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SRE GROUP LIMITED

上置集團有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 1207)

2012 FINAL RESULTS ANNOUNCEMENT

The Board of Directors (the “Board”) of SRE Group Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2012 as set out below:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2012

(Amounts expressed in Hong Kong dollar to nearest thousand unless otherwise stated)

	<i>Notes</i>	2012	2011
CONTINUING OPERATIONS			
Revenue	4	3,343,016	5,871,403
Cost of sales	5	(2,442,884)	(4,463,648)
Gross profit		900,132	1,407,755
Other gains – net		271,675	217,526
Selling and marketing expenses	5	(79,238)	(81,199)
Administrative expenses	5	(236,120)	(218,425)
Operating profit		856,449	1,325,657
Finance income		35,779	116,796
Finance costs		(298,677)	(473,233)
Finance costs – net		(262,898)	(356,437)
Share of profits and losses of associates		7,084	6,845
Profit before tax from continuing operations		600,635	976,065
Income tax expense	6	(188,231)	(314,123)
Profit for the year from continuing operations		412,404	661,942

	<i>Notes</i>	2012	2011
DISCONTINUED OPERATION			
Loss for the year from discontinued operation		<u>(104,634)</u>	<u>(242,943)</u>
Profit for the year		<u>307,770</u>	<u>418,999</u>
Other comprehensive income			
Exchange differences on translation of financial statements into presentation currency		<u>(35,184)</u>	<u>587,590</u>
Other comprehensive income for the year, net of tax		<u>(35,184)</u>	<u>587,590</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>272,586</u>	<u>1,006,589</u>
Profit attributable to:			
Owners of the parent		367,307	496,707
Non-controlling interests		<u>(59,537)</u>	<u>(77,708)</u>
		<u>307,770</u>	<u>418,999</u>
Total comprehensive income attributable to:			
Owners of the parent		349,018	955,351
Non-controlling interests		<u>(76,432)</u>	<u>51,238</u>
		<u>272,586</u>	<u>1,006,589</u>
Earnings per share attributable to ordinary equity holders of the parent			
Basic	7		
– For profit for the year		<u>HK\$6.85 cents</u>	<u>HK\$11.41 cents</u>
– For profit from continuing operations		<u>HK\$8.07 cents</u>	<u>HK\$14.33 cents</u>
Diluted			
– For profit for the year		<u>HK\$6.85 cents</u>	<u>HK\$11.41 cents</u>
– For profit from continuing operations		<u>HK\$8.07 cents</u>	<u>HK\$14.33 cents</u>

Details of the dividends paid and proposed are disclosed in Note 8.

STATEMENTS OF FINANCIAL POSITION

31 December 2012

(Amounts expressed in Hong Kong dollar to nearest thousand unless otherwise stated)

		Group		Company	
	Notes	2012	2011	2012	2011
ASSETS					
Non-current assets					
Property, plant and equipment		814,927	3,000,131	1,472	2,147
Completed investment properties		4,792,658	6,604,711	–	–
Investment properties under construction		–	123,350	–	–
Prepaid land lease payments		141,391	507,906	–	–
Goodwill		648,399	648,558	–	–
Investments in subsidiaries		–	–	4,971,393	5,403,327
Advances to subsidiaries		–	–	1,337,422	2,788,543
Investments in joint ventures		–	48,241	–	–
Investments in associates		76,533	77,372	–	–
Derivative financial asset		74,608	54,027	–	–
Deferred tax assets		533,616	604,208	–	–
Non-current trade receivables	9	–	86,225	–	–
Non-current prepayments		192,000	821,086	–	–
Other non-current assets		–	58,561	–	–
		<u>7,274,132</u>	<u>12,634,376</u>	<u>6,310,287</u>	<u>8,194,017</u>
Current assets					
Prepaid land lease payments		11,260,559	12,418,981	–	–
Properties held or under development for sale		6,932,167	8,095,259	–	–
Land development for sale		–	6,366,044	–	–
Inventories		11,487	18,234	–	–
Dividends receivable from subsidiaries		–	–	2,295,550	929,938
Prepayments and other current assets		175,462	372,213	4,355	3,293
Other receivables		1,409,084	945,266	–	–
Trade receivables	9	31,121	102,252	–	–
Prepaid income tax		229,074	181,805	–	–
Cash and bank balances		2,032,007	2,521,487	20,724	69,320
		<u>22,080,961</u>	<u>31,021,541</u>	<u>2,320,629</u>	<u>1,002,551</u>
Total assets		<u>29,355,093</u>	<u>43,655,917</u>	<u>8,630,916</u>	<u>9,196,568</u>

	Group		Company	
	2012	2011	2012	2011
EQUITY AND LIABILITIES				
EQUITY				
Issued capital and premium	6,000,738	5,791,714	6,000,738	5,791,714
Other reserves	1,695,316	1,689,923	1,209,151	1,227,993
Retained profits/(accumulated loss)	1,361,940	3,006,887	6,861	(42,545)
	<hr/>	<hr/>	<hr/>	<hr/>
Equity attributable to owners of the parent	9,057,994	10,488,524	7,216,750	6,977,162
Non-controlling interests	704,340	2,485,979	–	–
	<hr/>	<hr/>	<hr/>	<hr/>
Total equity	9,762,334	12,974,503	7,216,750	6,977,162
	<hr/>	<hr/>	<hr/>	<hr/>
LIABILITIES				
Non-current liabilities				
Interest-bearing bank and other borrowings	6,670,834	10,200,708	188,475	–
Convertible bonds – host debts	7,183	–	7,183	–
Guaranteed senior notes	–	559,646	–	559,646
Deferred income from sale of golf club membership	–	643,746	–	–
Deferred tax liabilities	1,900,302	2,241,957	–	–
	<hr/>	<hr/>	<hr/>	<hr/>
	8,578,319	13,646,057	195,658	559,646
	<hr/>	<hr/>	<hr/>	<hr/>

		Group		Company	
	<i>Notes</i>	2012	2011	2012	2011
Current liabilities					
Interest-bearing bank and other borrowings		4,403,928	3,763,889	649,960	1,124,880
Convertible bonds – host debts		–	515,814	–	515,814
Advances received from the pre-sale of properties under development		1,495,886	2,565,079	–	–
Trade payables	<i>10</i>	2,064,672	5,259,024	–	–
Other payables and accruals		871,367	2,001,353	7,009	19,066
Current income tax liabilities		1,617,048	2,216,346	–	–
Guaranteed senior notes		561,539	–	561,539	–
Deferred income arising from land development		–	713,852	–	–
		11,014,440	17,035,357	1,218,508	1,659,760
Total liabilities		19,592,759	30,681,414	1,414,166	2,219,406
Total equity and liabilities		29,355,093	43,655,917	8,630,916	9,196,568
Net current assets/(liabilities)		11,066,521	13,986,184	1,102,121	(657,209)
Total assets less current liabilities		18,340,653	26,620,560	7,412,408	7,536,808

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2012

(Amounts expressed in Hong Kong dollar to nearest thousand unless otherwise stated)

	Notes	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash used in operations	11	(1,108,032)	(1,907,041)
Interest paid		(1,052,068)	(924,124)
Income tax paid		(278,641)	(611,065)
		<hr/>	<hr/>
Net cash flows used in operating activities		(2,438,741)	(3,442,230)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(158,924)	(792,893)
Proceeds from disposal of property, plant and equipment		2,038	4,957
Payments for investment properties		(13,729)	(96,158)
Acquisition of a subsidiary, net of cash acquired		(24,040)	(8,819)
Investments in joint ventures		(23,965)	(48,315)
Investment in an associate		–	(2,748)
Disposal of subsidiaries		31,947	22,546
Decrease in time deposits with original maturity of over three months		2,468	268,567
Dividends received from associates		7,642	16,071
Interest received		32,552	51,249
		<hr/>	<hr/>
Net cash flows used in investing activities		(144,011)	(585,543)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from issuance of convertible bonds		–	546,531
Proceeds from issuance of right shares		209,024	–
Proceeds from placing of new shares of CNTD		202,463	–
Payments for the redemption of CB4		(540,617)	–
Proceeds from issuance of new shares		–	567,000
Share issue expenses		–	(4,513)
Payments of expenses incurred for the listing of existing shares of a subsidiary		–	(5,015)
Cash received upon exercise of management share options granted under Management Grant of a subsidiary		–	2
Acquisition of non-controlling interest and the related derivative financial asset		–	(802,213)
Prepayments for acquisition of equity interest of a subsidiary from a non-controlling shareholder		–	(192,000)
Decrease/(increase) in pledged bank deposits		141,360	(15,402)
Decrease in restricted deposits in relation to bank borrowings		9,324	3,962

	2012	2011
Proceeds from short-term borrowings	492,046	329,345
Repayments of short-term borrowings	(403,256)	(129,745)
Proceeds from long-term borrowings	5,358,222	3,394,976
Repayments of long-term borrowings	(2,738,640)	(2,268,245)
Cash received from the capital injection from non-controlling shareholders of subsidiaries	2,458	25,982
Decrease in cash and bank upon disposal of CNTD via a distribution in species	(250,669)	–
Dividends paid to non-controlling shareholders of subsidiaries	–	(28,843)
Dividends paid to the Company's shareholders	–	(61,523)
	<hr/>	<hr/>
Net cash flows from financing activities	2,481,715	1,360,299
	<hr/>	<hr/>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(101,037)	(2,667,474)
	<hr/>	<hr/>
Cash and cash equivalents at beginning of year	1,355,995	3,887,304
	<hr/>	<hr/>
Effect of foreign exchange rate changes, net	(1,954)	136,165
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>1,253,004</u>	<u>1,355,995</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2012

(Amounts expressed in Hong Kong dollar to nearest thousand unless otherwise stated)

	Attributable to owners of the parent										
	Issued capital and premium	Asset revaluation reserve	Share option reserve	Surplus reserve	Exchange fluctuation reserve	Other reserves	Equity component of convertible bonds	Retained profits	Total	Non- controlling interests	Total equity
At 1 January 2012	5,791,714	1,211*	248*	291,131*	1,478,517*	(260,545)*	179,361*	3,006,887	10,488,524	2,485,979	12,974,503
Total comprehensive income for the year	-	-	-	-	(18,289)	-	-	367,307	349,018	(76,432)	272,586
Surplus reserve transfer to retained profits due to disposal of a subsidiary	-	-	-	(2,001)	-	-	-	2,001	-	-	-
Appropriation from retained profits	-	-	-	31,006	-	-	-	(31,006)	-	-	-
Issuance of rights shares	209,024	-	-	-	-	-	-	-	209,024	-	209,024
Equity-settled share options to management of CNTD	-	-	-	-	-	1,665	-	-	1,665	893	2,558
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	(24,646)	(24,646)
Change due to decrease in equity interests in CNTD	-	-	-	-	-	(168,559)	-	-	(168,559)	371,022	202,463
Capital contribution from non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	2,458	2,458
The portion of redemption price of CB4 allocated to its equity component	-	-	-	-	-	-	(7,170)	-	(7,170)	-	(7,170)
Transfer upon partial redemption of CB4	-	-	-	-	-	169,381	(169,381)	-	-	-	-
Dividends attributed to non-controlling interest	-	-	-	-	-	-	-	-	-	(27,584)	(27,584)
Transfer upon the expiration of the share option scheme	-	-	(248)	-	-	248	-	-	-	-	-
Capital contribution by Parent	-	-	-	-	-	168,741	-	-	168,741	-	168,741
Disposal of CNTD via a distribution in species	-	-	-	-	-	-	-	(1,983,249)	(1,983,249)	(2,027,350)	(4,010,599)
At 31 December 2012	<u>6,000,738</u>	<u>1,211*</u>	<u>-</u>	<u>320,136*</u>	<u>1,460,228*</u>	<u>(89,069)*</u>	<u>2,810*</u>	<u>1,361,940</u>	<u>9,057,994</u>	<u>704,340</u>	<u>9,762,334</u>

Attributable to owners of the parent

	Issued capital and premium	Asset revaluation reserve	Share option reserve	Surplus reserve	Exchange fluctuation reserve	Equity component of			Non- controlling interests	Total equity	
						Other reserves	convertible bonds	Retained profits			
At 1 January 2011	4,736,489	2,268	248	259,266	1,019,873	(318,523)	179,361	2,665,801	8,544,783	2,782,378	11,327,161
Total comprehensive income for the year	-	-	-	-	458,644	-	-	496,707	955,351	51,238	1,006,589
Revaluation reserve transfer to retained profits upon sale of properties	-	(1,057)	-	-	-	-	-	1,057	-	-	-
Appropriation from retained profits	-	-	-	31,865	-	-	-	(31,865)	-	-	-
Issuance of new shares	562,487	-	-	-	-	-	-	-	562,487	-	562,487
Equity-settled share options to management of CNTD	-	-	-	-	-	4,323	-	-	4,323	2,017	6,340
Capital contribution from non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	25,982	25,982
Acquisition of non-controlling interests	-	-	-	-	-	43,409	-	-	43,409	(346,793)	(303,384)
Fair value of capital contribution from the controlling shareholder resulting from its subscription of a convertible bond ("CB5")	-	-	-	-	-	10,246	-	-	10,246	-	10,246
Issuance of shares upon conversion of convertible bonds ("CB5")	429,448	-	-	-	-	-	-	-	429,448	-	429,448
Final 2010 dividend declared	63,290	-	-	-	-	-	-	(124,813)	(61,523)	-	(61,523)
Dividends to non-controlling shareholders	-	-	-	-	-	-	-	-	-	(28,843)	(28,843)
At 31 December 2011	<u>5,791,714</u>	<u>1,211*</u>	<u>248*</u>	<u>291,131*</u>	<u>1,478,517*</u>	<u>(260,545)*</u>	<u>179,361*</u>	<u>3,006,887</u>	<u>10,488,524</u>	<u>2,485,979</u>	<u>12,974,503</u>

* *These reserve accounts comprised the consolidated reserves of HK\$1,695,316 thousand (2011: HK\$1,689,923 thousand) in the consolidated statement of financial position.*

NOTES TO FINANCIAL INFORMATION

31 December 2012

(Amounts expressed in Hong Kong dollar to nearest thousand unless otherwise stated)

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for completed investment properties, investment properties under construction and derivative financial instruments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Operating cycle

The operating cycle of the Group is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents. Due to the nature of the Group’s business, the Group’s normal operating cycle is longer than 12 months. The Group’s current assets include assets (such as properties held or under development for sale and land infrastructure under development for sale) that are sold, consumed or realised as part of the normal operating cycle even when they are not expected to be realised within 12 months after the end of the reporting period.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted are consistent with those of the previous financial year except for the following new and revised HKFRSs the Group adopted for the first time for the current year’s financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Transfers of financial Assets</i>
HKAS 12 Amendment	Amendment to HKAS 12 <i>Income Taxes – Deferred Tax: Recovery of Underlying Assets</i>
HKFRS 10	<i>Consolidated Financial Statements</i>
HKFRS 11	<i>Joint Arrangements</i>
HKFRS 12	<i>Disclosure of Interests in Other Entities</i>
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – <i>Transition Guidance</i>
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – <i>Investment Entities</i>
HKAS 27 (2011)	<i>Separate Financial Statements</i>
HKAS 28 (2011)	<i>Investments in Associates and Joint Ventures</i>

The adoption of the new and revised HKFRSs have had no significant effect.

Upon early adoption of HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (2011) and HKAS 28 (2011), the Group has also adopted the consequential amendments to other standards. Those consequential amendments above did not have significant impact on the accounting policies of the Group.

Except for HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (2011) and HKAS 28 (2011), the Group has not early adopted any other standard, interpretation or amendment that was issued but is not yet effective.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

- The property development segment develops and sells residential and commercial properties;
- The property leasing segment leases offices and commercial properties owned by the Group which are classified as investment properties;
- The hotel operations segment provides hotel accommodation, hotel catering and conference hall services; and
- The corporate and other operations segment comprises, principally, the provision of property management services.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on operating profit or loss before tax from continuing operations and is measured consistently with operating profit or loss before tax from continuing operations in the consolidated financial statements. However, group financing (including finance costs and finance income) and income taxes are managed on a group basis and are not allocated to operating segments.

During 2012, the Company distributed its entire holding of the shares in China New Town Development Company Limited ("CNTD", the Company's former subsidiary, a company listed on the Main Boards of both the HKEx and the Singapore Exchange Securities Trading Limited) to the Company's shareholders (including its parent, SRE Investment Holding Limited, the "SREI") via a special dividend in the form of a distribution in species (the "Distribution"). Upon completion of the Distribution, from 3 October 2012, the Group no longer holds any shares in the CNTD, and hence, the CNTD and its subsidiaries (collectively, the "CNTD Group") ceased to be subsidiaries of the Company. As a result of the Distribution, the CNTD Group's business is considered as a discontinued operation. Accordingly, the CNTD Group is excluded from the segment information presented below for both years.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties.

An analysis by operating segment is as follows:

	2012				
	Property development	Property leasing	Hotel operations	Corporate and other operations	Total
Segment revenue					
Sales to external customers	2,881,251	146,735	183,749	131,281	3,343,016
Intersegment sales	–	–	–	297,122	297,122
	<u>2,881,251</u>	<u>146,735</u>	<u>183,749</u>	<u>428,403</u>	<u>3,640,138</u>
<i>Reconciliation:</i>					
Elimination of intersegment sales					(297,122)
Revenue from continuing operations					<u>3,343,016</u>
Segment profit/(loss)	<u>624,916</u>	<u>28,479</u>	<u>(50,371)</u>	<u>253,425</u>	<u>856,449</u>
Finance income					35,779
Finance costs					(298,677)
Finance costs – net					(262,898)
Share of profits and losses of associates					7,084
Profit before tax from continuing operations					<u>600,635</u>
Segment assets and liabilities					
Segment assets	<u>22,879,535</u>	<u>4,877,674</u>	<u>897,402</u>	<u>623,949</u>	<u>29,278,560</u>
Investments in associates					76,533
Total assets					<u>29,355,093</u>
Segment liabilities	<u>14,932,864</u>	<u>2,106,378</u>	<u>452,432</u>	<u>2,101,085</u>	<u>19,592,759</u>
Total liabilities	<u>14,932,864</u>	<u>2,106,378</u>	<u>452,432</u>	<u>2,101,085</u>	<u>19,592,759</u>
Other segment information:					
Depreciation and amortisation	12,547	327	92,045	1,711	106,630
Capital expenditure*	761	4,968	38,681	480	44,890
Fair value gain on derivative financial assets, net	–	–	–	20,524	20,524
Fair value loss on investment properties, net	–	40,715	–	–	40,715
Provision for impairment of other receivables	–	–	–	910	910

* Capital expenditure consists of additions of property, plant and equipment (HK\$40,114 thousand) and investment properties (HK\$4,776 thousand).

	2011				
	Property development	Property leasing	Hotel operations	Corporate and other operations	Total
Segment revenue					
Sales to external customers	5,416,990	153,707	192,897	107,809	5,871,403
Intersegment sales	–	–	–	427,012	427,012
	<u>5,416,990</u>	<u>153,707</u>	<u>192,897</u>	<u>534,821</u>	<u>6,298,415</u>
<i>Reconciliation:</i>					
Elimination of intersegment sales					(427,012)
Revenue from continuing operations					<u>5,871,403</u>
Segment profit/(loss)	<u>1,112,633</u>	<u>240,984</u>	<u>(83,094)</u>	<u>55,134</u>	<u>1,325,657</u>
Finance income					116,796
Finance costs					(473,233)
Finance costs – net					(356,437)
Share of profits and losses of associates					6,845
Profit before tax from continuing operations					<u>976,065</u>
Segment assets and liabilities					
Segment assets	<u>22,695,541</u>	<u>5,907,458</u>	<u>1,182,445</u>	<u>533,201</u>	<u>30,318,645</u>
Investments in associates					77,125
Segment assets					30,395,770
<i>Reconciliation:</i>					
Assets related to a discontinued operation					13,260,147
Total assets					<u>43,655,917</u>
Segment liabilities	<u>15,865,506</u>	<u>2,890,285</u>	<u>36,004</u>	<u>2,534,942</u>	<u>21,326,737</u>
<i>Reconciliation:</i>					
Liabilities related to a discontinued operation					9,354,677
Total liabilities					<u>30,681,414</u>
Other segment information:					
Depreciation and amortisation	10,208	266	120,057	1,751	132,282
Capital expenditure*	5,021	16,622	1,055	1,921	24,619
Fair value gain on derivative financial assets, net	–	–	–	105,765	105,765
Fair value gain on investment properties, net	–	169,898	–	–	169,898
Impairment of goodwill	55,562	–	–	–	55,562
Provision for impairment of other receivables	–	–	–	1,705	1,705

* Capital expenditure consists of additions of property, plant and equipment (HK\$8,558 thousand), investment properties (HK\$16,061 thousand).

Geographical information

- (a) All the sales from continuing operations to external customers of the Group are generated from Mainland China.
- (b) Non-current assets

As of 31 December 2012, more than 99% (2011: more than 99%) of the Group's non-current asset of continuing operations (based on the locations of the assets and excludes financial instruments and deferred tax assets) were located in Mainland China.

Information about major customers

The Group's customers from whom the revenue of continuing operations derived are widely dispersed. No revenue of continuing operations amounting to 10% or more of the Group's revenue was derived from sales to a single customer or a group of customers which are known to be under common control for the years ended 31 December 2012 and 2011.

4. REVENUE

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold; an appropriate proportion of contract revenue of construction contracts; the value of services rendered; room charges from hotel operations and gross rental income received and receivable from investment properties during the year.

An analysis of revenue from the continuing operations is as follows:

	2012	2011
Sale of development properties	3,048,113	5,731,745
Hotel operations	194,748	204,507
Revenue from property leasing	143,221	150,867
Property management revenue	144,110	131,641
Revenue from construction of infrastructure for an intelligent network	2,331	4,250
Other revenue	17,834	5,832
	<u>3,550,357</u>	<u>6,228,842</u>
Less: Business tax and surcharges	(207,341)	(357,439)
Total revenue	<u><u>3,343,016</u></u>	<u><u>5,871,403</u></u>

Business tax and surcharges

Business tax is calculated at 5% of the revenue from the sale of properties, hotel operations, the provision of property management services and property leasing and at 3% of the net income received from the construction of infrastructure for an intelligent network after deducting amounts payable to subcontractors.

Government surcharges, comprising City Maintenance and Construction Tax, Education Surtax and River Way Management Fee, are calculated at certain percentages of business tax.

5. EXPENSE BY NATURE

An analysis of expense by nature from the continuing operations is as follows:

	2012	2011
Cost of inventories sold (excluding depreciation)	2,354,544	4,344,667
Depreciation of property, plant and equipment	100,837	124,598
Employee benefit expense (including directors' and chief executive's emoluments)		
– Wages and salaries	86,699	91,639
– Other social welfare	22,218	22,928
	<u>108,917</u>	<u>114,567</u>
Operating lease payments in respect of buildings	7,368	6,091
Auditors' remuneration	5,752	5,049
Commission for sale of properties	14,664	8,392
Advertising costs	47,257	43,583
Miscellaneous tax	41,644	43,812
Transportation fee	10,777	14,118
Office expenses	7,104	5,353
Exhibition fees	3,129	6,464
Water and electricity costs	5,007	4,754
Business entertainment expenses	7,997	8,789
Expenses incurred for the issuance of CB5	–	3,469
Others	43,245	29,566
	<u>2,758,242</u>	<u>4,763,272</u>

6. INCOME TAX

An analysis of income tax from the continuing operations is as follows:

	2012	2011
Current taxation		
– Mainland China income tax (a)	331,840	447,988
– Mainland China LAT (c)	(59,433)	(47,372)
	<u>272,407</u>	<u>400,616</u>
Deferred taxation		
– Mainland China income tax	(119,477)	(183,195)
– Mainland China LAT	59,957	64,723
– Mainland China withholding tax (d)	(24,656)	31,979
	<u>(84,176)</u>	<u>(86,493)</u>
Total tax charge for the year	<u>188,231</u>	<u>314,123</u>

(a) Mainland China income tax

The Group conducts a significant portion of its business in Mainland China and the applicable income tax rate of its subsidiaries operating in Mainland China is generally 25%, in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008.

For the pre-sale of properties under development, the tax authorities may impose income tax ahead of the completion of sale transactions and revenue recognition based on certain estimations. The outstanding balance of prepaid income tax was approximately HK\$61 million as at 31 December 2012 (2011: HK\$27 million).

(b) Other income tax

The Company is exempted from taxation in Bermuda until 2016. Taxes on profits assessable elsewhere are calculated at the rates of tax prevailing in the jurisdiction in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the year.

(c) Mainland China land appreciation tax (“LAT”)

LAT is incurred upon transfer of property and land ownership and is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from the sale of properties less deductible expenditures including land costs, borrowing costs, business taxes and all property development expenditures.

For the pre-sale of properties under development, the tax authorities may impose LAT ahead of the completion of transactions and revenue recognition, generally based on 1% to 5% (2011: 1.5% to 5%) on proceeds of the sale and pre-sale of properties. Prepaid LAT had been recorded in “prepaid income tax” with an amount of approximately HK\$168 million as at 31 December 2012 (2011: approximately HK\$155 million).

Upon the completion of final clearance and settlement of LAT of a completed real estate project, LAT of an amount of RMB99 million (approximately HK\$121 million) accrued in prior periods was no longer payable and thus credited to the profit during the year ended 31 December 2012 (2011: RMB190 million (approximately HK\$229 million)).

(d) Mainland China withholding tax

Pursuant to the PRC Corporate Income Tax Law which became effective on 1 January 2008, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China effective from 1 January 2008. A lower withholding tax rate may be applied if there is a tax arrangement between the PRC and the jurisdiction of the foreign investors. On 22 February 2008, Caishui (2008) No. 1 was promulgated by the tax authorities to specify that dividends declared and remitted out of the PRC from the retained profits as at 31 December 2007 are exempted from withholding tax.

7. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 5,364,434 thousand (2011: 4,354,048 thousand) in issue during the year, as adjusted to reflect the rights issue during the year.

For the years ended 31 December 2012 and 2011, the calculation of diluted earnings per share amount did not take into account the convertible bonds of the Company or CNTD's Management Grant, because they are anti-dilutive. Hence, the diluted earnings per share are the same as the basic earnings per share for the years ended 31 December 2012 and 2011.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2012	2011
Earnings		
Profit/(loss) attributable to ordinary equity holders of the parent used in the basic and diluted earnings per share calculations		
From continuing operations	432,907	623,916
From discontinued operation	(65,600)	(127,209)
	<u>367,307</u>	<u>496,707</u>
	<u><u>367,307</u></u>	<u><u>496,707</u></u>
	Number of shares	
Shares	2012 (Thousand shares)	2011 (Thousand shares)
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculations	5,364,434	4,354,048
	<u>5,364,434</u>	<u>4,354,048</u>
	<u><u>5,364,434</u></u>	<u><u>4,354,048</u></u>

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial information.

8. DIVIDENDS PAID AND PROPOSED

No final dividend to the shareholders was proposed by the Company in respect of the year ended 31 December 2012 (2011: No final dividend).

Pursuant to a resolution passed at the special general meeting on 21 September 2012, the Company offered a special dividend in the form of a distribution in specie of all of the 2,658,781,817 shares in CNTD it owned to its shareholders proportional to their respective shareholding in the Company. As a result, shareholders holding a total of 5,664,713,722 shares were entitled to receive the dividend and share registration in relation to the Distribution was completed on 3 October 2012.

9. TRADE RECEIVABLES

GROUP

	2012	2011
Trade receivables	41,738	112,872
Less: Provision for impairment	(10,617)	(10,620)
	<u>31,121</u>	<u>102,252</u>
Non-current trade receivables	–	86,225
	<u>31,121</u>	<u>188,477</u>

	2012	2011
Trade receivables:		
Receivables from land development for sale	–	72,390
Receivables from the sale of golf club membership	–	4,461
Receivables from hotel operations	6,752	3,244
Receivables from property leasing	558	152
Receivables from the sale of residential and commercial properties	23,695	20,150
Others	10,733	12,475
Less: Provision for impairment	(10,617)	(10,620)
	<u>31,121</u>	<u>102,252</u>
Non-current trade receivables:		
Receivables from land development for sale	–	86,119
Receivables from the sale of golf club membership	–	106
	<u>–</u>	<u>86,225</u>
	<u>31,121</u>	<u>188,477</u>

An aged analysis of trade receivables as at the end of the reporting period, from the date when they were recognised, is as follows:

	2012	2011
Within 6 months	23,061	22,814
6 months to 1 year	1,621	9,236
1 to 2 years	7,510	54,096
Over 2 years	9,546	112,951
	<u>41,738</u>	<u>199,097</u>

The Group's sales of development properties, hotel and CNTD Group's golf operations (other than golf membership) are generally on a cash basis while the Group's trading terms with its customers for other operations are mainly on credit. The credit terms of the Group are as follows:

- CNTD Group's golf club membership: receivable in instalments, the credit terms range from 2 to 3 years
- CNTD Group's land development: represents the CNTD Group's share of the proceeds from land sold by local governments through public auction, receivable from the local governments and generally collectible within 6 months after the land sale without clearly specified credit term, it may take CNTD Group longer to receive certain portion (e.g., the amount attributable to public utility fee) of the receivables which is more than one year
- Others: generally within 6 months

As a result of the disposal of shares in CNTD in the Distribution, there were no trade receivables of CNTD Group as at 31 December 2012.

Except for the CNTD Group's amounts receivable in respect of the sale of land from the local governments, the Group's other trade receivables relate to a large number of diversified customers. There is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aged analysis of trade receivable neither past due nor impaired and those past due but not impaired is as follows:

	2012	2011
Neither past due nor impaired	28,037	177,214
Past due but not impaired:		
Within 30 days	159	4,652
30 to 60 days	1,057	1,115
Over 120 days	1,868	5,496
	<u>31,121</u>	<u>188,477</u>

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on 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. The Group does not hold any collateral or other credit enhancements over these balances.

The movements in provision for impairment of trade receivables are as follows:

	2012	2011
At beginning of year	10,620	10,118
Exchange realignment	(3)	502
	<u>10,617</u>	<u>10,620</u>

No trade receivable was written off during the years ended 31 December 2012 and 2011.

10. TRADE PAYABLES

GROUP

An aged analysis of the trade payables as at the end of the reporting period, from the date when they were incurred, is as follows:

	2012	2011
Within 1 year	1,623,171	4,273,196
1 to 2 years	109,111	643,046
Over 2 years	332,390	342,782
	<u>2,064,672</u>	<u>5,259,024</u>

Trade payables represent payables arising from property construction and land development. The trade payables are non-interest-bearing and are normally settled within one year.

11. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of profit before tax to cash used in operations:

	2012	2011
Profit/(loss) before tax:		
From continuing operations	600,635	976,065
From discontinued operation	(97,182)	(237,862)
Adjustments for:		
Depreciation of property, plant and equipment	144,170	190,682
Bad debt provision of other receivables	910	268,145
(Gain)/loss on disposal of property, plant and equipment, net	(198)	23
Share of profits of associates	(7,084)	(6,845)
Share of (profits)/losses of joint ventures	(293)	1,076
Fair value gain on derivative financial instruments	(20,524)	(105,765)
Fair value gain on completed investment properties	(35,723)	(140,780)
Fair value loss on investment properties under construction	–	11,190
Gain on disposal of subsidiaries	(273,428)	(309)
Gain on redemption of CB4	(7,170)	–
Impairment of goodwill	–	55,562
Expenses incurred for the issuance of CB5	–	3,469
Management share option expenses	2,558	6,340
Finance income	(41,046)	(148,028)
Finance costs	360,566	531,994
	<u>626,191</u>	<u>1,404,957</u>
(Increase)/decrease in restricted bank deposits	(1,029)	93,043
Decrease in other non-current assets	–	1,004
Increase in prepaid land lease payments	(181,583)	(1,439,377)
Decrease/(increase) in properties held or under development for sale	335,194	(834,243)
Decrease in inventories	237	12,730

	2012	2011
Decrease in prepayments and other current assets	139,843	326,171
(Increase)/decrease in other receivables	(319,398)	23,414
(Increase)/decrease in trade receivables	(64,569)	553,129
(Decrease)/increase in trade payables	(617,463)	1,669,440
(Decrease)/increase in other payables and accruals	(210,437)	353,982
Increase in land development for sale	(101,618)	(1,527,757)
Decrease in deferred income	(2,841)	(382,888)
Decrease in advances received from the pre-sale of properties under development	(710,559)	(2,160,646)
	<u>(1,108,032)</u>	<u>(1,907,041)</u>
Cash used in operations	<u>(1,108,032)</u>	<u>(1,907,041)</u>

- (b) Except for the disposal of shares in CNTD in the Distribution, there's no significant non-cash transaction during the year ended 31 December 2012.

RESULTS AND DIVIDEND

In 2012, the Group recorded net revenue from continuing operation of approximately HK\$3,343 million (2011: HK\$5,871 million), which represents a decrease by approximately 43% compared with that of 2011. Profit attributable to owners of the parent was approximately HK\$367 million, a decrease of 26% compared with approximately HK\$497 million in 2011.

No final dividend to the shareholders was proposed by the Company in respect of the year ended 31 December 2012 (2011: Nil).

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2012, cash and bank balances amounted to approximately HK\$2,032 million (2011: HK\$2,521 million). Working capital (net current assets) of the Group as at 31 December 2012 amounted to approximately HK\$11,067 million (2011: HK\$13,986 million), a decrease of 21% from previous year, current ratio risen slightly to 2.00x (2011: 1.82x).

As at 31 December 2012, total liabilities to total equity decreased to 2.16x (2011: 2.93x). At the end of the financial period, the Group's gearing ratio is approximately 50% (2011: 49%), calculated on the basis of the Group's net borrowings (after deducting cash and bank balance of approximately HK\$2,032 million) over total capital (total equity and net borrowings).

BUSINESS REVIEW

In 2012, the Group's major projects available for sale were Oasis Middlring Centre, Cedar Villa Original in Shanghai; Jiaxing Project in Zhejiang; Haikou Bund Centre in Haikou; Wuxi Jiangnan Rich Gates in Jiangsu; Shenyang Albany Oasis Garden, Yosemite Oasis Community in Liaoning. From January to December 2012, the Group's contracted sales amounted to HK\$2.147 billion, with gross floor area of approximately 144,000 square meters.

Project Company	Sales Contracts Signed (HK\$<i>x</i>1000)	Contractual Gross Area (<i>m</i>²)
Shanghai Oasis Middlring Centre	528,033	17,654
Shanghai Cedar Villa Original	488,230	20,514
Jiaxing Project	393,511	25,647
Shenyang Albany Oasis Garden	236,054	24,281
Shenyang Yosemite Oasis Community	202,799	40,571
Haikou Bund Centre	199,928	10,861
Wuxi Jiangnan Rich Gates	25,444	1,434
Other Projects	73,468	2,997
Total	2,147,467	143,959

In 2012, the Group recorded a net turnover of HK\$3.343 billion (2011: HK\$5.871 billion). Gross profit for 2012 amounted to approximately HK\$0.900 billion (2011: HK\$1.408 billion). Gross profit margin for 2012 was about 27% (2011: 24%).

Net turnover breakdown by activity

Turnover	2012 (HK\$<i>x</i>1000)	2011 (HK\$<i>x</i>1000)
Sale of development properties	3,048,113	5,731,745
Hotel operations	194,748	204,507
Revenue from property leasing	143,221	150,867
Property management revenue	144,110	131,641
Revenue from construction of infrastructure for an intelligent network	2,331	4,250
Other revenue	17,834	5,832
Less: Business tax and surcharges	(207,341)	(357,439)
Total revenue	3,343,016	5,871,403

Note: The above data does not include China New Town Development Company Limited ("CNTD") and its subsidiaries.

Development Projects

Our main development projects include Shanghai Albany Oasis Garden, Oasis Middlering Centre and Bairun Project in Shanghai; Shenyang Albany Oasis Garden and Yosemite Oasis Community in Liaoning; Wuxi Jiangnan Rich Gates in Jiangsu; Haikou Bund Centre in Hainan and 香島莊園 and 碧水瀾灣 in Jiaxing Zhejiang.

Commercial Properties

The Group has four major commercial real estate projects: three in Shanghai and one in Shenyang. Under the influence of the prevailing austerity measures, the suppressed housing market has nonetheless underscored the trend of increasing investment toward commercial real estate as the prospect of which becomes more promising. The stable development of commercial real estate will make an increasingly important contribution to our revenue.

Commercial Property	Location	Details
Shanghai Skyway Pullman Hotel	Huangpu District, Shanghai	309 rooms
Oasis Middlering Centre	Putuo District, Shanghai	Approx. 89,000 m ²
Shanghai Shuocheng Supermarket	Zhabei District, Shanghai	Approx. 24,000 m ²
Shenyang Rich Gate Shopping Mall	Financial Golden Corridor, Shenyang	Approx. 240,000 m ²

Relocation for Land of Development Projects

Shanghai Albany Oasis Garden

Phase I and II of Shanghai Albany Oasis Garden enjoyed great selling. Relocation for the remaining phases is underway. As at the end of December 2012, with 6,184 households relocated, households relocation was 98% completed. All economic enterprises had been relocated. For Phase III alone, 99.65% of the households had been relocated which created favorable conditions for the commencement of Phase III development.

Bairun Project

As at the end of December 2012, with 316 households, 9 enterprises and 11 sole proprietors relocated, relocation was 84% completed. This created favorable conditions for Phase II development of the project.

Shenyang Albany Oasis Garden

As at the end of December 2012, with 1,345 households (area: 86,278m²) and 13 enterprises (area: 3,062m²) relocated, relocation was 80% completed, which created favorable conditions for Phase II development.

Construction Work

Adhering to the development plans and construction timelines formulated in early 2012, the Group and its subsidiary companies had been carrying out the respective development and construction projects in an orderly manner. Taking into account the actual situation and for each of the key areas including design and construction, each company set out thorough plans and controlling measures prior to commencement of works so that targets and quality requirements were clear. As quality management is concerned, emphasis is always on using the right technology, to be supplemented by stringent quality control procedures. With safety, quality and timelines in mind, we have been efficiently and effectively conducting our works in a practical manner, aiming at achieving all targets being set along these lines.

Cedar Villa Original

Villas built under Tender I successfully passed inspection and were handed over to the buyers in May and in August 2012. This falls in line with the schedule for the construction of the 468 fully-furnished villas with total GFA of approximately 60,000 m²..

Oasis Middlering Centre

Office Block 6 of the Oasis Middlering Centre was topped out in May 2012 and its structure has been satisfactorily examined in June. As at the end of December 2012, construction was 80% completed and is expected to be entirely completed in May 2013.

Jiaxing Project

Installation work for 香島莊園, which is on Parcel 5 of Jiaxing Project, was basically completed. As at the end of December 2012, road construction and greenery and landscaping works were underway. Installation work for 碧水瀾灣, which is on Parcel 1, was also basically completed. As of December 2012, all engineer works in relation to the facades were basically completed. It is expected that construction of these two projects will be completed and the houses will be handed over to buyers in December 2013.

Wuxi Jiangnan Rich Gate

Wuxi Jiangnan Rich Gate consists of 170 villas in total, 91 of which have been completed in June 2012, while the remaining 79 villas are being fitted out.

Shenyang Yosemite Oasis Community

The East Parcel of Shenyang Yosemite Oasis Community consists of 502 houses. For 200 houses, interior and exterior fitting out works have just commenced, and as at December 2012, construction was 85% completed. For the remaining 302 units, the main structures of most of them have been topped out. It is expected that these houses will be available for hand over in September 2014.

Haikou Bund Centre

The interior decoration works of Tower 1 of Phase I were completed and the flats were handed over to buyers in June 2012. The Westin Hotel of Phase I was topped out in July 2012, with its glass curtains completely installed in January 2013. Decoration works have already been commenced and it is expected that the hotel will become operational in May 2013. The blue print for the second phase is in the making, and the site has been completely levelled. Construction is expected to be commenced in April 2013.

Major Capital Market and Financing Activities

On 30 April 2012, the Group issued an announcement for the issuance of rights shares of HK\$0.10 each at HK\$0.30 per rights share on the basis of one rights share for every seven shares. Rights issue was completed on 12 June 2012, with proceeds of approximately HK\$212 million being raised in the exercise.

In March 2012, Haikou Century Harbour City Co., Ltd. entered into a loan agreement with the Haikou Haidian branch of Bank of China Limited and successfully obtained a loan facility of RMB430 million.

In May 2012, Shenyang Huarui Shiji Asset Management Co., Ltd. (“Huarui Asset Management”) entered into a loan agreement with the Shenyang Dadong branch of Industrial and Commercial Bank of China Limited and successfully obtained a loan of RMB1 billion, which represented an increase of RMB300 million compared to the original loan of RMB1,000 million.

Respectively in July, November and December 2012, Shenyang Lukang Real Estate Ltd., Shanghai Shuo Cheng Real Estate Co., Ltd. and Liaoning Gao Xiao Support Group Property Development Co., Ltd. entered into agreements with the corresponding trust companies and borrowed an aggregate amount of approximately RMB1.5 billion. This to a large extent supplements the funding resources to be used for the development of the said projects.

Major Acquisition and Disposal

On 18 May 2012, Golden Bright Resources Limited, a wholly-owned subsidiary of the Group, and Lotus Holding Company Limited entered into the Sale and Purchase Agreement. Pursuant to the Agreement, Golden Bright Resources Limited had to sell the entire share capital of its wholly-owned subsidiary, Go High Investments Limited (the owner of the Shanghai Richgate Shopping Mall). The transaction was completed on 28 June 2012.

On 28 December 2012, Sinopower Investment Limited, a wholly-owned subsidiary of the Company entered into a sales and purchase agreement with Li De E, pursuant to which Sinopower Investment acquired the entire equity interest in Gao Feng Limited (directly holding 40% equity interest in Huarui Asset Management) held by Li De E at a consideration of HK\$678 million. The transaction will be completed in the near future, and upon completion, Huarui Asset Management will become a wholly-owned subsidiary of the Company.

Distribution of special dividend

On 31 August 2012, the Company made an announcement in relation to the distribution of special dividend in the form of a dividend in specie (i.e. all shares of China New Town Development Company Limited (“CNTD”), held by Sinopower Investment Limited, a wholly-owned subsidiary of the Company). It was approved at the special general meeting held on 21 September 2012 and was completed on 3 October 2012. The Company no longer holds any shares of CNTD and no longer engages in land development.

THE GROUP’S AWARDS

1. In 2012, Rich Gate SeaView was awarded the Golden Prize of the 7th Session of the “Shanghai Outstanding Residence”, Shanghai “4-Highs”, Energy Conservation and Land Saving Outstanding Estate and “3A Class Residence” by Ministry of Housing and Urban-Rural Development.
2. Shanghai Jinwu Real Estate Co., Ltd. was awarded “Shanghai Civilized Worksite” and “High Quality Structure Award” in Shanghai.
3. Shanghai Real Estate Property Management Co., Ltd. was awarded “Shanghai Favorite Brand (Services)” and was ranked the third in the Satisfaction Survey for Property Management Industry in Shanghai.

BUSINESS OUTLOOK

In 2012, cementing the growth was the main theme of macroeconomic policies. During the first half of the year, the government technically calibrated the control measures and the central bank moderately relaxed its monetary policies by reducing the ratio of reserve requirement and the benchmark interest rates of bank deposits and loans, leading to market liquidity gradually improving. Market expectation significantly improved. Taking this opportunity, developers lowered prices to clinch more deals. Number of transactions continued to surge. In the second half of the year, worrying that property prices would climb, the government stated time and again that it would not loosen its control over the property market. Under the backdrop of tight property control measures but moderate monetary policies to ensure a solid and stable growth of the economy, it is apparent that the property market will stabilize and will gradually improve. Analyzed by cities, first and second tier cities outperformed third and fourth tier cities within the country. Given the great pressure from rising property prices in certain cities and unbalanced property supply and demand, the central government will maintain tight property control measures in 2013, continuously implement differential mortgage loan and taxation policies as well as “restrictions on buying” measures. However, the 18th National Congress determined to actively extend urbanization in order to stimulate domestic demand as urban regions contain the greatest potential for domestic demand. Property industry and urbanization are closely linked. Stable and healthy development of the property market is necessary for accelerating urbanization. It is expected that in 2013, the property market will not be volatile and will develop in a healthy manner.

According to the 2012 National Economy and Social Development Statistics published by the China National Statistics Bureau, total investment in real estate development in 2012 amounted to RMB7.1804 trillion, an increase of 16.2% over the previous year. Of this total, investment in residential building

development accounted for RMB4.9374 trillion, an increase of 11.4%; investment in office building development accounted for RMB336.7 billion, an increase of 31.6%; investment in commercial space development accounted for RMB931.2 billion, an increase of 25.4%.

In 2012, the investment in real estate development in Shanghai amounted to RMB238.136 billion, representing a year-on-year increase of 9.7%. A total area of 18.9846 million m² of commodity properties were sold throughout the year, representing an increase of 7.2%, of which total area of commodity housing amounted to 15.9263 million m², representing an increase of 8.1%. Sales of the commodity properties amounted to RMB266,949 million, representing an increase of 3.9%, of which sales of commodity housing amounted to RMB220,896 million, representing an increase of 11.5%.

In 2013, it can be expected that the general economic environment will be favorable after considering the economic transformation, the new model of the progress of urbanization, the income doubling plan and the result of China Central Economic Works Conference. Under this backdrop, the Group will stick to its strategies under its new five-year development plan and will firmly grasp the opportunity arising from urbanization, the greatest potential for domestic demand, as well as the opportunity arising from low carbon economic development through urbanization. Strategies for next year will again focus on reducing inventory and preserving cash. Making profits is only secondary. We will avoid blind expansion and actively adopt effective measures to ensure accomplishing targets of 2013. Meanwhile, the Group will vigorously and orderly develop its projects and make necessary policy adjustments on commercial properties, aiming at achieving the target of construction being commenced on a gross area of approximately 500,000 m² during the year, so as to ensure the on-going development of each operation segment of the Group, and will endeavor to keep improving the Group's operating result.

In 2013, the Group will thoroughly study the challenges and opportunities in property development arising from the new model of urbanization, deeply understand and analyze the supply and demand of the property market, meticulously examine the market structure and issues about our own market positioning and financing, invest in the cities suitable for our development, strike a good balance between investment in the first and second tier cities and the third and fourth tier cities, and promptly adjust our strategies according to latest development of the economic environment. Development concept: accelerating the adjustment of our management structure to cope with our development across the country and into different regions. The Headquarters of the Group will concentrate on strategic management, finance management and brand management. Regional branches will be responsible for production, supply and sales and shall be independent and autonomous in the way it operates and manages its business. Before carrying out development in a city or commencing a project, sufficient research and analysis will be carried out to ensure scientific and rational investment. Diversified sources of funds guarantee rapid development of projects. We will stick to our business philosophy of low profits and quality services, uphold property development as our core business, focus on brand establishment and strive to realize continuous and rapid development and to turn the Group into a modernized enterprise. Geographical plan: finished establishing strategic foothold in three major regions (Yangtze River Delta, Northeast China and South China) and three major cities (Shanghai, Shenyang and Haikou). Product position: changing focus from middle-to-high-end residential property to middle-end residential property, concentrating on owner occupied residential properties which always command a very solid demand and investment-driven commercial properties. Target of the Group: a quantum leap in operational income and total profits within 5 years.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

On 23 July 2012, an aggregate principal amount of RMB440 million (approximately HK\$541 million) Convertible Bonds 4 (“CB4”) was redeemed at the redemption price of RMB 440 million upon the exercise of the Put Option by the bondholders. The face value of the CB4 remaining outstanding as at 31 December 2012 amounted to RMB7 million (equivalent to HK\$9 million).

Other than the above, neither the Company nor its subsidiaries purchased, redeemed or sold any of the Company’s listed securities during the year ended 31 December 2012.

MOVEMENTS IN SECURITIES

On 30 April 2012, the Group announced the issuance of Rights Shares of HK\$0.10 each on the basis of one Rights Share for every seven Shares held by the Qualifying Shareholders on the Record Date at HK\$0.30 per Rights Share. The Rights Issue was completed on 12 June 2012 and HK\$212 million was raised.

SUBSEQUENT EVENT

On 21 February 2013, the Company issued a circular relating to a major connected transaction for exercise of call option and acquisition of 40% interest in Huarui Asset Management. The acquisition consideration is HK\$650 million in form of cash, whereas partial consideration will be settled by way of an earnest money of HK\$192 million paid in 2011. Upon completion of this transaction, Huarui Asset Management will become a wholly-owned subsidiary of the Company.

EMPLOYEE

As at 31 December 2012, the Group had retained 2,470 (2011: 3,520) employees in Hong Kong and the PRC. Total staff costs of the Group, excluding directors’ remuneration, for the year under review amounted to approximately HK\$159 million (2011: HK\$170 million). Staff remuneration packages were in line with the prevailing market practice and were determined on the basis of the performance and experience of each individual employee.

CORPORATE GOVERNANCE

In April 2005 the Company adopted its own code on corporate governance practices which incorporates all the code provisions in the Code on Corporate Governance Practices in Appendix 14 of the Listing Rules. Throughout the period, the Company complied with the code provisions set out in the Code on Corporate Governance Practices in Appendix 14 except for Code provisions A.6.7 and E.1.2. Code Provision A.6.7 stipulates independent non-executive directors (“INEDs”, each an “INED”) and other non-executive directors should attend general meetings and develop a balanced understanding of the views of Shareholders. Code Provision E.1.2 stipulates that the chairman of the board should attend the annual general meeting. He should also invite the Chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. Mr. Shi Jian, the Chairman of the Board of Directors, and Mr. E. Hock Yap, the independent non-executive director and the Chairman of the Remuneration Committee, did not attend the annual general meeting for the year 2012 due to other business commitment.

In addition, due to Mr. E. Hock Yap's retirement as an independent non-executive director on 29 May 2012, the Company temporarily failed to comply with (i) Rule 3.10(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), which require that at least one of the INEDs has appropriate professional qualifications or accounting or related financial management expertise; (ii) Rule 3.21 of the Listing Rules, which requires that at least one of the members of the Audit Committee of the Board who is an INED has appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules and the majority of the Audit Committee of the Board to be INEDs; and (iii) Rule 3.25 of the Listing Rules, which requires the Remuneration Committee of the Board to be chaired by an INED and to comprise a majority of INEDs. The Company had subsequently appointed Mr. Chan, Charles Sheung Wai as an independent non-executive director, the chairman of the Remuneration Committee and the member of the Audit Committee on 10 July 2012, and hence complied with the Listing Rules on the date.

DIRECTORS' COMPLIANCE WITH THE CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code"). Specific enquiry has been made of all Directors, who have confirmed that they complied with required standard set out in the Model Code.

AUDIT COMMITTEE

The Company established an audit committee on 12 November 2001 with terms of reference in compliance with the Code of Corporate Governance Practices as set out in Appendix 14 of the Listing Rules. The audit committee has five members comprising the two non-executive Directors and the three independent non-executive Directors. The annual results for the year ended 31 December 2012 has been reviewed by the Audit Committee.

NOMINATION COMMITTEE

The Company has established a nomination committee (the "Nomination Committee") on 27 March 2012. The Nomination Committee shall consist of not less than three members and a majority of the members shall be independent non-executive directors of the Company. The Chairman of the Nomination Committee shall be appointed by the Board and shall be the Chairman of the Board or an INED. The members of the Nomination Committee shall comprise such directors of the Company appointed by the Board. The Board has appointed Mr. Shi Jian, Mr. Yuan Pu and Mr. Zhuo Fu Min as members of the Nomination Committee. Mr. Shi Jian has been appointed as the Chairman of the Nomination Committee.

The major duties of the Nomination Committee include:

- to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- to identify individuals suitably qualified to become members of the Board and select or make recommendations to the Board on selection of individual nominated for directorships;

- to assess the independence of the independent non-executive directors;
- to make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the Chairman and the Chief Executive; and
- to determine the policy for nomination of directors.

APPRECIATION

It is my privilege to express my gratitude to our strategic investors and shareholders for their unstinting trust and support and to offer my heartfelt thanks to all directors, executives and staff members at all group companies for their team spirits and loyalty throughout the harsh and challenging year.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

The annual results announcement of the Company is published on the websites of the Company (<http://www.equitynet.com.hk/sre/>) and Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk). The annual report of the Company for 2012 containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and made available on the above websites in due course.

On Behalf of the Board

SHI JIAN

Chairman

Hong Kong, 27 March 2013

As at the date hereof, the Board comprises six executive directors, namely Mr. Shi Jian, Mr. Li Yao Min, Mr. Yu Hai Sheng, Mr. Jiang Xu Dong, Mr. Zhang Hongfei and Mr. Shi Lizhou; two non-executive directors, namely Mr. Cheung Wing Yui and Mr. Jin Bing Rong and four independent non-executive directors, namely Mr. Jiang Xie Fu, Mr. Zhuo Fumin, Mr. Yuan Pu and Mr. Chan, Charles Sheung Wai.

** For identification purpose only*