

Stock code: 000011, 200011

Stock abbreviation: SWYA, SWYB

Announcement No.:2013-2

Abstract of the 2012 Annual Report of Shenzhen Properties & Resources Development (Group) Ltd.

1. Important notes

This abstract is based on the full text of the annual report. For more details, investors are suggested to read the full text disclosed at the same time with this abstract on the website of Shenzhen Stock Exchange or any other website designated by CSRC.

Company profile:

Stock abbreviation	SWYA, SWYB	Stock code	000011, 200011
Stock exchange listed with	Shenzhen Stock Exchange		
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2. Financial highlights and change of shareholders

(1) Financial highlights

Does the Company adjust retrospectively or restate accounting data of previous years due to change of the accounting policy or correction of any accounting error?

	2012	2011		Increase or decrease of this year over last year (%)	2010	
		Before adjustment	After adjustment		Before adjustment	After adjustment
Operating revenues (RMB Yuan)	1,861,298,830.99	1,408,565,307.32	1,430,211,933.75	30.14%	993,175,350.38	1,016,389,026.19
Net profit attributable to shareholders of the Company (RMB Yuan)	375,422,129.64	257,461,077.54	261,108,340.62	43.78%	174,998,534.79	176,701,254.63
Net profit attributable to shareholders of the Company after extraordinary gains and losses (RMB Yuan)	337,545,206.86	257,538,768.66	257,538,768.66	31.07%	160,273,095.99	160,273,095.99
Net cash flows from operating activities (RMB Yuan)	805,714,197.38	-361,467,587.70	-354,083,921.13	327.55%	-101,778,470.64	-92,901,678.94
Basic EPS (RMB Yuan/share)	0.6299	0.432	0.4381	43.78%	0.2936	0.2965
Diluted EPS (RMB Yuan/share)	0.6299	0.432	0.4381	43.78%	0.2936	0.2965
Weighted average ROE (%)	28.43%	25.67%	25.79%	2.64%	23.27%	23.28%
	As at 31 Dec. 2012	As at 31 Dec. 2011		Increase or decrease of this year-end than last year-end	As at 31 Dec. 2010	

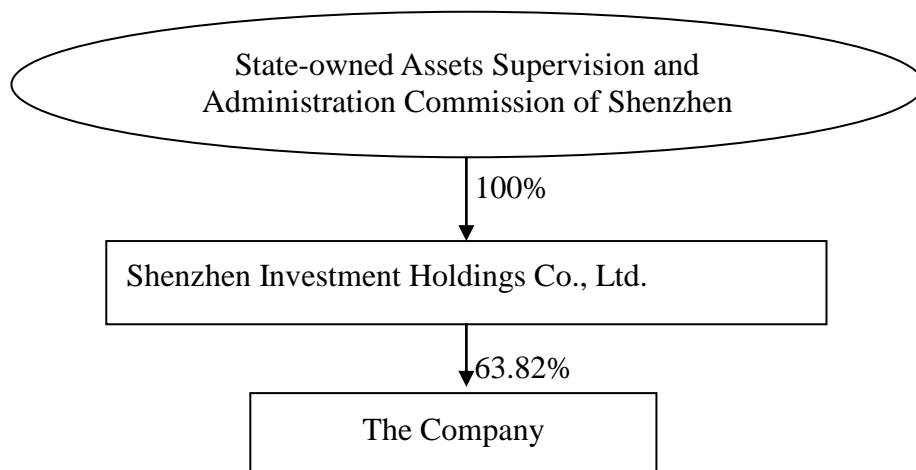
				(%)		
		Before adjustment	After adjustment	After adjustment	Before adjustment	After adjustment
Total assets (RMB Yuan)	4,006,705,938.73	3,499,608,314.21	3,552,025,374.73	12.8%	2,913,281,353.84	2,982,006,967.39
Net assets attributable to shareholders of the Company (RMB Yuan)	1,502,852,915.53	1,130,243,873.92	1,141,460,658.78	31.66%	874,185,621.88	881,777,845.08

(2) Shareholdings of the top 10 shareholders

Total number of shareholders at the end of the reporting period		45,928		Total number of shareholders at the end of the fifth trading day before the disclosure date of the annual report		
Shareholdings of the top 10 shareholders						
Name of shareholder	Nature of shareholder	Shareholding percentage (%)	Total shares held at the period-end	Number of restricted shares held	Pledged or frozen shares	
					Status of shares	Number of shares
SHENZHEN CONSTRUCTION INVESTMENT HOLDINGS COMPANY	State-owned corporation	54.33%	323,783,371	323,783,371		0
SHENZHEN INVESTMENT MANAGEMENT CORPORATION	State-owned corporation	9.49%	56,582,573	56,582,573		0
SHENZHEN GUO MAO CENTER PROPERTY MANAGEMENT COMPANY	State-owned corporation	0.42%	2,514,781			0
SHENZHEN DUTY-FREE COMMODITY CO., LTD.	Non-state-owned corporation from inside China	0.29%	1,730,300	1,730,300		0
GUOSEN SECURITIES-CLIENT CREDIT COLLATERAL SECURITIES TRADING ACCOUNT	Non-state-owned corporation from inside China	0.23%	1,387,000			0

WU XUELING	Domestic natural person	0.2%	1,193,300			0
CHINA MERCHANTS SECURITIES-CLIENT CREDIT COLLATERAL SECURITIES TRADING ACCOUNT	Non-state-owned corporation from inside China	0.19%	1,164,604			0
CHEN LIYING	Domestic natural person	0.17%	1,007,151			0
LONG KEYI	Domestic natural person	0.17%	1,000,011			0
GUOTAI JUNAN SECURITIES (HONGKONG) LIMITED	Foreign legal person	0.16%	932,304			0

(3) Relation between the Company and its actual controller in the form of diagram



3. Discussion and analysis by the management

I. Overview

In 2012, the central government made clearer the real estate macro-control concept of “protect rational demand for residence purpose and restrain demand for speculative investment purpose”. It continued to carry out policies such as differential credit and limited housing purchase in a strict manner. Many cities in the country adjusted their housing reserve funds mechanisms and increased the first house credit line to meet rational demands. In the year, the central bank decreased the deposit reserve rate and the interest rate twice. The said policies resulted in an obvious “down and then up” trend in the real estate market. The first-hand commercial house turnover of major cities in China picked up in the second half of the year from both the same period of last year and the first half of the year. De-inventory of real estate enterprises accelerated and major enterprises excellently fulfilled their sales amount and area goals, with their capital status improving significantly. As a result, the second half of the year saw a heat-up of the land market, with investment growth in real estate development gradually picking up.

In view of the heat-up in some regional real estate markets at the end of 2012 and in the beginning of 2013, the central government unveiled in Feb. 2013 the “new five real estate macro-control measures of the State Council”, fully indicating its determination to maintain stability of house prices through policy. As local governments unveil their specific implementation measures, new effects will take place in the market. The Company will pay close attention to the effects of relevant policies on the market, attach importance to the ability to manage multiple real estate projects and focus on improving the project development and management capability. At the same time, it will also emphasize building of the “SZPRD” brand and effectively enhance its ability to resist risks.

II. Main business analysis

1. Overview

For the reporting year, the Company achieved operating revenues of RMB 1,861,298,800, up 30.14% over last year; operating profit of RMB 485,398,200, up 41.07% on a year-on-year basis; total profit of RMB 487,048,100, up 42.01% from last year; and net profit of RMB 374,822,200, up 44.14% over last year.

The operating revenues, operating profit, total profit and net profit increased considerably mainly because the real estate income rose significantly.

2. Revenues, costs and expense

(1) Revenues

The Company specializes in real estate development, with taxi transportation service, property management, house leasing, etc. as its sidelines. In 2012, the revenue generated from the main business reached RMB 1,827,263,100, representing a year-on-year growth of 30.59%; and gross profit of the main business reached RMB 993,371,300.

The sales income from the top five customers reached RMB 326,371,800, accounting for 17.86% of the main business income.

(2) Costs

Real estate development and operation is the core business of the Company. When developing a project, the Company chooses the general contractor or the design institution in the form of open bidding in the government’s relevant construction engineering trading service center according to bidding laws and regulations of China and the project location. For general contracting, the contractor shall purchase main construction materials, and the Company is responsible for procurement for the marketing center on site, sample house decoration, external landscaping, some engineering design, etc. The above-mentioned bidding or procurement projects shall be carried out and the contractors shall be determined according to the bidding administrative rules of the Company. The procurement from the top five suppliers totaled RMB 50.55 million for the year, accounting for 53.8% of the total procurement.

(3) Expense

Selling expenses:

Unit: RMB'000

Name of expenses	2012	2011	YoY +/-%
Selling expenses	43,951.17	32,792.29	34.03%

The projects for sale increased, causing a considerable growth of the selling expenses, but the sales expenses/sales income ratio remained basically unchanged.

III. Breakdown of main business

(1) Breakdown of the operating revenues and profit classified by industry and product

Unit: RMB'000

Industry	Operating revenues		Operating costs		Gross profit rate	
	Amount	YoY +/-%	Amount	YoY +/-%	Profit rate (%)	YoY +/-%
Real estate development	1,429,818.41	37.48	529,936.88	86.91	62.94	-9.80
Property management and house leasing	284,730.88	13.96	240,033.56	7.26	15.70	5.26
Taxi service	71,332.14	-1.58	36,881.84	14.03	48.30	-7.08
Catering service	25,909.85	16.43	21,782.44	21.08	15.93	-3.23
Other	15,471.78	5.62	5,257.05	45.43	66.02	-9.30

Note: "Other" refers to engineering supervision, car repair, elevator maintenance, etc.

The real estate operating revenue increased by 37.48% over last year, which was mainly because the carried-forward income from real estate increased. The gross profit rate of real estate development went down by 9.8% over last year, which was mainly because the carried-forward gross profit rate of some real estate projects decreased. The gross profit rate of property management and house leasing went up mainly because the house leasing rate and rents both increased. Due to rising costs, the gross profit rate of taxi service decreased to some extent.

(2) Classified by region, 93.8% main operating revenues came from Shenzhen.

Unit: RMB'000

Region	Operating revenue	YoY +/-%
Shenzhen	1,714,040.96	32.32%
Other regions	113,222.11	9.08%
Total	1,827,263.07	30.59%

IV. Core competitiveness analysis

In face of a complex and changeable real estate market, the Company was honored as one of the "Top 100 Real Estate Listed Companies of China for 2012" in the year. Meanwhile, Building No. 21 of SZPRD Shengang No. 1 and SZPRD Langqiao International helped the Company win the best project award in the first "Golden Building Awards" of Shenzhen and some other honors. The size and profitability of the Company keep increasing because the existing Shenzhen projects have a great value due to low costs for land and the position in the core of the city; and the Company has been carrying out the fine product strategy in recent years with highly-positioned development projects, excellent product quality and an increasingly recognized brand image. In the coming future, the Company will continue to adhere to the development philosophy of "Quality Property, Quality Life", keep increasing the management and operation capability, build up high-end products, better the brand, and cultivate and improve the core competitiveness.

V. Investment analysis**1. Analysis to main subsidiaries and stock-participating companies**

Unit: RMB Yuan

Company name	Company variety	Industry	Main products/services	Registered capital	Total assets (RMB Yuan)	Net assets (RMB Yuan)	Operating revenues (RMB Yuan)	Operating profit (RMB Yuan)	Net profit (RMB Yuan)
Shenzhen Huangcheng Real Estate Co., Ltd.	Subsidiary	Real estate	Construction, operation and management of development facilities at Huanggang Port	30,000	1,937,161,366.63	490,463,071.30	1,375,285,506.24	458,707,150.73	345,045,448.06
SZPRD Real Estates Development Co., Ltd.	Subsidiary	Real estate	Development of real estate	30,950	697,633,474.81	99,418,957.23	99,259,652.00	28,239,586.14	21,116,343.10

The operating profit and net profit of Shenzhen Huangcheng Real Estate Co., Ltd. increased significantly due to the considerable growth of the real estate sales income. And the profit was turned in, so net assets remained almost the same.

2. Significant projects invested with non-raised funds

The Company did not raise funds in the reporting period or used funds raised previously. Significant projects invested with non-raised funds, as well as their progress and earnings, are as follows:

Unit: RMB'000

Project name	Estimated total investment	Input for this year	Cumulative actual input	Project progress	Project earnings
SZPRD-Langqiao International (Langqiao Residence)	514,170	174,290.67	578,370.68	Construction has been completed.	—
SZPRD-Caitianyise	170,000	65,946.53	176,094.49	Construction was about to come to an end.	—
SZPRD-Banshanyujing (first and second phases)	793,000	118,824.78	346,397.12	In construction	—
SZPRD-Songhulangyuan (previously land in Dalang, Dongguan)	687,110	10,741.25	234,982.86	In construction	—
SZPRD-Jinling Holiday (previously land in Huanggang Port)		3,494.63	65,492.62	In preparation	—
SZPRD-West Lake Wonder (land in Yangzhou)		185,849.14	621,738.94	In preparation	—
SZPRD-Blue Bay (land in the Moon Bay)		906.38	272,210.75	In preparation	—
Total		560,053.38	2,295,287.46		—

Note: All the above were real estate development projects.

VI. Outlook of the Company's future development

1. Countermeasures against risks

(1) About policy risks

In 2013, the macro-control policies such as “limited purchase” will carry on and be further enhanced. Local governments’ specific implementation rules of the “five real estate macro-control measures of the State Council” will impose more requirements on differential credit, real estate tax, pre-sale management of commercial houses, etc. This round of real estate macro-control will extend to the trading of second-hand houses, producing both short-term and long-term effects on the market. As such, the market in 2013 is full of uncertainties.

The Company will attach great importance to studying the policy trend, enhance analysis on the specified policies for the project locations, analyze possible market changes in depth and formulate development and marketing strategies for all projects with the big picture in mind and within the framework of the annual goals.

(2) About financial risks

In the year, the central bank decreased the deposit reserve rate and the interest rate twice, giving some credit relief. Despite a market recovery at the end of 2012, the policy of “limited purchase and credit” is still strict in 2013 and the financing channels of real estate enterprises are greatly restrained. As such, the market uncertainties in 2013 may impose risks on the sales and capital inflow of the Company.

The Company will strengthen financial risk control and beef up capital inflow from project sale; activate the existing assets and expand financing channels for more capital support; and enhance financial management and stick to the management mode of “capital pool” within the Group to maximize the capital effects.

(3) About operating risks

① Operation risks

The real estate macro-control measures such as limited purchase and credit, mass construction of houses for low-income people, etc. in recent years have objectively and relatively narrowed the market space, causing a shift from an extensive to an intensive competition in the sector. With a bigger size, leading enterprises are gaining more and more advantages in terms of financing, investment, risk resistance, etc. while small-and medium-sized enterprises are facing fiercer competition.

The Company has always kept a clear mind in dealing with pressure from competition. It enhances the main operation capability of real estate, accelerates the turnover of project development and makes full use of re-investment to achieve snowball-style development. In order to ensure a sustainable development, the Company will keep an eye on Shenzhen and its surroundings, Xuzhou, Yangzhou and other target land. Upon in-depth study and analysis, the Company will increase its land reserve properly so as to expand the development scale. Meanwhile, development and accumulation over a long time has given the Company excellent fundamentals. And it will enhance its study on the capital market under the current conditions to look for opportunities to increase its overall strength.

② Management risks

A good corporate management is an important guarantee for performance stability and financial security. Affected by the real estate macro-control, the current operating environment in the sector is complex and changeable. Along with more and more development projects, projects outside Shenzhen in particular, it is increasingly complicated for the Company to manage. In 2012, the Company achieved outstanding progress in improving and standardizing real estate development management, internal control & risk management, corporate culture management, etc. In 2013, the Company will continue to improve all the management mechanisms; focus on the formulation and execution of a brochure for real estate development; optimize the organizational, operation and process management of the main business of real estate; and effectively enhance control over all projects.

2. Plans for 2013

For 2013, the Company plans to achieve main operating revenues of RMB 1.58 billion with the period expense and cost at RMB 870 million. The Company will stabilize the sideline operation with increasing profitability as the core, enhance scientific management, and strengthen mechanisms for risk control and internal control. It will also build a professional and competitive team, cultivate a corporate culture of “be the first and reform for growth”, and try to achieve a quality and steady growth, as well as a sustained overall development. The Company will focus on the following tasks in 2013:

(1) With the fine product strategy as the core, the Company will try to achieve a sustained and sound growth of the main business of real estate. On the basis of standardizing real estate development mechanisms and processes, the Company will work on high-quality buildings, promote the brand image of “Quality Property, Quality Life”, beef up the construction progress of all projects, input great efforts for the engineering quality, and improve customer service for projects on sale. Meanwhile, it will enhance study on the government’s macro-economic policies, analyze the real estate market policies in a scientific way, optimize its real estate development strategies,

improve the market-oriented operation of the main business of real estate, keep an eye on the land markets of the second-and third-tier cities in the country, and increase its land reserve properly.

(2) The Company will improve management measures to enhance its scientific management capability. With the “Real Estate Brochure” as the basis and project management as the core, the Company specifies the power & responsibility mechanism and the management scope for real estate development, improves management measures for all projects, specifies working standards and standardizes working processes. At the same time, it completes the management mechanisms for financial affairs, personnel, business, etc. of its real estate subsidiaries outside Shenzhen; builds up a data base of qualified suppliers; improves the post-project appraisal mechanism; and keeps increasing its real estate development and management capability.

(3) The Company will promote and implement its cultural philosophy and make innovations of its corporate culture. With its corporate culture brochure and employees’ brochure as the foundation, the Company standardizes behaviors of its employees, promotes pragmatism and efficiency among them, and encourages reform and innovation. These will bring the philosophy of modern corporate management into minds of the employees, enable the spirit of “be the first and reform for growth” to enter all sectors of the Company, and thus enable the Company to enter a new stage of corporate culture development.

3. Particulars about demand for capital, plan for capital use and capital source

In the year 2013, it is expected that over RMB 660 million is needed for the construction in-progress of the Company. In order to ensure the capital supply and satisfy the need of the business development, the Company intends to solve the capital issue by more bank loans, the payment by customers for the real estate sold, etc.

4. Matters related to financial reporting

(1) Explain change of the accounting policy, accounting estimate and measurement methods as compared with the financial reporting of last year

N/A

(2) Explain retrospective restatement due to correction of significant accounting errors in the reporting period

N/A

(3) Explain change of the consolidation scope as compared with the financial reporting of last year

See “Section X. Financial Report; VI. Business Combination and Consolidated Financial Statements; 2, 3 and 4” of the 2012 Annual Report.