SHANGHAI ZENDAI PROPERTY LIMITED

上海証大房地產有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 755)

RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	**2012** *HK$'000*	2011 *HK$'000*
Turnover	*3*	**1,122,891**	2,796,296
Cost of sales		**(682,200)**	(1,380,617)
Gross profit		**440,691**	1,415,679
Other income and gains		**1,216,742**	214,865
Distribution costs		**(118,150)**	(131,196)
Administrative expenses		**(318,932)**	(310,362)
Impairment loss on property, plant and equipment		**–**	(9,694)
Reversal of impairment loss on payment for leasehold land held for own use under operating leases		**–**	45,371
Change in fair value of investment properties		**(42,748)**	162,297
Impairment loss on goodwill		**–**	(1,040)
Reversal of impairment loss on other receivable		**–**	19,995
Share of results of associates		**(159,189)**	19,689
Share of results of jointly controlled entities		**(9,580)**	(5,610)
Finance costs	*6*	**(136,227)**	(466,174)

	Notes	2012 HK$'000	2011 HK$'000
Profit before tax expenses	5	**872,607**	953,820
Tax expenses	7	**(316,843)**	(505,606)
Profit for the year		**555,764**	448,214
Profit/(loss) for the year attributable to:			
– Owners of the Company		**554,702**	449,886
– Non-controlling interests		**1,062**	(1,672)
		555,764	448,214
Earnings per share	9		
– Basic		**HK4.5 Cents**	HK3.6 Cents
– Diluted		**HK4.5 Cents**	HK3.6 Cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current assets			
Property, plant and equipment		**385,910**	387,019
Investment properties		**2,575,421**	2,564,824
Payment for leasehold land held for own use under operating leases		**619,904**	642,794
Goodwill		**101,975**	101,763
Interests in associates		**545,918**	842,307
Interests in jointly controlled entities		**43,389**	52,614
Available-for-sale investments		**30,906**	35,648
Total non-current assets		**4,303,423**	4,626,969
Current assets			
Properties under development and for sales		**5,877,086**	4,346,035
Inventories		**2,000**	1,887
Trade and other receivables	*10*	**624,666**	650,583
Deposits for property development		**441,838**	90,557
Amounts due from associates		**798,782**	660,086
Amounts due from jointly controlled entities		**813,599**	535,984
Available-for-sale investments		**2,584**	1,957
Amounts due from related companies		**15,080**	15,954
Pledged bank deposits		**1,317,421**	224,749
Tax prepayments	*12*	**44,872**	39,400
Entrusted loan receivables		**110,728**	293,542
Cash and cash equivalents		**1,508,600**	888,224
		11,557,256	7,748,958
Assets classified as held for sale		**–**	15,456,736
Total current assets		**11,557,256**	23,205,694
Total assets		**15,860,679**	27,832,663
Current liabilities			
Trade, notes and other payables	*11*	**1,278,137**	1,029,434
Receipts in advance from customers		**1,706,919**	1,283,397
Entrusted loan payables		**–**	73,386
Amounts due to associates		**–**	10,447,186
Amounts due to related companies		**–**	55,089
Amounts due to minority owners of subsidiaries		**42,714**	173,310
Bank loans		**1,325,085**	754,648
Senior loan notes		**–**	1,078,964
Tax payables	*12*	**1,261,738**	1,626,279
		5,614,593	16,521,693
Liabilities associated with assets classified as held for sale		**–**	2,850,453
Total current liabilities		**5,614,593**	19,372,146
Net current assets		**5,942,663**	3,833,548
Total assets less current liabilities		**10,246,086**	8,460,517

	Notes	**2012** ***HK$'000***	2011 *HK$'000*
Non-current liabilities			
Bank loans		**3,631,598**	1,806,183
Deferred tax liabilities		**642,773**	692,810
Other payables		**171,880**	148,599
Total non-current liabilities		**4,446,251**	2,647,592
Total liabilities		**10,060,844**	22,019,738
TOTAL NET ASSETS		**5,799,835**	5,812,925
Capital and reserves attributable to owners of the Company			
Share capital		**248,747**	249,276
Reserves		**5,346,924**	5,300,154
Equity attributable to owners of the Company		**5,595,671**	5,549,430
Non-controlling interests		**204,164**	263,495
TOTAL EQUITY		**5,799,835**	5,812,925

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of amendments to HKFRSs – first effective on 1 January 2012

Amendments to HKFRS 1	Severe Hyper Inflation and Removal of Fixed Dates for First-time Adopters
Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets

Except as explained below, the adoption of these amendments has no material impact on the Group's financial statements.

Amendments to HKAS 12 – Deferred Tax – Recovery of Underlying Assets

The amendments to HKAS 12 introduce a rebuttable presumption that an investment property which is stated at fair value under HKAS 40 "Investment Property" is recovered entirely through sale. The measurement of the deferred tax liability or deferred tax asset reflects the tax consequences of recovering the carrying amount of the investment property entirely through sale. This presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If this presumption is rebutted, the amount of deferred tax is measured based on the expected manner in which the carrying amount of the investment property would be recovered, using the appropriate tax rates enacted or substantially enacted at the reporting date.

In respect of the Group's investment properties located in the People's Republic of China, other than Hong Kong and Macau (the "PRC"), the Group determined that these properties are depreciable and are held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time and consequently the presumption in the amended HKAS 12 is rebutted for these investment properties. As a result, the Group continues to measure the deferred tax relating to these investment properties using the tax rate that would apply as a result of recovering their value through use.

The amendment has had no material impact on the Group's consolidated financial statements.

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new or revised HKFRSs, potentially relevant to the Group's financial statements, have been issued but are not yet effective and have not been early adopted by the Group:

HKFRSs (Amendments)	Annual Improvements 2009-2011 Cycle[2]
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income[1]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[3]
Amendments to HKFRS 7	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 13	Fair Value Measurements[2]
HKAS 27 (2011)	Separate Financial Statements[2]
HKAS 28 (2011)	Investments in Associates and Joint Ventures[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

The Group is in the process of making an assessment of the potential impact of these pronouncements. The directors so far concluded that the application of these new pronouncements will have no material impact on the Group's financial statements.

3. TURNOVER

Turnover representing the aggregate of proceeds from sales of properties, amounts received and receivable from the hotel operations, properties rental, management and agency income, and the provision of travel and related services is summarised as follows:

	Group	
Turnover	**2012**	2011
	HK$'000	*HK$'000*
Sales of properties	**685,521**	2,391,143
Hotel operations:		
Room rentals	**100,676**	107,380
Food and beverage sales	**32,362**	32,479
Rendering of ancillary services	**9,978**	11,765
Properties rental, management and agency income	**277,915**	240,837
Travel and related services	**16,439**	12,692
	1,122,891	2,796,296

4. SEGMENT REPORTING

The Group determines its operating segments based on the reports regularly reviewed by the chief operating decision maker that are used to assess performance and allocate resources. The chief operating decision maker considers the business primarily on the basis of the types of goods and services supplied by the Group. The Group is currently organised into four operating divisions which comprise (i) sales of properties; (ii) hotel operations; (iii) properties rental, management and agency services; and (iv) provision of travel and related services.

Certain revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segments' results that is used by the chief operating decision maker for assessment of segment performance.

Segment information is presented below:

(a) Information about reportable segment revenue, profit or loss and other information

	Sales of properties		Hotel operations		Properties rental, management and agency services		Travel and related services		Group	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*
Reportable segment revenue from external sales	**685,521**	2,391,143	**143,016**	151,624	**277,915**	240,837	**16,439**	12,692	**1,122,891**	2,796,296
Reportable segment profit before tax expenses	**1,029,013**	1,090,352	**(150,815)**	57,431	**146,317**	289,255	**20**	9	**1,024,535**	1,437,047
Other information										
Interest income	**28,960**	5,579	**–**	–	**630**	546	**–**	–	**29,590**	6,125
Interest income from other receivables	**15,449**	10,612	**–**	–	**–**	–	**–**	–	**15,449**	10,612
Interest income from entrusted loan receivables	**53,783**	35,414	**–**	–	**–**	–	**–**	–	**53,783**	35,414
Interest income from amount due from an associate	**9,836**	–	**–**	–	**–**	–	**–**	–	**9,836**	–
Depreciation of property, plant and equipment	**5,180**	5,186	**14,629**	15,125	**414**	820	**–**	21	**20,223**	21,152
Amortisation of payment for leasehold land held for own use under operating leases	**–**	–	**26,670**	17,933	**–**	–	**–**	–	**26,670**	17,933
Impairment loss on property, plant and equipment	**–**	–	**–**	9,694	**–**	–	**–**	–	**–**	9,694
Reversal of impairment loss on payment for leasehold land held for own use under operating leases	**–**	–	**–**	45,371	**–**	–	**–**	–	**–**	45,371
Change in fair value of investment properties	**–**	–	**–**	–	**(42,748)**	162,297	**–**	–	**(42,748)**	162,297
Share of results of associates	**(13,184)**	(1,792)	**(146,005)**	21,481	**–**	–	**–**	–	**(159,189)**	19,689
Share of result of jointly controlled entities	**(9,580)**	(5,610)	**–**	–	**–**	–	**–**	–	**(9,580)**	(5,610)
Write off of property, plant and equipment	**1,007**	628	**–**	–	**–**	–	**–**	–	**1,007**	628
Gain on disposal of subsidiaries	**826,645**	68,353	**–**	–	**–**	–	**–**	–	**826,645**	68,353
Gain on disposal of an associate	**58,428**	–	**–**	–	**–**	–	**–**	–	**58,428**	–
Gain on disposal of investment properties	**–**	–	**–**	–	**168,671**	71,309	**–**	–	**168,671**	71,309
Impairment loss on goodwill	**–**	1,040	**–**	–	**–**	–	**–**	–	**–**	1,040
Reversal of impairment loss on other receivable	**–**	19,995	**–**	–	**–**	–	**–**	–	**–**	19,995
Amounts included in the measure of segment assets:										
Reportable segment assets	**10,331,581**	7,641,028	**1,350,136**	1,444,663	**2,705,614**	2,798,196	**3,098**	2,651	**14,390,429**	11,886,538
Additions to non-current assets (note)	**8,453**	5,061	**8,050**	1,731	**264,298**	2,239	**–**	–	**280,801**	9,031
Interests in associates	**184,413**	423,709	**361,505**	418,598	**–**	–	**–**	–	**545,918**	842,307
Interests in jointly controlled entities	**43,389**	52,614	**–**	–	**–**	–	**–**	–	**43,389**	52,614
Reportable segment liabilities	**7,610,684**	15,924,872	**14,960**	19,485	**426,833**	557,384	**2,683**	2,257	**8,055,160**	16,503,998

Note: Amounts comprise additions to investments properties and property, plant and equipment.

(b) Reconciliation of reportable segment profit or loss, assets and liabilities

Profit before tax expenses	**Group** **2012** *HK$'000*	2011 *HK$'000*
Reportable segment profit before tax expenses	**1,024,535**	1,437,047
Unallocated bank interest income	**643**	2,837
Other revenue	**364**	369
Gain on repurchase of senior loan notes	**–**	251
Dividend income from available-for-sale investments	**17,792**	–
Finance costs	**(136,227)**	(466,174)
Unallocated head office and corporate expenses	**(34,500)**	(20,510)
Profit before income tax expenses	**872,607**	953,820

Assets	**Group** **2012** *HK$'000*	2011 *HK$'000*
Reportable segment assets	**14,390,429**	11,886,538
Available-for-sale investments	**–**	14,709
Pledged bank deposits	**1,317,421**	224,749
Head office and corporate assets	**152,829**	249,931
Assets classified as held for sale	**–**	15,456,736
Total assets	**15,860,679**	27,832,663

Liabilities	**Group** **2012** *HK$'000*	2011 *HK$'000*
Reportable segment liabilities	**8,055,160**	16,503,998
Borrowings *(note)*	**1,983,303**	2,618,837
Unallocated head office and corporate liabilities	**22,381**	46,450
Liabilities associated with assets held for sale	**–**	2,850,453
Total liabilities	**10,060,844**	22,019,738

Note: The balance comprises certain bank loans and senior loan notes.

(c) Geographical information

The Group's operations are principally located in the PRC and Hong Kong. Group administration is carried out in the PRC and Hong Kong.

The following table provides an analysis of the Group's turnover by geographical market.

Group	Revenue from external customers 2012 HK$'000	2011 HK$'000
PRC	**1,106,452**	2,783,604
Hong Kong	**16,439**	12,692
	1,122,891	2,796,296

As the Group's assets are substantially located in the PRC, no further geographical information is presented.

(d) Information about major customers

Revenue from customers of the sales of properties segment in the PRC contributing over 10% of total turnover of the Group is as follows:

	Group 2012 HK$'000	2011 HK$'000
Customer A	**–**	366,766

5. PROFIT BEFORE TAX EXPENSES

Profit before tax expenses is arrived at after charging:

	Group 2012 HK$'000	2011 HK$'000
Cost of sales	**682,200**	1,380,617
Staff costs	**153,430**	182,481
Depreciation of property, plant and equipment	**20,223**	21,152
Amortisation of payment for leasehold land held for own use under operating leases	**26,670**	17,933
Auditor's remuneration	**2,350**	2,300
Write off of property, plant and equipment	**1,007**	628
Direct operating expenses from investment properties that generated rental income during the year	**46,610**	38,350
Exchange losses, net	**–**	309

6. FINANCE COSTS

	Group	
	2012	2011
	HK$'000	*HK$'000*
Interest on bank loans wholly repayable within five years	**153,908**	152,065
Interest on bank loans repayable after five years	**71,054**	42,692
Interest on senior loan notes	**46,694**	111,640
Interest on other borrowing	**–**	215,445
Interest on entrusted loans payables	**12,107**	1,962
Unwinding of discount on other payables due for settlement after one year	**10,171**	9,387
Amortisation of issue costs of senior loan notes	**3,207**	7,699
Less: amount capitalised in properties under development	**(124,460)**	(47,887)
Less: amount capitalised in investment properties	**(36,454)**	(26,829)
	136,227	466,174

Borrowing costs capitalised during the year, are calculated by applying a capitalisation rate of 6.6% (2011: 8.5%) per annum to expenditure on qualifying assets.

7. TAX EXPENSES

The amount of tax expenses/(credit) in the consolidated statement of comprehensive income represents:

	Group	
	2012	2011
	HK$'000	*HK$'000*
Current tax – PRC Enterprise Income Tax		
– tax for the year	**156,316**	172,037
– under provision in respect of prior years	**67,720**	34,006
	224,036	206,043
Current tax – Land Appreciation Tax ("LAT")		
– tax for the year	**104,476**	277,650
– under/(over) provision of tax attributable to sales of properties in prior years	**41,890**	(14,261)
	146,366	263,389
Deferred tax		
– current year	**(53,559)**	36,174
	316,843	505,606

Hong Kong Profits Tax

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits in Hong Kong for the years ended 31 December 2012 and 2011.

PRC Enterprise Income Tax

For subsidiaries which are located and operated in Shanghai and approved to be established before 16 March 2007 by the State Administration of Industrial and Commerce, the Enterprise Income Tax Law of the PRC provides a five-year transition period during which the transitional rates are 18%, 20%, 22%, 24% and 25% for the years ended 31 December 2008, 2009, 2010, 2011 and 2012 respectively. These PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% (2011: 24% to 25%) during the year ended 31 December 2012.

Profits of other subsidiaries established in the PRC are subject to an income tax rate of 25%, which is unified to both domestic enterprises and foreign-invested enterprises.

Pursuant to the PRC tax law passed on 16 March 2007, a 10% withholding tax will be levied on dividends declared to foreign investors effective from 1 January 2008. However, a 5% withholding tax will be levied on dividends declared to Hong Kong investor under the tax treaty arrangement between PRC and Hong Kong. Further to the issuance of Guofa (2007) No. 39, the Ministry of Finance and the State Administration of Taxation released notice Caishui (2008) No. 1 on 22 February 2008, stating that the distributions of the pre-2008 earnings of a foreign invested enterprise to a foreign investor in 2008 or later will be exempted from any withholding taxes.

LAT

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including costs of land and development and construction expenditures.

8. DIVIDENDS

No dividend was proposed for the years ended 31 December 2012 and 2011.

9. EARNINGS PER SHARE

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

	2012	2011
	HK$'000	*HK$'000*
Earnings		
Profit for the year attributable to owners of the Company	**554,702**	449,886
	(thousands)	*(thousands)*
Number of shares		
Weighted average number of ordinary shares in issue	**12,438,100**	12,488,037
	HK Cents	*HK Cents*
Basic earnings per share	**4.5**	3.6

The computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options as the exercise price of the share options is higher than the average market price of the Company's share during the years ended 31 December 2012 and 2011.

10. TRADE AND OTHER RECEIVABLES

	Group		**Company**	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade receivables *(note a)*	**31,395**	84,510	**–**	–
Refundable deposits for potential acquisition of land use rights	**168,411**	311,399	**–**	–
Deposits	**47,193**	108,049	**–**	468
Prepayments	**129,972**	112,925	**4,684**	510
Consideration receivables on disposal of subsidiaries	**170,318**	–	**–**	–
Other receivables *(note b)*	**77,377**	33,700	**1,085**	61
	624,666	650,583	**5,769**	1,039

The Group generally grants no credit period to its customers on sales of properties, except for certain significant transactions where credit terms or settlement schedules are negotiated on an individual basis. A credit period ranging from 30 to 60 days is granted to customers in travel and related services.

(a) The ageing analysis of trade receivables at the end of reporting period is as follows:

	Group	
	2012	2011
	HK$'000	*HK$'000*
Current *(i)*	**3,205**	42,654
Less than 1 month past due	**8,964**	197
1 to 3 months past due	**3,343**	1,719
More than 3 months but less than 12 months past due	**8,271**	36,324
More than 12 months past due	**7,612**	3,616
Amount past due but not impaired *(ii)*	**28,190**	41,856
	31,395	84,510

(i) The current balance neither past due nor impaired related to a number of customers for whom there was no recent history of default.

(ii) The balance of HK$28,190,000 (2011: HK$41,856,000) was past due but not impaired. The Group recognised impairment loss on individual assessment based on its accounting policies. The directors consider the balance would be recoverable.

(b) Included in the amount was an other receivable of approximately HK$52,500,000 in relation to an agreement signed between the Group and an independent third party for a property development project. The Group paid approximately HK$52,500,000 for the project pursuant to the terms of the agreement but the agreement was subsequently cancelled as agreed by both parties. The receivable of HK$52,500,000 was due to be refundable to the Group on 30 June 2013 and carried no interest. The Group held four artworks as collateral for the receivable. The Group considers that the credit risk arising from the receivable is significantly mitigated by the artworks held as collateral, with reference to the estimated market value of the artworks at 31 December 2012.

11. TRADE, NOTES AND OTHER PAYABLES

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade payables *(note a)*	**887,437**	513,278	**–**	–
Notes payables *(note a)*	**28,297**	92,955	**–**	–
Other payables and accruals	**534,283**	571,800	**4,167**	10,405
	1,450,017	1,178,033	**4,167**	10,405
Less: other payables due for settlement after one year:				
– Consideration payable for acquisition of land use rights *(note b)*	**(149,193)**	(148,599)	**–**	–
– Consideration payable for acquisition of a subsidiary	**(22,687)**	–	**–**	–
	(171,880)	(148,599)	**–**	–
	1,278,137	1,029,434	**4,167**	10,405

Notes:

(a) The ageing analysis of trade and notes payables at the end of reporting period is as follows:

	Group	
	2012	2011
	HK$'000	*HK$'000*
Current or less than 1 month	**695,539**	362,710
1 – 3 months	**59,339**	40,137
More than 3 months but less than 12 months	**6,483**	19,364
More than 12 months	**130,783**	169,950
	892,144	592,161
Retention money	**23,590**	14,072
	915,734	606,233

The trade and notes payables mainly represent accrued construction costs payable to contractors. The amounts will be paid upon the completion of cost verification process between the contractors and the Group.

(b) The amount represents consideration for acquisition of land use rights amounting to RMB360,000,000 (equivalent to HK$442,913,000) payable to an independent third party. The balance is repayable in 38 years by annual instalments, starting from February 2009. The carrying amount of the payable of RMB129,264,000 (equivalent to HK$159,035,000) (2011: RMB129,494,000 (equivalent to HK$158,384,000)) of which RMB8,000,000 (equivalent to HK$9,842,000) (2011: RMB8,000,000 (equivalent to HK$9,785,000)) is included in current liabilities as at 31 December 2012 represents the expected cash flows from settlement of the payable discounted at the effective interest rate of 6% per annum prevailing at the time of recognition of the payable plus unwinding discount less settlement made up to the end of the reporting period.

12. TAX PREPAYMENTS/PAYABLES

	Group	
	2012	2011
	HK$'000	*HK$'000*
Tax prepayments		
PRC Enterprise Income Tax prepayments	**12,971**	9,143
LAT prepayments *(note)*	**31,901**	30,257
	44,872	39,400

	Group	
	2012	2011
	HK$'000	*HK$'000*
Tax payables		
PRC Enterprise Income Tax payable	**215,817**	73,793
LAT provision *(note)*	**1,045,921**	1,552,486
	1,261,738	1,626,279

Note:

The Group is subject to LAT in the PRC and is required to prepay 1% to 5% (2011: 1% to 5%) of the proceeds from sale and pre-sale of the properties. However, the implementation of LAT varies amongst various PRC cities and the Group has not finalised its LAT returns with various local tax bureaus.

On 28 December 2006, the PRC State Administration of Taxation issued a circular, which took effect on 1 February 2007 to request real estate developers to settle the final LAT payments in respect of their development projects that meet certain criteria, such as when 85% of a development project has been pre-sold or sold. Since then, local tax bureaus, including the Shanghai tax bureau, have issued local implementation rules and procedures from time to time. In order to minimise the uncertainties in the accounts due to exposure to the additional LAT liabilities, the Group has provided for LAT fully in accordance with the requirements of State Administration of Taxation and the issued implementation rules and procedures.

13. CLOSURE OF REGISTER OF MEMBERS

As no final dividend will be proposed for the year, it was not necessary to close the register of members of the Company.

CHAIRMAN'S STATEMENT

Financial Results

The board of directors (the "Directors") of Shanghai Zendai Property Limited (the "Company") hereby announces the annual results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2012 (the "year" or "year under review").

During the year under review, turnover of the Group amounted to approximately HK$1,122,891,000, a decrease of 60% against approximately HK$2,796,296,000 last year. Profit attributable to shareholders of the Company (the "Shareholders") increased by 23% to approximately HK$554,702,000 as compared to approximately HK$449,886,000 last year. Basic earnings per share of the Company (the "Share") were HK4.5 cents (2011: HK3.6 cents). The decrease in turnover of the Group for the year was due to fewer delivery of properties, and the increase in profit was attributable to completion of the sale of the Bund 8-1 land parcel in Shanghai in the year under review.

The Group's turnover and profit for the year under review were mainly generated from:

- Delivery of office buildings, retail shops and parking space in "Zendai International Financial Center" in Haikou
- Delivery of residential properties in Changchun, Jilin and Haimen
- Disposal of part of the commercial units in Shanghai Zendai Thumb Plaza
- Completion of disposal of the Bund 8-1 land parcel in Shanghai

Business Review

In 2012, the national macro economic-control measures, including, among others, property taxes and purchase limits, effectively contained investment and speculation demand in the domestic property market, achieving the goal of a rational and healthy development of the property prices. After years of rapid growth, China's property market has become more mature and has entered a stage of stable development. The existing potential demand of the domestic property market and the two times reduction of both the reserve requirement ratio and the benchmark lending rate by the People's Bank of China have resulted in an increase of the capital turnover ratio for property developers. Even though the property prices were suppressed, the decline was still not substantial. However, the property market was still fluctuating and the competition between different property developers remained fierce, which brought challenges to the Group's business and affected its sales amount to a certain extent.

Although the property market has remained volatile and challenging, the Group maintained a business model of diversified development, and various projects have made satisfactory progress. During the year under review, various projects of the Group completed construction and started operation on schedule, including Zendai Himalayas, our flagship urban, cultural and commercial complex in Pudong New District, and Qingdao Zendai Thumb Plaza. Meanwhile, in line with the pace of the urbanization of the country, the Group has been actively seeking business opportunities with good potential in different Mainland cities to gradually promote the development model of "Thumb Integrated Commercial Projects" to more cities across the country.

In the first half of 2012, the Group completed the disposal of the Bund 8-1 land parcel, and recorded substantial cash inflow and increased its liquidity, enabling the Group to repay the trust loan and US bond due in April and June 2012 respectively. With the added cash inflow, the Group acquired certain land parcels in the year under review, including the integrated usage land parcel of approximately 93,500 square metres around Nanjing South Train Station, the integrated usage land parcel of approximately 30,000 square metres in Yantai Development Zone, Shangdong Province and the commercial land parcel of approximately 17,354 square metres in Jingyue Economic Developement Zone, Changchun City, Jilin Province, in order to increase its land reserves. Meanwhile, the Group disposed its non-core 45% equity interests in Zhongke Langfang Technology Valley Company Limited to recover funds for future business development.

Commercial Property Projects in China

Shanghai

Shanghai Zendai Thumb Plaza

Shanghai Zendai Thumb Plaza is a modern integrated commercial complex in a prime location near Shanghai's Century Park and the Lujiazui financial district. During the year under review, the Group sold and delivered 5,406 square metres and 4,709 square metres of commercial space at Shanghai Zendai Thumb Plaza, generating a total contract value and delivered amount of RMB405,443,000 (equivalent to HK$498,516,000) and RMB360,142,000 (equivalent to HK$442,816,000), respectively. As at 31 December 2012, the area of retail shops in Zendai Thumb Plaza owned by the Group covers a total floor area of 41,030 square metres with 447 underground car parking spaces. As at 31 December 2012, more than 90% of the commercial space in the Plaza had been leased. Rental income recognised during the year was RMB88,392,000 (equivalent to HK$108,683,000).

Radisson Hotel Pudong

The Group's five-star Radisson Hotel is located in Zendai Thumb Plaza. The 18-storey hotel boasts a gross floor area of 31,529 square metres and 361 guest rooms, a four-storey ancillary building and one level of basement. It is managed under the "Radisson" brand by Carlson Companies. The average occupancy rate of the hotel was 66% in 2012. Total income of the hotel during the year reached approximately RMB116,315,000 (equivalent to HK$143,016,000), a decrease of 7.5% from the previous year. The decrease was mainly attributable to the opening of new hotels nearby increased the supply of guestrooms and therefore affected room rate and the occupancy rate of Radisson Hotel.

Himalayas Center

The Group's 45%-owned Zendai Himalayas Center is located in the heart of Pudong, Shanghai. Designed by Arata Isozaki, an internationally acclaimed architect, it is a landmark within the Pudong New District. The Center includes the city's largest "specially contoured" building complemented by the largest sky garden in Shanghai. The unique design of the project has received numerous awards. The Himalayas Center is an amalgam of the Jumeirah Himalayas Hotel Shanghai, Shopping Centre, the DaGuan Theatre and the Himalayas Art Museum. The project occupies a site area of 28,893 square metres with a total gross floor area (including underground parking space of 26,287 square metres) of approximately 162,207 square metres.

The Jumeirah Himalayas Hotel Shanghai, a five-star hotel in China managed by Jumeirah Hotel Group from Dubai, is the Jumeirah Hotel Group's first hotel in Asia Pacific. The hotel boasts a total gross floor area of 65,269 square metres, providing 405 guest rooms. The average occupancy rate of the hotel during the year under review was 66%, generating a total income of approximately RMB169,822,000 (equivalent to HK$208,806,000). In November 2012, the Jumeirah Himalayas Hotel Shanghai was named the International Hotel of the Year in the European Hospitality Awards 2012, listed as one of the Top 100 Hotels in China by "Travel & Leisure" magazine and was voted the 2012 Best in Design Hotel by "City Traveler" magazine.

The remaining parts of the Himalayas Center were completed and commenced business in phases during 2012, among which including the Shopping Centre, the Himalayas Art Museum and the DaGuan Theatre with gross floor areas of 55,132 square metres, 4,041 square metres and 10,928 square metres respectively. As at the end of 2012, around 61% of the commercial space of the Shopping Centre was leased. The Himalayas Art Museum is the first large outdoor museum in the world and also the arts core of the Himalayas Center, an outdoor platform of contemporary and classical art; whereas the DaGuan Theatre is a performing stage with a seating capacity of 1,100 and the official venue of the Shanghai International Film Festival.

Parcel of Land in Qingpu District

The Group owns a 140,099 square metre parcel of land in the tourist district of Zhujiajiao Town, Qingpu District, Shanghai. It is to be developed as Zendai Xizhen Thumb Plaza comprising mid-range to high-end apartments, retail shops, hotels and a clubhouse in two phases, with a total gross floor area of approximately 168,413 square metres.

Phase I with a gross floor area of approximately 99,000 square metres contains both residential (41,700 square metres) and commercial areas (57,300 square metres). The Group intends to recruit tenants for commercial space including large international cinemas, mid-range to high-end restaurants and supermarkets. Construction of Phase I started in 2011, with the residential area of town houses and commercial area starting pre-sale in December 2011, and delivery pending in the third quarter of 2013. During the year under review, total residential and commercial saleable areas of 4,105 square metres and 1,923 square meters were sold respectively, generating a total contract value of RMB77,482,000 (equivalent to HK$95,269,000) and RMB57,076,000 (equivalent to HK$70,178,000) respectively. As at 31 December 2012, total residential and commercial saleable areas of 5,480 square metres and 3,484 square metres had been sold respectively, generating a total contract value of RMB104,124,000 (equivalent to HK$128,027,000) and RMB93,195,000 (equivalent to HK$114,589,000) respectively.

Construction of Phase II with a gross floor area of approximately 69,414 square metres is to be commenced in the fourth quarter of 2013 with a commercial plaza (44,975 square metres) and a resort hotel (24,439 square metres) to be erected. As for the resort hotel, the Group has signed a cooperative agreement with Banyan Tree Group, a major international hotel operator, to open the first Angsance Resort Hotel (悦椿度假酒店) in Shanghai, replicating the tranquil setting of an ancient town by the riverside.

Other Cities

Nanjing South Train Station Thumb Plaza

In July 2012, the Group succeeded in the bid for the G15 land parcel in a prime location around Nanjing South Train Station at a consideration of RMB1,169,000,000 (equivalent to approximately HK$1,437,354,000). In January 2013, the Group signed the land transfer contract in respect of the sales and purchase of the land and paid 50% of the land transfer premium, and expected to pay the balance in the third quarter of 2013. The site is to be developed into the "Nanjing South Train Station Thumb Plaza" with a total gross area of approximately 540,000 square metres, marking an important advance in replicating our "Thumb Integrated Commercial Projects" and in further expanding our business in major cities across China. In November 2012, the Group sold 10% equity interest in the project company of the land development to Gefei Asset Management, an investment fund, at a consideration of RMB120,000,000 (equivalent to approximately HK$147,547,000), and Gefei Asset Management will provide an entrusted loan in the amount of RMB580,000,000 (equivalent to approximately RMB713,144,000) to the Group. The Group is of the view that the land parcel has good development potential, and that the strategic cooperation with the investment fund to jointly develop the land parcel will enable the Group to maintain the potential profit and enhance its financial flexibility in the development process.

Qingdao Zendai Thumb Plaza

Qingdao Zendai Thumb Plaza is located in the central business area, Haier Road in Qingdao City, Shandong Province, the PRC. The project has a site area of approximately 38,092 square metres with a total gross floor area occupying approximately 215,860 square metres. It includes retail shops (66,928 square metres), a hotel (24,560 square metres), serviced apartments (66,815 square metres) and a car park (57,557 square metres).

The serviced apartments have started pre-sale in June 2011 and are expected to be delivered in the second quarter of 2013. During the year under review, a total saleable area of 7,659 square metres was sold, generating a total contract value of RMB118,870,000 (equivalent to HK$146,158,000). As at 31 December 2012, a total saleable area of 27,510 square metres had been sold, generating a contract value of RMB453,130,000 (equivalent to HK$557,150,000) for the Group. Retail shops and car parks, which have been retained for leasing, commenced operation in May 2012. As at 31 December 2012, more than 90% of the commercial space was leased. Meanwhile, construction of the hotel is underway and is expected to complete construction and commence trial operation in August 2013.

Zendai Nantong Yicheng Thumb Plaza

Zendai Nantong Yicheng Thumb Plaza occupies a total gross floor area of 281,912 square metres. Shanghai Zendai for its part owns 50% equity of the land parcels and is to assume a leading role in the management of the project. Due to its prime location, the project has been included among the "Key Cultural Industry Projects in Nantong City" and "Key Development Projects in Chongchuan District". The project occupies a saleable and leasable area of approximately 259,205 square metres (including car parking space and ancillary facilities of 34,044 square metres).

Construction is divided into three phases. The first phase, with a total leasable commercial area of approximately 26,033 square metres, was completed in June 2011 and commenced operation in April 2012. As at 31 December 2012, the leased area of retail shops was approximately 21,099 square metres. The second phase is a residential project with a total gross floor area of approximately 105,122 square metres. Construction started in the fourth quarter of 2010 and pre-sale commenced in December 2011. As at 31 December 2012, a total saleable area of 27,824 square metres had been sold, generating a total contract value of RMB365,634,000 (equivalent to approximately HK$449,568,000). During the year under review, a total saleable area of 22,565 square metres was sold, generating a total contract value of RMB290,515,000 (equivalent to approximately HK$357,205,000). The second phase is expected to be completed and delivered in batches from April 2013 to June 2014. The third phase is to cover a total leasable and saleable area of approximately 128,050 square metres, comprising a commercial area of approximately 84,122 square metres and a residential area of 43,928 square metres, with construction expected to begin in 2013.

Qingdao Shangshi International Plaza

The Group has a 45% interest in a parcel of land in the southwestern Laoshan District of Qingdao City, Shandong Province covering approximately 43,613 square metres. Bordered by the Hong Kong Road to its south and Songling Road to its west, this site is intended for the development of an integrated project "Qingdao Shangshi International Plaza" which comprises serviced apartments, residential apartments and an underground car park. The project, occupying a total gross floor area of approximately 143,000 square metres, is to be constructed in phases. Phase I comprising five 28- to 30-storey high-end residential buildings with a total gross floor area of approximately 66,190 square metres was completed and delivered in 2010. The other phases of the project are currently under planning.

Yangzhou Commercial Project

The Group is developing an integrated property project for commercial, cultural, leisure and entertainment use in the heart of Yangzhou City, Jiangsu Province, including a cultural sightseeing area and a commercial district. The project, to be developed in two phases, is to have a total saleable area of approximately 81,200 square metres. Phase I including 12 blocks and 243 units was completed in 2010 and the property has been reserved for leasing, with a gross floor area of approximately 20,089 square metres. Planning of Phase II is currently underway.

Haikou Project

"Zendai International Financial Centre" is a project of the Group developed in Haikou City, Hainan Province with a saleable area of approximately 56,136 square metres. As at 31 December 2012, a total gross floor area of 39,828 square metres was sold, generating a total contract value of RMB783,003,000 (equivalent to HK$962,748,000). Within this area, an area of 1,290 square metres was sold and delivered during the year and a total contract value of RMB49,062,000 (equivalent to HK$60,325,000) was recognised as turnover.

Project in Chenmai County, Hainan Province

The Group owns 60% interest in a parcel of land in Chenmai County, Hainan Province with a site area of 1,309,563 square metres. The land is intended to be developed into a leisure-related commercial and residential property, including hotels, villas and other related facilities. Related layouts and concrete design are currently on the drawing board.

A Parcel of Land in Jingyue Economic Development Zone, Changchun City, Jilin Province

In September 2012, the Group acquired a parcel of land in Changchun City, Jilin Province at a consideration of RMB76,920,000 (equivalent to HK$94,578,000), which is intended to be developed into a commercial property comprising retail shops, offices and serviced apartments. The land parcel is located at the core business and commercial center of the western urban area of Jingyue Economic Development Zone, Changchun City, with a total site area of approximately 17,354 square metres and a total gross floor area of approximately 115,000 square metres, including 15,000 square metres of retail space, 79,000 square metres of office space and 21,000 square metres of an underground car-park.

Residential Projects in China

Shanghai

Mandarin Palace

"Mandarin Palace", the Group's premium residential project in Shanghai, comprises 54 villas with a total saleable area of approximately 39,347 square metres. The project is to be developed in two phases. As at 31 December 2012, the first phase, comprising 47 villas with a total saleable area of 33,636 square metres, was all sold and delivered. The second phase, comprising seven villas with a total saleable area of 5,711 square metres, started construction in early 2012 and is expected to be delivered in the first half of 2013. As at 31 December 2012, a total of 7 villas with a total area of 5,711 square metres had been sold, generating a total contract value of RMB338,000,000 (equivalent to HK$415,591,000).

Other Cities

"Valley International" in Jilin

Occupying a site area of 191,100 square metres, the residential project "Valley International" is being developed in four phases, with a total saleable area of approximately 201,000 square metres.

The first phase of the project, comprises 118 town houses and 11 villas with a saleable area of 39,252 square metres. As at 31 December 2012, all units were sold and a total of 128 blocks had been delivered.

The second phase of the project will comprise four low-rise blocks and seven high-rise residential blocks, providing 503 residential units and ancillary commercial facilities in aggregate, with a total saleable area of approximately 82,460 square metres (78,405 square metres will be for residential use and 4,055 square metres will be for commercial use). A total of 11 buildings will be constructed, completed and delivered in three batches.

Construction of the first batch comprising four low-rise blocks with a saleable residential area of approximately 22,996 square metres was completed. All of the units were sold and delivered in 2011.

The second batch comprises five high-rise blocks, with a saleable residential area of approximately 41,657 square metres. As at 31 December 2012, a total saleable area of 39,094 square metres has been sold, generating a total contract value of RMB210,376,000 (equivalent to HK$258,670,000). During the year, a saleable area of approximately 9,957 square metres was sold, generating a contract value of RMB49,799,000 (equivalent to HK$61,230,000). A total area of 6,116 square metres was delivered during the year and a total contract value of RMB32,382,000 (equivalent to HK$39,816,000) was recognised as turnover.

The third batch comprises two high-rise blocks, with a saleable residential area of approximately 13,754 square metres. As at 31 December 2012, a total saleable area of 6,937 square metres had been sold, generating a total contract value of RMB45,069,000 (equivalent to HK$55,415,000). During the year, a saleable area of 2,543 square metres was sold, generating a contract value of RMB14,904,000 (equivalent to HK$18,325,000). A total area of 2,226 square metres was delivered during the year and a total contract value of RMB13,215,000 (equivalent to HK$16,249,000) was recognised as turnover.

The third phase of the Jilin project is being developed into 117 villas and town houses with a saleable area of approximately 43,663 square metres. As at 31 December 2012, a total saleable area of 43,663 square metres had been sold, generating a total contract value of RMB245,028,000 (equivalent to HK$301,276,000). During the year, a total area of 796 square metres was delivered and a total contract value of RMB4,492,000 (equivalent to HK$5,523,000) was recognised as turnover.

The fourth phase of the project is being developed into garden houses with a saleable area of approximately 22,392 square metres and pre-sale already commenced in August 2012. As at 31 December 2012, a total saleable area of 6,341 square metres had been sold, generating a total contract value of RMB40,677,000 (equivalent to approximately HK$50,015,000). The properties are expected to be delivered in the third quarter of 2013.

"Zendai Ideal City" in Changchun

Located in Changchun, Liaoning Province, "Zendai Ideal City" is to comprise residential properties and ancillary commercial space on a 225,139-square metre site, with a total saleable area of 352,300 square metres. The project is to be constructed in five phases. The first phase is to have a total saleable area of approximately 112,000 square metres (106,300 square metres for residences and 5,700 square metres for commercial use) on a site covering approximately 77,300 square metres. It is to include 23 multi-storey residential buildings and three high-rise residential buildings, offering a total of 1,210 units and related commercial facilities. All residential units in the first phase were sold and delivered in 2011.

The second phase of the project has been developed into 19 multi-storey residential buildings, 10 high-rise residential buildings and ancillary commercial facilities, with a total saleable area of about 114,074 square metres. Of this, an area of 102,371 square metres is for residential use and 11,703 square metres for commercial use. Construction was completed in 2010. As at 31 December 2012, a total residential and commercial saleable area of 102,179 square metres and 11,083 square metres had been sold respectively, generating a total contract value of RMB402,066,000 (equivalent to HK$494,363,000) and RMB84,990,000 (equivalent to HK$104,500,000) respectively. During the year, the Group delivered an area of 4,321 square metres and a total contract value of RMB31,902,000 (equivalent to HK$39,225,000) was recognised as turnover.

The third phase of the project is being developed into 16 multi-storey and eight high-rise residential complexes with retail shops, with a total saleable area of about 124,787 square metres (111,972 square metres for residences and 12,815 square metres for commercial use). Construction commenced in May 2010, while pre-sale started in late 2010. As at 31 December 2012, a total saleable area of 115,891 square metres has been sold, generating a total contract value of RMB694,543,000 (equivalent to HK$853,981,000). During the year, a total saleable area of 49,250 square metres was sold, generating a total contract value of RMB303,974,000 (equivalent to HK$373,754,000). A saleable area of 46,243 square metres was delivered during the year, and a total contract value of RMB276,549,000 (equivalent to HK$340,033,000) was recognised as turnover.

"Zendai Garden-Riverside Town" in Haimen

The "Zendai Garden-Riverside Town" project in Haimen, Jiangsu Province comprises two parcels of land occupying a total site area of 1,388,872 square metres. The first parcel covers 577,336 square metres and is to be developed in two parts. "Dong Zhou Mansion", the first part of the parcel, is being developed in three phases with Phase I offering 52 villas. All of the units were sold in 2011. Phases II and III of the "Dong Zhou Mansion" are still in the planning stage.

"Multiflora Garden", on the second part of the parcel of land, is being developed in three phases into an integrated residential area comprising low density town houses. Phases I and II offer a total of 212 units with a saleable area of approximately 57,500 square metres. As at 31 December 2012, a total saleable area of 56,638 square metres had been sold, generating a total contract value of RMB266,033,000 (equivalent to HK$327,103,000). During the year, the Group delivered an area of 846 square metres and a total contract value of RMB3,890,000 (equivalent to HK$4,783,000) was recognised as turnover.

Phase III of Multiflora Garden has a total gross floor area of approximately 112,190 square metres and a saleable area of approximately 91,979 square metres. Construction has been underway since early 2010 while pre-sale started in September 2010. As at 31 December 2012, a total saleable area of 41,537 square metres had been sold, generating a total contract value of RMB264,166,000 (equivalent to HK$324,809,000). During the year, a total saleable area of approximately 4,207 square metres was sold, generating a total contract value of RMB20,015,000 (equivalent to HK$24,610,000). During the year, an area of 10,743 square metres was delivered and a total contract value of RMB70,631,000 (equivalent to HK$86,845,000) was recognised as turnover.

The second parcel with an area of approximately 811,536 square metres is being developed into residential properties in phases. The construction of the first phase, Qinghua Garden Ecological Houses, with an area of approximately 42,070 square metres and a saleable area of approximately 63,886 square metres, was completed in 2010. As at 31 December 2012, a cumulative area of 44,463 square metres had been sold, generating a total contract value of RMB199,394,000 (equivalent to HK$245,167,000). A total area of 4,241 square metres was sold during the year, generating RMB15,796,000 (equivalent to HK$19,422,000) in contract value. During the year under review, an area of 4,415 square metres was delivered and a total contract value of RMB20,648,000 (equivalent to HK$25,388,000) was recognised as turnover.

The Phase II, Shui Qing Mu Hua Garden, with a site area of 148,059 square metres, is to be developed into small high-rise residential properties in two phases with a saleable area of 244,787 square metres. The first phase, with a saleable area of 87,346 square metres, started construction in May 2011 and pre-sale in December 2011. As at 31 December 2012, a cumulative area of 5,131 square metres had been sold, generating a total contract value of RMB22,220,000 (equivalent to

HK$27,321,000). During the year, an area of 5,131 square metres was sold, generating a total contract value of RMB22,220,000 (equivalent to HK$27,321,000), and is expected to be delivered in 2013. Other aspects of development are still under planning.

The Phase III, named as Spanish Exotic Street with a site area of 5,319 square metres, is to be developed in two phases into a commercial plaza with a saleable area of 6,345 square metres. The first phase, with a saleable area of 3,172 square metres, has already started pre-sale. As at 31 December 2012, an area of 623 square metres had been sold, generating a total contract value of RMB4,527,000 (equivalent to HK$5,566,000). The second phase is still under planning.

Land Parcels in Inner Mongolia Autonomous Region

The Group owns two parcels of land in Dongsheng Kangbashi New Area, Ordos City, Inner Mongolia Autonomous Region, the PRC, with a total site area of 248,118 square metres. The two land parcels are intended to be developed into villas in phases with a planned saleable area of 107,831 square metres. The construction of the first phase, with a saleable area of 27,022 square metres, commenced in March 2011, and pre-sale already started in the fourth quarter of 2012. An area of 1,840 square metres has been sold, generating a total contract value of RMB30,914,000 (equivalent to HK$38,011,000), and is expected to be completed and delivered in 2013.

Overseas Project

Residential project in New Zealand

In November 2012, Top Harbour Limited, a company incorporated in New Zealand and in which the Group holds 45% equity interests, acquired a parcel of land in Whangaparaoa Peninsula, Auckland, New Zealand with an area of approximately 320,000 square metres. The site is about 25 kilometres away from downtown Auckland for high-end residential development. The project, with a total gross floor area of approximately 170,000 square metres, can be developed into about 1,000 detached houses with a gross floor area of approximately 147,000 square metres, a 200-room hotel with a gross floor area of approximately 20,000 square metres, commercial space of 2,000 square metres and an office tower of 1,000 square metres. The project will be developed in phases, and some portions of the land parcel will be sold to small-scale developers for their own development. Specific planning is currently in progress, and it is expected that the formation work will commence in 2013 and the whole project will be completed in five years.

PROSPECTS

In the long term, with the continuous increase in China's gross national product, people's consumption capacity will keep rising, bringing greater demand in improving the living environment. Adding the rapid development of urbanization in the Mainland, there will still be substantial demand for real estate. The Group is optimistic about China's overall long-term economic development, and remains confident in the future growth potential of the domestic property industry. Generally, the first and second-tier Mainland cities are very attractive to families and businesses, so the overall demand for property will still be strong, but the supply will continue to be relatively limited; while the real estate market in third and fourth-tier cities will be relatively stable. In the long term, the Group remains cautiously optimistic on the domestic property market. We will leverage on the existing projects and those under planning to put all our efforts in meeting the huge demand for commercial and residential properties in the above mentioned cities.

Following the launch of the new "Five Regulations", the five control policies and measures to strengthen the regulation on the real estate market, which were enacted in the State Council executive meeting held on 20 February 2013, and the promulgation of "The Notice on Continuing to Put Efforts on Property Market Regulation" by the General Office of the State Council on 1 March 2013 to impose more stringent requirements on purchase limit, housing loan and second-hand housing transaction tax, the regulation and control on the property market have escalated. In response to the challenging environment, the Group will further strengthen its positioning of a diversified property developer engaging in both the commercial and service sectors, strengthen the innovation of its products, enhance the brand building of projects such as the Zendai Himalayas Center and the "Thumb" integrated commercial project, and join alliance with strategic partners to expand the successful model of the "Thumb" integrated commercial project to more areas across the country.

On the other hand, in view of the trend of China's capital output, as well as the increasing number of domestic investors investing overseas properties, the Group also puts focus on business opportunities in overseas markets. The Group secured its first overseas real estate project situating in New Zealand in the year under review, and we will continue to seek other business opportunities in the overseas markets in the future. We will capitalise on the brand advantage and successful experience of Shanghai Zendai in China to step up our deployment in overseas markets so as to expand our business scale and attain a more balanced income source.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Operations

The results of the Group for the year under review was satisfactory. The turnover and profit for the year were mainly attributable to sales and delivery of residential units in Changchung, Jilin, Haimen and gain on disposal of the Bund project. The Group continued to offer both residential and commercial properties for sale. For commercial projects, they were office premises in Zendai International Financial Centre in Hainan. In respect of residential projects, they were apartments, villas and detached houses in Haimen, Jilin, Changchun, Qingdao and Zhujiajiao Town (Qingpu District, Shanghai)

Liquidity, Financial Resources, Capital Structure and Gearing

As at 31 December 2012 the Group had a healthy financial position with net assets value of HK$5,800 million which remained stable when compared to last year's net assets value of approximately HK$5,813 million Net current assets amounted to approximately HK$5,943 million (2011: approximately HK$3,834 million) with current ratio increased from 1.42 times in 2011 to approximately 2.06 times in 2012. The Group adopted relatively prudent financial policy and closely monitored its cash flow. As at 31 December 2012, the Group had consolidated bank loans of approximately HK$4,956 million in which HK$1,325 million was repayable within one year and HK$3,631 million was repayable more than one year. As at 31 December 2012, the Group's bank balances and cash are approximately HK$2,826 million. The gearing ratio of the Group increased from 0.67 times in 2011 to 0.89 times in 2012 (basis: total of amounts due to related companies, bank loans, notes payable and other borrowings divided by Shareholders' funds).

Segment Information

Sale of properties

The turnover of this segment for the year amounted to HK$685,521,000 (2011: HK$2,391,143,000) which decreased substantially due to less delivery of properties.

Travel and related business

The turnover of this segment for the year reached approximately HK$16,439,000 (2011: HK$12,692,000).

Property rental, management and agency services

The turnover of this segment for the year was approximately HK$277,915,000 (2011: HK$240,837,000). The increase was due to the fact that more properties were available for leasing and managed by the Group.

Hotel Operations

The turnover of this segment for the year was HK$143,016,000 (2011: 151,624,000) The decrease was due to that more hotels opened business during the year and therefore with greater competition.

Foreign Currency Exposures

The operations of the Group are mainly carried out in the PRC with most transactions settled in RMB. The Group undertakes certain transactions denominated in currencies other than RMB, hence exposures to exchange rate fluctuations arise. The Group's cash and cash equivalents and senior loan notes also expose to such foreign currency risk. The Group currently does not use any derivative contracts to hedge against its exposure to currency risk. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rate.

Employees

As at 31 December 2012, the Group employed approximately 1,680 employees (2011: 1,450 employees) in Hong Kong and the PRC. They were remunerated according to the nature of the job and market conditions. Other staff benefits include a mandatory provident fund scheme, local municipal government retirement scheme, insurance and medical insurance and share option scheme.

Major Disposal of Assets

(a) On 28 October 2011, Shanghai Zendai Land Company Limited ("Shanghai Zendai Land"), a wholly-owned subsidiary of the Company, entered into an agreement with Shanghai Haizhimen Property Management Co., Ltd. ("Shanghai Haizhimen"), an associate of the Group on that date, for disposal of its 100% equity interests in and shareholder's loan to Shanghai Zendai Bund International Finance Services Centre Real Estate Company Limited ("Shanghai Zendai Bund"). The disposal was completed on 21 May 2012, on which date the Group lost control of Shanghai Zendai Bund. Total consideration was approximately HK$10,547,287,000 (equivalent to approximately RMB8,578,108,000), of which approximately HK$10,499,925,000 (equivalent to approximately RMB8,539,589,000) was received on 31 December 2012.

(b) On 29 December 2011, Shanghai Zendai Land entered into another agreement with an independent third party ("Purchaser") for disposal of its equity interests in and shareholder's loan to Shanghai Zendai Wudaokou Property Company Limited ("Shanghai Zendai Wudaokou"). Pursuant to the agreement and related supplemental agreements, Shanghai Zendai Wudaokou will transfer all of its assets and liabilities (other than its equity interests in and loan to Shanghai Haizhimen and its shareholder's loan from Shanghai Zendai Land) to other companies in the Group ("Spin-off") and the Spin-off can be completed after the Shanghai Zendai Wudaokou is disposed to the Purchaser. The total cash consideration was approximately HK$3,639,493,000 (equivalent to approximately RMB2,960,000,000), of which HK$3,516,537,000 was received on 31 December 2012. The disposal was completed on 21 May 2012, on which date the Group lost control of Shanghai Zendai Wudaokou and all conditions precedent to the agreement were satisfied. As at the date of this announcement the Spin Off has not been completed.

MAJOR ACQUISITION OF ASSETS

On 29 June 2012 the Group succeeded in a bid for the land parcel in Nanjing the PRC, at an aggregate price of RMB1,169,000,000 (equivalent to approximately HK$1,437,870,000) and the land use rights grant contract was signed in January 2013.

The land parcel is located in the commercial core area around Nanjing South Train Station, and covers a total site area of 93,526.4 square metres with planned above-ground spaces in the gross floor area of approximately 380,000 square metres and underground spaces in the gross floor area of approximately 160,000 square metres, has the land use rights with a term of 40 years. The terms for the grant of the land use right of the land parcel for office use and commercial use are both 40 years.

Charge on Assets

As at 31 December 2012, the Group's property, plant and equipment, payment for leasehold land held for own use under operating leases, investment properties, properties under development and for sales and pledged bank deposits of approximately HK$343,286,000, HK$619,904,000, HK$2,285,078,000, HK$1,500,587,000 and HK$1,317,421,000 respectively had been pledged to banks to secure bank loans granted to the Group.

At 31 December 2012, the Group pledged 45% equity interest in 南京証大大拇指商業發展有限公司, with attributable carrying amount of approximately HK$272,275,000 (2011: nil) to secure a bank loan granted to the Group.

At 31 December 2012, the Group also pledged 45% equity interest in Shanghai Zendai Himalayas Real Estate Company Limited with attributable carrying amount of approximately HK$361,505,000 (2011: HK$418,598,000) to Shanghai Forte Land Co., Ltd. ("Shanghai Forte"), an equity holder of a former associate of the Group, for securing Shanghai Forte's interests in Shanghai Haizhimen.

At 31 December 2011, the Group pledged its 10% interests in Shanghai Haizhimen with carrying amount HK$122,369,000, and a subsidiary, 上海証大西鎮房地產開發有限公司 ("Shanghai Zendai Xi Zhen Property Development Co., Ltd") with carrying amount of HK$482,039,000 for a borrowing of the Group. The pledges were released upon settlement of the borrowing during the year.

CONTINGENT LIABILITIES

As at 31 December, 2012, the Group provided guarantees of HK$246,505,000 (31 December 2011: HK$383,999,000) for customers in favour of banks in respect of the mortgage loans provided by the banks to customers for the purchase of the Group's developed properties.

LITIGATION

On 4 June 2012, each of Shanghai Zendai Land, a wholly-owned subsidiary of the Company, and Shanghai Zendai Wudaokou, a former wholly-owned subsidiary of Shanghai Zendai Land, was served a document of summons issued by Shanghai No. 1 Intermediate People's Court in relation to disputes on asset damage and compensation and breaching of pre-emptive rights in shareholding of Shanghai Haizhimen, an former associate with 35% equity interest held by the Group, initiated by Zhejiang Fosun Commerce Development Limited ("Zhejiang Fosun") (the "Claims").

Pursuant to the statement of claims issued by Zhejiang Fosun as attached to the document of summons, among others, (i) Shanghai Zendai Land and Shanghai Zendai Wudaokou were named as two of the defendants to the Claims; (ii) Zhejiang Fosun requested order be made to invalidate the agreement on disposal of Shanghai Zendai Wudaokou; (iii) Zhejiang Fosun requested order be made to invalidate the share transfer agreement relating to the transfer of the entire equity interests of Shanghai Zendai Wudaokou to an independent third party; and (iv) Zhejiang Fosun requested order be made such that the ownership of Shanghai Zendai Wudaokou be restated to the state prior to the transfer to the Purchaser.

At the court hearing as regards the Claims on 29 November 2012, the court had awarded no judgment in relation to the Claims. At the final stage of the aforesaid court hearing, the parties to the Claims agreed to participate in mediation held by the court, whereupon the parties shall try to agree on solutions to the Claims and the court will further award a judgement if solutions may be reached. In the event no agreement has been reached by the parties to the Claims as regards the solutions, the court will finally award a judgment. As at the date of this announcement, no agreement has been reached by the parties to the Claims.

The directors, after seeking advice from the Group's PRC legal adviser, take the view that the disposal of Shanghai Zendai Wudaokou did not involve the transfer of equity interest in Shanghai Haizhimen and therefore did not constitute a breach of any pre-emptive rights. The directors consider the Claims were without bases and it is not probable that orders will be made to invalidate the disposal of Shanghai Zendai Wudaokou. The directors consider that the Claims do not have any material adverse effect on the operation or financial position of the Group.

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2012 have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

CORPORATE GOVERNANCE

The Company has adopted the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules (the "Code") as its own code of corporate governance and has taken careful measures to ensure that the provisions have been duly complied with from time to time. The Directors are of the opinion that the Company had met the code provisions in the Code during the year. The Company's annual results for the year ended 31 December 2012 has been reviewed by the audit committee of the Company.

PURCHASE, SALE OR REDEMTION OF THE COMPANY'S LISTED SECURITIES

During the year, the Company purchased 26,460,000 of its own shares for cancellation. Except for the above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

Details of the shares purchased are as follows:

Month of purchase	**Number of shares**	**Average price per share** *HK$*	**Highest price per share** *HK$*	**Lowest price per share** *HK$*
January 2012	26,460,000	0.130	0.138	0.125

On behalf of the board of
Shanghai Zendai Property Limited
Dai Zhikang
Chairman

Hong Kong, 27 March 2013

As at the date of this announcement, the executive Directors are Mr. Dai Zhikang, Mr. Wang Fujie, Mr. Zuo Xingping, Mr. Tang Jian. The non-executive Directors are Mr. Zhu Nansong, Mr. Wu Yang, Mr. Xu Xiaoliang, Mr. Gong Ping. The independent non-executive Directors are Mr. Lo Mun Lam, Raymond, Mr. Lai Chik Fan, Mr. Li Man Wai and Mr. Cai Gaosheng.