深圳控股有限公司
SHENZHEN INVESTMENT LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00604)

2012 FINAL RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

- Revenue up 17.0% to HK$8,568.3 million; Profit for the year attributable to owners of the parent up 41.7% to HK$2,156.1 million;
- Gross profit margin from property development segment at 39.2%;
- While net gearing ratio at 84.9% as of the end of 2012; Cash balance was very high at HK$7.3 billion;
- Proposed final dividend at HK11.0 cents per share, with an annual payout ratio of 30%.

The Board of Directors (the "Directors") of Shenzhen Investment Limited (the "Company") is pleased to present the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2012 together with the comparative figures for the year ended 31 December 2011 as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
REVENUE	4	**8,568,254**	7,320,584
Cost of sales		**(5,479,594)**	(4,653,449)
Gross profit		**3,088,660**	2,667,135
Other income and gains	4	**813,422**	463,778
Fair value gains/(losses), net:			
Equity investments at fair value through profit or loss		**2,269**	(1,077)
Financial liabilities at fair value through profit or loss		**–**	65,861
Increase in fair value of investment properties		**470,895**	311,316
Selling and distribution expenses		**(243,868)**	(226,787)
Administrative expenses		**(758,921)**	(725,522)
Other expenses		**(58,568)**	(256,689)
Finance costs	6	**(479,549)**	(200,562)
Share of profits and losses of:			
Jointly-controlled entities		**48,524**	185,265
Associates		**818,937**	609,575
PROFIT BEFORE TAX	5	**3,701,801**	2,892,293
Income tax expense	7	**(1,141,561)**	(1,076,534)
PROFIT FOR THE YEAR		**2,560,240**	1,815,759

	Note	2012 HK$'000	2011 HK$'000
Attributable to:			
Owners of the parent		**2,156,069**	1,522,078
Non-controlling interests		**404,171**	293,681
		2,560,240	1,815,759
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*9*		
Basic			
– For profit for the year		**HK59.23cents**	HK42.86cents
Diluted			
– For profit for the year		**HK59.23cents**	HK42.86cents

Details of the dividends payable and proposed for the year are disclosed in note 8 to the financial information.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2012

	2012	2011
	HK$'000	*HK$'000*
PROFIT FOR THE YEAR	**2,560,240**	1,815,759
OTHER COMPREHENSIVE INCOME		
Available-for-sale investments:		
Changes in fair value	**2,632**	(5,676)
Income tax effect	**(657)**	1,419
	1,975	(4,257)
Share of other comprehensive income of associates	**27,779**	162,448
Exchange differences on translation of foreign operations	**178,541**	819,615
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**208,295**	977,806
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**2,768,535**	2,793,565
Attributable to:		
Owners of the parent	**2,345,526**	2,428,837
Non-controlling interests	**423,009**	364,728
	2,768,535	2,793,565

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2012

	Notes	31 December 2012 HK$'000	31 December 2011 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**2,414,252**	630,160
Intangible assets		**75,986**	81,372
Prepaid land lease payments		**49,045**	48,863
Goodwill		**322,744**	322,704
Investment properties		**9,210,339**	5,560,792
Investments in associates		**5,223,517**	5,276,081
Investments in jointly-controlled entities		**118,124**	430,866
Available-for-sale investments		**52,471**	29,913
Other long term assets		**1,377,822**	1,386,939
Deferred tax assets		**528,258**	438,845
Pledged deposits		**137,323**	12,427
Total non-current assets		**19,509,881**	14,218,962
CURRENT ASSETS			
Inventories		**109,107**	91,677
Completed properties held for sale		**7,094,670**	3,348,072
Properties under development		**15,723,873**	15,111,752
Trade receivables	*10*	**254,857**	143,407
Prepayments, deposits and other receivables		**4,520,838**	2,995,350
Equity investments at fair value through profit or loss		**10,296**	19,487
Held-to-maturity investment		**–**	387,968
Pledged deposits		**129,905**	–
Restricted cash		**304,528**	126,425
Cash and cash equivalents		**6,734,052**	5,097,524
Total current assets		**34,882,126**	27,321,662
CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**8,974,238**	4,965,249
Trade payables	*11*	**703,486**	264,717
Other payables and accruals		**8,283,656**	4,815,051
Due to the immediate holding company		**14,158**	–
Due to the ultimate holding company		**64,579**	54,641
Tax payable		**1,978,905**	1,806,695
Total current liabilities		**20,019,022**	11,906,353
NET CURRENT ASSETS		**14,863,104**	15,415,309
TOTAL ASSETS LESS CURRENT LIABILITIES		**34,372,985**	29,634,271
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**13,236,124**	11,514,038
Deferred tax liabilities		**1,627,018**	1,107,296
Total non-current liabilities		**14,863,142**	12,621,334
Net assets		**19,509,843**	17,012,937

	Note	31 December 2012 HK$'000	31 December 2011 HK$'000
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**186,451**	181,301
Reserves		**16,951,253**	15,071,996
Proposed final dividend	*8*	**410,192**	290,082
		17,547,896	15,543,379
Non-controlling interests		**1,961,947**	1,469,558
Total equity		**19,509,843**	17,012,937

NOTES TO FINANCIAL INFORMATION

31 December 2012

1. Corporate information

Shenzhen Investment Limited is a limited liability company incorporated in Hong Kong. The registered office of the Company is located at 8th Floor, New East Ocean Centre, 9 Science Museum Road, Kowloon, Hong Kong.

During the year, the Group was involved in the following principal activities:

- Property development
- Property investment
- Property management
- Provision of transportation services
- Manufacturing and sale of industrial and commercial products

In the opinion of the directors, the immediate holding company of the Company is Shum Yip Holdings Company Limited ("Shum Yip Holdings", 深業(集團)有限公司), which is a private company incorporated in Hong Kong. The ultimate holding company of the Company is 深業集團有限公司, which is a private company established in Shenzhen, the People's Republic of China (the "PRC").

2.1 Basis of preparation

The Company's 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 ("HKICPA"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, certain buildings classified as property, plant and equipment, derivative financial instruments and equity investments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2012. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if it results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

2.2 Changes in accounting policy and disclosures

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

Other than as further explained below regarding the impact of amendments to HKAS 12, the adoption of the revised HKFRSs has had no significant financial effect on these financial statements.

The HKAS 12 Amendments clarify the determination of deferred tax for investment property measured at fair value and introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, the amendments incorporate the requirement previously in HK(SIC)-Int 21 *Income Taxes – Recovery of Revalued Non-Depreciable Assets* that deferred tax on non-depreciable assets, measured using the revaluation model in HKAS 16, should always be measured on a sale basis. The presumption that deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale has been rebutted by the Group as the Group's investment properties are held within 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. Accordingly deferred tax has been determined on the basis of recovery through use. The Group has adopted this amendment retrospectively for the year ended 31 December 2012. Since all the investment properties of the Group are held with a business model to consume substantially all of the economic benefits embodied in the investment properties over time rather than through sale, the presumption has been rebutted. Consequently, the Group has continued to recognise the deferred taxes on the basis that the value of investment properties is recovered through use and there is no impact on the Group's results of operations and financial position.

2.3 Issued but not yet effective Hong Kong Financial Reporting Standards

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the consolidated financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans*[2]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*[2]
HKFRS 9	*Financial Instruments*[4]
HKFRS 10	*Consolidated Financial Statements*[2]
HKFRS 11	*Joint Arrangements*[2]
HKFRS 12	*Disclosure of Interests in Other Entities*[2]
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 *– Transition Guidance*[2]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) *– Investment Entities*[3]
HKFRS 13	*Fair Value Measurement*[2]
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*[1]
HKAS 19 (2011)	*Employee Benefits*[2]
HKAS 27 (2011)	*Separate Financial Statements*[2]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*[2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[3]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*[2]
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012[2]

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

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

The HKFRS 7 Amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32 *Financial Instruments: Presentation*. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with HKAS 32. The Group expects to adopt the amendments from 1 January 2013.

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1 January 2015. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

HKFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled, compared with the requirements in HKAS 27 and HK(SIC)-Int 12 *Consolidation – Special Purpose Entities*. HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also addresses the issues raised in HK(SIC)-Int 12. Based on the preliminary analyses performed, HKFRS 10 is not expected to have any impact on the currently held investments of the Group.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK(SIC)-Int 13 *Jointly-controlled Entities – Non-Monetary Contributions by Venturers*. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e., joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation. Based on the preliminary analyses performed, HKFRS 11 is not expected to have any impact on the currently held investments of the Group.

HKFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities previously included in HKAS 27 *Consolidated and Separate Financial Statements*, HKAS 31 *Interests in Joint Ventures* and HKAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities.

In July 2012, the HKICPA issued amendments to HKFRS 10, HKFRS 11 and HKFRS 12 which clarify the transition guidance in HKFRS 10 and provide further relief from full retrospective application of these standards, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Group is different between HKFRS 10 and HKAS 27 or HK(SIC)-Int 12 at the beginning of the annual period in which HKFRS 10 is applied for the first time. Furthermore, for disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before HKFRS 12 is first applied.

The amendments to HKFRS 10 issued in December 2012 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with HKFRS 9 rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The Group expects that these amendments will not have any impact on the Group as the Company is not an investment entity as defined in HKFRS 10.

Consequential amendments were made to HKAS 27 and HKAS 28 as a result of the issuance of HKFRS 10, HKFRS 11 and HKFRS 12. The Group expects to adopt HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (2011), HKAS 28 (2011), and the subsequent amendments to these standards issued in July and December 2012 from 1 January 2013.

HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. The Group expects to adopt HKFRS 13 prospectively from 1 January 2013.

The HKAS 1 Amendments change the grouping of items presented in OCI. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, net gain on hedge of a net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items which will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendments will affect presentation only and have no impact on the financial position or performance. The Group expects to adopt the amendments from 1 January 2013.

HKAS 19 (2011) includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The revised standard introduces significant changes in the accounting for defined benefit pension plans including removing the choice to defer the recognition of actuarial gains and losses. Other changes include modifications to the timing of recognition for termination benefits, the classification of short-term employee benefits and disclosures of defined benefit plans. The Group expects to adopt HKAS 19 (2011) from 1 January 2013.

The HKAS 32 Amendments clarify the meaning of “currently has a legally enforceable right to setoff” for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2014.

The *Annual Improvements to HKFRSs 2009-2011 Cycle* issued in June 2012 sets out amendments to a number of HKFRSs. The Group expects to adopt the amendments from 1 January 2013. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group. Those amendments that are expected to have a significant impact on the Group's policies are as follows:

(a) HKAS 1 *Presentation of Financial Statements*: Clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the previous period. The additional comparative information does not need to contain a complete set of financial statements.

In addition, the amendment clarifies that the opening statement of financial position as at the beginning of the preceding period must be presented when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. However, the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

(b) HKAS 32 *Financial Instruments: Presentation*: Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with HKAS 12 *Income Taxes*. The amendment removes existing income tax requirements from HKAS 32 and requires entities to apply the requirements in HKAS 12 to any income tax arising from distributions to equity holders.

3. Operating segment information

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

(a) the property development segment engages in the development of residential, industrial and commercial properties;

(b) the property investment segment invests in residential, industrial and commercial properties for their rental income potential;

(c) the property management segment engages in the management of both properties developed by the Group and external parties;

(d) the transportation services segment consists of the provision of passenger transportation services, automobile maintenance and other related services;

(e) the manufacturing segment engages in the manufacture and sale of industrial and commercial products; and

(f) the "others" segment comprises, principally, the manufacture and sale of aluminum alloy products and other businesses.

Management monitors the operating results of the Group's business units separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, finance costs, dividend income, fair value gains from the Group's financial instruments as well as head office and corporate expenses are excluded from this measurement.

Segment assets exclude deferred tax assets, pledged deposits, restricted cash, cash and cash equivalents, equity investments at fair value through profit or loss, derivative financial instruments and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude derivative financial instruments, interest-bearing bank and other borrowings, an amount due to the ultimate holding company, tax payable, an amount due to the immediate holding company, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

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

Year ended 31 December 2012	Property development *HK$'000*	Property investment *HK$'000*	Property management *HK$'000*	Transportation services *HK$'000*	Manufacturing *HK$'000*	Others *HK$'000*	Total *HK$'000*
Segment revenue:							
Sales to customers	6,013,545	514,998	1,062,627	236,116	333,785	407,183	8,568,254
Intersegment sales	–	6,412	3,640	–	–	192,660	202,712
	6,013,545	521,410	1,066,267	236,116	333,785	599,843	8,770,966
Reconciliation							
Elimination of intersegment sales							(202,712)
Revenue							8,568,254
Segment results before increase in fair value of investment properties	2,500,891	530,936	27,351	12,413	9,882	31,168	3,112,641
Increase in fair value of investment properties	–	470,895	–	–	–	–	470,895
Segment results after increase in fair value of investment properties	2,500,891	1,001,831	27,351	12,413	9,882	31,168	3,583,536
Reconciliation							
Elimination of intersegment results							(42,841)
Finance income							472,427
Dividend income and unallocated gains							23,855
Gain on bargain purchases							200,586
Remeasurement gain on investment in associates in step acquisitions							39,188
Fair value gains of the financial instruments, net							2,269
Corporate and other unallocated expenses							(97,670)
Finance costs							(479,549)
Profit before tax							3,701,801
Segment assets	29,984,330	13,459,697	103,022	361,629	150,407	2,390,302	46,449,387
Reconciliation							
Corporate and other unallocated assets							7,942,620
Total assets							54,392,007
Segment liabilities	6,137,842	988,033	276,902	268,310	39,363	1,269,637	8,980,087
Reconciliation							
Corporate and other unallocated liabilities							25,902,077
Total liabilities							34,882,164
Other segment information:							
Depreciation	26,318	7,901	9,342	35,252	3,841	21,497	104,151
Amortisation of vehicle licences	–	–	–	6,332	–	–	6,332
Amortisation of prepaid land lease payments	–	–	–	–	–	1,497	1,497
Share of profits and losses of associates	647,645	139,463	5,581	4,869	–	21,379	818,937
Share of profits and losses of jointly-controlled entities	–	–	–	–	–	48,524	48,524
Investments in associates	4,881,970	97,003	16,432	49,986	15,133	162,993	5,223,517
Investments in jointly-controlled entities	62,195	–	–	–	–	55,929	118,124
Capital expenditure*	7,863,542	2,426,525	10,496	58,225	6,208	1,021,264	11,386,260

* *Capital expenditure consists of additions to property, plant and equipment, investment properties, properties under development and completed properties held for sale including assets from the acquisition of subsidiaries.*

Year ended 31 December 2011	Property development *HK$'000*	Property investment *HK$'000*	Property management *HK$'000*	Transportation services *HK$'000*	Manufacturing *HK$'000*	Others *HK$'000*	Total *HK$'000*
Segment revenue:							
Sales to customers	5,053,060	446,782	899,707	240,678	311,489	368,868	7,320,584
Intersegment sales	49,890	5,756	6,441	–	–	86,716	148,803
	5,102,950	452,538	906,148	240,678	311,489	455,584	7,469,387
Reconciliation							
Elimination of intersegment sales							(148,803)
Revenue							7,320,584
Segment results before increase in fair value of investment properties	1,808,821	479,356	19,306	13,525	12,781	214,616	2,548,405
Increase in fair value of investment properties	–	311,316	–	–	–	–	311,316
Segment results after increase in fair value of investment properties	1,808,821	790,672	19,306	13,525	12,781	214,616	2,859,721
Reconciliation							
Elimination of intersegment results							(75,124)
Finance income							369,333
Dividend income and unallocated gains							22,038
Fair value gains of the financial instruments, net							64,784
Corporate and other unallocated expenses							(147,897)
Finance costs							(200,562)
Profit before tax							2,892,293
Segment assets	26,314,617	7,366,521	137,780	360,719	208,446	969,664	35,357,747
Reconciliation							
Corporate and other unallocated assets							6,182,877
Total assets							41,540,624
Segment liabilities	3,735,697	464,483	297,681	264,360	94,779	198,225	5,055,225
Reconciliation							
Corporate and other unallocated liabilities							19,472,462
Total liabilities							24,527,687
Other segment information:							
Depreciation	15,715	9,805	8,726	34,833	7,649	12,662	89,390
Amortisation of vehicle licences	–	–	–	6,446	–	–	6,446
Amortisation of prepaid land lease payments	–	–	–	–	–	1,546	1,546
Impairment loss of an investment in an associate	200,000	–	–	–	–	–	200,000
Share of profits and losses of associates	441,236	134,046	5,177	4,706	–	24,410	609,575
Share of profits and losses of jointly-controlled entities	–	–	–	–	–	185,265	185,265
Investments in associates	4,624,886	115,090	15,013	47,129	15,133	458,830	5,276,081
Investments in jointly-controlled entities	61,695	–	–	–	–	369,171	430,866
Capital expenditure	8,140,824	35,207	18,023	12,570	8,577	13,337	8,228,538

As the Group generates substantially all of its revenues from customers domiciled in the PRC, no geographical information is presented.

4. Revenue, other income and gains

Revenue, which is also the Group's turnover, represents proceeds from the sale of properties, commercial and industrial goods, rental income, management fee income, income from transportation and others.

An analysis of revenue, other income and gains is as follows:

	2012	2011
	HK$'000	*HK$'000*
Revenue		
Sale of properties	**6,013,545**	5,053,060
Gross management fee income	**1,062,627**	899,707
Gross rental income from investment properties	**514,998**	446,782
Sale of commercial and industrial goods	**333,785**	311,489
Income from transportation	**236,116**	240,678
Others	**407,183**	368,868
	8,568,254	7,320,584
Other income		
Bank interest income	**93,601**	67,860
Interest income from:		
Held-to-maturity investment	**39,827**	48,374
A jointly-controlled entity	**198,235**	119,389
Associates	**17,824**	5,848
A non-controlling shareholder of a subsidiary	**–**	7,432
Finance income from independent third parties	**122,940**	120,430
Others	**86,944**	92,461
	559,371	461,794
Gains		
Gain on disposal of a held-for-trading investment	**4,779**	–
Gain on disposal of items of property, plant and equipment	**3,533**	1,395
Gain on bargain purchases	**200,586**	–
Remeasurement gain on investment in associates in step acquisitions	**39,188**	–
Others	**5,965**	589
	254,051	1,984
Other income and gains	**813,422**	463,778

5. Profit before tax

The Group's profit before tax is arrived at after charging/(crediting):

	2012	2011
	HK$'000	*HK$'000*
Cost of inventories sold	**3,912,150**	3,207,965
Cost of services provided	**971,553**	738,623
Auditors' remuneration	**5,100**	4,650
Depreciation	**104,151**	89,390
Impairment of trade receivables	**3,758**	1,632
Reversal of impairment of trade receivables	**(9,111)**	(3,356)
Impairment of other receivables	**14,971**	–
Impairment loss of an investment in an associate	**–**	200,000
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	**68,397**	73,027
Minimum lease payments under operating leases in respect of land and buildings	**8,358**	11,968
Amortisation of vehicle licences	**6,332**	6,446
Amortisation of prepaid land lease payments	**1,497**	1,546
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	**792,138**	713,937
Equity-settled share option expense	**12,683**	19,926
Pension scheme contributions	**104,199**	99,663
Less: Amount capitalised	**(31,260)**	(31,401)
Net: Pension scheme contributions	**72,939**	68,262
	877,760	802,125
Foreign exchange differences, net	**(3,085)**	8,727
Rental income on investment properties less direct operating expenses of HK$68,397,000 (2011: HK$73,027,000)	**(446,601)**	(373,755)
Gain on disposal of a held-for-trading investment	**(4,779)**	–
Gain on disposal of items of property, plant and equipment	**(3,533)**	(1,395)
Gain on bargain purchases	**(200,586)**	–
Remeasurement gain on investment in associates in step acquisitions	**(39,188)**	–

6. Finance costs

An analysis of finance costs is as follows:

	2012	2011
	HK$'000	*HK$'000*
Interest on:		
Bank loans	**1,102,414**	672,215
Other borrowings	**81,366**	–
Total interest expense on financial liabilities not at fair value through profit or loss	**1,183,780**	672,215
Less: Interest capitalised	**(721,942)**	(538,970)
	461,838	133,245
Other finance costs	**17,711**	67,317
	479,549	200,562

The average capitalisation rate for the year used to determine the amount of borrowing costs eligible for capitalisation was 7.28% (2011: 5.55%).

7. Income tax

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the year (2011: Nil).

Taxes on profits assessable in Mainland China are calculated at the rates of tax prevailing in the provinces in which the Group operates.

Under the relevant income tax law, the PRC subsidiaries are subject to corporate income tax ("CIT") at a statutory rate of 25% on their respective taxable income during the year.

PRC LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including amortisation of land use rights, borrowing costs and all property development expenditures. LAT of HK$461,419,000 is charged to the consolidated income statement for the year (2011: HK$478,451,000).

	2012	2011
	HK$'000	*HK$'000*
Group:		
Current – Mainland China	**546,937**	555,531
LAT in Mainland China	**461,419**	478,451
Deferred Mainland China corporate income tax	**133,205**	42,552
Total tax charge for the year	**1,141,561**	1,076,534

The share of taxes attributable to associates and jointly-controlled entities amounting to HK$933,546,000 (2011: HK$723,512,000) and HK$16,038,000 (2011: HK$72,277,000), respectively, are included in "Share of profits and losses of associates" and "Share of profits and losses of jointly-controlled entities" on the face of the consolidated income statement.

8. Dividends

	2012	2011
	HK$'000	*HK$'000*
Interim – HK7 cents (2011: HK7 cents) per ordinary share	**253,822**	247,798
Adjustment to prior year's final dividend	**–**	238
Proposed final dividend of HK11 cents (2011: final dividend of HK8 cents) per ordinary share	**410,192**	290,082
	664,014	538,118

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

9. 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 3,640,042,538 (2011: 3,551,123,432) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the year ended 31 December 2012 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

The calculation of the diluted earnings per share amount for the year ended 31 December 2011 is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share amounts are based on:

	2012	2011
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	**2,156,069**	1,522,078

	Number of shares	
	2012	2011
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**3,640,042,538**	3,551,123,432
Effect of dilution – weighted average number of ordinary shares:		
Share options	**–**	418,557
	3,640,042,538	3,551,541,989

10. Trade receivables

	2012	2011
	HK$'000	*HK$'000*
Trade receivables	**285,796**	181,667
Impairment	**(30,939)**	(38,260)
	254,857	143,407

Under normal circumstances, the Group does not grant any credit terms to its customers. The Group seeks to maintain strict control over its outstanding receivables and to minimise credit risk. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the end of the reporting period, based on the contract date and net of provision, is as follows:

	2012	2011
	HK$'000	*HK$'000*
Within one year	**252,580**	131,726
One to two years	**2,076**	2,316
Two to three years	**201**	9,365
	254,857	143,407

11. Trade payables

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2012	2011
	HK$'000	*HK$'000*
Within one year	**649,910**	221,772
One to two years	**12,099**	1,069
Two to three years	**1,197**	6,818
Over three years	**40,280**	35,058
	703,486	264,717

The trade payables are non-interest-bearing.

12. Pledge of assets

At the end of the reporting period, the Group's bank loans amounting to HK$3,762,403,000 (2011: HK$1,538,960,000) were secured by:

(i) certain of the Group's land and buildings with a net book value of approximately HK$1,205,866,000 (2011: HK$4,742,000);

(ii) certain of the Group's properties under development with a net book value of approximately HK$1,498,849,000 (2011: HK$1,585,366,000);

(iii) certain of the Group's investment properties with a net book value of approximately HK$4,614,496,000 (2011: HK$694,920,000);

(iv) certain of the Group's bank deposits with a net book value of HK$267,228,000 (2011: HK$12,427,000); and

(v) certain of the Group's completed properties held for sale with a net book value of approximately HK$45,410,000 (2011: Nil).

13. Capital commitments

The Group had the following capital commitments at the end of the reporting period:

	2012	2011
	HK$'000	*HK$'000*
Commitments in respect of acquisition of land and buildings, and development costs attributable to properties under development:		
Contracted, but not provided for	**4,262,180**	5,683,011
Authorised, but not contracted for	**502,724**	1,641,265
	4,764,904	7,324,276

14. Contingent liabilities

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

As at 31 December 2012, the Group has given guarantees to a maximum extent of approximately HK$1,948,307,000 (2011: HK$1,401,107,000) to banks for housing loans extended by the banks to the purchasers of the Group's properties.

Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage loans together with any accrued interest and penalty owed by the defaulted purchasers to banks. The Group is then entitled to take over the legal title of the related properties. The Group's guarantee period commences from the date of grant of the relevant mortgage loan and ends after the buyer of the Group's properties obtained the individual property ownership certificate.

The directors consider that in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage loans together with any accrued interest and penalty and therefore no provision has been made in connection with the guarantees.

15. Related party transactions

The Group had the following material transactions with related parties during the year:

	Notes	**2012** ***HK$'000***	2011 *HK$'000*
Shum Yip Holdings Company Limited, the immediate holding company:			
Rental expenses paid	*(i)*	**1,989**	5,479
Associates:			
Sales of products	*(ii)*	**67,238**	–
Purchase of properties	*(iii)*	**–**	721,203
Interest income		**17,825**	5,848
A jointly-controlled entity:			
Interest income		**198,235**	119,389
Interest expenses paid to a fellow subsidiary	*(iv)*	**17,711**	–
Management fee from a fellow subsidiary		**6,147**	–

Notes:

(i) The rentals were recognised at prices based on mutual agreement between the parties.

(ii) The sales to the associates were made according to the published prices and conditions offered to the major customers of the Group.

(iii) The purchase of properties from an associate for the year ended 31 December 2011 was made at a price mutually agreed between the parties.

(iv) Interest expenses were calculated for the amount which the Group had borrowed from a fellow subsidiary. The interest rate charged for the balance with the fellow subsidiary was the one-year benchmark lending rate of the People's Bank of China.

16. Events after the reporting period

(i) On 17 January 2013, an acquisition agreement was entered into between the Group and Shum Yip Holdings. The Group has conditionally agreed to acquire the entire issued share capital of Shenzhen Silicon Valley Investment Limited ("Shenzhen Silicon Valley") from Shum Yip Holdings at a consideration to be satisfied by way of allotment and issue of consideration shares to Shum Yip Holdings. The fair value of the consideration will be determined on the completion date of the acquisition. Shenzhen Silicon Valley is engaged in property development and property investment in Shenzhen, the PRC. At the date of approval of these financial statements, the transaction was not completed yet.

(ii) Pursuant to the undertaking letter given by the Shenzhen Kezhigu Investment Limited ("Kezhigu"), a fellow subsidiary of the Group, to the Group dated 25 February 2013, Kezhigu has agreed that the purchase of certain properties from the Group shall be conditional upon the approval of the independent shareholders at the extraordinary general meeting of the Company. In the event that the aforesaid shareholders' approval is not obtained, Kezhigu shall enter into the relevant termination agreement(s) and/or arrangements with the Group in connection with the termination of the purchase of the properties to the effect that the purchase of the properties will be terminated and will not be completed with the entire consideration of HK$338,842,000 being refunded to Kezhigu by the Group.

CHAIRMAN'S STATEMENT

Business review

As the unceasing impact of the government's market regulating measures on the real estate industry continued, the beginning of 2012 perpetuated the downturn trend of the real estate market in 2011. Subsequently, the government fine-tuned its macro policies with monetary policies relatively loosened, and deposit reserve rate and interest rate began to adjust downwards. For the real estate industry, the government implemented a differentiation policy in which while the investment and speculative demand were still continued to be curbed, the rigid demand like first-home buyers was supported by policies. From the second quarter, the fine-tuned policies started to demonstrate its efficacy with market sentiment significantly improved. As driven by the rigid housing demand, the real estate transaction volume was gradually picking up. The Group timely grasped the market opportunity, actively promoted its property sales and had achieved good operating results.

Annual results and payment of dividends

During the year, the Group achieved a turnover of HK$8,568.3 million, representing an increase of 17.0% over the same period of last year. Profit for the year attributable to the Shareholders was HK$2,156.1 million, representing an increase of 41.7% over the same period of last year. Basic earnings per share were HK59.23 cents, representing an increase of 38.2% over the same period of last year. The Board recommended a final dividend of HK11 cents per share for 2012.

Implementing the strategy of intensifying the development in Shenzhen

During the year, the Group continued to implement the strategy of intensifying the development in Shenzhen, and while consolidating its existing residential business, the Group expanded its commercial property business steadily, and through asset injection from its parent company and the breakthrough in urban re-development projects, the Group implemented the strategic layout of its property business in Shenzhen and achieved further development.

Promoting real estate sales actively

The Group focused its efforts on grasping the market opportunities, adjusted its sales strategies to actively facilitate the sales of its projects. During the year, Terra Building（泰然大廈）, a key project of the Group, received remarkable market responses. The Group achieved contracted sales amounting to approximately RMB1,250 million with a unit price of RMB36,000 per square meter. With the continuous following-up works for customers and launching additional units into the market in appropriate proportion, the sales of residential products was able to maintain a good momentum, achieved contracted sales for the year of approximately RMB6,100 million, representing an increase of 33.5% over the same period of last year, and achieved 102% of its target for the year.

Engaging a professional team to improve management standard

During the year, the Group engaged a professional and international team in commercial property, injecting international vision insight and management experience for its commercial property business. For its residential development business, the Group integrated its residential property platform and established a cost optimization management and standardization process management system in unity, thereby improving its management standard for its residential development business and accelerating its assets turnover ratio.

Business outlook

Industry prospect

In 2013, the domestic economy of the PRC has shown a steady recovery trend, however, it still faces challenges from structural adjustment of the industries and deterioration of environmental resources. At the end of last year, the central government firmly indicated the fundamental direction of implementing a proactive fiscal policy and a prudent monetary policy. It also reiterated that the real estate control policies would remain intact. In the beginning of this year, the launch of the details of "國五條(State-Five Policies)" further demonstrated the determination of the central government's control over the Chinese real estate market. We believe that the direction and trend of the central government's control over the real estate market will remain unchanged, and that the differences of policies, as well as the austerity policies in suppressing the investment and speculative housing demand will continue. 2013 will be a year of consolidating the effects of the intervention and maintaining the stability and rational development of the real estate market.

According to the relevant policies, the current real estate market structure is becoming rational with rigid demand and living-improvement demand being the main purchasing power for the market. As the first-tier cities have strong economic vitalities, large population and solid consumption capacities, their momentum for market recovery and sustainability are relatively higher. The market purchasing capacities of most third and fourth-tier cities are limited, and with relatively larger supply, the market pressure they face is still tremendous. We believe that with the gradual shift to equilibrium in supply and demand, the real estate industry will still maintain stable development in 2013. The Group will closely monitor the economic environment and industry policy development; cope with the market changes on a timely basis; and adjust its operating strategies to develop progressively and steadily.

Shenzhen

In Shenzhen, as the long-accumulated rigid demand was released rationally, the transaction volume of new housing in 2012 has reached approximately 3.67 million square meters, representing an increase of 35% over the same period of last year. As one of the first-tier cities in the PRC with a permanent population of over 10 million, Shenzhen has huge economic development potential and a leading edge in terms of industries such as port logistics, high-tech, finance and internet. In recent years, Shenzhen has gradually increased its investments in the construction of infrastructural facilities in education, healthcare and environmental protection, and has improved the quality of city life. The population of Shenzhen mainly comprises immigrants who are at the age of about 30 years old in average, and are full of passion and vitality. The development of 前海 (Qianhai) in Shenzhen will also bring about a new round of momentum for its economic development, especially for the development of financial industry, logistics industry and information industry. The Group is fully confident about the long term development of real estate market in Shenzhen and will continue its strategic focus in Shenzhen.

Accelerating strategic transformation and upgrade

The Group will continue to facilitate its strategic transformation through quality and sustainable growth as well as the overall value enhancement of the Company to achieve corporate value enhancement and core competency improvement. Through optimizing its land reserve structure, the Group will focus its resources in the development of Shenzhen. We will gradually transit from the "development and sale" model to a "development, sale and holding for operation" model. We will gradually build up three professional platforms including industrial properties, commercial properties and residential properties and also optimize our assets/liabilities and financing structures to safeguard the security of funds and business growth.

Asset Injection

On 17 January 2013, the Group entered into a conditional acquisition agreement with its parent company, Shum Yip Holdings, to acquire the 100% equity interests of Kezhigu（科之谷）project (located at 福田區 (Futian District), Shenzhen city) at a consideration of RMB4.15 billion. Upon completion of such acquisition, the Group will issue and allot approximately 1,410 million new shares of the Company to Shum Yip Holdings at the price of HK$3.667 per share to satisfy the consideration of the transaction. The fair value of the consideration will be determined on the completion date of the acquisition. Please refer to the Company's announcement dated 22 January 2013 for more details. This transaction unveils the start of asset injection from our parent company.

Surrounded by three main parks, namely Lian Hua Shan Park, Bijiashan Park and Central Park, the Kezhigu（科之谷）project is located at Futian district with beautiful sceneries. It is only five minutes' drive to CBD of Futian with perfect surrounding transportation networks and comprehensive transportation facilities. The Kezhigu（科之谷）project occupies an area of 121,225.1 square meters, with a planned total gross floor area of 788,910 square meters, which includes high-end apartments, Grade A office buildings, office buildings for small and medium enterprises, high-end shopping centers and a five-star hotel. The project positions itself to be the base of high-end innovative headquarters, recreational and leisure centers, and will become the new landmark of Shenzhen.

The construction of the northern zone apartment portion of Kezhigu（科之谷）project has already commenced and is scheduled to realize pre-sale during the year, and will complete in 2014. The pre-sale target for the year is RMB2.4 billion which will bring significant growth to the sales of the Group.

The acquisition of Kezhigu（科之谷）is the first step of asset injection. After completion of this transaction, the total gross floor area of the Group's land reserves will reach 11.20 million square meters with attributable gross floor area of 10.12 million square meters, of which, the proportion of land reserves in Shenzhen will increase from its existing approximately 9% to 16%. The proportion of Shum Yip Holdings' equity interests in the Group will increase from its existing 44.4% to 59.6% and the net gearing ratio of the Group will decrease significantly.

Shum Yip Holdings has a land reserve with gross floor area of approximately 2 million square meters, and these are potential resources to be injected into the Group. We believe that asset injection will improve the land reserve quality of the Group and its future profitability rapidly and thus provide a huge momentum of continuous growth for the Company. With the further implementation of the Group's strategies, in the next 3 to 4 years, the Group will have real estate projects in Shenzhen with gross floor area of over 4 million square meters. The Group will continue to increase its project reserves in Shenzhen through asset injection and other means, enhance the capacity of the construction and operation of its residential and commercial properties, and strive to become a leading developer and commercial property operator in Shenzhen.

Real Estate Operation

The Group aims at achieving a saleable property area of 1.58 million square meters with saleable property value reaching approximately RMB23.3 billion in 2013, representing an increase of approximately 55% over last year. As the asset injection projects will realize contracted sales this year, the contracted sales of the Group will achieve significant growth with a sales target of about RMB9.0 billion in 2013, representing an increase of 48% as compared with the actual contracted sales last year. The major sales projects include Terra Building（泰然大廈）, the Kezhigu Northern Zone Apartments（科之谷北區公寓）, Qingshuihe Auto Logistic Park（清水河汽車物流園）, Noble Times（東晟時代）, Shum Yip Royal Garden（深業御園）, Shum Yip City（深業城）, Yundonghai（雲東海）, Saina Bay（塞納灣）, Euro-view Garden（歐景麗苑）, Wanlin Lake（萬林湖）, Nanhu Rose Bay（南湖玫瑰灣）and Rui Cheng（睿城）. The Group will continue to grasp the market opportunities and formulate rational sales strategies to strive for realizing its sales target.

In order to implement its sustainable development and steadily promote the development of projects, the Group plans to construct 24 new projects with gross floor area exceeding 2.00 million square meters in 2013. The Group will retune its project development progress according to project sales conditions and market environment to ensure sufficient saleable volume for this year and next year.

Land reserves

The Group will maintain its existing scale of land reserves and optimize the land reserve structure optimization based on a proactive and prudent principles. The Group will continue to focus on its development in Shenzhen and complement its quality land resources. At the same time, the Group will seek for opportunities according to market conditions and adjust the land reserve structure to improve its land bank quality.

Re-development

The Group has 6 urban re-development projects in Shenzhen, including the Kezhigu（科之谷）project, which are locating at Lian Hua Shan in Futian（福田蓮花山）, Sungang, Qingshuihe, Shangbu, Chegongmiao and Guanlan respectively, with expected total planned gross floor area of approximately 2.40 million square meters. Such projects are important resources of the Group in focusing on the development in Shenzhen. By leveraging on the strength of its state-owned controlling shareholder, the Group will speed up the progress in re-development project planning application, demolition and land usage procedures registration to promote the projects to enter into their construction and sales phases as quickly as possible.

Financial strategy

The Group will adhere to the consistent principle of maintaining healthy financial position and actively explore various financing channels besides commercial loans. It will endeavour to reduce financing costs to provide concrete protection of financial resources for its business development.

Corporate prospect

In 2013, the Group will grasp market opportunities and ensure a stable operation. It will make full use of its resources advantages and optimize its regional layout to sustain a steady growth. The Board is in full confidence that the Group will achieve a solid growth in the future.

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Results

During the year, the Group achieved a turnover of HK$8,568.3 million, representing an increase of 17.0% over the same period of last year. Gross profit margin was 36.0%, in par with the same period of last year. Profit attributable to shareholders was HK$2,156.1 million, representing an increase of 41.7% over the same period of last year. If excluding the net effect of the changes in fair value of investment properties of the Group, profit attributable to shareholders increased by 40.4% over the same period of last year. Basic earnings per share were HK59.23 cents, representing an increase of 38.2% over the same period of last year.

Property development and sales

During the year, the Group recorded 528,000 square meters in property sales (excluding the interests attributable to the Group in its three principal associated companies), representing an increase of 23.4% over the same period of last year and achieved a net revenue in property sales of RMB4,891 million (equivalent to HK$6,013.5 million) (net of business tax), representing an increase of 19% over the same period of last year. Gross profit margin of real estate sales was 39.2%, representing a decrease of 1.3 percentage point over the same period of last year.

Table of Property Sales Booked

Property Name	Type	Sales area *(sqm)*	Net sales *(RMB Million)*	Unit price *(RMB/sqm)*
Wanlin Lake Phase I	Residential	178	1	4,260
Wanlin Lake Phase II	Residential	6,025	83	13,859
Wanlin Lake Phase III	Residential	2,265	18	7,751
Wanlin Lake Phase V	Residential	8,069	50	6,155
Wanlin Lake Phase VI	Residential	49,106	271	5,509
Noah Mountain Forest Phase I	Residential	967	8	8,345
Noah Mountain Forest Phase II	Residential	34,961	152	4,340
Noah Mountain Forest Phase III	Residential	14,221	74	5,204
Rui Cheng Phase 1.1	Residential	13,490	70	5,224
Garden Hill	Residential	12,045	89	7,352
Jinxiu Jiangcheng Phase I	Residential	39,510	183	4,629
Euro-view Garden Phase I	Residential	37,895	249	6,579
Euro-view Garden Phase II	Residential	22,286	135	6,053
Terra Building	Office-buildings	28,510	976	34,240
Longyuan	Residential	6,873	280	40,802
Nanhu Rose Bay Phase I	Residential	109	2	17,988
Nanhu Rose Bay Phase II	Residential	1,405	21	14,941
Nanhu Rose Bay Phase III District I	Residential	1,457	15	10,479
Nanhu Rose Bay Phase III District II	Residential	37,752	300	7,955
Nanhu Rose Bay Phase III District III	Residential	1,143	16	14,029
Nanhu Rose Bay Parking lots	Parking lot	2,310	24	10,414
Chengdu Yihu Rose Court – Commercial	Shops	3,121	69	21,976
Chengdu Yihu Rose Court – Residential	Residential	21,925	41	1,877
Purple Kylin Hill District I	Residential	2,936	75	27,208
Purple Kylin Hill District II	Shops	310	4	12,235
Purple Kylin Hill District III	Residential	21,580	271	12,548
Purple Kylin Hill District III – Shops	Shops	5,804	71	12,276

Property Name	**Type**	**Sales area** *(sqm)*	**Net sales** *(RMB Million)*	**Unit price** *(RMB/sqm)*
Noble Times Phase I	Residential	51,433	506	9,833
Royal Garden	Residential	24,387	157	6,429
Royal Spring Garden – Houses	Residential	8,650	51	5,923
Royal Spring Garden – Parking lots	Parking lot	528	4	7,973
Shum Yip City Phase I District I Residential	Residential	122	1	5,783
Shum Yip City Phase I District I Shops	Shops	1,053	23	21,848
Shum Yip City Phase I District II Residential	Residential	25,148	155	6,169
Shum Yip City Parking lots	Parking lot	4,975	16	3,271
Shum Yip Saina Bay	Residential	16,493	167	10,150
Jinxiu Workshops	Shops	11,879	188	15,823
Others	Residential	7,095	75	10,539
Total		**528,016**	**4,891**	**9,263**

During the year, the Group achieved 679,000 square meters in contracted sales area and contracted sales income of approximately RMB6,124 million, representing an increase of 33.5% over the same period of last year.

2012 Annual Contracted Sales Table

Project	Location	Type	Accumulated sales area *(sqm)*	Accumulated sales *(RMB million)*	Average price *(RMB/sqm)*
Wanlin Lake	Huizhou	Commercial and Residential	65,287	470	7,199
Garden Hill	Huizhou	Residential	39,233	209	5,335
Noah Mountain Forest	Changsha	Commercial and Residential	22,386	117	5,230
Rui Cheng	Changsha	Residential	48,175	235	4,875
Jinxiu Jiangcheng	Jiangyan	Commercial and Residential	45,443	222	4,884
Euro-view Garden	Dongguan	Residential	48,590	320	6,587
Terra Building	Shenzhen	Office buildings	34,462	1,254	36,377
Longyuan Building No. 4	Shenzhen	Residential	2,221	107	48,389
Wuhan Terra Nanhu Rose Bay Phase III	Wuhan	Residential	46,618	408	8,760
Chengdu Yihu Rose Court Phase I District I	Chengdu	Residential	13,384	85	6,363
Purple Kylin Hill	Shenzhen	Residential	21,393	302	14,105
Dongguan Royal Spring Garden Phase II High-rise Garage	Dongguan	Parking lot	2,281	17	7,448
Shum Yip Royal Garden (Kengzi) Residential	Shenzhen	Residential	29,061	196	6,728
Noble Times	Shenzhen	Commercial and Residential	74,415	739	9,930
Shunde Shum Yip City	Foshan	Residential	75,300	498	6,609
Sanshui Yundonghai Garden	Foshan	Residential	4,751	60	12,572
Heyuan Saina Bay Phase I	Heyuan	Residential	29,314	293	9,994
Shum Yip Hua Fu Phase I District I	Maanshan	Residential	64,852	451	6,948
Chengdu Jin Xin Workshops Project	Chengdu	Commercial	11,879	141	11,907
			679,045	**6,124**	**9,018**

Project development and land reserves

During the year, the Group had 13 newly constructed projects with new construction area of approximately 946,000 square meters.

Project Name	City	Nature of land use	Planned gross floor area *(sqm)*	Salesable area *(sqm)*
Shum Yip Hua Fu Phase I	Changzhou	Residential	37,038	28,646
Wanlin Lake Phase 8.2	Huizhou	Residential	80,577	79,505
Shum Yip Rui Cheng Phase 1.2a	Changsha	Residential	130,322	96,230
Shum Yip Rui Cheng Phase 1.2b	Changsha	Residential	86,715	83,981
Euro-view Garden Phase III	Dongguan	Residential	66,453	49,146
Qingshuihe International Auto Logistic Industrial Park Phase II	Shenzhen	Complex	105,300	32,400
Wuhan Nanhu Rose Bay Phase II District II (8-9#)	Wuhan	Residential	29,945	26,713
Wuhan Nanhu Rose Bay Phase IV District I (14-17# and Kindergarten)	Wuhan	Residential	62,800	51,800
Chengdu Yihu Rose Court Phase I District I (4#)	Chengdu	Commercial and Residential	13,833	6,410
Chengdu Yihu Rose Court Phase I District II (12#)	Chengdu	Commercial and Residential	28,966	27,244
Chengdu Yihu Rose Court Phase III (Laohuaniao District I)	Chengdu	Commercial and Residential	78,000	40,000
Shum Yip Chaohu Bantang Hotel Auxiliary Housing (staff domitory)	Chaohu	Commercial (including hotel and office)	6,074	–
Sanshui Hotel	Foshan	Complex	220,000	106,000
			946,023	**628,075**

During the year, the Group added newly land reserves with gross floor area of approximately 935,000 square meters which are located at Wuhan and Huizhou respectively. The Wuhan project is located at Donghu BioValley（東湖生物谷）. The project site area is 347,000 square meters with a gross floor area of 710,000 square meters, and its land acquisition costs are approximately RMB380 million and the percentage of interest attributable to the Group in this project is 52.5%. The Huizhou project is close to the Wanlin Lake project of the Group with a project site area of 73,000 square meters and a gross floor area of 225,000 square meters, and its land costs are approximately RMB220 million.

As of the end of December 2012, the Group had a total gross land reserve of 10.41 million square meters (in gross floor area) with an attributable gross floor area of 9.33 million square meters (excluding the interests attributable to the Group in its three principal associated companies). Of which, the Group had 16 property projects under construction with a total gross floor area of approximately 1.80 million square meters and an attributable gross floor area of 1.67 million square meters.

Table of land reserves by city distribution (as at 31 December 2012)

		Total GFA *(sqm)*	**Attr. GFA** *(sqm)*	*%*
Guangdong	Shenzhen	876,420	876,420	9.40%
	Huizhou	1,651,148	1,539,525	16.51%
	Foshan	1,763,562	1,763,562	18.91%
	Dongguan	66,453	66,453	0.71%
	Heyuan	879,916	879,916	9.43%
	Guangzhou	340,171	340,171	3.65%
Hubei	Wuhan	1,497,416	793,630	8.51%
Hunan	Changsha	675,244	675,244	7.24%
Anhui	Maanshan	1,444,250	1,444,250	15.49%
	Chaohu	154,126	123,301	1.32%
Jiangsu	Jiangyan	173,846	173,846	1.86%
	Changzhou	166,101	166,101	1.78%
Sichuan	Chengdu	505,807	268,078	2.87%
Xinjiang	Kashi	215,952	215,952	2.32%
		10,410,412	9,326,449	100.00%

Project acquisition

During the year, the Group acquired the 100% equity interests of Shum Yip Property together with its shareholder's loan at a total consideration of approximately HK$151 million. Shum Yip Property owns a 90% interest in the project of Chengdu Jinxiu Antique City（成都錦綉古玩城）, which is located at Qingyang District, comprising five constructed low-rise buildings with a gross floor area of approximately 34,400 square meters and a parcel of industrial land with a site area of 7,623 square meters. The transaction has already been completed. As at the end of 2012, the Group had achieved contracted sales of 11,800 square meters with an average price of RMB16,800 per square meter.

During the year, the Group signed a set of blanket agreements with Coastal Greenland to acquire 100% of equity interests of the complex projects in the Suzhou city district and shareholders' loan at a consideration of RMB550 million in aggregate. At the same time, the Group disposed of the 30% equity interests and shareholders' loan in Huizhou City West Train Station project to Coastal Greenland at RMB215 million in aggregate. The background for such transaction was mainly to avoid the default risk of US$50 million Bond of Coastal Greenland originally held by us. (For details, please refer to the announcement dated 28 September 2012). This transaction was fully completed by the end of 2012 and the gain on bargain purchase of HK$189 million recorded was already accounted for as profit for the year.

Connected Transactions

The Project Acquisition section mentioned an acquisition of equity interest in Shum Yip Property by the Group, of which, 15% of the equity interest was acquired by the Group from its parent company on 27 July 2012. The consideration for equity interest and shareholder's loan was HK$12.1 million and HK$78.0 million respectively. (The acquisition of equity interest constituted a connected transaction. For details, please refer to the announcement published on 27 July 2012).

On 31 July 2012, the Group entered into an agreement with a fellow subsidiary to dispose of the properties, which were the certain floors of Terra Building developed by the Group with an aggregate area of approximately 7,885.11 square meters, for the parent company's own use. The total consideration was RMB272.4 million with unit prices per sq.m. ranging from RMB31,826.44 to RMB42,202.73. (Such disposal constituted a connected transaction and was not yet completed as at 31 December 2012. For details, please refer to the announcement published on 25 February 2013.)

Property investment

During the year, the Group's property investment business continued to maintain a steady growth. The total area of our investment properties was over 700,000 square meters, with an achieved rental income of HK$515.0 million, representing an increase of approximately 15.3% over the same period of last year. During the year, as a result of the increase of total rental area, the optimization of investment property portfolio and the increase of rent, the Group recorded a revaluation gain of HK$470.9 million in its investment property portfolio in which it had already been accounted for as profit for the year.

Commercial property

During the year, the Group invited senior managers and teams in the commercial property sector to join the Group. At present, the Group is striving for developing a development model for the Group's commercial property and refining its commercial property plans, equips itself well in preparing the Group for the development of commercial property business.

Jointly-controlled entities

During the year, Taizhou Shum Yip Investment Development Limited (a 51% owned company of the Group) made a net profit contribution of HK$48.5 million to the Group, representing a decrease of 73.8% over the same period of last year. The principal activity of this company is to provide relevant service to local governments in primary land development arrangement.

Performance by associated companies

During the year, the performance of associated companies invested by the Group was within expectation. Of which, Shenzhen Tianan Cyber Park (Group) Co. Ltd., made a net profit contribution of HK$428.5 million to the Group, representing an increase of 54.5% over the same period of last year. Road King Infrastructure Limited, a listed company in Hong Kong, made a net profit contribution of HK$188.5 million to the Group, representing a decrease of 15.5% over the same period of last year. Coastal Greenland Limited, another listed company in Hong Kong, made a profit of HK$74.2 million to the Group, representing an increase of 217.1% over the same period of last year.

Land appreciation tax refund

During the year, the Group paid land appreciation tax for projects such as Coast and resulted a land appreciation tax refund of HK$107.9 million due to the higher amount originally provided than the actual amount paid, and the above amount was used to offset against the land appreciation tax provided in the current period.

Financial position

As at 31 December 2012, the Group's total bank and other borrowings amounted to HK$22,210.4 million, of which HK$18,578.2 million were floating-rate loans, and the rest were fixed rate loans. Long-term loans amounted to HK$13,236.2 million, representing approximately 59.6% of total borrowings, and short-term loans were HK$8,974.2 million, representing approximately 40.4% of total borrowings.

As of 31 December 2012, the Group's cash balance (including pledged deposits and restricted cash) was HK$7,305.8 million, of which approximately 82.3% and 17.7% were denominated in Renminbi and other currencies (mainly in US$ and HK$) respectively. As the Group's main operating cash inflow is in Renminbi, while the assets held and debts committed are mainly stated in Renminbi and US$, therefore the exchange rate movements will have positive financial impact to the Group in the short run.

As at 31 December 2012, the Group had net assets (after non-controlling interests) of HK$17,547.9 million, a net gearing ratio (the ratio of net borrowings over net assets (net of non-controlling equity interests)) of 84.9% and a gearing ratio (the ratio of total liabilities over total assets) of 64.1%.

Summary of statement of financial position items

HK$ million	**31 December 2012**	31 December 2011
Bank and other borrowings	**22,210.4**	16,479.3
Long-term debts	**13,236.2**	11,514.0
Short-term debts	**8,974.2**	4,965.3
Floating-rate loans	**18,578.2**	15,802.1
Cash (including pledged deposits and restricted cash)	**7,305.8**	5,236.4

Pledge of assets and contingent liabilities position

As at 31 December 2012, the Group had total loans of HK$3,762.4 million that were pledged with assets. (For details, see note 12 of the financial information).

As at 31 December 2012, the Group has given guarantees to a maximum extent of approximately HK$1,948.3 million to banks for housing loans extended by the banks to the purchasers of the Group's properties (For details, see note 14 of the financial information).

Capital structure

As at 31 December 2012, Shum Yip Holdings Company Limited, the parent company of the Group is interested in approximately 44.4% of the Group, and was the largest shareholder of the Group.

During the year, the Group did not exercise any share options and did not repurchase any share of the Group. During the year, the Group issued a total of 102,991,104 shares to the shareholders who have elected to receive their 2012 interim dividend by way of scrip dividends, of which, Ship Yip Holdings Limited, the major shareholder, received its dividends in full in the form of scrip dividends, totaling 63,107,180 Shares.

As at 31 December 2012, the issued share capital of the Group was 3,729,015,408 shares (31 December 2011: 3,626,024,304 shares).

Staff headcount and remuneration

As at 31 December 2012, the Group had a total staff number of approximately 19,000, of which 29 were stationed in Hong Kong (mainly managerial and finance-related personnel), and the rest were in China.

Employee benefits include salaries, allowances, medical insurance and mandatory retirement contributions. We also issue bonuses and grant share options, under the share option scheme of the Group, to employees based on individual performance and the results of the Group.

FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK11.00 cents per share for the year ended 31 December 2012 (2011: final dividend of HK8.00 cents) to shareholders whose names appear on the register of members of the Company on Thursday, 20 June 2013. Together with the interim dividend of HK7.00 cents per share which was paid on 14 November 2012, the total dividend for the year ended 31 December 2012 will amount to HK18.00 cents per share (2011: HK15.00 cents per share).

The proposed final dividend will be satisfied wholly in the form of an allotment of new fully paid share(s) of nominal value of HK5.00 cents each in the share capital of the Company ("**scrip shares**") but shareholders will be given the option of receiving such final dividend wholly in cash in lieu of such allotment, or partly in cash and partly in the form of scrip shares (the "**Scrip Dividend Scheme**").

The Scrip Dividend Scheme is conditional upon the passing of the resolution relating to the payment of final dividend at the forthcoming annual general meeting and the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of and permission to deal in the new shares to be issued under the Scrip Dividend Scheme.

A circular containing details of the Scrip Dividend Scheme together with relevant election form will be sent to shareholders on or around Tuesday, 16 July 2013. It is expected that the certificates for the scrip shares, and cheques for cash dividends, will be sent to shareholders on or about Monday, 12 August 2013.

ANNUAL GENERAL MEETING

The annual general meeting of the Company ("Annual General Meeting") will be held at Garden Room, 2nd Floor, Hotel Nikko Hong Kong, 72 Mody Road, Tsimshatsui East, Kowloon, Hong Kong on Thursday, 13 June 2013 at 10:30 a.m.

CLOSURE OF REGISTER OF MEMBERS

To ascertain the shareholders' entitlement to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Friday, 7 June 2013 to Thursday, 13 June 2013, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the Annual General Meeting, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Standard Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 6 June 2013.

To ascertain the shareholders' entitlement to the proposed final dividend, the register of members of the Company will be closed from Wednesday, 19 June 2013 to Thursday, 20 June 2013, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Standard Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 18 June 2013.

RETIREMENT OF DIRECTORS

In accordance with Article 92 of the Articles of Association, Mr. WANG Minyuan who was appointed to fill a casual vacancy will hold office only until the next following general meeting and shall then be eligible for re-election.

In accordance with Article 101 of the Articles of Association, Mr. LIU Chong, Mr. WONG Po Yan and Mr. WU Wai Chung, Michael will retire by rotation at the Annual General Meeting. Mr. WONG Po Yan has notified the Company that due to age, he will not seek for re-election as director at the Annual General Meeting. Mr. WONG Po Yan confirmed that he had no disagreement with the Board and there was no other matter in relation to his retirement that needed to be brought to the attention of the shareholders. Accordingly, except for Mr. WONG Po Yan, all other retiring Directors, being eligible, offer themselves for re-election.

In accordance with rule 3.10(1) and 3.10A of the Listing Rules, the Board of the Company must include at least three independent non-executive directors and one-third of the Board should be independent non-executive directors. The Company is now seeking an appropriate person to be appointed by the Board or to be proposed for election to fill up the vacated office occasioned by the retirement of Mr. WONG Po Yan as independent non-executive director. If the requirements of rule 3.10(1) and 3.10A of the Listing Rules are not complied with at the date of the Annual General Meeting, the Company should immediately inform the Stock Exchange and publish an announcement containing the relevant details and reasons.

CORPORATE GOVERNANCE

The Company has adopted all the code provisions in the Code on Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code (effective from 1 April 2012) set out in Appendix 14 of the Listing Rules ("Code") as its own code on corporate governance practices. During the year, the Company has complied with the code provisions set out in the Code for the time being in force except for the following deviations:–

(1) Code provision A.2.1. of the Code – the roles of chairman and chief executive should be separate and should not be performed by the same individual.

    Due to the resignation of Mr. GUO Limin as the Chairman of the Board, Mr. LU Hua, the President, was appointed as the Acting Chairman of the Board on 24 April 2012. As a result, Mr. LU Hua performed the duties of both the Chairman and President of the Company up to 31 January 2013. On 31 January 2013, Mr. LU Hua was re-designated from the Acting Chairman of the Chairman of the Board to the Chairman of the Board and resigned as the President of the Company and Mr. GAO Shengyuan was appointed as the President of the Company in order to comply with the requirements of the code provision A.2.1. of the Code.

(2) Code provision A.6.7 of the Code – independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the view of shareholders and code provision E.1.2. of the Code – the chairmen of the audit, remuneration, nomination and any other committees (as applicable) should attend the annual general meeting and be available to answer questions thereat.

    Mr. WONG Po Yan, the chairman of Remuneration Committee and Nomination Committee, and Mr. WU Wai Chung, Michael, both independent non-executive directors, were unable to attend the annual general meeting of the Company on 22 June 2012 due to other business commitment, Mr. LI Wai Keung, the member of Remuneration Committee and Nomination Committee had attended in Mr. WONG's absence.

The Audit Committee comprises three independent non-executive directors namely Mr. LI Wai Keung, Mr. WONG Po Yan and Mr. WU Wai Chung, Michael. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the 2012 final results and the audited consolidated financial statements for the year ended 31 December 2012.

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the directors. Having made specific enquiry of all directors of the Company, the Company confirmed that all directors have complied with the required standard set out in the Model Code.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of its listed securities during the year.

APPRECIATION

On behalf of the Board, I would like to extend my gratitude to all shareholders, the public and employees of the Group for their unfailing support, assistance, service and dedication.

By Order of the Board
LU Hua
Chairman

Hong Kong, 25 March 2013

As at the date of this announcement, the Board comprises 9 Directors, of which Mr. LU Hua, Mr. MOU Yong, Mr. LIU Chong and Mr. WANG Minyuan are the executive Directors, Dr. WU Jiesi and Mr. HUANG Yige are the non-executive Directors and Mr. WONG Po Yan, Mr. WU Wai Chung, Michael and Mr. LI Wai Keung are the independent non-executive Directors.