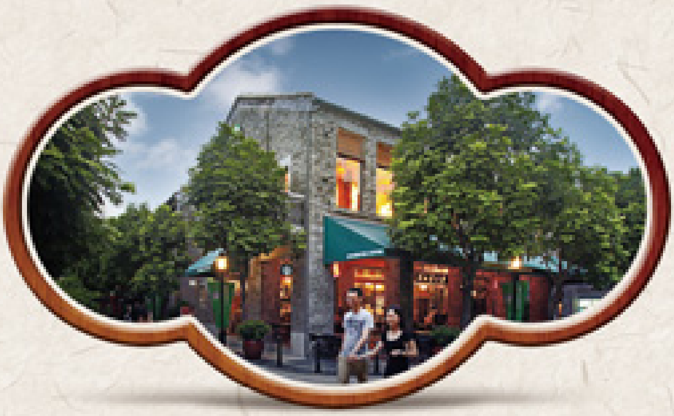

Maintaining our competitive edge in the market as one of China's leading property developers, we have redefined the quality of our customer services. The popularity of our residential units in Foshan Lingnan Tiandi is due as much to our quality and customised services as to our unique three-year warranty. We are also introducing a 24-hour service call centre as well as relationship managers in 2013.


Redefining
Qualities

Business Review

For the year ended 31 December 2012, the Group recorded turnover of RMB4,821 million, with property sales and rental and related income from investment properties accounting for RMB3,541 million or 73% and RMB1,249 million or 26%, respectively, of total turnover. The remaining sum of RMB31 million or 1% was generated from other income. In comparison with turnover of RMB8,484 million for the year 2011, this was a drop of 43% due to fewer properties being delivered and recognised as property sales in 2012. Rental and related income increased by 47% to RMB1,249 million in 2012.

As of 31 December 2012, total locked-in sales for delivery in 2013 and beyond stood at RMB6,305 million (including the contributions of Dalian associates) with GFA of 380,000 sq.m..

In the first two months of 2013, the Group achieved RMB2,524 million in contracted sales that are planned for delivery to customers and will be recognised as turnover in 2013 and beyond.

Property Sales

Recognised Property Sales

Recognised property sales decreased by 53% to RMB3,541 million, amounting to a total GFA of 199,700 sq.m. for the reporting year in which fewer properties were delivered and recognised as property sales. In particular, the contribution from property sales of Shanghai projects in 2012 decreased substantially by 84% to RMB489 million (including carparks and others), compared to RMB3,054 million in 2011 (including carparks and others).

Recognised property sales for Dalian Tiandi stood at RMB509 million, and its related profit was recorded in the share of results of associates.

The Group's developments reflected a stable average selling price ("ASP") in 2012. The ASP for Shanghai Taipingqiao rose by 6% to RMB158,100 per sq.m.. The ASP in Shanghai RHXC, Chongqing Tiandi, Foshan Lingnan Tiandi and Dalian Tiandi remained stable in 2012.

The 23% decrease in recognised ASP was mainly due to a change in product mix. In 2011, 40% of the property sales in turnover of the Group came from Shanghai where ASP was higher. In 2012, the difference was that 34% of property sales in turnover of the Group came from Chongqing Tiandi which commands a lower ASP.

Foshan Lingnan Tiandi gathers a bunch of well-known fashionable stores and international cuisines

The View at Rui Hong Xin Cheng locates in premier location, with superior transportation, natural environments as well as high quality

The table below summarises by project the recognised sales (stated after the deduction of business tax of 5% and other surcharges/taxes) for 2012 and 2011:

	2012			2011			
Project	Sales revenue RMB' million	GFA sold sq.m.	ASP RMB per sq.m.	Sales revenue RMB' million	GFA sold sq.m.	ASP RMB per sq.m.	ASP Growth rate %
Shanghai Taipingqiao	**157**	**1,050**	**158,100**	827	5,900	148,600	**6%**
Shanghai Rui Hong Xin Cheng ("RHXC")	**200**	**5,350**	**39,600**	2,133	57,700	39,200	**1%**
Shanghai Knowledge and Innovation Community ("KIC")							
Soho Office	**53**	**2,700**	**20,800**	47	2,300	21,700	**(4%)**
Office	**–**	**–**	**–**	528	14,400	38,900	**–**
Wuhan Tiandi							
Site B Residential	**1,087**	**52,800**	**21,800**	–	–	–	**–**
Site A Residential	**151**	**4,700**	**34,100**	1,491	49,100	32,200	**6%**
Site A Office	**–**	**–**	**–**	858	58,800	15,500	**–**
Chongqing Tiandi[1]	**1,184**	**115,300**	**13,300**	1,083	107,300	13,400	**(1%)**
Foshan Lingnan Tiandi							
Apartments & Retail	**226**	**13,300**	**18,000**	695	40,800	18,100	**(1%)**
Townhouses	**211**	**5,500**	**40,700**	366	9,800	39,600	**3%**
Subtotal	**3,269**	**200,700**	**17,300**	8,028	346,100	24,600	**(30%)**
Carparks and others	**294**	**–**	**–**	166	–	–	**–**
Dalian Tiandi							
Mid/high-rises	**414**	**38,000**	**11,600**	–	–	–	**–**
Villas	**95**	**4,200**	**24,000**	332	18,700	18,800	**28%**
Total	**4,072**	**242,900**		8,526	364,800		
Recognised as:							
– property sales in turnover of the Group[2]	**3,541**	**199,700**	**18,800**	7,581	329,400	24,400	**(23%)**
– disposal of investment properties[2]	**22**	**1,000**		613	16,700		
– turnover of associates	**509**	**42,200**		332	18,700		
Total	**4,072**	**242,900**		8,526	364,800		

1 ASP of Chongqing residential sales is based on net floor area, a common market practice in the region.

2 Sales of commercial properties are recognised as "turnover" if the properties concerned are designated for sale prior to the commencement of development. Sales of commercial properties previously designated as held for capital appreciation or rental income are recognised as "disposal of investment properties".

Greenville at Dalian Tiandi

Contracted Property Sales

In 2012, contracted property sales from general property sales and carparks (including those from Dalian associates) were RMB5,562 million, a decrease of 5% from RMB5,872 million in 2011. A total GFA of 260,300 sq.m. was sold and pre-sold, representing growth of 18% compared to 221,100 sq.m. in 2011. A change in product mix resulted in a 20% reduction in ASP, which stood at RMB21,400 per sq.m..

The ASPs of Shanghai Taipingqiao, Shanghai RHXC and Foshan Lingnan Tiandi townhouses remained stable in 2012.

In 2012, contracted property sales for Wuhan Tiandi came primarily from the pre-sale of a new development site – Wuhan Tiandi B9 and B11 in Site B – which is located north of No.2 Yangtze River Bridge. The ASP was RMB22,000 per sq.m. during the reporting period. The selling price was lower than the ASP of The Riverview Phase 3 located at Site A and already at a mature stage, with an advantageous waterfront position facing the Yangtze River in Wuhan Tiandi and providing immediate access to the Wuhan Tiandi entertainment hub area. By contrast, Wuhan Tiandi B9 and B11 are situated at the construction zone of Site B and in the initial stage of construction.

As more small units and apartments with garden and city views in Phase 3 of Chongqing Tiandi The Riviera were sold during 2012, the ASP decreased by 7% to RMB12,700 per sq.m..

In 2012, only one *en-bloc* commercial property sale was completed, for a total consideration of RMB170 million, providing a total GFA of 4,600 sq.m. for office and retail use at an ASP of RMB37,000 per sq.m.. The property is located at Shanghai KIC C2 Lot 5-5. *En-bloc* sales of a total GFA of 306,400 sq.m. for a total value of RMB4,795 million were contracted in 2011.

In addition to the contracted property sales outlined above, a total GFA of 80,200 sq.m. was subscribed and subject to formal sale and purchase agreements as of 31 December 2012, with a total value of RMB2,667 million. The Group achieved RMB2,524 million of contracted sales in the first two months of 2013.

The table below provides an analysis by project of contracted sales (stated before the deduction of business tax of 5% and other surcharges/taxes) for 2012 and 2011:

Project	2012 Contracted amount RMB' million	2012 GFA sold sq.m.	2012 ASP RMB per sq.m.	2011 Contracted amount RMB' million	2011 GFA sold sq.m.	2011 ASP RMB per sq.m.	ASP Growth rate %
General property sales:							
Shanghai Taipingqiao	**166**	**1,050**	**158,100**	877	5,900	148,600	**6%**
Shanghai RHXC	**14**	**350**	**40,000**	1,434	36,200	39,600	**1%**
Shanghai KIC							
Office	**69**	**2,600**	**26,500**	50	2,300	21,700	**22%**
Residential	**1,573**	**41,500**	**37,900**	–	–	–	**–**
Wuhan Tiandi							
Site A Residential & Retail	**123**	**3,300**	**37,300**	1,618	50,500	32,000	**17%**
Site B Residential	**1,376**	**62,500**	**22,000**	–	–	–	**–**
Chongqing Tiandi[1]	**792**	**75,800**	**12,700**	903	79,900	13,700	**(7%)**
Foshan Lingnan Tiandi							
Low/mid-rises & Retail	**493**	**25,400**	**19,400**	47	2,400	19,500	**(1%)**
Townhouses	**227**	**5,600**	**40,500**	432	10,800	39,900	**2%**
Subtotal	**4,833**	**218,100**	**22,200**	5,361	188,000	28,500	**(22%)**
Dalian Tiandi							
Villas	**84**	**3,500**	**23,800**	82	3,500	23,200	**3%**
Mid/high-rises	**387**	**38,700**	**10,000**	341	29,600	11,500	**(13%)**
Carparks and others	**258**	**–**	**–**	88	–	–	**–**
Subtotal for general property sales	**5,562**	**260,300**	**21,400**	5,872	221,100	26,600	**(20%)**
***En-bloc* commercial property sales:**							
Wuhan Tiandi							
A5 (Offices & Retail)	**–**	**–**	**–**	963	58,800	16,400	**–**
Shanghai KIC							
C2 Lot 5-5 (Offices & Retail)	**170**	**4,600**	**37,000**	600	14,400	41,700	**(11%)**
Chongqing Tiandi							
B12-3 & B12-4 (Offices)	**–**	**–**	**–**	1,559	133,700	11,700	**–**
B12-1 (Offices & Retail)	**–**	**–**	**–**	1,673	99,500	16,800	**–**
Subtotal for *en-bloc* commercial property sales	**170**	**4,600**	**37,000**	4,795	306,400	15,600	
Grand total	**5,732**	**264,900**	**21,600**	10,667	527,500	20,200	

1 ASP of Chongqing residential sales is based on net floor area, a common market practice in the region.

Residential GFA Available for Sale and Pre-sale in 2013

The Group has approximately 606,900 sq.m. of residential GFA spanning six Group projects, available for sale and pre-sale during 2013 as summarised below:

Project		Available for sale and pre-sale in 2013 GFA in sq.m.
Shanghai RHXC	Jing Ting (High-rises)	117,700
Shanghai KIC	Jiangwan Regency (Lot 311 Mid-rises & townhouses)	11,900
Wuhan Tiandi	Wuhan Tiandi B9, B11 and B13 (Low/mid/high-rises)	113,600
Chongqing Tiandi	The Riviera Phases 2 – 5 (Low/mid/high-rises)	135,600
Foshan Lingnan Tiandi	Regency Phases 1 – 3 (Low/mid/high-rises)	71,200
	Legendary Phases 1 – 3 (Townhouses)	25,100
Dalian Tiandi	Huangnichuan (Mid/high-rises)	19,400
	Huangnichuan (Villas)	20,900
	Hekou Bay (Mid/high-rises)	91,500
Total		**606,900**

By way of a cautionary note, the actual market launch dates depend on and will be affected by factors such as construction progress, changes in market environments, and changes in government regulations.

Ring Hong Xin Cheng offers a cohesive blend of qualitative cosmopolitan experiences

Investment Property

Rental and related income from investment properties rose significantly by 47% to RMB1,249 million in 2012. The sum of RMB1,056 million was generated by rental and related income from the investment properties, representing an annual growth of 26%. The remaining sum of RMB193 million was generated from hotel operations.

The increase was mainly due to rental growth from the existing completed investment property portfolio and income from newly acquired, mature investment properties, namely Shanghai Shui On Plaza and Shanghai Langham Xintiandi Hotel. These acquisitions were completed on 16 March 2012.

For 2012, a total GFA of 149,000 sq.m. of investment properties including hotel properties was newly completed, of which 97,000 sq.m. was held by subsidiaries of the Group and 52,000 sq.m. was held by associate companies. The two major properties completed in 2012 were the Shanghai Langham Xintiandi Hotel with 33,000 sq.m. and Marco Polo Lingnan Tiandi Foshan Hotel with 38,000 sq.m.. The rental and related income generated from this portfolio of investment properties was recorded in the Group's turnover.

Rental income and the related profit of investment property located in Dalian Tiandi were recorded in the share of results of associates.

The table below provides an analysis of the rental and related income from investment properties for 2012, 2011 and 2010 and the percentage of leases in GFA by property that are slated to expire from 2013 to 2015:

Project	Product	Leasable GFA	Rental & related income RMB'million			Year on year change		Leases expire in % of GFA		
		sq.m.	**2012**	2011	2010	**2012**	2011	**2013**	**2014**	**2015**
Shanghai Taipingqiao										
Xintiandi, Xintiandi Style and Langham Xintiandi Hotel Retail Portion	Offices/ Retail	80,000	**361**	342	277	**6%**	23%	**29%**	**22%**	**23%**
Corporate Avenue Phase 1	Offices/ Retail	83,000	**240**	232	231	**3%**	–	**31%**	**19%**	**41%**
Shui On Plaza	Offices/ Retail	50,000	**101**	–	–	**–**	–	**20%**	**15%**	**8%**
Sub-total		213,000	**702**	574	508	**22%**	13%	**27%**	**19%**	**27%**
Shanghai RHXC	Retail	47,000	**54**	41	45	**32%**	(9%)	**5%**	**7%**	**14%**
Shanghai KIC	Offices/ Retail	167,000	**155**	102	58	**52%**	76%	**22%**	**31%**	**33%**
Wuhan Tiandi	Retail	46,000	**58**	48	34	**21%**	41%	**19%**	**27%**	**23%**
Chongqing Tiandi	Retail	47,000	**16**	17	8	**(6%)**	113%	**6%**	**8%**	**36%**
Foshan Lingnan Tiandi	Retail	30,000	**53**	35	13	**51%**	169%	**3%**	**4%**	**9%**
Hangzhou Xihu Tiandi[1]	Retail	–	**18**	18	18	**–**	–	**54%**	**26%**	**20%**
Total		550,000[2]	**1,056**	835	684	**26%**	22%	**21%**	**21%**	**27%**

1 Hangzhou Xihu Tiandi has a leasable GFA of 6,000 sq.m. and features restaurants, cafes and other entertainment properties. The Group has the right to use the properties for a term of 20 years expiring in 2023 pursuant to the joint venture contract for the establishment of Hangzhou Xihu Tiandi Management Co., Ltd..

2 A total GFA of 29,000 sq.m. was occupied as office use of the Group. They are located at Shanghai Shui On Plaza (8,000 sq.m.), Shanghai KIC (4,000 sq.m.) and Chongqing Tiandi (17,000 sq.m.). A total GFA of 76,000 sq.m. was developed as hotel properties, namely, Shanghai Langham Xintiandi Hotel (33,000 sq.m.), Shanghai 88 Xintiandi Hotel (5,000 sq.m.), and Marco Polo Lingnan Tiandi Foshan Hotel (38,000 sq.m.).

The Riverview at Wuhan Tiandi sets the benchmark of top residence in Wuhan

As of 31 December 2012, a portfolio of completed investment properties with approximately 550,000 sq.m. in GFA (excluding hotel and self-use properties) was held by subsidiaries of the Group.

The carrying value of the completed investment properties (excluding hotel and self-use properties) with a total GFA of 550,000 sq.m., was RMB22,089 million. Of this sum, RMB750 million (representing 3% of the carrying value) arose from increased fair value during 2012. Contributing factors included an increase in rental and related income generated from the existing completed investment property portfolio, in particular for Shanghai KIC and Wuhan Tiandi, completion of new investment properties, and the completed acquisition of Shanghai Shui On Plaza. The properties located in Shanghai, Wuhan, Foshan and Chongqing, respectively contributed 87%, 5%, 5% and 3% of the carrying value.

The carrying value of the investment properties under development at valuation for a total GFA of 1,041,000 sq.m. was RMB14,746 million. Of this sum, RMB1,948 million (representing 13% of the carrying value) arose from increased fair value during 2012. The increase was mainly due to the accelerated construction works of Corporate Avenue Phase 2 located at the Taipingqiao project and THE HUB project in Shanghai, various office buildings and retail shopping centres in Chongqing, the retail and entertainment area in Foshan Lingnan Tiandi, and the retail podium at Wuhan Tiandi Lots A1/A2/A3. Except for the super-high-rise office buildings in Chongqing, the rest of the portfolio was planned for progressive completion between 2013 to 2015.

The carrying value of Shanghai Langham Xintiandi Hotel, Shanghai 88 Xintiandi Hotel as well as the newly completed Marco Polo Lingnan Tiandi Foshan Hotel was RMB2,435 million. These projects were carried at either the original acquisition cost or the construction cost, net of accumulated depreciation.

The carrying value of the remaining commercial-use landbank acquired on or before 2007, was stated at cost of RMB9,789 million.

The table below summarises the carrying value of the investment properties at valuation as of 31 December 2012 together with the change in fair value for 2012:

Project	Leasable GFA sq.m.	Increase/ (decrease) in fair value for 2012 RMB' million	Carrying value as of 31 December 2012 RMB' million	Carrying value per GFA RMB per sq.m.	Valuation gain /(loss) to carrying value %
Completed investment properties at valuation					
Shanghai Taipingqiao					
Xintiandi, Xintiandi Style and Langham Xintiandi Hotel Retail Portion	80,000	125	6,191	77,400	2%
Corporate Avenue Phase 1	83,000	135	4,481	54,000	3%
Shui On Plaza	50,000	65	2,741	54,800	2%
Shanghai RHXC	47,000	21	1,001	21,300	2%
Shanghai KIC	167,000	123	4,787	28,700	3%
Wuhan Tiandi	46,000	193	1,152	25,000	17%
Chongqing Tiandi	47,000	134	727	15,500	18%
Foshan Lingnan Tiandi	30,000	(46)	1,009	33,600	(5%)
Subtotal	**550,000**	**750**[1]	**22,089**	**40,200**	**3%**
Investment properties under development at valuation					
Shanghai Taipingqiao	155,000	588	5,487	35,400	11%
Shanghai RHXC	19,000	44	295	15,500	15%
Shanghai KIC	5,000	(3)	25	5,000	(12%)
THE HUB	233,000	421	4,458	19,100	9%
Wuhan Tiandi	110,000	323	889	8,100	36%
Chongqing Tiandi	493,000	427	2,890	5,900	15%
Foshan Lingnan Tiandi	26,000	148	702	27,000	21%
Subtotal	**1,041,000**	**1,948**	**14,746**	**14,200**	**13%**
Total	**1,591,000**	**2,698**	**36,835**	**23,200**	**7%**

1 Valuation gain of RMB42 million from investment properties completed in 2012 was recognised during the development stage.

Lakeside view of Corporate Avenue at Chongqing Tiandi

The table below summarises the carrying value of the hotel properties as of 31 December 2012:

Project	GFA sq.m.	Carrying value as of 31 December 2012 RMB' million	Carrying value per GFA RMB per sq.m.
Shanghai Taipingqiao			
Shanghai Langham Xintiandi Hotel	33,000	1,822	55,200
Shanghai 88 Xintiandi Hotel	5,000	70	14,000
Foshan Lingnan Tiandi			
Marco Polo Lingnan Tiandi Foshan Hotel	38,000	543	14,300
Total	**76,000**	**2,435**	**32,000**

Rendering of The View at Rui Hong Xin Cheng

The table below summarises the portfolio of completed investment properties together with their respective occupancy rates:

Project	Leasable GFA (sq.m.) Office	Retail	Hotel/ serviced apartments	Total	Occupancy rate 31 December 2012	31 December 2011	31 December 2010	Group's interest
Completed before 2012								
Shanghai Taipingqiao								
Shanghai Xintiandi	5,000	47,000	5,000	57,000	100%	100%	93%	97.0%
Shanghai Xintiandi Style	–	27,000	–	27,000	100%	96%	89%	99.0%
Shanghai Corporate Avenue	76,000	7,000	–	83,000	100%	100%	99%	99.0%
Shanghai Shui On Plaza	30,000	28,000	–	58,000	100%	N/A	N/A	80.0%
Shanghai RHXC								
The Palette 1	–	5,000	–	5,000	100%	100%	100%	79.8%
The Palette 3	–	28,000	–	28,000	98%	100%	100%	79.0%
The Palette 5	–	2,000	–	2,000	53%	39%	N/A	79.0%
The Palette 2	–	12,000	–	12,000	86%	N/A	N/A	79.0%
Shanghai KIC			–					
KIC Plaza Phase 1	29,000	21,000	–	50,000	84%	77%	81%	86.8%
KIC Plaza Phase 2	39,000	10,000	–	49,000	77%	79%	17%	86.8%
KIC Village R1 and R2	19,000	11,000	–	30,000	84%	75%	39%	86.8%
KIC Plaza C2	30,000	12,000	–	42,000	54%	33%	N/A	86.8%
Hangzhou Xihu Tiandi								
Phase 1	–	6,000	–	6,000	100%	100%	100%	100.0%
Wuhan Tiandi								
Wuhan Tiandi (Lot A4-1)	–	16,000	–	16,000	91%	98%	94%	75.0%
Wuhan Tiandi (Lots A4-2 and 3)	–	30,000	–	30,000	84%	91%	70%	75.0%
Chongqing Tiandi								
The Riviera Phase 1	–	2,000	–	2,000	94%	100%	100%	79.4%
The Riviera Phase 2 (Stage 1)	–	2,000	–	2,000	91%	96%	N/A	79.4%
Chongqing Tiandi (Lot B3/01)								
Phase 1	–	10,000	–	10,000	97%	100%	98%	79.4%
Phase 2	–	39,000	–	39,000	69%	59%	45%	79.4%
Foshan Lingnan Tiandi								
Lot 1 Phase 1	–	16,000	–	16,000	87%	22%	N/A	100.0%
Dalian Tiandi								
Software office buildings (D22)	42,000	–	–	42,000	76%	91%	65%	48.0%
Ambow training school	113,000	–	–	113,000	100%	100%	N/A	48.0%
Subtotal	**383,000**	**331,000**	**5,000**	**719,000**				
New completion in 2012								
Shanghai Taipingqiao								
Langham Xintiandi Hotel	–	1,000	33,000	34,000				66.7%
Chongqing Tiandi								
The Riviera Phase 2 (Stages 2 and 3)	–	5,000	–	5,000				79.4%
The Riviera Phase 3	–	6,000	–	6,000				79.4%
Foshan Lingnan Tiandi								
Marco Polo Lingnan Tiandi Foshan Hotel (Lot D)	–	14,000	38,000	52,000				100.0%
Dalian Tiandi								
Software office buildings (D14 – SO2/SO4)	52,000	–	–	52,000				48.0%
Subtotal	**52,000**	**26,000**	**71,000**	**149,000**				
Total leasable GFA	**435,000**	**357,000**	**76,000**	**868,000**				
Investment property held by:								
– Subsidiaries of the Group	228,000	357,000	76,000	661,000				
– Associated companies	207,000	–	–	207,000				
As of 31 December 2012	**435,000**	**357,000**	**76,000**	**868,000**				
As of 31 December 2011	356,000	303,000	5,000	664,000				

Note: Hotels and self-use properties are classified as property, plant and equipment in the consolidated financial statements.

Review of the First Three-Year Plan 2010 – 2012

Accelerate Development and Target to Complete 1 million sq.m. in 2012

Set in late 2009, the first Three-Year Plan was designed to accelerate development and increase asset turnover of the Group on the back of the stringent property policy environment in China. Most of the Group's sites cleared for development were located at Chongqing, Wuhan, Foshan and Dalian; while relocation progress of the two city re-development projects in Shanghai was slow.

The Group adopted a system of project-based decentralisation to foster timely decision-making by the project management teams, and simultaneously initiated standardisation through strategic partnerships with suppliers and advisers, and customisation of the luxury and premium products segment for better sales.

Target to Complete 1 million sq.m. of GFA in 2012

The Group did not achieve the development goal to deliver 1 million sq.m. in 2012 due to the changed market conditions. Various phases of developments in different projects have been deferred to rationalise the inventory level and capital expenditure.

Increased Production and Improved Productivity

Compared to the completion of a total GFA of 409,000 sq.m. of property from 2007 to 2009, the Group completed a total GFA of 1,612,000 sq.m. of property during the first Three-Year Plan (from 2010 to 2012), a nearly three-fold increase. As most of the sites available for development were located in Chongqing, Wuhan, Foshan and Dalian, 81% of the completed property in the past three years was in these cities. Only 19% of the completed property was contributed by projects located in Shanghai. As of 31 December 2012, a total of 772,000 sq.m. was delivered to customers and recognised as turnover and disposal of investment properties, 477,000 sq.m. were completed and held for investment, 71,000 sq.m. were completed and held as hotel properties, and 292,000 sq.m. were completed for delivery to customers in 2013 and beyond.

New Initiative on *en-bloc* Sales of Commercial Property to Increase Saleable Resources and Asset Churn to Enhance Cash Flow Management

With a total GFA landbank of 6.5 million sq.m. for commercial use as of 31 December 2009, the Group set a new initiative to sell selected non-core commercial property under development on an *en-bloc* basis during the first Three-Year Plan. The customers were primarily large financial institutions purchasing property for self-use and investment purposes.

In 2011, the Group completed four *en-bloc* sales transactions with a total GFA of 306,000 sq.m. for a total consideration of RMB4.8 billion. The sum of 73,000 sq.m. of the office area located in Shanghai KIC and Wuhan, was delivered to customers. Delivery to customers of the remaining 233,000 sq.m. of GFA located in Chongqing is planned for 2013 and beyond.

The transactions concluded in 2011 increased asset churn and enhanced cash flow management of the Group. Additionally, maintaining single ownership of the office buildings allowed for better asset management. Introducing new tenants was also beneficial to the value of sites in the vicinity owned by the Group.

More Cleared Sites for Development in Shanghai

For the year 2012, a total of RMB489 million in recognised property sales stemmed from projects in Shanghai compared to RMB3,054 million in 2011 and RMB2,261 million in 2010, respectively. The gap widened in 2012 due to fewer cleared sites being available for development in Shanghai during the first Three-Year Plan. Therefore, the Group strove to increase the number of cleared sites for development in Shanghai and invested a total of RMB13,556 million in relocation costs and RMB4,452 million for land acquisition.

In 2010, the Group acquired Lot 311 in Shanghai KIC at Yangpu District and THE HUB at Shanghai Hongqiao transportation hub, comprising a total GFA of 437,000 sq.m. for a total consideration of RMB4,452 million. The full amount of land premium was paid. Phase 1 residential of Lot 311 at Shanghai KIC, named as Jiangwan Regency, was launched for pre-sale in October 2012. By late 2012, RMB1,573 million in contracted sales had been achieved. The remaining area is to be developed into offices for sale and hotel property for investment purposes. These developments are planned to be completed in phases from 2013 to 2015. THE HUB at Shanghai Hongqiao transportation hub is currently under construction and is planned for completion progressively between 2013 and 2014.

Details of new sites acquired in Shanghai in 2010 are provided below:

Project	Product type	GFA sq.m.	Land Cost RMB' million
Shanghai KIC Lot 311	Residential, offices, retail & hotel	159,000	1,264
Shanghai THE HUB	Offices, retail & hotel	278,000	3,188
Total		**437,000**	**4,452**

Sites Cleared During the First Three-Year Plan

In addition, relocation of Lot 6 of Shanghai Rui Hong Xin Cheng and Lots 126 & 127 of Shanghai Taipingqiao for a total GFA of 292,000 sq.m., which commenced since 2005 under the previous relocation method of one-on-one negotiation, was completed during the first Three-Year Plan. A total relocation cost of 4,705 million had been paid as of 31 December 2012.

The site located at Rui Hong Xin Cheng (Lot 6) was cleared in late 2011 and is being developed into Phase 5 residential and retail for a total GFA of 137,000 sq.m.. The first batch launch for pre-sale was held in December 2012 for delivery to customers in 2014. The ASP achieved was RMB 44,500 per sq.m..

Two sites, namely Lots 126 & 127 located at Shanghai Taipingqiao were cleared in 2011 and late 2012.

They are being developed into two office buildings and a retail shopping centre with a total GFA of 155,000 sq.m.. Lots 126 and 127 are planned for completion in 2013 and 2014, respectively. They are estimated to contribute RMB700 million in annual rental income when fully leased.

Sites Where Relocation Commenced During the first Three-Year Plan

Thanks to the introduction by the City Government of Shanghai in 2010 of the "Sunshine Relocation Method" (two rounds of consultations and a transparent compensation package), the Group took the opportunity to accelerate the relocation process. The relocation of Lots 2, 3, 9 and 10 in Shanghai Rui Hong Xin Cheng and Lot 116 in Shanghai Taipingqiao proceeded by phases from late 2009 through 2012, yielding a total GFA of 659,000 sq.m.. As of 31 December 2012, 80% of the residents had agreed to be relocated. It is estimated that relocation at the aforementioned sites should be completed by phases from 2013 to 2014. The Group had invested a total of RMB8,851 million for these sites as of 31 December 2012.

The Group believes that the capital investment in relocation at the sites in Shanghai in the first Three-Year Plan, is likely to contribute significant business growth in the coming years. In the core city centre of Shanghai, there is very limited land supply available by public land auction. Advantageously, the Group holds the re-development rights for Taipingqiao and Rui Hong Xin Cheng, two core city projects. They provide a strong pipeline for the Group in both residential and commercial property developments in Shanghai in the future.

Details of the relocation progress for the respective lots are provided below:

Project	Percentage of relocation as of 31 December 2012	Leasable and saleable GFA sq.m.	Relocation cost paid as of 31 December 2012 RMB' million	Relocation completion year
Sites cleared during the first Three-Year Plan				
Taipingqiao Lot 126 (Corporate Avenue Phase 2 No. 5 office building & shopping centre)	100%	73,000	1,109	2011
Taipingqiao Lot 127 (Corporate Avenue Phase 2 No. 3 office building & shopping centre)	100%	82,000	1,502	2012
Rui Hong Xin Cheng Lot 6 (Jing Ting residential and retail)	100%	137,000	2,094	2011
Total		**292,000**	**4,705**	

Project	Percentage of relocation as of 31 December 2012	Leasable and saleable GFA sq.m.	Relocation cost paid as of 31 December 2012 RMB' million	Estimated outstanding relocation cost as of 31 December 2012 RMB' million	Estimated relocation completion year
Sites where relocation commenced during the first Three-Year Plan					
Taipingqiao Lot 116 (Phase 4 Residential)	85%	90,000	3,073	900	2013
RHXC Lot 3 (Rui Hong Tiandi – Hall of the Moon)	92%	72,000	1,477	279	2013
RHXC Lot 9 (Phase 6 residential)	83%	84,000	1,439	500	2013
RHXC Lot 2 (Phase 7 residential)	76%	105,000	1,314	545	2013
RHXC Lot 10 (Rui Hong Tiandi – Hall of the Sun and office buildings)	77%	308,000	1,548	1,691	2014
Total	**80%**	**659,000**	**8,851**	**3,915**	

Wuhan Tiandi has become the supreme high-end urban complex in Wuhan

Rental Growth, Asset Appreciation and Completion of New Investment Property Portfolio

A total GFA of 319,000 sq.m. of investment property and hotel properties, excluding investment property held by Dalian associates, was completed during the first Three-Year Plan. In 2012, the Group completed the acquisition of Shanghai Shui On Plaza and Langham Xintiandi Hotel located adjacent to Xintiandi at the Taipingqiao project, further enriching the investment property portfolio of the Group. Including the hotel properties, the total completed investment property portfolio held by the Group's subsidiaries, grew substantially, from 310,000 sq.m. at the end of 2009 to 661,000 sq.m. in 2012.

Rental and related income increased from RMB643 million in 2009 to RMB1,249 million in 2012. The aggregated carrying value of the completed investment property grew from RMB9,384 million as of 31 December 2009 to RMB22,089 million as of 31 December 2012.

The Group estimates that the total GFA of 1,041,000 sq.m. of investment property under construction at valuation should yield a gross development value of RMB40 billion upon completion, thereby contributing significant growth to the new investment property portfolio in the years ahead.

Volatile Turnover and Reported Earnings

The turnover and the reported earnings of the Group in the past three years were volatile, being subject to a variance of contributions from high margin projects in Shanghai in the year of reporting. In particular, for 2012, only RMB489 million in property sales came from projects located in Shanghai, compared to RMB3,054 million in property sales in 2011.

In addition, as mentioned above, there was a total GFA of 191,000 sq.m. of residential property and a GFA of 102,000 sq.m. of office and ancillary retail space located at various projects that were pending delivery and being recognised as turnover. Of these pending items, 153,000 sq.m. had been pre-sold subject to certain formal handover procedures for being recognised as turnover. The Group anticipates the sale and delivery of these properties during 2013.

During the first Three-Year Plan, the Group recorded RMB9 billion in reported earnings, with RMB2.5 billion classified as core earnings. Although fair value gain in the valuable investment properties is not classified as core earnings according to accounting standards, such gain is reflected in the balance sheet. The asset value is yet to be realised.

The Second Three-Year Plan 2013 – 2015

Sustainable and Balanced Growth

The implementation of the first Three-Year Plan laid the groundwork for the pursuit of sustainable long-term growth of the Group. While the Group's operating performance inevitably saw some volatility as a result of challenges in the business environment, Shui On Land remains firmly on the path of growth. Gearing, while high, remained relatively stable as the Group grew its investment property portfolio and allocated capital for relocating sites in Shanghai during the review period.

For the second Three-Year Plan, which will progressively unfold from 2013 to 2015, the Group has established overarching targets to accelerate the development of the cleared sites in Shanghai and other cities; realise the value of its investment property portfolio for sustainable earnings growth and deleverage the balance sheet.

Re-organization of the Group

Establishment of China Xintiandi ("CXTD")

To unlock the underlying asset value of the Group's portfolios, CXTD began operations as a separately managed, wholly-owned subsidiary of the Group on 1 March 2013, as part of the process for the proposed separate listing of CXTD (the "Proposed Spin-off") on the Hong Kong Stock Exchange. Shui On Land, from an operational point of view, will become a developer focusing on property development and property sales to increase the asset turnover of the Group, leaving the asset management role to CXTD. CXTD will focus principally on managing, designing, leasing, marketing, enhancing and redeveloping premium retail, office, entertainment and hotel properties in affluent urban areas in China, excluding Hong Kong, the Macao Special Administrative Region and Taiwan. This arrangement will ensure clearer focus on the two distinct and separate businesses.

The Group is building and operating a prime investment property portfolio that pinpoints advantageous locations in Shanghai and other first-to-second-tier Chinese cities, thereby boosting its premium brand recognition in China. The newly established and separately operated CXTD will continue to leverage its experience in running Xintiandi, Grade A office, high-end retail and shopping malls as well as five-star hotels. CXTD aims to provide better service and expertise to cater to increasing domestic and international demand.

As of 31 December 2012, the Group held a portfolio of completed investment properties at valuation and hotel properties with approximately 626,000 sq.m. in GFA, at the carrying value of RMB24,524 million.

In addition, among the investment properties under development at valuation with approximate total GFA of 1,041,000 sq.m., major investment projects include Corporate Avenue Phase 2 in Taipingqiao project, THE HUB connecting to Shanghai Hongqiao airport, various office buildings and retail shopping centres in Chongqing, the retail and entertainment area in Foshan Lingnan Tiandi, and the retail podium at Wuhan Tiandi Lots A1/A2/A3. With the exception of the super-high-rise office buildings in Chongqing, the rest of the portfolio is planned for progressive completion between 2013 and 2015. The estimated gross development value of the portfolio is approximately RMB40 billion upon completion. The underlying value of the portfolio is yet to be realised.

CXTD's portfolio is yet to be finalised. Further information will be released upon the approval for the Proposed Spin-off on the Hong Kong Stock Exchange.

There is no assurance that the Proposed Spin-off will take place or as to when it may take place. The Proposed Spin-off is subject to, among other factors, the approval by the Listing Committee of the Hong Kong Stock Exchange, the prevailing market conditions, the final decisions of the board of directors of Shui On Land, the final decisions of the board of directors of CXTD, the approval from the shareholders and bondholders of Shui On Land and ultimately its timing will be dependent on prevailing market conditions.

Property Development Business

During the first Three-Year Plan, decentralisation and project-based management allowed for timely and market driven decisions, in particular, on pricing and on timing launch schedules to coincide with favourable market conditions.

While production and productivity increased during the first Three-Year Plan, the Group's project teams experienced challenges in aligning planned completion schedule and budgets. This was largely due to the nature of the projects, which are typically large-scale developments offering a full range of property types from low to high-rise residential properties, Five-star hotels, software offices to grade A office towers, Xintiandi entertainment hubs to large-scale shopping malls. These properties have very different development cycles and economic returns, cash flow and capital management.

In addition, during the first Three-Year Plan, strategic partnerships with suppliers and advisers were the focus of the Group's standardisation strategy. The strategy was designed to ensure that product quality could be maintained when production was accelerated. The Group believes there is room for further improvement in shortening the development cycle as well as in streamlining the construction costs for different types of products across different projects.

The Performance & Exhibition Centre at THE HUB

Ruihong Tiandi at Rui Hong Xin Cheng composes of four themed commercial blocks, namely Hall of the Sun, Hall of the Moon, Hall of the Stars & a boutique fashion district

In the second Three-Year Plan, the decentralised organization structure will be further optimised by tightening Group level control and active monitoring of the development progress to ensure timely completion. The Group has established three cross-function and cross-project task forces to achieve the goals set for the second Three-Year Plan as well as to reinforce performance management.

Development Cost and Schedule Control

The Product Line Standardisation & Development task force and the Cost Control task force are focusing on optimising the development cycle through achieving better time and process management when carrying out market research, project positioning and architectural design so as to reduce repetitive or abortive work, and to ensure timely completion. The teams are working with different project companies to establish a company standard for development costs and scheduling for each building type and geographical location. The teams are working on enhancing the cost and progress control system on both the operations and management levels; expanding the materials library to incorporate related cost data and establish the centralised procurement system; as well as building up a regular review system.

Broaden Product Lines for Wider Market Catchment

To better position the Group against changes in the macroeconomic policy environment, the Group plans to broaden its residential product lines to cater to the preferences and needs of a wider buyers' market. The Production Standardisation & Development task force is also working with individual project teams to further explore product segmentation and positioning. Construction cost budgets and delivery criteria are to be better standardised for timely completion.

The Customisation and One Stop Services task force is tasked with the goal of exceeding customer expectations by developing a premier value proposition which will be achieved through the implementation of innovative, customised products and one stop services. This task force consists of principally management-level staff from the Group's project development, sales and marketing, construction and property management offices.

Property Completed in 2012 and Development Plan for 2013 and 2014

The table below summarises the projects that were completed in 2012 and are planned for completion in 2013 and 2014:

Project	Residential sq.m.	Office sq.m.	Retail sq.m.	Hotel/ serviced apartments sq.m.	Subtotal sq.m.	Clubhouse, carpark and other facilities sq.m.	Total sq.m.
Actual delivery in 2012							
Shanghai Taipingqiao	–	–	1,000	33,000	34,000	19,000	53,000
Shanghai RHXC	–	–	–	–	–	–	–
Shanghai KIC	–	–	–	–	–	–	–
THE HUB	–	–	–	–	–	–	–
Wuhan Tiandi	66,000	–	1,000	–	67,000	18,000	85,000
Chongqing Tiandi	174,000	98,000	13,000	–	285,000	69,000	354,000
Foshan Lingnan Tiandi	67,000	–	15,000	38,000	120,000	54,000	174,000
Dalian Tiandi[1]	96,000	52,000	–	–	148,000	82,000	230,000
Total	**403,000**	**150,000**	**30,000**	**71,000**	**654,000**	**242,000**	**896,000**
Plan for delivery in 2013							
Shanghai Taipingqiao	–	50,000	23,000	–	73,000	35,000	108,000
Shanghai RHXC	–	–	–	–	–	–	–
Shanghai KIC	53,000	–	–	–	53,000	20,000	73,000
THE HUB	–	59,000	16,000	–	75,000	43,000	118,000
Wuhan Tiandi	54,000	–	1,000	–	55,000	13,000	68,000
Chongqing Tiandi	77,000	252,000	84,000	–	413,000	131,000	544,000
Foshan Lingnan Tiandi	12,000	–	28,000	10,000	50,000	12,000	62,000
Dalian Tiandi[1]	33,000	–	41,000	–	74,000	24,000	98,000
Total	**229,000**	**361,000**	**193,000**	**10,000**	**793,000**	**278,000**	**1,071,000**
Plan for delivery in 2014							
Shanghai Taipingqiao	–	55,000	27,000	–	82,000	37,000	119,000
Shanghai RHXC	118,000	–	19,000	–	137,000	50,000	187,000
Shanghai KIC	–	95,000	6,000	–	101,000	46,000	147,000
THE HUB	–	46,000	112,000	44,000	202,000	68,000	270,000
Wuhan Tiandi	56,000	32,000	110,000	7,000	205,000	140,000	345,000
Chongqing Tiandi	124,000	–	10,000	–	134,000	43,000	177,000
Foshan Lingnan Tiandi	44,000	–	9,000	–	53,000	29,000	82,000
Dalian Tiandi[1]	91,000	–	1,000	–	92,000	43,000	135,000
Total	**433,000**	**228,000**	**294,000**	**51,000**	**1,006,000**	**456,000**	**1,462,000**

1 Dalian Tiandi is a project developed by associates of the Group.

As a cautionary note, the actual completion date depends on and will be affected by construction progress, changes in the market environments, changes in government regulations and other factors.