Group (namely, residential property development in the Provinces or such other businesses as may be agreed in writing between the Company and CapitaLand (Cayman)/ CapitaLand China).

CONNECTED TRANSACTIONS

There were no transactions to be disclosed as connected transactions in accordance with the requirements of the Listing Rules during the year ended 31 December 2012.

SIGNIFICANT EVENT AFTER THE REPORTING PERIOD

On 22 January 2013, the Company together with certain of its subsidiaries entered into a purchase agreement with Hongkong and Shanghai Banking Corporation Limited, J.P. Morgan Securities plc., Morgan Stanley & Co. International plc and UBS AG, Hong Kong Branch in connection with the Company's issue of US$200,000,000 8.00% senior notes due 2020 (the "US$200m Senior Notes"). The proceeds from issue of the US$200m Senior Notes will be used to repay the Group's existing indebtedness and for general corporate purposes. For further details relating to the issue of the US$200m Senior Notes, please refer to the announcements of the Company dated 21 and 22 January 2013.

Directors' Report *(Continued)*

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2012, neither the Company nor any of its subsidiaries and its jointly controlled entities has purchased, redeemed or sold any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the Companies Law of the Cayman Islands.

RETIREMENT BENEFIT SCHEME

With effect from 1 December 2000, the Group had joined a mandatory Hong Kong provident fund scheme (the "MPF Scheme") for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong). The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at specified rates. The employees of the Company's subsidiaries established in the PRC are members of a state-managed retirement benefit scheme operated by the PRC government. These subsidiaries are required to contribute certain percentage of payroll costs to the retirement benefit scheme. The only obligation of the Group with respect to the scheme is to make the required contributions under the scheme. During the year, the Group made contribution to the schemes amounting to approximately RMB20 million. No forfeited contribution under this scheme is available to reduce the contribution payable in future years.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed amount of public float during the year and up to the date of this report as required under the Listing Rules.

BANK LOANS, OTHER LOANS, CONVERTIBLE BONDS AND SENIOR NOTES

Particulars of bank loans, other loans, convertible bonds and senior notes of the Group as at 31 December 2012 are set out in notes 24, 25, 28 and 29 to the financial statements respectively.

During the year, no convertible bonds were converted into ordinary shares of the Company and no warrants were exercised.

AUDIT COMMITTEE

The principal duties of the Audit Committee include the review of the internal controls and consolidated financial statements of the Group. The members of the Audit Committee are satisfied with the Company's internal control procedures and the consolidated financial statements for the year ended 31 December 2012.

POST BALANCE SHEET EVENT

Details of a non-adjusting post-balance sheet event are set out in note 39 to the consolidated financial statements.

DONATIONS

Charitable donations and other donations made by the Group during the year amounted to RMB12.9 million (2011: RMB9.5 million).

AUDITORS

KPMG will retire and, being eligible, will offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company will be proposed at the 2013 AGM.

By order of the board
Wu Po Sum
Chairman
Hong Kong, 25 March 2013

Independent Auditor's Report

Independent auditor's report to the shareholders of
Central China Real Estate Limited
(Incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of Central China Real Estate Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 66 to 164, which comprise the consolidated and company statements of financial position as at 31 December 2012, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This 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 auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of 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 Auditor's Report *(Continued)*

Independent auditor's report to the shareholders of
Central China Real Estate Limited (Continued)
(Incorporated in 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.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
25 March 2013

Consolidated Income Statement

for the year ended 31 December 2012

(Expressed in Renminbi)

	Note	2012 RMB'000	2011 RMB'000
Turnover	4	**6,345,527**	6,638,354
Cost of sales		**(4,099,713)**	(4,063,916)
Gross profit		**2,245,814**	2,574,438
Other revenue	5	**111,226**	71,419
Other net loss	5	**(4,787)**	(16,573)
Selling and marketing expenses		**(221,765)**	(162,385)
General and administrative expenses		**(398,014)**	(277,889)
Other operating income		**46,933**	13,338
		1,779,407	2,202,348
Share of losses of associates	16	**(1,758)**	(4,162)
Share of profits less losses of jointly controlled entities	17	**320,595**	(7,277)
Finance costs	6(a)	**(269,154)**	(375,059)
Profit before change in fair value of investment properties and income tax		**1,829,090**	1,815,850
Net increase in fair value of investment properties	14	**16,972**	1,900
Profit before taxation	6	**1,846,062**	1,817,750
Income tax	7(a)	**(976,268)**	(1,074,820)
Profit for the year		**869,794**	742,930
Attributable to:			
Equity shareholders of the Company		**823,086**	667,995
Non-controlling interests		**46,708**	74,935
Profit for the year		**869,794**	742,930
Earnings per share	11		
— Basic (RMB cents)		**33.90**	29.77
— Diluted (RMB cents)		**30.71**	29.77

The above statement should be read in conjunction with accompanying notes. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 32(c).

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2012

(Expressed in Renminbi)

	2012 *RMB'000*	2011 *RMB'000*
Profit for the year	**869,794**	742,930
Other comprehensive income for the year (after tax and reclassification adjustments)		
Exchange differences on translation of financial statements of overseas subsidiaries	**12,587**	58,924
Revaluation gain on property, plant and equipment	**6,479**	–
Cash flow hedge:		
Effective portion of changes in fair value	**17,267**	–
Transfer from equity to profit or loss	**(47,696)**	–
Net movement in the hedging reserve during the year recognised in other comprehensive income	**(30,429)**	–
	(11,363)	58,924
Total comprehensive income for the year	**858,431**	801,854
Attributable to:		
Equity shareholders of the Company	**809,789**	726,229
Non-controlling interests	**48,642**	75,625
Total comprehensive income for the year	**858,431**	801,854

There is no tax effect relating to the above component of the other comprehensive income.

The above statement should be read in conjunction with accompanying notes.

Consolidated Statement of Financial Position

at 31 December 2012

(Expressed in Renminbi)

	Note	2012 RMB'000	2011 RMB'000
Non-current assets			
Property, plant and equipment	13	**1,543,351**	945,421
Investment properties	14	**343,600**	278,800
Interests in associates	16	**47,917**	49,675
Interests in jointly controlled entities	17	**5,027,993**	3,102,995
Other financial assets	18	**91,800**	97,800
Deferred tax assets	31(b)	**116,602**	111,570
		7,171,263	4,586,261
Current assets			
Trading securities	19	**95,498**	74,878
Properties for sale	20	**7,930,205**	8,624,403
Trade and other receivables	21	**503,375**	441,527
Deposits and prepayments	22	**3,608,423**	1,733,818
Prepaid tax	31(a)	**117,442**	109,022
Restricted bank deposits	23	**972,283**	652,863
Cash and cash equivalents		**3,949,775**	3,255,528
		17,177,001	14,892,039
Current liabilities			
Bank loans	24	**675,000**	1,110,660
Other loans	25	**739,702**	1,245,470
Trade and other payables and accruals	26	**8,218,322**	5,078,595
Receipts in advance	27	**2,759,207**	3,098,425
Convertible bonds	28	**–**	549,665
Senior notes	29	**–**	1,849,885
Tax payable	31(a)	**1,121,817**	828,655
		13,514,048	13,761,355
Net current assets		**3,662,953**	1,130,684
Total assets less current liabilities		**10,834,216**	5,716,945

Consolidated Statement of Financial Position *(Continued)*

at 31 December 2012

(Expressed in Renminbi)

	Note	2012 RMB'000	2011 RMB'000
Non-current liabilities			
Bank loans	24	921,500	516,000
Other loans	25	915,980	107,700
Convertible bonds	28	587,533	–
Senior notes	29	2,730,589	–
Deferred tax liabilities	31(b)	55,404	51,493
		5,211,006	675,193
NET ASSETS		5,623,210	5,041,752
CAPITAL AND RESERVES			
Share capital	32(a)	215,285	215,185
Reserves		4,954,376	4,427,303
Total equity attributable to equity shareholders of the Company		5,169,661	4,642,488
Non-controlling interests		453,549	399,264
TOTAL EQUITY		5,623,210	5,041,752

Approved and authorised for issue by the board of directors on 25 March 2013.

Wu Po Sum
Executive Director

Yan Yingchun
Executive Director

The above statement should be read in conjunction with accompanying notes.

Statement of Financial Position

at 31 December 2012

(Expressed in Renminbi)

	Note	2012 RMB'000	2011 RMB'000
Non-current assets			
Interests in subsidiaries	15	5,336,729	4,372,200
Current assets			
Derivative financial instruments	21	52,379	3,595
Cash and cash equivalents		2,746	219,691
		55,125	223,286
Current liabilities			
Other payables and accruals	26	60,750	176,197
Amount due to a subsidiary	15	3,232	3,258
Convertible bonds	28	–	549,665
Senior notes	29	–	1,849,885
		63,982	2,579,005
Net current liabilities		(8,857)	(2,355,719)
Total assets less current liabilities		5,327,872	2,016,481
Non-current liabilities			
Convertible bonds	28	587,533	–
Senior notes	29	2,730,589	–
		3,318,122	–
NET ASSETS		2,009,750	2,016,481
CAPITAL AND RESERVES	32		
Share capital		215,285	215,185
Reserves		1,794,465	1,801,296
TOTAL EQUITY		2,009,750	2,016,481

Approved and authorised for issue by the board of directors on 25 March 2013.

Wu Po Sum
Executive Director

Yan Yingchun
Executive Director

The above statement should be read in conjunction with accompanying notes.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2012

(Expressed in Renminbi)

		Attributable to equity shareholders of the Company													
	Note	Share capital (Note 32(a)) RMB'000	Share premium (Note 32(b)(i)) RMB'000	Statutory reserve fund (Note 32(b)(ii)) RMB'000	Other capital reserve (Note 32(b)(iii)) RMB'000	Exchange reserve (Note 32(b)(iv)) RMB'000	Share-based compensation reserve (Note 32(b)(v)) RMB'000	Equity component of convertible bonds (Note 28) RMB'000	Warrant reserve (Note 28) RMB'000	Property revaluation reserve (Note 32(b)(vi)) RMB'000	Hedging reserve (Note 32(b)(vii)) RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2012		215,185	1,637,759	627,676	804,529	64,805	28,150	43,166	11,906	-	-	1,209,312	4,642,488	399,264	5,041,752
Changes in equity for 2012:															
Profit for the year		-	-	-	-	-	-	-	-	-	-	823,086	823,086	46,708	869,794
Other comprehensive income		-	-	-	-	10,653	-	-	-	6,479	(30,429)	-	(13,297)	1,934	(11,363)
Total comprehensive income		-	-	-	-	10,653	-	-	-	6,479	(30,429)	823,086	809,789	48,642	858,431
Final dividends approved in respect of the previous year	32(c)(ii)	-	-	-	-	-	-	-	-	-	-	(199,343)	(199,343)	-	(199,343)
Interim dividends declared in respect of current year	32(c)(i)	-	-	-	-	-	-	-	-	-	-	(89,705)	(89,705)	-	(89,705)
Dividends paid to non-controlling interests		-	-	-	-	-	-	-	-	-	-	-	-	(92,700)	(92,700)
Appropriation to statutory reserve fund		-	-	267,254	-	-	-	-	-	-	-	(267,254)	-	-	-
Issue of new shares under share option scheme	32(a)(iii)	100	2,501	-	-	-	(747)	-	-	-	-	-	1,854	-	1,854
Capital contribution from non-controlling interests		-	-	-	-	-	-	-	-	-	-	-	-	103,000	103,000
Equity settled share-based payment	6(b)	-	-	-	-	-	(1,569)	-	-	-	-	6,390	4,821	-	4,821
Acquisition of additional interest in a subsidiary	37	-	-	-	(243)	-	-	-	-	-	-	-	(243)	(4,657)	(4,900)
Partial redemption of convertible bonds	28	-	-	-	-	-	-	(4,401)	(1,214)	-	-	5,615	-	-	-
		100	2,501	267,254	(243)	-	(2,316)	(4,401)	(1,214)	-	-	(544,297)	(282,616)	5,643	(276,973)
Balance at 31 December 2012		215,285	1,640,260	894,930	804,286	75,458	25,834	38,765	10,692	6,479	(30,429)	1,488,101	5,169,661	453,549	5,623,210

Consolidated Statement of Changes in Equity *(Continued)*

for the year ended 31 December 2012

(Expressed in Renminbi)

		Attributable to equity shareholders of the Company											
	Note	Share capital *(Note 32(a))* RMB'000	Share premium *(Note 32(b)(i))* RMB'000	Statutory reserve fund *(Note 32(b)(ii))* RMB'000	Other capital reserve *(Note 32(b)(iii))* RMB'000	Exchange reserve *(Note 32(b)(iv))* RMB'000	Share-based compensation reserve *(Note 32(b)(v))* RMB'000	Equity component of convertible bonds *(Note 28)* RMB'000	Warrant reserve *(Note 28)* RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2011		179,637	1,076,820	470,517	824,020	6,571	22,090	43,166	11,906	861,091	3,495,818	275,866	3,771,684
Changes in equity for 2011:													
Profit for the year		–	–	–	–	–	–	–	–	667,995	667,995	74,935	742,930
Other comprehensive income		–	–	–	–	58,234	–	–	–	–	58,234	690	58,924
Total comprehensive income		–	–	–	–	58,234	–	–	–	667,995	726,229	75,625	801,854
Final dividends approved in respect of the previous year	32(c)(ii)	–	–	–	–	–	–	–	–	(162,615)	(162,615)	–	(162,615)
Dividends paid to non-controlling interests		–	–	–	–	–	–	–	–	–	–	(21,500)	(21,500)
Appropriation to statutory reserve fund		–	–	157,159	–	–	–	–	–	(157,159)	–	–	–
Issue of new shares upon rights issued	32(a)(ii)	35,548	560,939	–	–	–	–	–	–	–	596,487	–	596,487
Capital contribution from non-controlling interests		–	–	–	2,307	–	–	–	–	–	2,307	98,893	101,200
Equity settled share-based payment	6(b)	–	–	–	–	–	6,060	–	–	–	6,060	–	6,060
Acquisition of additional interest in a subsidiary		–	–	–	(21,798)	–	–	–	–	–	(21,798)	(202)	(22,000)
Acquisition of a subsidiary		–	–	–	–	–	–	–	–	–	–	20,000	20,000
Disposal of a subsidiary		–	–	–	–	–	–	–	–	–	–	(49,418)	(49,418)
		35,548	560,939	157,159	(19,491)	–	6,060	–	–	(319,774)	420,441	47,773	468,214
Balance at 31 December 2011		215,185	1,637,759	627,676	804,529	64,805	28,150	43,166	11,906	1,209,312	4,642,488	399,264	5,041,752

The above statement should be read in conjunction with accompanying notes.

Consolidated Cash Flow Statement

for the year ended 31 December 2012

(Expressed in Renminbi)

	Note	2012 RMB'000	2011 RMB'000
Operating activities			
Profit before taxation		**1,846,062**	1,817,750
Adjustments for:			
Net exchange gain		**(13,041)**	(47,406)
Interest income		**(108,315)**	(69,251)
Depreciation and amortisation		**37,263**	22,119
Equity settled share-based payment expenses		**4,821**	6,060
Dividend income from unlisted equity securities		**(1,411)**	(2,078)
Net increase in fair value of investment properties		**(16,972)**	(1,900)
Net gain on disposals of property, plant and equipment		**(360)**	(3,091)
Share of losses of associates		**1,758**	4,162
Share of profits less losses of jointly controlled entities		**(320,595)**	7,277
Finance costs		**269,154**	375,059
Net realised and unrealised (gain)/loss on trading securities		**(21,463)**	67,070
Loss on deemed disposal of subsidiaries		**33,666**	–
Loss on acquisition of additional interests in jointly controlled entities		**3,689**	–
Operating profit before changes in working capital		**1,714,256**	2,175,771
Increase in properties for sale		**(1,095,406)**	(941,720)
(Increase)/decrease in trade and other receivables		**(48,291)**	1,835,763
Increase in deposits and prepayments		**(2,320,389)**	(2,717,742)
Increase in restricted bank deposits		**(319,420)**	(116,487)
Increase in trade and other payables and accruals		**2,903,717**	1,143,541
Increase/(decrease) in receipts in advance		**513,928**	(355,514)
Cash generated from operations carried forward		**1,348,395**	1,023,612

Consolidated Cash Flow Statement *(Continued)*

for the year ended 31 December 2012

(Expressed in Renminbi)

	Note	2012 *RMB'000*	2011 *RMB'000*
Cash generated from operations brought forward		**1,348,395**	1,023,612
PRC tax paid		**(728,088)**	(680,401)
Net cash generated from operating activities		**620,307**	343,211
Investing activities			
Payment for purchase of property, plant and equipment		**(608,656)**	(456,843)
Proceeds from disposals of property, plant and equipment		**3,196**	6,034
Payment for purchase of trading securities		**–**	(200,000)
Proceeds from disposals of trading securities		**–**	216,045
Acquisition of additional interest in a subsidiary	37	**(4,900)**	(22,000)
Net cash outflow upon deemed disposals of subsidiaries	17	**(421,349)**	(2,444)
Acquisition of additional interest in jointly controlled entities		**(124,567)**	–
Capital injection in jointly controlled entities		**(641,123)**	(1,018,401)
Payment for purchase of other financial assets		**(4,000)**	(26,000)
Proceeds from disposal of other financial assets		**10,000**	–
Net cash paid upon acquisitions of subsidiaries		**–**	(69,367)
Advances to associates		**–**	(13,000)
(Advances to)/repayment from jointly controlled entities		**(2,147)**	633,052
Dividend received from unlisted equity securities		**1,411**	2,078
Dividend received from jointly controlled entities		**268,234**	18,870
Interest received		**108,315**	69,251
Net cash used in investing activities		**(1,415,586)**	(862,725)

Consolidated Cash Flow Statement *(Continued)*

for the year ended 31 December 2012

(Expressed in Renminbi)

	Note	2012 RMB'000	2011 RMB'000
Financing activities			
Proceeds from new bank loans		**1,826,800**	1,237,114
Repayment of bank loans		**(1,856,960)**	(1,526,729)
Proceeds from new other loans		**2,443,282**	1,947,600
Repayment of other loans		**(980,770)**	(1,212,310)
Proceeds from issue of new shares		**1,854**	596,487
Net proceeds from senior notes		**863,234**	–
Interest paid		**(436,128)**	(554,436)
Dividend paid		**(289,048)**	(162,615)
Dividend paid to non-controlling interests		**(92,700)**	(21,500)
Capital contribution from non-controlling interests		**103,000**	101,200
Partial redemption of convertible bonds	28	**(70,411)**	–
Net cash generated from financing activities		**1,512,153**	404,811
Net increase/(decrease) in cash and cash equivalents		**716,874**	(114,703)
Cash and cash equivalents at 1 January		**3,255,528**	3,370,335
Effect of foreign exchange rate changes		**(22,627)**	(104)
Cash and cash equivalents at 31 December		**3,949,775**	3,255,528

The above statement should be read in conjunction with accompanying notes.

Notes to the Financial Statements

(Expressed in Renminbi)

1 GENERAL

Central China Real Estate Limited ("the Company") is a limited liability company incorporated in the Cayman Islands on 15 November 2007. Its principal place of business is at Room 7701B–7702A, 77th Floor, International Commence Centre, 1 Austin Road West, Kowloon, Hong Kong and has its registered office at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principle activity of the Company is investment holding and its subsidiaries are principally engaged in property development in Henan Province in the People's Republic of China ("the PRC").

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules"). A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

(i) The consolidated financial statements for the year ended 31 December 2012 comprise the Company and its subsidiaries (together referred to as "the Group") and the Group's interest in associates and jointly controlled entities. The consolidated financial statements are presented in Renminbi ("RMB") rounded to the nearest thousand.

(ii) The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

— investment property (see note 2(h));

— financial instruments classified as trading securities (see note 2(e)); and

— derivative financial instruments (see note 2(f)).

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of preparation of the financial statements (Continued)

(ii) (Continued)

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the future period are discussed in note 38.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary’s net identifiable assets.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Subsidiaries and non-controlling interests (Continued)

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 2(q) or (r) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(e)) or, when appropriate, the cost on initial recognition of an investment in an associate or jointly controlled entity (see note 2(d)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(k)).

(d) Associates and jointly controlled entities

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group and other parties, where the contractual arrangement establishes that the Group and one or more of the other parties share joint control over the economic activity of the entity.

An investment in an associate or a jointly controlled entity is accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 2(k)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Associates and jointly controlled entities (Continued)

When the Group's share of losses exceeds its interest in the associate or the jointly controlled entity, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the jointly controlled entity.

Unrealised profits and losses resulting from transactions between the Group and its associates and jointly controlled entities are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

When the Group ceases to have significant influence over an associate or joint control over a jointly controlled entity, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised in fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(e)) or, when appropriate, the cost on initial recognition of an investment in an associate (see note 2(d)).

(e) Other investments in equity securities

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends earned on these investments as these are recognised in accordance with the policies set out in note 2(x)(vi).

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the statement of financial position at cost less impairment losses (see note 2(k)).

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

(f) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk of a committed future transaction, the effective portion of any gains or losses on remeasurement of the derivative financial instrument to fair value are recognised in other comprehensive income and accumulated separately in equity in the hedging reserve. The ineffective portion of any gain or loss is recognised immediately in profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated gain or loss is reclassified from equity to be included in the initial cost or other carrying amount of the non-financial asset or liability.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gain or loss is reclassified from equity to profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss (such as when interest income or expense is recognised).

For cash flow hedges, other than those covered by the preceding two policy statements, the associated gain or loss is reclassified from equity to profit or loss in the same period or periods during which the hedged forecast transaction affects profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity until the transaction occurs and it is recognised in accordance with the above policy. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss is reclassified from equity to profit or loss immediately.

(h) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2(j)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of reporting period and their fair value cannot be reliably determined at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 2(x)(ii).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 2(j)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 2(j).

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Property, plant and equipment

(i) Property, plant and equipment

The following items of property, plant and equipment are stated in the statement of financial position at cost less accumulated depreciation and impairment losses (see note 2(k)):

— buildings held for own use which are situated on leasehold land, where the fair value of the building could be measured separately from the fair value of the leasehold land at the inception of the lease (see note 2(k)); and

— other items of plant and equipment.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labor, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 2(z)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over the estimated useful lives as follows:

— Buildings held for own use which are situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 30 years after the date of completion

— Furniture, fixtures and equipment 5 to 10 years

— Motor vehicles 5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Property, plant and equipment (Continued)

(ii) Construction in progress

Construction in progress is stated at cost less impairment losses (see note 2(k)). Cost comprises direct costs of construction during the year of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all of the activities necessary to prepare the assets for their intended use are substantially complete, notwithstanding any delays in the issue of the relevant completion certificates by the relevant PRC authorities.

No depreciation is provided in respect of construction in progress until it is substantially complete and ready for its intended use.

(j) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific assets or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

— property held under operating leases that would otherwise meet the definition of an investment property is classified as investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 2(h)); and

— land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Leased assets (Continued)

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see note 2(h)) or properties for sale (see note 2(l)).

(k) Impairment of assets

(i) Impairment of investments in equity securities and other receivables

Investments in equity securities (other than investments in subsidiaries: (see note 2(k)(ii)) and other current and non-current receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

— a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Impairment of assets (Continued)

(i) Impairment of investments in equity securities and other receivables (Continued)

If any such evidence exists, any impairment loss is determined and recognised as follows:

— For investments in subsidiaries, associates and jointly controlled entities (including those recognised using the equity method (see note 2(d))), the impairment loss is measured by comparing the receivable amount of the investment as a whole with its carrying amount in accordance with note 2(k)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(k)(ii).

— For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities are not reversed.

— For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade receivables and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade receivables and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Impairment of assets (Continued)

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment; and

— pre-paid interests in leasehold land classified as being held under an operating lease.

If any such indication exists, the asset's recoverable amount is estimated.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

— Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Impairment of assets (Continued)

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 2(k)(i) and (ii)).

Impairment losses recognised in an interim period in respect of unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(l) Properties for sale

Properties for sale are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows:

(i) Properties held for future development and under development for sale

The cost of properties held for future development and properties under development for sale comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, and an appropriate proportion of overheads and borrowing costs capitalised (see note 2(z)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

(ii) Completed properties held for sale

In the case of completed properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the properties to their present location and condition.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Construction contracts

Construction contracts are contracts specifically negotiated with a customer for the construction of our asset or a group of assets, where the customer is able to specify the major structural elements of the design. The accounting policy for contract revenue is set out in note 2(x)(iv). When the outcome of a construction contract can be estimated reliably, contract costs are recognised as an expense by reference to the stage of completion of the contract at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

Construction contracts in progress at the end of the reporting period are recorded in the statement of financial position at the net amount of costs incurred plus recognised profit less recognised losses and progress billings, and are presented in the statement of financial position as the "Gross amount due from customers for contract work" (as an asset) or the "Gross amount due to customers for contract work" (as liability), as applicable. Progress billings not yet paid by the customer are included in the statement of financial position under "Trade and other receivables". Amounts received before the related work is performed are included in the statement of financial position, as a liability, as "Receipts in advance".

(n) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method less allowance for impairment of doubtful debts (see note 2(k)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(o) Convertible bonds with detachable warrants

Convertible bonds of the Company are issued with detachable warrants. Where the convertible bonds can be converted to equity share capital at the option of the holder and the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, and where the warrants issued by the Company will be settled by exchange of the warrants and fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments, convertible bonds with detachable warrants are accounted for as compound financial instruments, which contain a liability component and an equity component. The early redemption options embedded in the convertible bonds with detachable warrants are separately accounted for as derivative financial instruments in accordance with the accounting policy set out in note 2(f).

At initial recognition, the derivative financial instruments embedded in the convertible bonds with detachable warrants is measured at fair value. The liability component is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option and warrants. Any excess of proceeds over the amount initially recognised as liability component and derivative financial instruments is recognised as the equity component.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Convertible bonds with detachable warrants (Continued)

Transaction costs that relate to the issue of the convertible bonds with detachable warrants, are allocated to the liability component and equity component and derivative financial instruments in proportion to allocation of proceeds. The portion of the transaction costs relating to the liability component and equity component is recognised initially as part of the liability and equity respectively. The portion relating to the derivative component is recognised immediately in profit or loss.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the capital reserve until either the bonds are converted or redeemed. The derivative financial instruments is subsequently remeasured in accordance with note 2(f).

If the bonds are converted, the respective capital reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the bonds are redeemed, the respective capital reserve is released directly to retained profits. If the warrants are exercised, the respective capital reserve, together with the proceeds received at the time of exercise, is transferred to share capital and share premium as consideration for the shares issued. If the warrants are not exercised upon expiry, the respective capital reserve is released directly to retained profits.

(p) Senior notes

Senior notes of the Company are issued with early redemption clause at the option of the Company.

At initial recognition the redemption option is measured at fair value and presented as derivative financial instruments (see note 2(f)). Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs that relate to the issue of the senior notes are allocated to the liability and derivative components in proportion to the allocation of proceeds. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in profit or loss.

The derivative component is subsequently remeasured in accordance with note 2(f). The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method.

(q) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payables, using the effective interest method.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 2(w)(i), trade and other payable are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(s) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(t) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contributions to appropriate local defined contribution retirement schemes pursuant to the relevant labour rules and regulations in the PRC and the Hong Kong Mandatory Provident Fund Schemes Ordinance are expensed in the period in which they are incurred, except to the extent that they are included in properties under development for sale and investment properties under development not yet recognised as an expense.

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial (Cox, Ross, Rubinstein) model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 2(h), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Income tax (Continued)

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(v) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2(w)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Financial guarantees issued, provisions and contingent liabilities (Continued)

(ii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(w) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of properties

Revenue arising from the sale of properties held for sale is recognised upon the later of signing of the sale and purchase agreement and the completion of the properties, which is taken to be the point in time when the risks and rewards of ownership of the property have passed to the buyer, and collectability of the related receivable is reasonably assured. Revenue from sales of properties with a repurchase clause is recognised when the Group no longer has the obligation to repurchase the properties. Revenue from sales of properties excludes business tax or other sales related taxes and is after deduction of any trade discounts. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the statement of financial position under "Receipts in advance".

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable.

Contingent rentals are recognised as income in the accounting period in which they are earned. Revenue from operating leases excludes business tax or other sales related taxes.

(iii) Hotel operations

Revenue arising from hotel operations is recognised on a basis that reflects the timing, nature and value when relevant services are provided.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Revenue recognition (Continued)

(iv) Contract revenue

When the outcome of a construction contract can be estimated reliably, revenue from a cost plus contract appropriate proportion of the total fee, measured by reference to the proportion that costs incurred to date bear to the estimated total contract costs for the contract.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

Contract revenue excludes business tax or other sales related taxes.

(v) Interest income

Interest income is recognised as it accrues using the effective interest method.

(vi) Dividend income

— Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

— Dividend income from listed investments is recognised when the share price of the time investment goes ex-dividend.

(vii) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Where grants that compensate the group for the cost of an asset the fair value is included in the statement of financial position under "Trade and other payables and accruals" and is released to profit or loss over the expected useful life of the relevant asset.

(x) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised on profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Translation of foreign currencies (Continued)

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(y) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(z) Related parties

(a) A person, or a close member of that person's family, is related to the Group if 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 the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities 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.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(z) Related parties (Continued)

(b) (Continued)

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(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).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(aa) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the group and the company. Of these, the following developments are relevant to the Group's financial statements:

— Amendments to HKFRS 7, *Financial instruments: Disclosures — Transfers of financial assets*

— Amendments to HKAS 12, *Income taxes — Deferred tax: Recovery of underlying assets*

The group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Amendments to HKFRS 7, *Financial instruments: Disclosures*

The amendments to HKFRS 7 require certain disclosures to be included in the financial statements in respect of transferred financial assets that are not derecognised in their entirety and for any continuing involvement in a transferred financial assets that are derecognised in their entirety, irrespective of when the related transfer transaction occurred. However, an entity need not provide the disclosures for the comparative period in the first year of adoption. The Group did not have any significant transfers of financial assets in previous periods or the current period which require disclosure in the current accounting period under the amendments.

3 CHANGES IN ACCOUNTING POLICIES (Continued)

Amendments to HKAS 12, *Income taxes*

Under HKAS 12 deferred tax is required to be measured with reference to the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of the asset(s) in question. In this regard, the amendments to HKAS 12 introduced a rebuttable presumption that the carrying amount of investment property carried at fair value under HKAS 40, *Investment property*, will be recovered through sale. This presumption is rebutted on a property-by-property basis if the investment property in question is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

The adoption of the amendments to HKAS 12 has no material impact on the financial statements as the amendments are consistent with policies already adopted by the Group.

4 TURNOVER

The principal activities of the Group are property development, property leasing, construction and hotel operations.

Turnover represents income from sales of properties, rental income, revenue from construction contracts and hotel operations. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2012 *RMB'000*	2011 *RMB'000*
Income from sales of properties	6,301,823	6,607,504
Rental income	24,063	23,629
Revenue from construction contracts	–	7,221
Revenue from hotel operations	19,641	–
	6,345,527	6,638,354

The Group's customer base is diversified and none of the customers of the Group with whom transactions have exceeded 10% of the Group's revenue.

5 OTHER REVENUE AND OTHER NET LOSS

	2012 *RMB'000*	2011 *RMB'000*
Other revenue		
Interest income	**108,315**	69,251
Dividend income from unlisted equity securities	**1,411**	2,078
Government grants	**1,500**	–
Others	**–**	90
	111,226	71,419
Other net loss		
Net gain on disposals of property, plant and equipment	**360**	3,091
Net loss on deemed disposal of subsidiaries *(note 17)*	**(33,666)**	–
Loss on acquisition of additional interests in jointly controlled entities	**(3,689)**	–
Net exchange gain	**13,041**	47,406
Net realised and unrealised gain/(loss) on trading securities	**21,463**	(67,070)
Others	**(2,296)**	–
	(4,787)	(16,573)

Notes to the Financial Statements *(Continued)*

(Expressed in Renminbi)

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	2012 *RMB'000*	2011 *RMB'000*
(a) Finance costs		
Interest on bank loans	101,119	91,920
Interest on other loans	150,359	108,641
Interest on convertible bonds	68,987	53,617
Interest on senior notes	320,871	243,081
Other ancillary borrowing costs	5,930	5,691
	647,266	502,950
Less: Borrowing costs capitalised*	(294,126)	(207,137)
	353,140	295,813
Net change in fair value of derivatives embedded in convertible bonds *(note 28)*	(52,286)	76,977
Net gain on modification of convertible bonds *(note 28)*	(1,686)	–
Net loss on partial redemption of convertible bonds *(note 28)*	5,498	–
Net change in fair value of derivatives embedded in senior notes *(note 29)*	(35,512)	2,269
	269,154	375,059

* Borrowing costs have been capitalised at a rate of 5.86%–12.80% per annum (2011: 5.12%–14.00% per annum).

6 PROFIT BEFORE TAXATION (Continued)

	2012 *RMB'000*	2011 *RMB'000*
(b) Staff costs		
Salaries, wages and other benefits	**215,673**	198,903
Including:		
— Retirement scheme contributions	**17,618**	12,063
— Equity settled share-based payment expenses *(note 32(b))*	**4,821**	6,060

Employees of the Company's subsidiaries in the PRC ("PRC subsidiaries") are required to participate in defined contribution retirement schemes which are administered and operated by the local municipal government. The PRC subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

The Group also maintains a Mandatory Provident Fund Scheme (the "MPF Scheme") for all qualifying employees in Hong Kong. The Group's and employee's contributions to the MPF Scheme are based on 5% of the relevant income of the relevant employee (up to a cap of monthly relevant income of HK$25,000) and in accordance with the requirements of the Mandatory Provident Fund Schemes Ordinance and related regulations.

The Group has no other material obligation for the payment of retirement benefits associated with these schemes beyond the annual contributions described above.

	2012 *RMB'000*	2011 *RMB'000*
(c) Other items		
Depreciation and amortisation	**37,263**	22,119
Auditors' remuneration	**4,288**	3,980
Cost of properties sold	**4,089,384**	4,055,662
Operating lease charges in respect of properties	**3,996**	3,992
Rentals receivable less direct outgoings of RMB2,658,000 (2011: RMB1,429,000)	**(21,405)**	(22,200)

Notes to the Financial Statements *(Continued)*

(Expressed in Renminbi)

7 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2012 *RMB'000*	2011 *RMB'000*
Current tax		
PRC Corporate Income Tax	**448,968**	555,975
Land Appreciation Tax	**448,914**	579,176
Withholding tax	**79,507**	33,545
	977,389	1,168,696
Deferred tax		
Revaluation of properties	**3,911**	144
Land Appreciation Tax	**(5,032)**	(93,310)
Other temporary differences	**–**	(710)
	(1,121)	(93,876)
	976,268	1,074,820

(i) Pursuant to the rule and regulations of the Cayman Islands, the Company is not subject to any income tax in the Cayman Islands.

(ii) No Hong Kong Profits Tax has been provided for as the Group has no estimated assessable profits in Hong Kong.

(iii) PRC Corporate Income Tax ("CIT")

The provision for CIT is based on the respective applicable rates on the estimated assessable profits of the PRC subsidiaries as determined in accordance with the relevant income tax rules and regulations of the PRC.

PRC subsidiaries were charged at a rate of 25% (2011: 25%) on the estimated assessable profits for the year.

7 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT (Continued)

(a) Taxation in the consolidated income statement represents: (Continued)

(iv) Land Appreciation Tax ("LAT")

Pursuant to the requirements of the Provisional Regulations of the PRC on LAT (《中華人民共和國土地增值税暫行條例》) effective on 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT (《中華人民共和國土地增值税暫行條例實施細則》) effective from 27 January 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for property sales of ordinary residential properties (普通標準住宅) if their appreciation values do not exceed 20% of the sum of the total deductible items. Certain PRC subsidiaries were subject to LAT which is calculated based on 1.5% to 4.5% (2011: 1.5% to 4.5%) of their revenue in accordance with the authorised taxation method.

(v) Withholding tax

Withholding taxes are levied on the Company's subsidiaries in Hong Kong ("Hong Kong subsidiaries") in respect of dividend distributions arising from profit of PRC subsidiaries earned after 1 January 2008 and interest on inter-company balance received by Hong Kong subsidiaries from PRC subsidiaries ranged from 5% to 12%.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2012 *RMB'000*	2011 *RMB'000*
Profit before taxation	1,846,062	1,817,750
Tax on profit before tax calculated at 25% (2011: 25%)	461,516	454,437
Difference in tax rates for certain subsidiaries	27,747	32,386
Tax effect of non-taxable revenue	(85,747)	(8,249)
Tax effect of non-deductible expenses	145,887	123,197
Tax effect of unused tax losses not recognised	19,743	12,953
Utilisation of tax loss not recognised in prior years	(9,070)	(7,831)
Withholding tax	79,507	33,545
LAT	448,914	579,176
Tax effect of LAT	(112,229)	(144,794)
Income tax expense	976,268	1,074,820

8 DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Details of directors' and chief executive's remuneration are set out as follows:

2012

	Directors' fees	Salaries, allowances and benefits in kind	Retirement scheme contributions	Discretionary bonuses	Share-based payments *(Note 30)*	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors						
Wu Po Sum	–	4,130	11	–	164	4,305
Wang Tianye* (resigned on 26 June 2012)	–	1,836	5	3,532	110	5,483
Yan Yingchun	–	976	11	–	164	1,151
Non-executive directors						
Lim Ming Yan	81	–	–	–	–	81
Leow Juan Thong Jason	81	–	–	–	–	81
Wallis Wu (alias Li Hua)	211	–	10	–	–	221
Hu Yongmin	–	–	–	–	–	–
Independent non-executive directors						
Cheung Shek Lun	195	–	–	–	–	195
Wang Shi	195	–	–	–	–	195
Xin Luolin	195	–	–	–	–	195
Chief Executive						
Chen Jianye*	–	2,479	11	–	2,005	4,495
Total	958	9,421	48	3,532	2,443	16,402

* Mr Wang Tianye resigned as the Group's Chief Executive Officer on 26 June 2012. Mr Chen Jianye has been appointed as the Group's Chief Executive Officer with effect from 26 June 2012.

8 DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

2011

	Directors' fees	Salaries, allowances and benefits in kind	Retirement scheme contributions	Discretionary bonuses	Share-based payments *(Note 30)*	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors						
Wu Po Sum	–	3,958	10	–	563	4,531
Wang Tianye*	–	3,442	10	2,684	425	6,561
Yan Yingchun	–	994	10	331	389	1,724
Non-executive directors						
Lim Ming Yan	83	–	–	–	89	172
Leow Juan Thong Jason	83	–	–	–	54	137
Wallis Wu (alias Li Hua)	215	–	10	–	–	225
Hu Yongmin	–	–	–	–	–	–
Independent non-executive directors						
Cheung Shek Lun	199	–	–	–	–	199
Wang Shi	199	–	–	–	–	199
Xin Luolin	199	–	–	–	–	199
Total	978	8,394	40	3,015	1,520	13,947

* Mr Wang Tianye also acted as the Group's Chief Executive Officer.

No emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office for the current or prior years. No director has waived or agreed to waive any emoluments for the current or prior years.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2011: three) are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the remaining three (2011: two) individuals are as follows:

	2012 *RMB'000*	2011 *RMB'000*
Salaries, allowances and benefits in kind	4,025	2,342
Discretionary bonuses	1,973	1,292
Share-based payments	142	681
Retirement scheme contributions	64	10
	6,204	4,325

The emoluments of these three (2011: two) individuals with the highest emoluments are within the following bands:

	2012	2011
RMB1,000,001 to RMB1,500,000	–	1
RMB1,500,001 to RMB2,000,000	1	–
RMB2,000,001 to RMB2,500,000	2	–
RMB2,500,001 to RMB3,000,000	–	1

10 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a profit of RMB313,348,000 (2011: RMB204,987,000) which has been dealt with in the financial statements of the Company.

Details of dividends paid and payable to equity shareholders of the Company are set out in note 32(c).

11 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB823,086,000 (2011: RMB667,995,000) and the weighted average number of 2,428,060,669 ordinary shares (2011: 2,243,855,342 ordinary shares) in issued during the year, calculated as follows:

	2012	2011
	'000	*'000*
Issued ordinary shares 1 January	**2,428,000**	2,000,000
Effect of exercised share options	**61**	–
Effect of right issue	**–**	243,855
Weighted average number of ordinary shares	**2,428,061**	2,243,855

(b) Diluted earnings per share

For the year ended 31 December 2012, the calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholder of the Company of RMB823,447,000 and the weighted average number of ordinary shares of 2,681,133,680 shares, calculated as follows:

(i) Profit attributable to ordinary equity shareholders of the Company (diluted)

	2012
	RMB'000
Profit attributable to equity shareholders	**823,086**
After tax effect of effective interest on the liability component of convertible bonds	**60,549**
After tax effect of gain recognised on derivatives embedded in convertible bonds	**(60,188)**
Profit attributable to equity shareholders (diluted)	**823,447**

11 EARNINGS PER SHARE (Continued)

(b) Diluted earnings per share (Continued)

(ii) Weighted average number of ordinary shares (diluted)

	2012 *'000*
Weighted average number of ordinary shares at 31 December	2,428,061
Effect of conversion of convertible bonds	253,073
Weighted average number of ordinary shares at 31 December (diluted)	2,681,134

The Company's share options and warrants as at 31 December 2012 do not give rise to any dilution effect to the earnings per share.

The Company's share option, warrants and convertible bonds as at 31 December 2011 did not give rise to any dilution effect to the earnings per share.

12 SEGMENT REPORTING

Services from which reportable segments derive their revenue

Information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance is more focused on the Group as a whole, as all of the Group's activities are considered to be primarily dependent on the performance on property development. Resources are allocated based on what is beneficial for the Group in enhancing its property development activities as a whole rather than any specific service. Performance assessment is based on the results of the Group as a whole. Therefore, management considers there is only one operating segment under the requirements of HKFRS 8.

Turnover from major services

The Group's turnover from its major services is set out in note 4 to the financial statements.

Geographical information

No geographical information is shown as the turnover and profit from operations of the Group is substantially derived from activities in Henan province in the PRC.

13 PROPERTY, PLANT AND EQUIPMENT

The Group

2012

	Interests in leasehold land held for own use under operating lease RMB'000	Buildings RMB'000	Construction in progress RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost:						
At 1 January 2012	192,705	304,545	486,534	34,894	22,313	1,040,991
Additions	–	–	623,739	4,430	8,357	636,526
Disposals	–	(75)	–	(4,607)	(3,630)	(8,312)
Transfer	–	375,358	(375,358)	–	–	–
Transfer from properties for sale	2,810	7,014	–	–	–	9,824
Change in fair value	–	6,479	–	–	–	6,479
Transfer to investment properties	–	(16,183)	–	–	–	(16,183)
At 31 December 2012	195,515	677,138	734,915	34,717	27,040	1,669,325
Accumulated depreciation and amortisation:						
At 1 January 2012	11,253	57,272	–	14,609	12,436	95,570
Charge for the year	4,687	19,485	–	9,660	3,431	37,263
Written back on disposals	–	(74)	–	(2,329)	(3,073)	(5,476)
Transfer to investment properties	–	(1,383)	–	–	–	(1,383)
At 31 December 2012	15,940	75,300	–	21,940	12,794	125,974
Net book value:						
At 31 December 2012	179,575	601,838	734,915	12,777	14,246	1,543,351

13 PROPERTY, PLANT AND EQUIPMENT (Continued)

The Group (Continued)

2011

	Interests in leasehold land held for own use under operating lease *RMB'000*	Buildings *RMB'000*	Construction in progress *RMB'000*	Furniture, fixtures and equipment *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
Cost:						
At 1 January 2011	192,705	165,269	187,729	27,159	17,633	590,495
Additions	–	256	440,170	10,579	5,357	456,362
Disposals	–	(2,345)	–	(3,000)	(1,002)	(6,347)
Transfer	–	141,365	(141,365)	–	–	–
Acquisition of subsidiaries	–	–	–	156	325	481
At 31 December 2011	192,705	304,545	486,534	34,894	22,313	1,040,991
Accumulated depreciation and amortisation:						
At 1 January 2011	6,627	48,022	–	11,925	10,653	77,227
Charge for the year	4,626	9,423	–	5,461	2,500	22,010
Written back on disposals	–	(173)	–	(2,810)	(793)	(3,776)
Acquisition of subsidiaries	–	–	–	33	76	109
At 31 December 2011	11,253	57,272	–	14,609	12,436	95,570
Net book value:						
At 31 December 2011	181,452	247,273	486,534	20,285	9,877	945,421

13 PROPERTY, PLANT AND EQUIPMENT (Continued)

The analysis of carrying value of leasehold land is set out as follows:

	2012 *RMB'000*	2011 *RMB'000*
Long leases	8,132	24,069
Medium-term leases	171,443	157,383
	179,575	181,452

All the leasehold land of the Group are located in the PRC.

Certain of the Group's property, plant and equipment were pledged as securities of the Group's bank loans and other loans. Details are set out in note 24 and 25 respectively.

The Group's property, plant and equipment of RMB130,613,000 (2011: RMBNil) were pledged as securities of a jointly controlled entity's other loan.

14 INVESTMENT PROPERTIES

The Group

	Completed *RMB'000*	Under development *RMB'000*	Total *RMB'000*
At 1 January 2011	276,900	–	276,900
Change in fair value	1,900	–	1,900
At 31 December 2011	278,800	–	278,800
Representing:			
Valuation — 2011	278,800	–	278,800
At 1 January 2012	**278,800**	**–**	**278,800**
Addition	**–**	**3,600**	**3,600**
Transfer from properties for sale	**29,428**	**–**	**29,428**
Transfer from property, plant and equipment	**14,800**	**–**	**14,800**
Change in fair value	**17,072**	**(100)**	**16,972**
At 31 December 2012	**340,100**	**3,500**	**343,600**
Representing:			
Valuation — 2012	**340,100**	**3,500**	**343,600**

(a) Basis of valuation of investment properties

All investment properties of the Group were revalued as at 31 December 2012 and 2011 by an independent firm of surveyors, Savills Valuation and Professional Services Limited, who has among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued on a market value basis calculated by reference to net rental income allowance for reversionary income potential.

14 INVESTMENT PROPERTIES (Continued)

The Group (Continued)

(b) The analysis of fair value of investment is set out as follows:

	The Group	
	2012	2011
	RMB'000	*RMB'000*
In PRC		
— long leases	**140,700**	191,100
— medium-term leases	**199,400**	87,700
	340,100	278,800

At 31 December 2011, the Group's investment properties with carrying amount of RMB106,200,000 were pledged as securities for the Group's other loans. Details were set out in note 25.

The Group's investment properties with carrying amount of RMB162,600,000 (2011: RMBNil) were pledged as securities for a jointly controlled entity's other loan.

(c) Investment properties leased out under operating leases

The Group leases out its investment properties under operating leases. The leases typically run for an initial period of one to ten years, with an option to renew the lease after that date at which time all terms are renegotiated.

The Group's total future minimum lease income under non-cancellable operating leases are receivable as follows:

	The Group	
	2012	2011
	RMB'000	*RMB'000*
Within 1 year	**10,148**	9,676
After 1 year but within 5 years	**47,825**	45,612
After 5 years	**23,623**	28,406
	81,596	83,694

15 INTERESTS IN SUBSIDIARIES

	2012	2011
	RMB'000	*RMB'000*
Unlisted shares, at cost	**135,135**	135,135
Amounts due from subsidiaries *(note (a))*	**5,201,594**	4,237,065
	5,336,729	4,372,200
Amount due to a subsidiary *(note (b))*	**3,232**	3,258

Notes:

(a) Amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment, and are expected to be recovered after more than one year.

(b) Amount due to a subsidiary is unsecured, interest-free and repayable on demand.

(Expressed in Renminbi)

15 INTERESTS IN SUBSIDIARIES (Continued)

The following list contains only the particulars of subsidiaries which principally affect the results, assets or liabilities of the Group.

Name of company	Place of incorporation and operation	Issued and fully paid share capital/ paid-in capital	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activities	Legal form
Ahead Properties Limited	Hong Kong	HK$1	–	100%	Investment holding	Limited liability company
Anyang Central China Real Estate Company Limited*	Henan, the PRC	RMB10,000,000	–	100%	Property development	Wholly owned foreign enterprise
Artstar Investments Limited*	The British Virgin Islands and Hong Kong	US$10,000	–	95%	Investment holding	Private company
Baofeng Central China Taihe City Construction Company Limited*	Henan, the PRC	RMB10,000,000	–	80%	Property development	Limited liability company
Bumper Up Limited	The British Virgin Islands and Hong Kong	US$1	–	100%	Investment holding	Limited liability company
Central China Forest Peninsula (Henan) Real Estate Company Limited*	Henan, the PRC	RMB30,000,000	–	100%	Property development	Limited liability company
Central China Forest Peninsula (Kaifeng) Real Estate Company Limited*	Henan, the PRC	RMB60,000,000	–	60%	Property development	Limited liability company
Central China Hotel Investments & Management (Zhengzhou) Company Limited*	Henan, the PRC	RMB10,000,000	–	100%	Hotel Management	Limited liability company
Central China New Land (Henan) Real Estate Company Limited*	Henan, the PRC	RMB20,000,000	–	55%	Property development	Limited liability company
Central China Properties Development Limited	Hong Kong	HK$1	–	100%	Inactive	Private company
Central China Premier Service (Zhengzhou) Company Limited*	Henan, the PRC	RMB30,000,000	–	100%	Wine trading	Limited liability company
Central China Real Estate Gold Dragon Company Limited*	Henan, the PRC	RMB100,000,000	–	100%	Property development	Limited liability company
Central China Real Estate Group (Sanmenxia) Company Limited*	Henan, the PRC	RMB30,000,000	–	100%	Property development	Limited liability company
Central China Real Estate Xinxiang Jili Company Limited*	Henan, the PRC	RMB60,000,000	–	60%	Property development	Limited liability company

(Expressed in Renminbi)

15 INTERESTS IN SUBSIDIARIES (Continued)

Name of company	Place of incorporation and operation	Issued and fully paid share capital/ paid-in capital	Proportion of ownership interest		Principal activities	Legal form
			Held by the Company	Held by a subsidiary		
Central China Real Estate Group Jiaozuo Company Limited*	Henan, the PRC	RMB10,000,000	–	100%	Property development	Limited liability company
Central China Real Estate (Luoyang) Company Limited*	Henan, the PRC	RMB673,000,000	–	100%	Property development	Wholly owned foreign enterprise
Central China Nanyang Hotel Company Limited*	Henan, the PRC	RMB30,000,000	–	100%	Property development	Limited liability company
Central China Real Estate Wugang Company Limited*	Henan, the PRC	RMB100,000,000	–	100%	Property development	Limited liability company
Central China Real Estate (Zhengzhou) Company Limited*	Henan, the PRC	RMB10,000,000	–	100%	Property development	Limited liability company
Central China Real Estate Group (China) Company Limited*	Henan, the PRC	RMB2,360,000,000	–	100%	Property development	Wholly owned foreign enterprise
Central China Real Estate He Bi Co. Ltd.*	Henan, the PRC	RMB30,000,000	–	100%	Property development	Limited liability company
Central China Real Estate Holdings Limited	The British Virgin Islands and Hong Kong	US$13,289	–	100%	Investments holding	Private company
Central China Real Estate Investments Limited	Hong Kong	HK$1	–	100%	Investments holding	Private company
Central China Triumph Real Estate (Luoyang) Company Limited*	Henan, the PRC	RMB20,000,000	–	100%	Property development	Limited liability company
Changyuan Central China city Development Company Limited*	Henan, the PRC	RMB100,000,000	–	100%	Property development	Limited liability company
Construction Premier Service Limited	Hong Kong	HK$1	–	100%	Inactive	Private company
Country Star Holdings Limited	Hong Kong	HK$1	–	95%	Investments holding	Private company
Hebi Central China Real Estate Company Limited*	Henan, the PRC	RMB30,000,000	–	100%	Property development	Limited liability company
Henan Central China Commercial Properties Management Company Limited*	Henan, the PRC	RMB80,000,000	–	100%	Consulting property investment, leasing and management	Limited liability company

(Expressed in Renminbi)

15 INTERESTS IN SUBSIDIARIES (Continued)

Name of company	Place of incorporation and operation	Issued and fully paid share capital/ paid-in capital	Proportion of ownership interest Held by the Company	Held by a subsidiary	Principal activities	Legal form
Henan Central China Construction Design Company Limited*	Henan, the PRC	RMB11,000,000	–	100%	Designing	Limited liability company
Henan Central China Culture Travelling Property Development Company Limited*	Henan, the PRC	RMB30,000,000	–	100%	Property development	Limited liability company
Henan Central China Kaipu Commercial Development Company*	Henan, the PRC	RMB20,000,000	–	80%	Property development	Limited liability company
Henan Central China Real Estate Company Limited* *(note (a))*	Henan, the PRC	RMB390,000,000	–	100%	Property development	Limited liability company
Henan Central China Sun City Real Estate Company Limited*	Henan, the PRC	RMB120,100,000	–	100%	Property development	Limited liability company
Henan Central China Yaxing Real Estate Company Limited*	Henan, the PRC	RMB10,000,000	–	51%	Property development	Limited liability company
Henan Central China Zhizun Hotel Company Limited*	Henan, the PRC	RMB2,000,000	–	100%	Hotel operation	Limited liability company
Henan Central China Kanghui Real Estate Company Limited*	Henan, the PRC	RMB100,000,000	–	60%	Property development	Limited liability company
Henan Jianzheng Property Development Company Limited*	Henan, the PRC	RMB20,000,000	–	100%	Property development	Limited liability company
Henan St. Andrews Real Estate Company Limited*	Henan, the PRC	RMB8,000,000	–	60%	Property development	Limited liability company
Henan Shengtai Real Estate Company Limited*	Henan, the PRC	RMB2,000,000	–	100%	Hotel operation	Limited liability company
Henan United Clubs Management Company Limited*	Henan, the PRC	RMB5,000,000	–	60%	Property development	Limited liability company
Henan Zhongyuan Central China City Development Company Limited*	Henan, the PRC	RMB150,000,000	–	100%	Property development	Limited liability company
Huaiyang Central China Real Estate Limited*	Henan, the PRC	RMB10,000,000	–	100%	Property development	Limited liability company

Notes to the Financial Statements *(Continued)*

(Expressed in Renminbi)

15 INTERESTS IN SUBSIDIARIES (Continued)

Name of company	Place of incorporation and operation	Issued and fully paid share capital/ paid-in capital	Proportion of ownership interest Held by the Company	Proportion of ownership interest Held by a subsidiary	Principal activities	Legal form
Jiaozuo Central China Real Estate Company Limited*	Henan, the PRC	RMB35,000,000	–	100%	Property development	Wholly owned foreign enterprise
Jiyuan Central China Real Estate Company Limited*	Henan, the PRC	RMB30,000,000	–	100%	Property development	Limited liability company
Joy Ascend Holdings Limited*	The British Virgin Islands and Hong Kong	US$14,618	100%	–	Investments holding	Private company
Kaifeng Central China Dahong Real Estate Company Limited*	Henan, the PRC	RMB150,000,000	–	60%	Property development	Limited liability company
Kaifeng Central China Real Estate Company Limited*	Henan, the PRC	RMB60,000,000	–	80%	Property development	Limited liability company
Linying Central China City Construction Development Company Limited*	Henan, the PRC	RMB50,000,000	–	100%	Property development	Limited liability company
Luohe Central China Real Estate Company Limited*	Henan, the PRC	RMB30,000,000	–	100%	Property development	Limited liability company
Luohe Central China Changjian Real Estate Company Limited*	Henan, the PRC	RMB60,000,000	–	100%	Property development	Limited liability company
Nanyang Central China Real Estate Company Limited*	Henan, the PRC	RMB10,537,000	–	100%	Property development	Wholly owned foreign enterprise
Pingdingshan Central China Real Estate Company Limited*	Henan, the PRC	RMB28,000,000	–	100%	Property development	Wholly owned foreign enterprise
Puyang Central China City Construction Company Limited*	Henan, the PRC	RMB50,000,000	–	100%	Property development	Limited liability company
Puyang Central China Real Estate Company Limited*	Henan, the PRC	RMB40,500,000	–	100%	Property development	Limited liability company
Sanmenxia Central China Real Estate Company Limited*	Henan, the PRC	RMB38,000,000	–	100%	Property development	Wholly owned foreign enterprise
Shanghai Yujin Investments Consultancy Company Limited*	Henan, the PRC	RMB1,000,000	–	100%	Investment holding	Limited liability company
Shangqiu Central China Real Estate Company Limited*	Henan, the PRC	RMB10,537,000	–	100%	Property development	Wholly owned foreign enterprise

Notes to the Financial Statements *(Continued)*

(Expressed in Renminbi)

15 INTERESTS IN SUBSIDIARIES (Continued)

Name of company	Place of incorporation and operation	Issued and fully paid share capital/ paid-in capital	Proportion of ownership interest Held by the Company	Proportion of ownership interest Held by a subsidiary	Principal activities	Legal form
Shangqiu Jianye Huarun Zhiye Company Limited*	Henan, the PRC	RMB100,000,000	–	100%	Property development	Limited liability company
Shuiping Central China City Development Company Limited*	Henan, the PRC	RMB50,000,000	–	100%	Property development	Limited liability company
Tangyin Central China City Development Company Limited*	Henan, the PRC	RMB80,000,000	–	55%	Property development	Limited liability company
Universal Food Development (Henan) Company Limited*	Henan, the PRC	RMB4,500,000	–	100%	Property development	Limited liability company
Wugang Central China Zhizun Real Estate Company Limited*	Henan, the PRC	RMB20,000,000	–	100%	Property development	Limited liability company
Xinxiang Central China Real Estate Company Limited*	Henan, the PRC	RMB44,900,000	–	100%	Property development	Limited liability company
Xinyang Central China Tianming Real Estate Company Limited* *(note (b))*	Henan, the PRC	RMB30,000,000	–	50%	Property development	Limited liability company
Xinxiang Jinlong Central China Real Estate Company Limited*	Henan, the PRC	RMB58,000,000	–	60%	Property development	Limited liability company
Xiuwu Central China Real Estate Company Limited*	Henan, the PRC	RMB10,000,000	–	100%	Property development	Limited liability company
Xixuan Central China Huachang City Construction Company Limited*	Henan, the PRC	RMB50,000,000	–	80%	Property development	Limited liability company
Xuchang Central China Real Estate Company Limited*	Henan, the PRC	RMB57,000,000	–	100%	Property development	Wholly owned foreign enterprise
Xuchang Fengtai Real Estate Company Limited*	Henan, the PRC	RMB50,000,000	–	60%	Property development	Limited liability company
Xuchang Jinyue Real Estate Company Limited*	Henan, the PRC	RMB30,000,000	–	70%	Property development	Limited liability company
Xuchang One City Development Company Limited* *(note (c))*	Henan, the PRC	RMB40,000,000	–	49%	Property development	Limited liability company
Yanling Central China Real Estate Company Limited*	Henan, the PRC	RMB10,000,000	–	60%	Travel	Limited liability company

(Expressed in Renminbi)

15 INTERESTS IN SUBSIDIARIES (Continued)

Name of company	Place of incorporation and operation	Issued and fully paid share capital/ paid-in capital	Proportion of ownership interest Held by the Company	Proportion of ownership interest Held by a subsidiary	Principal activities	Legal form
Yanling CCRE Green Fundational Construction Company Limited*	Henan, the PRC	RMB10,000,000	–	100%	Property development	Limited liability company
Yanshi Yaxin Real Estate Company Limited*	Henan, the PRC	RMB50,000,000	–	60%	Property development	Limited liability company
Yuzhou New Plaza Construction & Development Company Limited*	Henan, the PRC	RMB10,000,000	–	75%	Property development	Limited liability company
Zhecheng Central China City Construction Company Limited*	Henan, the PRC	RMB10,000,000	–	100%	Property development	Limited liability company
Zhengzhou Central China Gaoxin Zhiye Company Limited*	Henan, the PRC	RMB20,000,000	–	100%	Property development	Limited liability company
Zhengzhou United New Town Real Estate Company Limited*	Henan, the PRC	RMB100,000,000	–	100%	Property development	Limited liability company
Zhengzhou Newcity Development Company Limited*	Henan, the PRC	RMB50,000,000	–	100%	Property development	Limited liability company
Zhengzhou Yipin Tianxia Zhiye Company Limited*	Henan, the PRC	RMB100,000,000	–	100%	Property development	Limited liability company
Zhongya Real Estate Development (Luoyang) Company Limited*	Henan, the PRC	RMB59,690,720	–	95%	Property development	Wholly owned foreign enterprise
Zhumadian Central China Real Estate Company Limited*	Henan, the PRC	RMB37,577,000	–	100%	Property development	Wholly owned foreign enterprise
Zhumadian Central China Real Estate Zhiye Company Limited*	Henan, the PRC	RMB10,000,000	–	100%	Property development	Limited liability company

* KPMG are not statutory auditors of these subsidiaries.

Notes:

(a) 48.72% interests in Henan Central China Real Estate Company Limited is registered in the name of a trust company pursuant to a trust arrangement.

(b) Xinyang Central China Tianming Real Estate Company Limited ("CCRE Xinyang") is regarded as a subsidiary as the Group controls the board of directors of CCRE Xinyang pursuant to its articles of association.

(c) Xuchang One City Development Company Limited ("Xuchang One City") is regarded as a subsidiary as the Group controls the board of directors of Xuchang One City pursuant to its articles of association.

(d) The English names of the PRC subsidiaries referred to above were translated by management only for the purpose of these financial statements as no English names have been registered or available.

16 INTERESTS IN ASSOCIATES

	The Group	
	2012	2011
	RMB'000	*RMB'000*
Share of net assets	**15,827**	17,585
Amounts due from associates	**32,090**	32,090
	47,917	49,675

Amounts due from associates are unsecured, interest-free and have no fixed terms of repayment, and are expected to be recovered after more than one year.

Details of the Group's interests in associates are set out as follows:

Name of company	Place of incorporation and operation	Registered capital	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activities	Legal form
St. Andrews Golf Club (Zhengzhou) Company Limited*	Henan, the PRC	RMB69,000,000	–	40%	Provision of golf facilities	Wholly owned foreign enterprise
Henan Yushang Property Development Company Limited*	Henan, the PRC	RMB15,000,000	–	30%	Property development	Limited liability company

* KPMG are not the statutory auditors of these associates.

Note: The English names of the Group's associates in the PRC referred to above were translated by management only for the purpose of these financial statements as no English names have been registered or available.

16 INTERESTS IN ASSOCIATES (Continued)

Summary financial information on associates

	Assets	Liabilities	Equity	Revenue	Loss
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
2012					
100 per cent	**391,706**	**348,566**	**43,140**	**19,735**	**(4,515)**
Group's effective interest	**126,275**	**110,448**	**15,827**	**7,893**	**(1,758)**
2011					
100 per cent	393,640	345,987	47,653	16,642	(10,439)
Group's effective interest	126,418	108,833	17,585	6,657	(4,162)

17 INTERESTS IN JOINTLY CONTROLLED ENTITIES

	The Group	
	2012	2011
	RMB'000	*RMB'000*
Share of net assets	**3,650,135**	2,171,116
Amounts due from jointly controlled entities	**1,377,858**	931,879
	5,027,993	3,102,995

Amounts due from jointly controlled entities, except for an amount of RMB651,839,000 (2011: RMB585,226,000) which is interest bearing at 7.56% per annum (2011: 6.67% per annum), are unsecured, interest-free and have no fixed terms of repayment, and are expected to be recovered more than one year.

(Expressed in Renminbi)

17 INTERESTS IN JOINTLY CONTROLLED ENTITIES (Continued)

Details of the Group's interests in jointly controlled entities are set out as follows:

Name of company	Place of incorporation and operation	Registered capital	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activities	Legal form
Central China Tihome (Henan) Real Estate Company Limited*	Henan, the PRC	RMB50,000,000	–	51%	Property development	Limited liability company
Henan United New Town Real Estate Company Limited*	Henan, the PRC	RMB652,000,000	–	74.9%	Property development	Limited liability company
Central China Real Estate Nanyang Company Limited*	Henan, the PRC	RMB579,590,000	–	51%	Property development	Limited liability company
Central China Real Estate Pingdingshan Company Limited*	Henan, the PRC	RMB310,200,000	–	51%	Property development	Limited liability company
Luohe Jianlian property Company Limited*	Henan, the PRC	RMB100,000,000	–	49%	Property development	Limited liability company
Zhengzhou Central China Tianming Property Company Limited*	Henan, the PRC	RMB1,500,000,000	–	58%	Property development	Limited liability company
Henan Huihua Cheng Development Company Limited*	Henan, the PRC	RMB100,000,000	–	49%	Property development	Limited liability company
Henan Jianzheng Property Company Limited*	Henan, the PRC	RMB20,000,000	–	51%	Property development	Limited liability company
Henan Coal Chemical Central China Real Estate Development Investment Company Limited*	Henan, the PRC	RMB977,600,000	–	51.15%	Property development	Limited liability company
Puyang Central China City Development Company Limited*	Henan, the PRC	RMB820,000,000	–	51.22%	Property development	Limited liability company
Henan Yuanda Real Estate Company Limited*	Henan, the PRC	RMB620,000,000	–	51.61%	Property development	Limited liability company
Bridge Trust-CCRE Group Real Trust Investment Fund* *(note (a))*	Henan, the PRC	RMB669,387,000	–	25%	Property development	Limited liability company
Bridge Trust-CCRE Group Real Trust Investment Fund II* *(note (b))*	Henan, the PRC	RMB1,077,600,000	–	25%	Property development	Limited liability company

* KPMG are not the statutory auditors of these jointly controlled entities.

Notes:

(a) The Group has provided a guarantee of return of 7.5% per annum to the holders of the preferred units.

(b) The Group has provided a guarantee of return of 8.5% per annum to the holders of the preferred units.

(c) The English names of the Group's jointly controlled entities in the PRC referred to above are translated by management only for the purpose of these financial statements as no English names have been registered or available.

17 INTERESTS IN JOINTLY CONTROLLED ENTITIES (Continued)

During the year, the capital on the Bridge Trust-CCRE Group Real Estate Trust Investment Fund II ("Bridge-CCRE Trust II"), Bridge Trust-CCRE Group Real Estate Trust Investment Fund III ("Bridge-CCRE Trust III") and Bridge Trust-CCRE Group Real Estate Trust Investment Fund IV ("Bridge-CCRE Trust IV") invested in Henan Yuanda Real Estate Company Limited ("Henan Yuanda"), Puyang Central China City Development Company Limited (Puyang Central China") and Henan Coal Chemical Central China Real Estate Development Investment Company Limited ("CCRE Coal Chemical"), which were previously wholly owned subsidiaries of the Company. In addition, the Group disposed of its 49% equity interest in Henan Jianzheng Property Development Company Limited ("Henan Jianzheng") to Henan Shanglin Real Estate Company Limited ("Henan Shanglin", an independent third party), with a consideration of RMB10.1 million. After the investment by the Bridge-CCRE Trust II, III and IV and the disposal to Henan Shanglin, Henan Yuanda, Puyang Central China, CCRE Coal Chemical and Henan Jianzheng are regarded as jointly controlled entities as neither the Bridge-CCRE Trust II, III and IV and Henan Shanglin nor the Group has controlling power over the board of directors pursuant to the respective articles of association.

The deemed disposal of Henan Yuanda, Puyang Central China, CCRE Coal Chemical and Henan Jianzheng had the following effect on the Group's financial position.

	RMB'000
Interest in jointly controlled entities	1,108,489
Properties for sale	(2,013,007)
Trade and other receivables	(3,710)
Prepayments	(445,783)
Prepaid tax	(35,441)
Cash and cash equivalents	(421,349)
Other loan	1,160,000
Trade and other payables	(236,011)
Receipt in advance	853,146
Net loss on deemed disposal of subsidiaries *(note 5)*	33,666
Net cash outflow	(421,349)

17 INTERESTS IN JOINTLY CONTROLLED ENTITIES (Continued)

Summary financial information on jointly controlled entities — Group's effective interest:

	2012 *RMB'000*	2011 *RMB'000*
Non-current assets	**1,685,728**	1,219,936
Current assets	**6,799,197**	3,516,032
Current liabilities	**(2,933,303)**	(1,129,685)
Non-current liabilities	**(1,901,487)**	(1,435,167)
	3,650,135	2,171,116
Income	**1,648,950**	321,525
Expenses	**(1,328,355)**	(328,802)
Profit /(loss) for the year	**320,595**	(7,277)

18 OTHER FINANCIAL ASSETS

	The Group	
	2012 *RMB'000*	2011 *RMB'000*
Unlisted equity securities, at cost		
— in the PRC	**91,800**	97,800

The unlisted equity securities of the Group do not have quoted market price in active market and were stated at cost at 31 December 2012 and 2011.

19 TRADING SECURITIES

	The Group	
	2012 *RMB'000*	2011 *RMB'000*
Listed equity securities at fair value in Hong Kong	**95,498**	74,878

20 PROPERTIES FOR SALE

	The Group	
	2012	2011
	RMB'000	*RMB'000*
Properties held for future development and under development for sale	**6,320,207**	7,294,284
Completed properties held for sale	**1,609,998**	1,330,119
	7,930,205	8,624,403

(a) The analysis of carrying value of leasehold land held for property development for sale is as follows:

	2012	2011
	RMB'000	*RMB'000*
In the PRC		
— long leases	**4,188,632**	4,168,361
— medium-term leases	**348,613**	654,724
	4,537,245	4,823,085

(b) The amount of properties for sale expected to be recovered after more than one year is analysed as follows:

	2012	2011
	RMB'000	*RMB'000*
Properties held for future development and under development for sale	**3,134,756**	4,319,034

(c) Certain of the Group's properties for sale was pledged as securities for the Group's bank and other loans. Details are set out in notes 24 and 25 respectively.

20 PROPERTIES FOR SALE (Continued)

(d) The Group temporarily leased out certain completed properties held for sale under operating leases. The lease runs for an initial period of twenty years. The lease does not include any contingent rental. The Group's total future minimum lease income under non-cancellable operating leases is receivable as follows:

	2012	2011
	RMB'000	*RMB'000*
Within 1 year	**11,077**	11,147
After 1 year to 5 years	**34,193**	36,836
After 5 years	**76,108**	84,551
	121,378	132,534

The directors confirm that the Group intends to sell the properties together with the respective leases.

21 TRADE AND OTHER RECEIVABLES

	The Group		**The Company**	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade receivables *(note (a))*	**20,134**	16,961	**–**	–
Other receivables	**140,423**	173,456	**–**	–
Amounts due from related companies *(note (b))*	**223,053**	39,665	**–**	–
Loan to a related company *(note (c))*	**–**	100,000	**–**	–
Amounts due from non-controlling interests *(note (d))*	**33,301**	64,900	**–**	–
Loan to non-controlling interests *(note (e))*	**20,000**	29,999	**–**	–
Gross amount due from customers for contract work	**14,085**	12,951	**–**	–
Derivative financial instruments				
— held as cash flow hedging instrument *(note 29(b))*	**17,267**	–	**17,267**	–
— other derivatives *(notes 28 and 29(a))*	**35,112**	3,595	**35,112**	3,595
	503,375	441,527	**52,379**	3,595

21 TRADE AND OTHER RECEIVABLES (Continued)

Notes:

(a) The ageing analysis of trade receivables, all of which are neither individually nor collectively considered to be impaired, is as follows:

	2012	2011
	RMB'000	*RMB'000*
Current	5,147	268
Less than 1 month overdue	172	166
1 to less than 3 months overdue	130	128
3 to less than 6 months overdue	384	128
6 months to less than 1 year overdue	592	2,562
More than 1 year overdue	13,709	13,709
	20,134	16,961

The Group's credit policy is set out in note 33(b).

Based on past experience, management believes that no impairment allowance is necessary in respect of the overdue balances and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances, except for the mortgage loans receivable as set out in note 35.

(b) The amounts due from related companies included an amount of RMB39,015,000 (2011: RMB39,015,000) in relation to sales of properties to a subsidiary of CapitaLand Limited, the ultimate holding company of a substantial shareholder of the Company in previous years. The amount is unsecured, interest-free and recoverable on demand.

The amount due from a related company of RMB101,384,000 (2011: RMBNil) represents the prepaid expected basic return to the trust manager of jointly controlled entities, Bridge Trust Company Limited, according to the cooperation agreements. The amount is unsecured, interest-free and has no fixed terms of repayment.

The amount due from a related company of RMB77,700,000 (2011: RMBNil) represents the management fee paid on behalf of the trust manager of jointly controlled entities, Bridge Trust Company Limited. The amount is unsecured, interest-free and has no fixed terms of repayment.

The remaining amounts due from related companies are unsecured, interest-free and have no fixed terms of repayment.

(c) At 31 December 2011, the loan to a related company was secured, interest bearing at 12.25% per annum and recovered during the year.

(d) The amounts due from non-controlling interests included an amount of RMB15,300,000 (2011: RMB15,300,000), which is secured, interest-free and recoverable within one year, the remaining amounts due from non-controlling interests are unsecured, interest-free and have no fixed terms of repayment.

(e) At 31 December 2012, the loan to non-controlling interests is unsecured, interest bearing at 13.5% per annum and recoverable on 15 May 2013. The last year balance was unsecured, interest bearing at 12% per annum and recovered during the year.

22 DEPOSITS AND PREPAYMENTS

At 31 December 2012, the balance included deposits and prepayments for leasehold land of RMB3,245,434,000 (2011: RMB1,416,449,000).

23 RESTRICTED BANK DEPOSITS

	The Group	
	2012	2011
	RMB'000	*RMB'000*
Guarantee deposits in respect of:		
— mortgage loans related to property sale	**203,772**	174,440
— bills payable	**661,560**	394,423
— bank loans *(note 24(b))*	**106,951**	84,000
	972,283	652,863

24 BANK LOANS

(a) At 31 December 2012, the bank loans were repayable as follows:

	The Group	
	2012	2011
	RMB'000	*RMB'000*
Within 1 year or on demand	**675,000**	1,110,660
After 1 year but within 2 years	**412,000**	376,000
After 2 years but within 5 years	**447,500**	140,000
After 5 years	**62,000**	–
	921,500	516,000
	1,596,500	1,626,660

24 BANK LOANS (Continued)

(b) At 31 December 2012, the bank loans were secured as follows:

	2012 RMB'000	2011 RMB'000
Bank loans		
— secured	1,501,500	1,327,000
— unsecured	95,000	299,660
	1,596,500	1,626,660

At 31 December 2012, assets of the Group secured against bank loans are analysed as follows:

	The Group	
	2012 RMB'000	2011 RMB'000
Properties for sale	2,458,824	2,429,526
Restricted bank deposits *(note 23)*	106,951	84,000
Property, plant and equipment	683,743	–
	3,249,518	2,513,526

(c) The effective interest rates of bank loans of the Group at 31 December 2012 were ranged from 2.65%–8.31% (2011: 2.60%–9.18%) per annum.

(d) Certain banking facilities of the Group are subject to the fulfilment of covenants relating to certain of the Group's statement of financial position ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the drawn down facilities would become repayable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 33(c). As at 31 December 2012 and 2011, none of the covenants relating to drawn down facilities had been breached.

25 OTHER LOANS

(a) At 31 December 2012, other loans were repayable as follows:

	The Group	
	2012	2011
	RMB'000	*RMB'000*
Within 1 year	**739,702**	1,245,470
After 1 year but within 2 years	**868,980**	107,700
After 2 years but within 5 years	**47,000**	–
	915,980	107,700
	1,655,682	1,353,170

The other loans included:

(1) the loan from a jointly controlled entity, Bridge-CCRE Trust I, amounted to RMB80,000,000 (2011: RMB80,000,000), which is unsecured, interest bearing at 7.125% (2011: 7.125%) per annum and repayable within one year;

(2) the loan from a jointly controlled entity, Bridge-CCRE Trust II, amounted to RMB477,600,000 at 31 December 2011, which was unsecured, interest bearing at 7.875% per annum and fully repaid during the year;

(3) the loan from a jointly controlled entity of RMB526,942,000 (2011: RMBNil), which is unsecured, interest bearing at 12.8% per annum and repayable by 23 September 2014; and

(4) the loan from non-controlling interest of RMB39,740,000 (2011: RMBNil), which is unsecured, interest bearing at 12% per annum and has no fixed term of repayment.

25 OTHER LOANS (Continued)

(b) At 31 December 2012, the other loans were secured as follows:

	2012 *RMB'000*	2011 *RMB'000*
Other loans		
— secured	979,000	624,570
— unsecured	676,682	728,600
	1,655,682	1,353,170

At 31 December 2012, assets of the Group secured against other loans are analysed as follows:

	2012 *RMB'000*	2011 *RMB'000*
Properties for sales	267,917	394,622
Investment properties	–	106,200
Property, plant and equipment	285,840	–
	553,757	500,822

At 31 December 2011, a secured other loan with carrying amount of RMB25,000,000 were pledged by future lease income of certain properties held by the Group. The expected future lease income was RMB124,877,000. This other loan was fully repaid during the year.

(c) The effective interest rates of other loans of the Group at 31 December 2012 were ranged from 6.49%–14.95% (2011: 6.92%–14.00%) per annum.

Notes to the Financial Statements *(Continued)*

(Expressed in Renminbi)

26 TRADE AND OTHER PAYABLES AND ACCRUALS

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Bills payable	**636,268**	394,423	**–**	–
Trade payables *(note (a))*	**2,575,938**	1,926,937	**–**	–
Other payables and accruals	**755,890**	846,129	**60,750**	43,238
Amounts due to jointly controlled entities *(note (b))*	**4,012,191**	1,587,617	**–**	–
Amounts due to related companies *(note (b))*	**–**	29	**–**	–
Amounts due to non-controlling interests *(note (b))*	**238,035**	190,501	**–**	–
Derivative financial instruments *(note 28)*	**–**	132,959	**–**	132,959
	8,218,322	5,078,595	**60,750**	176,197

At 31 December 2012, included in trade and other payables and accruals are retention payable of RMB272,032,000 (2011: RMB236,959,000) which are expected to be settled more than one year.

Notes:

(a) An ageing analysis of trade payables are set out as follows:

	2012	2011
	RMB'000	*RMB'000*
Due within 1 month or on demand	**2,291,674**	1,689,978
Due after 1 year	**284,264**	236,959
	2,575,938	1,926,937

(b) The amounts due to jointly controlled entities, related companies and non-controlling interests are unsecured, interest-free and have no fixed terms of repayment.

27 RECEIPTS IN ADVANCE

Receipts in advance represent sale proceeds received from buyers in connection with pre-sale of properties.

28 CONVERTIBLE BONDS

On 31 August 2009, the Company issued unsecured convertible bonds with principal amount of HK$765,000,000 due 2014 and 76,097,561 warrants. The convertible bonds are interest-bearing at 4.9% per annum and payable semi-annually in arrears. The maturity date of the convertible bonds is 31 August 2014. The convertible bonds can be converted to shares of the Company at HK$3.1 per share, subject to anti-dilutive adjustment, from 28 February 2010 to 31 August 2014.

Detachable from the convertible bonds, each warrant may be exercised from the date of issue up to 31 August 2014 at the exercise price of HK$4.1 per share, subject to anti-dilutive adjustment.

Both the conversion option of the convertible bonds and the warrants are classified as equity financial instruments in accordance with the Group's accounting policies.

In addition to the above, the Company may early redeem all the convertible bonds from 31 August 2012 to 31 August 2014 plus any accrued but unpaid interest thereon the redemption date, provided that the closing price of the shares of the Company for each of the thirty consecutive trading days, the last of which occurs within the five trading days prior to the date upon which the redemption notice is given by the Company, is at least 130% of the conversion price of HK$3.1 per share. If the Company early redeems the convertible bonds, a gross yield of 8% per annum on an annual compounding basis is to be guaranteed to the holders of the convertible bonds.

The holders of the convertible bonds can require the Company to early redeem all the convertible bonds at any time from 31 August 2012 to 31 August 2014 plus any accrued but unpaid interest thereon the redemption date. If the Company is required to early redeem the convertible bonds, a gross yield of 8% per annum on an annual compounding basis is to be guaranteed to the holders of the convertible bonds.

The redemption call and redemption put options are separately accounted for at fair value at the end of each reporting period as derivative financial instruments in accordance with the accounting policy set out in note 2(f) to the financial statements.

As a result of the rights issue of the Company on 28 June 2011, the conversion price of the convertible bonds and the exercise price of the warrants were adjusted to HK$2.984 and HK$3.947 respectively.

During the year, one of the holders exercised its redemption option to early redeem the convertible bonds with principal amount of HK$78,000,000, and surrendered its 7,758,967 warrants. The redemption price of HK$87,592,000 (equivalent to RMB70,411,000) was paid to this holder, and net loss on the redemption of RMB5,498,000 (note 6(a)) is recognised in the profit or loss. In addition, the terms of the convertible bonds have been modified as follows:

— remove the early redemption rights of the holders and Company;

— when the convertible bonds matured, a gross yield (8% per annum from date of issuance to 31 August 2012 and 10.5% per annum from 1 September 2012 to maturity date) on an annual compounding basis is to be guaranteed the holders; and

— adjustment on certain financial covenants.

28 CONVERTIBLE BONDS (Continued)

As a result, net gain on the modification of convertible bonds of RMB1,686,000 (note 6(a)) was recognised in the profit or loss during the year. The liability component of convertible bonds, which is matured in 2014, of RMB587,533,000 has been classified as non-current liability in the financial statements at 31 December 2012. It was classified as current liability at 31 December 2011 as the holders of the convertible bonds could early redeem all the convertible bonds from 31 August 2012.

The movements of different components of the convertible bonds/warrants are set out below:

The Group and the Company

	Liability component of the convertible bonds *(Note 28(a))* RMB'000	Redemption call option *(Notes 21 and 28(b))* RMB'000	Redemption put option *(Notes 26 and 28(c))* RMB'000	Equity component of the convertible bonds *(Note 28(d))* RMB'000	Warrant reserve *(Note 28(d))* RMB'000	Total RMB'000
At 1 January 2011	552,209	(34,580)	91,175	43,166	11,906	663,876
Interest and transaction costs amortised	22,562	–	–	–	–	22,562
Change in fair value *(note 6(a))*	–	30,103	46,874	–	–	76,977
Exchange difference	(25,106)	882	(5,090)	–	–	(29,314)
At 31 December 2011	549,665	(3,595)	132,959	43,166	11,906	734,101
At 1 January 2012	**549,665**	**(3,595)**	**132,959**	**43,166**	**11,906**	**734,101**
Interest and transaction costs amortised	**38,912**	**–**	**–**	**–**	**–**	**38,912**
Change in fair value *(note 6(a))*	**–**	**(4,495)**	**(47,791)**	**–**	**–**	**(52,286)**
Modification of convertible bonds	**62,326**	**7,276**	**(76,873)**	**–**	**–**	**(7,271)**
Partial redemption of convertible bonds	**(57,812)**	**826**	**(8,728)**	**(4,401)**	**(1,214)**	**(71,329)**
Exchange difference	**(5,558)**	**(12)**	**433**	**–**	**–**	**(5,137)**
At 31 December 2012	**587,533**	**–**	**–**	**38,765**	**10,692**	**636,990**

28 CONVERTIBLE BONDS (Continued)

(a) Liability component of convertible bonds represents the contractually determined stream of future cash flows discounted at the rate of interest determined by the market instruments of comparable credit status taken into account the business risk and financial risk of the Company. The effective interest rate of the liability component was previously 9.6% per annum. Upon the modification of convertible bonds during the year, the effective interest rate of the liability component is 16.1% per annum.

At 31 December 2012, the liability component of convertible bonds, after considering the redemption put options held by the holders of the convertible bonds, was repayable as follows:

	The Group and the Company	
	2012	2011
	RMB'000	*RMB'000*
Within one year	**–**	549,665
After one year but within two years	**587,533**	–
	587,533	549,665

(b) Redemption call option represents the fair value of the Company's option to early redeem all of the convertible bonds and is recorded as derivative financial instruments under "Trade and other receivables" (note 21).

(c) Redemption put option represents the fair value of the options of the holders of the convertible bonds to early redeem all of the convertible bonds and is recorded as derivative financial instruments under "Trade and other payables and accruals" (note 26).

(d) Equity component of convertible bonds and warrant reserve represent the excess of proceeds of the convertible bonds over the amount initially recognised as the liability component of convertible bonds and the redemption call and put options.

The assumptions applied in determining the fair value of the redemption call and put options at 31 December 2011 using Binomial (Coz, Ross, Rubinstein) option pricing model were set out as follows:

	2011
Share price (HK$)	1.55
Expected volatility	49%
Expected dividends	6%
Risk-free interest rate	0.48%
Remaining option life	2.67 years
Effective interest rate	14%

29 SENIOR NOTES

(a) On 20 October 2010, the Company issued secured senior notes with principal amount of US$300,000,000 due 2015 ("US$300m Senior Notes"). US$300m Senior Notes are interest-bearing at 12.25% per annum and payable semi-annually in arrears. The maturity date of US$300m Senior Notes is 20 October 2015. On or after 20 October 2013, the Company may at its option redeem the US$300m Senior Notes, in whole or in part, at a pre-determined redemption price. The details of the redemption price are disclosed in the relevant offering memorandum.

The movements of different components of US$300m Senior Notes are set out below:

The Group and the Company

	Liability component of the senior notes *(Note 29(a)(i))* *RMB'000*	Redemption call option *(Notes 21 and 29(a)(ii))* *RMB'000*	Total *RMB'000*
At 1 January 2011	1,928,806	(2,322)	1,926,484
Interest and transaction costs amortised	7,875	–	7,875
Change in fair value *(note 6(a))*	–	2,269	2,269
Exchange difference	(86,796)	53	(86,743)
At 31 December 2011	1,849,885	–	1,849,885
At 1 January 2012	**1,849,885**	**–**	**1,849,885**
Interest and transaction costs amortised	**8,809**	**–**	**8,809**
Change in fair value *(note 6(a))*	**–**	**(35,512)**	**(35,512)**
Exchange difference	**(14,969)**	**400**	**(14,569)**
At 31 December 2012	**1,843,725**	**(35,112)**	**1,808,613**

29 SENIOR NOTES (Continued)

(a) (Continued)

(i) Liability component of US$300m Senior Notes represents the contractually determined stream of future cash flows discounted at the rate of interest determined by the market instruments of comparable credit status taken into account the business risk and financial risk of the Company. The effective interest rate of the liability component is 12.79% per annum.

At 31 December 2012, the liability component of US$300m Senior Notes was repayable as follows:

	The Group and the Company	
	2012	2011
	RMB'000	*RMB'000*
Within one year	**–**	1,849,885
After two years but within five years	**1,843,725**	–
	1,843,725	1,849,885

The Company had breached certain covenants ("Defaults") under the indenture of US$300m Senior Notes due 2015 ("Indenture"). The liability component of US$300m Senior Notes of RMB1,849,885,000 has been re-classified as a current liability in the financial statements at 31 December 2011.

Pursuant to the announcement dated 7 March 2012, the Company intends to solicit consents ("Consents") from the Holders to certain proposed amendments and waivers of the Defaults (together referred to as "the Proposals"). The consent solicitations have been circularised to each of the Holders on the same date. The principal purposes of the consent solicitation are to obtain validly delivered and not validly revoked Consents from Holders of not less than a majority in aggregate principal amount of the outstanding senior notes to the Proposals.

By 5:00 p.m., 16 March 2012 (New York City Time), the Company had obtained Consents from Holders of not less that a majority in aggregate principal amount of the outstanding US$300m Senior Notes to the Proposals, and a fee of RMB9.6 million was paid to Holders who delivered the Consents and incurred the legal and professional fee of RMB8.6 million. Therefore, the maturity date of US$300m Senior Notes remains unchanged as if there would have been no Default, and the liability component of US$300m Senior Notes has been classified as a non-current liability in the financial statements at 31 December 2012.

29 SENIOR NOTES (Continued)

(a) (Continued)

(ii) Redemption call option represents the fair value of the Company's option to early redeem the US$300m Senior Notes and is recorded as derivative financial instruments under "Trade and other receivables" (note 21).

The assumptions applied in determining the fair value of the redemption call option at 31 December 2011 and 31 December 2012 are set out as follows:

	2012	2011
	RMB'000	*RMB'000*
Credit spread	**7.5%**	16.63%

(b) On 11 April 2012, the Company issued another senior notes with principal amount of SGD175,000,000 due in 2016 ("SGD175m Senior Notes"). SGD175m Senior Notes are interest bearing at 10.75% per annum and payable semi-annually in arrears. The maturity date of SGD175m Senior Notes is 18 April 2016. At any time prior to 18 April 2016, the Company may at its option redeem the senior notes, in whole but not in part, at a pre-determined redemption price. The details of the redemption price are disclosed in the relevant offering memorandum.

The Company entered into a foreign exchange rate swap contract to manage its exposure to foreign exchange rate risk of SGD175m Senior Notes by swapping the SGD175m Senior Notes principal of SGD175 million into US$137 million. The aggregate national principal amounts of the foreign exchange rate swap contract is SGD175,000,000 and the contract will mature on 18 April 2016. The foreign exchange rate swap contract is accounted for at fair value at the end of each reporting period as derivative financial instrument in accordance with the accounting policy set out in note 2(g) to the financial statements. As at 31 December 2012, the fair value of the foreign exchange rate swap contract amounted to RMB17,267,000 (note 21) is measured based on market price quoted by brokers.

29 SENIOR NOTES (Continued)

(b) (continued)

The movements of SGD175m Senior Notes are set out below:

The Group and the Company

	Liability component of the senior notes *(Note 29(b)(i))* *RMB'000*
Proceeds from issuance senior notes	**884,347**
Transaction costs	**(21,113)**
Net proceeds	**863,234**
Interest and transaction cost amortised	**3,705**
Exchange difference	**19,925**
At 31 December 2012	**886,864**

(i) Liability component of senior notes represents the contractually determined stream of future cash flows discounted at the rate of interest determined by the market instruments of comparable credit status taken into account the business risk and financial risk of the Company. The effective interest rate of the liability component is 11.36% per annum.

At 31 December 2012, the liability component of the senior notes was repayable as follows:

	The Group and the Company	
	2012 *RMB'000*	2011 *RMB'000*
After two but within five years	**886,864**	–

30 EQUITY SETTLED SHARE-BASED TRANSACTION

(a) Pre-IPO share option scheme

On 14 May 2008, the Company conditionally granted certain pre-IPO share options to the Company's directors, employees and consultants. The exercise of these share options would entitle five of the Company's directors and ninety employees and consultants of the Group to subscribe for an aggregate of 14,350,000 shares and 17,650,000 shares of the Company respectively. The exercise price is HK$2.75 per share. The pre-IPO share option scheme was effective from the listing date of the Company's share on the Stock Exchange of Hong Kong Limited, i.e. 6 June 2008. Under the pre-IPO share option scheme, no pre-IPO share options are exercisable within the first year from the listing date. Not more than 20% of the share options are exercisable with the second year from the listing date and not more than 40% of the share options are exercisable in each of the third and fourth year from the listing date. Each option gives the holders the right to subscribe for one ordinary share of the Company.

On 28 June 2011, upon the rights issue of the Company, the exercise price of pre-IPO share options was adjusted to HK$2.682 and the number of outstanding share options was adjusted from 28,150,000 to 28,859,380.

(b) Share options granted on 25 May 2010

On 25 May 2010, the Company conditionally granted certain share options to the Company's directors and employees. The exercise of these share options would entitle three of the Company's directors and seven employees of the Group to subscribe for an aggregate of 6,000,000 shares and 14,000,000 shares of the Company respectively. The exercise price is HK$1.9 per share. Under the share option scheme, no share option is exercisable within first year from the date of grant. Not more than 20% of the share options are exercisable within the second year from the date of grant and not more than 40% of the share options are exercisable in each of the third and fourth year from the date of grant. Each option gives the holders the right to subscribe for one ordinary share of the Company.

On 28 June 2011, upon the rights issue of the Company, the exercise price of the share options granted on 25 May 2010 was adjusted to HK$1.853 and the number of outstanding share options was adjusted from 20,000,000 to 20,504,000.

(c) Share options granted on 25 July 2011

On 25 July 2011, the Company conditionally granted certain share options to the Company's employees. The exercise of these share options would entitle six employees of the Group to subscribe for an aggregate of 12,500,000 shares of the Company. The exercise price is HK$2.16 per share. The share option scheme was effective from 25 July 2011. Under the share option scheme, no share option is exercisable within first year from the date of grant. Not more than 20% of the share options are exercisable within the second year from the date of grant and not more than 40% of the share options are exercisable in each of the third and fourth year from the date of grant. Each option gives the holders the right to subscribe for one ordinary share of the Company.

(Expressed in Renminbi)

30 EQUITY SETTLED SHARE-BASED TRANSACTION (Continued)

(d) The number and the weighted average exercise price of share options are as follows:

	2012 Weighted average exercise price *HK$*	2012 Number of options	2011 Weighted average exercise price *HK$*	2011 Number of options
Outstanding at 1 January	2.32	57,697,860	2.41	49,100,000
Adjustments upon rights issue	–	–	2.34	1,213,380
Granted during the year	–	–	2.16	12,500,000
Exercised during the year	1.85	(1,230,240)	–	–
Lapsed during the year	2.49	(4,063,000)	2.11	(5,115,520)
Outstanding at 31 December	2.32	52,404,620	2.32	57,697,860
Exercisable at 31 December	2.58	35,728,220	2.59	32,352,800

The weighted average share price at the date of exercise for shares options exercised during the year was HK$2.24 (2011: not applicable).

The options outstanding at 31 December 2012 had a weighted average exercise price of HK$2.32 (2011: HK$2.32) and a weighted average remaining contractual life of 4.12 years (2011: 5.12 years).

31 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	The Group			
	CIT	LAT	Withholding tax	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2011	103,792	86,857	40,689	231,338
Charged to the consolidated income statement *(note 7(a))*	555,975	579,176	33,545	1,168,696
Tax paid	(443,250)	(235,356)	(1,795)	(680,401)
At 31 December 2011	216,517	430,677	72,439	719,633
At 1 January 2012	**216,517**	**430,677**	**72,439**	**719,633**
Charged to the consolidated income statement *(note 7(a))*	**448,968**	**448,914**	**79,507**	**977,389**
Deemed disposal of subsidiaries *(note 17)*	**28,532**	**6,909**	**–**	**35,441**
Tax paid	**(437,943)**	**(287,795)**	**(2,350)**	**(728,088)**
At 31 December 2012	**256,074**	**598,705**	**149,596**	**1,004,375**

	2012	2011
	RMB'000	*RMB'000*
Representing:		
Tax payable	**1,121,817**	828,655
Prepaid tax	**(117,442)**	(109,022)
	1,004,375	719,633

31 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

(b) The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

	The Group		
	Revaluation of properties	Others	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2011	(51,349)	17,550	(33,799)
Credited to the consolidated income statement *(note 7(a))*	(144)	94,020	93,876
At 31 December 2011	(51,493)	111,570	60,077
At 1 January 2012	**(51,493)**	**111,570**	**60,077**
Credited to the consolidated income statement *(note 7(a))*	**(3,911)**	**5,032**	**1,121**
At 31 December 2012	**(55,404)**	**116,602**	**61,198**

	2012	2011
	RMB'000	*RMB'000*
Representing:		
Deferred tax assets	**116,602**	111,570
Deferred tax liabilities	**(55,404)**	(51,493)
	61,198	60,077

(c) Deferred tax assets not recognised:

The Company has not recognised deferred tax assets in respect of cumulative tax losses of RMB148,787,000 (2011: RMB106,094,000) at 31 December 2012, as it is not probable that future taxable profits against which losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses will be expired within five years.

32 CAPITAL, RESERVES AND DIVIDENDS

(a) Share capital

(i) Authorised and issued share capital

	2012		2011	
	No. of shares	Amount	No. of shares	Amount
	'000	*HK$'000*	*'000*	*HK$'000*
Authorised:				
Ordinary shares of HK$0.1 each	**10,000,000**	**1,000,000**	10,000,000	1,000,000
Ordinary shares, issued and fully paid:				
At 1 January	**2,428,000**	**242,800**	2,000,000	200,000
Issued of shares upon rights issued	**–**	**–**	428,000	42,800
Issued of shares under share option scheme	**1,230**	**123**	–	–
At 31 December	**2,429,230**	**242,923**	2,428,000	242,800
RMB'000 equivalent at 31 December		**215,285**		215,185

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(ii) Issue of shares upon rights issue

On 28 June 2011, the Company issued 428,000,000 shares of HK$0.1 each by way of a rights issue in proportion of 21.4 rights shares for every 100 ordinary shares at a subscription price of HK$1.71 per rights share. These newly issued shares rank equally in all respects with the existing shares. The net proceeds from the rights issue amounted to HK$718,171,000 (equivalent to RMB596,487,000).

(iii) Issued of shares under share option scheme

On 13 December 2012, options were exercised to subscribe for 1,230,240 ordinary shares in the Company at a consideration of HK$2,280,000 (equivalent to RMB1,854,000) of which HK$123,000 (equivalent to RMB100,000) was credited to share capital and the balance of HK$2,157,000 (equivalent to RMB1,754,000) was credited to the share premium account. HK$919,000 (equivalent to RMB747,000) has been transferred from share-based compensation reserve to the share premium amount in accordance with policy set out in note 2(t)(ii).

32 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Reserves

(i) Share premium

The share premium account is governed by the Cayman Companies Law and may be applied by the Company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to equity shareholders; (b) paying up unissued shares of the Company to be issued to equity shareholders as fully paid bonuses shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Cayman Companies Law); (d) writing-off the preliminary expenses of the Company; (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the Company; and (f) providing for the premium payable on redemption or purchase of any shares or debentures of the Company.

No distribution or dividend may be paid to the equity shareholders out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.

(ii) Statutory reserve fund

The statutory reserve fund is non-distributable and the transfer to this reserve is determined by the board of directors in accordance with the relevant laws and regulations of the PRC. This reserve can be used to offset accumulated losses and increase capital upon approval from the relevant authorities.

(iii) Other capital reserve

Other capital reserve includes the difference between the Group's considerations of acquisition of additional interests in subsidiaries from non-controlling interests and the difference between the nominal value of shares of the subsidiaries acquired over the nominal value of the shares issued by the Group in exchange thereafter.

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations which are dealt with in accordance with the accounting policies as set out in note 2(y).

(v) Share-based compensation reserve

Share-based compensation reserve represents the fair value of services in respect of share options granted under the share option schemes as set out in note 30.

(vi) Property revaluation reserve

During the year, the property, plant and equipment with a carrying amount of RMB14,800,000 is transferred to investment properties. The difference between the carrying amount of RMB14,800,000 and the net book value of RMB8,321,000 is recognised directly in equity as property revaluation reserve.

(vii) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments use in cash flow hedges pending subsequent recognition of the hedged cash flow in accordance with the accounting policy adopted for cash flow hedges in note 2(g).

32 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(b) Reserves (Continued)

(viii) Distributability of reserves

At 31 December 2012, the aggregate amounts of the Company's reserves available for distribution to equity shareholders of the Company at 31 December 2012 was RMB1,704,441,000 (2011: RMB1,718,075,000). After the end of the reporting period, the directors proposed a final dividend of HK$8.0 cents, equivalent to RMB6.45 cents (2011: HK$10.0 cents, equivalent to RMB8.25 cents) per ordinary share, amounting to RMB156,970,000 (2011: RMB200,400,000). This dividend has not been recognised as a liability at the end of the reporting period.

The Company relies on distributions or advances from its subsidiaries to pay any dividends. The ability of these subsidiaries to make distributions to the Company and the Company's ability to receive distributions are subject to applicable legal and other restrictions, including but not limited to restrictions on payment of dividends by PRC subsidiaries to non-PRC shareholders out of the PRC. These restrictions may impact the payment of distributions from the subsidiaries to the Company.

(ix) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Share capital *(Note 32(a))* *RMB'000*	Share premium *(Note 32(a))* *RMB'000*	Exchange reserve *(Note 32(b)(iv))* *RMB'000*	Share-based compensation reserve *(Note 32(b)(v))* *RMB'000*	Equity component of convertible bonds *(Note 28)* *RMB'000*	Warrant reserve *(Note 28)* *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*
Balance at 1 January 2011	179,637	1,076,820	(60,798)	22,090	43,166	11,906	170,777	1,443,598
Changes in equity for 2011:								
Profit for the year	–	–	–	–	–	–	204,987	204,987
Exchange difference on translation of financial statements	–	–	(72,036)	–	–	–	–	(72,036)
Total comprehensive income	–	–	(72,036)	–	–	–	204,987	132,951
Final dividends approved in respect of the previous year *(note 32(c)(ii))*	–	–	–	–	–	–	(162,615)	(162,615)
Issue of new shares upon right issue *(note 32 (a)(ii))*	35,548	560,939	–	–	–	–	–	596,487
Equity settled share-based payment *(note 6(b))*	–	–	–	6,060	–	–	–	6,060
At 31 December 2011	215,185	1,637,759	(132,834)	28,150	43,166	11,906	213,149	2,016,481

32 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(b) Reserves (Continued)

(ix) Movements in components of equity (Continued)

	Share capital *(Note 32(a))* *RMB'000*	Share premium *(Note 32(a))* *RMB'000*	Hedging reserve *(Note 32(b)(vii))* *RMB'000*	Exchange reserve *(Note 32(b)(iv))* *RMB'000*	Share-based compensation reserve *(Note 32(b)(v))* *RMB'000*	Equity component of convertible bonds *(Note 28)* *RMB'000*	Warrant reserve *(Note 28)* *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*
Balance at 1 January 2012	215,185	1,637,759	-	(132,834)	28,150	43,166	11,906	213,149	2,016,481
Changes in equity for 2012:									
Profit for the year	-	-	-	-	-	-	-	313,348	313,348
Exchange difference on translation of financial statements	-	-	(30,429)	(7,505)	-	-	-	-	(37,934)
Total comprehensive income	-	-	(30,429)	(7,505)	-	-	-	313,348	275,414
Final dividends approved in respect of the previous year *(note 32(c)(ii))*	-	-	-	-	-	-	-	(199,343)	(199,343)
Interim dividends declared in respect of current year *(note 32(c)(i))*	-	-	-	-	-	-	-	(89,705)	(89,705)
Issue of new shares under share option scheme *(note 32(a)(iii))*	100	2,501	-	-	(747)	-	-	-	1,854
Equity settled share-based payment *(note 6(b))*	-	-	-	-	(1,569)	-	-	6,390	4,821
Partial redemption of convertible bonds *(note 28)*	-	-	-	-	-	(4,401)	(1,214)	5,843	228
At 31 December 2012	215,285	1,640,260	(30,429)	(140,339)	25,834	38,765	10,692	249,682	2,009,750

(c) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year

	2012 *RMB'000*	2011 *RMB'000*
Interim dividend declared and paid of HK$4.5 cents (equivalent to RMB3.69 cents) per ordinary share (2011: RMBNil)	**89,705**	–
Final dividend proposed after the end of the reporting period of HK$8.0 cents (equivalent to RMB6.45 cents) per ordinary share (2011: HK$10.0 cents (equivalent to RMB8.25 cents) per ordinary share)	**156,970**	200,400
	246,675	200,400

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

32 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(c) Dividends (Continued)

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2012	2011
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of HK$10.0 cents (equivalent to RMB8.21 cents) per ordinary share (2011: HK$9.7 cents (equivalent to RMB8.13 cents) per ordinary share)	**199,343**	162,615

(d) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for equity shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher equity shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Consistent with industry practice, the Group monitors its capital structure on the basis of gearing ratio. This ratio is calculated as net debt divided by total equity of the Group. Net debt is calculated as total bank and other loans, convertible bonds and senior notes less cash and cash equivalents and restricted bank deposits secured against bank loans.

32 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(d) Capital management (Continued)

The gearing ratio at 31 December 2012 and 2011 was as follows:

	The Group	
	2012	2011
	RMB'000	*RMB'000*
Current liabilities		
— Bank loans	**675,000**	1,110,660
— Other loans	**739,702**	1,245,470
— Convertible bonds	**–**	549,665
— Senior notes	**–**	1,849,885
	1,414,702	4,755,680
Non-current liabilities		
— Bank loans	**921,500**	516,000
— Other loans	**915,980**	107,700
— Convertible bonds	**587,533**	–
— Senior notes	**2,730,589**	–
	5,155,602	623,700
Total debt	**6,570,304**	5,379,380
Less: Cash and cash equivalents	**(3,949,775)**	(3,255,528)
Restricted bank deposits secured against bank loans	**(106,951)**	(84,000)
Net debt	**2,513,578**	2,039,852
Total equity	**5,623,210**	5,041,752
Gearing ratio	**44.7%**	40.5%

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to interest rate, credit, liquidity and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities and movements in its own equity share price.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Interest rate risk

The Group's interest rate risk arises primarily from restricted bank deposits, cash and cash equivalents, bank loans and other loans. The Group does not carry out any hedging activities to manage its interest rate exposure.

At 31 December 2012, it is estimated that a general increase of 100 basis points in interest rates, with all other variables held constant, would increase the Group's profit and total equity by approximately RMB22,357,000 (2011: RMB8,985,000).

The analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The analysis is performed on the same basis for 2011.

(b) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables, restricted bank deposits and cash and cash equivalents. Management has a credit policy in place and the exposure to these credit risks are monitored on an ongoing basis.

In respect of trade receivables of mortgage sales, no credit terms will be granted to the buyers. The Group normally arranges bank financing for buyers of properties up to 70% of the total purchase price of the property and provides guarantee to secure repayment obligations of such buyers. The Group's guarantee periods commence from the dates of grants of relevant mortgage loans and end upon completion of construction and the mortgage registration documents are delivered to the relevant banks after the issue of the building ownership certificate.

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(b) Credit risk (Continued)

If there is default in payments by these buyers, the Group is responsible to repay the outstanding mortgage loans together with any accrued interests and penalties owed by the defaulted buyers to banks. Under such circumstances, the Group is able to retain the customer's deposit, take over the ownerships of relevant properties and sell the properties to recover any amounts paid by the Group to the banks since the Group has not applied for individual building ownership certificates for these purchasers until full payment are received. Sales and marketing staff of the Group is delegated to determine credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the management reviews the recoverable amount of each debtor at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts, if any.

In respect of other receivables, the Group assesses the financial abilities of the debtors before granting the facilities to them. The Group chases the debtors to settle outstanding balances and monitors the settlement progress on an ongoing basis. In respect of trade receivables arising from other sales and other receivables, the Group assesses the financial abilities of the buyers/debtors before granting the instalment sales/facilities to them. The Group chases the debtors to settle outstanding balances and monitors the settlement progress on an ongoing basis. The Group would not apply individual property ownership certificates for the property buyers until the outstanding balances are fully settled. Other than that, normally, the Group does not obtain collateral from debtors. The impairment losses on bad and doubtful accounts are within management's expectation.

Restricted bank deposits and cash and cash equivalents are deposited with financial institutions with sound credit ratings to minimise credit exposure.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position after deducting any impairment allowance. There is no significant concentration of credit risk within the Group.

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(c) Liquidity risk

The Group's management reviews the liquidity position of the Group on an ongoing basis, including review of the expected cash inflows and outflows, sale/pre-sale results of respective property projects, maturity of loans and borrowings and the progress of the planned property development projects in order to monitor the Group's liquidity requirements in the short and longer terms.

The following table details the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computing using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group and the Company can be required to pay.

The Group

	2012					
	Contractual undiscounted cash flow					
	Within 1 year or on demand *RMB'000*	More than 1 year but less than 2 years *RMB'000*	More than 2 years but less than 5 years *RMB'000*	More than 5 years *RMB'000*	Total *RMB'000*	Carrying amount *RMB'000*
Bank loans	768,970	472,019	485,441	86,366	1,812,796	1,596,500
Other loans	629,160	547,150	48,691	–	1,225,001	1,089,000
Convertible bonds	27,060	732,079	–	–	759,139	587,533
Senior notes	324,228	324,592	3,068,729	–	3,717,549	2,730,589
Trade and other payables and accruals	8,250,572	534,432	–	–	8,785,004	8,785,004
	9,999,990	2,610,272	3,602,861	86,366	16,299,489	14,788,626
Adjustments to disclose cash flow on acceleration of senior notes *(note 29(a))*	2,167,164	(229,008)	(2,052,660)	–	(114,504)	
	12,167,154	2,381,264	1,550,201	86,366	16,184,985	
Financial guarantees issued: — Maximum amount guaranteed *(note 35)*	6,093,743	–	–	–	6,093,743	

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(c) Liquidity risk (Continued)

The Group (Continued)

	2011				
	Contractual undiscounted cash flow				
	Within 1 year or on demand *RMB'000*	More than 1 year but less than 2 years *RMB'000*	More than 2 years but less than 5 years *RMB'000*	Total *RMB'000*	Carrying amount *RMB'000*
Bank loans	1,184,034	389,492	162,954	1,736,480	1,626,660
Other loans	1,312,887	96,508	–	1,409,395	1,353,170
Convertible bonds	31,794	31,794	669,935	733,523	549,665
Senior notes	242,506	242,506	2,416,155	2,901,167	1,849,885
Trade and other payables and accruals	4,476,629	532,024	69,942	5,078,595	5,078,595
	7,247,850	1,292,324	3,318,986	11,859,160	10,457,975
Adjustments to disclose cash flow on redemption put option of convertible bonds	706,509	(31,794)	(669,935)	4,780	
Adjustments to disclose cash flow on acceleration of senior notes *(note 29(a))*	2,658,661	(242,506)	(2,416,155)	–	
	10,613,020	1,018,024	232,896	11,863,940	
Financial guarantees issued:					
— Maximum amount guaranteed *(note 35)*	4,767,995	–	–	4,767,995	

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(c) Liquidity risk (Continued)

The Company

	2012				
	Contractual undiscounted cash flow				
	Within 1 year or on demand *RMB'000*	More than 1 year but less than 2 years *RMB'000*	More than 2 years but less than 5 years *RMB'000*	Total *RMB'000*	Carrying amount *RMB'000*
Convertible bonds	27,060	732,079	–	759,139	587,533
Senior notes	324,228	324,592	3,068,729	3,717,549	2,730,589
Other payables and accruals	60,750	–	–	60,750	60,750
	412,038	1,056,671	3,068,729	4,537,438	3,378,872
Adjustments to disclose cash flow on acceleration of senior notes *(note 29(a))*	2,167,164	(229,008)	(2,052,660)	(114,504)	
	2,579,202	827,663	1,016,069	4,422,934	

	2011				
	Contractual undiscounted cash flow				
	Within 1 year or on demand *RMB'000*	More than 1 year but less than 2 years *RMB'000*	More than 2 years but less than 5 years *RMB'000*	Total *RMB'000*	Carrying amount *RMB'000*
Convertible bonds	31,794	31,794	669,935	733,523	549,665
Senior notes	242,506	242,506	2,416,155	2,901,167	1,849,885
Other payables and accruals	140,642	–	–	140,642	140,642
	414,942	274,300	3,086,090	3,775,332	2,540,192
Adjustments to disclose cash flow on redemption put option of convertible bonds	706,509	(31,794)	(669,935)	4,780	
Adjustments to disclose cash flow on acceleration of senior notes *(note 29(a))*	2,658,661	(242,506)	(2,416,155)	–	
	3,780,112	–	–	3,780,112	

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(d) Currency risk

The Group is exposed to currency risk primarily through bank deposits, senior notes and inter-company borrowings that are denominated in a currency other than the functional currency of the operations to which they related. The currencies giving rise to this risk are primarily Hong Kong Dollars, United States Dollars and Singapore Dollars.

The following table details the Group's exposure at 31 December 2012 to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	The Group					
	2012			2011		
	Singapore Dollars '000	United States Dollars '000	Hong Kong Dollars '000	Singapore Dollars '000	United States Dollars '000	Hong Kong Dollars '000
Cash and cash equivalents	–	17	9,477	–	29,723	1,156
Senior notes	(171,563)	(294,907)	–	–	(293,518)	–
Inter-company borrowings	–	(30,000)	(160,000)	–	(30,000)	(60,000)
Gross exposure arising from recognised assets and liabilities and overall net exposure	(171,563)	(324,890)	(150,523)	–	(293,795)	(58,844)

In addition to the above, one of the Company's subsidiaries with functional currency of Hong Kong Dollars, has a receivable of RMB1,366,974,000 (2011: RMB1,150,000,000) from a PRC subsidiary.

A reasonably possible increase/decrease of 5% (2011: 5%) in the foreign exchange rate of RMB against Hong Kong Dollars and United States Dollars would increase/decrease the Group's profit after tax and total equity by RMB52,957,000 (2011: RMB55,029,000). As Hong Kong Dollars are pegged to United States Dollars, the movement of exchange rate of Hong Kong Dollars against United States Dollars is considered insignificant. Moreover, the Group entered into a foreign exchange rate swap contract to manage its exposure to foreign exchange rate risk of SGD175m Senior Notes as discussed in note 29(b).

The above analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2011.

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(e) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as trading securities (see note 19).

The Group's listed investments are listed on the Stock Exchange of Hong Kong. Decisions to buy or sell trading securities are based on daily monitoring of the performance of individual securities other industry indications, as well as the Group's liquidity needs. Given that the volatility of the stock markets may not have a direct correlation with the Group's investment portfolio, it is impractical to determine the impact that the changes in stock market indices would have on the Group's portfolio of equity investments.

The Group is also exposed to equity price risk arising from changes in the Company's own share price to the extent that the Company's own equity instruments underlie the fair values of derivatives. As at the end of the reporting periods the Group is exposed to this risk through the conversion rights attached to the convertible bonds issued by the Company as disclosed in note 28.

A reasonably possible increase/decrease of 5% (2011: 5%) in the relevant stock market index (for trading securities) or the Company's own share price (for the conversion option of convertible bonds) as applicable, with all other variables held constant, the impact on the Group's and the Company's profit after tax and total equity is not expected to be material.

(f) Fair Values

(i) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at the balance sheet date across the three levels of the fair value hierarchy defined in HKFRS 7, *Financial Instruments: Disclosures*, with the fair value of each financial instrument categorised in its entirely based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

— Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments.

— Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data.

— Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(f) Fair Values (Continued)

(i) Financial instruments carried at fair value (Continued)

The Group

	2012			
	Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
Assets				
Trading securities:				
— Listed equity securities in Hong Kong	95,498	–	–	95,498
Derivative financial instruments:				
— Redemption call option of US$300m Senior Notes	–	35,112	–	35,112
— Foreign exchange swap contract	–	17,267	–	17,267
	95,498	52,379	–	147,877

	2011			
	Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
Assets				
Trading securities:				
— Listed equity securities in Hong Kong	74,878	–	–	74,878
Derivative financial instruments:				
— Redemption call option of convertible bonds	–	3,595	–	3,595
	74,878	3,595	–	78,473
Liabilities				
Derivative financial instruments:				
— Redemption put option of convertible bonds	–	(132,959)	–	(132,959)

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(f) Fair Values (Continued)

(i) Financial instruments carried at fair value (Continued)

The Company

	2012			
	Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
Assets				
Derivative financial instruments:				
— Redemption call option of US$300m Senior Notes	–	35,112	–	35,112
— Foreign exchange swap contract	–	17,267	–	17,267
	–	52,379	–	52,379

	2011			
	Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
Assets				
Derivative financial instruments:				
— Redemption call option of convertible bonds	–	3,595	–	3,595
Liabilities				
Derivative financial instruments:				
— Redemption put option of convertible bonds	–	(132,959)	–	(132,959)

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(f) Fair Values (Continued)

(ii) Fair values of financial instruments carried at other than fair value

The fair values of these financial instruments are assumed to approximate their carrying amounts due to the short-term maturities of these assets and liabilities.

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2012 and 2011. Amounts due from/(to) subsidiaries, associates, jointly controlled entities, non-controlling interests and related companies are either recoverable/(repayable) on demand or with no fixed repayment terms. Given these terms it is not meaningful to disclose fair values.

34 COMMITMENTS

(a) Capital commitments outstanding at 31 December 2012 not provided for in the financial statements are as follows:

	2012 *RMB'000*	2011 *RMB'000*
Authorised but not contracted for	**16,155,114**	14,921,680
Contracted but not provided for	**2,993,503**	1,277,718
	19,148,617	16,199,398

Capital commitments mainly related to land and development costs for the Group's properties under development.

	2012 *RMB'000*	2011 *RMB'000*
Properties under development undertaken by jointly controlled entities attributable to the Group		
— Authorised but not contracted for	**939,209**	916,866
— Contracted but not provided for	**344,308**	185,658
	1,283,517	1,102,524

34 COMMITMENTS (Continued)

(b) Commitments for operating leases

At 31 December 2012, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2012 *RMB'000*	2011 *RMB'000*
Within 1 year	2,135	4,008
After 1 year but within 5 years	662	2,831
	2,797	6,839

The Group is the lessee in respect of a number of properties under operating leases. The leases typically run for an initial period of two to five years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

35 CONTINGENT LIABILITIES

The Group provided guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by buyers of the Group's and jointly controlled entities' properties. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these buyers, the Group is responsible to repay the outstanding mortgage loans together with any accrued interests and penalties owed by the defaulted buyers to banks. The Group's guarantee periods commence from the dates of grants of the relevant mortgage loans and end after the buyers obtain the individual property ownership certificate of the property purchased. The amount of guarantees given to banks for mortgage facilities granted to the buyers of the Group's and jointly controlled entities' properties at 31 December 2012 is as follows:

	2012 *RMB'000*	2011 *RMB'000*
Guarantees given to banks for mortgage facilities granted to buyers of:		
— the Group's properties	5,369,372	4,697,633
— the jointly controlled entities' properties (the Group's shared portion)	724,371	70,362
	6,093,743	4,767,995

The directors do not consider it probable that the Group will sustain a loss under these guarantees during the periods under guarantees as the Group and the jointly controlled entities have not applied for individual building ownership certificates for these buyers and can take over the ownerships of the related properties and sell the properties to recover any amounts paid by the Group/jointly controlled entities to the banks. The Group and jointly controlled entities have not recognised any deferred income in respect of these guarantees as its fair value is considered to be minimal by the directors. The directors also consider that the fair market value of the underlying properties is able to cover the outstanding mortgage loans generated by the Group and jointly controlled entities in the event the buyers default payments to the banks.

36 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these consolidated financial statements, major related party transactions entered by the Group during the year ended 31 December 2012 are as follows:

	Note	2012 RMB'000	2011 RMB'000
Interest income from jointly controlled entities	(a)	46,626	23,823
Interest income from a prior jointly controlled entity	(a)	–	2,794
Interest income from non-controlling interests	(a)	3,562	4,451
Interest income from related parties	(a)	11,693	–
Project management fee income from jointly controlled entities	(b)	54,102	38,564
Project management fee income from a related party	(b)	13,169	–
Interest expenses to jointly controlled entities	(c)	(55,472)	(59,609)
Interest expenses to non-controlling interests	(c)	(4,194)	–
Trust management fee expense to a related party	(d)	(21,246)	–

Notes:

(a) The amounts represent interest income in relation to advances to jointly controlled entities, a prior jointly controlled entity, non-controlling interests and related parties.

(b) The amount represents project management fee received from jointly controlled entities and a related party for the management of property development projects during the year.

(c) The amounts represented interest expenses in relation to loans from jointly controlled entities and non-controlling interests.

(d) The amount represented trust management fee expense to the trust manager of jointly controlled entities, Bridge Trust Company Limited, during the year.

(e) None of the above related party transactions, and the transactions and balances disclosed elsewhere in these consolidated financial statements falls under the definition of connected transaction or continuing connected transaction as defined in Chapter 14A of the Listing Rules.

37 ACQUISITIONS OF NON-CONTROLLING INTERESTS

On 26 January 2012, the Group acquired additional 49% equity interest in Henan Central China Yaxing Real Estate Company Limited ("CCRE Yaxing") at a consideration of RMB4,900,000. Subsequent to the acquisition, the Group's equity interests in CCRE Yaxing increased from 51% to 100%. The carrying amount of non-controlling interests at the date of acquisition was RMB4,657,000 and the excess of the total consideration over the carrying amount of the non-controlling interests of RMB243,000 is recognised in other capital reserve in accordance with the accounting policy set out in note 2(c).

38 CRITICAL ACCOUNTING JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES

Estimates and judgements used in preparing the financial statements are evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities mainly include those related to property development activities.

(a) Impairment provision for buildings and construction in progress

As explained in note 2(i), the Group makes impairment provision for the buildings and construction in progress taking into account the Group's estimates of the recoverable amount from such properties. The recoverable amounts have been determined based on value-in-use calculations, taking into account the latest market information and past experience. These calculation and valuations require the use of judgement and estimates.

Given the volatility of the PRC property market, the actual recoverable amount may be higher or lower than estimated at the end of the reporting period. Any increase or decrease in the provision would affect profit or loss in future years.

(b) Provision for properties for sale

As explained in note 2(l), the Group's properties for sale are stated at the lower of cost and net realisable value. Based on the Group's recent experience and the nature of the subject properties, the Group makes estimates of the selling prices, the costs of completion in case for properties under development for sale, and the costs to be incurred in selling the properties based on prevailing market conditions.

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 provision for properties 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.

In addition, given the volatility of the PRC property market and the unique nature of individual properties, the actual outcomes in terms of costs and revenue may be higher or lower than estimated at the end of the reporting period. Any increase or decrease in the provision would affect profit or loss in future years.

(c) Impairment for trade and other receivables

The Group estimates impairment losses for trade and other receivables resulting from the inability of the customers to make the required payments. The Group bases the estimates on the aging of the trade and other receivable balance, customer credit-worthiness, and historical write-off experience. If the financial condition of the customers were to deteriorate, actual provisions would be higher than estimated.

38 CRITICAL ACCOUNTING JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES (Continued)

(d) Recognition of deferred tax assets

Deferred tax assets in respect of tax losses carried forward are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the end of the reporting period. In determining the carrying amounts of deferred assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and require a significant level of judgement exercised by the directors. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit in future years.

(e) CIT and LAT

As explained in note 7, the Group is subject to CIT and LAT under both authorised taxation method or audited taxation method in different jurisdictions. Significant judgement is required in determining the level of provision, as the calculations of which depend on the ultimate tax determination and are subject to uncertainty. The adoption of different methods may also affect the level of provision. When the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provision in the period in which such determination is made.

(f) Recognition and allocation of construction cost on properties under development

Development costs of properties are recorded as properties under development during construction stage and will be transferred to profit or loss upon the recognition of the sale of the properties. Before the final settlement of the development costs and other costs relating to the sale of the properties, these costs are accrued by the Group based on management's best estimate.

When developing properties, the Group typically divides the development projects into phases. Specific costs directly related to the development of a phase are recorded as the cost of such phase. Costs that are common to phases are allocated to individual phases based on the estimated market value of each phase as a percentage of the total estimated market value of the entire project, or if the above is not practicable, the common costs are allocated to individual phases based on saleable area.

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

(g) Valuation of investment properties

All investment properties of the Group are revalued as at the end of the reporting period by independent professionally qualified valuers, on an open market value basis calculated by reference to the net rental income with allowance for reversionary income potential.

The assumptions adopted in the property valuations are based on the market conditions existing at the end of the reporting period, with reference to current market sale prices for similar properties in the same location and condition and the appropriate capitalisation rate. Any change in assumptions of the valuation would affect the value of the investment properties significantly, and profit or loss in future years.

(Expressed in Renminbi)

38 CRITICAL ACCOUNTING JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES (Continued)

(h) Estimation of fair value of derivative financial instruments

Redemption call and put options embedded in convertible bonds and senior notes of the Group are classified as derivative financial instruments and stated at fair value at the end of each reporting period. The fair value of these options is measured based on the assumptions set out in notes 28 and 29. Any change in assumptions of the valuation would affect the value of these options significantly, and profit or loss in future years.

39 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

After the end of the reporting period the directors proposed a final dividend. Further details are disclosed in note 32(c)(i).

40 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2012

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and five new standards which are not yet effective for the year ended 31 December 2012 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 1, *Presentation of financial statements — Presentation of items of other comprehensive income*	1 July 2012
HKFRS 10, *Consolidated financial statements*	1 January 2013
HKFRS 11, *Joint arrangements*	1 January 2013
HKFRS 12, *Disclosure of interests in other entities*	1 January 2013
HKFRS 13, *Fair value measurement*	1 January 2013
HKAS 27, *Separate financial statements (2011)*	1 January 2013
HKAS 28, *Investments in associates and joint ventures*	1 January 2013
Annual Improvements to HKFRSs 2009–2011 Cycle	1 January 2013

(Expressed in Renminbi)

40 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2012 (Continued)

	Effective for accounting periods beginning on or after
Amendments to HKFRS 7, *Financial instruments: Disclosures — Disclosures — Offsetting financial assets and financial liabilities*	1 January 2013
Amendments to HKAS 32, *Financial instruments: Presentation — Offsetting financial assets and financial liabilities*	1 January 2014
HKFRS 9, *Financial instruments*	1 January 2015

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements except for the following:

Amendments to HKAS 1, Presentation of financial statements – Presentation of items of other comprehensive income

The amendments to HKAS 1 require entities to present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The Group's presentation of other comprehensive income will be modified accordingly when the amendments are adopted for the first time.

HKFRS 10, Consolidated financial statements

HKFRS 10 replaces the requirements in HKAS 27, *Consolidated and separate financial statements* relating to the preparation of consolidated financial statements and HK-SIC 12 *Consolidation – Special purpose entities*. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

The application of HKFRS 10 is not expected to change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013. However, it may in the future result in investees being consolidated which would not have been consolidated under the Group's existing policies or vice versa.

HKFRS 12, Disclosure of interests in other entities

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required in HKFRS 12 are generally more extensive than those required in the current standards. The Group may have to make additional disclosures about its interests in other entities when the standard is adopted for the first time in 2013.

40 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2012 (Continued)

HKFRS 13, Fair value measurement

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. HKFRS 13 is effective as from 1 January 2013, but retrospective adoption is not required. The Group estimates that the adoption of HKFRS 13 will not have any significant impact on the fair value measurements of its assets and liabilities, but additional disclosures may need to be made in the 2013 financial statements.

Summary of Financial Information

A summary of the consolidated results and of the consolidated assets, liabilities and non-controlling interests of the Group for the last five financial years prepared on the basis as hereunder stated is as set out below:

CONSOLIDATED RESULTS

	2012 *RMB'000*	2011 *RMB'000*	2010 *RMB'000*	2009 *RMB'000*	2008 *RMB'000*
Turnover	**6,345,527**	6,638,354	4,516,351	2,739,831	3,226,996
Profit before taxation	**1,846,062**	1,817,750	1,095,486	651,352	959,383
Income tax	**(976,268)**	(1,074,820)	(515,427)	(223,221)	(304,454)
Profit for the year	**869,794**	742,930	580,059	428,131	654,929
Attributable to:					
Equity shareholders of the Company	**823,086**	667,995	544,887	405,326	653,301
Non-controlling interests	**46,708**	74,935	35,172	22,805	1,628
	869,794	742,930	580,059	428,131	654,929
Earnings per share (RMB cents)					
— Basic	**33.90**	29.77	26.57	20.27	32.67
— Diluted	**30.71**	29.77	25.59	20.15	32.67

Summary of Financial Information *(Continued)*

CONSOLIDATED ASSETS, LIABILITIES AND EQUITY

	2012	2011	2010	2009	2008
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Assets					
Non-current assets	**7,171,263**	4,586,261	3,663,225	563,128	506,804
Current assets	**17,177,001**	14,892,039	11,769,942	9,583,525	6,735,546
Total assets	**24,348,264**	19,478,300	15,433,167	10,146,653	7,242,350
Liabilities					
Current liabilities	**13,514,048**	13,761,355	10,114,929	5,177,127	3,820,164
Non-current liabilities	**5,211,006**	675,193	1,546,554	1,649,833	332,264
Total liabilities	**18,725,054**	14,436,548	11,661,483	6,826,960	4,152,428
Net assets	**5,623,210**	5,041,752	3,771,684	3,319,693	3,089,922
Equity					
Total equity attributable to equity shareholders of the Company	**5,169,661**	4,642,488	3,495,818	3,124,357	2,940,132
Non-controlling interests	**453,549**	399,264	275,866	195,336	149,790
Total equity	**5,623,210**	5,041,752	3,771,684	3,319,693	3,089,922