SHANGHAI ZENDAI
上海証大房地產有限公司

SHANGHAI ZENDAI PROPERTY LIMITED

(incorporated in Bermuda with limited liability)

Stock Code : 00755

ANNUAL REPORT 2012

Shanghai Zendai Thumb Plaza

CONTENTS

BOARD AND COMMITTEES

BOARD

Executive Directors

Mr. Dai Zhikang *(Chairman)*
Mr. Wang Fujie
Mr. Zuo Xingping
Mr. Tang Jian

Non-executive Directors

Mr. Wu Yang
Mr. Zhu Nansong
Mr. Xu Xiaoliang
Mr. Gong Ping

Independent Non-executive Directors

Mr. Lo Mun Lam, Raymond
Mr. Lai Chik Fan
Mr. Li Man Wai
Mr. Cai Gaosheng

COMMITTEES

Executive Committee

Mr. Wang Fujie *(Chairman)*
Mr. Dai Zhikang
Mr. Zuo Xingping
Mr. Tang Jian

Audit Committee

Mr. Li Man Wai *(Chairman)*
Mr. Lai Chik Fan
Mr. Lo Mun Lam, Raymond

Remuneration Committee

Mr. Lo Mun Lam, Raymond *(Chairman)*
Mr. Dai Zhikang
Mr. Lai Chik Fan
Mr. Cai Gaosheng

Nomination Committee

Mr. Dai Zhikang *(Chairman)*
Mr. Lo Mun Lam, Raymond
Mr. Lai Chik Fan

CORPORATE INFORMATION

PRINCIPAL BANKERS

Standard Chartered Bank
Citic Ka Wah Bank Limited
Bank of Communication
Shanghai Pudong Development Bank
Agricultural Bank of China

SOLICITORS

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Hong Kong

AUDITOR

BDO Limited
Certified Public Accountants
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

COMPANY SECRETARY

Mr. Wong Ngan Hung

QUALIFIED ACCOUNTANT

Mr. Wong Ngan Hung

REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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28 Queen's Road East
Wanchai
Hong Kong

CHAIRMAN'S STATEMENT

FINANCIAL RESULTS

The board of directors (the "Directors") of Shanghai Zendai Property Limited (the "Company") hereby announces the annual results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2012 (the "year" or "year under review").

During the year under review, turnover of the Group amounted to approximately HK$1,122,891,000, a decrease of 60% against approximately HK$2,796,296,000 last year. Profit attributable to shareholders of the Company (the "Shareholders") increased by 23% to approximately HK$554,702,000 as compared to approximately HK$449,886,000 last year. Basic earnings per share of the Company (the "Share") were HK4.5 cents (2011: HK3.6 cents). The decrease in turnover of the Group for the year was due to fewer delivery of properties, and the increase in profit was attributable to completion of the sale of the Bund 8-1 land parcel in Shanghai in the year under review.

Radisson Blu Hotel Pudong Century Park

The Group's turnover and profit for the year under review were mainly generated from:

- Delivery of office buildings, retail shops and parking space in "Zendai International Financial Center" in Haikou
- Delivery of residential properties in Changchun, Jilin and Haimen
- Disposal of part of the commercial units in Shanghai Zendai Thumb Plaza
- Completion of disposal of the Bund 8-1 land parcel in Shanghai

CHAIRMAN'S STATEMENT

BUSINESS REVIEW

In 2012, the national macro economic-control measures, including, among others, property taxes and purchase limits, effectively contained investment and speculation demand in the domestic property market, achieving the goal of a rational and healthy development of the property prices. After years of rapid growth, China's property market has become more mature and has entered a stage of stable development. The existing potential demand of the domestic property market and the two times reduction of both the reserve requirement ratio and the benchmark lending rate by the People's Bank of China have resulted in an increase of the capital turnover ratio for property developers. Even though the property prices were suppressed, the decline was still not substantial. However, the property market was still fluctuating and the competition between different property developers remained fierce, which brought challenges to the Group's business and affected its sales amount to a certain extent.

Although the property market has remained volatile and challenging, the Group maintained a business model of diversified development, and various projects have made satisfactory progress. During the year under review, various projects of the Group completed construction and started operation on schedule, including Zendai Himalayas, our flagship urban, cultural and commercial complex in Pudong New District, and Qingdao Zendai Thumb Plaza. Meanwhile, in line with the pace of the urbanization of the country, the Group has been actively seeking business opportunities with good potential in different Mainland cities to gradually promote the development model of "Thumb Integrated Commercial Projects" to more cities across the country.

In the first half of 2012, the Group completed the disposal of the Bund 8-1 land parcel, and recorded substantial cash inflow and increased its liquidity, enabling the Group to repay the trust loan and US bond due in April and June 2012 respectively. With the added cash inflow, the Group acquired certain land parcels in the year under review, including the integrated usage land parcel of approximately 93,500 square metres around Nanjing South Train Station, the integrated usage land parcel of approximately 30,000 square metres in Yantai Development Zone, Shangdong Province and the commercial land parcel of approximately 17,354 square metres in Jingyue Economic Developement Zone, Changchun City, Jilin Province, in order to increase its land reserves. Meanwhile, the Group disposed its non-core 45% equity interests in Zhongke Langfang Technology Valley Company Limited to recover funds for future business development.

CHAIRMAN'S STATEMENT

COMMERCIAL PROPERTY PROJECTS IN CHINA

Shanghai

Shanghai Zendai Thumb Plaza

Shanghai Zendai Thumb Plaza

Shanghai Zendai Thumb Plaza is a modern integrated commercial complex in a prime location near Shanghai's Century Park and the Lujiazui financial district. During the year under review, the Group sold and delivered 5,406 square metres and 4,709 square metres of commercial space at Shanghai Zendai Thumb Plaza, generating a total contract value and delivered amount of RMB405,443,000 (equivalent to HK$498,516,000) and RMB360,142,000 (equivalent to HK$442,816,000), respectively. As at 31 December 2012, the area of retail shops in Zendai Thumb Plaza owned by the Group covers a total floor area of 41,030 square metres with 447 underground car parking spaces. As at 31 December 2012, more than 90% of the commercial space in the Plaza had been leased. Rental income recognised during the year was RMB88,392,000 (equivalent to HK$108,683,000).

Radisson Blu Hotel Pudong Century Park

The Group's five-star Radisson Blu Hotel is located in Zendai Thumb Plaza. The 18-storey hotel boasts a gross floor area of 31,529 square metres and 361 guest rooms, a four-storey ancillary building and one level of basement. It is managed under the "Radisson Blu" brand by Carlson Companies. The average occupancy rate of the hotel was 66% in 2012. Total income of the hotel during the year reached approximately RMB116,315,000 (equivalent to HK$143,016,000), a decrease of 7.5% from the previous year. The decrease was mainly attributable to the opening of new hotels nearby increased the supply of guestrooms and therefore affected room rate and the occupancy rate of Radisson Blu Hotel.

CHAIRMAN'S STATEMENT

Himalayas Center

The Group's 45%-owned Zendai Himalayas Center is located in the heart of Pudong, Shanghai. Designed by Arata Isozaki, an internationally acclaimed architect, it is a landmark within the Pudong New District. The Center includes the city's largest "specially contoured" building complemented by the largest sky garden in Shanghai. The unique design of the project has received numerous awards. The Himalayas Center is an amalgam of the Jumeirah Himalayas Hotel Shanghai, Shopping Centre, the DaGuan Theatre and the Himalayas Art Museum. The project occupies a site area of 28,893 square metres with a total gross floor area (including underground parking space of 26,287 square metres) of approximately 162,207 square metres.

The DaGuan Theatre at Himalayas Center

The Jumeirah Himalayas Hotel Shanghai, a five-star hotel in China managed by Jumeirah Hotel Group from Dubai, is the Jumeirah Hotel Group's first hotel in Asia Pacific. The hotel boasts a total gross floor area of 65,269 square metres, providing 405 guest rooms. The average occupancy rate of the hotel during the year under review was 66%, generating a total income of approximately RMB169,822,000 (equivalent to HK$208,806,000). In November 2012, the Jumeirah Himalayas Hotel Shanghai was named the International Hotel of the Year in the European Hospitality Awards 2012, listed as one of the Top 100 Hotels in China by "Travel & Leisure" magazine and was voted the 2012 Best in Design Hotel by "City Traveler" magazine.

The remaining parts of the Himalayas Center were completed and commenced business in phases during 2012, among which including the Shopping Centre, the Himalayas Art Museum and the DaGuan Theatre with gross floor areas of 55,132 square metres, 4,041 square metres and 10,928 square metres respectively. As at the end of 2012, around 61% of the commercial space of the Shopping Centre was leased. The Himalayas Art Museum is the first large open museum in the world and also the arts core of the Himalayas Center, an open platform of contemporary and classical art; whereas the DaGuan Theatre is a performing stage with a seating capacity of 1,100 and the official venue of the Shanghai International Film Festival.

Parcel of Land in Qingpu District

The Group owns a 140,099 square metre parcel of land in the tourist district of Zhujiajiao Town, Qingpu District, Shanghai. It is to be developed as Zendai Xizhen Thumb Plaza comprising mid-range to high-end apartments, retail shops, hotels and a clubhouse in two phases, with a total gross floor area of approximately 168,413 square metres.

CHAIRMAN'S STATEMENT

Town houses located at a parcel of land in Zhujiajiao Town, Qingpu District, Shanghai

Phase I with a gross floor area of approximately 99,000 square metres contains both residential (41,700 square metres) and commercial areas (57,300 square metres). The Group intends to recruit tenants for commercial space including large international cinemas, mid-range to high-end restaurants and supermarkets. Construction of Phase I started in 2011, with the residential area of town houses and commercial area starting pre-sale in December 2011, and delivery pending in the third quarter of 2013. During the year under review, total residential and commercial saleable areas of 4,105 square metres and 1,923 square meters were sold respectively, generating a total contract value of RMB77,482,000 (equivalent to HK$95,269,000) and RMB57,076,000 (equivalent to HK$70,178,000) respectively. As at 31 December 2012, total residential and commercial saleable areas of 5,480 square metres and 3,484 square metres had been sold respectively, generating a total contract value of RMB104,124,000 (equivalent to HK$128,027,000) and RMB93,195,000 (equivalent to HK$114,589,000) respectively.

Construction of Phase II with a gross floor area of approximately 69,414 square metres is to be commenced in the fourth quarter of 2013 with a commercial plaza (44,975 square metres) and a resort hotel (24,439 square metres) to be erected. As for the resort hotel, the Group has signed a cooperative agreement with Banyan Tree Group, a major international hotel operator, to open the first Angsana Resort Hotel (悅椿度假酒店) in Shanghai, replicating the tranquil setting of an ancient town by the riverside.

Town houses located at a parcel of land in Zhujiajiao Town, Qingpu District, Shanghai

CHAIRMAN'S STATEMENT

Other Cities

Nanjing South Train Station Thumb Plaza

In July 2012, the Group succeeded in the bid for the G15 land parcel in a prime location around Nanjing South Train Station at a consideration of RMB1,169,000,000 (equivalent to approximately HK$1,437,354,000). In January 2013, the Group signed the land transfer contract in respect of the sales and purchase of the land and paid 50% of the land transfer premium, and expected to pay the balance in the third quarter of 2013. The site is to be developed into the "Nanjing South Train Station Thumb Plaza" with a total gross area of approximately 540,000 square metres, marking an important advance in replicating our "Thumb Plaza Integrated Commercial Projects" and in further expanding our business in major cities across China. In November 2012, the Group sold 10% equity interest in the project company of the land development to Gefei Asset Management, an investment fund, at a consideration of RMB120,000,000 (equivalent to approximately HK$147,547,000), and Gefei Asset Management will provide an entrusted loan in the amount of RMB580,000,000 (equivalent to approximately RMB713,144,000) to the Group. The Group is of the view that the land parcel has good development potential, and that the strategic cooperation with the investment fund to jointly develop the land parcel will enable the Group to maintain the potential profit and enhance its financial flexibility in the development process.

Zendai Thumb Plaza near Nanjing South Train Station (rendering)

CHAIRMAN'S STATEMENT

Qingdao Zendai Thumb Plaza

Qingdao Zendai Thumb Plaza is located in the central business area, Haier Road in Qingdao City, Shandong Province, the PRC. The project has a site area of approximately 38,092 square metres with a total gross floor area occupying approximately 215,860 square metres. It includes retail shops (66,928 square metres), a hotel (24,560 square metres), serviced apartments (66,815 square metres) and a car park (57,557 square metres).

Qingdao Zendai Thumb Plaza

The serviced apartments have started pre-sale in June 2011 and are expected to be delivered in the second quarter of 2013. During the year under review, a total saleable area of 7,659 square metres was sold, generating a total contract value of RMB118,870,000 (equivalent to HK$146,158,000). As at 31 December 2012, a total saleable area of 27,510 square metres had been sold, generating a contract value of RMB453,130,000 (equivalent to HK$557,150,000) for the Group. Retail shops and car parks, which have been retained for leasing, commenced operation in May 2012. As at 31 December 2012, more than 90% of the commercial space was leased. Meanwhile, construction of the hotel is underway and is expected to complete construction and commence trial operation in August 2013.

Zendai Nantong Yicheng Thumb Plaza

Zendai Nantong Yicheng Thumb Plaza occupies a total gross floor area of 281,912 square metres. Shanghai Zendai for its part owns 50% equity of the land parcels and is to assume a leading role in the management of the project. Due to its prime location, the project has been included among the "Key Cultural Industry Projects in Nantong City" and "Key Development Projects in Chongchuan District". The project occupies a saleable and leasable area of approximately 259,205 square metres (including car parking space and ancillary facilities of 34,044 square metres).

CHAIRMAN'S STATEMENT

Zendai Nantong Yicheng Thumb Plaza

Construction is divided into three phases. The first phase, with a total leasable commercial area of approximately 26,033 square metres, was completed in June 2011 and commenced operation in April 2012. As at 31 December 2012, the leased area of retail shops was approximately 21,099 square metres. The second phase is a residential project with a total gross floor area of approximately 105,122 square metres. Construction started in the fourth quarter of 2010 and pre-sale commenced in December 2011. As at 31 December 2012, a total saleable area of 27,824 square metres had been sold, generating a total contract value of RMB365,634,000 (equivalent to approximately HK$449,568,000). During the year under review, a total saleable area of 22,565 square metres was sold, generating a total contract value of RMB290,515,000 (equivalent to approximately HK$357,205,000). The second phase is expected to be completed and delivered in batches from April 2013 to June 2014. The third phase is to cover a total leasable and saleable area of approximately 128,050 square metres, comprising a commercial area of approximately 84,122 square metres and a residential area of 43,928 square metres, with construction expected to begin in 2013.

Qingdao Shangshi International Plaza

The Group has a 45% interest in a parcel of land in the southwestern Laoshan District of Qingdao City, Shandong Province covering approximately 43,613 square metres. Bordered by the Hong Kong Road to its south and Songling Road to its west, this site is intended for the development of an integrated project "Qingdao Shangshi International Plaza" which comprises serviced apartments, residential apartments and an underground car park. The project, occupying a total gross floor area of approximately 143,000 square metres, is to be constructed in phases. Phase I comprising five 28- to 30-storey high-end residential buildings with a total gross floor area of approximately 66,190 square metres was completed and delivered in 2010. The other phases of the project are currently under planning.

CHAIRMAN'S STATEMENT

Yangzhou Commercial Project

The Group is developing an integrated property project for commercial, cultural, leisure and entertainment use in the heart of Yangzhou City, Jiangsu Province, including a cultural sightseeing area and a commercial district. The project, to be developed in two phases, is to have a total saleable area of approximately 81,200 square metres. Phase I including 12 blocks and 243 units was completed in 2010 and the property has been reserved for leasing, with a gross floor area of approximately 20,089 square metres. Planning of Phase II is currently underway.

Haikou Project

"Zendai International Financial Centre" is a project of the Group developed in Haikou City, Hainan Province with a saleable area of approximately 56,136 square metres. As at 31 December 2012, a total gross floor area of 39,828 square metres was sold, generating a total contract value of RMB783,003,000 (equivalent to HK$962,748,000). Within this area, an area of 1,290 square metres was sold and delivered during the year and a total contract value of RMB49,062,000 (equivalent to HK$60,325,000) was recognised as turnover.

Project in Chenmai County, Hainan Province

The Group owns 60% interest in a parcel of land in Chenmai County, Hainan Province with a site area of 1,309,563 square metres. The land is intended to be developed into a leisure-related commercial and residential property, including hotels, villas and other related facilities. Related layouts and concrete design are currently on the drawing board.

Zendai International Financial Center in Haikou

CHAIRMAN'S STATEMENT

Zendai Cube Tower in Changchun (rendering)

A Parcel of Land in Jingyue Economic Development Zone, Changchun City, Jilin Province

In September 2012, the Group acquired a parcel of land in Changchun City, Jilin Province at a consideration of RMB76,920,000 (equivalent to HK$94,578,000), which is intended to be developed into a commercial property comprising retail shops, offices and serviced apartments. The land parcel is located at the core business and commercial center of the western urban area of Jingyue Economic Development Zone, Changchun City, with a total site area of approximately 17,354 square metres and a total gross floor area of approximately 115,000 square metres, including 15,000 square metres of retail space, 79,000 square metres of office space and 21,000 square metres of an underground car-park.

CHAIRMAN'S STATEMENT

RESIDENTIAL PROJECTS IN CHINA

Shanghai

Mandarin Palace Phase 2

Mandarin Palace

"Mandarin Palace", the Group's premium residential project in Shanghai, comprises 54 villas with a total saleable area of approximately 39,347 square metres. The project is to be developed in two phases. As at 31 December 2012, the first phase, comprising 47 villas with a total saleable area of 33,636 square metres, was all sold and delivered. The second phase, comprising seven villas with a total saleable area of 5,711 square metres, started construction in early 2012 and is expected to be delivered in the first half of 2013. As at 31 December 2012, a total of 7 villas with a total area of 5,711 square metres had been sold, generating a total contract value of RMB338,000,000 (equivalent to HK$415,591,000).

CHAIRMAN'S STATEMENT

Other Cities

"Valley International" in Jilin

Occupying a site area of 191,100 square metres, the residential project "Valley International" is being developed in four phases, with a total saleable area of approximately 201,000 square metres.

The first phase of the project, comprises 118 town houses and 11 villas with a saleable area of 39,252 square metres. As at 31 December 2012, all units were sold and a total of 128 blocks had been delivered.

Valley International, a residential project in Jilin

The second phase of the project will comprise four low-rise blocks and seven high-rise residential blocks, providing 503 residential units and ancillary commercial facilities in aggregate, with a total saleable area of approximately 82,460 square metres (78,405 square metres will be for residential use and 4,055 square metres will be for commercial use). A total of 11 buildings will be constructed, completed and delivered in three batches.

Construction of the first batch comprising four low-rise blocks with a saleable residential area of approximately 22,996 square metres was completed. All of the units were sold and delivered in 2011.

The second batch comprises five high-rise blocks, with a saleable residential area of approximately 41,657 square metres. As at 31 December 2012, a total saleable area of 39,094 square metres has been sold, generating a total contract value of RMB210,376,000 (equivalent to HK$258,670,000). During the year, a saleable area of approximately 9,957 square metres was sold, generating a contract value of RMB49,799,000 (equivalent to HK$61,230,000). A total area of 6,116 square metres was delivered during the year and a total contract value of RMB32,382,000 (equivalent to HK$39,816,000) was recognised as turnover.

The third batch comprises two high-rise blocks, with a saleable residential area of approximately 13,754 square metres. As at 31 December 2012, a total saleable area of 6,937 square metres had been sold, generating a total contract value of RMB45,069,000 (equivalent to HK$55,415,000). During the year, a saleable area of 2,543 square metres was sold, generating a contract value of RMB14,904,000 (equivalent to HK$18,325,000). A total area of 2,226 square metres was delivered during the year and a total contract value of RMB13,215,000 (equivalent to HK$16,249,000) was recognised as turnover.

CHAIRMAN'S STATEMENT

The third phase of the Jilin project is being developed into 117 villas and town houses with a saleable area of approximately 43,663 square metres. As at 31 December 2012, a total saleable area of 43,663 square metres had been sold, generating a total contract value of RMB245,028,000 (equivalent to HK$301,276,000). During the year, a total area of 796 square metres was delivered and a total contract value of RMB4,492,000 (equivalent to HK$5,523,000) was recognised as turnover.

The fourth phase of the project is being developed into garden houses with a saleable area of approximately 22,392 square metres and pre-sale already commenced in August 2012. As at 31 December 2012, a total saleable area of 6,341 square metres had been sold, generating a total contract value of RMB40,677,000 (equivalent to approximately HK$50,015,000). The properties are expected to be delivered in the third quarter of 2013.

"Zendai Ideal City" in Changchun

Located in Changchun, Liaoning Province, "Zendai Ideal City" is to comprise residential properties and ancillary commercial space on a 225,139-square metre site, with a total saleable area of 352,300 square metres. The project is to be constructed in five phases. The first phase is to have a total saleable area of approximately 112,000 square metres (106,300 square metres for residences and 5,700 square metres for commercial use) on a site covering approximately 77,300 square metres. It is to include 23 multi-storey residential buildings and three high-rise residential buildings, offering a total of 1,210 units and related commercial facilities. All residential units in the first phase were sold and delivered in 2011.

The second phase of the project has been developed into 19 multi-storey residential buildings, 10 high-rise residential buildings and ancillary commercial facilities, with a total saleable area of about 114,074 square metres. Of this, an area of 102,371 square metres is for residential use and 11,703 square metres for commercial use. Construction was completed in 2010. As at 31 December 2012, a total residential and commercial saleable area of 102,179 square metres and 11,083 square metres had been sold respectively, generating a total contract value of RMB402,066,000 (equivalent to HK$494,363,000) and RMB84,990,000 (equivalent to HK$104,500,000) respectively. During the year, the Group delivered an area of 4,321 square metres and a total contract value of RMB31,902,000 (equivalent to HK$39,225,000) was recognised as turnover.

The third phase of the project is being developed into 16 multi-storey and eight high-rise residential complexes with retail shops, with a total saleable area of about 124,787 square metres (111,972 square metres for residences and 12,815 square metres for commercial use). Construction commenced in May 2010, while pre-sale started in late 2010. As at 31 December 2012, a total saleable area of 115,891 square metres has been sold, generating a total contract value of RMB694,543,000 (equivalent to HK$853,981,000). During the year, a total saleable area of 49,250 square metres was sold, generating a total contract value of RMB303,974,000 (equivalent to HK$373,754,000). A saleable area of 46,243 square metres was delivered during the year, and a total contract value of RMB276,549,000 (equivalent to HK$340,033,000) was recognised as turnover.

CHAIRMAN'S STATEMENT

"Zendai Garden-Riverside Town" in Haimen

The "Zendai Garden-Riverside Town" project in Haimen, Jiangsu Province comprises two parcels of land occupying a total site area of 1,388,872 square metres. The first parcel covers 577,336 square metres and is to be developed in two parts. "Dong Zhou Mansion", the first part of the parcel, is being developed in three phases with Phase I offering 52 villas. All of the units were sold in 2011. Phases II and III of the "Dong Zhou Mansion" are still in the planning stage.

"Multiflora Garden", on the second part of the parcel of land, is being developed in three phases into an integrated residential area comprising low density town houses. Phases I and II offer a total of 212 units with a saleable area of approximately 57,500 square metres. As at 31 December 2012, a total saleable area of 56,638 square metres had been sold, generating a total contract value of RMB266,033,000 (equivalent to HK$327,103,000). During the year, the Group delivered an area of 846 square metres and a total contract value of RMB3,890,000 (equivalent to HK$4,783,000) was recognised as turnover.

Phase III of Multiflora Garden has a total gross floor area of approximately 112,190 square metres and a saleable area of approximately 91,979 square metres. Construction has been underway since early 2010 while pre-sale started in September 2010. As at 31 December 2012, a total saleable area of 41,537 square metres had been sold, generating a total contract value of RMB264,166,000 (equivalent to HK$324,809,000). During the year, a total saleable area of approximately 4,207 square metres was sold, generating a total contract value of RMB20,015,000 (equivalent to HK$24,610,000). During the year, an area of 10,743 square metres was delivered and a total contract value of RMB70,631,000 (equivalent to HK$86,845,000) was recognised as turnover.

The second parcel with an area of approximately 811,536 square metres is being developed into residential properties in phases. The construction of the first phase, Qinghua Garden Ecological Houses, with an area of approximately 42,070 square metres and a saleable area of approximately 63,886 square metres, was completed in 2010. As at 31 December 2012, a cumulative area of 44,463 square metres had been sold, generating a total contract value of RMB199,394,000 (equivalent to HK$245,167,000). A total area of 4,241 square metres was sold during the year, generating RMB15,796,000 (equivalent to HK$19,422,000) in contract value. During the year under review, an area of 4,415 square metres was delivered and a total contract value of RMB20,648,000 (equivalent to HK$25,388,000) was recognised as turnover.

CHAIRMAN'S STATEMENT

The Phase II, Shui Qing Mu Hua Garden, with a site area of 148,059 square metres, is to be developed into small high-rise residential properties in two phases with a saleable area of 244,787 square metres. The first phase, with a saleable area of 87,346 square metres, started construction in May 2011 and pre-sale in December 2011. As at 31 December 2012, a cumulative area of 5,131 square metres had been sold, generating a total contract value of RMB22,220,000 (equivalent to HK$27,321,000). During the year, an area of 5,131 square metres was sold, generating a total contract value of RMB22,220,000 (equivalent to HK$27,321,000), and is expected to be delivered in 2013. Other aspects of development are still under planning.

The Phase III, named as Spanish Exotic Street with a site area of 5,319 square metres, is to be developed in two phases into a commercial plaza with a saleable area of 6,345 square metres. The first phase, with a saleable area of 3,172 square metres, has already started pre-sale. As at 31 December 2012, an area of 623 square metres had been sold, generating a total contract value of RMB4,527,000 (equivalent to HK$5,566,000). The second phase is still under planning.

Land Parcels in Inner Mongolia Autonomous Region

The Group owns two parcels of land in Dongsheng Kangbashi New Area, Ordos City, Inner Mongolia Autonomous Region, the PRC, with a total site area of 248,118 square metres. The two land parcels are intended to be developed into villas in phases with a planned saleable area of 107,831 square metres. The construction of the first phase, with a saleable area of 27,022 square metres, commenced in March 2011, and pre-sale already started in the fourth quarter of 2012. An area of 1,840 square metres has been sold, generating a total contract value of RMB30,914,000 (equivalent to HK$38,011,000), and is expected to be completed and delivered in 2013.

Overseas Project

Residential project in New Zealand

In November 2012, Top Harbour Limited, a company incorporated in New Zealand and in which the Group holds 45% equity interests, acquired a parcel of land in Whangaparaoa Peninsula, Auckland, New Zealand with an area of approximately 320,000 square metres. The site is about 25 kilometres away from downtown Auckland for high-end residential development. The project, with a total gross floor area of approximately 170,000 square metres, can be developed into about 1,000 detached houses with a gross floor area of approximately 147,000 square metres, a 200-room hotel with a gross floor area of approximately 20,000 square metres, commercial space of 2,000 square metres and an office tower of 1,000 square metres. The project will be developed in phases, and some portions of the land parcel will be sold to small-scale developers for their own development. Specific planning is currently in progress, and it is expected that the formation work will commence in 2013 and the whole project will be completed in five years.

CHAIRMAN'S STATEMENT

PROSPECTS

In the long term, with the continuous increase in China's gross national product, people's consumption capacity will keep rising, bringing greater demand in improving the living environment. Adding the rapid development of urbanization in the Mainland, there will still be substantial demand for real estate. The Group is optimistic about China's overall long-term economic development, and remains confident in the future growth potential of the domestic property industry. Generally, the first and second-tier Mainland cities are very attractive to families and businesses, so the overall demand for property will still be strong, but the supply will continue to be relatively limited; while the real estate market in third and fourth-tier cities will be relatively stable. In the long term, the Group remains cautiously optimistic on the domestic property market. We will leverage on the existing projects and those under planning to put all our efforts in meeting the huge demand for commercial and residential properties in the above mentioned cities.

Following the launch of the new "Five Regulations", the five control policies and measures to strengthen the regulation on the real estate market, which were enacted in the State Council executive meeting held on 20 February 2013, and the promulgation of "The Notice on Continuing to Put Efforts on Property Market Regulation" by the General Office of the State Council on 1 March 2013 to impose more stringent requirements on purchase limit, housing loan and second-hand housing transaction tax, the regulation and control on the property market have escalated. In response to the challenging environment, the Group will further strengthen its positioning of a diversified property developer engaging in both the commercial and service sectors, strengthen the innovation of its products, enhance the brand building of projects such as the Zendai Himalayas Center and the "Thumb" integrated commercial project, and join alliance with strategic partners to expand the successful model of the "Thumb" integrated commercial project to more areas across the country.

On the other hand, in view of the trend of China's capital output, as well as the increasing number of domestic investors investing overseas properties, the Group also puts focus on business opportunities in overseas markets. The Group secured its first overseas real estate project situating in New Zealand in the year under review, and we will continue to seek other business opportunities in the overseas markets in the future. We will capitalise on the brand advantage and successful experience of Shanghai Zendai in China to step up our deployment in overseas markets so as to expand our business scale and attain a more balanced income source.

MANAGEMENT DISCUSSION AND ANALYSIS

Langfang Zendai Thumb Plaza (rendering)

REVIEW OF OPERATIONS

The results of the Group for the year under review was satisfactory. The turnover and profit for the year were mainly attributable to sales and delivery of residential units in Changchung, Jilin, Haimen and gain on disposal of the Bund project. The Group continued to offer both residential and commercial properties for sale. For commercial projects, they were office premises in Zendai International Financial Centre in Hainan. In respect of residential projects, they were apartments, villas and detached houses in Haimen, Jilin, Changchun, Qingdao and Zhujiajiao Town (Qingpu District, Shanghai)

LIQUIDITY, FINANCIAL RESOURCES, CAPITAL STRUCTURE AND GEARING

As at 31 December 2012 the Group had a healthy financial position with net assets value of HK$5,800 million which remained stable when compared to last year's net assets value of approximately HK$5,813 million Net current assets amounted to approximately HK$5,943 million (2011: approximately HK$3,834 million) with current ratio increased from 1.42 times in 2011 to approximately 2.06 times in 2012. The Group adopted relatively prudent financial policy and closely monitored its cash flow. As at 31 December 2012, the Group had consolidated bank loans of approximately HK$4,956 million in which HK$1,325 million was repayable within one year and HK$3,631 million was repayable more than one year. As at 31 December 2012, the Group's bank balances and cash are approximately HK$2,826 million. The gearing ratio of the Group increased from 0.67 times in 2011 to 0.89 times in 2012 (basis: total of amounts due to related companies, bank loans, notes payable and other borrowings divided by Shareholders' funds).

CONTINGENT LIABILITIES

Details of the Group's contingent liabilities as at 31 December 2012 are disclosed in note 52 to the financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

SEGMENT INFORMATION

Sale of properties

The turnover of this segment for the year amounted to HK$685,521,000 (2011: HK$2,391,143,000) which decreased substantially due to less delivery of properties.

Travel and related business

The turnover of this segment for the year reached approximately HK$16,439,000 (2011: HK$12,692,000).

Property rental, management and agency services

The turnover of this segment for the year was approximately HK$277,915,000 (2011: HK$240,837,000). The increase was due to the fact that more properties were available for leasing and managed by the Group.

Hotel Operations

The turnover of this segment for the year was HK$143,016,000 (2011: 151,624,000) The decrease was due to that more hotels opened business during the year and therefore with greater competition.

FOREIGN CURRENCY EXPOSURES

The operations of the Group are mainly carried out in the PRC with most transactions settled in RMB. The Group undertakes certain transactions denominated in currencies other than RMB, hence exposures to exchange rate fluctuations arise. The Group's cash and cash equivalents and senior loan notes also expose to such foreign currency risk. The Group currently does not use any derivative contracts to hedge against its exposure to currency risk. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rate.

EMPLOYEES

As at 31 December 2012, the Group employed approximately 1,680 employees (2011: 1,450 employees) in Hong Kong and the PRC. They were remunerated according to the nature of the job and market conditions. Other staff benefits include a mandatory provident fund scheme, local municipal government retirement scheme, insurance and medical insurance and share option scheme.

MANAGEMENT DISCUSSION AND ANALYSIS

MAJOR DISPOSAL OF ASSETS

(a) On 28 October 2011, Shanghai Zendai Land Company Limited ("Shanghai Zendai Land"), a wholly-owned subsidiary of the Company, entered into an agreement with Shanghai Haizhimen Property Management Co., Ltd. ("Shanghai Haizhimen"), an associate of the Group on that date, for disposal of its 100% equity interests in and shareholder's loan to Shanghai Zendai Bund International Finance Services Centre Real Estate Company Limited ("Shanghai Zendai Bund"). The disposal was completed on 21 May 2012, on which date the Group lost control of Shanghai Zendai Bund. Total consideration was approximately HK$10,547,287,000 (equivalent to approximately RMB8,578,108,000), of which approximately HK$10,499,925,000 (equivalent to approximately RMB8,539,589,000) was received on 31 December 2012.

(b) On 29 December 2011, Shanghai Zendai Land entered into another agreement with an independent third party ("Purchaser") for disposal of its equity interests in and shareholder's loan to Shanghai Zendai Wudaokou Property Company Limited ("Shanghai Zendai Wudaokou"). Pursuant to the agreement and related supplemental agreements, Shanghai Zendai Wudaokou will transfer all of its assets and liabilities (other than its equity interests in and loan to Shanghai Haizhimen and its shareholder's loan from Shanghai Zendai Land) to other companies in the Group ("Spin-off") and the Spin-off can be completed after the Shanghai Zendai Wudaokou is disposed to the Purchaser. The total cash consideration was approximately HK$3,639,493,000 (equivalent to approximately RMB2,960,000,000), of which HK$3,516,537,000 was received on 31 December 2012. The disposal was completed on 21 May 2012, on which date the Group lost control of Shanghai Zendai Wudaokou and all conditions precedent to the agreement were satisfied. As at the date of this report, the Spin Off has not been completed.

MAJOR ACQUISITION OF ASSETS

On 29 June 2012 the Group succeeded in a bid for the land parcel in Nanjing the PRC, at an aggregate price of RMB1,169,000,000 (equivalent to approximately HK$1,437,870,000) and the land use rights grant contract was signed in January 2013.

The land parcel is located in the commercial core area around Nanjing South Train Station, and covers a total site area of 93,526.4 square metres with planned above-ground spaces in the gross floor area of approximately 380,000 square metres and underground spaces in the gross floor area of approximately 160,000 square metres, has the land use rights with a term of 40 years. The terms for the grant of the land use right of the land parcel for office use and commercial use are both 40 years.

MANAGEMENT DISCUSSION AND ANALYSIS

CHARGE ON ASSETS

As at 31 December 2012, the Group's property, plant and equipment, payment for leasehold land held for own use under operating leases, investment properties, properties under development and for sales and pledged bank deposits of approximately HK$343,286,000, HK$619,904,000, HK$2,285,078,000, HK$1,500,587,000 and HK$1,317,421,000 respectively had been pledged to banks to secure bank loans granted to the Group.

At 31 December 2012, the Group pledged 45% equity interest in 南京証大大拇指商業發展有限公司, with attributable carrying amount of approximately HK$272,275,000 (2011: nil) to secure a bank loan granted to the Group.

At 31 December 2012, the Group also pledged 45% equity interest in Shanghai Zendai Himalayas Real Estate Company Limited with attributable carrying amount of approximately HK$361,505,000 (2011: HK$418,598,000) to Shanghai Forte Land Co., Ltd. ("Shanghai Forte"), an equity holder of a former associate of the Group, for securing Shanghai Forte's interests in Shanghai Haizhimen.

At 31 December 2011, the Group pledged its 10% interests in Shanghai Haizhimen with carrying amount HK$122,369,000, and a subsidiary, 上海証大西鎮房地產開發有限公司("Shanghai Zendai Xi Zhen Property Development Co., Ltd") with carrying amount of HK$482,039,000 for a borrowing of the Group. The pledges were released upon settlement of the borrowing during the year.

LITIGATION

On 4 June 2012, each of Shanghai Zendai Land, a wholly-owned subsidiary of the Company, and Shanghai Zendai Wudaokou, a former wholly-owned subsidiary of Shanghai Zendai Land, was served a document of summons issued by Shanghai No. 1 Intermediate People's Court in relation to disputes on asset damage and compensation and the alleged breach of pre-emptive rights in shareholding of Shanghai Haizhimen, a former associate with 35% equity interest held by the Group, initiated by Zhejiang Fosun Commerce Development Limited "Zhejiang Fosun".

MANAGEMENT DISCUSSION AND ANALYSIS

Pursuant to the statement of claims issued by Zhejiang Fosun as attached to the document of summons, among others, (i) Shanghai Zendai Land and Shanghai Zendai Wudaokou were named as two of the defendants to the Claims; (ii) Zhejiang Fosun requested order be made to invalidate the agreement on disposal of Shanghai Zendai Wudaokou; (iii) Zhejiang Fosun requested order be made to invalidate the share transfer agreement relating to the transfer of the entire equity interests of Shanghai Zendai Wudaokou to an independent third party; and (iv) Zhejiang Fosun requested order be made such that the ownership of Shanghai Zendai Wudaokou be restated to the state prior to the transfer. (ii) to (iv) above are referred to as the "Claims".

At the court hearing as regards the Claims on 29 November 2012, the court had awarded no judgment in relation to the Claims. At the final stage of the aforesaid court hearing, the parties to the Claims agreed to participate in mediation held by the court, whereupon the parties shall try to agree on solutions to the Claims and the court will further award a judgement if solutions may be reached. In the event no agreement has been reached by the parties to the Claims as regards the solutions, the court will finally award a judgment. As at the date of this report, no agreement has been reached by the parties to the Claims.

The directors, after seeking advice from the Group's PRC legal adviser, take the view that the disposal of Shanghai Zendai Wudaokou did not involve the transfer of equity interest in Shanghai Haizhimen and therefore did not constitute a breach of any pre-emptive rights. The directors consider the Claims were without bases and do not have any material adverse effect on the operation or financial position of the Group.

CORPORATE SOCIAL RESPONSIBILITY

Public Welfare is our Practice

Making profit is the fundamental mission of an enterprise. On a profitable basis, an enterprise should take the initiative to assume part of the social responsibility for the "merit" of the community. Only by doing this, enterprises can co-exist harmoniously with the community to create a good ecological environment.

An enterprise has to be conducive to bringing wealth to the community. Enterprises participate in the secondary distribution of social wealth through social welfare and charity. As Zendai expands, we have participated in charitable activities across the country covering professional areas such as funding education, promoting environment protection and supporting the arts. Zendai's commitment to social welfare is boundless. Looking ahead, we will focus on the higher level of public interest and care for social issues and social development, in order to promote a better development of the community. Zendai made various donations to different organizations including Qinghai Tibetan Primary School, Alashan Society of Entrepreneurs and Ecology Foundation and Qinghai Tibetan Primary School.

On 21 December 2012, our Radisson Blu Hotel Pudong Century Park in Shanghai donated 10,000 boxes full of candies and biscuits for the "Boxes of Love 2013" activity in support of "Mifan Mama" charitable organization as in the previous years.

On 13 September 2012, to celebrate Mid-Autumn Festival, employees of our Radisson Blu Hotel Pudong Century Park in Shanghai visited Huamu Guangyang Nursing Home in Pudong, bringing moon cakes and special fruits and cakes to the elderly.

CORPORATE SOCIAL RESPONSIBILITY

Growing with each other – Mutual development between enterprise and staff

Zendai's success is attributable to its employees' effort and Zendai's development is the common cause of the whole organization. The mutual development of employees and the enterprise is not only the manifestation of people-oriented management, but also the consequential product of enterprise development in the era of knowledge-based economy.

Zendai pays respect to employees and attaches great importance to the needs of employees in their work and life. It provides employees with opportunities for learning and exchange, and strives to create a fair competitive working environment, where employees are encouraged to take risks and innovate. Under the principle of fairness, respect, trust and understanding, Zendai attracts like-minded fellows to join its team.

Zendai also pays respect to its business partners, and in particular, values the strategic allies who share the same ideals and pursuits with us. We focus on common long-term goal and seek mutual development, strengthen communication and capitalize on the complementary advantages in our cooperation, with a view to creating value for each other and enhancing our respective competitiveness to achieve a win-win situation.

The Group strongly believes that employees are our most valuable asset. To help our employees tune in with our culture, the Group also provides them with training, including the Company's orientation program, to motivate employees to develop their potential. In order to further motivate employees and enhance cohesion and competitiveness of the Group, the Company organized an outbound training program themed "Together We Strive for Excellence" at Dushu Lake, Suzhou starting from 25 May 2012.

CORPORATE SOCIAL RESPONSIBILITY

Environmental Protection and Sustainable Development – Operation in harmony with the community and nature

Concern and support for eco-friendly construction has been Zendai Group's concept of corporate development over the years. In the course of construction process, the concept of eco-friendly construction runs through all aspects ranging from infrastructure, industrial development to real estate development. It aims to create a new model of urban development capitalizing on the advanced concept of ecological civilization, state-of-the-art technology and advanced methods, in order to achieve harmony between human and nature at a higher level and radically improve the living environment and quality of people.

The Group's projects and properties were also active in environmental protection and participated in the "Earth Hour" global lights-out event. Our Radisson Blu Hotel Pudong Century Park in Shanghai passed the "EarthCheck" international assessment standard and was awarded the EarthCheck Silver Certification.

In June 2012, the employees of our Radisson Blu Hotel Pudong Century Park in Shanghai participated in the "Clean Up the World 2012" campaign. The purpose of which was to get rid of garbage in the surrounding area to maintain the cleanliness of the community. The hotel employees were actively involved in the campaign and cleaned up the Century Park and the Thumb Plaza.

CORPORATE SOCIAL RESPONSIBILITY

GROWING WITH OUR COMMUNITY:

As a property developer, the Group always regards the promotion of our community's mutual development as one of our major development objectives. In addition to property construction, we believe that community culture, educational development and the establishment of community relations are also important development aspects.

Himalayas Summer Music Carnival was held again in 2012. The music carnival featuring Qu Wanting, Muma & Third Party, Escape Plan, Troupe, Hedgehogs and Cassette, was held on 17 and 18 August 2012, bringing together fun and entertainment elements to create the most fashionable music event, unveiling new waves of music in the summer of 2012, and providing a platform on culture and living for the residents in Huamu and Liangyang Communities.

BIOGRAPHICAL DETAILS OF DIRECTORS

A. EXECUTIVE DIRECTORS

Mr. Dai Zhikang ("Mr. Dai"), aged 48, who joined the Group in March 2002, is an executive Director and chairman of the Company. He is also the founder and chairman of Shanghai Zendai Investment Group (上海証大投資集團) ("Zendai Group"). He graduated from Renmin University of China with a bachelor's degree in economics (finance). He is also a postgraduate of the Graduate School of the People's Bank of China. He founded Zendai Group in 1994, and subsequently restructured the group and became its founder and chairman in 1998. Mr. Dai is a director of Giant Glory Assets Limited, which was interested in 2,326,560,000 Shares as at 31 December 2012, representing approximately 18.71% of the issued share capital of the Company as at 31 December 2012. Giant Glory Assets Limited was also interested in 85% of the issued share capital of Jointex Investment Holdings Limited which Mr. Dai is a director. Jointex Investment Holdings Limited is a substantial Shareholder which was interested in 2,932,000,000 Shares as at 31 December 2012, representing approximately 23.57% of the issued share capital of the Company as at 31 December 2012.

Mr. Wang Fujie ("Mr. Wang"), aged 58, was appointed as an executive Director and vice chairman of the Company in February 2010, and was appointed as chief executive officer of the Company on 11 November 2010. He is also the chairman of Shanghai Zendai Real Estate Company Limited (上海証大置業有限公司), a wholly-owned subsidiary of the Company. Mr. Wang graduated from the economics and management school of Tianjin University with a master of business administration degree. Having worked for various governmental bodies, departments and local governments of the PRC for over 30 years in the past, Mr. Wang is experienced in management and administration. He once served as deputy director of Hainan Branch, Xinhua News Agency, director of Hebei Branch, Xinhua News Agency, director general of Culture Office of Hebei Province, mayor of Langfang Municipal People's Government, Hebei Province, deputy director of General Office of the Ministry of Agriculture and spokesman of the Ministry of Agriculture of the State. He was also a representative of the ninth session of the National People's Congress of the PRC from 1998 to 2002.

Mr. Zuo Xingping ("Mr. Zuo"), aged 47 was appointed as an executive Director in November 2010. Mr. Zuo graduated from 中國人民大學 (Renmin University of China) with a bachelor's degree, and obtained a master degree from 中國人民銀行研究生部 (The People's Bank of China Graduate Research Department). Mr. Zuo has over 17 years of experience in securities investment and the capital markets. He is also the supervisor of Shanghai Zendai Real Estate Company Limited (上海証大置業有限公司), a wholly-owned subsidiary of the Company.

Mr. Tang Jian ("Mr. Tang"), aged 36, who joined the Board in May 2003 and is an executive Director and was appointed as the authorised representative of the Company in June 2003. He is also the director of Shanghai Zendai Delta Land Company Limited (上海証大三角洲置業有限公司), which is a wholly-owned subsidiary of the Company. Mr. Tang obtained a bachelor's degree from Shanghai University of Finance and Economics specialising in finance and once worked for the Bank of Shanghai.

BIOGRAPHICAL DETAILS OF DIRECTORS

B. NON-EXECUTIVE DIRECTORS

Mr. Zhu Nansong ("Mr. Zhu"), aged 46, was an executive Director from May 2003 to October 2005. Mr. Zhu was re-appointed as an executive Director in January 2009 and re-designated as a non-executive director in January 2013. Mr. Zhu graduated from Renmin University of China and Graduate School of the People's Bank of China. Mr. Zhu also obtained a doctorate degree in philosophy from Fudan University. Mr. Zhu was interested in 50,000,000 Shares as at 31 December 2012, representing approximately 0.4% of the issued share capital of the Company. Mr. Zhu is a director of Jointex Investment Holdings Limited. He was also interested in 15% of the issued share capital of Jointex Investment Holdings Limited, a substantial Shareholder interested in 2,932,000,000 Shares as at 31 December 2012, representing approximately 23.57% of the issued share capital of the Company as at as at 31 December 2012.

Mr. Wu Yang ("Mr. Wu"), aged 47, has been re-designated as a non-executive Director from being an executive Director effective on 11 November 2010. Mr. Wu was appointed as an executive Director of the Company in January 2009, Mr. Wu received his bachelor's degree in construction from Shengyang Radio and TV University in 1987, and his master's degree in industrial economics from Capital University of Economics and Business. Mr. Wu has over 15 years of experience in the property development business.

Mr. Xu Xiaoliang ("Mr. Xu"), aged 40, was appointed as a non-executive Director in January 2013. Mr. Xu graduated from Innova Education School of Singapore in 1995 with a diploma and obtained his master's degree in business administration from East China Normal University, the People's Republic of China (the "PRC") in July 2002. Mr. Xu served as assistant general manager of Shanghai Forte Land Co., Ltd. ("Forte Group") from April 1998 to October 1999 and chairman of Shanghai Resource Property Consultancy Co., Ltd. (an indirect subsidiary of Shanghai Fosun High Technology (Group) Co., Ltd. ("Fosun Group")) from November 1999 to October 2012. Mr. Xu concurrently served as senior assistant to the president of Fosun Group and the president of the property holdings department of Fosun Group in October 2012. Fosun Group and Fosun International Limited (the parent company of Fosun Group) together have a 99.05% control of Forte Group, which has 100% control of China Alliance Properties Limited. As at 31 December 2012, China Alliance Properties Limited holds 19.55% of issued shares of the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS

Mr. Gong Ping ("Mr. Gong"), aged 38, was appointed as a non-executive Director in January 2013. Mr. Gong graduated from Fudan University, the PRC in 1998 with a bachelor's degree in international finance and obtained his master's degree in finance from Fudan University Global Economic Research Institute, the PRC in 2005. He also received his master's degree in business administration from the International Institute for Management Development located in Lausanne, Switzerland in 2008. Mr. Gong joined Fosun Group in July 2011. He now serves as general manager of strategic development department of Fosun Group and assistant president of the property holdings department of Fosun Group. Before that, Mr. Gong served as real estate credit manager and product manager at Pudong branch and the headquarter of Bank of Shanghai from July 1998 to December 2004. He worked at the PRC headquarter of Standard Chartered as business development manager and assistant vice president from December 2004 to August 2007. He worked at global strategy department of Korea Samsung Group as global strategic consultant from March 2009 to July 2011. Fosun Group and Fosun International Limited (the parent company of Fosun Group) together have a 99.05% control of Forte Group, which has 100% control of China Alliance Properties Limited. As at 31 December 2012, China Alliance Properties Limited holds 19.55% of issued shares of the Company.

C. INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lo Mun Lam, Raymond ("Mr. Lo"), aged 60, who joined the Board in 2002, is the principal of an investment and corporate finance firm with offices in London and Hong Kong. As a chartered accountant of London, he was licensed as a Responsible Officer by the Securities & Futures Commission of Hong Kong for engaging in the Type 6 (advising on corporate finance) activity. He has extensive expertise and experience in international corporate finance, merger & acquisition, cross-border direct investment and hedge fund investment, focusing on lifestyle, real estate and hospitality sectors. He held directorship and strategist positions with multinational financial and international emerging companies. In addition to serving the Company, he currently serves as non-executive chairman of Luk Fook Holdings Limited (stock code: 0590), and as non-executive director of Asian Capital Resources (Holdings) Limited (stock code: 8025), the issued shares of both companies are listed on the Stock Exchange and the Growth Enterprise Market of the Stock Exchange respectively. He graduated from University of Wisconsin-Madison and held post-graduate degrees and professional qualifications in accounting, law, finance, real estate and hospitality sectors, focusing on research of corporate finance.

BIOGRAPHICAL DETAILS OF DIRECTORS

Mr. Lai Chik Fan ("Mr. Lai"), aged 64, who joined the Board in 2004, was born in China and was educated in Hong Kong and the US. As an investment banker with over 30 years of experience in the industry, he is known for his knowledge, integrity and vast experience in the areas of investment banking and international equity sales and distribution. Mr. Lai is currently a managing director of AR Evans Capital Limited. In the past, he once worked for a number of investment banks, including Koffman Financial Holdings Limited, Paine Webber Hong Kong Limited, Merrill Lynch Asia Ltd, Smith Barney (Hong Kong) Ltd, and Chin Tung Securities Ltd. Mr. Lai serves as a director for a number of listed companies in Hong Kong. He was a non-executive director of China Medical and Bio Science Ltd (listed on the Growth Enterprise Market of the Stock Exchange) but resigned in July 2007. On 10 August 2007, he was appointed as an executive director of China Golden Development Holdings Ltd. (listed on the Main Board), and subsequently resigned in October 2008.

Mr. Li Man Wai ("Mr. Li"), aged 56, was appointed as an independent non-executive Director on 20 April 2012. Mr. Li graduated with diploma in business administration, major in Accounting from Lingnan College (now known as Lingnan University), Hong Kong in 1981. He is a member of Hong Kong Institute of Certified Public Accountants and Association of Chartered Certified Accountants in United Kingdom from 1988 and obtained a membership of Certified Management Accountants of Canada in 1990 after taking the accountancy courses in York University, Canada. He was qualified as a certified practising accountant in Hong Kong since 1992 and founded Raymond Li & Co., C.P.A. in 1993 and currently is the sole proprietor of the firm. The firm is principally engaged in providing auditing and taxation services and ever implemented the winding up, investigation and liquidation process for the companies against which a winding-up order was made by the High Court of Hong Kong. Mr. Li chaired Lingnan University Alumni Association (Hong Kong) Limited from 2006 to 2008, and was elected as chairman of Chinese Christian Universities Alumni Association (Hong Kong) Limited from 2007 to 2008. Mr. Li was nominated to act as the Director of Lingnan University Hong Kong Alumni D.S.S. Primary School Limited from 2005 to 2011. Mr. Li has been appointed as the trustee of Lingnan (University) College, Dr. Sun Yat-Sen University, Guangzhou, PRC since 2009. In 2011, Mr. Li was appointed by Mr. Donald TSANG Yam-kuen, Chief Executive of Hong Kong Special Administrative Region, as a court member of Lingnan University of Hong Kong in 2011.

BIOGRAPHICAL DETAILS OF DIRECTORS

Mr. Cai Gaosheng ("Mr. Cai"), aged 61, was appointed as an independent non-executive Director on 20 April 2012. Since June 2007, Mr. Cai has been appointed independent director of 浙江嘉欣絲綢股份有限公司 ("Zhejiang Jiaxin Silk Corporation Limited"), a company listed on the Shanghai Stock Exchange. Mr. Cai studied courses of economic management in South China Normal University and Guangdong Radio & TV University, and was a on-the-job postgraduate majoring in economic management in Guangdong Academy of Social Sciences during the period from 2000 to 2002. He has the qualifications as a senior economist and a senior political officer. Mr. Cai has worked in Guangdong Silk-Tex Group Co., Ltd since May 1995 and successively acted as the deputy general manager and general manager. He has been chairman of the company since June 2007. Before joining Guangdong Silk-Tex Group Co., Ltd, Mr. Cai served as deputy mayor of Huazhou city, Guangdong. Mr. Cai held positions as a entrepreneur member of Decision Consulting Committee of The People's Government of Guangdong Province, a board director of Guangdong University of Foreign Studies, deputy president of China Foreign Economic and Trade Enterprises Association and China Silk Association and president of Guangdong Foreign Economic and Trade Enterprises Association and so on. He was honoured Guangdong Province's Excellent Entrepreneurs and 10 Heroic Figure of Economy of Guangdong as well as 10 Heroic Figure of Enterprise Culture of Guangdong.

D. COMPANY SECRETARY

Mr. Wong Ngan Hung ("Mr. Wong"), aged 52, is a member of the Hong Kong Institute of Certified Public Accountants since 1986. He also obtained a master's degree in business administration from University of San Francisco in United States of America. Mr. Wong has been working with the Company since 2006 and was appointed Company secretary in January 2012.

REPORT OF THE DIRECTORS

The directors of the Company (the "Directors") have pleasure in presenting their annual report together with the audited financial statements for the year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The principal activity of the Company continues to be investment holding. The principal activities of its subsidiaries are principally engaging in property development business, property investments, management and agency services, hotel operations and provision of travel and related services.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2012 and the state of the Company's and the Group's affairs as at that date are set out in the consolidated financial statements on pages 54 to 169. The Directors do not recommend the payment of any dividend in respect of the year ended 31 December 2012.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on page 170.

SHARE CAPITAL

Details of movement in the share capital on the Company are set out in note 44(a) to the financial statements.

RESERVES

Details of the movements in reserves of the Group and the Company during the year 2012 are set out in the consolidated statement of changes in equity and note 45 to the financial statements respectively.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company does not have reserves available for distribution to shareholders as at 31 December 2012.

REPORT OF THE DIRECTORS

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group and the Company during the year 2012 are set out in note 17 to the financial statements.

PROPERTIES UNDER DEVELOPMENT AND FOR SALES

Details of properties under development and for sales of the Group for the year are set out on pages 6 to 18 of the annual report.

DIRECTORS

The Directors during the year 2012 and up to the date of this report were as follows:

Executive Directors

Mr. Dai Zhikang (Chairman)
Mr. Wang Fujie
Mr. Zuo Xingping
Mr. Tang Jian
Ms. Zhou Yan (resigned on 20 April 2012)

Non-executive Directors

Mr. Zhu Nansong (re-designated as non-executive Director on 11 January 2013)
Mr. Wu Yang
Mr. Xu Xiaoliang (appointed on 11 January 2013)
Mr. Gong Ping (appointed on 11 January 2013)
Mr. Dong Wenliang (resigned on 11 January 2013)
Mr. Zhou Chun (resigned on 11 January 2013)
Mr. Liu Zhiwei (resigned on 12 December 2012)

Independent non-executive Directors

Mr. Lo Mun Lam, Raymond
Mr. Lai Chik Fan
Mr. Li Man Wai (appointed on 20 April 2012)
Mr. Cai Gaosheng (appointed on 20 April 2012)
Dr. Tse Hiu Tung, Sheldon (resigned on 20 April 2012)

REPORT OF THE DIRECTORS

According to bye-laws of the Company, Mr. Dai Zhikang, Mr. Wang Fujie, Mr. Zuo Xingping and Mr. Tang Jian shall retire from office by rotation and then be eligible for re-election at the forthcoming annual general meeting of the Company.

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

As at 31 December 2012, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (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 the Model Code for Securities Transactions by Directors of Listed Companies, are set out below:

Name of Director	Number of Shares	Capacity and nature of interests	Approximate percentage of issued share capital as at 31 December 2012
Mr. Wang Fujie *(Note 2)*	10,000,000 (L)	Beneficial owner	0.08%
Mr. Dai Zhikang ("Mr. Dai") *(Note 1)*	5,753,635,000 (L)	Interests of controlled corporations	46.26%
Mr. Dai *(Note 2)*	10,000,000 (L)	Beneficial owner	0.08%
Mr. Zhu Nansong	50,000,000 (L)	Beneficial owner	0.40%
Mr. Wu Yang *(Note 2)*	30,000,000 (L)	Beneficial owner	0.24%
Mr. Tang Jian	10,000,000 (L)	Beneficial owner	0.08%
Mr. Tang Jian *(Note 2)*	5,000,000 (L)	Beneficial owner	0.04%
Mr. Lo Mun Lam, Raymond *(Note 2)*	5,000,000 (L)	Beneficial owner	0.04%
Mr. Lai Chik Fan *(Note 2)*	5,000,000 (L)	Beneficial owner	0.04%

(L) denotes long position

Notes:

1. Mr. Dai was deemed to be interested in an aggregate of 5,753,635,000 Shares held by Giant Glory Assets Limited, Jointex Investment Holdings Limited, Shanghai Zendai Investment Development (Hong Kong) Company Limited and Gold Lucky Investment Holdings Limited, respectively, as follows:

   (a) 2,326,560,000 Shares were held by Giant Glory Assets Limited which is wholly-owned by Mr. Dai;

REPORT OF THE DIRECTORS

(b) 2,932,000,000 Shares were held by Jointex Investment Holdings Limited which is owned as to 85% by Giant Glory Assets Limited and as to 15% by Mr. Zhu Nansong, a non-executive Director;

(c) 455,175,000 Shares are held by Shanghai Zendai Investment Development (Hong Kong) Company Limited which is indirectly owned as to 60% by Mr. Dai; and

(d) 39,900,000 Shares are held by Gold Lucky Investment Holdings Limited which is wholly-owned by Mr. Dai.

2. These Shares represent the Shares to be allotted and issued upon the exercise of share options granted.

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

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

No Director retiring and eligible for re-election at the forthcoming annual general meeting has entered into a service contract with the Company which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

DIRECTORS', SUPERVISORS' AND SENIOR EXECUTIVES' EMOLUMENTS

Details of the Directors', supervisors' and senior management's emoluments are set out in notes 11 and 51(a) to the financial statements. The Group's general policy on remuneration is to maintain fair and competitive packages based on industry practice and market conditions. The following factors are considered when determining the remuneration packages of executive Directors:

- Business needs;
- The Group's results and performance;
- Appraisal of individual contributions to results of the Group;
- Changes in market conditions such as demand and supply.

Furthermore, the Company has adopted a share option scheme as a long term incentive scheme to all eligible staff of the Group.

REPORT OF THE DIRECTORS

SHARE OPTIONS

Details of the share option scheme adopted by the Company are set out in note 44(c) to the financial statements.

The following table discloses movements in the Company's share options during the year:

	Number of Options					
	Outstanding at beginning of year	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at end of year	Exercisable period
Directors						
Mr. Wu Yang	12,000,000	–	–	–	12,000,000	12 November 2010 – 11 November 2013
	9,000,000	–	–	–	9,000,000	12 November 2011 – 11 November 2013
	9,000,000	–	–	–	9,000,000	12 November 2012 – 11 November 2013
	30,000,000	–	–	–	30,000,000	
Ms. Zhou Yan	5,000,000	–	–	(5,000,000)	–	
	5,000,000	–	–	(5,000,000)	–	
	10,000,000	–	–	(10,000,000)	–	
Mr. Tang Jian	5,000,000	–	–	–	5,000,000	12 November 2010 – 11 November 2013
Mr. Dai Zhikang	5,000,000	–	–	–	5,000,000	30 March 2011 – 29 March 2014
	5,000,000	–	–	–	5,000,000	30 March 2012 – 29 March 2014
	10,000,000	–	–	–	10,000,000	
Mr. Wang Fujie	5,000,000	–	–	–	5,000,000	30 March 2011 – 29 March 2014
	5,000,000	–	–	–	5,000,000	30 March 2012 – 29 March 2014
	10,000,000	–	–	–	10,000,000	

REPORT OF THE DIRECTORS

	Number of Options					
	Outstanding at beginning of year	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at end of year	Exercisable period
Mr. Liu Zhiwei	48,000,000	–	–	–	48,000,000	30 March 2011 – 29 March 2014
	36,000,000	–	–	–	36,000,000	30 March 2012 – 29 March 2014
	36,000,000	–	–	–	36,000,000	30 March 2013 – 29 March 2014
	120,000,000	–	–	–	120,000,000	
Mr. Lo Mun Lam, Raymond	5,000,000	–	–	–	5,000,000	30 March 2011 – 29 March 2014
Mr. Lai Chik Fan	5,000,000	–	–	–	5,000,000	30 March 2011 – 29 March 2014
Dr. Tse Hiu Tung, Sheldon	5,000,000	–	–	(5,000,000)	–	
Total	**200,000,000**	**–**	**–**	**(15,000,000)**	**185,000,000**	
Employees	8,000,000	–	–	(8,000,000)	–	
	35,000,000	–	–	(5,000,000)	30,000,000	12 November 2010 – 11 November 2013
	15,000,000	–	–	–	15,000,000	12 November 2011 – 11 November 2013
	15,000,000	–	–	–	15,000,000	30 March 2011 – 29 March 2014
	11,000,000	–	–	–	11,000,000	30 March 2012 – 29 March 2014
	6,000,000	–	–	–	6,000,000	30 March 2013 – 29 March 2014
Total	**90,000,000**	**–**	**–**	**(13,000,000)**	**77,000,000**	
Total	**290,000,000**	**–**	**–**	**(28,000,000)**	**262,000,000**	

REPORT OF THE DIRECTORS

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the share option scheme set out in note 44(c) to the financial statements, at no time during the year 2012 was the Company, its holding company or any of its subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and neither the Directors nor the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than the related party transactions set out in note 51 to the financial statements, no contracts of significance to which the Company, its holding company or any of its subsidiaries, was a party and in which a Director had a material interest or to which a controlling shareholder of the Company or any of its subsidiaries is a party, whether directly or indirectly, subsisted at the end of the year 2012 or any time during the year 2012.

CONNECTED AND RELATED PARTY TRANSACTIONS

During the year 2012, the Group entered into certain related party transactions which also constitute connected transactions under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). Details of these transactions are set out in note 51c to the financial statements.

DIRECTORS' INTEREST IN COMPETING BUSINESS

Pursuant to Rule 8.10 of the Listing Rules, the Company discloses that during the year 2012 and up to the date of this report, Mr. Dai Zhikang held directorships in Shanghai Zendai Investment Development Company Limited, and/or its subsidiaries (collectively referred to as the "Zendai Group"), which are also engaged in property development and related business. As the board of directors of the Group operates independently from the boards of Zendai Group, the Group operates its business independently or, and at arm's length from, the business of Zendai Group.

REPORT OF THE DIRECTORS

PERSONS HAVING 5% OR MORE INTERESTS

As at 31 December 2012, the interests or short positions of the persons, other than a director or chief executive of the Company, in the Shares and underlying Shares as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Name	Name of company	Nature of interests	Number of shares interested or amount of registered capital interested	Approximate percentage of the issued share capital or registered capital
Giant Glory Assets Limited *(Note 1)*	The Company	Beneficial owner	2,326,560,000 Shares (L)	18.71%
Giant Glory Assets Limited	The Company	Interests of controlled corporation	2,932,000,000 Shares (L)	23.57%
Jointex Investment Holdings Limited *(Note 1)*	The Company	Beneficial owner	2,932,000,000 Shares (L)	23.57%
China Alliance Properties Limited *(Note 2)*	The Company	Beneficial owner	2,431,815,000 Shares (L)	19.55%
Shanghai Forte Land Co., Ltd. *(Note 2)*	The Company	Interests of controlled corporation	2,431,815,000 Shares (L)	19.55%
Shanghai Fosun High Technology (Group) Co., Ltd. *(Note 2)*	The Company	Interests of controlled corporation	2,431,815,000 Shares (L)	19.55%

REPORT OF THE DIRECTORS

Name	Name of company	Nature of interests	Number of shares interested or amount of registered capital interested	Approximate percentage of the issued share capital or registered capital
Fosun International Limited *(Note 2)*	The Company	Interests of controlled corporation	2,431,815,000 Shares (L)	19.55%
Fosun Holdings Limited *(Note 2)*	The Company	Interests of controlled corporation	2,431,815,000 Shares (L)	19.55%
Fosun International Holdings Ltd. *(Note 2)*	The Company	Interests of controlled corporation	2,431,815,000 Shares (L)	19.55%
Guo Guangchang *(Note 2)*	The Company	Interests of controlled corporation	2,431,815,000 Shares (L)	19.55%

(L) denotes long position

Notes:

1. These Shares constitutes part of the deemed interest of Mr. Dai as referred to in note 1 under the section headed "Directors' interests in shares or debentures" above.

2. Guo Guangchang has 58% control of Fosun International Holdings Ltd., which has 100% control of Fosun Holdings Limited, which has 79.08% control of Fosun International Limited, which has 100% control of Shanghai Fosun High Technology (Group) Co., Ltd, which together with Fosun International Limited have a 99.05% control of Shanghai Forte Land Co., Limited, which has 100% control of China Alliance Properties Limited.

Save as disclosed above, as at 31 December 2012, no persons, other than a director or chief executive of the Company, had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

REPORT OF THE DIRECTORS

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the laws of Bermuda.

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

During the year, the Company purchased 26,460,000 of its own shares for cancellation. Except for the above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

Details of the shares purchased on the Stock Exchange of Hong Kong Limited are as follows:

Month of purchase	Number of shares	Average price per share	Highest price per share	Lowest price per share
		HK$	*HK$*	*HK$*
January 2012	26,460,000	0.130	0.138	0.125

MAJOR CUSTOMERS AND SUPPLIERS

During the year 2012, the Group's sales to the five largest customers accounted for 6.1% of the Group's turnover for the year, of which the largest customer accounted for 3.7% of the Group's turnover for the year. During the year 2012, the aggregate purchases attributable to the Group's largest supplier and five largest suppliers accounted for approximately 8.4% and 27.6% respectively, of the Group's total purchases for the year. None of the Directors, their associates or any shareholders of the Company which to the knowledge of the Directors, own more than 5% of the Company's share capital, had any interest in the share capital of any of the five largest customers or suppliers of the Group.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of its independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and considered that the independent non-executive Directors to be independent.

REPORT OF THE DIRECTORS

AUDITOR

A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint BDO Limited as auditor of the Company.

PUBLIC FLOAT

Based on information that in publicly available to the Company and within the knowledge of the Directors as at 27 March 2013, being the latest practicable date prior to the issue of this report, there was sufficient public float for the Shares.

On behalf of the Board
Dai Zhikang
Director
27 March 2013

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintain a high standard of corporate governance practices and procedures to safeguard the interests of the shareholders and enhance the performance of the Group. The board of Directors (the "Board") will review and improve the corporate governance practices from time to time to ensure that the Group is under the leadership of an effective board to optimise return for shareholders.

The Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Listing Rules was amended and revised as the Corporate Governance Code (the "Revised Code") which became effective on 1 April 2012. For the year under review, the Company has complied with the applicable code provisions of the CG Code and the Revised Code as and when they were/are in force, except for the deviation as disclosed in this report.

DEVIATION FROM CG CODE/REVISED CODE

Under the code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings of the Company. Due to personal commitments, Mr. Wu Yang, Mr. Liu Zhiwei, Mr. Zhou Chun and Mr. Dong Wenliang did not attend the annual general meeting held on 26 June 2012 and special general meetings held on 23 March 2012 and 26 June 2012.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry of all Directors, the Directors had complied with the required standard set out in the Model Code during the year ended 31 December 2012.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

The composition of the Board for the year ended 31 December 2012 was as follows:

Executive Directors

Mr. Dai Zhikang *(Chairman)*
Mr. Wang Fujie
Mr. Zhu Nansong
Mr. Zuo Xingping
Mr. Tang Jian
Ms. Zhou Yan (resigned on 20 April 2012)

Non-executive Directors

Mr. Wu Yang
Mr. Zhou Chun
Mr. Dong Wenliang
Mr. Liu Zhiwei (resigned on 12 December 2012)

Independent non-executive Directors

Mr. Lo Mun Lam, Raymond
Mr. Lai Chik Fan
Mr. Li Man Wai (appointed on 20 April 2012)
Mr. Cai Gaosheng (appointed on 20 April 2012)
Dr. Tse Hiu Tung, Sheldon (resigned on 20 April 2012)

The term of appointment of non-executive Directors are 2 years.

CORPORATE GOVERNANCE FUNCTIONS

During the year under review, the Board is responsible for determining the policy for the corporate governance of the Company performing the corporate governance duties as below:

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

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

CORPORATE GOVERNANCE REPORT

- to review and monitor the Group's policies and practices on compliance with all legal and regulatory requirements (where applicable);
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors of the Group; and
- to review the Group's compliance with the CG Code and disclosure requirements in the Corporate Governance Report.

ATTENDANCE AT BOARD MEETINGS AND GENERAL MEETINGS

	Number of meetings attended/ Total number of meetings		
Name of director	**Board Meeting**	**Annual General Meeting**	**Special General Meeting**
Mr. Dai Zhikang	4/9	1/1	1/2
Mr. Wang Fujie	7/9	0/1	0/2
Mr. Zhu Nansong	2/9	0/1	0/2
Mr. Zuo Xingping	5/9	0/1	1/2
Mr. Tang Jian	9/9	1/1	2/2
Mr. Wu Yang	2/9	0/1	0/2
Mr. Zhou Chun	2/9	0/1	0/2
Mr. Dong Wenliang	1/9	0/1	0/2
Mr. Liu Zhiwei *(Note 3)*	0/9	0/1	0/2
Mr. Lo Mun Lam, Raymond	2/9	1/1	1/2
Mr. Lai Chik Fan	2/9	1/1	2/2
Mr. Li Man Wai *(Note 1)*	1/9	1/1	1/2
Mr. Cai Gaosheng *(Note 1)*	1/9	1/1	1/2
Dr. Tse Hiu Tung, Sheldon *(Note 2)*	1/9	0/1	1/2
Ms. Zhou Yan *(Note 2)*	1/9	0/1	0/2

Note 1 appointed on 20 April 2012
Note 2 resigned on 20 April 2012
Note 3 resigned on 12 December 2012

The Board was responsible for making overall strategic decisions, financial matters and equity related transactions such as acquisitions. The management will handle and execute the decisions made by the Board and oversee the day-to-day management of the Group under the supervision of Mr. Wang Fujie, the Company's chief executive officer.

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The chairman of the Company is Mr. Dai Zhikang and the chief executive officer of the Company is Mr. Wang Fujie. The roles of the chairman and chief executive officer are segregated and are not exercised by the same individual. The chairman was responsible for overseeing the management of the Board whereas the chief executive officer was responsible for overseeing the day-to-day management of the Group's business and the implementation of the policies decided by the Board.

DIRECTORS' TRAINING

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. During the year the Company has arranged in-house trainings for Directors and senior management staff in the form of seminar and reading materials. According to the records provided by the Directors, they received relevant training in 2012.

REMUNERATION COMMITTEE

Members of the Remuneration Committee are as follows:

Independent non-executive Directors:	Mr. Lo Mun Lam, Raymond *(chairman)*
	Mr. Lai Chi Fan
	Mr. Cai Gaosheng (appointed on 20 April 2012)
	Dr. Tse Hiu Dong, Sheldon (resigned on 20 April 2012)
Executive Directors:	Mr. Dai Zhikang (appointed on 30 March 2012)
	Mr. Tang Jian (resigned on 30 March 2012)

To tie in with the amendments in the Revised Code effective from 1 April 2012, the terms of reference of the Remuneration Committee were updated during the year. The Remuneration Committee is responsible for making recommendations on the Company's policy and structure on the remuneration of all Directors and senior management of the Company for approval by the board of directors. During the year, the Remuneration Committee met once to review the remuneration policy for Directors and senior management of the Company. Mr. Lo Mun Lam, Raymond, Mr. Lai Chi Fan, Mr. Cai Gaosheng and Mr. Dai Zhikang attended the meeting.

CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE

Members of the Nomination Committee are as follows:

Independent non-executive Directors:	Mr. Lo Mun Lam, Raymond Mr. Lai Chi Fan
Executive Director:	Mr. Dai Zhikang *(chairman)*

The Nomination Committee was established in March 2012 with specific terms of reference in accordance with the Revised Code. The Nomination Committee is responsible to review the structure, size and composition of the Board and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy. It shall consider the suitability of a candidate to act as a Director on the basis of the candidate's qualification, experience, integrity and potential contribution to the Company, and assess the independence of Independent Non-executive Directors taking into account the independence requirements set out in Rule 3.13 of the Listing Rules. Before its establishment, the role and function of the Nomination Committee was taken up by the Board. During the year under review, one meeting was held and Mr. Dai Zhikang, Mr. Lo Mun Lam, Raymond and Mr. Lai Chi Fan attended the meeting.

AUDIT COMMITTEE

Members of the Audit Committee are as follows:

Independent non-executive Directors:	Mr. Li Man Wai *(chairman)* (appointed on 20 April 2012) Mr. Lo Mun Lam, Raymond Mr. Lai Chi Fan Dr. Tse Hiu Dong, Sheldon (resigned on 20 April 2012)

To tie in with the amendments in the Revised Code effective from 1 April 2012, the terms of reference of the Audit Committee were updated during the year.

Its duties were, among others, to review adequacy of the Company's policies and procedures regarding internal controls, to review the relationship between the Company and its auditors and to review the Group's financial statements. During the year ended 31 December 2012, the audit committee held 2 meetings, at which all of Mr. Lai Chik Fan, Mr. Lo Mun Lam, Raymond attended and Mr. Li Man Wai and Tse Hiu Tung, Sheldon attended one meeting only. During the aforesaid meetings, members of the audit committee reviewed the financial results and reports, financial and internal controls of the Company and had thorough discussions with the auditor regarding the work performed. The Company's annual results for the year ended 31 December 2012 has been reviewed by the audit committee.

CORPORATE GOVERNANCE REPORT

AUDITOR'S REMUNERATION

As regards audit services provided to the Company, the remuneration made to the auditors was assessed according to the complexity, time required and prevailing market conditions. During the year ended 31 December 2012, the Group had engaged its auditor to provide non-audit services to the Company in respect of the interim review of the Company's results for the 6 months ended 30 June 2012. The fee paid for such service was HK$510,000. The auditor also provided other non-audit services mainly acted as reporting accountant in relation to the Company's circulars of the very substantial disposal and major transactions. The fees for these services were HK$915,000.

COMPANY SECRETARY

The Company Secretary is a full time employee of the Company and has day-to-day knowledge of the Company's affairs. The Company Secretary reports to the Chairman and is responsible for advising the Board on 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 AND INVESTOR RELATIONS

The Company shall, for the purpose to keep its shareholders duly informed of their rights, publish from time to time the updated bye-laws of the Company in a consolidated form on the Company's Website and the Stock Exchange's website.

Upon the shareholders' approval in the special general meeting held on 26 June 2012, the Company (i) terminated the old share option scheme adopted in July 2002 and adopted a new share option scheme and (ii) amended its bye-laws for easy reference and reading.

The Group establishes communications with shareholders through the publication of announcements, notices, and circulars, interim and annual reports and in the Company's Website.

According to the bye-laws of the Company, 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 to vote at general meetings of the Company, can by written requisition to the board or the company secretary to request to convene a special general meeting for the transaction of any business specified in such requisition. Any general meeting at which the passing of a special resolution is to be considered shall be called by not less than 21 clear business days' notice, whilst others may be called by not less than 14 clear business days' notice. The chairman of any general meetings ensures that the shareholders are informed of the procedure for demanding a poll by way of explaining the same during the general meetings. The chairman of general meetings also ensures compliance with the requirements about voting by poll contained in the Listing Rules and the bye-laws of the Company.

CORPORATE GOVERNANCE REPORT

In order to maintain an on-going dialogue with shareholders, shareholders are encouraged to attend annual general meeting of the Company at which Board members and Board's committees are available to answer questions related to the Group's business.

Shareholders, investors and the media can make enquiries to the Company through the following means:

Telephone number:	+86-21-33927888/+852-21693339
By post:	Unit 6108, 61/F, The Center, 99 Queen's Road Central, Hong Kong
Attention:	Company Secretary
By email:	nhwong@zendai.com.hk

GENERAL

The Directors acknowledge their responsibility for preparing the accounts contained herein. The reporting responsibilities of BDO Limited, the auditor of the Company, are stated in the auditor's report on pages 52 to 53 of this report. There are no material uncertainties relating to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. The Board has conducted a review of the effectiveness of the system of internal control of the Group. There is no disagreement between the Board and the audit committee regarding the selection, appointment, resignation or dismissal of the external auditor.

INDEPENDENT AUDITOR'S REPORT

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TO THE SHAREHOLDERS
OF SHANGHAI ZENDAI PROPERTY LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Shanghai Zendai Property Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 54 to 169, which comprise the consolidated and company statements of financial position as at 31 December 2012, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

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, in accordance with Section 90 of the Companies Act, 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.

INDEPENDENT AUDITOR'S REPORT

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the 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.

BDO Limited
Certified Public Accountants
Chan Wing Fai
Practising Certificate no. P05443

Hong Kong, 27 March 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	**2012 HK$'000**	2011 HK$'000
Turnover	7	**1,122,891**	2,796,296
Cost of sales		**(682,200)**	(1,380,617)
Gross profit		**440,691**	1,415,679
Other income and gains	8	**1,216,742**	214,865
Distribution costs		**(118,150)**	(131,196)
Administrative expenses		**(318,932)**	(310,362)
Impairment loss on property, plant and equipment	17	**–**	(9,694)
Reversal of impairment loss on payment for leasehold land held for own use under operating leases	20	**–**	45,371
Change in fair value of investment properties	18	**(42,748)**	162,297
Impairment loss on goodwill	21	**–**	(1,040)
Reversal of impairment loss on other receivable		**–**	19,995
Share of results of associates	23	**(159,189)**	19,689
Share of results of jointly controlled entities	24	**(9,580)**	(5,610)
Finance costs	12	**(136,227)**	(466,174)
Profit before tax expenses	9	**872,607**	953,820
Tax expenses	13	**(316,843)**	(505,606)
Profit for the year		**555,764**	448,214
Other comprehensive income			
Exchange differences arising on translation of foreign operations		**37,149**	216,913
Release of other revaluation reserve on disposal of properties for sales held by associates		**2,988**	(8,271)
Tax (credit)/expenses related to release of other revaluation reserve		**(448)**	1,241
Release of foreign exchange reserve upon disposal of subsidiaries		**(539,506)**	(25,644)
Other comprehensive income for the year, net of tax		**(499,817)**	184,239
Total comprehensive income for the year		**55,947**	632,453

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012 HK$'000	2011 HK$'000
Profit/(loss) for the year attributable to:			
– Owners of the Company		**554,702**	449,886
– Non-controlling interests		**1,062**	(1,672)
		555,764	448,214
Total comprehensive income attributable to:			
– Owners of the Company		**54,690**	623,475
– Non-controlling interests		**1,257**	8,978
		55,947	632,453
Earnings per share	*16*		
– Basic		**HK4.5 Cents**	HK3.6 Cents
– Diluted		**HK4.5 Cents**	HK3.6 Cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current assets			
Property, plant and equipment	17	**385,910**	387,019
Investment properties	18	**2,575,421**	2,564,824
Payment for leasehold land held for own use under operating leases	20	**619,904**	642,794
Goodwill	21	**101,975**	101,763
Interests in associates	23	**545,918**	842,307
Interests in jointly controlled entities	24	**43,389**	52,614
Available-for-sale investments	25	**30,906**	35,648
Total non-current assets		**4,303,423**	4,626,969
Current assets			
Properties under development and for sales	26	**5,877,086**	4,346,035
Inventories	27	**2,000**	1,887
Trade and other receivables	28	**624,666**	650,583
Deposits for property development	29	**441,838**	90,557
Amounts due from associates	23	**798,782**	660,086
Amounts due from jointly controlled entities	24	**813,599**	535,984
Available-for-sale investments	25	**2,584**	1,957
Amounts due from related companies	30	**15,080**	15,954
Pledged bank deposits	31	**1,317,421**	224,749
Tax prepayments	40	**44,872**	39,400
Entrusted loan receivables	34	**110,728**	293,542
Cash and cash equivalents		**1,508,600**	888,224
		11,557,256	7,748,958
Assets classified as held for sale	32	**–**	15,456,736
Total current assets		**11,557,256**	23,205,694
Total assets		**15,860,679**	27,832,663
Current liabilities			
Trade, notes and other payables	33	**1,278,137**	1,029,434
Receipts in advance from customers		**1,706,919**	1,283,397
Entrusted loan payables	34	**–**	73,386
Amounts due to associates	35	**–**	10,447,186
Amounts due to related companies	36	**–**	55,089
Amounts due to minority owners of subsidiaries	37	**42,714**	173,310
Bank loans	38	**1,325,085**	754,648
Senior loan notes	39	**–**	1,078,964
Tax payables	40	**1,261,738**	1,626,279
		5,614,593	16,521,693
Liabilities associated with assets classified as held for sale	32	**–**	2,850,453
Total current liabilities		**5,614,593**	19,372,146

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2012

	Notes	2012 HK$'000	2011 HK$'000
Net current assets		**5,942,663**	3,833,548
Total assets less current liabilities		**10,246,086**	8,460,517
Non-current liabilities			
Bank loans	*38*	**3,631,598**	1,806,183
Deferred tax liabilities	*41*	**642,773**	692,810
Other payables	*33*	**171,880**	148,599
Total non-current liabilities		**4,446,251**	2,647,592
Total liabilities		**10,060,844**	22,019,738
TOTAL NET ASSETS		**5,799,835**	5,812,925
Capital and reserves attributable to owners of the Company			
Share capital	*44(a)*	**248,747**	249,276
Reserves		**5,346,924**	5,300,154
Equity attributable to owners of the Company		**5,595,671**	5,549,430
Non-controlling interests		**204,164**	263,495
TOTAL EQUITY		**5,799,835**	5,812,925

On behalf of the Board

Tang Jian
Director

Dai Zhikang
Director

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current assets			
Property, plant and equipment	17	335	93
Investments in subsidiaries	48	1,003,716	1,002,716
Total non-current assets		1,004,051	1,002,809
Current assets			
Other receivables	28	5,769	1,039
Amounts due from subsidiaries	48	2,144,063	2,376,622
Cash and cash equivalents		23,576	138,513
Total current assets		2,173,408	2,516,174
Total assets		3,177,459	3,518,983
Current liabilities			
Other payables	33	4,167	10,405
Amounts due to subsidiaries	48	386,092	214,448
Senior loan notes	39	–	1,081,304
Total current liabilities		390,259	1,306,157
Net current assets		1,783,149	1,210,017
Total assets less current liabilities		2,787,200	2,212,826
Non-current liabilities			
Bank loan	38	638,623	–
Total liabilities		1,028,882	1,306,157
TOTAL NET ASSETS		2,148,577	2,212,826
Capital and reserves attributable to owners of the Company			
Share capital	44(a)	248,747	249,276
Reserves	45	1,899,830	1,963,550
TOTAL EQUITY		2,148,577	2,212,826

On behalf of the Board

Tang Jian
Director

Dai Zhikang
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

AS AT 31 DECEMBER 2012

	Share capital *(Note 44(a))* HK$'000	Share premium *(Note 45(a))* HK$'000	Capital redemption reserve HK$'000	Contributed surplus *(Note 45(b))* HK$'000	Special capital reserve *(Note 45(c))* HK$'000	Statutory surplus reserve HK$'000	Share option reserve *(Note 45(d))* HK$'000	Retained profits HK$'000	Foreign exchange reserve HK$'000	Other revaluation reserve *(Note b)* HK$'000	Equity attributable to owners of the Company HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2011	249,838	1,878,505	1,074	157,315	68,541	349,746	46,642	1,665,317	493,479	19,972	4,930,429	196,305	5,126,734
Profit/(loss) for the year	–	–	–	–	–	–	–	449,886	–	–	449,886	(1,672)	448,214
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	–	206,263	–	206,263	10,650	216,913
Release of other revaluation reserve on disposal of properties for sales held by associates, net of tax	–	–	–	–	–	–	–	–	–	(7,030)	(7,030)	–	(7,030)
Release of foreign exchange reserve upon disposal of subsidiaries *(Note 50(c))*	–	–	–	–	–	–	–	–	(25,644)	–	(25,644)	–	(25,644)
Total comprehensive income	–	–	–	–	–	–	–	449,886	180,619	(7,030)	623,475	8,978	632,453
Cancellation upon repurchase of own shares	(562)	(3,894)	–	–	–	–	–	–	–	–	(4,456)	–	(4,456)
Transaction costs attributable to repurchase of shares	–	(18)	–	–	–	–	–	–	–	–	(18)	–	(18)
Acquisition of a subsidiary *(Note 49(b))*	–	–	–	–	–	–	–	–	–	–	–	58,212	58,212
Release upon forfeiture of share options *(Note 44(c))*	–	–	–	–	–	–	(7,264)	7,264	–	–	–	–	–
Transfer to statutory surplus reserve	–	–	–	–	–	62,137	–	(62,137)	–	–	–	–	–
At 31 December 2011	249,276	1,874,593	1,074	157,315	68,541	411,883	39,378	2,060,330	674,098	12,942	5,549,430	263,495	5,812,925

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

AS AT 31 DECEMBER 2012

	Share capital (Note 44(a)) HK$'000	Share premium (Note 45(a)) HK$'000	Capital redemption reserve HK$'000	Contributed surplus (Note 45(b)) HK$'000	Special capital reserve (Note 45(c)) HK$'000	Statutory surplus reserve HK$'000	Share option reserve (Note 45(d)) HK$'000	Other reserve (Note a) HK$'000	Retained profits HK$'000	Foreign exchange reserve HK$'000	Other revaluation reserve (Note b) HK$'000	Equity attributable to owners of the Company HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2012	249,276	1,874,593	1,074	157,315	68,541	411,883	39,378	–	2,060,330	674,098	12,942	5,549,430	263,495	5,812,925
Profit for the year	–	–	–	–	–	–	–	–	554,702	–	–	554,702	1,062	555,764
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	–	–	36,954	–	36,954	195	37,149
Release of other revaluation reserve on disposal of properties for sales held by associates, net of tax	–	–	–	–	–	–	–	–	–	–	2,540	2,540	–	2,540
Release of foreign exchange reserve upon disposal of subsidiaries *(Note 50)*	–	–	–	–	–	–	–	–	–	(539,506)	–	(539,506)	–	(539,506)
Total comprehensive income	–	–	–	–	–	–	–	–	554,702	(502,552)	2,540	54,690	1,257	55,947
Dividend paid to non-controlling interest of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	(5,290)	(5,290)
Cancellation upon repurchase of own shares	(529)	(2,919)	–	–	–	–	–	–	–	–	–	(3,448)	–	(3,448)
Transaction costs attributable to repurchase of shares	–	(14)	–	–	–	–	–	–	–	–	–	(14)	–	(14)
Acquisition of additional interest in a subsidiary	–	–	–	–	–	–	–	(4,987)	–	–	–	(4,987)	(55,298)	(60,285)
Release upon forfeiture of share options *(Note 44(c))*	–	–	–	–	–	–	(3,561)	–	3,561	–	–	–	–	–
Transfer to statutory surplus reserve	–	–	–	–	–	25,389	–	–	(25,389)	–	–	–	–	–
At 31 December 2012	248,747	1,871,660	1,074	157,315	68,541	437,272	35,817	(4,987)	2,593,204	171,546	15,482	5,595,671	204,164	5,799,835

Notes:

(a) Amount represents the difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid on acquisition of additional interest in a subsidiary.

(b) Other revaluation reserve arises from the revaluation of properties for sales upon acquisition of additional interest in associates. The reserve will be released to profit or loss on the disposal of relevant properties.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012 HK$'000	2011 HK$'000
Cash flows from operating activities			
Profit before tax expenses		**872,607**	953,820
Adjustments for:			
Interest income		**(109,301)**	(54,988)
Dividend income		**(17,792)**	(656)
Finance costs	12	**136,227**	466,174
Depreciation of property, plant and equipment		**20,223**	21,152
Amortisation of payment for leasehold land held for own use under operating leases		**26,670**	17,933
Impairment loss on property, plant and equipment	17	**–**	9,694
Reversal of impairment loss on payment for leasehold land held for own use under operating leases	20	**–**	(45,371)
Change in fair value of investment properties	18	**42,748**	(162,297)
Impairment loss on goodwill	21	**–**	1,040
Reversal of impairment loss on other receivable		**–**	(19,995)
Share of results of associates		**159,189**	(19,689)
Share of results of jointly controlled entities		**9,580**	5,610
Write off of property, plant and equipment	17	**1,007**	628
Release of other revaluation reserve on disposal of properties		**2,540**	(7,030)
Gain on disposal of investment properties		**(168,671)**	(71,309)
Gain on disposal of available-for-sale investments		**–**	(23)
Gain on repurchase of senior loan notes	39	**–**	(251)
Gain on disposal of subsidiaries	50	**(826,645)**	(68,353)
Gain on disposal of an associate		**(58,428)**	–

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2012

		2012 HK$'000	2011 HK$'000
Operating profit before working capital changes		**89,954**	1,026,089
Increase in properties under development and for sales		**(1,597,777)**	(1,050,966)
Increase in inventories		**(102)**	(168)
Decrease/(increase) in trade and other receivables		**167,849**	(376,398)
Increase in deposits for property development		**(350,746)**	(14,426)
Increase in trade, notes and other payables		**165,723**	158,219
Increase in receipts in advance from customers		**734,474**	434,068
Cash (used in)/generated from operations		**(790,625)**	176,418
Interest received		**109,301**	54,988
Interest paid		**(293,315)**	(285,887)
Income taxes paid		**(749,798)**	(418,017)
Net cash used in operating activities		**(1,724,437)**	(472,498)
Investing activities			
Increase in amounts due from associates		**(134,798)**	(492,413)
(Increase)/decrease in amounts due from jointly controlled entities		**(274,450)**	10,564
Decrease/(increase) in amounts due from related companies		**968**	(2,245)
(Increase)/decrease in pledged bank deposits		**(1,091,345)**	169,196
Decrease/(increase) in entrusted loan receivables		**184,548**	(293,542)
Repayment of loan from the majority shareholder of a former associate		**–**	100,030
Purchase of available-for-sale investments		**(10,458)**	(9,369)
Proceeds from disposal of available-for-sale investment		**14,709**	636
Purchase of property, plant and equipment		**(17,734)**	(8,689)
Purchase of investment properties		**(226,613)**	(342)
Proceeds from disposal of investment properties		**415,417**	224,648
Acquisition of subsidiaries, net of cash acquired	*49*	**(24,606)**	(108,793)
Acquisition of additional interest of a subsidiary		**(60,285)**	–
Net cash inflow on disposal of subsidiaries	*50*	**13,911,796**	193,183
Net cash inflow on disposal of an associate		**140,256**	–
Dividends received from an associate		**58,274**	85,761
Dividends received from available-for-sale investments		**17,792**	656
Net cash from/(used in) investing activities		**12,903,471**	(130,719)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012 HK$'000	2011 HK$'000
Financing activities			
(Decrease)/increase in entrusted loan payables		**(73,819)**	73,386
Decrease in amounts due to associates		**(10,479,068)**	(41,682)
(Decrease)/increase in amounts due to related companies		**(6,316)**	55,037
(Decrease)/increase in amounts due to minority owners of subsidiaries		**(131,618)**	153,354
Increase in bank loans		**4,013,357**	772,549
Repayment of bank loans		**(1,632,628)**	(852,434)
Repayment of other borrowing		**(1,177,917)**	–
Repayment of senior loan notes		**(1,082,171)**	–
Consideration paid for repurchase of shares		**(3,448)**	(4,456)
Expenses paid for repurchase of shares		**(14)**	(18)
Consideration paid for repurchase of senior loan notes		**–**	(2,091)
Dividend paid to non-controlling interest of a subsidiary		**(5,290)**	–
Net cash (used in)/from financing activities		**(10,578,932)**	153,645
Net increase/(decrease) in cash and cash equivalents		**600,102**	(449,572)
Cash and cash equivalents at beginning of year		**895,694**	1,287,852
Effect of foreign exchange rate changes		**12,804**	57,414
Cash and cash equivalents at end of year		**1,508,600**	895,694
Analysis of the balances of cash and cash equivalents			
Cash and bank balances		**1,508,600**	888,224
Cash and bank balances included in assets held for sale	32	**–**	7,470
Cash and cash equivalents at end of year		**1,508,600**	895,694

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

1. GENERAL

Shanghai Zendai Property Limited ("The Company") is a public limited company incorporated in Bermuda. Its shares are listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). Its registered office is at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda and principal place of business is at Unit 6108, 61/F, The Centre, 99 Queen's Road Central, Hong Kong.

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in note 48. The Group comprises the Company and all its subsidiaries.

Its parent and the ultimate holding company is Giant Glory Assets Limited, a private limited company incorporated in the British Virgin Islands.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of amendments to HKFRSs – first effective on 1 January 2012

Amendments to HKFRS 1	Severe Hyper Inflation and Removal of Fixed Dates for First-time Adopters
Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets

Except as explained below, the adoption of these amendments has no material impact on the Group's financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(a) Adoption of amendments to HKFRSs – first effective on 1 January 2012 *(Continued)*

Amendments to HKAS 12 – Deferred Tax – Recovery of Underlying Assets

The amendments to HKAS 12 introduce a rebuttable presumption that an investment property which is stated at fair value under HKAS 40 "Investment Property" is recovered entirely through sale. The measurement of the deferred tax liability or deferred tax asset reflects the tax consequences of recovering the carrying amount of the investment property entirely through sale. This presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If this presumption is rebutted, the amount of deferred tax is measured based on the expected manner in which the carrying amount of the investment property would be recovered, using the appropriate tax rates enacted or substantially enacted at the reporting date.

In respect of the Group's investment properties located in the People's Republic of China, other than Hong Kong and Macau (the "PRC"), the Group determined that these properties are depreciable and are held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time and consequently the presumption in the amended HKAS 12 is rebutted for these investment properties. As a result, the Group continues to measure the deferred tax relating to these investment properties using the tax rate that would apply as a result of recovering their value through use.

The amendment has had no material impact on the Group's consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new or revised HKFRSs, potentially relevant to the Group's financial statements, have been issued but are not yet effective and have not been early adopted by the Group:

HKFRSs (Amendments)	Annual Improvements 2009-2011 Cycle[2]
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income[1]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[3]
Amendments to HKFRS 7	Offsetting Financial Assets and Financial Liabilities[2]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurements[2]
HKAS 27 (2011)	Separate Financial Statements[2]
HKAS 28 (2011)	Investments in Associates and Joint Ventures[2]

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective *(Continued)*

HKFRSs (Amendments) – Annual Improvements 2009-2011 Cycle

The improvements made amendments to the following standards.

(i) HKAS 1 Presentation of Financial Statements

The amendments clarify that the requirement to present a third statement of financial position when an entity applies an accounting policy retrospectively or makes a retrospective restatement or reclassification of items in its financial statements is limited to circumstances where there is a material effect on the information in that statement of financial position. The date of the opening statement of financial position is the beginning of the preceding period and not, as at present, the beginning of the earliest comparative period. The amendments also clarify that, except for disclosures required by HKAS 1.41-44 and HKAS 8, the related notes to the third statement of financial position are not required to be presented. An entity may present additional voluntary comparative information as long as that information is prepared in accordance with HKFRS. This may include one or more statements and not a complete set of financial statements. Related notes are required for each additional statement presented.

(ii) HKAS 16 Property, Plant and Equipment

The amendments clarify that items such as spare parts, stand-by equipment and servicing equipment are recognised as property, plant and equipment when they meet the definition of property, plant and equipment. Otherwise, such items are classified as inventory.

(iii) HKAS 32 Financial Instruments: Presentation

The amendments clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 Income Taxes. Depending on the circumstances these items of income tax might be recognised in equity, other comprehensive income or in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective *(Continued)*

HKFRSs (Amendments) – Annual Improvements 2009-2011 Cycle (Continued)

(iv) HKAS 34 Interim Financial Reporting

The amendments clarifies that in interim financial statements, a measure of total assets and liabilities for a particular reportable segment need to be disclosed when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total assets and liabilities for that segment from the amount disclosed in the last annual financial statements.

Amendments to HKAS 1 (Revised) – Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit and loss in the future (e.g. revaluations of available-for-sale financial assets) and those that may not (e.g. revaluations of property, plant and equipment). Tax on items of other comprehensive income is allocated and disclosed on the same basis. The amendments will be applied retrospectively.

Amendments to HKAS 32 – Offsetting Financial Assets and Financial Liabilities

The amendments clarify the offsetting requirements by adding appliance guidance to HKAS 32 which clarifies when an entity "currently has a legally enforceable right to set off" and when a gross settlement mechanism is considered equivalent to net settlement.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective *(Continued)*

Amendments to HKFRS 7 – Offsetting Financial Assets and Financial Liabilities

HKFRS 7 is amended to introduce disclosures for all recognised financial instruments that are set off under HKAS 32 and those that are subject to an enforceable master netting agreement or similar arrangement, irrespective of whether they are set off under HKAS 32.

HKFRS 9 – Financial Instruments

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective *(Continued)*

HKFRS 10 – Consolidated Financial Statements

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implementation of HKFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 is applied retrospectively subject to certain transitional provisions.

HKFRS 11 – Joint Arrangements

Joint arrangements under HKFRS 11 have the same basic characteristics as joint ventures under HKAS 31. Joint arrangements are classified as either joint operations or joint ventures. Where the Group has rights to the assets and obligations for the liabilities of the joint arrangement, it is regarded as a joint operator and will recognise its interests in the assets, liabilities, income and expenses arising from the joint arrangement. Where the Group has rights to the net assets of the joint arrangement as a whole, it is regarded as having an interest in a joint venture and will apply the equity method of accounting. HKFRS 11 does not allow proportionate consolidation. In an arrangement structured through a separate vehicle, all relevant facts and circumstances should be considered to determine whether the parties to the arrangement have rights to the net assets of the arrangement. Previously, the existence of a separate legal entity was the key factor in determining the existence of a jointly controlled entity under HKAS 31.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective *(Continued)*

HKFRS 12 – Disclosure of Interests in Other Entities

HKFRS 12 integrates and makes consistent the disclosures requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity's interests in other entities and the effects of those interests on the reporting entity's financial statements.

HKFRS 13 – Fair Value Measurement

HKFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 "Financial Instruments: Disclosures". HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. HKFRS 13 can be adopted early and is applied prospectively.

The Group is in the process of making an assessment of the potential impact of these pronouncements. The directors so far concluded that the application of these new pronouncements will have no material impact on the Group's financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange.

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values as explained in the accounting policies set out in note 4 below.

(c) Functional and presentation currency

The consolidated financial statements are presented in Hong Kong dollars ("HK$"). Each entity in the Group maintains its books and records in its own functional currency. The functional currency of the Company is HK$.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Business combination and basis of consolidation *(Continued)*

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Contingent consideration balances arising from business combinations whose acquisition dates preceded 1 January 2010 (i.e. the date the Group first applied HKFRS 3 (2008)) have been accounted for in accordance with the transition requirements in the standard. Such balances are not adjusted upon first application of the standard. Subsequent revisions to estimates of such consideration are treated as adjustments to the cost of these business combinations and are recognised as part of goodwill.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Business combination and basis of consolidation *(Continued)*

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

(b) Subsidiaries

A subsidiary is an entity over which the Company is able to exercise control. Control is achieved where the Company, directly or indirectly, 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.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment losses, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(c) Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies. Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying values are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Associates *(Continued)*

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate and the entire carrying amount of the investment is subject to impairment test by comparing its carrying amount with its recoverable amount, which is higher of value in use and fair value less costs to sell.

(d) Joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

Jointly controlled entities are accounted for using equity method whereby they are initially recognised at cost and thereafter, their carrying amounts are adjusted for the Group's share of the post-acquisition change in the jointly controlled entities' net assets except that losses in excess of the Group's interest in the jointly controlled entities are not recognised unless there is an obligation to make good those losses.

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Goodwill

Goodwill is initially recognised at cost being the excess of the aggregate of a consideration transferred and the amount recognised for non-controlling interests over the fair value of identifiable assets, liabilities and contingent liabilities acquired.

Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount to each asset in the unit. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

(f) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Property, plant and equipment *(Continued)*

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Hotel buildings	Lower of underlying land lease term or 50 years
Motor vehicles	5 years
Leasehold improvements	5 years
Furniture and equipment	5 years

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss on disposal.

(g) Investment properties

Investment properties are properties held either to earn rentals or for capital appreciation or for both, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties are measured at cost on initial recognition and subsequently at fair value unless they are still in the course of construction or development at the reporting period end 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 is recognised in profit or loss.

(h) Payments for leasehold land held for own use under operating leases

Payments for leasehold land held for own use under operating leases represent up-front payments to acquire long-term interests in lessee-occupied properties. These payments are stated at cost less impairment and are amortised over the period of the lease on a straight-line basis as an expense.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Properties under development and for sale

Completed properties and properties under development held for sale are stated at the lower of cost and net realisable value. Cost includes the cost of land, development expenditure, borrowing costs capitalised in accordance with the Group's accounting policy, and other attributable expenses. Net realisable value is determined by prevailing market conditions.

(j) Leasing

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

The Group as lessor

Rental income from operating leases is recognised in the profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expenses, over the terms of the leases.

The land and building elements of property leases are considered separately for the purpose of lease classification.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Financial instrument

(i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Loans and receivables: These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers, and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

Available-for-sale financial assets: These assets are non-derivative financial assets that are designated as available for sale or are not included in other categories of financial assets. Subsequent to initial recognition, these assets are carried at fair value with changes in fair value recognised directly in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary instruments, which are recognised in profit or loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Financial instrument *(Continued)*

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtors' financial difficulty;
- a significant or prolonged decline in the fair value of an investment in equity instrument below its cost; and
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

For loans and receivables

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Financial instrument *(Continued)*

(ii) Impairment loss on financial assets (Continued)

For loans and receivables *(Continued)*

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

For available-for-sale financial assets

Where a decline in the fair value constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in the profit or loss.

Any impairment losses on available-for-sale debt investments are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For available-for-sale equity investment, any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

For available-for-sale equity investment that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversed.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Financial instrument *(Continued)*

(iii) Financial liabilities at amortised cost

The Group's financial liabilities including trade, notes and other payables, entrusted loan payables, amounts due to associates, amounts due to related companies, amounts due to minority owners of subsidiaries, bank loans and senior loan notes, are initially measured at fair value, net of directly attributable costs incurred for the acquisition or issue of the financial liabilities and are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised within "finance costs" in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or financial liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Financial instrument *(Continued)*

(vi) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue.

(vii) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(l) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Non-current assets held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale when:

- they are available for immediate sale;
- management is committed to a plan to sell;
- it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn;
- an active programme to locate a buyer has been initiated;
- the asset or disposal group is being marketed at a reasonable price in relation to its fair value; and
- a sale is expected to complete within 12 months from the date of classification.

Non-current assets and disposal groups classified as held for sale are measured at the lower of:

- their carrying amount immediately prior to being classified as held for sale in accordance with the Group's accounting policy; and
- fair value less costs to sell.

Following their classification as held for sale, non-current assets (including those in a disposal group) are not depreciated.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Revenue recognition

Income from sales of properties is recognised when the risks and rewards of the properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been delivered to the purchasers pursuant to the sales agreements. Deposits and instalments received from forward sales of properties are carried in the statement of financial position under current liabilities.

Hotel revenue from rooms rental, food and beverage sales and other ancillary services is recognised when services are rendered.

Rental income under operating leases is recognised on a straight-line basis over the term of the relevant leases.

Income from building management services is recognised when the services are rendered.

Income from travel and related services is recognised when the services are rendered.

Dividend income is recognised when the right to receive the dividend is established.

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

(o) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Income taxes *(Continued)*

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of reporting period.

An exception to the general requirement on determining the appropriate tax rate used in measuring deferred tax amount is when an investment property is carried at fair value under HKAS 40 "Investment Property". Unless the presumption is rebutted, the deferred tax amounts on these investment properties are measured using the tax rates that would apply on sale of these investment properties at their carrying amounts at the reporting date. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

Income taxes are recognised in profit or loss except when they relate to items directly recognised to other comprehensive income in which case the taxes are also directly recognised in other comprehensive income.

(p) Foreign currency

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Foreign currency *(Continued)*

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the year, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve. Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as foreign exchange reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are transferred to profit or loss as part of the profit or loss on disposal.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of reporting period. Exchange differences arising are recognised in the foreign exchange reserve.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Employee benefit

(i) Defined contribution retirement plans

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

(ii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(r) Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is recognised in profit or loss over the vesting period with a corresponding increase in the share option reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also recognised in profit or loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the fair value of goods or services received is recognised in profit or loss unless the goods or services qualify for recognition as assets. A corresponding increase in equity is recognised. For cash-settled share based payments, a liability is recognised at the fair value of the goods or services received.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Share based payments *(Continued)*

The attributable equity amount recognised in the share option reserve is transferred to share premium account and retained profits when the options are exercised and expire respectively.

(s) Impairment of non-financial assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- payment for leasehold land held for own use under operating leases; and
- investments in subsidiaries, associates and jointly controlled entities

If the recoverable amount (i.e. the greater of fair value less costs to sell and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

(t) Capitalisation of borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Government grants

Government grants are recognised 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. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(v) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

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, the existence of which 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) 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 key management personnel of the Group or the Company's parent.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Related Parties *(Continued)*

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

(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 the employees of the Group or an entity related to the Group.

(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 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 and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results 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.

(a) Critical judgments in applying accounting policies

(i) Classification of investment properties

The Group has temporarily rent out certain office units which are not classified as investment properties because it is not the Group's intention to hold them in the long-term for capital appreciation or rental income. Accordingly, they are continuously accounted for as properties for sales.

(b) Key sources of estimation uncertainty

(i) Impairment of non-financial assets other than goodwill

The Group conducts impairment reviews of assets when events of changes in circumstances indicate that their carrying amounts may not be recoverable in accordance with relevant accounting standards. An impairment loss is recognised when the carrying amount of an asset is lower than the greater of its fair value less cost to sell or the value in use. In determining the value in use, management assess the present value of the estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life. Estimates are applied in determining these future cash flows and the discount rate.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(b) Key sources of estimation uncertainty *(Continued)*

(ii) Impairment loss on goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary, associates or jointly controlled entity at the date of acquisition. Goodwill is recorded as a separate asset or, as applicable, included within investments in associates and jointly controlled entities.

The Group tests annually whether goodwill has suffered any impairment in accordance with accounting policies stated in note 4(e) to the financial statements. Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

(iii) Impairment loss on loans and receivables

The policy for impairment of loans and receivables of the Group is based on the evaluation of collectability and ageing analysis of the loans and receivables and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these loans and receivables, including the current creditworthiness of each debtor. If the financial conditions of debtors of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment may be required.

(iv) Provision for properties under development and for sales

The Group assesses the recoverable amounts of properties under development and for sales according to their forecast net realisable value, taking into account costs to completion based on budget and past experience and net sales value based on prevailing and expected market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of estimation.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(b) Key sources of estimation uncertainty *(Continued)*

(v) Land appreciation taxes ("LAT")

LAT is levied at progressive rates ranging from 30% to 60% on appreciation of land value, being the proceeds of sales of properties less deductible expenditure including sales charges, borrowing costs and all property development expenditure.

The Group is subject to LAT in the PRC which has been included in tax expenses of the Group. However, the implementation of these taxes varies amongst various PRC provinces and the Group has not finalised its LAT returns with various local tax bureaus. Accordingly, significant estimation is required in determining the amount of land appreciation and its related taxes. The ultimate tax determination is uncertain during the ordinary course of business. The Group recognises these liabilities based on management's best estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provisions in the period in which such determination is made.

6. SEGMENT REPORTING

The Group determines its operating segments based on the reports regularly reviewed by the chief operating decision maker that are used to assess performance and allocate resources. The chief operating decision maker considers the business primarily on the basis of the types of goods and services supplied by the Group. The Group is currently organised into four operating divisions which comprise (i) sales of properties; (ii) hotel operations; (iii) properties rental, management and agency services; and (iv) provision of travel and related services.

Certain revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segments' results that is used by the chief operating decision maker for assessment of segment performance.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

6. SEGMENT REPORTING *(Continued)*

Segment information is presented below:

(a) Information about reportable segment revenue, profit or loss and other information

	Sales of properties		Hotel operations		Properties rental, management and agency services		Travel and related services		Group	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Reportable segment revenue from external sales	**685,521**	2,391,143	**143,016**	151,624	**277,915**	240,837	**16,439**	12,692	**1,122,891**	2,796,296
Reportable segment profit before tax expenses	**1,029,013**	1,090,352	**(150,815)**	57,431	**146,317**	289,255	**20**	9	**1,024,535**	1,437,047
Other information										
Interest income	**28,960**	5,579	**–**	–	**630**	546	**–**	–	**29,590**	6,125
Interest income from other receivables	**15,449**	10,612	**–**	–	**–**	–	**–**	–	**15,449**	10,612
Interest income from entrusted loan receivables	**53,783**	35,414	**–**	–	**–**	–	**–**	–	**53,783**	35,414
Interest income from amount due from an associate	**9,836**	–	**–**	–	**–**	–	**–**	–	**9,836**	–
Depreciation of property, plant and equipment	**5,180**	5,186	**14,629**	15,125	**414**	820	**–**	21	**20,223**	21,152
Amortisation of payment for leasehold land held for own use under operating leases	**–**	–	**26,670**	17,933	**–**	–	**–**	–	**26,670**	17,933
Impairment loss on property, plant and equipment	**–**	–	**–**	9,694	**–**	–	**–**	–	**–**	9,694
Reversal of impairment loss on payment for leasehold land held for own use under operating leases	**–**	–	**–**	45,371	**–**	–	**–**	–	**–**	45,371
Change in fair value of investment properties	**–**	–	**–**	–	**(42,748)**	162,297	**–**	–	**(42,748)**	162,297
Share of results of associates	**(13,184)**	(1,792)	**(146,005)**	21,481	**–**	–	**–**	–	**(159,189)**	19,689
Share of results of jointly controlled entities	**(9,580)**	(5,610)	**–**	–	**–**	–	**–**	–	**(9,580)**	(5,610)
Write off of property, plant and equipment	**1,007**	628	**–**	–	**–**	–	**–**	–	**1,007**	628
Gain on disposal of subsidiaries	**826,645**	68,353	**–**	–	**–**	–	**–**	–	**826,645**	68,353
Gain on disposal of an associate	**58,428**	–	**–**	–	**–**	–	**–**	–	**58,428**	–
Gain on disposal of investment properties	**–**	–	**–**	–	**168,671**	71,309	**–**	–	**168,671**	71,309
Impairment loss on goodwill	**–**	1,040	**–**	–	**–**	–	**–**	–	**–**	1,040
Reversal of impairment loss on other receivable	**–**	19,995	**–**	–	**–**	–	**–**	–	**–**	19,995
Reportable segment assets	**10,331,581**	7,641,028	**1,350,136**	1,444,663	**2,705,614**	2,798,196	**3,098**	2,651	**14,390,429**	11,886,538
Amounts included in the measure of segment assets:										
Additions to non-current assets *(note)*	**8,453**	5,061	**8,050**	1,731	**264,298**	2,239	**–**	–	**280,801**	9,031
Interests in associates	**184,413**	423,709	**361,505**	418,598	**–**	–	**–**	–	**545,918**	842,307
Interests in jointly controlled entities	**43,389**	52,614	**–**	–	**–**	–	**–**	–	**43,389**	52,614
Reportable segment liabilities	**7,610,684**	15,924,872	**14,960**	19,485	**426,833**	557,384	**2,683**	2,257	**8,055,160**	16,503,998

Note:

Amounts comprise additions to investment properties and property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

6. SEGMENT REPORTING *(Continued)*

(b) Reconciliation of reportable segment profit or loss, assets and liabilities

	Group	
Profit before tax expenses	**2012**	2011
	HK$'000	HK$'000
Reportable segment profit before tax expenses	**1,024,535**	1,437,047
Unallocated bank interest income	**643**	2,837
Other revenue	**364**	369
Gain on repurchase of senior loan notes	**–**	251
Dividend income from available-for-sale investments	**17,792**	–
Finance costs	**(136,227)**	(466,174)
Unallocated head office and corporate expenses	**(34,500)**	(20,510)
Profit before income tax expenses	**872,607**	953,820

	Group	
Assets	**2012**	2011
	HK$'000	HK$'000
Reportable segment assets	**14,390,429**	11,886,538
Available-for-sale investments	**–**	14,709
Pledged bank deposits	**1,317,421**	224,749
Head office and corporate assets	**152,829**	249,931
Assets classified as held for sale	**–**	15,456,736
Total assets	**15,860,679**	27,832,663

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

6. SEGMENT REPORTING *(Continued)*

(b) Reconciliation of reportable segment profit or loss, assets and liabilities *(Continued)*

Liabilities	Group 2012 HK$'000	Group 2011 HK$'000
Reportable segment liabilities	**8,055,160**	16,503,998
Borrowings *(note)*	**1,983,303**	2,618,837
Unallocated head office and corporate liabilities	**22,381**	46,450
Liabilities associated with assets held for sale	**–**	2,850,453
Total liabilities	**10,060,844**	22,019,738

Note:

The balance comprises unallocated bank loans and senior loan notes.

(c) Geographical information

The Group's operations are principally located in the PRC and Hong Kong. Group administration is carried out in the PRC and Hong Kong.

The following table provides an analysis of the Group's turnover by geographical market.

Group	Revenue from external customers 2012 HK$'000	Revenue from external customers 2011 HK$'000
PRC	**1,106,452**	2,783,604
Hong Kong	**16,439**	12,692
	1,122,891	2,796,296

As the Group's assets are substantially located in the PRC, no further geographical information is presented.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

6. SEGMENT REPORTING *(Continued)*

(d) Information about major customers

Revenue from customers of the sales of properties segment in the PRC contributing over 10% of total turnover of the Group is as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Customer A	**–**	366,766

7. TURNOVER

Turnover representing the aggregate of proceeds from sales of properties, amounts received and receivable from the hotel operations, properties rental, management and agency income, and the provision of travel and related services is summarised as follows:

	Group	
Turnover	**2012**	2011
	HK$'000	HK$'000
Sales of properties	**685,521**	2,391,143
Hotel operations:		
Room rentals	**100,676**	107,380
Food and beverage sales	**32,362**	32,479
Rendering of ancillary services	**9,978**	11,765
Properties rental, management and agency income	**277,915**	240,837
Travel and related services	**16,439**	12,692
	1,122,891	2,796,296

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

8. OTHER INCOME AND GAINS

	Group	
	2012	2011
	HK$'000	HK$'000
Bank interest income	**30,233**	8,962
Interest income from other receivables	**15,449**	10,612
Interest income from entrusted loans receivables	**53,783**	35,414
Interest income from amount due from an associate	**9,836**	–
Rental income *(note)*	**12,940**	1,094
Gain on disposal of investment properties	**168,671**	71,309
Gain on disposal of subsidiaries *(Note 50)*	**826,645**	68,353
Gain on disposal of an associate	**58,428**	–
Dividend income from available-for-sale investments	**17,792**	656
Exchange gains, net	**974**	–
Gain on disposal of available-for-sale investments	**–**	23
Gain on repurchase of senior loan notes *(Note 39)*	**–**	251
Others	**21,991**	18,191
	1,216,742	214,865

Note:

Rental income was derived from certain office units included in properties for sales, for which the Group intends to sell subject to the tenancy agreements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

9. PROFIT BEFORE TAX EXPENSES

Profit before tax expenses is arrived at after charging:

	Group	
	2012	2011
	HK$'000	HK$'000
Cost of sales	**682,200**	1,380,617
Staff costs *(Note 10)*	**153,430**	182,481
Depreciation of property, plant and equipment	**20,223**	21,152
Amortisation of payment for leasehold land held for own use under operating leases	**26,670**	17,933
Auditor's remuneration	**2,350**	2,300
Write off of property, plant and equipment	**1,007**	628
Direct operating expenses from investment properties that generated rental income during the year	**46,610**	38,350
Exchange losses, net	**–**	309

10. STAFF COSTS

	Group	
	2012	2011
	HK$'000	HK$'000
Staff costs (including directors) comprise:		
Wages and salaries	**130,275**	164,062
Contributions to defined contribution retirement plans	**23,155**	18,419
	153,430	182,481

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

11. DIRECTORS' AND SENIOR MANAGEMENT EMOLUMENTS

(a) Directors' remuneration

Details of directors' remuneration are as follows:

2012	Fees HK$'000	Salaries and other benefits HK$'000	Contribution to retirement benefits schemes HK$'000	Total HK$'000
Executive directors:				
Mr. Dai Zhikang ("Mr. Dai")	–	3,000	14	3,014
Mr. Tang Jian	–	991	82	1,073
Mr. Zuo Xingping	–	1,528	66	1,594
Mr. Wang Fujie	–	3,728	–	3,728
Ms. Zhou Yan (i)	–	–	–	–
Non-executive directors:				
Mr. Wu Yang	–	2,459	–	2,459
Mr. Liu Zhiwei (ii)	–	–	–	–
Independent non-executive directors:				
Mr. Lai Chik Fan	165	–	–	165
Mr. Lo Mun Lam, Raymond	165	–	–	165
Dr. Tse Hiu Tung, Sheldon (i)	40	–	–	40
Mr. Li Man Wai (iii)	126	–	–	126
Mr. Cai Gao Sheng (iii)	126	–	–	126
Total	622	11,706	162	12,490

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

11. DIRECTORS' AND SENIOR MANAGEMENT EMOLUMENTS *(Continued)*

(a) Directors' remuneration *(Continued)*

2011	Fees HK$'000	Salaries and other benefits HK$'000	Contribution to retirement benefits schemes HK$'000	Total HK$'000
Executive directors:				
Mr. Dai	–	3,000	12	3,012
Mr. Tang Jian	–	1,087	85	1,172
Mr. Ma Chengliang	–	3,500	79	3,579
Mr. Zuo Xingping	–	1,414	80	1,494
Mr. Wang Fujie	–	2,434	11	2,445
Ms. Zhou Yan	–	1,279	73	1,352
Non-executive directors:				
Mr. Wu Yang	–	3,586	73	3,659
Independent non-executive directors:				
Mr. Lai Chik Fan	120	–	–	120
Mr. Lo Mun Lam, Raymond	120	–	–	120
Dr. Tse Hiu Tung, Sheldon	120	–	–	120
Total	360	16,300	413	17,073

(i) The directors resigned with effect from 20 April 2012.

(ii) The director resigned with effect from 12 December 2012.

(iii) The directors were appointed on 20 April 2012.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

11. DIRECTORS' AND SENIOR MANAGEMENT EMOLUMENTS *(Continued)*

(a) Directors' remuneration *(Continued)*

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

During the year, 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.

(b) The five highest paid individuals

For the years ended 31 December 2012 and 2011, the five highest paid individuals were all directors of the Company, and their respective remunerations are disclosed in note 11(a).

(c) The emoluments paid or payable to member of senior management were in the following band:

	2012 No.of individual	2011 No. of individual
Nil to HK$1,000,000	**1**	1

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

12. FINANCE COSTS

	Group	
	2012	2011
	HK$'000	HK$'000
Interest on bank loans wholly repayable within five years	**153,908**	152,065
Interest on bank loans repayable after five years	**71,054**	42,692
Interest on senior loan notes	**46,694**	111,640
Interest on other borrowing	**–**	215,445
Interest on entrusted loans payables	**12,107**	1,962
Unwinding of discount on other payables due for settlement after one year	**10,171**	9,387
Amortisation of issue costs of senior loan notes *(Note 39)*	**3,207**	7,699
Less: amount capitalised in properties under development	**(124,460)**	(47,887)
Less: amount capitalised in investment properties	**(36,454)**	(26,829)
	136,227	466,174

Borrowing costs capitalised during the year are calculated by applying a capitalisation rate of 6.6% (2011: 8.5%) to expenditure on qualifying assets.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

13. TAX EXPENSES

The amount of tax expenses/(credit) in the consolidated statement of comprehensive income represents:

	Group	
	2012	2011
	HK$'000	HK$'000
Current tax – PRC Enterprise Income Tax		
– tax for the year	**156,316**	172,037
– under provision in respect of prior years	**67,720**	34,006
	224,036	206,043
Current tax – LAT		
– tax for the year	**104,476**	277,650
– under/(over) provision of tax attributable to sales of properties in prior years	**41,890**	(14,261)
	146,366	263,389
Deferred tax *(Note 41)*		
– current year	**(53,559)**	36,174
	316,843	505,606

Hong Kong Profits Tax

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits in Hong Kong for the years ended 31 December 2012 and 2011.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

13. TAX EXPENSES *(Continued)*

PRC Enterprise Income Tax

For subsidiaries which are located and operated in Shanghai and approved to be established before 16 March 2007 by the State Administration of Industrial and Commerce, the Enterprise Income Tax Law of the PRC provides a five-year transition period during which the transitional rates are 18%, 20%, 22%, 24% and 25% for the years ended 31 December 2008, 2009, 2010, 2011 and 2012 respectively. These PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% (2011: 24% to 25%) during the year ended 31 December 2012.

Profits of other subsidiaries established in the PRC are subject to an income tax rate of 25%, which is unified to both domestic enterprises and foreign-invested enterprises.

Pursuant to the PRC tax law passed on 16 March 2007, a 10% withholding tax will be levied on dividends declared to foreign investors effective from 1 January 2008. However, a 5% withholding tax will be levied on dividends declared to Hong Kong investor under the tax treaty arrangement between PRC and Hong Kong. Further to the issuance of Guofa (2007) No. 39, the Ministry of Finance and the State Administration of Taxation released notice Caishui (2008) No. 1 on 22 February 2008, stating that the distributions of the pre-2008 earnings of a foreign invested enterprise to a foreign investor in 2008 or later will be exempted from any withholding taxes.

LAT

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including costs of land and development and construction expenditures.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

13. TAX EXPENSES *(Continued)*

The tax expenses for the year can be reconciled to the profit before tax expenses per the consolidated statement of comprehensive income as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Profit before tax expenses	**872,607**	953,820
Tax calculated at the PRC profits tax rate of 25% (2011: 25%)	**218,152**	238,455
Tax effect of share of results of associates	**39,797**	(4,922)
Tax effect of share of result of a jointly controlled entity	**2,395**	1,403
Lower tax rates for specific entities in the PRC	**–**	(26,143)
Effect of different tax rates of subsidiaries operating in jurisdictions other than the PRC	**9,767**	2,765
Tax effect of expenses not deductible for tax purposes	**19,623**	32,664
Tax effect of revenue and gains not taxable for tax purposes	**(201,889)**	(63,730)
Tax effect of tax losses not recognised	**44,374**	13,369
Utilisation of tax losses previously not recognised	**(49,518)**	(160)
Provision of withholding tax on dividend	**20,056**	14,510
Under provision in respect of prior years	**67,720**	34,006
	170,477	242,217
LAT	**195,155**	350,409
Tax effect of LAT deductible for calculation of income tax purpose	**(48,789)**	(87,020)
	146,366	263,389
Tax expenses	**316,843**	505,606

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

14. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Profit attributable to owners of the Company includes a loss of HK$60,787,000 (2011: HK$89,087,000) which has been dealt with in the financial statements of the Company.

15. DIVIDENDS

No dividend was proposed for the years ended 31 December 2012 and 2011.

16. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to owners of the Company is based on the following data:

	2012 **HK$'000**	2011 HK$'000
Earnings		
Profit for the year attributable to owners of the Company	**554,702**	449,886
	(thousands)	(thousands)
Number of shares		
Weighted average number of ordinary shares in issue	**12,438,100**	12,488,037
	HK Cents	HK Cents
Basic earnings per share	**4.5**	3.6

The computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options as the exercise price of the share options is higher than the average market price of the Company's share during the years ended 31 December 2012 and 2011.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

17. PROPERTY, PLANT AND EQUIPMENT

Group

	Hotel buildings HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Furniture and equipment HK$'000	Total HK$'000
2012					
Cost					
At 1 January 2012	438,483	25,936	199	45,794	510,412
Exchange differences	2,589	175	–	408	3,172
Additions	–	7,384	151	10,199	17,734
Written off	–	(2,097)	–	(1,619)	(3,716)
At 31 December 2012	441,072	31,398	350	54,782	527,602
Accumulated depreciation and impairment					
At 1 January 2012	85,375	14,638	199	23,181	123,393
Exchange differences	513	111	–	161	785
Provided for the year	11,898	4,133	–	4,192	20,223
Eliminated on written off	–	(1,481)	–	(1,228)	(2,709)
At 31 December 2012	97,786	17,401	199	26,306	141,692

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

17. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Group

	Hotel buildings HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Furniture and equipment HK$'000	Total HK$'000
2011					
Cost					
At 1 January 2011	421,968	27,534	199	40,512	490,213
Exchange differences	16,515	1,212	–	2,160	19,887
Additions	–	2,132	–	6,557	8,689
Reclassified to assets held for sale	–	(3,407)	–	(2,385)	(5,792)
Written off	–	(1,535)	–	(1,050)	(2,585)
At 31 December 2011	438,483	25,936	199	45,794	510,412
Accumulated depreciation and impairment					
At 1 January 2011	60,387	11,553	177	17,598	89,715
Exchange differences	3,715	638	–	1,633	5,986
Provided for the year	11,579	4,378	22	5,173	21,152
Reclassified to assets held for sale	–	(846)	–	(351)	(1,197)
Impairment loss *(note)*	9,694	–	–	–	9,694
Eliminated on written off	–	(1,085)	–	(872)	(1,957)
At 31 December 2011	85,375	14,638	199	23,181	123,393
Net book values					
At 31 December 2012	**343,286**	**13,997**	**151**	**28,476**	**385,910**
At 31 December 2011	353,108	11,298	–	22,613	387,019

Hotel buildings are pledged to a bank to secure certain bank loan granted to the Group (Note 38).

Note:

During the year ended 31 December 2011, impairment loss of HK$9,694,000 in respect of hotel building was recognised in profit or loss, which was determined with reference to a valuation as determined by qualified valuers, DTZ Debenham Tie Leung Limited, an independent firm of surveyors. The valuation was arrived at by discounted cash flow approach.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

17. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Company

	Leasehold improvements HK$'000	Furniture and equipment HK$'000	Total HK$'000
2012			
Cost			
At 1 January 2012	**–**	**306**	**306**
Additions	**152**	**139**	**291**
At 31 December 2012	**152**	**445**	**597**
Accumulated depreciation			
At 1 January 2012	**–**	**213**	**213**
Provided for the year	**–**	**49**	**49**
At 31 December 2012	**–**	**262**	**262**
2011			
Cost			
At 1 January 2011	–	225	225
Additions	–	81	81
At 31 December 2011	–	306	306
Accumulated depreciation			
At 1 January 2011	–	190	190
Provided for the year	–	23	23
At 31 December 2011	–	213	213
Net book values			
At 31 December 2012	**152**	**183**	**335**
At 31 December 2011	–	93	93

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18. INVESTMENT PROPERTIES

	Group	
	2012	2011
	HK$'000	HK$'000
Fair value		
At beginning of year	**2,564,824**	1,769,068
Exchange differences	**14,572**	53,612
Additions	**263,067**	342
Transfer from properties under development and for sales and measured at fair value *(note)*	**–**	720,151
Disposals	**(224,294)**	(140,646)
Change in fair value	**(42,748)**	162,297
At end of the year	**2,575,421**	2,564,824

Note:

During the year ended 31 December 2011, certain office and car-parks in Qingdao commercial project recognised as property under development were transferred to investment properties upon signing of relevant tenancy agreements. Therefore, the carrying amount of the office and car-parks were transferred to investment properties and measured at fair value at the date of re-classification.

NOTES TO THE FINANCIAL STATEMENTS

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19. ANALYSIS OF INVESTMENT PROPERTIES

(a) The analysis of the carrying amount of investment properties is as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Lands and buildings held in the PRC:		
– Long lease	**13,533**	13,454
– Medium-term lease	**2,198,945**	2,196,673
– Short lease	**362,943**	354,697
	2,575,421	2,564,824

(b) Investment properties with carrying amount HK$2,575,421,000 (2011: HK$2,564,824,000) were revalued at 31 December 2012 at a valuation by qualified valuer, DTZ Debenham Tie Leung Limited, independent firms of surveyors. The valuations were arrived at by considering the capitalised income to be derived from the existing tenancies and the reversionary potential of the properties or, where appropriate, by reference to market evidence of transaction prices for similar properties in the same locations and conditions.

(c) Investment properties with carrying amount of HK$2,285,078,000 (2011: HK$2,226,027,000) are pledged to banks to secure certain bank loans granted to the Group (Note 38).

(d) Gross rental income from investment properties amounted to HK$67,264,000 (2011: HK$87,121,000).

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20. PAYMENT FOR LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASES

The Group's payment for leasehold land held for own use under operating leases is pledged to a bank to secure a bank loan granted to the Group (Note 38).

	Group	
	2012	2011
	HK$'000	HK$'000
Land use right in the PRC		
– Medium-term lease	**619,904**	642,794

During the year ended 31 December 2011, reversal of impairment loss of approximately HK$45,371,000 in respect of the leasehold land held for own use under operating leases had been recognised in profit or loss.

The recognition or reversal of impairment loss are determined with reference to a valuation by the qualified valuers, DTZ Debenham Tie Leung Limited, an independent firm of surveyors. The valuation was arrived at by discounted cash flow approach.

21. GOODWILL

	Group
	HK$'000
At 1 January 2011	101,457
Exchange differences	1,346
Impairment loss	(1,040)
At 31 December 2011	101,763
Exchange differences	212
At 31 December 2012	**101,975**

22. IMPAIRMENT TESTING ON GOODWILL

Goodwill acquired through certain business combinations has been allocated to two (2011: three) major cash generating units for impairment testing.

The cash-generating units are property development projects of subsidiaries and located in the cities of Qingdao and Shanghai and are either currently available for sale or will be available for sale in the forthcoming five years.

The recoverable amounts for the cash-generating units have been determined based on a value-in-use calculation using cash flow projections based on forecasts covering a five-year period. The discount rate applied to the cash flow projections is 10% (2011: 10%) per annum.

The carrying amount of goodwill as at 31 December 2012 allocated to each of the two (2011: three) cash-generating units is as follows:

	2012 **HK$'000**	2011 HK$'000
Sales of properties:		
上海証大三角洲置業有限公司 ("証大三角洲")	**36,558**	36,346
Lanrich International Limited	**65,417**	65,417
	101,975	101,763

The management has adopted the following key assumptions in preparation of the cash flow projections to undertake impairment testing of goodwill:

- Selling prices – The market prices of the comparable properties nearby
- Construction costs – The estimated costs including infrastructure costs to complete the property development projects
- Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant units

The values assigned to key assumptions are based on historical experiences, current market condition, approved budgets and forecasts and consistent with external information sources.

The carrying values of goodwill were tested for impairment as at 31 December 2012 and 2011. The results of the tests indicated that there was no impairment loss for the year ended 31 December 2012. For the year ended 31 December 2011, impairment loss of HK$1,040,000 was recognised in profit or loss.

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23. INTERESTS IN ASSOCIATES

	Group	
	2012	2011
	HK$'000	HK$'000
Share of net assets	**545,918**	842,307
Amounts due from associates *(note a)*	**798,782**	660,086
	1,344,700	1,502,393

Details of the Group's associates at 31 December 2012 are as follows:

Name	Form of business structure	Place of establishment and operations	Particulars of paid-up capital	Percentage of ownership interest	Principal activities
上海証大喜瑪拉雅置業有限公司 ("証大喜瑪拉雅")	Corporation	The PRC	Registered capital RMB633,630,000	45%	Hotel operation and properties rental in the PRC
青島上實地產有限公司	Corporation	The PRC	Registered capital US$3,620,000	45%	Property development in the PRC

Notes:

(a) The amounts are unsecured, interest-free and repayable on demand.

(b) The Group has disposed of its 30% equity interests in 中科廊坊科技谷有限公司 during the year.

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23. INTERESTS IN ASSOCIATES *(Continued)*

The summarised financial information in respect of the Group's associates is set out below:

	2012	2011
	HK$'000	HK$'000
Total assets	**5,662,853**	5,961,344
Total liabilities	**(4,099,685)**	(3,628,446)
Net assets	**1,563,168**	2,332,898
Group's share of net assets of associates	**545,918**	842,307
Total revenue	**219,764**	191,880
Total (loss)/profit for the year	**(368,073)**	49,341
Group's share of results of the associates for the year	**(159,189)**	19,689

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24. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	Group	
	2012	2011
	HK$'000	HK$'000
Share of net assets	**43,389**	52,614
Amounts due from jointly controlled entities *(note)*	**813,599**	535,984
	856,988	588,598

Details of the Group's jointly controlled entities are as follows:

Name	Form of business structure	Place of establishment and operations	Particulars of issued and paid-up capital	Percentage of ownership interest	Principal activities
文廣証大南通文化投資發展有限公司 ("文廣証大")	Corporation	The PRC	Registered capital RMB100,000	50%	Property development in the PRC
Top Harbour Limited	Corporation	New Zealand	Issued capital Nil	45%	Property development in New Zealand

Note:

The amounts are unsecured, interest-free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

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24. INTERESTS IN JOINTLY CONTROLLED ENTITIES *(Continued)*

The summarised financial information in respect of the Group's jointly controlled entities is set out below:

	Group	
	2012	2011
	HK$'000	HK$'000
Non-current assets	**729**	774
Current assets	**1,743,139**	1,316,027
Current liabilities	**(1,472,543)**	(1,089,264)
Non-current liabilities	**(184,547)**	(122,309)
Net assets	**86,778**	105,228
Group's share of net assets of the jointly controlled entities	**43,389**	52,614
Income	**4,894**	205
Expenses	**(24,055)**	(11,425)
Loss for the year	**(19,161)**	(11,220)
Group's share of results of the jointly controlled entities	**(9,580)**	(5,610)

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25. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2012	2011
	HK$'000	HK$'000
Unlisted equity interests, at cost *(note a)*	**30,906**	35,648
Investment funds, at fair value *(note b)*	**2,584**	1,957
	33,490	37,605

	Group	
	2012	2011
	HK$'000	HK$'000
Analysed for reporting purpose as:		
Non-current assets	**30,906**	35,648
Current assets	**2,584**	1,957
	33,490	37,605

Notes:

(a) The balance represents investments cost of HK$30,906,000 (2011: HK$35,648,000) in three (2011: four) private entities established in the PRC and are classified under non-current assets. They are measured at cost less any impairment at the end of each reporting period because the directors of the Company are of the opinion that their fair values cannot be measured reliably.

(b) These funds are operated by the Agricultural Bank of China and Bank of Communication. According to the funds' prospectus, these funds invest in listed and unlisted securities in the PRC and other commodities contracts. The expected return on these funds ranged from 3% to 5% as estimated by the issuers.

NOTES TO THE FINANCIAL STATEMENTS

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26. PROPERTIES UNDER DEVELOPMENT AND FOR SALES

	Group	
	2012	2011
	HK$'000	HK$'000
Properties		
– under development	**4,724,504**	3,309,823
– for sales	**1,152,582**	1,036,212
	5,877,086	4,346,035

Properties under development and for sales with carrying amount of HK$1,500,587 (2011: HK$2,344,002,000) are pledged to banks to secure certain bank loans (Note 38) granted to the Group.

At 31 December 2011, properties under development and for sales with carrying amount of HK$735,497,000 were pledged to secure other borrowing granted to the Group. During the year, the borrowing was fully repaid and the pledge has been released.

Properties under development and for sales which are expected to be recovered in more than twelve months after the end of reporting period are classified under current assets as they are expected to be realised in the Group's normal operating cycle. The amounts of properties under development and for sales that are expected by management to be realised after more than twelve months from the end of reporting period are HK$1,584,794,000 (2011: HK$2,059,625,000).

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27. INVENTORIES

	Group	
	2012	2011
	HK$'000	HK$'000
Food, beverage and low value consumables	**2,000**	1,887

28. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables *(note a)*	**31,395**	84,510	**–**	–
Refundable deposits for potential acquisition of land use rights	**168,411**	311,399	**–**	–
Deposits	**47,193**	108,049	**–**	468
Prepayments	**129,972**	112,925	**4,684**	510
Consideration receivables on disposal of subsidiaries *(Note 50)*	**170,318**	–	**–**	–
Other receivables *(note b)*	**77,377**	33,700	**1,085**	61
	624,666	650,583	**5,769**	1,039

The Group generally grants no credit period to its customers on sales of properties, except for certain significant transactions where credit terms or settlement schedules are negotiated on an individual basis. A credit period ranging from 30 to 60 days is granted to customers in travel and related services.

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28. TRADE AND OTHER RECEIVABLES *(Continued)*

Notes:

(a) The ageing analysis of trade receivables at the end of reporting period is as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Current (i)	**3,205**	42,654
Less than 1 month past due	**8,964**	197
1 to 3 months past due	**3,343**	1,719
More than 3 months but less than 12 months past due	**8,271**	36,324
More than 12 months past due	**7,612**	3,616
Amount past due but not impaired (ii)	**28,190**	41,856
	31,395	84,510

(i) The current balance neither past due nor impaired related to a number of customers for whom there was no recent history of default.

(ii) The balance of HK$28,190,000 (2011: HK$41,856,000) was past due but not impaired. The Group recognised impairment loss on individual assessment based on the accounting policy stated in note 4(k)(ii). The directors consider the balance would be recoverable.

(b) Included in the amount was an other receivable of approximately HK$52,500,000 in relation to an agreement signed between the Group and an independent third party for a property development project. The Group paid approximately HK$52,500,000 for the project pursuant to the terms of the agreement but the agreement was subsequently cancelled as agreed by both parties. The receivable of HK$52,500,000 was due to be refundable to the Group on 30 June 2013 and carried no interest. The Group held four artworks as collateral for the receivable. The Group considers that the credit risk arising from the receivable is significantly mitigated by the artworks held as collateral, with reference to the estimated market value of the artworks at 31 December 2012.

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29. DEPOSITS FOR PROPERTY DEVELOPMENT

	Group	
	2012	2011
	HK$'000	HK$'000
Deposits for acquisition of land use rights in the PRC	**414,276**	85,244
Prepayments to property construction contractors	**27,562**	5,313
	441,838	90,557

30. AMOUNTS DUE FROM RELATED COMPANIES

Name of related companies	**Directors having beneficial interests**	**Group**		**Maximum amount outstanding during the year**
		2012	2011	
		HK$'000	HK$'000	**HK$'000**
Zendai Investment Development Limited	Mr. Dai	**13,769**	15,289	15,289
北京証大資源有限公司	Mr. Dai	**615**	612	615
上海喜瑪拉雅美術館	Mr. Dai	**2**	2	2
上海証大投資發展有限公司 ("証大投資")	Mr. Dai	**79**	51	79
江蘇証大投資發展有限公司	Mr. Dai	**615**	–	615
		15,080	15,954	

The amounts are unsecured, interest-free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

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31. PLEDGED BANK DEPOSITS

Pledged bank deposits represent deposits pledged to banks to secure certain bank loans (Note 38) granted to the Group. The pledged bank deposits carry interest ranging from 3.05% to 3.50% per annum (2011: 0.25% to 3.50% per annum).

32. ASSETS CLASSIFIED AS HELD FOR SALE AND ASSOCIATED LIABILITIES

On 28 October 2011, 上海証大置業有限公司 ("証大置業"), a wholly-owned subsidiary of the Company, entered into an agreement with 上海海之門房地產管理有限公司 ("海之門"), an associate with 35% equity interest held by the Group at that date, for disposal ("Disposal") of its entire interest in and shareholder's loan to 上海証大外灘國際金融服務中心置業有限公司 ("証大外灘"), a wholly-owned subsidiary of 証大置業, for a total cash consideration of RMB9,570,000,000 (equivalent to approximately HK$11,675,000,000).

On 29 December 2011, 証大置業 entered into another agreement with an independent third party ("Purchaser") for disposal ("Wudaokou Disposal") of its entire interest in and shareholder's loan to 上海証大五道口房地產開發有限公司 ("証大五道口"), a wholly-owned subsidiary of 証大置業, for a total cash consideration of RMB2,960,000,000 (equivalent to approximately HK$3,610,000,000). Pursuant to the agreement of Wudaokou Disposal, 証大五道口 would dispose all of its assets other than its equity interest and receivable in 海之門 and the shareholder's loan ("Spin-off") upon 証大五道口 was transferred to the Purchaser. Pursuant to a supplemental agreement, the Spin-off could be completed after the 証大五道口 was transferred to the Purchaser. Further, pursuant to the agreement of Wudaokou Disposal, part of the consideration would be used for settlement of other borrowing of the Group.

Accordingly, the assets and liabilities that would be disposed under the Disposal and Wudaokou Disposal ("Disposal Group") were classified as assets held for sale and liabilities associated with assets held for sale and were presented separately as at 31 December 2011.

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32. ASSETS CLASSIFIED AS HELD FOR SALE AND ASSOCIATED LIABILITIES

(Continued)

	Total HK$'000
Property, plant and equipment	4,595
Interest in an associate	506,624
Properties under development and for sales	12,143,645
Other receivables	4,889
Amount due from an associate	2,789,513
Cash and cash equivalents	7,470
Total assets classified as held for sale	15,456,736
Other payables	44,749
Receipt in advance from customer	1,590,020
Amount due to an associate	43,949
Tax payable	13
Other borrowing	1,171,722
Total liabilities associated with assets held for sale	2,850,453

The Disposal and Wudaokou Disposal were completed during the year ended 31 December 2012, details of which are set out in note 50.

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33. TRADE, NOTES AND OTHER PAYABLES

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables *(note a)*	**887,437**	513,278	**–**	–
Notes payables *(note a)*	**28,297**	92,955	**–**	–
Other payables and accruals	**534,283**	571,800	**4,167**	10,405
	1,450,017	1,178,033	**4,167**	10,405
Less: other payables due for settlement after one year:				
– Consideration payable for acquisition of land use rights *(note b)*	**(149,193)**	(148,599)	**–**	–
– Consideration payable for acquisition of a subsidiary *(Note 49(a))*	**(22,687)**	–	**–**	–
	(171,880)	(148,599)	**–**	–
	1,278,137	1,029,434	**4,167**	10,405

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33. TRADE, NOTES AND OTHER PAYABLES *(Continued)*

Notes:

(a) The ageing analysis of trade and notes payables at the end of reporting period is as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Current or less than 1 month	**695,539**	362,710
1 – 3 months	**59,339**	40,137
More than 3 months but less than 12 months	**6,483**	19,364
More than 12 months	**130,783**	169,950
	892,144	592,161
Retention money	**23,590**	14,072
	915,734	606,233

The trade and notes payables mainly represent accrued construction costs payable to contractors. The amounts will be paid upon the completion of cost verification process between the contractors and the Group.

(b) The amount represents consideration for acquisition of land use rights amounting to RMB360,000,000 (equivalent to HK$442,913,000) payable to an independent third party. The balance is repayable in 38 years by annual instalments, starting from February 2009. The carrying amount of the payable of RMB129,264,000 (equivalent to HK$159,035,000) (2011: RMB129,494,000 (equivalent to HK$158,384,000)) of which RMB8,000,000 (equivalent to HK$9,842,000) (2011: RMB8,000,000 (equivalent to HK$9,785,000)) is included in current liabilities as at 31 December 2012 represents the expected cash flows from settlement of the payable discounted at the effective interest rate of 6% per annum prevailing at the time of recognition of the payable plus unwinding discount less settlement made up to the end of the reporting period.

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34. ENTRUSTED LOAN RECEIVABLES/PAYABLES

During the year, 証大置業 entered into entrusted loan arrangement with 文廣証大, a jointly controlled entity of the Group, in the amount of RMB90,000,000 (equivalent to approximately HK$110,728,000) (2011:RMB180,000,000 (equivalent to HK$220,156,000)), with a bank in the PRC, in which 証大置業 acts as the entrusting party, the bank acts as the lender, and 文廣証大 acts as the borrower (the "Entrusted Loan"). The Entrusted Loan receivable bears interest at 15% (2011:18%) per annum and is repayable within one year. The Entrusted Loan is made to finance the operation and working capitals needs of 文廣証大.

During the year ended 31 December 2011, 証大置業, entered into entrusted loan arrangement with 鄂爾多斯市証大房地產開發有限責任公司 ("鄂爾多斯"), a wholly-owned subsidiary of 証大置業, in the amount of RMB60,000,000 (equivalent to approximately HK$73,386,000), with a bank in the PRC, in which 証大置業 acts as the entrusting party, the bank acts as the lender, and 鄂爾多斯 acts as the borrower (the "2011 Entrusted Loan"). The receivable and payable of the 2011 Entrusted Loan cannot be set off and bore interests at 16% per annum and were repayable within one year. The 2011 Entrusted Loan was made to finance the operation and working capitals needs of 鄂爾多斯. The amount was settled during the year ended 31 December 2012.

35. AMOUNTS DUE TO ASSOCIATES

The amounts were unsecured, interest-free and repayable on demand.

36. AMOUNTS DUE TO RELATED COMPANIES

The amounts were unsecured, interest-free and repayable on demand. The Company's director, Mr. Dai, had beneficial interests in these related companies.

37. AMOUNTS DUE TO MINORITY OWNERS OF SUBSIDIARIES

The amounts are unsecured, interest-free and repayable on demand.

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38. BANK LOANS

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Secured *(note)*	**4,907,470**	2,560,831	**638,623**	–
Unsecured	**49,213**	–	**–**	–
	4,956,683	2,560,831	**638,623**	–

At the end of reporting period, the bank loans were repayable as follows:

Within one year	**1,325,085**	754,648	**–**	–
More than one year, but not exceeding two years	**1,603,646**	864,403	**638,623**	–
More than two years, but not exceeding five years	**1,219,636**	878,180	**–**	–
After five years	**808,316**	63,600	**–**	–
	4,956,683	2,560,831	**638,623**	–
Less: Amount repayable within one year included in current liabilities	**(1,325,085)**	(754,648)	**–**	–
Amount repayable after one year	**3,631,598**	1,806,183	**638,623**	–

Note:

The bank loans are secured by the Group's assets as detailed in note 56(a). Corporate guarantees were also given to banks for certain bank loans by a related company, which is beneficially owned by Mr. Dai, a director and shareholder of the Company.

Included in the amount were the entrusted loans amounted to RMB542,320,000 (equivalent to HK$667,224,000) (2011:Nil), where entrusted loan arrangement was made between 南京証大大拇指商業發展有限公司 ("南京証大大拇指"), an independent third party and a bank in the PRC, in which the independent third party acts as the entrusting party, the bank acts as the lender, and 南京証大大拇指 acts as the borrower. The entrusted loans bear interest at 10% per annum and are repayable within 2 to 2.5 years.

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39. SENIOR LOAN NOTES

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Carrying amount at beginning of the year	**1,078,964**	1,073,607	**1,081,304**	1,159,095
Cancellation of senior loan notes by a subsidiary	**–**	–	**–**	(85,490)
Amortisation of issue costs *(Note 12)*	**3,207**	7,699	**3,207**	7,699
Senior loan notes repurchased by a subsidiary	**–**	(2,342)	**–**	–
Repayment of senior loan notes	**(1,082,171)**	–	**(1,084,511)**	–
Carrying amount at end of the year	**–**	1,078,964	**–**	1,081,304

On 6 June 2007, the Company issued senior loan notes (the "Notes") of US$150 million with maturity date on 6 June 2012. The Notes carry interest at 10% per annum and is payable semi-annually in arrears on 6 June and 6 December of each year, beginning on 6 December 2007. The Notes are secured by the shares of certain subsidiaries incorporated in Hong Kong and British Virgin Islands, corporate guarantees of certain subsidiaries of the Company and listed on the Singapore Exchange Securities Trading Limited.

During the year ended 31 December 2011, the Group through a subsidiary partially repurchased the Notes in the principal amount of US$300,000 (equivalent to HK$2,340,000) at a total consideration of US$267,833 (equivalent to HK$2,089,000). A gain of HK$251,000 (Note 8) on repurchase was recognised in profit or loss.

During the year ended 31 December 2011, the Company cancelled the Notes in the principal amount of US$10,960,000 (equivalent to HK$85,490,000) which were repurchased by a subsidiary in prior years.

The Notes were fully repaid during the year.

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40. TAX PREPAYMENTS/PAYABLES

	Group	
	2012	2011
	HK$'000	HK$'000
Tax prepayments		
PRC Enterprise Income Tax prepayments	**12,971**	9,143
LAT prepayments *(note)*	**31,901**	30,257
	44,872	39,400

	Group	
	2012	2011
	HK$'000	HK$'000
Tax payables		
PRC Enterprise Income Tax payable	**215,817**	73,793
LAT provision *(note)*	**1,045,921**	1,552,486
	1,261,738	1,626,279

Note:

The Group is subject to LAT in the PRC and is required to prepay 1% to 5% (2011: 1% to 5%) of the proceeds from sale and pre-sale of the properties. However, the implementation of LAT varies amongst various PRC cities and the Group has not finalised its LAT returns with various local tax bureaus.

On 28 December 2006, the PRC State Administration of Taxation issued a circular, which took effect on 1 February 2007 to request real estate developers to settle the final LAT payments in respect of their development projects that meet certain criteria, such as when 85% of a development project has been pre-sold or sold. Since then, local tax bureaus, including the Shanghai tax bureau, have issued local implementation rules and procedures from time to time. In order to minimise the uncertainties in the accounts due to exposure to the additional LAT liabilities, the Group has provided for LAT fully in accordance with the requirements of State Administration of Taxation and the issued implementation rules and procedures.

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41. DEFERRED TAX LIABILITIES

Details of the deferred tax liabilities recognised and movements during the current and prior years were as follows:

	Group				
	Revaluation of property, plant and equipment and payment for leasehold land	**Revaluation of investment properties**	**Revaluation of properties for sale**	**Withholding tax on dividend**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2011	184,487	160,593	136,009	157,432	638,521
Exchange differences	6,797	5,729	4,283	1,306	18,115
Charge/(credit) to statement of comprehensive income for the year *(Note 13)*	8,918	23,014	(10,268)	14,510	36,174
At 31 December 2011	200,202	189,336	130,024	173,248	692,810
Exchange differences	1,046	1,614	690	172	3,522
(Credit)/charge to statement of comprehensive income for the year *(Note 13)*	–	(74,439)	824	20,056	(53,559)
At 31 December 2012	**201,248**	**116,511**	**131,538**	**193,476**	**642,773**

No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. The tax losses of HK$8,347,000 (2011: HK$8,358,000) can be carried forward indefinitely and the tax losses of HK$351,042,000 (2011: HK$200,602,000) will expire in five years' time.

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42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed through its operations to the following risks from its use of financial instruments:

- Market risks (Interest rate risk, foreign exchange risk and equity price risk)
- Liquidity risk
- Credit risk

Policy for managing these risks is set by the Board of Directors. Certain risks are managed centrally, while others are managed locally following guidelines stipulated by the central management. The policy for each of the above risks is described in more detail below.

Market risks

(a) Interest rate risk

The Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances and variable-rate bank loans.

The Group is also exposed to fair value interest rate risk which relates primarily to its fixed-rate bank loans, senior loan notes, entrusted loan receivables and payables and amounts due from jointly controlled entities. The Group currently does not use any derivative contracts to hedge the interest rate risk. However, the management will consider hedging significant interest rate exposure should the need arises.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the Benchmark Borrowing Rate of The People's Bank of China ("Benchmark Rate").

NOTES TO THE FINANCIAL STATEMENTS

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

Market risks *(Continued)*

(a) Interest rate risk (Continued)

Interest rate profile

The following table details interest rates analysis that the management of the Group evaluates their interest rate risk.

	Group				Company			
	2012 Effective interest rate (%)	**HK$'000**	2011 Effective interest rate (%)	HK$'000	**2012 Effective interest rate (%)**	**HK$'000**	2011 Effective interest rate (%)	HK$'000
Financial liabilities								
Fixed rate borrowings								
– Bank loans	**5.81%**	**2,242,063**	8.25%	689,824	**–**	**–**	–	–
– Senior loan notes	**–**	**–**	10%	1,078,964	**–**	**–**	10%	1,081,304
– Entrusted loan payables	**–**	**–**	16%	73,386	**–**	**–**	–	–
Floating rate borrowings								
– Bank loans	**5.82%**	**2,714,620**	4.54%	1,871,007	**3.50%**	**638,623**	–	–
Financial assets								
Fixed rate financial assets								
– Pledged bank deposits	**3.27%**	**1,317,421**	0.67%	224,749	**–**	**–**	–	–
– Entrusted loan receivables	**15%**	**110,728**	16 – 18%	293,542	**–**	**–**	–	–
Floating rate financial assets								
– Cash and cash equivalents	**0.5%**	**1,508,600**	0.5%	888,224	**0.34%**	**23,576**	0.39%	138,513

NOTES TO THE FINANCIAL STATEMENTS

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

Market risks *(Continued)*

(a) Interest rate risk (Continued)

Sensitivity analysis

At the respective end of reporting periods, if the Benchmark Rate had increased/decreased by 100 basis points and all other variables were held constant, the Group's profit would decrease/increase by approximately HK$9,045,000 (2011: HK$7,371,000) for the year ended 31 December 2012.

(b) Foreign exchange risk

Foreign exchange risk arises when individual company enters into transactions denominated in a currency other than their functional currency.

The Group and the Company undertake certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. The Group and the Company's certain cash and cash equivalents and the senior loan notes also expose to such foreign currency risk. The Group currently does not use any derivative contracts to hedge against its exposure to currency risk. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rate.

The carrying amounts of the Group's and the Company's foreign currency denominated monetary assets and monetary liabilities at the respective end of reporting periods are as follows:

	Group		Company	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Assets				
HK$	**41,351**	250,647	**–**	–
United States dollars ("USD")	**46,814**	6,752	**8,178**	838
New Zealand dollars ("NZD")	**115,496**	–	**–**	–
Liabilities				
HK$	**4,837**	25,708	**–**	–
USD	**1,676,436**	1,086,496	**640,300**	1,088,836

NOTES TO THE FINANCIAL STATEMENTS

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

Market risks *(Continued)*

(b) Foreign exchange risk (Continued)

Sensitivity analysis

The Group through its subsidiaries operating in the PRC and New Zealand mainly exposes to the currency risk of HK$ against RMB and NZD against HK$ respectively while the Company mainly exposes to the currency risk of USD against HK$.

The following table indicates the approximate change in the Group's profit after tax for the year in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of reporting periods. A positive number below indicates an increase in profit after tax where the NZD strengthens against the relevant currency. For a weakening of the NZD against the relevant currency, there would be an equal and opposite impact on the profit after tax, and the balances below would be negative.

	Effect on profit after tax for the year	
	2012	2011
	HK$'000	HK$'000
NZD to HK$:		
Appreciates by 14% (2011: 14%)	**16,169**	–
Depreciates by 14% (2011: 14%)	**(16,169)**	–

The sensitivity analysis has been determined assuming that the change in foreign exchange rate had occurred at the end of reporting period and that all other variables, in particular interest rates, remain constant.

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

Market risks *(Continued)*

(b) Foreign exchange risk (Continued)

Sensitivity analysis *(Continued)*

The stated changes represent directors' assessment of reasonably possible changes in foreign exchange rates over the period until the next annual reporting date.

The directors estimated that the effect on the profit after tax in response to reasonably possible changes in the RMB/HK$ exchange rate would be insignificant for the years ended 31 December 2011 and 2012. Further, as HK$ is pegged to USD, directors do not expect any significant movements in the USD/HK$ exchange rate. The analysis is performed on the same basis for 2011.

(c) Equity price risk

The Group is exposed to equity price risk through its investment in investment funds. The management closely monitors the price changes and takes appropriate action when necessary.

Sensitivity analysis

The directors estimated that the effect on the profit after tax and other component of equity in the next accounting period in response to reasonably possible changes in the prices of the respective equity instruments would be insignificant for the years ended 31 December 2011 and 2012.

Liquidity risk

Internally generated cash flows, bank loans, amounts due to related parties are the general sources of funds to finance the operations of the Group. The Group's liquidity risk management includes making available standby banking facilities and diversifying the funding sources. The Group regularly reviews its major funding positions to ensure it has adequate financial resources in meeting its financial obligations.

NOTES TO THE FINANCIAL STATEMENTS

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

Liquidity risk *(Continued)*

The contractual maturities of financial liabilities are shown as below:

The Group

	Carrying amount HK$'000	Total contractual undiscounted cash flows HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000
2012						
Non-derivatives:						
Trade, notes and other payables	**1,278,137**	**1,278,137**	**1,278,137**	**–**	**–**	**–**
Other payables (non-current)	**171,880**	**424,440**	**–**	**9,843**	**70,109**	**344,488**
Bank loans	**4,956,683**	**5,244,887**	**1,402,131**	**1,696,889**	**1,290,551**	**855,316**
Amount due to an minority owner of a subsidiary	**42,714**	**42,714**	**42,714**	**–**	**–**	**–**
Financial guarantee contracts	**–**	**246,505**	**246,505**	**–**	**–**	**–**
	6,449,414	**7,236,683**	**2,969,487**	**1,706,732**	**1,360,660**	**1,199,804**
2011						
Non-derivatives:						
Trade, notes and other payables	1,029,434	1,029,434	1,029,434	–	–	–
Other payables (non-current)	148,599	401,174	–	9,785	39,139	352,250
Bank loans	2,560,831	2,722,419	802,266	918,946	933,593	67,614
Amounts due to related companies	55,089	55,089	55,089	–	–	–
Amounts due to minority owners of subsidiaries	173,310	173,310	173,310	–	–	–
Amounts due to associates	10,447,186	10,447,186	10,447,186	–	–	–
Senior loan notes	1,078,964	1,078,964	1,078,964	–	–	–
Entrusted loans payables	73,386	73,386	73,386	–	–	–
Other borrowing included in the Disposal Group	1,171,722	1,171,722	1,171,722	–	–	–
Financial guarantee contracts	–	383,999	383,999	–	–	–
	16,738,521	17,536,683	15,215,356	928,731	972,732	419,864

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

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

Liquidity risk *(Continued)*

The Company

	Carrying amount HK$'000	Total contractual undiscounted cash flows HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000
2012						
Non-derivatives:						
Other payables	**4,167**	**4,167**	**4,167**	**–**	**–**	**–**
Amounts due to subsidiaries	**386,092**	**386,092**	**386,092**	**–**	**–**	**–**
Bank loan	**638,623**	**668,814**	**22,352**	**646,462**	**–**	**–**
	1,028,882	**1,059,073**	**412,611**	**646,462**	**–**	**–**
2011						
Non-derivatives:						
Other payables	10,405	10,405	10,405	–	–	–
Amounts due to subsidiaries	214,448	214,448	214,448	–	–	–
Senior loan notes	1,081,304	1,081,304	1,081,304	–	–	–
	1,306,157	1,306,157	1,306,157	–	–	–

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31 December 2012 and 2011 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position and guarantees provided by the Group as disclosed in note 52. The Group has policies in place to determine credit limits, credit approval and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk, with exposure spreading over a large number of counterparties and customers.

The credit risk on bank deposits is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies or state-owned banks in the PRC.

NOTES TO THE FINANCIAL STATEMENTS

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43. FINANCIAL INSTRUMENTS – CARRYING AMOUNT AND FAIR VALUE

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and trading on active liquid markets are determined with reference to quoted market prices; and
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

44. SHARE CAPITAL

(a) Authorised and issued share capital

	Company			
Authorised	**2012 Number**	**2012 HK$'000**	2011 Number	2011 HK$'000
Ordinary shares of HK$0.02 each	**20,000,000,000**	**400,000**	20,000,000,000	400,000

Issued and fully paid	**2012 Number**	**2012 HK$'000**	2011 Number	2011 HK$'000
Ordinary shares of HK$0.02 each				
At beginning of the year	**12,463,811,515**	**249,276**	12,491,906,515	249,838
Cancellation upon repurchase of shares *(note)*	**(26,460,000)**	**(529)**	(28,095,000)	(562)
At end of the year	**12,437,351,515**	**248,747**	12,463,811,515	249,276

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

44. SHARE CAPITAL *(Continued)*

(a) Authorised and issued share capital *(Continued)*

Note:

The Company was authorised to repurchase its own shares not exceeding 10% of the aggregate nominal amount of its issued share capital. The Company repurchases its shares on the Stock Exchange when the directors are of the view that the shares are significantly trading at a discount in order to enhance shareholders' value.

The details of repurchase of the Company's own ordinary shares on the Stock Exchange during the years ended 31 December 2011 and 2012 are as follows:

Month/year of repurchase	Number of ordinary shares of nominal value of HK$0.02 each repurchased	Consideration per share		Aggregate consideration paid
		Highest HK$	Lowest HK$	HK$'000
January 2012	**26,460,000**	**0.138**	**0.125**	**3,448**
November and December 2011	28,095,000	0.163	0.143	4,456

The repurchased shares were cancelled during the years ended 31 December 2011 and 2012, respectively, and the issued share capital of the Company was reduced by the nominal value thereof. The premium paid and the related costs on repurchases of the shares of HK$2,933,000 (2011: HK$3,912,000) were charged to share premium.

Save as disclosed above, neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the years ended 31 December 2011 and 2012.

44. SHARE CAPITAL *(Continued)*

(b) Capital management policy

The Group's primary objective 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 shareholders and benefits for other stakeholders.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher 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 a net debt-to-adjusted capital ratio. For this purpose the Group defines net debts as total debt (which comprise non-current other payables, bank loans, other borrowing, entrusted loan payables and senior loan notes less cash and cash equivalents and pledged bank deposits). Adjusted capital comprises all components of equity.

During the year, the Group's strategy was to maintain the net debt-to-adjusted capital ratio at the lower end of the range 60% to 70%. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt. The Group's overall strategy remains unchanged from prior year.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

44. SHARE CAPITAL *(Continued)*

(b) Capital management policy *(Continued)*

The net debt-to-adjusted capital ratio at 31 December 2012 and 2011 was calculated as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Current liabilities		
Bank loans	**1,325,085**	754,648
Entrusted loan payables	**–**	73,386
Senior loan notes	**–**	1,078,964
Other borrowing included in the Disposal Group	**–**	1,171,722
	1,325,085	3,078,720
Non-current liabilities		
Bank loans	**3,631,598**	1,806,183
Other payables	**171,880**	148,599
	3,803,478	1,954,782
Total debt	**5,128,563**	5,033,502
Less: Cash and cash equivalents	**(1,508,600)**	(888,224)
Pledged bank deposits	**(1,317,421)**	(224,749)
Net debt	**2,302,542**	3,920,529
Total equity and adjusted capital	**5,799,835**	5,812,925
Net debt-to-adjusted capital ratio	**40%**	67%

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

44. SHARE CAPITAL *(Continued)*

(c) Share option scheme

2012 Share option scheme

During the year, the Company adopted a share option scheme on 18 July 2012 (the "2012 Share Option Scheme"), for primary purpose of providing incentives to eligible participants. Details of the 2012 Share Option Scheme are as follows:

On 18 July 2012, the Company adopted the 2012 Share Option Scheme which will expire on 17 July 2022. Pursuant to the terms of the 2012 Share Option Scheme, the Company may grant options at a consideration of HK$1 to eligible participants (including directors, shareholders, eligible employees, suppliers and customers of the Company or its subsidiaries) to subscribe for shares in the Company. The exercise price is determined by the directors and shall not be less than the highest of (i) the closing price of the Company's share as quoted on the Stock Exchange on the date of grant, (ii) the average closing price of the Company's shares as quoted on the Stock Exchange for the five trading days immediately preceding the date of grant, and (iii) the nominal value of the Company's shares on the date of grant. Options granted are exercisable at any time during a period to be notified by the board of directors of the Company but limited to a maximum period of ten years after the date on which the options are granted. Options granted should be accepted within 28 days from the date of offer.

The maximum number of the Company's shares which may be issued upon exercise of all options to be granted under the 2012 Share Option Scheme and any other share option schemes of the Company shall not exceed 10% of the Company's shares in issue as at the date on which the relevant share option scheme has been adopted.

The 2012 Share Option Scheme may be refreshed at any time by the approval of the shareholders in general meeting provided that the total number of the Company's shares which may be issued upon exercise of all options to be granted under the 2012 Share Option Scheme and any other share option schemes of the Company must not exceed 10% of the Company's shares in issue as at the date of such shareholders' approval. For the avoidance of doubt, options previously granted under the 2012 Share Option Scheme and any other share option schemes (including those outstanding, cancelled, lapsed or exercised in accordance with the 2012 Share Option Scheme and any other share option schemes of the Company) will not be counted for the purpose of calculating the refreshed 10% limit.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

44. SHARE CAPITAL *(Continued)*

(c) Share option scheme *(Continued)*

2012 Share option scheme (Continued)

The Company may, by the approval of the shareholders in general meeting, grant options beyond the 10% limit provided that the options in excess of the 10% limit are granted only to participants specifically identified by the Company before shareholders' approval is sought.

Unless approved by the shareholders as set out herein, the total number of the Company's shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the Company's shares in issue. Where any further grant of options to a participant would result in the Company's shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant in aggregate exceeding 1% of the Company's shares in issue, such further grant must be separately approved by the shareholders in general meeting with such participant and his associates abstaining from voting.

However, the overall limit on the number of the Company's shares which may be issued upon exercise of all options granted under all share option schemes of the Company must not exceed 30% of the shares in issue from time to time.

During the year, no option has been granted under the 2012 Share Option Scheme.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

44. SHARE CAPITAL *(Continued)*

(c) Share option scheme *(Continued)*

2002 Share option scheme

The Company adopted a share option scheme on 18 July 2002 (the "2002 Share Option Scheme"), for primary purpose of providing incentives to eligible participants. Details of the 2002 Share Option Scheme are as follows:

On 18 July 2002, the Company adopted the 2002 Share Option Scheme which will expire on 17 July 2012. Pursuant to the terms of the 2002 Share Option Scheme, the Company may grant options at a consideration of HK$1 to eligible participants (including directors, shareholders, eligible employees, suppliers and customers of the Company or its subsidiaries) to subscribe for shares in the Company. The exercise price is determined by the directors and shall not be less than the highest of (i) the closing price of the Company's share as quoted on the Stock Exchange on the date of grant, (ii) the average closing price of the Company's shares as quoted on the Stock Exchange for the five trading days immediately preceding the date of grant, and (iii) the nominal value of the Company's shares on the date of grant. Options granted are exercisable at any time during a period to be notified by the board of directors of the Company but limited to a maximum period of ten years after the date on which the options are granted. Options granted should be accepted within 28 days from the date of offer.

The maximum number of the Company's shares which may be issued upon exercise of all options to be granted under the 2002 Share Option Scheme and any other share option schemes of the Company shall not exceed 10% of the Company's shares in issue as at the date on which the relevant share option scheme has been adopted.

The 2002 Share Option Scheme may be refreshed at any time by the approval of the shareholders in general meeting provided that the total number of the Company's shares which may be issued upon exercise of all options to be granted under the 2002 Share Option Scheme and any other share option schemes of the Company must not exceed 10% of the Company's shares in issue as at the date of such shareholders' approval. For the avoidance of doubt, options previously granted under the 2002 Share Option Scheme and any other share option schemes (including those outstanding, cancelled, lapsed or exercised in accordance with the 2002 Share Option Scheme and any other share option schemes of the Company) will not be counted for the purpose of calculating the refreshed 10% limit.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

44. SHARE CAPITAL *(Continued)*

(c) Share option scheme *(Continued)*

2002 Share option scheme (Continued)

The Company may, by the approval of the shareholders in general meeting, grant options beyond the 10% limit provided that the options in excess of the 10% limit are granted only to participants specifically identified by the Company before shareholders' approval is sought.

Unless approved by the shareholders as set out herein, the total number of the Company's shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the Company's shares in issue. Where any further grant of options to a participant would result in the Company's shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant in aggregate exceeding 1% of the Company's shares in issue, such further grant must be separately approved by the shareholders in general meeting with such participant and his associates abstaining from voting.

However, the overall limit on the number of the Company's shares which may be issued upon exercise of all options granted under all share option schemes of the Company must not exceed 30% of the shares in issue from time to time.

No option was granted under the 2002 Share Option Scheme during the years ended 31 December 2011 and 2012.

The exercise price of options outstanding at the end of the year range between HK$0.3840 and HK$0.3850 (2011: HK$0.3840 and HK$0.3850) and their weighted average remaining contractual life were 1.12 years (2011: 2.11 years).

Of the total number of options outstanding at the end of the year, options for 220,000,000 (2011: 182,000,000) shares had vested and were exercisable at the end of the year.

Options for 28,000,000 (2011: 50,000,000) shares had been forfeited during the year ended 31 December 2012. The value of forfeited options of HK$3,561,000 (2011: HK$7,264,000) was released directly to retained profits.

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44. SHARE CAPITAL *(Continued)*

(c) Share option scheme *(Continued)*

The following tables disclose the movements in such share options during the year:

Date of grant	Exercisable period	Exercise price HK$	Number of shares in respect of the options granted — Outstanding at 1 January 2012	Forfeited during the year	Outstanding at 31 December 2012
Options granted to directors					
12 November 2009	12 November 2010 – 11 November 2013	0.3850	22,000,000	(5,000,000)	17,000,000
12 November 2009	12 November 2011 – 11 November 2013	0.3850	14,000,000	(5,000,000)	9,000,000
12 November 2009	12 November 2012 – 11 November 2013	0.3850	9,000,000	–	9,000,000
30 March 2010	30 March 2011 – 29 March 2014	0.3840	73,000,000	(5,000,000)	68,000,000
30 March 2010	30 March 2012 – 29 March 2014	0.3840	46,000,000	–	46,000,000
30 March 2010	30 March 2013 – 29 March 2014	0.3840	36,000,000	–	36,000,000
			200,000,000	(15,000,000)	185,000,000
Options granted to employees					
12 November 2009	12 May 2010 – 11 November 2013	0.3850	8,000,000	(8,000,000)	–
12 November 2009	12 November 2010 – 11 November 2013	0.3850	35,000,000	(5,000,000)	30,000,000
12 November 2009	12 November 2011 – 11 November 2013	0.3850	15,000,000	–	15,000,000
30 March 2010	30 March 2011 – 29 March 2014	0.3840	15,000,000	–	15,000,000
30 March 2010	30 March 2012 – 29 March 2014	0.3840	11,000,000	–	11,000,000
30 March 2010	30 March 2013 – 29 March 2014	0.3840	6,000,000	–	6,000,000
			90,000,000	(13,000,000)	77,000,000
			290,000,000	(28,000,000)	262,000,000
Weighted average exercise price (HK$)			0.3844	0.3848	0.3843

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31 DECEMBER 2012

44. SHARE CAPITAL *(Continued)*

(c) Share option scheme *(Continued)*

			Number of shares in respect of the options granted		
Date of grant	Exercisable period	Exercise price HK$	Outstanding at 1 January 2011	Forfeited during the year	Outstanding at 31 December 2011
Options granted to directors					
12 November 2009	12 November 2010 – 11 November 2013	0.3850	42,000,000	(20,000,000)	22,000,000
12 November 2009	12 November 2011 – 11 November 2013	0.3850	29,000,000	(15,000,000)	14,000,000
12 November 2009	12 November 2012 – 11 November 2013	0.3850	24,000,000	(15,000,000)	9,000,000
30 March 2010	30 March 2011 – 29 March 2014	0.3840	73,000,000	–	73,000,000
30 March 2010	30 March 2012 – 29 March 2014	0.3840	46,000,000	–	46,000,000
30 March 2010	30 March 2013 – 29 March 2014	0.3840	36,000,000	–	36,000,000
			250,000,000	(50,000,000)	200,000,000
Options granted to employees					
12 November 2009	12 May 2010 – 11 November 2013	0.3850	8,000,000	–	8,000,000
12 November 2009	12 November 2010 – 11 November 2013	0.3850	35,000,000	–	35,000,000
12 November 2009	12 November 2011 – 11 November 2013	0.3850	15,000,000	–	15,000,000
30 March 2010	30 March 2011 – 29 March 2014	0.3840	15,000,000	–	15,000,000
30 March 2010	30 March 2012 – 29 March 2014	0.3840	11,000,000	–	11,000,000
30 March 2010	30 March 2013 – 29 March 2014	0.3840	6,000,000	–	6,000,000
			90,000,000	–	90,000,000
			340,000,000	(50,000,000)	290,000,000
Weighted average exercise price (HK$)			0.3845	0.3850	0.3844

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45. RESERVES

Company	Share premium *(note (a))* HK$'000	Capital redemption reserve HK$'000	Contributed surplus *(note (b))* HK$'000	Special capital reserve *(note (c))* HK$'000	Share option reserve *(note (d))* HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2011	1,878,505	1,074	157,315	68,541	46,642	(95,528)	2,056,549
Cancellation upon repurchases of own shares	(3,894)	–	–	–	–	–	(3,894)
Transaction costs attributable to repurchase of shares	(18)	–	–	–	–	–	(18)
Release upon forfeiture of share options	–	–	–	–	(7,264)	7,264	–
Loss for the year	–	–	–	–	–	(89,087)	(89,087)
At 31 December 2011	1,874,593	1,074	157,315	68,541	39,378	(177,351)	1,963,550
Cancellation upon repurchases of own shares	(2,919)	–	–	–	–	–	(2,919)
Transaction costs attributable to repurchase of shares	(14)	–	–	–	–	–	(14)
Release upon forfeiture of share options	–	–	–	–	(3,561)	3,561	–
Loss for the year	–	–	–	–	–	(60,787)	(60,787)
At 31 December 2012	**1,871,660**	**1,074**	**157,315**	**68,541**	**35,817**	**(234,577)**	**1,899,830**

Notes:

(a) Amount subscribed for share capital in excess of nominal value.

(b) The Company's contributed surplus represents the credit arising from the effect of share premium offset against accumulated losses in previous years.

(c) The special capital reserve represents the credit arising from the effect of reduction in share capital in previous years.

(d) Share option reserve represents the share-based payment under the Company's share option scheme.

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46. LEASES

Operating leases – lessee

The lease payments recognised as expenses are as follows:

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Minimum lease payments	**57,699**	43,932	**2,014**	1,714

The total future minimum lease payments are due as follows:

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Not later than one year	**42,056**	37,079	**459**	1,677
Later than one year and not later than five years	**83,284**	72,009	**18**	349
	125,340	109,088	**477**	2,026

Operating lease payments in respect of rented premises payable by the Group relate to certain commercial properties for sub-letting and certain of its office premises. Leases are usually negotiated for an average term of two to five years. Certain operating lease agreements in respect of the commercial properties for subletting last for 10 years and they are subject to contingent rent payments charged at 50% of the excess of monthly sublet income over the base rents as determined in the respective agreements, for the latter five years.

NOTES TO THE FINANCIAL STATEMENTS

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46. LEASES *(Continued)*

Operating leases – lessor

The Group's investment properties and certain properties for sales are leased to a number of tenants for leasing period from 4 to 20 years and 14 to 15 years respectively.

The minimum rent receivables under non-cancellable operating leases are as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Not later than one year	**86,356**	85,123
Later than one year and not later than five years	**258,039**	295,068
Later than five years	**521,054**	503,813
	865,449	884,004

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47. RETIREMENT BENEFIT SCHEMES

The Group operates a mandatory provident fund (the "MPF") scheme for all eligible employees in Hong Kong. The assets of the MPF scheme are held separately from those of the Group, in funds under the control of trustees. The retirement benefit cost charged to profit or loss represents contributions payable to the MPF scheme by the Group at rates specified in rules of the MPF scheme.

The Group contributes to a local Municipal Government retirement scheme for all qualified employees in the PRC. The employer and its employees are each required to make contributions to the scheme at the rates specified in the rules. The only obligation of the Group with respect to retirement scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years. The retirement benefit scheme contributions arising from the PRC Municipal Government retirement scheme charged to profit or loss represent contributions paid or payable by the Group at rates specified in the rules of the scheme.

48. INTERESTS IN SUBSIDIARIES

	Company	
	2012	2011
	HK$'000	HK$'000
Unlisted shares, at cost	**1,003,716**	1,002,716
Amounts due from subsidiaries	**2,144,063**	2,376,622
Amounts due to subsidiaries	**(386,092)**	(214,448)

The amounts due from/to subsidiaries are unsecured, interest-free, repayable on demand and included in the Company's current assets and current liabilities respectively.

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48. INTERESTS IN SUBSIDIARIES *(Continued)*

The Particulars of the Company's principal subsidiaries as at 31 December 2012 are as follows:

Name of subsidiary	Place of incorporation/ establishment	Issued share capital/paid-up registered capital	Percentage of ownership interests directly	Percentage of ownership interests indirectly	Principal activities and place of operations
証大置業*	The PRC	RMB820,000,000	–	100%	Property development and rental in the PRC
証大三角洲#	The PRC	RMB400,000,000	–	100%	Property development in the PRC
上海天海有限責任公司^	The PRC	RMB80,000,000	–	100%	Property development in the PRC
上海証大商業旅遊投資發展有限公司^	The PRC	RMB200,000,000	–	100%	Hotel operation and properties rental in the PRC
上海恒錦房地產發展有限公司^	The PRC	RMB210,000,000	–	100%	Property development in the PRC
長春証大置業有限公司^	The PRC	RMB60,000,000	–	95%	Property development in the PRC
揚州証大商旅發展有限公司^	The PRC	RMB30,000,000	–	80%	Property development in the PRC

NOTES TO THE FINANCIAL STATEMENTS

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48. INTERESTS IN SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ establishment	Issued share capital/paid-up registered capital	Percentage of ownership interests directly	Percentage of ownership interests indirectly	Principal activities and place of operations
吉林市証大華城房地產開發有限公司^	The PRC	RMB20,000,000	–	100%	Property development in the PRC
海南新世界發展有限公司^	The PRC	RMB120,000,000	–	100%	Property development in the PRC
成都山水置業有限公司^	The PRC	RMB8,000,000	–	100%	Property development in the PRC
Wah Kong Travel Limited	Hong Kong	HK$1,250,000	–	60%	Sales of air tickets and provision of travel related services in HK
海門証大濱江置業有限公司#	The PRC	USD49,600,000	–	100%	Property development in the PRC
上海証大西鎮房地產開發有限公司 ("証大西鎮")^	The PRC	RMB245,000,000	–	100%	Property development in the PRC
上海証大商業經營有限公司^	The PRC	RMB20,000,000	–	100%	Properties rental, management and agency services
上海証大物業管理有限公司^	The PRC	RMB5,000,000	–	100%	Property management in the PRC
海南華意置業有限公司#	The PRC	RMB88,000,000	–	60%	Property development in the PRC

NOTES TO THE FINANCIAL STATEMENTS

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48. INTERESTS IN SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ establishment	Issued share capital/paid-up registered capital	Percentage of ownership interests directly	indirectly	Principal activities and place of operations
鄂爾多斯^	The PRC	RMB50,000,000	–	100%	Property development in the PRC
青島証大大拇指商業發展有限公司*	The PRC	USD12,000,000	–	100%	Property development in the PRC
南京証大大拇指#	The PRC	RMB492,733,000	–	100%	Property development in the PRC
吉林省君誠房地產開發有限公司 (“吉林省君誠”)^	The PRC	RMB40,000,000	–	100%	Property development in the PRC
長春証大物業服務有限公司^	The PRC	RMB500,000	–	100%	Property management in the PRC
廊坊市証合泰房地產開發有限公司 (“証合泰”)^	The PRC	RMB100,000,000	–	100%	Property development in the PRC
海門証大濱江物業管理有限公司^	The PRC	RMB500,000	–	100%	Property management in the PRC
上海証大喜瑪拉雅商業經營管理有限公司^	The PRC	RMB5,000,000	–	100%	Property management and agency service
Victory Gateway Limited	British Virgin Islands	USD1	100%	–	Investment holding
Most Perfect International Ltd.	British Virgin Islands	USD100	100%	–	Investment holding
Auto Win Investment Ltd.	British Virgin Islands	USD1	100%	–	Properties rental in the PRC

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48. INTERESTS IN SUBSIDIARIES *(Continued)*

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

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

* These subsidiaries are registered as wholly-foreign-owned enterprises under the PRC Laws.

\# These subsidiaries are registered as sino-foreign equity joint ventures under the PRC Laws.

^ These subsidiaries are registered as limited liability companies under the PRC Laws.

49. ACQUISITION OF SUBSIDIARIES

(a) For the year ended 31 December 2012

On 5 September 2012, the Group entered into an agreement with independent third parties to acquire 100% equity interest in 吉林省君誠 at a consideration of RMB45,000,000 (approximately HK$55,364,000). Up to the date of acquisition, 吉林省君誠 has not commenced its operation.

The above acquisition was accounted for as an acquisition of assets and liabilities as the entity acquired by the Group does not constitute a business. Details of the net assets acquired in the above acquisition were as follows:

	HK$'000
Properties under development	34,372
Amounts due from former owners	12,303
Net assets acquired	46,675
Total consideration satisfied by:	
Cash	24,606
Fair value of contingent consideration, payable due for settlement after one year, at the date of acquisition	22,069
	46,675
Net cash outflow arising on acquisition:	
Cash consideration paid	24,606

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49. ACQUISITION OF SUBSIDIARIES *(Continued)*

(b) For the year ended 31 December 2011

On 2 April 2011, the Group entered into an agreement with 廊坊市盛世建設投資有限公司, an independent third party to further acquire an additional 11% equity interest in 証合泰, an associate with 40% equity interest held by the Group before the further acquisition, and principally engaged in property development business in PRC, at a consideration of RMB11,000,000 (approximately HK$13,068,000). Up to the date of acquisition, 証合泰 had not carried out any significant business transactions except for securing the rights to acquire a land parcel in Langfang.

The above acquisition had been accounted for by the Group as an acquisition of assets and liabilities as the entity acquired by the Group did not constitute a business. Details of the net assets acquired in the above acquisition were as follows:

	HK$'000
Property, plant and equipment	476
Deposits for property development	222,537
Cash and cash equivalents	3,432
Other receivables	45
Other payables	(7,653)
Shareholder's loan	(100,030)
Tax payable	(7)
Non-controlling interests	(58,212)
Net assets acquired	60,588
Satisfied by:	
Cash	13,068
Previously held equity interest	47,520
	60,588
Net cash outflow arising on acquisition:	
Cash consideration paid	13,068
Cash and cash equivalents acquired	(3,432)
	9,636

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49. ACQUISITION OF SUBSIDIARIES *(Continued)*

(c) For the year ended 31 December 2011

On 28 December 2011, 証大五道口 entered into an agreement with an independent third party to acquire 100% equity interests in 上海盤石投資管理有限公司 ("上海盤石投資管理") at a consideration of RMB82,114,000 (approximately HK$100,433,000). At the date of acquisition, 上海盤石投資管理 was holding 5% equity interests in 海之門. Up to the date of acquisition, 上海盤石投資管理 has not carried out any significant business transaction.

The above acquisition had been accounted for by the Group as an acquisition of assets and liabilities as the entity acquired by the Group did not constitute a business.

The net assets acquired by the Group in the above acquisition were as follows:

	HK$'000
Net assets acquired:	
Interests in associates	78,333
Cash and cash equivalents	1,276
Amount due from an associate	20,837
Tax payable	(13)
Net assets and liabilities	100,433
Satisfied by cash	100,433
Net cash outflow arising on acquisition:	
Cash consideration paid	100,433
Cash and cash equivalents acquired	(1,276)
	99,157

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50. DISPOSAL OF SUBSIDIARIES

(a) For the year ended 31 December 2012

The Disposal set out in note 32 was completed on 21 May 2012, on which date the Group lost control of 証大外灘. Total final consideration was approximately HK$10,547,287,000 (equivalent to approximately RMB8,578,108,000), of which approximately HK$10,499,925,000 (equivalent to approximately RMB8,539,589,000) was received on 31 December 2012.

The net assets of 証大外灘 at the date of disposal were as follows:

	HK$'000
Net assets disposed of:	
Property, plant and equipment	4,139
Properties under development	12,476,142
Other receivables	2,058
Cash and cash equivalents	104,666
Other payables	(1,908,552)
Amount due to an associate	(82,402)
Amount due to the major owner of an associate	(49,098)
Shareholder's loan	(1,940,377)
	8,606,576
Repayment of shareholder's loan	1,940,377
Reclassification adjustment of cumulative foreign exchange reserve of the subsidiary from equity to profit or loss for the year	(461,108)
Gain on disposal	461,442
Total consideration	10,547,287
Total consideration satisfied by:	
Cash	10,499,925
Consideration receivable	47,362
	10,547,287
Net cash inflow arising on disposal:	
Cash received	10,499,925
Cash and cash equivalents disposed of	(104,666)
	10,395,259

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

50. DISPOSAL OF SUBSIDIARIES *(Continued)*

(b) For the year ended 31 December 2012

The Wudaokou Disposal set out in note 32 was completed on 21 May 2012, on which date the Group lost control of 証大五道口 and all conditions precedent to the agreement were satisfied. The total cash consideration was approximately HK$3,639,493,000 (equivalent to approximately RMB2,960,000,000), of which HK$3,516,537,000 (RMB2,860,000,000) was received on 31 December 2012.

	HK$'000
Net assets disposed of:	
Interest in an associate	509,329
Amount due from an associate	2,843,359
Shareholder's loan	(2,908,813)
	443,875
Repayment of shareholder's loan	2,908,813
Reclassification adjustment of cumulative foreign exchange reserve of the subsidiary from equity to profit or loss for the year	(78,398)
Gain on disposal	365,203
Total consideration	3,639,493
Total consideration satisfied by:	
Cash	3,516,537
Consideration receivable	122,956
	3,639,493
Net cash inflow arising on disposal:	
Cash received	3,516,537

NOTES TO THE FINANCIAL STATEMENTS

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50. DISPOSAL OF SUBSIDIARIES *(Continued)*

(c) During the year ended 31 December 2011

On 28 June 2011, the Group disposed of its 100% equity interest in Howei International Investment Limited and its subsidiaries (collectively referred to as the "Howei Group") to an independent third party at a consideration of RMB218,341,000 (approximately HK$263,011,000). The net assets of Howei Group at the date of disposal were as follows:

	HK$'000
Net assets disposed of:	
Property under development	150,474
Cash and cash equivalents	69,828
Shareholder's loan	(195,033)
	25,269
Repayment of shareholder's loan	195,033
Reclassification adjustment of cumulative foreign exchange reserve of the subsidiaries from equity to profit or loss for the year	(25,644)
Gain on disposal	68,353
Total consideration	263,011
Total consideration satisfied by:	
Cash	263,011
Net cash inflow arising on disposal:	
Cash received	263,011
Cash and cash equivalents disposed of	(69,828)
	193,183

NOTES TO THE FINANCIAL STATEMENTS

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51. RELATED PARTY TRANSACTIONS/BALANCES

Save as those disclose elsewhere in the financial statements, the Group had entered into the following significant transactions and had balances with related parties:

(a) Compensation of key management personnel

The remuneration of directors who are also members of key management during the year was as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Short-term benefits	**12,328**	16,660
Post-employment benefits	**162**	413
	12,490	17,073

The remuneration of directors is determined by reference to the performance of individuals and market trends.

(b) Balances with related parties

		Amounts owed to the Group by related parties		Amounts owed by the Group to related parties	
		As at 31 December		As at 31 December	
		2012	2011	**2012**	2011
	Notes	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Amounts due to associates	*35*	**–**	–	**–**	10,447,186
Amounts due from associates	*23*	**798,782**	660,086	**–**	–
Amounts due from jointly controlled entities	*24*	**813,599**	535,984	**–**	–
Entrusted loan receivable from a jointly controlled entity	*34*	**110,728**	220,156	**–**	–
Amounts due from related companies	*30*	**15,080**	15,954	**–**	–
Amounts due to related companies	*36*	**–**	–	**–**	55,089
Amounts due to minority owners of subsidiaries	*37*	**–**	–	**42,714**	173,310

The Group had not made any provision for bad or doubtful debts in respect of related party debtors.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

51. RELATED PARTY TRANSACTIONS/BALANCES *(Continued)*

(c) At 31 December 2012, 証大投資, a company wholly-owned by Mr. Dai, provided corporate guarantees to the extent of HK$812,008,000 for a bank loan (Note 38) of the Group.

(d) At 31 December 2011, 証大投資 provided corporate guarantees for other borrowing of HK$1,171,722 and the development project of 海之門, the Group's then associate, which were classified as liabilities and assets classified as held for sale as set out in note 32.

(e) On 28 October 2011, 証大置業 entered into an agreement with 海之門, for the Disposal set out in note 32. The Disposal has been completed during the year as set out in note 50(a).

52. CONTINGENT LIABILITIES

At 31 December 2012, the Group provided guarantees to the extent of approximately HK$246,505,000 (2011: 383,999,000) to banks in respect of mortgage loans provided by the banks to customers for the purchase of the developed properties of the Group. These guarantees provided by the Group to the banks would be released upon receiving the building ownership certificates of the respective properties by the banks from the customers as a pledge for security to the mortgage loans granted.

In the opinion of the directors, the fair value of guarantee contracts is insignificant at initial recognition.

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53. LITIGATION

On 4 June 2012, each of 証大置業 and 証大五道口 was served a document of summons issued by Shanghai No. 1 Intermediate People's Court in relation to disputes on asset damage and compensation and breaching of pre-emptive rights in shareholding of 海之門 initiated by Zhejiang Fosun Commerce Development Limited ("Zhejiang Fosun") (the "Claims").

Pursuant to the statement of claims issued by Zhejiang Fosun as attached to the document of summons, among others, (i) 証大置業 and 証大五道口 were named as two of the defendants to the Claims; (ii) Zhejiang Fosun requested order be made to invalidate the agreement on Wudaokou Disposal as described in note 50(b); (iii) Zhejiang Fosun requested order be made to invalidate the share transfer agreement relating to the transfer of the entire equity interests of 証大五道口 to the Purchaser as described in note 50(b); and (iv) Zhejiang Fosun requested order be made such that the ownership of 証大五道口 be restated to the state prior to the transfer to the Purchaser.

The directors, after seeking advice from the Group's PRC legal adviser, take the view that the Wudaokou Disposal did not involve the transfer to equity interest in 海之門 and therefore did not constitute a breach of any pre-emptive rights. The directors consider the Claims were without bases and it is not probable that orders will be made to invalidate the Wudaokou Disposal. The directors consider the Claims do not have any material adverse effect on the operation or financial position of the Group.

54. SIGNIFICANT NON-CASH TRANSACTIONS

During the year ended 31 December 2011, properties under development and for sales amounted to HK$720,151,000 were reclassified to investment properties as disclosed in the note 18. Further, certain assets and liabilities were reclassified to assets classified as held for sale and liabilities associated with assets classified as held for sale as explained in note 32.

55. COMMITMENTS

	Group	
	2012	2011
	HK$'000	HK$'000
Commitments for the property development – contracted for but not provided	**1,222,797**	1,801,720

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56. PLEDGE OF ASSETS

(a) At the end of reporting period, the carrying amounts of the following assets of the Group were pledged to secure certain bank loans (note 38) granted to the Group.

	2012 **HK$'000**	2011 HK$'000
Property, plant and equipment	**343,286**	353,108
Payment for leasehold land held for own use under operating leases	**619,904**	642,794
Investment properties	**2,285,078**	2,226,027
Properties under development and for sales	**1,500,587**	2,344,002
Pledged bank deposits	**1,317,421**	224,749
	6,066,276	5,790,680

(b) At 31 December 2012, the Group pledged 45% equity interest in 南京証大大拇指, with attributable carrying amount of approximately HK$272,275,000 (2011: nil) to secure a bank loan granted to the Group.

(c) At 31 December 2012, the Group also pledged 45% equity interest in 証大喜瑪拉雅 with attributable carrying amount of approximately HK$361,505,000 (2011: HK$418,598,000) to Shanghai Forte Land Co., Ltd. ("Shanghai Forte"), an equity holder of a former associate of the Group, for securing Shanghai Forte's interests in 海之門.

(d) At 31 December 2011, the Group pledged its 10% interests in 海之門 with carrying amount of HK$122,369,000, and a subsidiary, 証大西鎮 with carrying amount of HK$482,039,000 for other borrowing of the Group. The pledges were released upon settlement of the borrowing during the year.

NOTES TO THE FINANCIAL STATEMENTS

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57. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The following table shows the carrying amounts and fair values of the Group's financial assets and liabilities as defined in note 4(k):

	2012		2011	
	Carrying amount HK$'000	**Fair value HK$'000**	Carrying amount HK$'000	Fair value HK$'000
Financial assets				
Loans and receivables	**5,188,877**	**5,188,877**	3,269,122	3,269,122
Available-for-sale financial assets (excluding those assets carried at cost)	**2,584**	**2,584**	1,957	1,957
Financial liabilities				
Financial liabilities measured at amortised cost	**6,449,414**	**6,449,414**	15,566,799	15,429,354

Determination of fair values of financial assets and financial liabilities is set out in note 43.

57. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY *(Continued)*

The following table provides an analysis of financial instruments carried at fair value by level of fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

	Group	
	2012	2011
	Level 1	Level 1
	HK$'000	HK$'000
Available-for-sale financial assets		
– Investment funds	**2,584**	1,957

58. EVENTS AFTER THE REPORTING PERIOD

On 5 January 2013, the Group disposed of its 10% equity interest in 南京証大大拇指 to an independent third party ("Venturer") at a consideration of RMB120 million (equivalent to approximately HK$148.8 million). Pursuant to the relevant agreement, 南京証大大拇指 will be jointly controlled by the Group and the Venturer and therefore become a jointly controlled entity of the Group.

On 16 January 2013, the Group acquired the land use rights of a parcel of land in Nanjing, the PRC, from the Bureau of Land and Resources of Nanjing at a consideration of RMB1,169 million (equivalent to approximately HK$1,437.9 million).

59. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 27 March 2013.

FINANCIAL SUMMARY

FOR THE YEAR ENDED 31 DECEMBER 2012

The following table summarises the results, assets and liabilities of the Group for the last five years.

	Year ended 31 December				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Turnover	**1,122,891**	2,796,296	3,959,091	2,162,092	1,968,603
Profit before tax expenses	**872,607**	953,820	1,149,671	837,454	704,001
Tax expenses	**(316,843)**	(505,606)	(582,044)	(387,133)	(399,413)
Profit for the year	**555,764**	448,214	567,627	450,321	304,588

ASSETS AND LIABILITIES

	At 31 December				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**15,860,679**	27,832,663	22,619,546	9,718,013	8,243,159
Total liabilities	**(10,060,844)**	(22,019,738)	(17,492,812)	(5,933,790)	(4,943,117)
Non-controlling interests	**(204,164)**	(263,495)	(196,305)	(192,387)	(167,831)
Balance of shareholders' funds	**5,595,671**	5,549,430	4,930,429	3,591,836	3,132,211