



Directors' Report

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2012.

Principal Activities

The Company acts as an investment holding company. The activities of its subsidiaries, associates and jointly controlled entities are set out in notes 46, 17 and 18 respectively to the consolidated financial statements.

Results and Appropriations

The results of the Group for the year ended 31 December 2012 are set out in the consolidated income statement on page 130.

An interim dividend of HK\$0.025 per share was paid to the shareholders on 11 October 2012.

The Board has resolved to recommend to the shareholders of the Company at the forthcoming annual general meeting (the "AGM") the payment of a final dividend of HK\$0.035 per share for the year ended 31 December 2012 (2011: HK\$0.10 per share), amounting to HK\$210 million or equivalent to RMB170 million (2011: HK\$583 million or equivalent to RMB473 million) in aggregate. On 28 March 2013, the Company announced a proposed rights issue of rights shares on the basis of 1 rights share for every 3 existing shares. If the rights shares (in their fully-paid form) are allotted and issued on or before the record date for the proposed 2012 final dividend and shareholders approve the 2012 final dividend at the AGM, then holders of the fully-paid rights shares whose names appear on the register of members of the Company on the record date for the 2012 final dividend will be entitled to receive the 2012 final dividend of HK\$0.035 per share on the same basis as holders of existing shares in issue. In such case the aggregate amount of the 2012 final dividend will be approximately HK\$280 million (equivalent to approximately RMB226 million).

The final dividend is expected to be paid on or about 18 June 2013 to shareholders whose names appear on the register of members of the Company on 4 June 2013.

Investment Properties

Details of the movements in the investment properties of the Group during the year are set out in note 13 to the consolidated financial statements.

Property, Plant and Equipment

Details of the movements in the property, plant and equipment of the Group during the year are set out in note 14 to the consolidated financial statements.

Share Capital

Details of share capital of the Company during the year ended 31 December 2012 are set out in note 28 to the consolidated financial statements.

Distributable Reserves of the Company

The Company's reserves available for distribution to shareholders as of 31 December 2012 were RMB12,019 million (2011: RMB10,153 million).

Directors

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

Executive Directors:

Mr. Vincent H. S. LO
Mr. Freddy C. K. LEE
Mr. Daniel Y. K. WAN

Non-executive Director:

Mr. Frankie Y. L. WONG

Independent Non-executive Directors:

Sir John R. H. BOND
Dr. William K. L. FUNG
Professor Gary C. BIDDLE
Dr. Roger L. McCARTHY
Mr. David J. SHAW

In accordance with the provisions of the Company's Articles of Association, Mr. Freddy C. K. LEE, Mr. Daniel Y. K. WAN and Dr. Roger L. McCARTHY will retire by rotation at the AGM and being eligible, will offer themselves for re-election.

Directors' Interests in Securities

At 31 December 2012, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which (i) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO); or (ii) were recorded in the register required to be kept under section 352 of the SFO; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:



(a) Long position in the shares and the underlying shares of the Company

Name of Directors	Number of ordinary shares			Interests in the underlying shares		Total	Approximate percentage of interests to the issued share capital of the Company (Note 6)
	Personal interests	Family interests	Other interests	Share options (Note 4)	Other equity derivatives (Note 5)		
Mr. Vincent H. S. LO	–	1,387,141 (Note 1)	3,294,769,562 (Note 2)	–	276,182,711 (Note 5)	3,572,339,414	59.52%
Mr. Freddy C. K. LEE	286,000	208,500 (Note 3)	–	13,577,747 (Note 3)	–	14,072,247	0.23%
Mr. Daniel Y. K. WAN	–	–	–	9,575,766	–	9,575,766	0.15%
Dr. William K. L. FUNG	4,133,593	–	–	–	–	4,133,593	0.06%
Professor Gary C. BIDDLE	228,860	–	–	–	–	228,860	0.0038%

Notes:

- (1) These interests were beneficially owned by Ms. Loletta CHU ("Mrs. Lo"), the spouse of Mr. Vincent H. S. LO ("Mr. Lo"). Mr. Lo was deemed to be interested in 1,387,141 shares under Part XV of the SFO.
- (2) These interests were beneficially owned by Shui On Company Limited ("SOCL") through its controlled corporations, comprising 1,468,577,844 shares, 1,527,879,950 shares, 3,508,943 shares, 22,385,953 shares, 100,000,000 shares and 172,416,872 shares held by Shui On Properties Limited ("SOP"), Shui On Investment Company Limited ("SOI"), Chester International Cayman Limited ("Chester International"), New Rainbow Investments Limited ("NRI"), Lanvic Limited ("Lanvic") and Boswell Limited ("Boswell") respectively whereas SOP, Chester International, Lanvic and Boswell are all wholly-owned subsidiaries of SOI. SOCL is owned by the Bosrich Unit Trust, the trustee of which is Bosrich Holdings (PTC) Inc. ("Bosrich"). The units of the Bosrich Unit Trust are the property of a discretionary trust of which Mr. Lo is a discretionary beneficiary and HSBC International Trustee Limited ("HSBC Trustee") is the trustee. Accordingly, Mr. Lo, Mrs. Lo, Bosrich and HSBC Trustee were deemed to be interested in such shares under Part XV of the SFO.
- (3) Mr. Freddy C. K. LEE was deemed to be interested in 208,500 shares and 943,861 share options held by his spouse under Part XV of the SFO.
- (4) These represent the interests of share options granted to the Directors and/or their respective associate(s) under the share option scheme adopted by the Company on 8 June 2007 to subscribe for shares.
- (5) In respect of such interests, Chester International is taken to be interested in 276,182,711 shares as a result of the equity swap transactions entered into between Chester International as equity swap receiver and Standard Chartered Bank, Singapore Branch as equity swap payer on 7 September 2010 and 8 September 2010 respectively. As mentioned above, Chester International is a wholly-owned subsidiary of SOI. Accordingly, Mr. Lo is deemed to be interested in such 276,182,711 shares under Part XV of the SFO.
- (6) These percentages have been compiled based on the total number of issued shares (i.e. 6,001,294,642 shares) at 31 December 2012.

(b) Interests in the debentures of the Company

Name of Director	Nature of Interests	Amount of Debentures
Dr. William K. L. FUNG	Interest of controlled corporation	RMB12,700,000

(c) Interests in the debentures of the associated corporation of the Company

Name of Director	Name of Associated Corporation	Nature of Interests	Amount of Debentures
Sir John R. H. BOND	Shui On Development (Holding) Limited	Personal interests	RMB5,000,000
Dr. William K. L. FUNG	Shui On Development (Holding) Limited	Family interests	USD500,000

Save as disclosed above, at 31 December 2012, none of the Directors or the chief executive of the Company had an 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 of interests 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.

Substantial Shareholders' Interests in Shares

At 31 December 2012, the persons or corporations (other than a Director or chief executive of the Company) who 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 were as follows:

Name of shareholders	Capacity/ Nature of interests	Total number of ordinary shares and underlying shares	Approximate percentage of interests in the Company (Note 5)
Mrs. Lo	Family and Personal	3,572,339,414 (Notes 1, 3 & 4)	59.52%
HSBC Trustee	Trustee	3,570,952,273 (Notes 2, 3 & 4)	59.50%
Bosrich	Trustee	3,570,952,273 (Notes 2, 3 & 4)	59.50%
SOCL	Interests of Controlled Corporation	3,570,952,273 (Notes 2, 3 & 4)	59.50%

Notes:

- (1) In respect of such interests, 3,296,156,703 shares were comprised of 1,387,141 shares beneficially held by Mrs. Lo and 3,294,769,562 shares in which Mr. Lo, the spouse of Mrs. Lo, had a deemed interest under Part XV of the SFO mentioned in note (2) below. Accordingly, Mrs. Lo was also deemed to be interested in 3,294,769,562 shares under Part XV of the SFO.
- (2) These interests were beneficially owned by SOCL through its controlled corporations, comprising 1,468,577,844 shares, 1,527,879,950 shares, 3,508,943 shares, 22,385,953 shares, 100,000,000 shares and 172,416,872 shares held by SOP, SOI, Chester International, NRI, Lanvic and Boswell respectively whereas SOP, Chester International, Lanvic and Boswell are all wholly-owned subsidiaries of SOI. SOCL is owned by the Bosrich Unit Trust, the trustee of which is Bosrich. The units of the Bosrich Unit Trust are the property of a discretionary trust, of which Mr. Lo is a discretionary beneficiary and HSBC Trustee is the trustee. Accordingly, Mr. Lo, Mrs. Lo, Bosrich and HSBC Trustee were deemed to be interested in such shares under Part XV of the SFO.
- (3) In respect of such interests, Chester International is taken to be interested in 276,182,711 shares as a result of the equity swap transactions entered into between Chester International as equity swap receiver and Standard Chartered Bank, Singapore Branch as equity swap payer on 7 September 2010 and 8 September 2010 respectively. As mentioned above, Chester International is a wholly-owned subsidiary of SOI. Accordingly, Mr. Lo is deemed to be interested in such 276,182,711 shares under Part XV of the SFO.
- (4) All the interests stated above represent long positions.
- (5) These percentages have been compiled based on the total number of issued shares (i.e. 6,001,294,642 shares) at 31 December 2012.

Save as disclosed above, at 31 December 2012, the Directors are not aware of any other person or corporation (other than a Director or chief executive of the Company), having an interest or short position in the shares or underlying shares of the Company as recorded in the register of interests required to be kept by the Company under Section 336 of the SFO.



Share Options

Particulars of the Company's share option scheme (the "Share Option Scheme") adopted by the Company on 8 June 2007 (the "Adoption Date") are set out in note 37 to the consolidated financial statements.

The following table sets out the movement of the Company's share options during the year under review:

Name or category of Eligible participants	Date of grant	Exercise price per share HK\$	At 1 January 2012	Granted during the period	Exercised during the period	Lapsed during the period	At 31 December 2012	Period during which the share options are exercisable
Directors								
Mr. Freddy C. K. LEE	20 June 2007	7.00	3,469,386	–	–	(127,551)	3,341,835	20 June 2009 – 19 June 2016
	2 June 2008	7.34	661,734	–	–	(24,329)	637,405	2 June 2010 – 1 June 2017
	18 January 2012	2.61	–	6,919,000	–	–	6,919,000	Q2 2013 (Note 2) – 17 January 2020
	3 September 2012	5.35	–	1,869,158	–	(133,512)	1,735,646	3 October 2012 – 28 October 2018
Mr. Daniel Y. K. WAN	18 January 2012	2.61	–	3,501,000	–	–	3,501,000	Q2 2013 (Note 2) – 17 January 2020
	3 September 2012	5.35	–	6,542,056	–	(467,290)	6,074,766	3 October 2012 – 28 October 2018
Sir John R. H. BOND	20 June 2007	7.00	500,000	–	–	(500,000)	–	20 June 2007 – 19 June 2012
Professor Gary C. BIDDLE	20 June 2007	7.00	500,000	–	–	(500,000)	–	20 June 2007 – 19 June 2012
Dr. Roger L. McCARTHY	20 June 2007	7.00	500,000	–	–	(500,000)	–	20 June 2007 – 19 June 2012
Mr. David J. SHAW	20 June 2007	7.00	500,000	–	–	(500,000)	–	20 June 2007 – 19 June 2012
Mr. LEUNG Chun Ying (Note 1)	20 June 2007	7.00	500,000	–	–	(500,000)	–	20 June 2007 – 19 June 2012
Dr. Edgar W. K. CHENG (Note 1)	20 June 2007	7.00	500,000	–	–	(500,000)	–	20 June 2007 – 19 June 2012
Sub-total			7,131,120	18,831,214		(3,752,682)	22,209,652	
Consultants								
Mr. Richard K. N. HO	20 June 2007	7.00	1,000,000	–	–	(200,000)	800,000	20 June 2007 – 19 June 2016
Dr. Thomas K. F. LEUNG	20 June 2007	7.00	500,000	–	–	(500,000)	–	20 June 2007 – 19 June 2012
Sub-total			1,500,000			(700,000)	800,000	
Employees (in aggregate)								
	20 June 2007	7.00	64,206,027	–	–	(6,837,418)	57,368,609	20 June 2009 – 19 June 2016
	1 August 2007	8.18	808,631	–	–	(24,174)	784,457	1 August 2009 – 31 July 2016
	2 October 2007	10.00	1,679,722	–	–	(105,453)	1,574,269	2 October 2009 – 1 October 2016
	1 November 2007	11.78	497,855	–	–	(49,643)	448,212	1 November 2009 – 31 October 2016
	3 December 2007	9.88	116,156	–	–	(14,675)	101,481	3 December 2009 – 2 December 2016
	2 January 2008	8.97	2,848,402	–	–	(124,224)	2,724,178	2 January 2010 – 1 January 2017
	1 February 2008	8.05	1,269,992	–	–	(412,402)	857,590	1 February 2010 – 31 January 2017
	3 March 2008	7.68	490,381	–	–	(38,832)	451,549	3 March 2010 – 2 March 2017
	2 May 2008	7.93	4,440,654	–	–	(678,717)	3,761,937	2 May 2010 – 1 May 2017
	2 June 2008	7.34	9,908,845	–	–	(791,874)	9,116,971	2 June 2010 – 1 June 2017
	2 July 2008	6.46	696,537	–	–	(250,858)	445,679	2 July 2010 – 1 July 2017
	4 September 2009	4.90	17,110,429	–	–	(2,578,710)	14,531,719	3 November 2010 – 2 November 2017
	18 January 2012	2.61	–	30,351,000	–	(1,010,000)	29,341,000	Q2 2013 (Note 2) – 17 January 2020
	3 September 2012	5.35	–	15,373,805	–	(1,304,246)	14,069,559	3 October 2012 – 28 October 2018
	3 September 2012	5.35	–	14,953,227	–	(405,901)	14,547,326	5 November 2012 – 4 November 2019
Sub-total			104,073,631	60,678,032	–	(14,627,127)	150,124,536	
Total			112,704,751	79,509,246	–	(19,079,809)	173,134,188	

Notes:

(1) Dr. Edgar W. K. CHENG resigned as Independent Non-executive Director of the Company on 3 November 2011 and Mr. LEUNG Chun Ying resigned as Non-executive Director of the Company on 31 December 2011. Their share options were lapsed on 20 June 2012 in accordance with the Share Option Scheme.

(2) The vesting date is a date during the period from 1 April 2013 to 30 June 2013 as determined by the Remuneration Committee of the Company.

Summary of the Share Option Scheme are as follows:

(i) **Purpose**

The purpose of the Share Option Scheme is to provide a strategic driver to enhance shareholder value of the Company through achieving excellent business results and rapid growth; and to build a high performing organization with loyal staff and other key contributors who are committed to achieving the vision and goals of the Company.

(ii) **Qualifying participants**

The Board may offer to grant an option to any employee including employee who has been newly promoted or recruited by the Company and/or its subsidiaries and non-executive director, consultant or other contributor of the Company or its subsidiaries as recommended by the Chairman.

(iii) **Maximum number of shares**

The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme must not in aggregate exceed 10% of the issued share capital of the Company at the date of approval of the Share Option Scheme or 30% of the issued share capital of the Company from time to time. No options may be granted under the Share Option Scheme if this will result in such limit exceeded. At 31 December 2012, the number of shares available for issue in respect thereof is 418,009,717 shares.

(iv) **Limit for each participant**

The total number of shares of the Company issued and to be issued upon exercise of options (whether exercised or outstanding) granted in any 12-month period to each participant must not exceed 1% of the shares of the Company in issue.

(v) **Option period**

The period within which the shares must be taken up under an option for an employee shall be for such period as the Board may from time to time determine, and initially as at the Adoption Date, shall be a period ranging from 5 years for the first to the third tranche to 1 year for the seventh tranche of the option unless otherwise adjusted by the Board in its absolute discretion in certain circumstances set out in the Share Option Scheme. In the case of an option granted to a qualifying participant recommended by the Chairman, the option period shall be for such period as the Board may from time to time determine in accordance with the recommendations of the Chairman, which initially at the Adoption Date, shall not be more than 5 years from the date of the relevant grant. In all cases, the option period shall not exceed 10 years from the date of grant of the relevant option.

(vi) **Acceptance and payment on acceptance**

An offer shall remain open for acceptance by the qualifying participant concerned for a period of 30 days from the date of the offer (or such longer period as the Board may specify in writing). HK\$1.00 is payable by the grantee to the Company on acceptance of the offer of the option.

(vii) **Subscription price**

The subscription price in respect of any particular option shall be at least the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the 5 business days immediately preceding the date of grant; and (iii) the nominal value of a share. The Board will be given the authority to determine the subscription price in its discretion in accordance with the terms of the Share Option Scheme.

(viii) **Remaining life of the Share Option Scheme**

The Board shall be entitled at any time within 10 years commencing on 8 June 2007 to make an offer for the grant of an option to any qualifying participants.



Arrangement to Purchase Shares or Debentures

Other than the share option holdings disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Purchase, Sale or Redemption of Shares

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the year ended 31 December 2012.

Corporate Governance

The Company is committed to maintaining a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the "Corporate Governance Report" on pages 82 to 93.

Connected Transactions

Certain related party transactions as disclosed in note 41 to the consolidated financial statements also constituted non-exempt connected transactions of the Company and are required to be disclosed in accordance with Chapter 14A of the Listing Rules. The following transactions are the connected transactions of the Company and its subsidiaries during the year under review, certain of which are ongoing.

(1) Acquisition of the issued share capital in Rimmer Investments Limited ("Rimmer") and Magic Garden Investments Limited ("Magic Garden")

On 9 September 2011, Rich Bright Holdings Limited, an indirect wholly-owned subsidiary of the Company, entered into an agreement with Cassidy Enterprises Corp. ("Cassidy") and SOI in relation to the sale and purchase of the entire issued share capital of Rimmer and 66.7% of the entire issued share capital of Magic Garden ("Acquisition of RI Shares and MGI Shares"). SOI, being a substantial shareholder of the Company, is a connected person of the Company for the purpose of the Listing Rules. Cassidy, being a subsidiary of SOI, is also a connected person of the Company for the purpose of the Listing Rules. Given Cassidy and SOI are connected persons of the Company, the Acquisition of RI Shares and MGI Shares constituted connected transactions of the Company under the Listing Rules. In addition, with effect from the completion of the Acquisition of RI Shares and MGI Shares on 16 March 2012, the Langham Xintiandi Hotel Related Transactions (as defined in the circular of the Company dated 6 October 2011) became continuing connected transactions of the Company, details of which are set out in item 11 of this section.

(2) Leases of property by the Group from the subsidiaries of SOCL

In the ordinary course of the Group's business, the Company or its subsidiaries, as tenant, have entered into a number of property leasing agreements with the subsidiaries of SOCL (the "Shui On Group"). As SOCL is a substantial shareholder of the Company, SOCL and each of its subsidiaries are connected persons of the Company under the Listing Rules.

In Shanghai, the Group has entered into property leasing agreements with Shanghai Jiu Hai Rimmer Properties Co. Ltd. ("Shanghai Jiu Hai Rimmer"), which was an indirect 80%-owned subsidiary of SOCL until 16 March 2012, for various units in Shui On Plaza at market rent. In Hong Kong, a subsidiary of the Company has entered into property leasing and licensing agreements with Shui On Centre Company Limited and SOI, both of which are wholly-owned by SOCL, for various units in Shui On Centre at prevailing market rent. These properties are for uses as offices.

The Company entered into a framework lease agreement with SOCL on 30 May 2006, the term of which was extended to 31 December 2009 by a supplemental agreement dated 4 September 2007 and further extended to 31 December 2012 by a second supplemental agreement dated 15 January 2010 (the "Framework Lease Agreement").

The Group set the maximum aggregate annual rent payable by the Group to the Shui On Group for leasing, sub-leasing and licensing of the properties in Shanghai for the year ended 31 December 2012 at RMB41 million. In

addition, the Company expected that the total annual amount payable by the Group to the Shui On Group for leasing of the premises in Hong Kong for the year ended 31 December 2012 will not exceed HK\$4.2 million.

Subsequent to the completion of the acquisition of interest of Shui On Plaza by the Group from SOI on 16 March 2012 (details of the transaction are set out in the circular of the Company dated 6 October 2011), Shanghai Jiu Hai Rimmer has become a subsidiary of the Company and the property leasing arrangements between Shanghai Jiu Hai Rimmer and the Group relating to Shui On Plaza became intra-group transactions instead of connected transactions of the Company. During the period from 1 January 2012 to 15 March 2012, an amount of RMB5.6 million were paid and/or are payable by the Group to the Shui On Group for leasing the premises in Shanghai under the property leasing agreements and the Framework Lease Agreement.

An amount of HK\$2.7 million were paid and/or are payable by the Group to the Shui On Group for leasing the premises in Hong Kong under the property leasing agreements and the Framework Lease Agreement during the year under review. For the avoidance of doubt, the property leasing and licensing agreements in respect of Shui On Centre in Hong Kong continued to be connected transactions between the Group and the Shui On Group (excluding the Company and its subsidiaries) under the Framework Lease Agreement until 31 December 2012. Shui On Group and the Company expected that the total annual amount payable by the Group to the Shui On Group for the leasing of the premises in Hong Kong for each of the three financial years ending 31 December 2015 will be the de minimis transactions as referred to in Chapter 14A of the Listing Rules. Therefore, the relevant annual caps under the Framework Lease Agreement for the premises in Hong Kong have not been renewed upon expiry on 31 December 2012.

(3) Provision of construction services by SOCAM Development Limited ("SOCAM") to the Group

In the ordinary course of the Group's business, the Group entered into a number of construction contracts with Shui On Construction Co., Ltd. ("SOCC"), and Pat Davie (China) Limited (together, the "SOCAM Contractors"), which are the subsidiaries of SOCAM, as the contractors for construction works in relation to the Group's projects in the PRC. The construction contracts include renovation works, building decoration works, mechanical and electrical system materials procurement and building materials procurement. Mr. Lo and his associates are together currently holding more than 30% equity interest in SOCAM. Therefore, SOCAM and its subsidiaries, including the SOCAM Contractors, are the associates of a connected person of the Company.

On 4 June 2006, the Company entered into a construction services framework agreement with SOCC in respect of the provision of construction services as supplemented by a supplemental agreement dated 15 December 2008 to extend the term for three financial years to 31 December 2011. On 9 December 2011, the Company and Shui On Contractors Limited ("SOC"), a wholly-owned subsidiary of SOCAM, entered into a new framework agreement (the "New Construction Services Framework Agreement") to provide new guidelines and basis of annual caps on the provision of construction services by SOC and its subsidiaries (which form part of SOCAM group and include SOCC as one of its members) to the Group for a further term of three financial years expiring on 31 December 2014.

Under the New Construction Services Framework Agreement, for contracts with a contract sum of RMB5 million or more, construction contracts were generally put out to tender and contractors selected through a bidding process under which each potential contractor was assessed on its qualifications, reputation for reliability, quality and price. The construction contracts with SOCAM Contractors of over RMB5 million were entered into pursuant to and on the basis of bids tendered. For contracts of less than RMB5 million, the price was agreed with SOCAM Contractors with reference to the prevailing market rates.

The Group expected that the maximum annual fees for the construction services provided by SOC and its subsidiaries to the Group under the New Construction Services Framework Agreement for the three years ending 31 December 2014 would not exceed RMB970 million, RMB1,060 million and RMB1,250 million respectively.

An amount of RMB933 million was paid and/or is payable by the Group to SOC and its subsidiaries for the construction services during the year under review.



(4) Provision of management services by Shui On Development Limited ("Shanghai SOD") to Richcoast Group Limited ("Richcoast") and its subsidiaries (collectively the "Dalian Group")

On 28 April 2008, Shanghai SOD, a wholly-owned subsidiary of the Company, Max Clear Holdings Limited ("Max Clear"), a wholly-owned subsidiary of SOCAM, Yida Group Company Limited ("Yida") and certain onshore companies of the Dalian Group entered into a management services agreement (the "Management Services Agreement") pursuant to which each of Shanghai SOD, Max Clear and Yida agreed to provide management services to the onshore companies of the Dalian Group for a term of three years commencing from 1 January 2008 to 31 December 2010. On 28 December 2010, Shanghai SOD, Max Clear, Yida and the then onshore companies of the Dalian Group (the "Dalian Onshore Group") entered into a renewed management services agreement to extend the term of the Management Services Agreement for three years to 31 December 2013.

In accordance with the Management Services Agreement as supplemented by the renewed management services agreement dated 28 December 2010, each of Shanghai SOD, Max Clear and Yida is entitled to receive an annual management services fee from the Dalian Onshore Group to be calculated at 1%, 1.5% and 1% respectively of the annual total budgeted construction cost for the Dalian project with respect to the provision of management services.

On 29 October 2012, Shanghai SOD, Max Clear, Yida and the Dalian Onshore Group entered into a further renewed management services agreement to, among other things, (a) further extend the term of the Management Services Agreement so that it will end on 31 December 2014 instead of 31 December 2013; (b) revise the scope of management services to be provided by Shanghai SOD and Max Clear to the Dalian Onshore Group; and (c) revise the relevant percentage ratios for calculating the annual management services fees payable by the Dalian Onshore Group (i) from 1% to 1.5% as to Shanghai SOD and (ii) from 1.5% to 1% as to Max Clear, in each case of the annual total budgeted construction cost for the Dalian project. The revisions in (b) and (c) above are effective from 29 October 2012.

The Dalian Group is effectively held as to 48% by the Group, 22% by SOCAM (a connected person of the Company) and 30% by Yida and thus, a connected person of the Company under the Listing Rules. In addition, the companies constituting the Dalian Group are the subsidiaries of the Company for the purposes of the Listing Rules, and Max Clear and Yida are connected persons of the Company by virtue of being the substantial shareholders of Richcoast.

The annual caps for the management services fees paid or payable by the Dalian Group to each of Shanghai SOD, Max Clear and Yida for the year ended 31 December 2012 must not exceed RMB18 million, RMB22 million and RMB15 million respectively.

The amounts of RMB11.3 million, RMB14.7 million and RMB10.4 million were paid and/or are payable to Shanghai SOD, Max Clear and Yida respectively for the management services fees during the year under review.

(5) Provision of construction services by Yida and its subsidiaries (the "Yida Group") for Dalian Tiandi

On 7 August 2008, Richcoast and Yida entered into a framework construction agreement, pursuant to which the Yida Group may enter into contracts with the Dalian Group to perform site formation and construction works, which include excavation and/or back filling, clearance of the construction site, removal of the construction garbage, setting up a drainage system and construction of the main structures on the land area constituting Dalian Tiandi for a term expiring no later than 31 December 2010. The term of the agreement was subsequently extended to 31 December 2011 by a supplemental agreement dated 17 July 2009 and further extended to 31 December 2012 by a second supplemental agreement dated 26 August 2010. On 23 November 2012, Richcoast and Yida entered into the third supplemental agreement to the framework construction agreement to provide guidelines and basis of annual caps for the provision of construction services by the Yida Group to the Dalian Group for a further term of three financial years ending 31 December 2015.

Yida, through its wholly-owned subsidiary, is a substantial shareholder of Richcoast, a subsidiary of the Company for the purposes of the Listing Rules. Therefore, the Yida Group is a connected person of the Company under the Listing Rules.

The annual cap for the payment made or to be made by the Dalian Group to the Yida Group for the year ended 31 December 2012 must not exceed RMB1,000 million.

An amount of RMB488 million was paid and/or is payable by the Dalian Group to the Yida Group for the construction services fees during the year under review.

(6) Use of aircraft owned by a subsidiary of SOCL

On 4 September 2009, the Company entered into an agreement with Top Dynasty Investment Limited ("Top Dynasty") pursuant to which the Group may use an aircraft owned by Top Dynasty for the purpose of transporting passengers for business of the Group. As Top Dynasty is a subsidiary of SOCL, the transactions contemplated under the agreement constitute continuing connected transactions of the Company under the Listing Rules.

The term of the agreement was extended to 31 December 2013 by a supplemental agreement dated 2 November 2010. The fees are calculated based on the actual travelling schedules of the passengers.

It was expected that the maximum annual fees payable by the Group to Top Dynasty and its affiliates under the agreement for the two years ending 31 December 2013 would not exceed RMB20.2 million and RMB21.1 million respectively.

An amount of RMB9.6 million was paid and/or is payable by the Group to Top Dynasty and its affiliates for the use of aircraft during the year under review.

(7) Continuing connected transactions with respect to the Super High Rise Project of Chongqing Shui On Tiandi Property Development Company Limited ("Chongqing Tiandi Development")

On 24 May 2011, Winington Land Limited ("WLL") and Chongqing Tiandi Development entered into a project services framework agreement (the "CQ(SHR) Agreement") pursuant to which Chongqing Tiandi Development may enter into separate service contracts with WLL and its associates (the "WLL Group") to perform services with respect to the Super High Rise project of Chongqing Tiandi Development, from time to time in accordance with the terms of the CQ(SHR) Agreement for the three years ending 31 December 2013.

The ultimate controlling shareholder of WLL is an associate of Mr. Lo pursuant to Rule 14A.11(4)(c) of the Listing Rules, and is therefore an associate of a connected person of the Company. Accordingly, WLL, together with the WLL Group, are connected persons of the Company and the services fees payable by Chongqing Tiandi Development to the WLL Group under the CQ(SHR) Agreement constitute continuing connected transactions of the Company under the Listing Rules.

The annual caps for the services fees payable by Chongqing Tiandi Development to the WLL Group under the CQ(SHR) Agreement for the two years ending 31 December 2013 must not exceed RMB20.14 million and RMB21.88 million respectively.

An amount of RMB2.6 million was paid and/or is payable by Chongqing Tiandi Development to the WLL Group for the project services fees during the year under review.

Subsequent to the year ended 31 December 2012, WLL and Chongqing Tiandi Development mutually agreed to terminate the CQ(SHR) Agreement with effect from 1 February 2013.

(8) Continuing connected transactions with respect to the projects of Shanghai Rui Hong Xin Cheng Co., Ltd ("RHXC")

On 27 October 2009, Shui On Development (Holding) Limited ("SODH"), WLL and RHXC entered into a project services framework agreement pursuant to which RHXC may enter into separate service contracts with the Group and/or the WLL Group to perform services with respect to the property development projects of RHXC, from time to time in accordance with the terms of the framework agreement for the three years ended 31 December 2011. On 23 February 2012, RHXC and WLL entered into a new framework agreement (the "RHXC Agreement") to provide guidelines and basis of annual caps on the provision of services by the WLL Group to RHXC for a further term of three financial years expiring on 31 December 2014.

The ultimate controlling shareholder of WLL is an associate of Mr. Lo pursuant to Rule 14A.11(4)(c) of the Listing Rules, and is therefore an associate of a connected person of the Company. Accordingly, WLL, together with the WLL Group, are connected persons of the Company and the services fees payable by RHXC to the WLL Group under the RHXC Agreement constitute continuing connected transactions of the Company under the Listing Rules.



The annual caps for the services fees payable by RHXC to the WLL Group for the three years ending 31 December 2014 must not exceed RMB11.76 million, RMB20.58 million and RMB30 million respectively.

An amount of RMB5.5 million was paid and/or is payable by RHXC to the WLL Group for the project services fees during the year under review.

Subsequent to the year ended 31 December 2012, WLL and RHXC mutually agreed to terminate the RHXC Agreement with effect from 1 February 2013.

(9) Provision of services by Shanghai SOD to Shanghai Li Xing Hotel Company Limited ("Li Xing")

On 1 January 2007, Shanghai SOD and Li Xing entered into the services agreement (the "Li Xing Services Agreement") in relation to the provision of the services by Shanghai SOD to Li Xing, including but not limited to, construction management and construction site office administration for the property development projects at Lots 107 and 108 owned by Li Xing.

On 24 December 2009, SOI acquired 100% equity interest of Li Xing. SOI is an associate of Mr. Lo, a director of the Company, and therefore, Li Xing (being a subsidiary of SOI at the date of the relevant announcement) became a connected person of the Company. Accordingly, the provision of services by Shanghai SOD to Li Xing constitute continuing connected transactions of the Company under the Listing Rules. On 18 January 2010, Shanghai SOD and Li Xing entered into the supplemental agreement to restrict the term of the original agreement dated 1 January 2007 to not more than 3 years.

The annual cap for the services fees payable by Li Xing to Shanghai SOD for the year ended 31 December 2012 must not exceed RMB5 million.

During the year under review, Li Xing has not incurred any service fees to Shanghai SOD under the Li Xing Services Agreement.

The Li Xing Services Agreement was terminated effective on 31 March 2012.

(10) Continuing connected transactions with the Langham Hospitality Group with respect to 88 Xintiandi project

On 22 August 2011, SODH entered into a joint venture arrangement with Langham Hospitality Group Limited and its subsidiaries (the "Langham Hospitality Group") in relation to the 88 Xintiandi project for the purposes of owning and holding the 88 Xintiandi brand and trademarks for use by hotels and branded residences in the PRC as contemplated under the shareholders' deed dated 22 August 2011 and the related agreements.

Pursuant to the shareholders' deed and in furtherance of the 88 Xintiandi project, SODH and the Langham Hospitality Group further entered into the master agreement on 22 August 2011 pursuant to which the members of the Langham Hospitality Group may enter into separate services contracts with the Group for the provision of fitting-out, centralized services, marketing and management services, and the granting of licenses to the hotels and branded residences developed and/or owned by the Group or third parties under the 88 Xintiandi brand.

The Langham Hospitality Group is owned by Great Eagle Holdings Limited ("Great Eagle") which is an associate of Mr. Lo for the purposes of the Listing Rules. Accordingly, the transactions contemplated under the shareholders' deed and the master agreement constitute continuing connected transactions of the Company under the Listing Rules.

The annual caps for the services payable by the Group to the Langham Hospitality Group under the master agreement for each of the financial years ending 31 December 2025 shall not exceed RMB80 million.

An amount of RMB0.4 million was paid and/or is payable by the Group to the Langham Hospitality Group for the services during the year under review.

(11) Continuing connected transactions with the Langham Hotels International Limited ("Langham International") and Langham Hotels (Shanghai) Company Limited ("Langham Shanghai") with respect to Langham Xintiandi Hotel

On 1 April 2010, Li Xing entered into a hotel management agreement with Langham Shanghai and a license agreement with Langham International (collectively the "Langham Xintiandi Hotel Related Agreements"). Under the hotel management agreement, Langham Shanghai shall have the exclusive right to manage and operate

Langham Xintiandi Hotel for a term of 20 years from the opening of Langham Xintiandi Hotel renewable by Langham Shanghai for multiple 10-year periods subject to the terms therein. In addition, pursuant to the license agreement, Langham International has agreed to grant to Li Xing a non-exclusive and non-transferable license to use the “Langham” and other marks for the operation of Langham Xintiandi Hotel during the term of the hotel management agreement.

Langham Shanghai and Langham International are owned by Great Eagle which is an associate of Mr. Lo for the purposes of the Listing Rules. With effect from the completion of the Acquisition of RI Shares and MGI Shares on 16 March 2012, Li Xing became a subsidiary of the Company. Accordingly, the transactions contemplated under the Langham Xintiandi Hotel Related Agreements become continuing connected transactions of the Company under the Listing Rules.

The annual caps for the services payable by the Group to Langham Shanghai and Langham International under the Langham Xintiandi Hotel Related Agreements for the two years ending 31 December 2013 shall not exceed HK\$98.959 million.

An aggregate amount of RMB6.1 million was paid and/or is payable by the Group to Langham Shanghai and Langham International during the year under review.

(12) Subscription of new shares in Foresight Profits Limited (“FPL”) in relation to the Rui Hong Xin Cheng project

On 20 June 2012, SODH applied to FPL, a 75%-owned subsidiary of the Company, for the issuance of new shares at a total cash consideration of approximately RMB950.9 million (the “RHXC Subscription”). Following the completion of the RHXC Subscription, SODH’s equity interest in the enlarged issued share capital of FPL was increased by approximately 4.81% from 75% to 79.81%, while Elegant Partners Limited’s (“EPL”) equity interest in FPL was diluted by approximately 4.81% from 25% to 20.19%. FPL remains as an indirect non wholly-owned subsidiary of the Company and its financial results will continue to be consolidated in the Company’s financial statements.

Since the holding company of EPL holds a 49% interest in another subsidiary of the Company, EPL is an associate of a controller (as defined under Chapter 14A of the Listing Rules). The RHXC Subscription involves a transaction where EPL, a substantial shareholder of FPL, is an associate of a controller. Therefore, the RHXC Subscription constituted a connected transaction of the Company for the purposes of the Listing Rules.

(13) Disposal of the 49% interests in Glory Land Investment Limited (“Glory Land”) to Mitsui and future buyback of Mitsui’s interests in Glory Land with respect to Lots 6 and 16 of Foshan Lingnan Tiandi

On 22 August 2012, SODH and Mitsui entered into an agreement pursuant to which SODH agreed conditionally to sell and Mitsui agreed conditionally to purchase the 49% equity interests of the entire issued share capital of Glory Land and the related shareholder’s loans (the “Disposal”). Upon completion of the Disposal on 9 November 2012, Glory Land is held as to 51% by SODH and 49% by Mitsui.

Upon occurrence of the buyback triggering event as stipulated in the announcement of the Company dated 22 August 2012, Mitsui will receive economic interest through dividend distribution (the “Buyback”). The Group expected that the maximum price for the Buyback payable by SODH to Mitsui shall not exceed RMB400 million.

Mitsui is a connected person of the Company by virtue of its 30% shareholding interest in Many Praises and its 44.1% shareholding interest in Value Land Investment Limited (“Value Land”) as at 31 December 2012, whereby Many Praises and Value Land are the indirect non wholly-owned subsidiaries of the Company. Accordingly, each of the Disposal and the Buyback constituted a connected transaction of the Company under the Listing Rules.

Pursuant to Rule 14A.37 of the Listing Rules, the INEDs of the Company have reviewed the above continuing connected transactions referred to in items (2) to (11) and are of the opinion that the continuing connected transactions as stated in items (2) to (11) above have been:

- (i) carried out in the usual and ordinary course of business of the Group;
- (ii) conducted on normal commercial terms; and
- (iii) entered into in accordance with the terms of the respective agreements.



The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions referred to in items (2) to (11) disclosed by the Group in the Annual Report in accordance with Main Board Listing Rule 14A.38. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Directors' Service Contracts

No Director proposed for re-election at the AGM has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Directors' Interests in Contracts of Significance

Save for the related party transactions disclosed in note 41 to the consolidated financial statements, no contract to which the Company, or any of the subsidiaries of the Company was a party, and in which a Director of the Company had, at any time during the year, whether directly or indirectly, an interest, (being, in either case, in the opinion of the Directors, a contract of significance in relation to the Company's business and in which the Director's interest is or was material), subsisted at the end of the year or at any time during the year.

Directors' Interests in Competing Business

At 31 December 2012, the following Director or his associates is considered to have interests in the businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules as set out below:

Name of Director	Name of businesses which entity are considered to compete or are likely to compete with the businesses of the Group	Description of the businesses of the entity which are considered to compete with the businesses of the Group	Nature of interest of the Director in the entity
Mr. Lo	SOCL	Property investment in the PRC	Director and controlling shareholder
Mr. Lo	SOCAM	Property investment in the PRC	Director and controlling shareholder

There is a deed of non-competition dated 30 May 2006 (the "Deed") and entered into between Mr. Lo, SOCL and the Company pursuant to which Mr. Lo and SOCL have given certain undertakings to the Company, among others, that the Company is to be the flagship company of the Shui On Group (that is, SOCL and its subsidiaries and for the purpose of this section "Directors' Interests in Competing Business", excluding SOCAM and its subsidiaries) for the Shui On Group's property development and investment business in the PRC and concerning the Shui On Group's investment in future property development projects in the PRC. Such information has been disclosed in the Company's prospectus dated 20 September 2006. In respect of the year ended 31 December 2012, the Company has received from each of Mr. Lo and SOCL a confirmation on compliance with the non-competition undertakings as contemplated under the Deed.

Save as aforesaid, as of the date of this report, none of the Directors of the Company has an interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

Disclosure Under Rule 13.21 of the Listing Rules

On 23 December 2010, a written agreement (the "2013 Indenture") was entered into between the Company as guarantor, SODH as issuer and DB Trustees (Hong Kong) Limited ("DB") as trustee of the RMB3,000 million US\$ settled 6.875% senior notes due 2013 issued by SODH (the "2013 Notes"), pursuant to which the 2013 Notes were issued. The 2013 Indenture provided that upon the occurrence of a Change of Control (as defined in the 2013 Indenture), SODH will make an offer to repurchase all outstanding 2013 Notes, at a purchase price equal to the U.S. Dollar Settlement Amount of 101% of the principal amount thereof plus accrued and unpaid interest, if any, at the date of repurchase. Details of the transaction are set out in the announcement of the Company dated 23 December 2010.

On 26 January 2011, a written agreement (the “2015 Indenture”) was entered into between the Company as guarantor, SODH as issuer and DB as trustee of the RMB3,500 million US\$ settled 7.625% senior notes due 2015 issued by SODH (the “2015 Notes”), pursuant to which the 2015 Notes were issued. The 2015 Indenture provided that upon the occurrence of a Change of Control (as defined in the 2015 Indenture), SODH will make an offer to repurchase all outstanding 2015 Notes, at a purchase price equal to the U.S. Dollar Settlement Amount of 101% of the principal amount thereof plus accrued and unpaid interest, if any, at the date of repurchase. Details of the transaction are set out in the announcement of the Company dated 26 January 2011.

On 20 April 2011, King Concord Limited as borrower, the Company as guarantor and Standard Chartered Bank (Hong Kong) Limited (“SCB”), United Overseas Bank Limited, Bank of China Limited, Macau Branch, The Bank of East Asia, Limited and Tai Fung Bank Limited as lenders, the mandated lead arrangers and SCB as coordinator, agent and security agent entered into a facility agreement in relation to a three-year term loan facility of up to HK\$1,550 million (the “King Concord Loan”). Pursuant to the facility agreement, there is a requirement that Mr. Lo beneficially owns at least 35% of the issued share capital of the Company or acts as the Chairman of the Company or maintains control over the Company during the term of the facility agreement.

On 26 January 2012, a written agreement (the “2015 SODS Indenture”) was entered into between the Company and SODH as guarantors, Shui On Development (Singapore) Pte. Ltd. (“Shui On Development (Singapore)”) as issuer and DB as trustee of the S\$250 million 8% senior notes due 2015 issued by Shui On Development (Singapore) (the “2015 SODS Notes”), pursuant to which the 2015 SODS Notes were issued. The 2015 SODS Indenture provided that upon the occurrence of a Change of Control (as defined in the 2015 SODS Indenture), the Company, SODH or Shui On Development (Singapore) will make an offer to repurchase all outstanding 2015 SODS Notes, at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, at the date of repurchase. Details of the transaction are set out in the announcement of the Company dated 26 January 2012.

On 29 February 2012, a written agreement (the “2015 SODH Indenture”) was entered into between the Company as guarantor, SODH as issuer and DB as trustee of the US\$475 million 9.75% senior notes due 2015 issued by SODH (the “2015 SODH Notes”), pursuant to which the 2015 SODH Notes were issued. The 2015 SODH Indenture provides that upon the occurrence of a Change of Control (as defined in the 2015 SODH Indenture), the Company or SODH will make an offer to repurchase all outstanding 2015 SODH Notes, at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, at the date of repurchase. Details of the transaction are set out in the announcement of the Company dated 1 March 2012.

On 20 July 2012, the Company announced that Hollyfield Holdings Limited and Shanghai Rui Hong Xin Cheng Co., Ltd. obtained a three-year term offshore loan facility of up to HK\$850 million and a three-year term onshore loan facility of up to RMB1,200 million respectively (collectively as the “RHXC Loans”). Pursuant to the conditions of the RHXC Loans, there is a requirement that Mr. Lo beneficially owns at least 35% of the issued share capital of the Company or acts as the Chairman of the Company or maintains control over the Company during the continuance of the RHXC Loans. Details of the transaction are set out in the announcement of the Company dated 20 July 2012.

On 30 July 2012, the Company and SODH entered into a purchase agreement with Deutsche Bank AG, Singapore Branch, Standard Chartered Bank and UBS AG, Hong Kong Branch in connection with the issue of US\$400 million 9.75% senior notes due 2015 (the “Additional 2015 SODH Notes”), to be consolidated and form a single class with the 2015 SODH Notes and rank pari passu with the 2015 SODH Notes. The Additional 2015 SODH Notes were issued pursuant to the 2015 SODH Indenture. Details of the transaction are set out in the announcement of the Company dated 7 August 2012.

On 10 December 2012, a written agreement (the “Trust Deed”) was entered into between the Company as guarantor, SODH as issuer and DB as trustee of the US\$500 million perpetual capital securities issued by SODH (the “Securities”), pursuant to which the Securities were issued. The Trust Deed provides that if (a) SODH fails to comply with any of the covenants set out in the terms and conditions of the Securities and such breach continues or (b) SODH does not redeem the Securities following the occurrence of a change of control (as defined in the terms and conditions of the Securities) or fails to make or consummate an offer to purchase, the then-prevailing distribution rate shall be increased by 3% per annum with effect from (and including) the date on which such change of control occurs, provided that the maximum aggregate increase in the distribution rate shall be 3% per annum. Details of the transaction are set out in the announcement of the Company dated 11 December 2012.



Any breach of the above obligations will cause a default in respect of the 2013 Notes, the 2015 Notes, the King Concord Loan, the 2015 SODS Notes, the 2015 SODH Notes, the Additional 2015 SODH Notes, the RHXC Loans and the Securities and may trigger cross defaults in other outstanding debts of the Group, in the aggregate amount of approximately RMB12,233 million at 31 December 2012.

Remuneration Policy

The remuneration policy of the Group to reward its employees is based on individual performance, qualifications and competence displayed.

The emoluments of the Directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

Provident and Retirement Fund Schemes

Details of the Group's provident and retirement fund schemes are shown in note 35 to the consolidated financial statements.

Pre-Emptive Rights

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

Sufficiency of Public Float

The Company has maintained a sufficient public float during the year ended 31 December 2012, as required under the Listing Rules.

Charitable Donations

During the year, the Group made charitable donations amounting to RMB4 million (2011: RMB14 million).

Major Customers and Suppliers

During the year, less than 30% of the Group sales were attributable to the top five customers of the Group. For the year ended 31 December 2012, payments to our single largest construction contractor, SOC, accounted for approximately 17% of our total payments for construction services. Details of the transactions with SOC are set out under the caption Connected Transactions point (3) "Provision of construction services by SOCAM Development Limited ("SOCAM") to the Group" on page 121. Our five largest construction contractors accounted for approximately 51% of our total payments for construction services. Except for the construction payments to SOC, none of our Directors, their associates or any shareholders holding more than 5% of the share capital of the Company holds any interest in our five largest construction contractors.

Auditor

A resolution will be submitted to the AGM to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Vincent H. S. LO
Chairman

28 March 2013