1. General

Shui On Land Limited (the "Company") was incorporated on 12 February 2004 as an exempted company with limited liability in the Cayman Islands under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 4 October 2006. The Directors of the Company consider that its ultimate holding company is Shui On Company Limited ("SOCL"), a private limited liability company incorporated in the British Virgin Islands, after the completion of the acquisition of subsidiaries as described in note 36(a).

The addresses of the registered office and principal place of business of the Company are disclosed in the Corporate Information section of the annual report.

The Company acts as an investment holding company. The principal activities of the Company's subsidiaries are set out in note 46. The Company and its subsidiaries are hereinafter collectively referred to as the Group.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

2. Application of New and Revised International Financial Reporting Standards ("IFRSs")

In the current year, the Group has applied the following amendments to IFRSs, which are effective for the Group's financial year beginning on 1 January 2012.

Amendments to IFRS 7	Financial Instruments: Disclosures – Transfers of Financial Assets
Amendments to IAS 12	Deferred Tax: Recovery of Underlying Assets

The Group has applied for the first time the amendments to International Accounting Standards ("IAS") 12 Deferred Tax: Recovery of Underlying Assets. Under the amendments, investment properties that are measured using the fair value model in accordance with IAS 40 Investment Property are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The Group measures its investment properties using the fair value model. As a result of the application of the amendments to IAS 12, the Directors reviewed the Group's investment property portfolios and concluded that the investment properties held by the Group at the end of the reporting period, which are located in the People's Republic of China ("PRC"), are under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, and that the presumption set out in the amendments to IAS 12 is rebutted. Accordingly, the application of the amendments to IAS 12 does not have significant impact on the results and financial positions of the Group.

2. Application of New and Revised International Financial Reporting Standards ("IFRSs") (Continued)

Other than the above, the application of the above amendments to IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and revised IFRSs issued but not yet effective

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective:

Amendments to IFRSs	Annual Improvements to IFRSs 2009 - 2011 Cycle[1]
Amendments to IFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities[1]
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures[3]
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities[2]
IFRS 9	Financial Instruments[3]
IFRS 10	Consolidated Financial Statements[1]
IFRS 11	Joint Arrangements[1]
IFRS 12	Disclosure of Interests in Other Entities[1]
IFRS 13	Fair Value Measurement[1]
IAS 19 (as revised in 2011)	Employee Benefits[1]
IAS 27 (as revised in 2011)	Separate Financial Statements[1]
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income[4]
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities[2]
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine[1]

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

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments was issued in November 2009 and revised in October 2010. It introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting period. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting period. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

IFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The Directors of the Company anticipate that IFRS 9 will be adopted in the Group's consolidated financial statements for the annual period beginning on 1 January 2015 and that the application of this new Standard will not have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities.

2. Application of New and Revised International Financial Reporting Standards ("IFRSs") (Continued)

IFRS 10 Consolidated Financial Statements

IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. The Standing Interpretations Committee ("SIC") 12 Consolidation - Special Purpose Entities will be withdrawn upon the effective date of IFRS 10. Under IFRS 10, there is only one basis for consolidation, that is, control. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in IFRS 10 to deal with complex scenarios.

The Directors of the Company anticipate that the application of IFRS 10 may have significant impact on the amounts reported in the consolidated financial statements. Specifically, the application of IFRS 10 may affect the accounting for the Group's ownership interest in Richcoast Group Limited ("Richcoast") that is currently classified as the Group's associate. Taking into account the new definition of control and the additional guidance on control set out in IFRS 10, the application of IFRS 10 may result in significant impact if Richcoast is considered as a subsidiary of the Group under the new accounting standard. If Richcoast is consolidated as the Group's subsidiary, the assets and liabilities as well as income and expenses of Richcoast will be presented as separate line items in the consolidated statement of financial position and in the consolidated statement of comprehensive income, respectively, rather than being presented as one line item in the Group's consolidated financial statements. A detailed review is being performed by the Directors to determine and quantify the impact of the application of IFRS 10.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 Financial Instruments: Disclosures will be extended by IFRS 13 to cover all assets and liabilities within its scope.

IFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

IFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new Standard may affect the valuation of the investment properties of the Group, which are measured at fair value at the end of each reporting period, and result in more extensive disclosures in the consolidated financial statements.

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 Presentation of Items of Other Comprehensive Income introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to IAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and other comprehensive income' and an 'income statement' is renamed as a 'statement of profit or loss'. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis - the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in future accounting periods.

The Directors of the Company anticipate that the application of the other new and revised IFRSs will have no material impact on the results and the financial position of the Group.

3. Significant Accounting Policies

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

The consolidated financial statements have been prepared in accordance with IFRSs. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The significant accounting policies adopted are set out as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expense of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the shareholders of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Merger accounting for common control combinations

The consolidated financial statements incorporate the financial statements of the combining entities in which the common control combination occurs as if they had been combined from the date when the combining entities first came under the control of the controlling party.

The net assets of the combining entities are combined using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated income statement includes the results of each of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control, where there is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities had been combined at the end of previous reporting period or when they first came under common control, whichever is shorter.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted, based on the carrying amount of the net assets attributable to the change in interests, and the fair value of the consideration paid or received is recognised directly in equity and attributed to shareholders of the Company.

3. Significant Accounting Policies (Continued)

Changes in the Group's ownership interests in existing subsidiaries (Continued)

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another Standard.

3. Significant Accounting Policies (Continued)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties include land held for undetermined future use, which is regarded as held for capital appreciation purpose.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Construction costs incurred for investment properties under construction or development are capitalised as part of the carrying amount of the investment properties under construction or development.

Subsequent to initial recognition, investment properties are measured at their fair values at the end of each reporting period using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in the consolidated income statement for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year in which the item is derecognised.

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Hotels under development held for owner's operation are stated at cost less subsequent accumulated impairment losses, if any. Cost comprises development expenditure including professional charges directly attributable to the development and borrowing cost capitalised during the development period. No depreciation is provided on the cost of building until hotel operation commences.

Depreciation is recognised so as to write off the cost of buildings and hotel properties over their estimated useful lives or where shorter, the terms of leasehold land where the buildings and hotel properties are located, using the straight-line method.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment, other than buildings, hotel properties and hotels under development, over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the sales proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Prepaid lease payments

Prepaid lease payments for leasehold land classified as operating leases are charged to the consolidated income statement on a straight-line basis over the period of the land use rights.

Properties under development for sale

Properties under development which are intended to be held for sale are carried at lower of cost and net realisable value and are shown as current assets. Cost includes the costs of land, development expenditure incurred and, where appropriate, borrowing costs capitalised during construction period.

Properties under development for sales are transferred to properties held for sale when the relevant completion certificates are issued by the respective government authorities.

3. Significant Accounting Policies (Continued)

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost is determined by apportionment of the total land and development costs attributable to the properties held for sale. Net realised value is determined based on prevailing market conditions.

Interests in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over these policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, forms part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognised immediately in the consolidated income statement.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Interests in jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the jointly controlled entities. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, forms part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognised immediately in the consolidated income statement.

When a group entity transacts with its jointly controlled entity, profits and losses resulting from the transactions with the jointly controlled entity are recognised in the Group's consolidated financial statements only to the extent of interests in the jointly controlled entity that are not related to the Group.

3. Significant Accounting Policies (Continued)

Impairment

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the consolidated income statement.

Financial assets

The Group's financial assets are classified as loans and receivables.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including accounts receivable, loans receivable, loans to associates, amounts due from associates, amounts due from related companies, amounts due from non-controlling shareholders of subsidiaries, pledged bank deposits, restricted bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses.

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at the end of the reporting period. Loans and receivables are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows of loans and receivables have been affected.

The objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis.

Objective evidence of impairment for receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of loans and receivables is reduced by the impairment loss directly for all financial assets with the exception of the amount due from a jointly controlled entity and trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in the consolidated income statement. When the amount due from a jointly controlled entity and trade receivables are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to the consolidated income statement.

If, in a subsequent period, the amount of impairment loss of loans and receivables decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through the consolidated income statement to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had no impairment loss been recognised.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Perpetual capital securities issued by the Group, which includes no contractual obligation for the Group to deliver cash or another financial asset to the holders or to exchange financial assets or financial liabilities with the holders under conditions that are potentially unfavourable to the Group, are classified as equity instruments and are initially recorded at the proceeds received.

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Convertible bonds

Convertible bonds issued by the Group that contain both the liability and conversion option components are classified separately into respective items on initial recognition in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible bonds and the fair value assigned to the liability component, representing the conversion option for the holder to convert the bonds into the Company's own equity instruments, is included in equity (convertible bond equity reserve).

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible bond equity reserve until the embedded option is exercised (in which case the balance stated in convertible bond equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible bond equity reserve will be released to the retained earnings. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

Notes

Notes issued by the Group are measured at amortised cost, using the effective interest method. Transaction costs are included in the carrying amount of the notes and amortised over the period of the notes using the effective interest method.

Other financial liabilities

The Group's other financial liabilities (including accounts payable, amounts due to related companies, amounts due to associates, amounts due to non-controlling shareholders of subsidiaries, loans from non-controlling shareholders of subsidiaries and bank and other borrowings) are subsequently measured at amortised cost, using the effective interest method.

Derivative financial instruments and hedging

Derivatives are initially recognised at fair value at the date derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in the consolidated income statement immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in consolidated income statement depends on the nature of the hedge relationship.

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Derivative financial instruments and hedging (Continued)

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

Hedge accounting

The Group designates certain derivatives as hedging instruments for cash flow hedges. At the inception of the hedge relationship the entity documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in cash flows of the hedged item.

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges are recognised in other comprehensive income and accumulated in hedge reserve. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated income statement as part of other income or other expenses. Amounts previously recognised in other comprehensive income and accumulated in hedge reserve are reclassified in the consolidated income statement in the periods when the hedged item is recognised in the consolidated income statement.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in hedge reserve at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the consolidated income statement. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in the consolidated income statement.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of obligation under the contract, as determined in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policy.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in the consolidated income statement.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the consolidated income statement.

3. Significant Accounting Policies (Continued)

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the consolidated income statement in the period in which they are incurred.

Taxation

Taxation represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3. Significant Accounting Policies (Continued)

Taxation (Continued)

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in IAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

Current and deferred tax is recognised in the consolidated income statement, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the exchange reserve). The exchange differences accumulated in equity in respect of the foreign operation are reclassified from equity to profit or loss on disposal of the foreign operation.

Equity-settled share-based payment transactions

Share options granted to employees (including Directors)

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in consolidated income statement, such that the cumulative expenses reflects the revised estimates, with a corresponding adjustment to share option reserve.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained earnings.

3. Significant Accounting Policies (Continued)

Equity-settled share-based payment transactions (Continued)

Share options granted to consultants

Share options issued in exchange for services are measured at the fair values of the services received, unless that fair value cannot be reliably measured, in which case the services received are measured by reference to the fair value of the share options granted. The fair values of the services received are recognised as expenses, with a corresponding increase in equity (share option reserve), when the counterparties render services, unless the services qualify for recognition as assets.

Retirement benefit costs

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

For defined retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of the reporting period. Actuarial gains and losses which exceed 10 per cent of the greater of the present value of the Group's defined benefit obligations and the fair value of plan assets at the end of the previous reporting period are amortised over the expected average remaining working lives of the participating employees. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the amended benefits become vested.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

Government grants

Government grants are recognised in the consolidated income statement over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants that are receivable for expenses or losses already incurred are recognised in the consolidated income statement in the period when they become receivable.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from properties developed for sale in the ordinary business is recognised upon delivery of properties to the purchasers pursuant to the sales agreements.

Rental income from properties under operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased assets and recognised on straight-line basis over the lease term.

Revenue from hotel operation is recognised when the relevant services are provided.

Property management fee income and rental related income are recognised as revenue in the consolidated income statement when the services are rendered.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the process of applying the Group's accounting policies, which are described in note 3, the Directors of the Company are required to make judgements, estimate and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the Directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the Directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in measuring the Group's deferred taxation on investment properties, the Directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is rebutted. As at 31 December 2012, the Group has recognised deferred taxes on revaluation of investment properties amounted to RMB3,728 million (2011: RMB2,526 million).

Perpetual capital securities

Pursuant to the terms of the Perpetual Capital Securities (as defined in note 32), a subsidiary of the Company, as an issuer of the Perpetual Capital Securities, can at its option redeem the Perpetual Capital Securities and at its discretion defer distributions on the Perpetual Capital Securities. However, the Company and the issuer will not be able to declare or pay any dividends if any distributions on the Perpetual Capital Securities are unpaid or deferred. In the opinion of the Directors of the Company, this restriction does not result in the Group having an obligation to redeem the Perpetual Capital Securities or make any distributions on the Perpetual Capital Securities. Accordingly, the Perpetual Capital Securities are classified as equity instruments. The carrying amount of the Perpetual Capital Securities is RMB3,093 million (2011: nil). Details of which are set out in note 32.

Key sources of estimation uncertainty

The following and those disclosed in note 40(b) are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Investment properties

The fair values of completed investment properties and certain investment properties under construction or development that are measured using the fair value model are determined based on the valuation performed by independent professional valuers. In determining the fair value, the valuers have based on a method of valuation which involves certain estimates of market condition. In relying on the valuation report, the Directors of the Company have exercised their judgement and are satisfied that the assumptions used in the valuation reflect market condition. The basis of valuation is disclosed in note 13. Changes to these assumptions would result in changes in the fair values of the Group's investment properties and the corresponding adjustments to the amount of gain or loss reported in the consolidated income statement.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (Continued)

Key sources of estimation uncertainty (Continued)

Land appreciation tax

The Group is subject to land appreciation tax in the PRC. However, the implementation and settlement of the tax varies amongst different tax jurisdictions in various cities of the PRC and the Group has not finalised its land appreciation tax calculation and payments with any local tax authorities in the PRC. Accordingly, significant judgement is required in determining the amount of the land appreciation tax and its related income tax provisions. The Group recognised the land appreciation tax based on management's best estimates. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax provisions in the periods in which such tax is finalised with local tax authorities.

5. Turnover and Segmental Information

An analysis of the turnover of the Group and share of turnover of associates for the year is as follows:

	2012			2011		
	Group	**Share of associates**	**Total**	Group	Share of associates	Total
	RMB'million	**RMB'million**	**RMB'million**	RMB'million	RMB'million	RMB'million
Property development:						
Property sales	**3,541**	**244**	**3,785**	7,581	160	7,741
Property investment:						
Rental income received from investment properties	**952**	**27**	**979**	744	19	763
Income from hotel operations	**193**	**–**	**193**	14	–	14
Property management fee income	**36**	**–**	**36**	38	–	38
Rental related income	**68**	**–**	**68**	53	–	53
	1,249	**27**	**1,276**	849	19	868
Others	**31**	**–**	**31**	54	–	54
Total	**4,821**	**271**	**5,092**	8,484	179	8,663

For management purposes, the Group is organised based on its business activities, which are broadly categorised into property development and property investment.

Principal activities of the two major reportable and operating segments are as follows:

Property development – development and sale of properties, mainly residential units

Property investment – offices and retail shops letting, property management and hotel operations

5. Turnover and Segmental Information (Continued)

For the year ended 31 December 2012

	Reportable Segment				
	Property development RMB'million	Property investment RMB'million	Total RMB'million	Others RMB'million	Consolidated RMB'million
Segment Revenue					
Turnover of the Group	3,541	1,249	4,790	31	4,821
Share of turnover of associates	244	27	271	–	271
Total segment revenue	3,785	1,276	5,061	31	5,092
Results					
Segment results of the Group	928	3,301	4,229	19	4,248
Interest income					181
Gain on acquisition of subsidiaries					50
Share of results of associates					82
Finance costs, inclusive of exchange differences					(459)
Net unallocated expenses					(384)
Profit before taxation					3,718
Taxation					(1,363)
Profit for the year					2,355
Other Information					
Amounts included in the measure of segment profit or loss or segment assets:					
Capital additions of completed investment properties and property, plant and equipment	58	4,918	4,976	495	5,471
Development costs for investment properties under construction or development and prepaid lease payments	–	4,904	4,904	–	4,904
Development costs for properties under development for sale	7,614	–	7,614	–	7,614
Depreciation of property, plant and equipment	63	100	163	13	176
Release of prepaid lease payments charged to consolidated income statement	–	2	2	–	2
Increase in fair value of investment properties	–	2,698	2,698	–	2,698
Financial Position					
Assets					
Segment assets	25,981	50,200	76,181	5	76,186
Interests in associates					1,264
Loans to associates					1,659
Amounts due from associates					484
Unallocated corporate assets					10,024
Consolidated total assets					89,617
Liabilities					
Segment liabilities	(6,900)	(736)	(7,636)	(2)	(7,638)
Amounts due to associates					(11)
Unallocated corporate liabilities					(44,700)
Consolidated total liabilities					(52,349)

5. Turnover and Segmental Information (Continued)

For the year ended 31 December 2011

	Reportable Segment				
	Property development RMB'million	Property investment RMB'million	Total RMB'million	Others RMB'million	Consolidated RMB'million
Segment Revenue					
Turnover of the Group	7,581	849	8,430	54	8,484
Share of turnover of associates	160	19	179	–	179
Total segment revenue	7,741	868	8,609	54	8,663
Results					
Segment results of the Group	2,781	3,190	5,971	43	6,014
Interest income					152
Share of results of associates					137
Finance costs, inclusive of exchange differences					94
Net unallocated expenses					(337)
Profit before taxation					6,060
Taxation					(2,062)
Profit for the year					3,998
Other Information					
Amounts included in the measure of segment profit or loss or segment assets:					
Capital additions of completed investment properties and property, plant and equipment	14	263	277	5	282
Development costs for investment properties under construction or development and prepaid lease payments	–	8,510	8,510	–	8,510
Development costs for properties under development for sale	7,784	–	7,784	–	7,784
Depreciation of property, plant and equipment	23	32	55	12	67
Release of prepaid lease payments charged to consolidated income statement	–	2	2	–	2
Increase in fair value of investment properties	–	2,696	2,696	–	2,696
Financial Position					
Assets					
Segment assets	20,832	38,067	58,899	27	58,926
Interests in associates					1,057
Loans to associates					1,366
Amounts due from associates					446
Unallocated corporate assets					6,809
Consolidated total assets					68,604
Liabilities					
Segment liabilities	(4,110)	(768)	(4,878)	(1)	(4,879)
Amounts due to associates					(5)
Unallocated corporate liabilities					(34,249)
Consolidated total liabilities					(39,133)

5. Turnover and Segmental Information (Continued)

Segment revenue represents the turnover of the Group and the share of turnover of associates.

Segment profit represents the profit earned by each segment without allocation of central administration costs, Directors' salaries, interest income, gain on acquisition of subsidiaries, share of results of associates, finance costs and exchange differences. This is the measure reported to the chief operating decision makers who are the Executive Directors of the Company for the purpose of resource allocation and performance assessment.

For the purpose of monitoring segment performances and allocating resources between segments:

– all assets are allocated to reportable segments other than interests in associates, loans to associates, amounts due from associates, amounts due from non-controlling shareholders of subsidiaries, deferred tax assets, amounts due from related companies, pledged bank deposits, restricted bank deposits, bank balances and cash and other unallocated corporate assets; and

– all liabilities are allocated to reportable segments other than amounts due to associates, amounts due to related companies, amounts due to non-controlling shareholders of subsidiaries, loans from non-controlling shareholders of subsidiaries, bank and other borrowings, tax liabilities, deferred tax liabilities, derivative financial instruments designated as hedging instruments and other unallocated corporate liabilities.

Over 90% of the Group's turnover and contribution to operating profit is attributable to customers in the PRC. Accordingly, no analysis of geographical segment is presented.

No geographical segment information of the Group's non-current assets is shown as the assets are substantially located in the PRC.

6. Other Income

	2012 RMB'million	2011 RMB'million
Interest income from banks	78	84
Interest income from amounts due from associates (notes 17 and 41)	17	9
Interest income from loans to associates (notes 17 and 41)	38	26
Interest income from a related company (notes 23 and 41)	4	–
Imputed interest income from loans to associates (notes 17 and 41)	44	33
Sundry income	14	89
Grants received from local government	37	3
Gain on acquisition of subsidiaries (note 36(a))	50	–
	282	244

7. Operating Profit

	2012 RMB'million	2011 RMB'million
Operating profit has been arrived at after charging (crediting):		
Auditor's remuneration	**5**	5
Depreciation of property, plant and equipment	**177**	69
Less: Amount capitalised to properties under development for sale	**(1)**	(2)
	176	67
Release of prepaid lease payments	**14**	7
Less: Amount capitalised to property, plant and equipment	**(12)**	(5)
	2	2
Loss on disposal of property, plant and equipment	**1**	–
Employee benefits expenses		
Directors' emoluments		
Fees	**2**	2
Salaries, bonuses and allowances	**29**	21
Retirement benefits costs	**2**	2
Share-based payment expenses	**6**	(4)
	39	21
Other staff costs		
Salaries, bonuses and allowances	**404**	346
Retirement benefits costs	**27**	23
Share-based payment expenses	**12**	19
	443	388
Total employee benefits expenses	**482**	409
Less: Amount capitalised to investment properties under construction or development and properties under development for sale	**(146)**	(106)
	336	303
Cost of properties sold recognised as an expense	**2,178**	4,485
Minimum lease payment under operating leases	**43**	40

8. Finance Costs, Inclusive of Exchange Differences

	2012 RMB'million	2011 RMB'million
Interest on bank loans		
– wholly repayable within five years	910	669
– not wholly repayable within five years	153	121
Interest on loans from non-controlling shareholders of subsidiaries wholly repayable within five years (note 26)	151	151
Imputed interest on loan from a non-controlling shareholder of a subsidiary (note 26)	15	–
Interest on amount due to a related company (notes 23 and 41)	5	–
Interest on convertible bonds (note 30)	243	230
Interest on notes (note 31)	972	485
Net interest expense from interest rate swaps designated as cash flow hedges	38	144
Total interest costs	2,487	1,800
Less: Amount capitalised to investment properties under construction or development and properties under development for sale	(2,002)	(1,608)
Interest expense charged to consolidated income statement	485	192
Net exchange gain on bank borrowings and other financing activities	(54)	(311)
Others	28	25
	459	(94)

Borrowing costs capitalised during the year ended 31 December 2012 arose on the general borrowing pool of the Group and were calculated by applying a capitalisation rate of approximately 7.6% (2011: 7.2%) per annum to expenditure on the qualifying assets.

9. Taxation

	2012 RMB'million	2011 RMB'million
PRC Enterprise Income Tax		
– Current provision	419	704
Deferred taxation (note 34)		
– Provision for the year	610	717
PRC Land Appreciation Tax		
– Provision for the year	334	641
	1,363	2,062

9. Taxation (Continued)

No provision for Hong Kong Profits Tax has been made as the income of the Group neither arises in, nor is derived from, Hong Kong.

PRC Enterprise Income Tax has been provided for at the applicable income tax rate of 25% (2011: 25%) on the assessable profits of the companies in the Group during the year.

The PRC Enterprise Income Tax Law requires withholding tax to be levied on distribution of profits earned by a PRC entity to a Hong Kong resident company (which is the beneficial owner of the dividend received) for profits generated after 1 January 2008 at the rate of 5%. As at 31 December 2012 and 31 December 2011, deferred tax was provided for in full in respect of the temporary differences attributable to such profits.

The provision of Land Appreciation Tax is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. Land Appreciation Tax has been provided at ranges of progressive rates of the appreciation value, with certain allowable deductions including land costs, borrowing costs and the relevant property development expenditures.

The tax charge for the year can be reconciled to the profit before taxation per the consolidated income statement as follows:

	2012 RMB'million	2011 RMB'million
Profit before taxation	**3,718**	6,060
PRC Enterprise Income Tax at 25% (2011: 25%)	**930**	1,515
PRC Land Appreciation Tax	**334**	641
Tax effect of PRC Land Appreciation Tax	**(83)**	(160)
Deferred tax provided for withholding tax on income derived in the PRC	**(1)**	68
Tax effect of share of results of associates	**(20)**	(34)
Tax effect of expenses not deductible for tax purposes	**293**	211
Tax effect of income not taxable for tax purposes	**(77)**	(127)
Tax effect of tax losses not recognised	**14**	2
Tax effect of utilisation of tax losses previously not recognised	**(27)**	(54)
Tax charge for the year	**1,363**	2,062

10. Directors' and Chief Executive's Emoluments and Five Highest Paid Employees

The emoluments paid or payable to the Directors of the Company were as follows:

Name of Director	Notes	Fees RMB'000	Salaries RMB'000	Other benefits RMB'000	Performance related incentive payments RMB'000	Retirement benefit costs RMB'000	Share-based payment expenses RMB'000	2012 Total RMB'000	2011 Total RMB'000
Mr. Vincent H.S. LO	(a)	–	–	–	–	–	–	–	–
Mr. Freddy C.K. LEE	(a)	–	4,235	6,558	4,071	1,872	3,527	20,263	11,249
Mr. Daniel Y.K. WAN	(a)	–	4,833	5,355	3,660	–	2,733	16,581	8,456
Mr. Louis H.W. WONG	(b)	–	–	–	–	–	–	–	(1,143)
Mr. Frankie Y.L. WONG	(c)	366	–	–	–	–	–	366	122
Mr. LEUNG Chun Ying	(d)	–	–	–	–	–	–	–	248
Sir John R.H. BOND	(e)	325	–	–	–	–	–	325	331
Dr. William K.L. FUNG	(e)	366	–	–	–	–	–	366	373
Professor Gary C. BIDDLE	(e)	488	–	–	–	–	–	488	497
Dr. Roger L. McCARTHY	(e)	325	–	–	–	–	–	325	331
Mr. David J. SHAW	(e)	244	–	–	–	–	–	244	248
Dr. Edgar W.K. CHENG	(f)	–	–	–	–	–	–	–	278
Total for 2012		2,114	9,068	11,913	7,731	1,872	6,260	38,958	20,990
Total for 2011		2,428	8,319	8,578	4,438	1,501	(4,274)	20,990	

Notes:
(a) Executive Directors
(b) Executive Director resigned during the year 2011
(c) Non-executive Director appointed during the year 2011
(d) Non-executive Director resigned during the year 2011
(e) Independent Non-executive Directors
(f) Independent Non-executive Director resigned during the year 2011

Mr. Freddy C.K. LEE is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

Of the five highest paid individuals in the Group, two (2011: two) are Executive Directors of the Company whose emoluments are set out above. The emoluments of the remaining three (2011: three) individuals are as follows:

	2012 RMB'million	2011 RMB'million
Salaries	6	7
Other benefits	8	6
Performance related incentive payments	3	2
Retirement benefit costs	2	1
Share-based payment expenses	4	2
	23	18

10. Directors' and Chief Executive's Emoluments and Five Highest Paid Employees (Continued)

The emoluments of the remaining highest paid employees were within the following bands:

	2012 Number of employees	2011 Number of employees
Emolument bands		
HK$6,500,001 – HK$7,000,000	–	1
HK$7,000,001 – HK$7,500,000	–	1
HK$8,000,001 – HK$8,500,000	1	1
HK$9,500,001 – HK$10,000,000	1	–
HK$10,500,001 – HK$11,000,000	1	–
	3	3

No Directors waived any emoluments in the years ended 31 December 2012 and 31 December 2011.

11. Dividends

	2012 RMB'million	2011 RMB'million
Interim dividend paid in respect of 2012 of HK$0.025 per share (2011: HK$0.025 per share)	122	107
Final dividend proposed in respect of 2012 of HK$0.035 per share (2011: HK$0.10 per share)	170	473
	292	580

A final dividend for the year ended 31 December 2012 of HK$0.035 (equivalent to RMB0.028) per share, amounting to HK$210 million (equivalent to RMB170 million) in aggregate, was proposed by the Directors on 28 March 2013 and is subject to the approval of the shareholders at the forthcoming annual general meeting.

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 (note 42). If the rights shares (in their fully-paid form) are allotted and issued on or before the record date for the 2012 final dividend and shareholders approve the 2012 final dividend at the forthcoming annual general meeting, then holders of 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 RMB226 million).

In October 2012, an interim dividend in respect of 2012 of HK$0.025 (equivalent to RMB0.021) per share was paid to the shareholders. The 2012 interim dividend was paid in the form of cash and/or shares of the Company as the shareholders were given the option to elect to receive their dividend in new, fully paid shares in lieu of all or part of cash. 65.5% of the shareholdings elected to receive shares in lieu of cash dividends at share price of HK$2.932 per share and accordingly, 33,360,452 new and fully paid ordinary shares of the Company were issued. These new ordinary shares rank pari passu to the existing shares of the Company.

11. Dividends (Continued)

In June 2012, a final dividend in respect of 2011 of HK$0.10 (equivalent to RMB0.08) per share was approved by the shareholders of the Company at the annual general meeting on 7 June 2012. The 2011 final dividend was paid in July 2012 in the form of cash and/or shares of the Company as the shareholders were given the option to elect to receive their dividend in new, fully paid shares in lieu of all or part of cash. 70.5% of the shareholdings elected to receive shares in lieu of cash dividends at share price of HK$3.176 per share and accordingly, 129,436,566 new and fully paid ordinary shares of the Company were issued. These new ordinary shares rank pari passu to the existing shares of the Company.

In October 2011, an interim dividend in respect of 2011 of HK$0.025 (equivalent to RMB0.021) per share was paid to the shareholders of the Company.

A final dividend in respect of 2010 of HK$0.05 (equivalent to RMB0.042) per share was approved by the shareholders of the Company at the annual general meeting on 19 May 2011 and was paid to the shareholders of the Company in June 2011.

162,797,018 ordinary shares of the Company in aggregate were issued during the year ended 31 December 2012 on the shareholders' election to receive shares. Details of these shares issuance are set out in note 28.

12. Earnings Per Share

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

Earnings

	2012 **RMB'million**	2011 RMB'million
Earnings for the purposes of basic earnings per share and diluted earnings per share, being profit for the year attributable to shareholders of the Company	**2,029**	3,428

Number of shares

	2012 **'million**	2011 'million
Weighted average number of ordinary shares for the purpose of basic earnings per share	**5,773**	5,212
Effect of dilutive potential shares:		
Convertible bonds	**696**	669
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**6,469**	5,881
Basic earnings per share (note (b))	**RMB0.35**	RMB0.66
	HK$0.43	HK$0.80
Diluted earnings per share (note (b))	**RMB0.31**	RMB0.58
	HK$0.38	HK$0.70

Notes:

(a) There are no dilution effects for share options granted as the exercise prices of these share options granted were higher than the average market price for 2012 and 2011.

(b) The Hong Kong dollar figures presented above are shown for reference only and have been arrived at based on the exchange rate of RMB1.000 to HK$1.229 for 2012 and RMB1.000 to HK$1.208 for 2011, being the average exchange rates that prevailed during the respective years.

13. Investment Properties

	Completed investment properties RMB'million	Investment properties under construction or development at fair value RMB'million	Investment properties under construction or development at cost RMB'million	Total RMB'million
At 1 January 2011	14,119	6,815	5,959	26,893
Additions	40	4,856	3,220	8,116
Disposal of subsidiaries (note 36(c))	–	–	(348)	(348)
Eliminated upon disposal	(596)	–	–	(596)
Transfers	–	344	(344)	–
Transfer upon completion	2,801	(2,801)	–	–
Transfer to property, plant and equipment (note 14)	(31)	(335)	–	(366)
Increase in fair value recognised in the consolidated income statement	1,648	1,048	–	2,696
At 31 December 2011	17,981	9,927	8,487	36,395
At 31 December 2011				
– Stated at fair value	17,981	9,927	–	27,908
– Stated at cost	–	–	8,487	8,487
At 1 January 2012	**17,981**	**9,927**	**8,487**	**36,395**
Additions	**3**	**1,981**	**2,734**	**4,718**
Acquisition of subsidiaries (note 36(a))	**2,676**	**189**	**–**	**2,865**
Eliminated upon disposal	**(24)**	**–**	**–**	**(24)**
Transfers	**–**	**1,432**	**(1,432)**	**–**
Transfer upon completion	**773**	**(773)**	**–**	**–**
Transfer to property, plant and equipment (note 14)	**(28)**	**–**	**–**	**(28)**
Increase in fair value recognised in the consolidated income statement	**708**	**1,990**	**–**	**2,698**
At 31 December 2012	**22,089**	**14,746**	**9,789**	**46,624**
At 31 December 2012				
– Stated at fair value	**22,089**	**14,746**	**–**	**36,835**
– Stated at cost	**–**	**–**	**9,789**	**9,789**

The investment properties are all situated in the PRC and held under long term leases of RMB5,786 million (2011: RMB3,510 million) and medium term leases of RMB40,838 million (2011: RMB32,885 million). All the completed investment properties are rented out under operating leases or are held for capital appreciation purposes.

In circumstances where the fair value of an investment property under construction or development is not reliably determinable, such investment properties under construction or development are measured at cost less impairment, if any, until when its fair value becomes reliably determinable upon finalisation of the development plan, land and relocation cost and construction costs.

The fair values of the Group's investment properties at 31 December 2012 and 31 December 2011 and at dates of transfer upon completion of development of investment properties under construction or development and at the dates of transfer to property, plant and equipment have been arrived at on the basis of valuations carried out on those dates by Knight Frank Petty Limited, independent qualified professional valuers not connected to the Group.

13. Investment Properties (Continued)

For completed investment properties, the valuations have been arrived at using direct comparison method and capitalisation of net income method, where appropriate. In the valuation, the market rentals of all lettable units of the properties are assessed by reference to the rentals achieved in the lettable units as well as other lettings of similar properties in the neighbourhood. The capitalisation rate adopted is made by reference to the yield rates observed by the valuer for the similar properties in the locality and adjusted based on the valuers' knowledge of the factors specific to the respective properties.

For investment properties under construction or development that are measured at fair value, the valuations have been arrived at assuming that the investment properties will be completed in accordance with the development proposals and the relevant approvals for the proposals have been obtained. The key inputs in the valuations include the market value of the completed investment properties, which are estimated with reference to sales evidence of similar properties in the nearest locality, with adjustments made to account for differences in locations and other factors specific to the respective properties based on the valuers' judgement. Costs of development are also taken into account including construction costs, finance costs and professional fees, as well as developer's profit margin which reflects the remaining risks associated with the development of the properties at the valuation date and the return that the developer would require for bringing them to completion status, which is determined by the valuers based on its analyses of recent land transactions and market value of similar completed properties in the respective locations.

14. Property, Plant and Equipment

	Land and buildings RMB'million	Hotel properties RMB'million	Hotels under development RMB'million	Furniture, fixtures, equipment and motor vehicles RMB'million	Total RMB'million
At Cost					
At 1 January 2011	434	91	–	247	772
Transfer from investment properties (note 13)	31	–	335	–	366
Additions	–	–	198	44	242
Disposals	–	–	–	(8)	(8)
At 31 December 2011	465	91	533	283	1,372
Acquisition of subsidiaries (note 36(a))	**456**	**1,826**	**–**	**34**	**2,316**
Transfer from investment properties (note 13)	**28**	**–**	**–**	**–**	**28**
Transfer from properties under development for sales (note 16)	**–**	**–**	**46**	**–**	**46**
Transfer from properties held for sale	**15**	**–**	**–**	**–**	**15**
Transfer upon completion	**–**	**623**	**(623)**	**–**	**–**
Additions	**34**	**–**	**343**	**99**	**476**
Disposals	**–**	**–**	**–**	**(11)**	**(11)**
At 31 December 2012	**998**	**2,540**	**299**	**405**	**4,242**
Accumulated Depreciation					
At 1 January 2011	38	18	–	176	232
Charge for the year	24	2	–	43	69
Eliminated on disposals	–	–	–	(8)	(8)
At 31 December 2011	62	20	–	211	293
Charge for the year	**31**	**85**	**–**	**61**	**177**
Eliminated on disposals	**–**	**–**	**–**	**(10)**	**(10)**
At 31 December 2012	**93**	**105**	**–**	**262**	**460**
Carrying Values					
At 31 December 2012	**905**	**2,435**	**299**	**143**	**3,782**
At 31 December 2011	403	71	533	72	1,079

14. Property, Plant and Equipment (Continued)

The carrying amounts of owner-occupied leasehold land and buildings of RMB593 million (2011: RMB100 million), hotel properties of RMB2,367 million (2011: nil) and hotels under development of RMB41 million (2011: RMB533 million) at the end of the reporting period are included in property, plant and equipment, as in the opinion of the Directors, allocations of the carrying amounts between the leasehold land and buildings elements could not be made reliably.

The land and buildings, hotel properties and hotels under development are all situated in the PRC and held under long term leases of RMB54 million (2011: RMB42 million) and medium term leases of RMB3,585 million (2011: RMB965 million).

The above items of property, plant and equipment, except for hotels under development, are depreciated on a straight-line basis at the following rates per annum:

Land and buildings	Over the shorter of the term of the lease, or 50 years
Hotel properties	Over the shorter of the term of the lease, or 50 years
Furniture, fixtures, equipment and motor vehicles	20% to 33-1/3%

15. Prepaid Lease Payments

	2012 RMB'million	2011 RMB'million
At beginning of the year	500	73
Additions	–	434
Transfer from properties under development for sale (note 16)	185	–
Release for the year (note 7)	(14)	(7)
At end of the year	671	500

The cost of prepaid lease payments represents the amount paid to the government of the PRC in respect of the land use rights held under medium term leases.

16. Properties Under Development for Sale

	2012 RMB'million	2011 RMB'million
At beginning of the year	17,247	14,308
Additions	7,614	7,784
Transfer to property, plant and equipment (note 14)	(46)	–
Transfer to prepaid lease payments (note 15)	(185)	–
Transfer to properties held for sale	(4,480)	(4,845)
At end of the year	20,150	17,247

The properties under development are all situated in the PRC and held under long term leases of RMB18,734 million (2011: RMB15,826 million) and medium term leases of RMB1,416 million (RMB1,421 million).

Included in the properties under development for sale as at 31 December 2012 is carrying value of RMB16,936 million (2011: RMB15,445 million) which represents the carrying value of the properties expected to be completed after more than twelve months from the end of the reporting period.

17. Interests in Associates/Loans to Associates/Amounts Due from Associates/Amounts Due to Associates

	Notes	2012 RMB'million	2011 RMB'million
Cost of investments, unlisted		**482**	357
Share of post-acquisition profits		**782**	700
		1,264	1,057
Loans to associates			
– Interest free	(a)	**727**	808
– Interest bearing ranging from 5% to 6.15% (2011: 5%) per annum	(b)	**932**	558
		1,659	1,366
Amounts due from associates	(c)	**484**	446
Amounts due to associates	(d)	**11**	5

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

	2012 RMB'million	2011 RMB'million
Total assets	**12,390**	10,868
Total liabilities	**(9,493)**	(8,294)
Net assets	**2,897**	2,574
Group's share of net assets of associates	**1,264**	1,057

	2012 RMB'million	2011 RMB'million
Revenue	**565**	372
Profit for the year	**133**	224
Group's share of results of associates for the year	**82**	137

Notes:

(a) These loans to associates represent the loans to subsidiaries of Richcoast, an associate of the Group, for financing the development and operation of Dalian Tiandi project in Dalian, the PRC. Pursuant to the joint venture agreement ("Joint Venture Agreement") dated 25 May 2007 entered into among Innovate Zone Group Limited ("Innovate Zone"), an indirect subsidiary of the Company, Main Zone Group Limited ("Main Zone"), a direct wholly-owned subsidiary of SOCAM Development Limited ("SOCAM", an associate of SOCL) and Many Gain International Limited ("Many Gain"), an independent third party, the loans are unsecured, interest-free and with no fixed terms of repayment until Many Gain has contributed its share of the shareholder's loan to the subsidiaries of Richcoast. Thereafter, the loans will bear interest at a rate of 5% per annum, subject to shareholders' approval. The loans are carried at amortised cost using the effective interest rate of 7.29% (2011: 5.4%) per annum.

(b) These loans to associates, represent the loans to subsidiaries of Richcoast, are unsecured, interest bearing ranging from 5% to 6.15% (2011: 5%) per annum and with no fixed terms of repayment.

(c) The amounts due from associates are unsecured, interest bearing at 6.1% (2011: 6.1%) per annum and repayable on demand.

(d) The amounts due to associates are unsecured, interest free and repayable on demand.

17. Interests in Associates/Loans to Associates/Amounts Due from Associates/Amounts Due to Associates (Continued)

Particulars of the Group's principal associates at 31 December 2012 and 31 December 2011 are as follows:

Name of associate	Form of legal entity	Proportion of nominal value of issued ordinary share capital/ registered capital held by the Group	Place of incorporation/ registration and operations	Principal activities
Richcoast (notes 1 and 2)	Sino-Foreign Joint Venture	61.54%	British Virgin Islands ("BVI")	Investment holding
Dalian Qiantong Science & Technology Development Co., Ltd. (note 3)	Sino-Foreign Joint Venture	48%	PRC	Software park development
Dalian Ruisheng Software Development Co., Ltd. (note 3)	Sino-Foreign Joint Venture	48%	PRC	Software park development
Dalian Delan Software Development Co., Ltd. (note 3)	Sino-Foreign Joint Venture	48%	PRC	Software park development
Dalian Jiadao Science & Technology Development Co., Ltd. (note 3)	Sino-Foreign Joint Venture	48%	PRC	Software park development
Dalian Software Park Shuion Fazhan Co., Ltd. (note 3)	Sino-Foreign Joint Venture	48%	PRC	Software park development
Dalian Software Park Shuion Kaifa Co., Ltd. (note 3)	Sino-Foreign Joint Venture	48%	PRC	Software park development

Notes:

1. The Group does not have control over Richcoast because the Group has the power to appoint only 4 out of the 10 directors of that company.
2. Pursuant to the Joint Venture Agreement dated 25 May 2007 entered into among Innovate Zone, Main Zone and Many Gain, whereby the parties agreed to form a joint venture company, Richcoast, which is owned 61.54%, 28.20% and 10.26% by Innovate Zone, Main Zone, and Many Gain, respectively, for the development and operation of Dalian Tiandi project.
3. These companies are non-wholly owned subsidiaries of Richcoast.

18. Interest in a Jointly Controlled Entity/Amount Due from a Jointly Controlled Entity

	2012 RMB'million	2011 RMB'million
Cost of investment, unlisted	–	–
Share of post-acquisition losses	–	–
	–	–
Amount due from a jointly controlled entity	11	11
Less: Allowance	(11)	(11)
	–	–

Particulars of the Group's jointly controlled entity at 31 December 2012 and 31 December 2011 are as follows:

Name of jointly controlled entity	Form of legal entity	Proportion of nominal value of issued ordinary share capital/ registered capital held by the Group 2012	2011	Place of incorporation/ registration and operations	Principal activities
Crystal Jade Food and Beverage (Hangzhou) Limited	Limited liability company	50%	50%	Hong Kong	Investment holding
Shanghai Li Xing Hotel Co., Limited ("Shanghai Li Xing")	Sino-Foreign Joint Venture	50%	–	PRC	Investment holding

The amount due from a jointly controlled entity is unsecured, interest free and repayable on demand.

19. Accounts Receivable, Deposits and Prepayments

	2012 RMB'million	2011 RMB'million
Non-current accounts receivable comprise:		
Rental receivables in respect of rent-free periods	102	86
Current accounts receivable comprise:		
Trade receivables	316	458
Prepayments of relocation costs (note)	1,695	1,815
Other deposits, prepayments and receivables	595	230
	2,606	2,503

Note:
The balance represents the amounts that will be capitalised to properties under development for sale as soon as the relocation has been completed, and such relocation process is in accordance with the Group's normal operating cycle. The balance is not expected to be realised within twelve months from the end of the reporting period.

Trade receivables comprise:

(i) receivables arising from sales of properties which are due for settlement in accordance with the terms of the relevant sales and purchase agreements; and

(ii) rental receivables which are due for settlement upon issuance of monthly debit notes to the tenants.

19. Accounts Receivable, Deposits and Prepayments (Continued)

The following is an ageing analysis (based on the repayment terms set out in the sales and purchase agreements or debit notes to the tenants) of trade receivables (net of allowance for bad and doubtful debts, if any) at the end of each reporting period:

	2012 RMB'million	2011 RMB'million
Not yet due	**303**	401
Past due within 30 days	**2**	32
Past due 31 – 60 days	**3**	23
Past due 61 – 90 days	**2**	1
Past due over 90 days	**6**	1
	316	458

Included in the Group's trade receivable balances are debtors with aggregate carrying amount of RMB13 million (2011: RMB57 million) which are past due at the end of the reporting period for which the Group has not provided for impairment loss. Based on the past experience, the Directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Ageing of trade receivables which are past due but not impaired:

	2012 RMB'million	2011 RMB'million
Past due within 30 days	**2**	32
Past due 31 – 60 days	**3**	23
Past due 61 – 90 days	**2**	1
Past due over 90 days	**6**	1
	13	57

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the date of the reporting period. Allowance for bad and doubtful debts are generally not required for rental receivables as the Group has collected rental deposits from the tenants to secure any potential losses from uncollectible debts.

20. Pledged Bank Deposits/Restricted Bank Deposits/Bank Balances

Pledged bank deposits represent deposits pledged to banks to secure the banking facilities granted to the Group. Deposits amounting to RMB1,720 million (2011: RMB1,143 million) have been pledged to secure long-term bank loans and are therefore classified as non-current assets.

Bank balances carry interest at market rates which range from 0.35% to 1.35% (2011: 0.5% to 1.5%) per annum. Pledged bank deposits carry interest at fixed rates which range from 0.35% to 1.35% (2011: 0.5% to 1.5%) per annum. The pledged bank deposits will be released upon the settlement of relevant bank borrowings.

Restricted bank deposits of RMB183 million (2011: RMB335 million) represent deposits placed by the Group with banks which can only be applied to designated property development projects of the Group. Restricted bank deposits carry interest at market rates which range from 0.35% to 1.35% (2011: 0.5% to 1.5%) per annum.

21. Properties Held For Sale

The Group's properties held for sale are situated in the PRC. All the properties held for sale are stated at cost.

22. Loans Receivable

The amount in 2011 represented entrusted loans which were denominated in RMB, unsecured, and carried fixed interest at rates which range from 6.4% to 6.7% per annum and had been fully settled in March 2012.

23. Amounts Due from/to Related Companies

The amounts due from related companies are unsecured, interest free and repayable on demand, except for an amount of RMB76 million (2011: nil) which is unsecured, carries interest at rates ranging from 6.1% to 6.6% per annum and repayable within one year from the end of the reporting period.

The amounts due to related companies are unsecured, interest free and repayable on demand, except for an amount of RMB100 million (2011: nil) which is unsecured, carries interest at rate of 6.1% per annum and repayable within one year from the end of the reporting period.

Related companies are subsidiaries of SOCL other than the Group or associates of SOCL.

24. Amounts Due from/to Non-Controlling Shareholders of Subsidiaries

The amounts due from non-controlling shareholders of subsidiaries are unsecured, interest free and repayable on demand, except for an amount of RMB31 million (2011: nil) which is unsecured, carries interest at rate of 6.6% per annum and an amount of RMB22 million (2011: nil) which is unsecured, carries interest at rate of 7.2% per annum, both are repayable within one year from the end of the reporting period.

The amounts due to non-controlling shareholders of subsidiaries are unsecured, interest free and repayable on demand.

25. Accounts Payable, Deposits Received and Accrued Charges

	2012 RMB'million	2011 RMB'million
Trade payables with aging analysis (based on invoice date):		
0 – 30 days	**2,443**	2,519
31 – 60 days	**29**	4
61 – 90 days	**16**	5
Over 90 days	**80**	11
	2,568	2,539
Retention payables (note (a))	**448**	224
Deed tax, business tax and other tax payables	**325**	397
Deposits received and receipt in advance from property sales	**3,551**	860
Deposits received and receipt in advance in respect of rental of investment properties	**324**	259
Deposit received in respect of partial disposal of equity interests in subsidiaries (note (b))	**352**	352
Accrued charges	**335**	437
	7,903	5,068

Notes:
(a) Retention payables are expected to be paid upon the expiry of the retention periods according to the respective contracts.
(b) Pursuant to a sale and purchase agreement dated 29 November 2011, entered into between Shui On Development (Holding) Limited ("SOD", a wholly owned subsidiary of the Company) and Mitsui Fudosan Residential Co., Ltd. ("Mitsui", a non-controlling shareholder of an associate's subsidiary), SOD agreed to dispose of, and Mitsui agreed to acquire from SOD, SOD's 49% equity interests in relation to Value Land Limited ("Value Land", an indirect wholly owned subsidiary of the Company which engages in the property development in Foshan, the PRC), for a consideration of RMB391 million. An amount of RMB352 million was received in December 2011 and the remaining balance of RMB39 million would be received upon completion of the transaction pursuant to the terms of the sales and purchase agreement. The transaction was completed on 4 February 2013. The Group holds 51% equity interest in Value Land and still has control over Value Land subsequent to the completion of this transaction.

26. Loans from Non-Controlling Shareholders of Subsidiaries

The carrying amounts of the loans from non-controlling shareholders of subsidiaries are analysed as follows:

Denominated in	Interest rate per annum	2012 RMB'million	2011 RMB'million
RMB	110% (2011: 110%) of People's Bank of China ("PBOC") Prescribed Interest Rate (note (a))	**1,648**	1,460
HK$	Interest free (notes (a) and (b))	**406**	–
United States dollars ("US$")	110% (2011: 110%) of PBOC Prescribed Interest Rate (note (a))	**430**	618
		2,484	2,078

Notes:
(a) The loans are unsecured and will not be demanded for repayment until the Group's subsidiaries are in a position to repay the loans, which are to be mutually agreed between both parties. The Directors are of the opinion that the loans are not repayable in the next twelve months from the end of the reporting period.
(b) The principal amounts of the loans are RMB456 million. The loans are carried at amortised cost at an effective interest rate of 6.7% per annum.

27. Bank and Other Borrowings

	2012 RMB'million	2011 RMB'million
Bank borrowings repayable within a period of:		
– Not more than 1 year or on demand	5,103	8,774
– More than 1 year, but not exceeding 2 years	3,867	3,490
– More than 2 years, but not exceeding 5 years	8,623	3,026
– More than 5 years	1,210	1,138
	18,803	16,428
Other borrowings repayable within a period of:		
– More than 1 year, but not exceeding 2 years	–	315
Total bank and other borrowings	18,803	16,743
Less: Amount due within one year shown under current liabilities	(5,103)	(8,774)
Amount due after one year	13,700	7,969

The carrying amounts of the Group's bank and other borrowings are analysed as follows:

Denominated in	Interest rate	2012 RMB'million	2011 RMB'million
RMB	90% to 140% (2011: 90% to 120%) of PBOC Prescribed Interest Rate	9,735	6,760
HK$	Hong Kong Interbank Offered Rates ("HIBOR") plus 1.5% to 4.6% (2011: HIBOR plus 2% to 4.5%)	6,561	9,166
US$	Singapore Interbank Offered Rates ("SIBOR") plus 2.75% to 3.5% (2011: SIBOR plus 2.75% to 3.5%)	377	502
US$	London Interbank Offered Rates ("LIBOR") plus 3.1% to 4.6% (2011: LIBOR plus 14%)	2,130	315
		18,803	16,743

As at 31 December 2012, the weighted average effective interest rate on the bank and other borrowings was 5.6% (2011: 4.9%), and are further analysed as follows:

	2012	2011
Denominated in RMB	7.0%	6.8%
Denominated in HK$	4.0%	3.3%
Denominated in US$	4.3%	7.8%

The bank and other borrowings at the end of the reporting period are secured by the pledge of assets as set out in note 38.

28. Share Capital

	Authorised		Issued and fully paid	
	Number of shares	US$'000	Number of shares	US$'000
Ordinary shares of US$0.0025 each				
At 1 January 2011 and 31 December 2011	12,000,000,000	30,000	5,211,587,981	13,029
Issue of shares in lieu of cash dividends (note 11)	–	–	162,797,018	407
Issue of new shares for the acquisition of equity interests in subsidiaries (note 36(a))	–	–	626,909,643	1,567
At 31 December 2012	**12,000,000,000**	**30,000**	**6,001,294,642**	**15,003**

	2012	2011
	RMB'million	RMB'million
Shown in the consolidated statement of financial position as	**114**	102

29. Reserves

(a) Merger reserve represents the aggregate of:

(i) the difference between the nominal value of the share capital and share premium on the shares issued by the Company and the aggregate of the share capital and share premium of the holding companies of the subsidiaries acquired;

(ii) the share of profit attributable to the deemed non-controlling shareholders exchanged upon the group reorganisation in 2004; and

(iii) the difference between the fair value and the carrying amount of the net assets attributable to the additional interest in the subsidiaries being acquired from a non-controlling shareholder upon the group reorganisation in 2004.

(b) Special reserve comprise:

(i) The difference between the fair value and the carrying amount of the net assets attributable to the additional interest in the subsidiaries being acquired from non-controlling shareholders, which will be recognised in the consolidated income statement upon the earlier of the disposal of the assets, disposal of the subsidiary of the assets which the assets relate, or when the related assets affect profit or loss.

During the year ended 31 December 2011, an amount of RMB40 million was released to the consolidated income statement upon the disposal by the subsidiaries of the assets to which it relates.

(ii) An amount of RMB104 million recognised against the special reserve in the year ended 31 December 2011 represents the difference between the fair value of the consideration paid and the carrying value of the net assets attributable to the additional interest in a residential development on a parcel of land of the Rui Hong Xin Cheng project.

29. Reserves (Continued)

(c) Other reserves comprise:

(i) An amount of RMB483 million represents payable waived in 2004 by Shui On Investment Company Limited ("SOI", a shareholder of the Company, which is wholly owned by SOCL), in respect of development costs of the same amount originally paid by Shanghai Shui On Property Development Management Co., Ltd., a fellow subsidiary of SOI, and recharged to certain subsidiaries of the Company.

(ii) Capital contribution of RMB21 million arising on the fair value adjustments at the initial recognition of an interest free loan advanced by a non-controlling shareholder of a subsidiary in 2005.

(iii) Non-distributable reserve of RMB99 million arising from the capitalisation of retained profits as registered capital of a subsidiary in the PRC in 2006.

(iv) An amount of RMB34 million recognised in the year ended 31 December 2010 represents the difference between the fair value of the consideration paid and the carrying amount of the net assets attributable to the additional interest of 16.8% in Yang Pu Centre Development Co., Ltd. being acquired from the non-controlling interests in 2010.

(v) An amount of RMB188 million recognised against the other reserve in the current year represents the Group's share of additional interest of 4.81% in carrying amount of the net assets of Foresight Profits Limited ("Foresight"). The Group acquired the additional interest through capital injection in Foresight.

(vi) An amount of RMB138 million recognised in the current year represents the difference between the fair value of the consideration received and the carrying amount of the net assets attributable to the partial disposal of equity interests of 49% in Glory Land Limited.

30. Convertible Bonds

On 29 September 2010, the Company issued RMB denominated US$ settled 4.5% convertible bonds with the aggregate principal amount of RMB2,720 million with initial conversion price of HK$4.87 at a fixed exchange rate of RMB1.00 to HK$1.1439. An adjustment had been made to the conversion price from HK$4.87 to HK$4.47 as a result of the dividends paid since the convertible bonds were issued.

Conversion may occur at any time between 10 November 2010 and 19 September 2015. The Company will, at the option of the holder of the bonds, be required to redeem all or some only of such holder's bonds on 29 September 2013 at an amount equal to the US$ equivalent of their RMB principal amount, together with accrued but unpaid interest.

If the bonds have not been converted or redeemed by the date of maturity, they will be redeemed at an amount equal to the US$ equivalent of their RMB principal amount, together with accrued but unpaid interest.

The Company may at any time after 29 September 2013 redeem all, but not some only, of the bonds for the time being outstanding at the US$ equivalent of their RMB principal amount, together with interest accrued to the date fixed for redemption, provided that the closing price of the shares of the Company translated into RMB at the prevailing rate applicable to the relevant trading day, for 20 out of 30 consecutive trading days prior to the date upon which notice of such redemption is published was at least 130% of the conversion price then in effect, translated into RMB at the fixed rate of RMB1.00 = HK$1.1439.

The Company may at any time redeem all, but not some only, of the bonds being outstanding at a redemption price equal to the US$ equivalent of their RMB principal amount, together with accrued but unpaid interest to the date fixed for redemption, if prior to the date of notice at least 90% in RMB principal amount of the bonds originally issued has already been converted, redeemed or purchased and cancelled.

30. Convertible Bonds (Continued)

The convertible bonds contain two components: equity and liability elements. The equity element of RMB605 million is presented in equity heading "convertible bond equity reserve". The movement of the liability component of the convertible bonds for the year is set out below:

	2012 RMB'million	2011 RMB'million
At 1 January	**2,225**	2,117
Interest charged during the year	**243**	230
Less: Interest paid	**(122)**	(122)
At 31 December	**2,346**	2,225

The effective interest rate of the liability component on initial recognition is 10.7% per annum.

The fair value of the liability component at inception date is determined based on the valuation carried out by an independent valuer.

31. Notes

	2012 RMB'million	2011 RMB'million
At 1 January	**6,520**	2,945
Issue of senior notes due 2015	**6,952**	3,500
Expenses on issue of senior notes	**(137)**	(70)
Interest charged during the year	**972**	485
Less: Interest paid	**(794)**	(340)
Exchange translation	**6**	–
At 31 December	**13,519**	6,520
Less: Amount due within one year shown under current liabilities	**(2,980)**	–
Amount due after one year	**10,539**	6,520

On 23 December 2010, SOD issued RMB3,000 million senior notes to independent third parties with a maturity of three years due on 23 December 2013 (the "2013 RMB Notes"). The 2013 RMB Notes are denominated in RMB and settled in US$, and bear coupon interest at rate of 6.875% per annum payable semi-annually in arrears.

On 26 January 2011, SOD further issued RMB3,500 million senior notes to independent third parties with a maturity of four years due on 26 January 2015 (the "2015 RMB Notes"). The 2015 RMB Notes are denominated in RMB and settled in US$, and bear coupon interest at rate of 7.625% per annum payable semi-annually in arrears.

On 26 January 2012, Shui On Development (Singapore) Pte. Ltd. ("SODSG"), a wholly-owned subsidiary of the Company, issued Singapore dollar ("SGD") 250 million (equivalent to RMB1,241 million) senior notes to independent third parties with a maturity of three years due on 26 January 2015 (the "2015 SGD Notes"). The 2015 SGD Notes are denominated and settled in Singapore dollar, and bear coupon interest at rate of 8% per annum payable semi-annually in arrears.

On 16 February 2012 and 29 February 2012, SOD issued US$400 million (equivalent to RMB2,520 million) senior notes and US$75 million (equivalent to RMB472 million) senior notes, respectively, to independent third parties with a maturity of three years due on 16 February 2015 (the "2015 US$ Notes"). The 2015 US$ Notes are denominated and settled in US$, and bear coupon interest at rate of 9.75% per annum payable semi-annually in arrears.

31. Notes (Continued)

On 6 August 2012, SOD further issued US$400 million senior notes at 102.785% of the principal amount plus accrued interest from 16 February 2012 to 6 August 2012 ("Additional Notes") (equivalent to RMB2,719 million) to independent third parties. These Additional Notes consolidate and form a single class with the 2015 US$ Notes and have the same term and maturity date of 16 February 2015. These Additional Notes are denominated in US$, and bear coupon interest at rate of 9.75% per annum payable semi-annually in arrears.

The principal terms of the notes

The 2013 RMB Notes were:

(a) senior in right of payment to any existing and future obligations of SOD expressly subordinated in right of payment to the Notes;

(b) at least pari passu in right of payment with all other unsecured, unsubordinated indebtedness of SOD (subject to any priority rights of such unsubordinated indebtedness pursuant to applicable law);

(c) guaranteed by the Company on a senior basis;

(d) effectively subordinated to the secured obligations (if any) of the Company and SOD, to the extent of the value of the assets serving as security therefore; and

(e) effectively subordinated to all existing and future obligations of the subsidiaries of SOD.

At any time prior to the date of maturity of the 2013 RMB Notes, SOD may at its option redeem the Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the Notes redeemed plus the applicable premium (see definition below) as of, and accrued and unpaid interest, if any, to (but not including) the redemption date, as set forth in the written agreement between the Company, SOD, and the trustee of the 2013 RMB Notes. In the opinion of the Directors, the fair value of the option to early redeem the 2013 RMB Notes is insignificant at initial recognition and at the end of the reporting period.

At any time on or before all the 2013 RMB Notes are matured or being fully redeemed, for every two semi-annual periods, dividend payments of the Company are limited to 20% of the profit attributable to the shareholders' after taking into account certain adjustments prescribed in the terms of the 2013 RMB Notes.

The 2015 RMB Notes were:

(a) senior in right of payment to any existing and future obligations of SOD expressly subordinated in right of payment to the Notes;

(b) at least pari passu in right of payment with all other unsecured, unsubordinated indebtedness of SOD (subject to any priority rights of such unsubordinated indebtedness pursuant to applicable law);

(c) guaranteed by the Company on a senior basis;

(d) effectively subordinated to the secured obligations (if any) of the Company and SOD, to the extent of the value of the assets serving as security therefore; and

(e) effectively subordinated to all existing and future obligations of the subsidiaries of SOD.

At any time prior to the date of maturity of the 2015 RMB Notes, SOD may at its option redeem the Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the Notes redeemed plus the applicable premium (see definition below) as of, and accrued and unpaid interest, if any, to (but not including) the redemption date, as set forth in the written agreement between the Company, SOD, and the trustee of the 2015 RMB Notes. In the opinion of the Directors, the fair value of the option to early redeem the 2015 RMB Notes is insignificant at initial recognition and at the end of the reporting period.

At any time on or before all the 2015 RMB Notes are matured or being fully redeemed, for every two semi-annual periods, dividend payments of the Company are limited to 20% of the profit attributable to the shareholders' after taking into account certain adjustments prescribed in the terms of the 2015 RMB Notes.

31. Notes (Continued)

The principal terms of the notes (Continued)

The 2015 SGD Notes were:

(a) senior in right of payment to any existing and future obligations of SODSG expressly subordinated in right of payment to the 2015 SGD Notes;

(b) at least pari passu in right of payment with all other unsecured, unsubordinated indebtedness of SODSG (subject to any priority rights of such unsubordinated indebtedness pursuant to applicable law);

(c) guaranteed by the Company on a senior basis;

(d) effectively subordinated to the secured obligations (if any) of the Company, SOD and SODSG, to the extent of the value of the assets serving as security thereof; and

(e) effectively subordinated to all existing and future obligations of the subsidiaries of SOD.

At any time prior to the date of maturity of the 2015 SGD Notes, SODSG may at its option redeem the 2015 SGD Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the 2015 SGD Notes redeemed plus the applicable premium (see definition below) as of, and accrued and unpaid interest, if any, to (but not including) the redemption date, as set forth in the written agreement between the Company, SODSG, and the trustee of the 2015 SGD Notes. In the opinion of the Directors, the fair value of the option to early redeem the 2015 SGD Notes is insignificant at initial recognition and at the end of the reporting period.

At any time on or before all the Notes or 2015 SGD Notes are matured or being fully redeemed, for every two semi-annual periods, dividend payments of the Company are limited to 20% of the profit attributable to shareholders after taking into account certain adjustments prescribed in the terms of the Notes and 2015 SGD Notes.

"Applicable premium" for the 2013 RMB Notes, 2015 RMB Notes and 2015 SGD Notes means with respect to the notes at any redemption date, the greater of (1) 1.00% of the principal amount of the notes and (2) the excess of (A) the present value at such redemption date of (i) the redemption amount of the notes, plus (ii) all required remaining scheduled interest payments due on the notes through the maturity date of the notes (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to 2.5%, over (B) the principal amount of the notes on such redemption date.

The 2015 US$ Notes were:

(a) senior in right of payment to any existing and future obligations of SOD expressly subordinated in right of payment to the 2015 US$ Notes;

(b) at least pari passu in right of payment with all other unsecured, unsubordinated indebtedness of SOD (subject to any priority rights of such unsubordinated indebtedness pursuant to applicable law);

(c) guaranteed by the Company on a senior basis;

(d) effectively subordinated to the secured obligations (if any) of the Company and SOD, to the extent of the value of the assets serving as security thereof; and

(e) effectively subordinated to all existing and future obligations of the subsidiaries of SOD.

At any time prior to the date of maturity of the 2015 US$ Notes, SOD may at its option redeem the 2015 US$ Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the 2015 US$ Notes redeemed plus the applicable premium (see definition below) as of, and accrued and unpaid interest, if any, to (but not including) the redemption date, as set forth in the written agreement between the Company, SOD, and the trustee of the 2015 US$ Notes. In the opinion of the Directors, the fair value of the option to early redeem the 2015 US$ Notes is insignificant at initial recognition and at the end of the reporting period.

31. Notes (Continued)

The principal terms of the notes (Continued)

The 2015 US$ Notes were: (Continued)

"Applicable premium" for the 2015 US$ Notes means with respect to the notes at any redemption date, the greater of (1) 1.00% of the principal amount of the notes and (2) the excess of (A) the present value at such redemption date of (i) the redemption amount of the notes, plus (ii) all required remaining scheduled interest payments due on the notes through the maturity date of the notes (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the adjusted treasury rate plus 100 basis points, over (B) the principal amount of the notes on such redemption date.

At any time on or before all the Notes or 2015 US$ Notes are matured or being fully redeemed, for every two semi-annual periods, dividend payments of the Company are limited to 20% of the profit attributable to shareholders after taking into account certain adjustments prescribed in the terms of the Notes and 2015 US$ Notes.

32. Perpetual Capital Securities

On 4 December 2012, SOD issued US$500 million (equivalent to RMB3,137 million) 10.125% guaranteed perpetual capital securities ("Perpetual Capital Securities") at an issue price of 100%. The Perpetual Capital Securities were issued for general corporate funding purposes and were guaranteed by the Company on a senior basis for the due payment of all sums which may be payable by SOD under the Perpetual Capital Securities. Distributions on the Perpetual Capital Securities are paid semi-annually in arrears from 10 June 2013 and can be deferred at the discretion of SOD. The Perpetual Capital Securities have no fixed maturity and are redeemable at SOD's option on or after 10 December 2017 at their principal amounts together with any accrued, unpaid or deferred distributions. While any distributions are unpaid or deferred, the Company and SOD cannot declare or, pay dividends or make distributions or similar periodic payments in respect of, or repurchase, redeem or otherwise acquire any securities of lower or equal rank, which includes the ordinary shares of the Company and SOD.

33. Derivative Financial Instruments Designated as Hedging Instruments

The derivative financial instruments are measured at fair value at the end of the reporting period. The fair value is determined based on valuation provided by the counterparty financial institution.

At 31 December 2012 and 31 December 2011, the Group has outstanding interest rate swaps to hedge against the variability of cash flows arising from the interest rate fluctuations. Under these swaps, the Group would receive interests at variable rates at HIBOR and pay interests at fixed rates ranging from 0.63% to 1.45% (2011: 0.69% to 3.58%) and receive interests at variable rates at LIBOR and pay interests at fixed rates ranging from 0.70%to 0.71% (2011: nil) based on the notional amounts of HK$3,530 million (2011: HK$8,210 million) and US$150 million (2011: nil) in aggregate as at 31 December 2012, respectively, and reduced ratably with repayment of the underlying bank borrowings. The Group has designated the interest rate swaps as hedges against the variability of interest payments of certain bank borrowings of the Group with principal amount of HK$3,530 million (2011: HK$8,210 million) and US$150 million (2011: nil) which bear variable interest rates at HIBOR plus spread ranging from 3.0% to 4.5% (2011: 2.4% to 3.65%) and LIBOR plus spread at 3.1% (2011: nil), and mature on or before June 2015 and March 2015, respectively. The principal terms of the interest rate swaps have been negotiated to match the terms of the related bank borrowings.

During the year ended 31 December 2012, fair value gain arising from the interest rate swaps of RMB54 million (2011: RMB68 million) has been deferred in equity as hedge reserve, which is expected to be recognised in the consolidated income statement at various dates upon the interest payments of the related bank borrowings are settled.

During the year ended 31 December 2012, certain interest rate swaps were early terminated due to early repayment of the relevant bank borrowings. Upon termination of the interest rate swaps, an amount of RMB47 million (2011: nil) which was previously recognised in other comprehensive income and accumulated in hedge reserve was reclassified to profit or loss.

34. Deferred Tax Assets/Liabilities

The following are the major deferred tax (assets) liabilities recognised and movements thereon during the current and prior years:

	Accelerated tax depreciation RMB'million	Revaluation of investment properties RMB'million	Tax losses RMB'million	Recognition of sales and related cost of sales RMB' million	Withholding tax on income derived in the PRC RMB' million	Others RMB' million	Total RMB' million
At 1 January 2011	1,025	1,931	(20)	(35)	118	(180)	2,839
Charge (credit) to consolidated income statement	80	595	3	(24)	68	(5)	717
At 31 December 2011	1,105	2,526	(17)	(59)	186	(185)	3,556
Charge (credit) to consolidated income statement	**67**	**672**	**(104)**	**(132)**	**(1)**	**108**	**610**
Acquisition of subsidiaries (note 36(a))	**148**	**530**	**(26)**	**–**	**21**	**96**	**769**
At 31 December 2012	**1,320**	**3,728**	**(147)**	**(191)**	**206**	**19**	**4,935**

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

	2012 RMB'million	2011 RMB'million
Deferred tax assets	**(93)**	(154)
Deferred tax liabilities	**5,028**	3,710
	4,935	3,556

At the end of the reporting period, the Group has unused tax losses of RMB734 million (2011: RMB267 million) available to offset against future profits. A deferred tax asset has been recognised in respect of such tax losses amounting to RMB587 million (2011: RMB66 million). No deferred tax asset has been recognised in respect of the remaining tax losses of RMB147 million (2011: RMB201 million) due to the unpredictability of future profit streams. The unrecognised tax losses will expire in the following years ending 31 December:

	2012 RMB'million	2011 RMB'million
2012	**–**	7
2013	**34**	135
2014	**7**	7
2015	**39**	43
2016	**52**	9
2017	**15**	–
	147	201

35. Provident and Retirement Fund Schemes

Hong Kong

The Group participates in both a defined benefit plan (the "Plan") which is registered under the Occupational Retirement Schemes Ordinance and in a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Schemes Ordinance in December 2000. The Plan was set up by the Group during 2004. The assets of the Plan are held separately from those of the Group and are invested in securities and funds under the control of trustees. Employees who were members of the Plan prior to the establishment of MPF Scheme were offered a choice of staying within the Plan or switching to the MPF Scheme, whereas all new employees joining the Group on or after 1 December 2000 are required to join the MPF Scheme.

The MPF Scheme

For members of the MPF Scheme, contributions are made by the employees at 5% of relevant income and by the Group at rates ranging from 5% to 10% of the employees' salaries, depending on the employees' length of services with the Group.

The Group's contributions to the MPF Scheme charged to the consolidated income statement as staff costs during the year ended 31 December 2012 are less than RMB1 million.

The Plan

Contributions to the Plan are made by the members at 5% of their salaries and by the Group which are based on recommendations made by the actuary of the Plan. The current employer contribution rate ranges from 5% to 10% of the members' salaries. Under the Plan, a member is entitled to retirement benefits which comprise the sum of any benefits transferred from another scheme and the greater of the sum of employer's basic contribution plus the member's basic contribution accumulated with interest at a rate of no less than 6% per annum before 1 September 2003 and 1% per annum in respect of contributions made on or after 1 September 2003 or 1.8 times the final salary times the length of employment with the Group on the attainment of the retirement age of 60. For members who joined the Plan before 1997, the retirement age is 60 for male members and 55 for female members. No other post-retirement benefits are provided.

The actuarial valuations of the plan assets and the present value of the defined benefit obligation are carried out at 31 December 2012 and 31 December 2011 by Ms. Elaine Hwang of Towers Watson Hong Kong Limited, who is a Fellow of the Society of Actuaries. The present value of the defined benefit obligations and the related current service cost are measured using the Projected Unit Credit Method.

The principal actuarial assumptions used as at the end of the reporting period are as follows:

		2012		2011
Discount rate		**0.5%**		1.4%
Expected rate of salary increase	**2013+:**	**5.0%**	2012+:	5.0%
Expected rate of return on plan assets		**7.0%**		7.0%

The actuarial valuation shows that the fair value of the plan assets attributable to the Group at 31 December 2012 was RMB41 million (2011: RMB33 million), representing 42% (2011: 38%) of the benefits that has accrued to members.

35. Provident and Retirement Fund Schemes (Continued)

Hong Kong (Continued)

The Plan (Continued)

Amounts recognised in the consolidated income statement for the years ended 31 December 2012 and 31 December 2011 in respect of the defined benefit plan are as follows:

	2012 RMB'million	2011 RMB'million
Current service cost	3	3
Interest cost	1	2
Expected return on plan assets	(2)	(3)
Net actuarial losses recognised during the year	4	2
Net amount charged to consolidated income statement as staff costs	6	4

The actual returns on plan assets allocated to the Group for the year ended 31 December 2012 are losses of RMB4 million (2011: gains of RMB5 million).

The amounts included in the consolidated statement of financial position arising from the Group's obligations in respect of the Plan are as follows:

	2012 RMB'million	2011 RMB'million
Present value of funded defined benefit obligations	98	86
Unrecognised actuarial losses	(45)	(46)
Fair value of plan assets	(41)	(33)
Defined benefit liabilities	12	7

Movements in the present value of the funded defined benefit obligations are as follows:

	2012 RMB'million	2011 RMB'million
At 1 January	86	85
Exchange realignment	–	(3)
Current service cost	3	3
Interest cost	1	2
Contributions from plan participants	1	1
Actuarial losses	7	15
Benefits paid	–	(17)
At 31 December	98	86

35. Provident and Retirement Fund Schemes (Continued)

Hong Kong (Continued)

The Plan (Continued)

Movements in the fair value of the plan assets are as follows:

	2012 RMB'million	2011 RMB'million
At 1 January	**(33)**	(53)
Exchange realignment	**–**	3
Expected return on plan assets	**(2)**	(3)
Actuarial (gains) losses	**(2)**	6
Contributions from the employer	**(2)**	(2)
Contributions from plan participants	**(2)**	(1)
Benefits paid	**–**	17
At 31 December	**(41)**	(33)

The major categories of plan assets at the end of the reporting period are as follows:

	2012 RMB'million	2011 RMB'million
Equities	**23**	18
Hedge funds	**7**	7
Bonds and cash	**11**	8
	41	33

The Group expects to make a contribution of RMB2 million (2011: RMB3 million) to the defined benefit plans during the next financial year.

PRC

According to the relevant laws and regulations in the PRC, certain subsidiaries established in the PRC are required to contribute a specific percentage of the payroll of their employees to retirement benefit schemes to fund the retirement benefits of their employees. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the respective schemes.

36. Acquisitions and Disposals

(a) Acquisition of subsidiaries

Pursuant to a sale and purchase agreement dated 9 September 2011 entered into between Rich Bright Holdings Limited ("Rich Bright", an indirect wholly-owned subsidiary of the Company), as the purchaser and Cassidy Enterprises Corp. ("Cassidy", an indirect wholly-owned subsidiary of SOI) and SOI, as sellers, Rich Bright agreed to acquire from Cassidy and SOI, respectively, the entire equity interest in Rimmer Investments Limited ("Rimmer", which indirectly owns Shui On Plaza, an office and retail complex located at Huangpu District, Shanghai, the PRC); and 66.7% equity interest in Magic Garden Investments Limited ("Magic Garden", which indirectly beneficially owns Langham Xintiandi Hotel located at Huangpu District, Shanghai, the PRC).

Langham Xintiandi Hotel is owned by Shanghai Lixing, a company established in the PRC of which the Group holds 50% equity interest through Landton Limited ("Landton", a wholly-owned subsidiary of Victorious Run Limited "VRL", a wholly-owned subsidiary of Magic Garden). In accordance with the shareholders' agreement entered into between Magic Garden, Shanghai Lixing, Landton, VRL and the other joint venturers of Shanghai Lixing, the Group solely has the ability to execute the right and control over, and is solely responsible for or entitled to, as appropriate, all costs incurred in the development, construction and operation of, and income arising from the operation of Langham Xintiandi Hotel. The related assets, liabilities, income and expenses of Langham Xintiandi Hotel are therefore consolidated in the consolidated financial statements of the Group.

SOCL was the substantial shareholder of the Company which indirectly held 48% of the issued shares of the Company prior to the acquisition. Upon completion of acquisition of Rimmer and Magic Garden, SOCL became the ultimate holding company of the Company. Mr. Vincent H.S. Lo, the Chairman of the Company, has controlling interest in SOCL.

On 16 March 2012, the acquisition of Rimmer and Magic Garden was completed. Upon completion of the transaction, Rimmer and Magic Garden became subsidiaries of the Company. In the opinion of the Directors, the acquisition of Rimmer and Magic Garden will complement the Group's strong established position in the PRC real estate market with a stronger presence in Shanghai and position the Group to capture the growth potential from the main financial and business hub of the PRC. The acquisition is expected to make a positive contribution to the income stream of the Group.

The consideration for the acquisition of Rimmer and Magic Garden was settled by the issuance of 626,909,643 shares of the Company and was determined based on the fair values of the assets and liabilities acquired at the date of acquisition. The fair values of the assets and liabilities acquired at the date of acquisition are set out as follows:

	Rimmer RMB'million	Magic Garden RMB'million	Total RMB'million
Investment properties	2,676	189	2,865
Property, plant and equipment	456	1,860	2,316
Accounts receivable, deposits and prepayments	4	28	32
Bank balances and cash	84	27	111
Amounts due from related companies	203	–	203
Amounts due to related companies	–	(581)	(581)
Loan from a non-controlling shareholder of a subsidiary	–	(306)	(306)
Accounts payable, deposits received and accrued charges	(35)	(213)	(248)
Amount due to a non-controlling shareholder of a subsidiary	(18)	–	(18)
Tax liabilities	(4)	–	(4)
Bank borrowings	(921)	(203)	(1,124)
Deferred tax liabilities	(675)	(94)	(769)
	1,770	707	2,477
Gain on acquisition of subsidiaries:			
Consideration transferred			1,766
Add: Non-controlling interests			661
Less: Fair values of assets and liabilities acquired			(2,477)
			(50)
Cash inflow arising on acquisition:			
Cash and cash equivalents acquired			111

36. Acquisitions and Disposals (Continued)

(a) Acquisition of subsidiaries (Continued)

The non-controlling interests in Rimmer and Magic Garden recognised at the acquisition date was measured with reference to the non-controlling interests' proportionate share of the fair value of net assets of Rimmer and Magic Garden and amounted to RMB661 million.

Included in the profit for the year ended 31 December 2012 is profit of RMB116 million attributable to Rimmer and Magic Garden. Turnover for the year ended 31 December 2012 includes RMB270 million generated from Rimmer and Magic Garden.

Had the acquisition of Rimmer and Magic Garden been completed on 1 January 2012, the Group's total turnover for the year would have been RMB4,884 million, and profit for the year would have been RMB2,386 million. The pro forma information is for illustrative purpose only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2012, nor is it intended to be a projection of future results.

(b) Acquisition of additional interests in subsidiaries

(i) During the year ended 31 December 2012, the share capital of Foresight, an indirect non-wholly-owned subsidiary of the Company which indirectly owns all ownership interest in a PRC enterprise which is engaged in Rui Hong Xin Cheng project, was increased, whereby SOD, which owned 75% equity interest in Foresight, subscribed the entire portion of the increase in share capital at a consideration of HK$1,174 million (equivalent to RMB952 million). Elegant Partners Limited ("EPL", a non-controlling shareholder which owned 25% of equity interest in Foresight) did not participate in injecting any additional capital into Foresight. Upon completion of the subscription, the equity interest of SOD in Foresight was increased by 4.81% from 75% to 79.81% and the equity interest of the non-controlling shareholder of Foresight was diluted from 25% to 20.19% by 4.81%.

An amount of RMB188 million recognised in the other reserve during the year ended 31 December 2012 represents the Group's share of additional interest in carrying amount of the net assets of Foresight.

(ii) During the year ended 31 December 2011, pursuant to a supplementary shareholder agreement entered into between SOD, Foresight, Hollyfield Holdings Limited, Selfers Limited, Silomax Limited (indirect subsidiaries of the Company) and EPL dated 1 April 2012, EPL agreed to dispose of, and SOD agreed to acquire from EPL, EPL's rights and interests in relation to a particular phase of the Rui Hong Xin Cheng project for a consideration of RMB378 million.

EPL agreed that the consideration of RMB378 million was advanced to Foresight to finance the Rui Hong Xin Cheng project, which is included in loan from non-controlling shareholder of subsidiaries. The amount owed to EPL is unsecured, interest bearing at 110% of PBOC Prescribed Interest Rate and will not be demanded for payment, until Foresight is in a position to repay the loan, which is to be mutually agreed between both parties. The Directors are in the opinion that the loan is not repayable in the next twelve months from the end of the reporting period.

36. Acquisitions and Disposals (Continued)

(c) Disposal of subsidiaries

During the year ended 31 December 2011, the Group disposed of certain subsidiaries which were engaged in the property development of a project in Hangzhou, the PRC to an independent third party for a cash consideration RMB438 million. The net assets disposed of in the transaction were as follows:

	RMB'million
Investment properties under construction or development	348
Bank balances and cash	96
Other payables and accrued charges	(6)
Net assets disposed of	438
Consideration received	(438)
Gain on disposal	–
Cash consideration in cash and cash equivalent	438
Less: cash and cash equivalent balances disposed of	(96)
Net cash inflow on disposal of subsidiaries	342

During the year ended 31 December 2011, the disposed subsidiaries did not contribute any turnover or results to the Group.

(d) Partial disposals of equity interests in subsidiaries

Pursuant to a sale and purchase agreement dated 22 August 2012 entered into between SOD, as seller, and Mitsui, as purchaser, Mitsui agreed to purchase 49% of the entire issued share capital of Glory Land Investment Limited ("Glory Land", an indirect wholly-owned subsidiary of the Company which engages in the property development in Foshan, the PRC) and the related shareholder's loans of RMB86 million from Mitsui, for a total cash consideration of RMB224 million.

Upon completion of the transaction, the Group's ownership interest in Glory Land has reduced to 51% and the Group continues to have control over Glory Land. The difference of RMB138 million between the fair value of the consideration received and the carrying amount of the net assets attributable to the partial disposal of equity interests of 49% in Glory Land is recognised directly in equity for the year ended 31 December 2012.

37. Share-Based Payment Transactions

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed by the shareholders on 8 June 2007 for the primary purpose of providing incentives to Directors, eligible employees and consultants. Under the Scheme, the total number of shares in respect of which options may be granted is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

At 31 December 2012, 173,134,188 share options (2011: 112,704,751 share options) remains outstanding under the Scheme, representing 2.9% (2011: 2.2%) of the shares of the Company in issue at that date. The Scheme allows the Board of Directors, when offering the grant of any option, to impose any condition including any performance target which must be met before the option shall vest and become exercisable. The exercise price is determined by the Directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

37. Share-Based Payment Transactions (Continued)

During the year ended 31 December 2012, an aggregate of 79,509,246 share options were granted to certain Directors and certain eligible employees. Details are as follows:

Date of grant	Exercise price HK$	Closing share price at date of grant HK$	Weighted average estimated fair value at date of grant HK$	Number of share options granted
18 January 2012	2.61	2.61	0.94	40,771,000
3 September 2012	5.35	2.83	0.54	38,738,246
				79,509,246

The fair values of the share options as at the grant date were calculated using the Binomial model. The inputs into the model were as follows:

	Granted on 18 January 2012	Granted on 3 September 2012
Expected volatility	50%	50%
Expected life	4.9 years	4.8 to 5.7 years
Risk-free rate	0.64% to 0.88%	0.18% to 0.35%
Expected dividend yield	2.4%	3.2%

Expected volatility was determined by using the volatility of the historical share price of the Company since its listing in October 2006.

The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

HK$1.00 is payable by each eligible participant to the Company on acceptance of an offer of options, to be paid within 1 month from the date of the offer.

The vesting period and the exercisable period of the share options granted to eligible employees and Directors on 18 January 2012 are as follows:

	Vesting period	Exercisable period
The first 50% of the grant:	From date of grant to any date in 2nd quarter of year 2013 to be determined by the remuneration committee	From any date in 2nd quarter of year 2013 to be determined by the remuneration committee to 17 January 2020
The second 25% of the grant:	From date of grant to 31 December 2013	From 1 January 2014 to 17 January 2020
The last 25% of the grant:	From date of grant to 31 December 2014	From 1 January 2015 to 17 January 2020

37. Share-Based Payment Transactions (Continued)

The vesting period and the exercisable period of the share options granted to eligible employees and Directors for the remaining grants are as follows:

	Vesting period	Exercisable period
The first 1/7 of the grant:	From date of grant to the 2nd anniversary	From the 2nd to the 7th anniversary to the date of grant
The second 1/7 of the grant:	From date of grant to the 3rd anniversary	From the 3rd to the 8th anniversary to the date of grant
The third 1/7 of the grant:	From date of grant to the 4th anniversary	From the 4th to the 9th anniversary to the date of grant
The fourth 1/7 of the grant:	From date of grant to the 5th anniversary	From the 5th to the 9th anniversary to the date of grant
The fifth 1/7 of the grant:	From date of grant to the 6th anniversary	From the 6th to the 9th anniversary to the date of grant
The sixth 1/7 of the grant:	From date of grant to the 7th anniversary	From the 7th to the 9th anniversary to the date of grant
The last 1/7 of the grant:	From date of grant to the 8th anniversary	From the 8th to the 9th anniversary to the date of grant

The vesting period and the exercisable period of the share options granted to a consultant are as follows:

	Vesting period	Exercisable period
The first 1/5 of the grant:	Unconditional and fully vested at the date of grant	Before the 5th anniversary to the date of grant
The second 1/5 of the grant:	From date of grant to the 1st anniversary	Before the 6th anniversary to the date of grant
The third 1/5 of the grant:	From date of grant to the 2nd anniversary	Before the 7th anniversary to the date of grant
The fourth 1/5 of the grant:	From date of grant to the 3rd anniversary	Before the 8th anniversary to the date of grant
The last 1/5 of the grant:	From date of grant to the 4th anniversary	Before the 9th anniversary to the date of grant

The Group has recognised the total expense of RMB18 million (2011: RMB15 million) in the consolidated income statement in relation to share options granted by the Company.

During the years ended 31 December 2012 and 31 December 2011, none of the share options have been exercised.

37. Share-Based Payment Transactions (Continued)

The movement in the Company's share options is set out below:

Date of grant	Exercise price HK$	Number of options At 1 January 2012	Granted during the year	Replacement during the year	Lapsed during the year	At 31 December 2012
20 June 2007	7.00	72,175,413	–	–	(10,664,969)	61,510,444
1 August 2007	8.18	808,631	–	–	(24,174)	784,457
2 October 2007	10.00	1,679,722	–	–	(105,453)	1,574,269
1 November 2007	11.78	497,855	–	–	(49,643)	448,212
3 December 2007	9.88	116,156	–	–	(14,675)	101,481
2 January 2008	8.97	2,848,402	–	–	(124,224)	2,724,178
1 February 2008	8.05	1,269,992	–	–	(412,402)	857,590
3 March 2008	7.68	490,381	–	–	(38,832)	451,549
2 May 2008	7.93	4,440,654	–	–	(678,717)	3,761,937
2 June 2008	7.34	10,570,579	–	–	(816,203)	9,754,376
2 July 2008	6.46	696,537	–	–	(250,858)	445,679
4 September 2009	4.90	17,110,429	–	–	(2,578,710)	14,531,719
18 January 2012	2.61	–	40,771,000	–	(1,010,000)	39,761,000
3 September 2012	5.35	–	38,738,246	–	(2,310,949)	36,427,297
		112,704,751	79,509,246	–	(19,079,809)	173,134,188
Categorised as:						
Directors		7,131,120	18,831,214	–	(3,752,682)	22,209,652
Consultant		1,500,000	–	–	(700,000)	800,000
Employees		104,073,631	60,678,032	–	(14,627,127)	150,124,536
		112,704,751	79,509,246	–	(19,079,809)	173,134,188
Number of options exercisable		43,104,768				53,817,874

Date of grant	Exercise price HK$	Number of options At 1 January 2011	Granted during the year	Replacement during the year	Lapsed during the year	At 31 December 2011
20 June 2007	7.00	91,390,892	–	–	(19,215,479)	72,175,413
1 August 2007	8.18	1,109,933	–	–	(301,302)	808,631
2 October 2007	10.00	2,066,456	–	–	(386,734)	1,679,722
1 November 2007	11.78	724,550	–	–	(226,695)	497,855
3 December 2007	9.88	580,866	–	–	(464,710)	116,156
2 January 2008	8.97	3,178,009	–	–	(329,607)	2,848,402
1 February 2008	8.05	1,444,882	–	–	(174,890)	1,269,992
3 March 2008	7.68	633,008	–	–	(142,627)	490,381
2 May 2008	7.93	5,421,932	–	–	(981,278)	4,440,654
2 June 2008	7.34	13,665,712	–	–	(3,095,133)	10,570,579
2 July 2008	6.46	947,231	–	–	(250,694)	696,537
4 September 2009	4.90	20,989,141	–	–	(3,878,712)	17,110,429
		142,152,612	–	–	(29,447,861)	112,704,751
Categorised as:						
Directors		12,620,443	–	–	(5,489,323)	7,131,120
Consultant		1,500,000	–	–	–	1,500,000
Employees		128,032,169	–	–	(23,958,538)	104,073,631
		142,152,612	–	–	(29,447,861)	112,704,751
Number of options exercisable		35,906,115				43,104,768

38. Pledge of Assets

The following assets are pledged to banks as securities to obtain certain banking facilities at the end of the reporting period:

	2012 RMB'million	2011 RMB'million
Investment properties	**32,546**	20,959
Property, plant and equipment	**918**	592
Prepaid lease payments	**460**	41
Properties under development for sale	**7,031**	4,537
Properties held for sale	**30**	266
Accounts receivable	**55**	56
Bank deposits	**2,163**	2,512
	43,203	28,963

All the above assets are pledged to secure banking facilities granted to the Group, except for as at 31 December 2011, an amount of RMB265 million which is included in pledged bank deposits above has been pledged to a bank to secure the banking facilities granted to an associate, which was released during the year.

In addition, the equity interests in certain subsidiaries with carrying amount of net assets of RMB16,029 million (2011: RMB15,688 million) are also pledged to banks as securities to obtain banking facilities granted to the Group at the end of the reporting period.

39. Lease Arrangements

As lessor

Property rental income in respect of the investment properties earned of RMB952 million (2011: RMB744 million), net of outgoings of RMB159 million (2011: RMB122 million), is RMB793 million (2011: RMB622 million). The investment properties held have committed tenants for the next one to fifteen years at fixed rentals. Included in the property rental income, certain leases contain contingent rental income recognised during the year ended 31 December 2012 amounting to RMB21 million (2011: RMB15 million). These contingent rentals are generally based on specified percentages of turnover of the tenants.

At the end of the reporting period, the Group has contracted with tenants for the following future minimum lease payments which fall due as follows:

	2012 RMB'million	2011 RMB'million
Within one year	**1,018**	765
In the second to fifth years inclusive	**1,414**	1,196
Over five years	**113**	93
	2,545	2,054

39. Lease Arrangements (Continued)

As lessee

At the end of the reporting period, the Group has commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2012 RMB'million	2011 RMB'million
Within one year	31	95
In the second to fifth years inclusive	62	60
Over five years	45	54
	138	209

Operating lease payments represent rentals payable by the Group for certain of its office and retail properties. Leases are negotiated for an average term of one to twelve years.

40. Commitments and Contingencies

(a) Capital and other commitments

(i) At the end of the reporting period, the Group has the following commitments:

	2012 RMB'million	2011 RMB'million
Contracted but not provided for:		
Development costs for investment properties under construction or development	7,312	5,278
Development costs for properties under development held for sale	7,130	6,689
	14,442	11,967

(ii) Pursuant to an agreement entered into with the 上海市虹口區衛生局 of the Hongkou District, Shanghai, the PRC on 20 June 2006, the Group had committed to build a hospital to be located in the Rui Hong Xin Cheng area of the Hongkou District as compensation for the removal of those medical and health care services originally located in that area. As at 31 December 2012 and 2011, no construction contracts related to the hospital have been entered into. No provision for the construction costs has been made in the consolidated financial statements as the amount cannot be measured reliably.

40. Commitments and Contingencies (Continued)

(b) Contingent liabilities

Financial guarantee contracts:

(i) Pursuant to an agreement entered into with the district government (the "Hongkou Government") and the Education Authority of the Hongkou District, Shanghai, the PRC on 31 July 2002, guarantees of no more than RMB324 million (2011: RMB324 million) will be granted by the Group to support bank borrowings arranged in the name of a company to be nominated by the Hongkou Government, as part of the financial arrangement for the site clearance work in relation to the development of a parcel of land. As at 31 December 2012 and 31 December 2011, such arrangement has not taken place.

(ii) As at 31 December 2011, the Group issued guarantees amounting to RMB265 million to banks in respect of banking facilities granted to an associate, in which the associate has drawn down bank loans amounting to RMB250 million. Such guarantee was released in the year 2012.

(iii) As at 31 December 2012, the Group has provided a guarantee to a joint venture, which was formed between Richcoast and Mitsui, and Mitsui for an amount not exceeding RMB345 million (2011: RMB345 million) in respect of Richcoast's payment obligations to the joint venture and Mitsui.

In determining whether financial liabilities should be recognised in respect of the Group's financial guarantee contracts, the Directors of the Company exercise judgment in evaluation of the probability of resources outflow that will be required and the assessment of whether a reliable estimate can be made of the amount of the obligation.

In the opinion of the Directors of the Company, the fair values of the financial guarantee contracts of the Group are insignificant at initial recognition and the Directors consider that the possibility of the default of the parties involved is remote, accordingly, no value has been recognised in the consolidated statement of financial position as at 31 December 2012 and 31 December 2011. Should the actual outcome be different from expected, provision for losses will be recognised in the consolidated financial statements.

41. Related Party Transactions

Apart from the related party transactions and balances as stated in notes 10, 17, 18, 23, 24, 25(b), 26, 36 and 40, the Group has the following transactions with related companies during the year:

	2012 **RMB'million**	2011 RMB'million
SOCL and its subsidiaries other than those of the Group		
Rental and building management fee expenses	**9**	30
Travelling expenses	**10**	11
Project management fee income	**–**	15
Interest income	**4**	–
Interest expenses	**5**	–
SOCAM and its subsidiaries, associates of SOCL		
Rental and building management fee income	**2**	–
Project construction costs	**914**	746
Property sales	**–**	19
Associates		
Project management fee income	**11**	19
Imputed interest income	**44**	33
Interest income	**55**	35
Jointly controlled entity		
Rental and building management fee income	**4**	4
Directors		
Property sales	**1**	4
Key management personnel		
Property sales	**3**	3
Short-term benefits	**43**	34
Post-employment benefits	**2**	1
Share-based payments	**10**	4
	55	39

42. Events After the Reporting Period

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 at the subscription price of HK$1.84 each. For more information on the proposed rights issue, details of which are set out in the Company's announcement on 28 March 2013.

43. Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes bank and other borrowings, convertible bonds and notes disclosed in notes 27, 30 and 31, respectively net of bank balances and cash, restricted bank deposits and pledged bank deposits, and equity attributable to equity holders of the Company, comprising issued share capital and reserves, and non-controlling interests.

The Directors of the Company review the capital structure of the Group by using a gearing ratio, which is calculated on the basis of dividing the excess of the sum of convertible bonds, notes, bank and other borrowings over the sum of bank balances and cash (inclusive of restricted bank deposits and pledged bank deposits) by total equity. The review is conducted at least quarterly and before each major financing or investment decision is made.

The gearing ratios at the end of reporting dates are as follows:

	2012 **RMB'million**	2011 RMB'million
Bank and other borrowings	**18,803**	16,743
Convertible bonds	**2,346**	2,225
Notes	**13,519**	6,520
Pledged bank deposits	**(2,163)**	(2,512)
Restricted bank deposits	**(183)**	(335)
Bank balances and cash	**(6,287)**	(3,523)
Net debt	**26,035**	19,118
Total equity	**37,268**	29,471
Net debt to total equity	**70%**	65%

44. Financial Instruments

a. Categories of financial instruments

	2012 RMB'million	2011 RMB'million
Financial assets		
Loans and receivables (including bank balances and cash)	11,594	9,140
Financial liabilities		
Derivative instruments designated as hedging instruments	23	150
Amortised cost	42,475	32,199

b. Financial risk management objectives and policies

The Group's major financial instruments include accounts receivable, loans receivable, loans to associates, amounts due from associates, amounts due from related companies, amounts due from non-controlling shareholders of subsidiaries, pledged bank deposits, restricted bank deposits, bank balances and cash, accounts payable, amounts due to related companies, amounts due to associates, amounts due to non-controlling shareholders of subsidiaries, loans from non-controlling shareholders of subsidiaries, bank and other borrowings, convertible bonds, notes and derivative financial instruments.

Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The main risks arising from the Group's financial instruments are currency risk, interest rate risk, credit risk and liquidity risk. The Directors review and agree policies for managing each of these risks and they are summarised below.

Currency risk

All of the Group's turnover is denominated in RMB. However, the Group has certain bank balances and debt obligations that are denominated in foreign currency. As a result, the Group is exposed to fluctuations in foreign exchange rates. The management closely monitors foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

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

	2012 RMB'million	2011 RMB'million
HK$		
Assets	3,200	2,470
Liabilities	7,471	9,249
US$		
Assets	2,323	34
Liabilities	8,916	1,507
SGD		
Liabilities	1,298	–

44. Financial Instruments (Continued)

b. Financial risk management objectives and policies (Continued)

Currency risk (Continued)

Sensitivity analysis

The Group is mainly exposed to the currency of HK$, US$ and SGD.

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against the relevant foreign currency. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items assuming the balances at the end of the reporting period outstanding for the whole year and adjusts their translation at the year end for a 5% change in foreign currency rates. A positive number below indicates an increase in profit where RMB strengthen 5% against the relevant currency. For a 5% weakening of RMB against the relevant currency, there would be an equal and opposite impact on the profit, and the balances below would be negative.

	Notes	2012 RMB'million	2011 RMB'million
HK$			
Profit or loss	(i)	**203**	323
US$			
Profit or loss	(ii)	**314**	70
SGD			
Profit or loss	(iii)	**62**	–

Notes:
(i) This is mainly attributable to the exposure outstanding on receivables and payables denominated in HK$ not subject to cash flow hedges at year end.
(ii) This is mainly attributable to the exposure outstanding on receivables, payables and notes denominated in US$ not subject to cash flow hedges at year end.
(iii) This is mainly attributable to the exposure outstanding on senior notes denominated in SGD not subject to cash flow hedges at year end.

The Group's sensitivity to foreign currency has increased in profit during the current year mainly due to both the significant depreciation of HK$, US$ and SGD against RMB and increase in US$ and SGD denominated borrowings.

In the management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's exposure to changes in interest rates is mainly attributable to its bank and other borrowings and loans from non-controlling shareholders of subsidiaries at variable rates. It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR, LIBOR, SIBOR, and PBOC prescribed interest rate arising from the Group's HK$, US$ and RMB borrowings. In order to mitigate the cash flow interest rate risk in respect of the bank and other borrowings, the Group has entered into several interest rate swaps (which have been designated as hedging instruments) whereby the Group will receive interest at variable rates at HIBOR or LIBOR and pay interests at fixed rates. Details of the interest rate swaps are set out in note 33.

44. Financial Instruments (Continued)

b. Financial risk management objectives and policies (Continued)

Interest rate risk (Continued)

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For variable-rate bank and other borrowings and loans from non-controlling shareholders of subsidiaries, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower and all other variables are held constant, the Group's profit for the year ended 31 December 2012 would decrease/increase by RMB34 million (2011: RMB13 million). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank and other borrowings, after taking into consideration the effects of the interest rate swaps designated as hedging instruments and capitalisation of interest costs.

The Group's sensitivity to interest rates has increased during the current year mainly due to the increase in variable rate debt instruments.

Credit risk

As at 31 December 2012, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position and the amount of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in note 40.

The Group's credit risk is primarily attributable to its loans to associates, accounts receivable, amounts due from associates and amount of contingent liabilities in relation to the financial guarantees provided by the Group. The amounts presented in the consolidated statement of financial position are net of allowances for bad and doubtful debts, estimated by the Group's management based on prior experience and their assessment of the current economic environment.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers, except for as at 31 December 2012 where the largest debtor amounting to approximately RMB91 million arising from sales of properties, loans to associates of RMB1,784 million and amounts due from associates of RMB484 million (2011: the largest debtor amounting to approximately RMB227 million arising from sales of properties, loans to associates of RMB1,366 million, amounts due from associates of RMB446 million and loans receivable of RMB152 million).

The credit risk on liquid funds is limited because the funds have been deposited with various creditworthy financial institutions located in Hong Kong and in the PRC.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and the flexibility through the use of bank and other borrowings. The Group also monitors the current and expected liquidity requirements and its compliance with lending covenants regularly to ensure it maintains sufficient working capital and adequate committed lines of funding to meet its liquidity requirement.

The following table details the maturities of the Group's financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

For derivative instruments that settle on a net basis, undiscounted net cash outflows are presented.

44. Financial Instruments (Continued)

b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Liquidity and interest risk tables

	Weighted average effective interest rate	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total undiscounted cash flows	Carrying amount at 31 December 2012
	%	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
2012							
Non-derivative financial liabilities							
Accounts payable, deposits received and accrued charges	–	4,000	–	–	–	4,000	4,000
Bank and other borrowings at variable rates	5.6%	6,535	5,127	9,693	1,262	22,617	18,803
Convertible bonds	10.7%	2,995	–	–	–	2,995	2,346
Notes	8.6%	4,111	905	10,726	–	15,742	13,519
Amounts due to related companies							
– interest free	–	682	–	–	–	682	682
– interest bearing	6.1%	106	–	–	–	106	100
Amounts due to associates	–	11	–	–	–	11	11
Amounts due to non-controlling shareholders of subsidiaries	–	530	–	–	–	530	530
Loans from non-controlling shareholders of subsidiaries							
– interest free	–	–	–	406	–	406	406
– interest bearing	6.8%	139	833	282	1,478	2,732	2,078
Financial guarantee contracts	–	345	–	–	–	345	–
		19,454	6,865	21,107	2,740	50,166	42,475
Derivatives – net settlement							
Cash flow hedge instruments		23	–	–	–	23	23

	Weighted average effective interest rate	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total undiscounted cash flows	Carrying amount at 31 December 2011
	%	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
2011							
Non-derivative financial liabilities							
Accounts payable, deposits received and accrued charges	–	3,856	–	–	–	3,856	3,856
Bank and other borrowings at variable rates	4.9%	9,402	4,197	3,458	1,263	18,320	16,743
Convertible bonds	10.7%	122	3,056	–	–	3,178	2,225
Notes	7.8%	473	3,473	3,900	–	7,846	6,520
Amounts due to related companies	–	368	–	–	–	368	368
Amounts due to associates	–	5	–	–	–	5	5
Amounts due to non-controlling shareholders of subsidiaries	–	404	–	–	–	404	404
Loans from non-controlling shareholders of subsidiaries							
– interest bearing	7.2%	150	150	450	2,228	2,978	2,078
Financial guarantee contracts	–	610	–	–	–	610	–
		15,390	10,876	7,808	3,491	37,565	32,199
Derivatives – net settlement							
Cash flow hedge instruments		150	–	–	–	150	150

44. Financial Instruments (Continued)

b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on the expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

c. Fair value

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

- the fair values of financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and

- the fair values of derivative instruments, are calculated using quoted prices as inputs. Where such prices are not available, fair value is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

The derivative financial instruments are grouped into Level 2 financial instruments based on the degree to which the fair value is observable. Level 2 fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

d. Fair value measurements recognised in the consolidated statement of financial position

Included in other comprehensive income is a gain of RMB54 million (2011: RMB68 million) related to interest rate swaps designated in cash flow hedge held at the end of the reporting period.

45. Summarised Financial Position of the Company

	2012 **RMB'million**	2011 RMB'million
Investments in subsidiaries	**4,375**	2,413
Loan to a subsidiary	**9,548**	7,153
Amounts due from subsidiaries	**1,809**	4,149
Other prepayment	**22**	22
Bank balances	**1**	1
Total assets	**15,755**	13,738
Convertible bonds	**2,346**	2,225
Total liabilities	**2,346**	2,225
Net assets	**13,409**	11,513
Share capital	**114**	102
Reserves (note)	**13,295**	11,411
Total equity	**13,409**	11,513

45. Summarised Financial Position of the Company (Continued)

Note: Details of the Company's reserve are set out below:

	Share premium RMB'million	Convertible bond equity reserve RMB'million	Other Reserve RMB'million (note 29(c)(i))	Share option reserve RMB'million	Accumulated losses RMB'million	Total RMB'million
At 1 January 2011	12,985	605	483	155	(2,646)	11,582
Profit and total comprehensive income for the year	–	–	–	–	141	141
Recognition of equity-settled share-based payment expenses	–	–	–	15	–	15
Total dividends of HK$0.075 paid, comprising 2010 final dividend of HK$0.05 per share and 2011 interim dividend of HK$0.025 per share	–	–	–	–	(327)	(327)
At 31 December 2011	12,985	605	483	170	(2,832)	11,411
Profit and total comprehensive income for the year	–	–	–	–	294	294
Issue of new shares	1,756	–	–	–	–	1,756
Recognition of equity-settled share-based payment expenses	–	–	–	18	–	18
Total dividends of HK$0.125 paid, comprising 2011 final dividend of HK$0.10 per share and 2012 interim dividend of HK$0.025 per share	–	–	–	–	(595)	(595)
Shares issued in lieu of cash dividend	411	–	–	–	–	411
At 31 December 2012	15,152	605	483	188	(3,133)	13,295

46. Particulars of the Subsidiaries

Particulars of the Company's subsidiaries at 31 December 2012 and 31 December 2011 are as follows:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held 2012 (Note 1)	Attributable equity interest held 2011 (Note 1)	Place of operation	Principal activities
Ally Victory Limited	BVI 18 April 2008	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Atlantic Best Limited	Hong Kong 5 January 2001	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Beaming Leader Limited	BVI 5 October 2012	7,000 A ordinary shares of US$1 each and 3,000 B ordinary shares of US$1 each	70%	–	Hong Kong	Investment holding
Best View Development Limited	Hong Kong 5 March 2008	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Best Scene Retail Asset Management (Hong Kong) Limited (formerly known as China Xintiandi (H.K.) Limited)	Hong Kong 4 April 2011	1 ordinary share of HK$1	70%	100%	Hong Kong	Investment holding
Billion China Investments Limited (Note 5)	BVI 18 October 2007	10 A ordinary shares of US$1 each and 10 B ordinary shares of US $1 each	A shares: 100% B shares: 51%	A shares: 100% B shares: 100%	Hong Kong	Investment holding
Billion World Limited	Hong Kong 19 November 2003	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding

46. Particulars of the Principal Subsidiaries (Continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held 2012 (Note 1)	2011	Place of operation	Principal activities
Bondwise Profits Limited	BVI 28 December 2000	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Bright Continental Limited	Hong Kong 5 March 2003	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Bright Power Enterprises Limited	BVI 1 July 2004	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Brixworth International Limited	BVI 3 January 2001	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Central Fit Investments Limited	BVI 23 October 2007	10 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Century Team Limited	Hong Kong 16 January 1998	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Chinalink Capital Limited	BVI 16 July 2003	999 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
China Advance Limited	Hong Kong 13 November 2006	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
China Wealth (H.K.) Limited	Hong Kong 4 January 2006	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
China Xintiandi Company Limited	BVI 21 March 2011	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
China Xintiandi Limited (formerly known as China Xintiandi Company Limited)	Cayman Islands 18 April 2011	1 ordinary share of US$0.01	100%	100%	Hong Kong	Investment holding
China Xintiandi Development Company Limited	Cayman Islands 3 November 2011	1 ordinary share of US$0.01	100%	100%	Hong Kong	Investment holding
China Xintiandi Holding Company Limited	Cayman Islands 27 October 2011	1 ordinary share of US$0.01	100%	100%	Hong Kong	Investment holding
China Xintiandi Investment Company Limited	Cayman Islands 27 October 2011	1 ordinary share of US$0.01	100%	100%	Hong Kong	Investment holding
China Xintiandi Management (Hong Kong) Limited	Hong Kong 12 October 2012	1 ordinary share of HK$1	100%	–	Hong Kong	Dormant
China Xintiandi Property Company Limited	Cayman Islands 27 October 2011	1 ordinary share of US$0.01	100%	100%	Hong Kong	Investment holding
Chongqing Shui On Tiandi Property Development Co. Ltd.	PRC 21 November 2003	Registered and paid up capital US$359,000,000	79.4%	79.4%	PRC	Property development and property investment
Citichamp Limited	Hong Kong 19 July 2006	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Cititop Pacific Limited	Hong Kong 1 December 2000	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Costworth Investments Limited	BVI 12 January 2001	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Crown Fame Limited	Hong Kong 18 October 2007	1 ordinary share of HK$1	51%	100%	Hong Kong	Investment holding
Cybricity Limited	Hong Kong 28 April 2000	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Dalian Yingjia Science and Technology Development Co., Ltd.	PRC 3 December 2009	Registered and paid up capital US$23,000,000	100%	100%	PRC	Science and Technology development

46. Particulars of the Principal Subsidiaries (Continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held 2012 (Note 1)	Attributable equity interest held 2011 (Note 1)	Place of operation	Principal activities
East Capital Development Limited	Hong Kong 18 April 2008	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
East Trend Limited	Hong Kong 14 February 2001	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Eastern View Limited	Hong Kong 18 October 2007	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Excel Efficient Limited	BVI 19 August 2002	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Excellent Win Enterprises Limited	Hong Kong 5 February 2010	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Fast China Limited	BVI 23 April 2008	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Feng Cheng Property Management Services Limited	Hong Kong 14 November 2003	100 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Fieldcity Investments Limited	BVI 30 March 2005	100 ordinary shares of US$1 each	75%	75%	Hong Kong	Investment holding
Focus Top Limited	Hong Kong 24 April 1998	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Foresight Profits Limited	BVI 8 February 2001	10,000 ordinary shares of US$1 each	79.81%	75%	Hong Kong	Investment holding
Fo Shan An Ying Property Development Co., Ltd.	PRC 8 January 2008	Registered capital RMB830,000,000 Paid up capital RMB732,644,000	100%	100%	PRC	Property development
Fo Shan Rui Dong Property Development Co., Ltd.	PRC 25 April 2008	Registered and paid up capital RMB690,000,000	100%	100%	PRC	Property development
Fo Shan Rui Fang Property Development Co., Ltd.	PRC 21 May 2008	Registered and paid up capital RMB690,000,000	100%	100%	PRC	Property development
Fo Shan Rui Kang Tian Di Property Development Co., Ltd.	PRC 21 May 2008	Registered and paid up capital RMB690,000,000	100%	100%	PRC	Property development
Fo Shan Shui On Property Development Co., Ltd.	PRC 8 January 2008	Registered capital RMB900,000,000 Paid up capital RMB833,535,445	51%	100%	PRC	Property development
Fo Shan Yi Kang Property Development Co., Ltd.	PRC 8 January 2008	Registered capital RMB1,100,000,000 Paid up capital RMB790,169,074	100%	100%	PRC	Property development
Fo Shan Yi Kong Hotel Management Co., Ltd.	PRC 8 August 2011	Registered and paid up capital RMB5,000,000	100%	–	PRC	Hotel management
Fo Shan Yong Rui Tian Di Property Development Co., Ltd.	PRC 21 March 2008	Registered and paid up capital RMB690,000,000	100%	100%	PRC	Property development
Fo Shan Yuan Kang Property Development Co., Ltd.	PRC 29 February 2008	Registered and paid up capital RMB700,000,000	100%	100%	PRC	Property development
Fo Shan Shui On Tiandi Trading Co., Ltd.	PRC 3 August 2011	Registered and paid up capital RMB1,000,000	100%	100%	PRC	Retail business

46. Particulars of the Principal Subsidiaries (Continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held 2012 (Note 1)	Attributable equity interest held 2011 (Note 1)	Place of operation	Principal activities
Fuhui Limited	BVI 1 April 2010	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Firm Gain Investments Limited	BVI 26 July 2011	1 ordinary share of US$1	100%	100%	Hong Kong	Dormant
Galore Profits Limited	BVI 23 January 2001	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Global Ocean Investments Limited	BVI 1 November 2002	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Globaland Limited	Hong Kong 30 October 2002	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Globe State Properties Limited	BVI 12 October 2005	100 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Glory Advance Investments Limited	BVI 18 August 2006	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Glory Land Investment Limited	Cayman Islands 3 July 2012	100 ordinary shares of US$1 each	51%	–	Hong Kong	Investment holding
Glory Wing Holdings Limited	BVI 15 January 2008	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Grand Hope Limited (Note 4)	Hong Kong 14 March 2003	100 A ordinary shares of HK$1 each and 2 B ordinary shares of HK$1 each	A shares: 80.2% B shares: 60.15%	A shares: 80.2% B shares: 60.15%	Hong Kong	Investment holding
Hangzhou Xihu Tiandi Management Co., Ltd.	PRC 6 March 2003	Registered and paid up capital US$7,000,000	100%	100%	PRC	Property management
Hing Tin Investments Limited	BVI 23 October 2007	10 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Hollyfield Holdings Limited	Mauritius 19 April 2001	2 ordinary shares of US$1 each	79.81%	75%	Hong Kong	Investment holding
Infoshore International Limited	BVI 1 November 2002	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Info Union Limited	Hong Kong 18 October 2007	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Innovate Zone Group Limited	BVI 3 January 2007	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Intellect Profit Investments Limited	BVI 10 August 2007	10 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Interchina International Limited	BVI 12 January 2001	100 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Join Legend Limited	Hong Kong 2 June 2006	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Joyous Bond Limited	BVI 18 April 2008	1 ordinary share of US$1	79.81%	75%	Hong Kong	Investment holding
Keen Allied Investments Limited	BVI 18 September 2002	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
King Concord Limited	Hong Kong 3 October 2006	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Kinmax Limited	Hong Kong 24 April 1998	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Land Pacific Limited	Hong Kong 2 November 2007	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Landton Limited	Hong Kong 2 April 1997	2 ordinary shares of HK$1 each	66.7%	–	Hong Kong	Investment holding

46. Particulars of the Principal Subsidiaries (Continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held 2012	Attributable equity interest held 2011 (Note 1)	Place of operation	Principal activities
Legend City Limited	Hong Kong 4 June 1997	2 ordinary shares of HK$1 each	51%	51%	Hong Kong	Investment holding
Lucky Gain Limited	Hong Kong 8 November 2002	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Magic Best Investments Limited	BVI 19 July 2007	10 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Magic Bright Investments Limited (Note 6)	BVI 18 September 2007	10 A ordinary shares of US$1 each and 10 B ordinary shares of US $1 each	A shares: 100% B shares: 100%	A shares: 100% B shares: 100%	Hong Kong	Investment holding
Magic Garden Investments Limited	BVI 6 November 2009	3 ordinary shares of US$1 each	66.7%	–	Hong Kong	Investment holding
Marble Way Limited	BVI 28 August 1996	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Merry Wave Limited	BVI 23 April 2008	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Modern Prosper Investments Limited	BVI 1 November 2002	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Mount Eastern Limited	BVI 18 April 2008	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Nation Development Limited	Hong Kong 26 October 2010	1 ordinary share of HK$1	100%	100%	Hong Kong	Dormant
New Asia Limited	Hong Kong 31 October 2003	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
New Power Profits Limited	BVI 18 October 2005	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
New Venture Enterprises Limited	Hong Kong 26 October 2010	1 ordinary shares of HK$1	100%	100%	Hong Kong	Investment holding
Nice In Investments Limited	BVI 18 October 2007	10 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Onfair Limited	Hong Kong 13 November 2002	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Onwin Limited	Hong Kong 13 November 2002	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Oriental Gain Limited	Hong Kong 2 February 2001	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Oriental Host Limited	Hong Kong 23 October 2007	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Pacific Gain Limited	Hong Kong 11 September 2002	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Portspin Limited	BVI 22 May 1997	100 ordinary shares of US$1 each	51%	51%	Hong Kong	Investment holding
Princemax Limited	Hong Kong 15 April 1998	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Profitstock Holdings Limited	BVI 2 June 2005	100 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Regal Victory Limited	Hong Kong 18 October 2007	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Rich Bright Holdings Limited	BVI 29 July 2011	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Rich Prime Limited	Hong Kong 18 October 2007	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding

46. Particulars of the Principal Subsidiaries (Continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held 2012 (Note 1)	Attributable equity interest held 2011 (Note 1)	Place of operation	Principal activities
Rightchina Limited	BVI 2 July 2008	100 ordinary shares of US$1 each	60.15%	60.15%	Hong Kong	Investment holding
Rightidea Limited	BVI 2 July 2008	100 ordinary shares of US$1 each	80.2%	80.2%	Hong Kong	Investment holding
Rimmer Investments Limited	BVI 22 July 1994	1 ordinary share of US$1	100%	–	Hong Kong	Investment holding
Rise Lake Investments Limited	BVI 23 August 2007	10 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Score High Limited	BVI 12 February 2003	1,000 ordinary shares of US$1 each	80.2%	80.2%	Hong Kong	Investment holding
Selfers Limited	BVI 29 November 1995	1 ordinary share of US$1	79.81%	75%	Hong Kong	Investment holding
Shanghai Bai-Xing Properties Co., Ltd.	PRC 2 February 1999	Registered and paid up capital RMB151,300,000	97%	97%	PRC	Property development and property investment
Shanghai Fu Ji Properties Co., Ltd.	PRC 18 January 2004	Registered and paid up capital US$35,773,000	99%	99%	PRC	Property development
Shanghai FuXiang Properties Co., Ltd.	PRC 19 December 2001	Registered and paid up capital RMB645,000,000	99%	99%	PRC	Property development and property investment
Shanghai Ji-Xing Properties Co., Ltd.	PRC 2 February 1999	Registered and paid up capital RMB71,600,000	97%	97%	PRC	Property development and property investment
Shanghai JingFu Property Co., Ltd.	PRC 26 December 2001	Registered and paid up capital RMB400,000,000	99%	99%	PRC	Property development
Shanghai Jiu Hai Rimmer Properties Co.,Ltd.	PRC 1 November 1994	Registered and paid up capital US$30,000,000	80%	–	PRC	Property investment
Shanghai JunXing Property Co., Ltd. (note 7)	PRC 5 March 2009	Registered and paid up capital RMB2,511,300,000	49.98%	49.98%	PRC	Property development
Shanghai Knowledge and Innovation Community Development Co., Ltd	PRC 9 June 2010	Registered and paid up capital HK$1,550,000,000	99%	99%	PRC	Property development
Shanghai Lakeville Properties Co., Ltd.	PRC 23 May 2001	Registered and paid up capital RMB165,000,000	99%	99%	PRC	Property development
Shanghai Le Fu Properties Co., Ltd.	PRC 20 February 2004	Registered and paid up capital US$240,500,000	99%	99%	PRC	Property development
Shanghai IPO Food & Beverage Co., Ltd.	PRC 6 September 2006	Registered and paid up capital US$1,890,000	100%	100%	PRC	Food and beverage services
Shanghai Rui Chen Property Co., Ltd.	PRC 6 May 1996	Registered and paid up capital RMB189,000,000	79.81%	75%	PRC	Property development and property investment
Shanghai Rui Qiao Property Development Co., Ltd.	PRC 28 December 2010	Registered and paid up capital RMB3,900,000,000	100%	100%	PRC	Property development
Shanghai Rui Hong Xin Cheng Co., Ltd.	PRC 2 July 2001	Registered and paid up capital RMB5,700,000,000	79.01%	74.25%	PRC	Property development and property investment

46. Particulars of the Principal Subsidiaries (Continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held 2012 (Note 1)	2011	Place of operation	Principal activities
Shanghai Rui Zhen Food & Beverage Co., Ltd.	PRC 7 November 2003	Registered and paid up capital US$6,420,000	99%	99%	PRC	Food and beverage services
Shanghai Shui On Club Business Management Co., Ltd.	PRC 29 July 2010	Registered and paid up capital RMB200,000	100%	100%	PRC	Provision of business management services
Shanghai Tai Ping Qiao Properties Management Co., Ltd.	PRC 31 August 2001	Registered and paid up capital US$200,000	99%	99%	PRC	Property management
Shanghai Xin-tian-di Plaza Co., Ltd.	PRC 2 February 1999	Registered and paid up capital RMB101,300,000	97%	97%	PRC	Property development and property investment
Shanghai Xing Bang Properties Co., Ltd.	PRC 21 June 2001	Registered and paid up capital RMB290,500,000	99%	99%	PRC	Property development and property investment
Shanghai Xing-Qi Properties Co., Ltd.	PRC 2 February 1999	Registered and paid up capital RMB274,900,000	97%	97%	PRC	Property development and property investment
Shanghai Xing Qiao Properties Co., Ltd.	PRC 18 January 2004	Registered and paid up capital US$165,000,000	99%	99%	PRC	Property development
Shanghai Yang Pu Centre Development Co., Ltd.	PRC 26 August 2003	Registered and paid up capital US$137,500,000	86.8%	86.8%	PRC	Property development and property investment
Shui On Development (Holding) Limited	Cayman Islands 27 July 2005	22 ordinary shares of US$0.01 each	100%	100%	Hong Kong	Investment holding
Shui On Development (Singapore) Pte. Limited	Singapore 27 December 2011	1 ordinary share of US$10	100%	100%	Singapore	Debt financing
Shui On Land Management Limited	Hong Kong 12 May 2004	1 ordinary share of HK$1	100%	100%	Hong Kong	Provision of management services
Prosper Profit Holding Limited (formerly known as Shui On Resort Community (Dali) Holding Limited)	BVI 6 May 2008	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Splendid Return Investments Limited (formerly known as Shui On Resort Community (Dali) Limited)	Hong Kong 13 May 2008	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Shui On Resort Community (Lijiang) Holding Limited	BVI 28 April 2008	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Shui On Resort Community (Lijiang) Limited	Hong Kong 5 May 2008	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Shui On Resort Community (Shangri-La) Holding Limited	BVI 6 May 2008	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Shui On Resort Community (Shangri-La) Limited	Hong Kong 13 May 2008	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Shui On Resort Community (Kunming) Holding Limited	BVI 18 July 2006	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Shui On Resort Community (Kunming) Limited	Hong Kong 25 July 2006	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding

46. Particulars of the Principal Subsidiaries (Continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held 2012	Attributable equity interest held 2011 (Note 1)	Place of operation	Principal activities
Shui On Resort Community (Yunnan) Development Limited	Cayman Islands 17 July 2006	1 ordinary share of US$0.01	100%	100%	Hong Kong	Investment holding
Shine First Limited	BVI 25 October 2006	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Shine Prime Investments Limited	BVI 2 November 2006	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Shui On Secretaries & Nominees Limited	Hong Kong 30 November 2006	1 ordinary share of HK$1	100%	100%	Hong Kong	Provision of secretarial services
Silomax Limited	BVI 25 March 1996	1 ordinary share of US$1	79.81%	75%	Hong Kong	Investment holding
Sino Realty Limited	Hong Kong 3 October 2006	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Sino Wisdom Investments Limited	BVI 12 May 2006	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Sinoco Limited	Hong Kong 28 October 2002	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Sinothink Holdings Limited	BVI 15 September 2000	100 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Smart Century Limited	Hong Kong 18 October 2007	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Super Field Limited	Hong Kong 25 February 2005	1 ordinary share of HK$1	75%	75%	Hong Kong	Investment holding
Taipingqiao Holding Company Limited	BVI 25 October 2011	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Timezone Management Limited	BVI 28 February 2001	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Tip Profit Limited	BVI 18 July 2006	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Top Faith Development Limited	Hong Kong 18 April 2008	1 ordinary share of HK$1	79.81%	75%	Hong Kong	Investment holding
Top Victory Development Limited	Hong Kong 5 March 2008	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Triumph Sky Group Limited	BVI 23 October 2007	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Union Grow Limited	Hong Kong 8 November 2002	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Value Land Investment Limited	Cayman Islands 2 September 2011	10,000 ordinary shares of US$0.01 each	100%	100%	Hong Kong	Investment holding
Victorious Run Limited	BVI 23 January 1997	100 ordinary shares of US$1 each	66.7%	–	Hong Kong	Investment holding
Victory Win Development Limited	Hong Kong 18 April 2008	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Wuhan Shui On Tiandi Property Development Co., Ltd.	PRC 2 August 2005	Registered and paid up capital US$273,600,000	75%	75%	PRC	Property development and property investment
上海百麗房地產開發有限公司 (Shanghai Baili Property Development Co., Ltd.*)	PRC 29 August 2002	Registered and paid up capital RMB100,000,000	79.81%	75%	PRC	Property development and property investment

46. Particulars of the Principal Subsidiaries (Continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held 2012 (Note 1)	Attributable equity interest held 2011 (Note 1)	Place of operation	Principal activities
上海豐誠物業管理有限公司 (Shanghai Feng Cheng Property Management Co., Ltd.*)	PRC 18 January 2004	Registered and paid up capital RMB12,079,950	100%	100%	PRC	Property management
上海豐誠楊浦物業管理有限公司 (Shanghai Feng Cheng Yang Pu Property Management Co., Ltd*)	PRC 21 July 2010	Registered and paid up capital RMB950,000	100%	100%	PRC	Property management
上海瑞橋企業管理有限公司 (Shanghai Rui Qiao Enterprise Management Co., Ltd.*)	PRC 23 April 2009	Registered and paid up capital RMB1,000,000	86.8%	86.8%	PRC	Property development
上海瑞展教育信息咨詢有限公司 (Shanghai Rui Zhan Education Information Consultant Co., Ltd.*)	PRC 20 April 2010	Registered and paid up capital RMB1,000,000	79.81%	75%	PRC	Provision of education information and consultancy services
上海瑞安房地產發展有限公司 (Shui On Development Limited*)	PRC 14 June 2004	Registered and paid up capital US$58,000,000	100%	100%	PRC	Provision of management services
Shanghai Li Xing Hotel Co. Ltd.	PRC 21 August 2002	Registered and paid up capital US$159,150,000	33.35%	–	PRC	Provision of hotel and related services and property investment
武漢瑞安商祺房產管理有限公司 (Wuhan Shuion Shangqi Company Limited)	PRC 24 July 2012	Registered and paid up capital US$14,400,000	75%	–	PRC	Property investment
武漢瑞安天地商貿有限公司 (Wuhan Shui On Tian Di Trading Co., Ltd.*)	PRC 8 January 2007	Registered and paid up capital US$1,800,000	100%	100%	PRC	Retail business
上海夏欣商業管理有限公司	PRC 31 May 2012	Registered and paid up capital US$5,000,000	70%	–	PRC	Provision of management services

Notes:

1. The Company directly holds the equity interest in Shui On Development (Holding) Limited. All other equity interests shown above are indirectly held by the Company.
2. All subsidiaries established in the PRC are either equity joint ventures or cooperative joint ventures except Dalian Yingjia Science and Technology Development Co., Ltd., Fo Shan An Ying Property Development Co., Ltd., Fo Shan Rui Dong Property Development Co., Ltd., Fo Shan Rui Fang Property Development Co., Ltd., Fo Shan Rui Kang Tian Di Property Development Co., Ltd., Fo Shan Shui On Property Development Co., Ltd., Fo Shan Yi Kang Property Development Co., Ltd., Fo Shan Ying Kong Hotel Management Co., Ltd., Fo Shan Yuan Kang Property Development Co., Ltd., Fo Shan Shui On Taindi Trading Co., Ltd., Shanghai IPO Food & Beverage Co., Ltd., Shanghai Rui Qiao Property Development Co., Ltd., 上海豐誠物業管理有限公司 (Shanghai Feng Cheng Property Management Co., Ltd.*), 上海瑞安房地產發展有限公司 (Shui On Development Limited*), 武漢瑞安天地商貿有限公司 (Wuhan Shui On Tian Di Trading Co., Ltd.*), Wuhan Shui On Tiandi Property Development Co., Ltd., 武漢瑞安商祺房產管理有限公司 (Wuhan Shuion Shangi Company Limited), 上海瑞橋企業管理有限公司 (Shanghai Rui Qiao Enterprise Management Co., Ltd.*), 上海瑞展教育信息咨詢有限公司 (Shanghai Rui Zhan Education Information Consultant Co., Ltd.*), 上海夏欣商業管理有限公司, Shanghai Rui Chen Property Co., Ltd. which are wholly foreign owned enterprises.
3. Except for Shui On Development (Holding) Limited and Shui On development (Singapore) Pte. Limited, none of the subsidiaries had any debt securities subsisting at 31 December 2012 or at any time during the year.
4. The holders of Class B ordinary shares of Grand Hope Limited have attributable interests in the Chongqing Super Rise Project whereas the holders of Class A ordinary shares of Grand Hope Limited have attributable interests in the Chongqing Shui On Tiandi Property Development Co., Ltd. other than the Chongqing Super High Rise Project.
5. The Class A ordinary shares of Billion China Investments Limited confers on its holders rights attributable to Crown Fame Limited (Crown Fame")'s 90% interest in Fo Shan Shui On Property Development Co. Ltd. ("Foshan Shui On") whereas the Class B ordinary shares of Billion China Investments Limited confers on its holders rights attributable to (i) Crown Fame's 90% interests in Foshan Shui On pertaining to the land lots in Foshan other than Lots 6 and 16 and (ii) Crown Fame's interests in the Foshan PRC project companies other than Foshan Shui On.
6. The Class A ordinary shares of Magic Bright Investments Limited confers on its holders rights attributable to Regal Victory Limited ("Regal Victory")'s 92% interest in Fo Shan Yong Rui Tian Di Property Development Co. Ltd. ("Foshan Yong Rui") whereas the Class B ordinary shares of Magic Bright Investments Limited confers on its holders rights attributable to Regal Victory's interests in the Foshan PRC project companies others than Foshan Yong Rui.
7. The Group holds 51% interest in Portspin Limited, which indirectly holds 98% equity interest in Shanghai Jun Xing Property Co., Ltd. The Group's effective interest in Shanghai Jun Xing Property Co., Ltd. is therefore 49.98%.

* For identification purposes