



(Stock Code: 715)

# 2012

## Annual Report



A Hutchison Whampoa Company

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Chairman

FOK Kin Ning, Canning, BA, DFM, CA (Aus)

#### Deputy Chairman

LAI Kai Ming, Dominic, BSc, MBA  
(*Also Alternate to CHOW WOO Mo Fong, Susan*)

#### Executive Directors

TSUI Kin Tung, Tony, MRICS, MHKIS, RPS(GP)  
(*Managing Director*)

CHOW WOO Mo Fong, Susan, BSc

Edith SHIH, BSE, MA, MA, EdM, Solicitor, FCIS, FCS(PE)  
(*Also Alternate to FOK Kin Ning, Canning*)

#### Non-executive Director

Ronald Joseph ARCALLI, GBM, CVO, GBS, OBE, JP

#### Independent Non-executive Directors

KWAN Kai Cheong, BA, CA (Aus)  
(*Also Alternate to Ronald Joseph ARCALLI*)

LAM Lee G., BSc, MSc, MBA, DPA, LLB (Hons), LLM, PCLL, PhD, FHKIoD, FHKIArb  
(*Also Alternate to LAN Hong Tsung, David*)

LAN Hong Tsung, David, GBS, ISO, JP

### AUDIT COMMITTEE

KWAN Kai Cheong (*Chairman*)

Ronald Joseph ARCALLI

LAM Lee G.

### REMUNERATION COMMITTEE

KWAN Kai Cheong (*Chairman*)

FOK Kin Ning, Canning

LAM Lee G.

### COMPANY SECRETARY

Edith SHIH

### AUDITOR

PricewaterhouseCoopers

### BANKERS

The Hongkong and Shanghai Banking Corporation Limited

Standard Chartered Bank (Hong Kong) Limited

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## CHAIRMAN'S STATEMENT

### FINANCIAL RESULTS

The consolidated profit attributable to shareholders for the year ended 31 December 2012 ("the year") was HK\$182.2 million (2011: HK\$91.0 million) and earnings per share for the year was HK2.03 cents (2011: HK1.01 cents).

Revenue for the year amounted to HK\$87.8 million, representing a 2% increase compared to HK\$86.4 million in 2011. The Group recorded a 71% increase in earnings before interest expense and tax ("EBIT") from HK\$122.2 million in 2011 to HK\$208.8 million in 2012. Excluding the write back of provisions relating to exposures associated with the disposed subsidiaries in prior years of HK\$71.2 million, the recurring EBIT for the year increased by 13% to HK\$137.6 million in 2012. The increase was mainly attributable to the increase in rental income and interest income.

Finance costs for the year were HK\$0.8 million (2011: HK\$1.8 million), and the tax charge for the year was HK\$16.5 million (2011: HK\$22.0 million). The Group's consolidated profit before non-controlling interest for the year was HK\$191.6 million, 95% increase compared to HK\$98.4 million in 2011.

### DIVIDEND

The board of Directors (the "Board") is pleased to recommend the payment of a final dividend of HK2.2 cents per share for the year (2011: HK2.2 cents per share) to shareholders whose names appear on the Registers of Members of the Company on 21 May 2013, being the record date for determining shareholders' entitlement to the proposed final dividend. The proposed final dividend will be paid on 30 May 2013 following the approval at the Annual General Meeting to be held on 14 May 2013.



Harbour Ring Plaza, Shanghai

## CHAIRMAN'S STATEMENT

### BUSINESS OVERVIEW

The Property Division continued to contribute stable rental income and profit from its two office and commercial properties in Shanghai.

In view of the prevailing low interest yield offered by bank deposits during the year, the Group acquired additional debt securities issued by a subsidiary of Hutchison Whampoa Limited at a consideration of HK\$97.6 million, providing an effective interest yield of 4.25% per annum. Overall, the Group's holding of debt securities issued by subsidiaries of Hutchison Whampoa Limited provides an effective interest yield of approximately 5% per annum, which is higher than the prevailing bank deposits interest rates. As at 31 December 2012, the fair market value of the debt securities held by the Group was HK\$1,276.6 million (2011: HK\$1,201.2 million).

### OUTLOOK

The Property Division is expected to continue contributing stable rental income and profit to the Group.

The Group has maintained a healthy balance sheet and liquidity with cash, cash equivalents and other liquid listed investments of HK\$5,556.0 million as at 31 December 2012 (2011: HK\$5,691.1 million). With this robust liquidity position, management will continue to look at other opportunities to deliver increased long-term value to shareholders.

On behalf of the Board, I would like to express the Board's gratitude to all the staff for their hard work and dedication and to thank all our shareholders, business partners and customers for their continuous support.

**Fok Kin Ning, Canning**

*Chairman*

Hong Kong, 19 March 2013

## REVIEW OF OPERATIONS

### PROPERTY DIVISION

Revenue for the two office and commercial properties in Shanghai increased by 2% from HK\$86.4 million in 2011 to HK\$87.8 million in 2012. Recurring earnings before interest expense and tax ("EBIT"), excluding the write back of provisions relating to exposures associated with the disposed subsidiaries in prior years of HK\$71.2 million in 2012, recorded an increase of 8% from HK\$79.7 million to HK\$86.0 million. The increase in EBIT was mainly attributable to the improvement in average rental rates and increase in bank interest income in Mainland China.

### CORPORATE DIVISION

EBIT for Corporate Division increased 22% from HK\$42.5 million in 2011 to HK\$51.7 million in 2012. The increase in EBIT was mainly attributable to increase in bank and bond interest income.

### PROSPECTS

Though the Shanghai's office leasing market has been climbing steadily since the trough created by the financial tsunami in 2008, the office market growth may slow down as the US economy is still recovering and European economies continue to be affected by economic and financial uncertainties. With increase in supply of office spaces in non-central business districts in Shanghai with lower rental rates, tenants are more demanding in getting favourable lease terms and competitive rental rates. Hence, the upcoming year will be challenging in terms of occupancy and rental growth for the Group's two office and commercial properties.

The 2012 results were achieved through the efforts of the management and employees. I would like to join our Chairman in expressing my sincere gratitude and appreciation for their efforts and contributions throughout the year.

**Tsui Kin Tung, Tony**  
*Managing Director*

Hong Kong, 19 March 2013



Harbour Ring Huang Pu Centre, Shanghai

## CAPITAL RESOURCES AND OTHER INFORMATION

### TREASURY MANAGEMENT

The primary treasury and funding policies of the Group focus on liquidity management and maintaining an optimum level of liquidity, while funding subsidiary operations in a cost-efficient manner. Operating as a centralised service, the treasury function manages the Group's funding needs and monitors financial risks, such as those relating to interest and foreign exchange rates, as well as counterparty.

During the year ended 31 December 2012, the Group did not enter into any interest or currency swaps or other financial derivatives transactions.

#### Interest rate exposure

The Group has no significant interest-bearing assets except for cash and bank deposits and the listed debt securities included under available-for-sale financial assets. The interest rates for the listed debt securities are fixed.

#### Foreign currency exposure

The Group's revenue and operating costs are denominated in Hong Kong dollars and Renminbi. The Group is exposed to other currency movements, primarily in terms of bank deposits and available-for-sale financial assets denominated in United States dollars.

#### Credit exposure

Surplus funds are to be managed in a prudent manner, usually in the form of bank deposits with financial institutions with good credit ratings. Credit ratings of financial institutions are regularly reviewed by the senior management in order to manage counterparty risk.

The Group's available-for-sale financial assets were listed in Luxembourg and Singapore with credit rating of A3/A- as rated by Moody's and Standard & Poor's as at 31 December 2012.

### CAPITAL RESOURCES AND LIQUIDITY

As at 31 December 2012, the Group's total cash and cash equivalents, together with other listed investments amounted to HK\$5,556.0 million (2011: HK\$5,691.1 million), 88.3% of which were denominated in United States dollars, 11.6% in Renminbi and the remainder in various other currencies.

As at 31 December 2012, the Group did not have any borrowings. As at 31 December 2011, the Group's total borrowings were HK\$40.3 million, which were loans from a non-controlling shareholder of the Group's subsidiaries. The gearing ratio, calculated by dividing total debt by total shareholders' equity, was 0.6% as at 31 December 2011.

## CAPITAL RESOURCES AND OTHER INFORMATION

### CASH FLOWS

The Group maintains a healthy financial position. During the year ended 31 December 2012, net cash generated from operating activities and used in investing activities amounted to HK\$121.2 million (2011: HK\$100.9 million) and HK\$133.3 million (2011: HK\$17.3 million) respectively. Major outflow of funds during the year mainly included payments of final dividend and repayment of loans to a non-controlling shareholder.

### CHARGES AND CONTINGENT LIABILITIES

The Group had neither any charges on its assets nor provided any guarantee as at 31 December 2012 and 31 December 2011.

### HUMAN RESOURCES

As at 31 December 2012, the Group employed 49 staff members (2011: 54). Total employee costs for the year ended 31 December 2012, including directors' emoluments, amounted to HK\$14.6 million (2011: HK\$13.4 million).

The salary and benefit levels of the Group's employees are competitive and individual performance is rewarded through the salary and bonus system of the Group. Remuneration packages are reviewed annually during the year.

### PAST PERFORMANCE AND FORWARD LOOKING STATEMENTS

The performance and the results of operations of the Group contained within this Annual Report are historical in nature, and past performance is no guarantee of the future results of the Group. Any forward-looking statements and opinions contained within this Annual Report are based on current plans, estimates and projections, and therefore involve risks and uncertainties. Actual results may differ materially from expectations discussed in such forward-looking statements and opinions. The Group, the Directors, employees and agents of the Group assume (a) no obligation to correct or update the forward-looking statements or opinions contained in this Annual Report; and (b) no liability in the event that any of the forward-looking statements or opinions do not materialise or turn out to be incorrect.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group is committed to the long-term sustainability of its businesses and the communities with which it engages. We pursue this business approach by managing our business prudently and diligently and executing management decisions via our hard-working and dedicated employees.

## STAKEHOLDER ENGAGEMENT

Dialogue is maintained with stakeholders that include customers, employees, regulators and the public. We seek to balance the views and interests of these various stakeholders through constructive conversations with a view to charting a course for the long-term prosperity of the Company and the communities we touch.

### Customers

Customer feedback plays a very important role in the operation of the Group. Various channels are established to maintain interactive communications between tenants and the Group.

### Employees

Hard-working and dedicated employees are the backbone of a company. We treasure our loyal and industrious staff members. In addition, the Group adopts non-discriminatory hiring and employment practices and strives to provide a safe and healthy workplace.

### Government/Public

We make strenuous efforts to ensure compliance with the laws and regulations of the jurisdictions in which we operate. The public at large is also an important stakeholder of the Company. A stable and prosperous community is important to the steady growth and long-term future prospects of the Group.

## WORKPLACE QUALITY

As at 31 December 2012, the Group employed 49 staff members. Total employee costs for the year ended 31 December 2012, including directors' emoluments, amounted to HK\$14.6 million.

We believe the quality of our employees is crucial to maintaining a leadership position in the market. With this in mind, we seek to attract and retain talented individuals committed to achieving goals and objectives in a work environment that nurtures values such as fair play, respect and integrity. Compensation packages are competitive, and individuals are rewarded according to performance plus an annually-reviewed framework of salary, working conditions, bonuses and incentive systems. Benefits include medical cover, provident funds, long-service awards and a share option scheme.

Heavy emphasis on career development translates into extensive and ongoing training, according to the need of the Group.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group is committed to providing a healthy and safe workplace for all its employees and complying with all applicable health and safety laws and regulations. Health and safety considerations are incorporated into the design, operations and maintenance of the premises of the Group. Employees are provided appropriate job skills and safety training and are educated with regard to their responsibilities for achieving the health and safety objectives of the Group. The Group also communicates with its employees on occupational health and safety issues.

## ENVIRONMENTAL PROTECTION

Energy saving measures are enforced in the Group's two office and commercial premises resulting in reduction of electricity consumption and greenhouse gas emissions.

Recycling and use of eco-friendly stationery, plus a series of measures to save paper and energy, resulted in more efficient use of resources, as well as reduction of waste.

## OPERATING PRACTICES

The Group is committed to adhering to the highest ethical standards. All employees are given a Code of Conduct to which they are required to adhere. The Code explicitly prohibits employees from soliciting, accepting or offering bribes or any form of advantage. The Code also outlines the Group's expectations on staff with regard to conflicts of interest. All managers are expected to communicate and instill a culture of good corporate governance to their staff.

We are committed to offering quality services to our customers by satisfying their expectations and needs. Questionnaires are regularly sent to tenants in order to obtain feedback. Complaints are recorded and reviewed for determining preventive actions.

## INFORMATION ON DIRECTORS

### BIOGRAPHICAL DETAILS OF DIRECTORS

**FOK Kin Ning, Canning**, aged 61, has been a Director since 1992 and Chairman since 2002. He is also a member of the Remuneration Committee of the Company. Mr Fok is an executive director and group managing director of Hutchison Whampoa Limited ("HWL"). He is chairman of Hutchison Telecommunications Hong Kong Holdings Limited ("HTHKH"), Hutchison Telecommunications (Australia) Limited ("HTAL"), Hutchison Port Holdings Management Pte. Limited ("HPH Management") (as trustee-manager of Hutchison Port Holdings Trust) and Power Assets Holdings Limited ("Power Assets") and co-chairman of Husky Energy Inc. He is also deputy chairman of Cheung Kong Infrastructure Holdings Limited ("CKI"), a non-executive director of Cheung Kong (Holdings) Limited ("CKH") and a director of Hutchison International Limited ("HIL") and Promising Land International Inc. ("Promising Land"). Mr Fok is also alternate director to a director of HTHKH. CKH, HWL, HIL and Promising Land are substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"). He holds a Bachelor of Arts degree and a Diploma in Financial Management, and is a member of The Institute of Chartered Accountants in Australia.

**LAI Kai Ming, Dominic**, aged 59, has been a Director since 1994 and Deputy Chairman since 2001. He is also Alternate Director to Mrs Chow Woo Mo Fong, Susan. He is an executive director of HWL, a non-executive director of HTHKH, a director of HTAL and HIL and alternate director to directors of each of HTHKH, HTAL and Promising Land. HWL, HIL and Promising Land are substantial shareholders of the Company within the meaning of Part XV of the SFO. He has over 29 years of management experience in different industries. He also holds a Bachelor of Science (Hons) degree and a Master's degree in Business Administration.

**TSUI Kin Tung, Tony**, aged 53, has been Managing Director and an Executive Director since November 2010. He is also deputy managing director of Hutchison Whampoa Properties Limited and holds directorships in certain companies controlled by HWL and HIL, both of which are substantial shareholders of the Company within the meaning of Part XV of the SFO. Mr Tsui is a professional Surveyor and a member of the Royal Institution of Chartered Surveyors and The Hong Kong Institute of Surveyors. He has been working in the real estate industry for more than 30 years and possesses in-depth knowledge of the real estate markets in Hong Kong and China.

**CHOW WOO Mo Fong, Susan**, aged 59, has been an Executive Director since 2001. She is an executive director and deputy group managing director of HWL. She is also an executive director of CKI and Power Assets, a non-executive director of HTHKH and a director of HTAL, HIL and Uptalent Investments Limited ("Uptalent"). Mrs Chow is also alternate director to directors of each of CKI, Power Assets, HTAL and TOM Group Limited ("TOM"). She was previously a non-executive director of TOM and alternate director to a director of HPH Management (as trustee-manager of Hutchison Port Holdings Trust). HWL, HIL and Uptalent are substantial shareholders of the Company within the meaning of Part XV of the SFO. She is a qualified solicitor and holds a Bachelor's degree in Business Administration.

**Edith SHIH**, aged 61, has been an Executive Director and Company Secretary since 2001. She is also Alternate Director to Mr Fok Kin Ning, Canning. She is head group general counsel and company secretary of HWL. She is also a non-executive director of Hutchison China MediTech Limited, a director of HIL as well as a director and company secretary of various HWL group companies. HWL and HIL are substantial shareholders of the Company within the meaning of Part XV of the SFO. Ms Shih is President of The Hong Kong Institute of Chartered Secretaries and a lay member of the Council of The Hong Kong Institute of Certified Public Accountants. She holds a Bachelor of Science degree in Education and a Master of Arts degree from the University of the Philippines, a Master of Arts degree and a Master of Education degree from Columbia University, New York. Ms Shih is a qualified solicitor in England and Wales, Hong Kong and Victoria, Australia and a Fellow of both The Institute of Chartered Secretaries and Administrators in the United Kingdom and The Hong Kong Institute of Chartered Secretaries.

## INFORMATION ON DIRECTORS

**Ronald Joseph ARCULLI, GBM, CVO, GBS, OBE, JP**, aged 74, has been a Director since 2001. He is currently Non-executive Director and a member of the Audit Committee of the Company. Mr Arculli is senior partner of a firm of solicitors in Hong Kong and an independent non-executive director of Hong Kong Exchanges and Clearing Limited, for which he was also former independent non-executive chairman from 2006 to 2012. He was a Non-official member of the Executive Council of the Government of the Hong Kong Special Administrative Region ("HKSAR") from 2005 to 2012, for which he also acted as Convenor of Non-official members since December 2011. He became a member of the Legislative Council in 1988, representing the Real Estate and Construction functional constituency from 1991 to 2000. He is currently a director of The Community Chest of Hong Kong. Mr Arculli has a distinguished record of public service on numerous government committees and advisory bodies including HKSAR Health and Medical Development Advisory Committee and West Kowloon Cultural District Authority. Mr Arculli was awarded the Grand Bauhinia Medal and Gold Bauhinia Star Medal by the Government of HKSAR in 2010 and 2001 respectively. In addition, he also holds a number of directorships in listed companies in Hong Kong including Hang Lung Properties Limited, HKR International Limited, Power Assets, SCMP Group Limited, Sino Hotels (Holdings) Limited, Sino Land Company Limited and Tsim Sha Tsui Properties Limited.

**KWAN Kai Cheong**, aged 63, has been an Independent Non-executive Director since 2004. He is also Alternate Director to Mr Ronald Joseph Arculli and Chairman of the Audit Committee and Remuneration Committee of the Company. He is an independent non-executive director of SPG Land (Holdings) Limited, Win Hanverky Holdings Limited, Galaxy Resources Limited, Henderson Sunlight Asset Management Limited (as manager of Sunlight Real Estate Investment Trust) and Goldpoly New Energy Holdings Limited and non-executive director of China Properties Group Limited. He is currently president of Morrison & Company Limited, which is a business consultancy firm. He worked for Merrill Lynch & Co. Inc. ("Merrill Lynch") for over 10 years during the period from 1982 to 1993. His last position with Merrill Lynch was president for its Asia Pacific region. He was also previously joint managing director of Pacific Concord Holding Limited. He holds a Bachelor of Accountancy (Honours) degree and is a Fellow of the Hong Kong Institute of Certified Public Accountants, a member of The Institute of Chartered Accountants in Australia and a Fellow of the Hong Kong Institute of Directors. He completed the Stanford Executive Program in 1992.

**LAM Lee G.**, aged 53, has been an Independent Non-executive Director since 2004. He is also Alternate Director to Mr Lan Hong Tsung, David and a member of the Audit Committee and Remuneration Committee of the Company. He holds a Bachelor of Science in Mathematics and Sciences, a Master of Science in Systems Science, and a Master of Business Administration, all from the University of Ottawa in Canada, a Post-graduate Diploma in Public Administration from Carleton University in Canada, a Post-graduate Diploma in English and Hong Kong Law and a Bachelor of Law (Hons) from Manchester Metropolitan University in the United Kingdom, a PCLL in law from the City University of Hong Kong, a Certificate in Professional Accountancy from the Chinese University of Hong Kong SCS, a LLM in law from the University of Wolverhampton in the United Kingdom, and a Doctor of Philosophy from The University of Hong Kong. Dr Lam has over 30 years of multinational general management, strategy consulting, corporate governance, investment banking, and direct investment experience. He is chairman of Monte Jade Science and Technology Association of Hong Kong, and serves on the board of several publicly-listed companies in the Asia Pacific region. Having served as a part-time member of the Central Policy Unit of the Government of HKSAR for two terms and the Legal Aid Services Council, Dr Lam is a member of the Jilin Province Committee (and formerly a Specially-invited Member of the Zhejiang Province Committee) of the Chinese People's Political Consultative Conference, a member of the Hong Kong Institute of Bankers, a member of the World Presidents' Organization, a member of the Chief Executives Organization, a Fellow of the Hong Kong Institute of Directors and the Hong Kong Institute of Arbitrators, an Accredited Mediator of the Centre for Effective Dispute Resolution (CEDR), a member of the General Committee and the Corporate Governance Committee of the Chamber of Hong Kong Listed Companies, a Board Member of the Australian Chamber of Commerce in Hong Kong, a founding Board Member and Honorary Treasurer of the Hong Kong – Vietnam Chamber of Commerce, and Vice President of the Hong Kong Real Estate Association.

## INFORMATION ON DIRECTORS

**LAN Hong Tsung, David**, *GBS, ISO, JP*, aged 72, has been an Independent Non-executive Director since 2005. He is currently chairman of David H T Lan Consultants Limited. He is also an independent non-executive director of CKI, HTHKH, ARA Asset Management (Fortune) Limited (as manager of Fortune Real Estate Investment Trust), ARA Asset Management (Prosperity) Limited (as manager of Prosperity Real Estate Investment Trust), SJM Holdings Limited and Nanyang Commercial Bank, Limited. He is also senior advisor of Mitsui & Company (Hong Kong) Limited. Mr Lan was Secretary for Home Affairs of the Government of HKSAR till his retirement in July 2000. He had served as a civil servant in various capacities for 39 years and was awarded the Gold Bauhinia Star Medal on 1 July 2000. He was a member of the 10th and 11th sessions of the National Committee of the Chinese People's Political Consultative Conference, the People's Republic of China. Mr Lan is a Chartered Secretary, and a Fellow of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom. He received his Bachelor of Arts degree from the University of London and completed the Advanced Management Program of the Harvard Business School, Boston. He was also a Visiting Fellow at Queen Elizabeth House, University of Oxford.

### CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51(B) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "SEHK"), the changes in information of Directors of the Company subsequent to the date of the 2012 Interim Report of the Company are set out below:

Name of Director	Details of Changes
Chow Woo Mo Fong, Susan	Ceased to be alternate director to Mr Fok Kin Ning, Canning, chairman and a non-executive director of HPH Management (as trustee-manager of Hutchison Port Holdings Trust <sup>(1)</sup> ) on 24 October 2012
Edith Shih	Ceased to be a member of the Standing Committee on Company Law Reform on 1 February 2013
Ronald Joseph Arculli	Appointed as honorary advisor – Platinum Patron of the Hong Kong Special Administrative Region Outstanding Students' Union on 1 September 2012  Elected as chairman of The Hong Kong Arts Festival Society on 20 September 2012  Ceased to be a director and chairman of the World Federation of Exchanges on 15 October 2012  Appointed as honorary vice-president of the Advisory Board of the Hong Kong University of Science and Technology Students' Union – the Business Students' Union on 31 October 2012  Appointed as chairman and a member of the executive committee of West Kowloon Cultural District Authority for the period from 4 February 2013 to 31 December 2013

## INFORMATION ON DIRECTORS

Name of Director	Details of Changes
Lam Lee G.	Re-designated as an independent non-executive director of Glorious Sun Enterprises Limited <sup>(2)</sup> on 20 August 2012  Resigned as an independent non-executive director of TMC Life Sciences Berhad <sup>(3)</sup> on 27 September 2012  The shares of Vietnam Equity Holding were delisted from the Frankfurt Stock Exchange ("FSE") following the closure of FSE's First Quotation Board on 15 December 2012. Dr Lam remains chairman and an independent non-executive director of the company
	The shares of Vietnam Property Holding were delisted from the FSE following the closure of FSE's First Quotation Board on 15 December 2012. Dr Lam remains chairman and an independent non-executive director of the company
	Appointed as an independent non-executive director of China Communication Telecom Services Company Limited <sup>(4)</sup> on 1 January 2013
	Appointed as an independent non-executive director of Wai Chun Mining Industry Group Company Limited <sup>(2)</sup> on 1 January 2013
Lan Hong Tsung, David	Ceased to be a member of the National Committee of the Chinese People's Political Consultative Conference, the People's Republic of China on 1 March 2013

Notes:

(1) A trust whose units are listed on the Main Board of Singapore Exchange Securities Trading Limited.

(2) A company whose shares are listed on the Main Board of the SEHK.

(3) A company whose shares are listed on the Main Board of Bursa Malaysia Securities Berhad.

(4) A company whose shares are listed on the Growth Enterprise Market of the SEHK.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2012, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executive of the Company were deemed or taken to have under such provisions of the SFO) or which were required to be and were recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers adopted by the Company (the "Model Code") were as follows:

## INFORMATION ON DIRECTORS

**(I) Interests and short positions in the shares, underlying shares and debentures of the Company**

*Long positions in the shares and underlying shares of the Company*

Name of Director	Capacity	Nature of interests	Number of shares of the Company held	Total	Approximate % of shareholding of the Company
Fok Kin Ning, Canning	Interest of a controlled corporation	Corporate interest	5,000,000 <sup>(Note)</sup>	5,000,000	0.05575%

*Note:* Such shares were held by a company which is equally controlled by Mr Fok Kin Ning, Canning and his spouse.

**(II) Interests and short positions in the shares, underlying shares and debentures of the associated corporations of the Company**

*(A) Long positions in the shares and underlying shares of HWL*

Name of Director	Capacity	Nature of interests	Number of shares held in HWL	Total	Approximate % of shareholding of HWL
Fok Kin Ning, Canning	Interest of a controlled corporation	Corporate interest	6,010,875 <sup>(1)</sup>	6,010,875	0.14099%
Lai Kai Ming, Dominic	Beneficial owner	Personal interest	50,000	50,000	0.00117%
Chow Woo Mo Fong, Susan	Beneficial owner	Personal interest	190,000	190,000	0.00446%
Edith Shih	Beneficial owner Interest of spouse	Personal interest Family interest	57,200) 7,400)	64,600	0.00152%
Ronald Joseph Arculli	Interest of a controlled corporation	Corporate interest	11,224 <sup>(2)</sup>	11,224	0.00026%
Lan Hong Tsung, David	Beneficial owner	Personal interest	20,000	20,000	0.00047%

*Notes:*

(1) Such shares in HWL were held by a company which is equally controlled by Mr Fok Kin Ning, Canning and his spouse.

(2) Such shares in HWL were held by a company which is beneficially owned by Mr Ronald Joseph Arculli.

## INFORMATION ON DIRECTORS

**(B) Long positions in the shares, underlying shares and debentures of other associated corporations of the Company**

As at 31 December 2012, Mr Fok Kin Ning, Canning had the following interests:

- (i) 5,100,000 ordinary shares, representing approximately 0.038% of the issued share capital, in HTAL comprising personal and corporate interests in 4,100,000 ordinary shares and 1,000,000 ordinary shares respectively;
- (ii) corporate interests in 1,202,380 ordinary shares, representing approximately 0.025% of the issued share capital, in HTHKH;
- (iii) corporate interests in a nominal amount of US\$1,216,000 in the 6.5% Notes due 2013 issued by Hutchison Whampoa International (03/13) Limited;
- (iv) corporate interests in a nominal amount of US\$4,000,000 in the 5.75% Notes due 2019 issued by Hutchison Whampoa International (09/19) Limited; and
- (v) corporate interests in a nominal amount of US\$5,000,000 in the Subordinated Guaranteed Perpetual Capital Securities issued by Hutchison Whampoa International (10) Limited.

Mr Fok Kin Ning, Canning held the above personal interests in his capacity as a beneficial owner and held the above corporate interests through a company which is equally controlled by Mr Fok and his spouse.

As at 31 December 2012, Mr Tsui Kin Tung, Tony had personal interests in his capacity as a beneficial owner in a nominal amount of US\$200,000 in the 6.25% Notes due 2014 issued by Hutchison Whampoa International (03/33) Limited.

As at 31 December 2012, Mrs Chow Woo Mo Fong, Susan had personal interests in her capacity as a beneficial owner in 250,000 ordinary shares, representing approximately 0.005% of the issued share capital, in HTHKH.

As at 31 December 2012, Ms Edith Shih in her capacity as a beneficial owner had the following personal interests:

- (i) a nominal amount of US\$292,000 in the 6.5% Notes due 2013 issued by Hutchison Whampoa International (03/13) Limited;
- (ii) a nominal amount of GBP200,000 in the 6.75% Guaranteed Bonds due 2015 issued by Hutchison Ports (UK) Finance Plc;
- (iii) a nominal amount of US\$300,000 in the 7.625% Notes due 2019 issued by Hutchison Whampoa International (09) Limited;
- (iv) a nominal amount of US\$300,000 in the 6.625% Guaranteed Perpetual Capital Securities issued by PHBS Limited;
- (v) a nominal amount of US\$200,000 in the Subordinated Guaranteed Perpetual Capital Securities issued by Hutchison Whampoa International (10) Limited;

## INFORMATION ON DIRECTORS

- (vi) a nominal amount of US\$250,000 in the 4.625% Notes due 2022 issued by Hutchison Whampoa International (11) Limited; and
- (vii) a nominal amount of US\$200,000 in the Subordinated Guaranteed Perpetual Capital Securities issued by Hutchison Whampoa International (12) Limited.

Save as disclosed above, as at 31 December 2012, none of the Directors and chief executive of the Company and their respective associates had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had to be notified to the Company and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the SEHK.

### DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2012, the following Directors of the Company had interests in the following businesses (apart from the businesses of the Company or its subsidiaries) conducted through the companies named below, their subsidiaries, associated companies or other investment forms which are considered to compete or be likely to compete, either directly or indirectly, with the principal businesses of the Company or its subsidiaries conducted during the year required to be disclosed pursuant to Rule 8.10(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"):

Name of Director	Name of company	Nature of interest	Nature of competing business
Fok Kin Ning, Canning	CKH HWL	Non-executive Director Group Managing Director	- Property development and investment - Property development and investment
Lai Kai Ming, Dominic	HWL	Executive Director	- Property development and investment
Tsui Kin Tung, Tony	Hutchison Whampoa Properties Limited	Deputy Managing Director	- Property development and investment
Chow Woo Mo Fong, Susan	HWL	Deputy Group Managing Director	- Property development and investment
Edith Shih	HIL	Director	- Property development and investment
Ronald Joseph Arculli	HKR International Limited Sino Land Company Limited Tsim Sha Tsui Properties Limited	Non-executive Director Non-executive Director Non-executive Director	- Property development and investment - Property development and investment - Property development and investment

## INFORMATION ON DIRECTORS

As the Board is independent of the boards of directors of the above entities, the Company has therefore been capable of carrying on its businesses independently of, and at arm's length from, the above businesses.

Save as disclosed above, as at 31 December 2012, none of the Directors or their respective associates had an interest in a business, apart from the businesses of the Group, which competes or is likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules.

## INFORMATION ON SENIOR MANAGEMENT

### BIOGRAPHICAL DETAILS OF SENIOR MANAGEMENT

**TSUI Kin Tung, Tony**, aged 53, has been Managing Director and an Executive Director since November 2010. He is also deputy managing director of Hutchison Whampoa Properties Limited and holds directorships in certain companies controlled by Hutchison Whampoa Limited and Hutchison International Limited, both of which are substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance. Mr Tsui is a professional Surveyor and a member of the Royal Institution of Chartered Surveyors and The Hong Kong Institute of Surveyors. He has been working in the real estate industry for more than 30 years and possesses in-depth knowledge of the real estate markets in Hong Kong and China.

**WAN Wing Sze, May**, aged 36, has been Group Financial Controller since August 2010 and joined the Group in January 2004. Ms Wan is a qualified accountant and holds a Bachelor of Business Administration degree in Accounting. She is a member of the Hong Kong Institute of Certified Public Accountants and has more than 14 years experience in auditing, accounting, financial management and business control. Ms Wan also has extensive experience in corporate restructuring.

**WANG Yuan, Susan**, aged 40, has been Financial Controller of the Shanghai operation of the Group since February 2006. Ms Wang is a qualified accountant and is responsible for overseeing the property rental and management business of the Group in Shanghai. She is a member of the Chinese Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Ms Wang has more than 18 years experience in auditing, accounting, financial management and operational controls, of which more than 7 years experience is in property sector in China.

## REPORT OF THE DIRECTORS

The Directors have pleasure in submitting to shareholders their report and statement of audited accounts for the year ended 31 December 2012.

### PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the activities of its principal subsidiaries are shown on page 92.

The analysis of the turnover and results by principal activities and geographical locations of the operations of the Company and its subsidiaries (collectively the "Group") during the financial year are set out in Note 5 to the accounts.

### RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2012 are set out in the consolidated income statement on page 46.

### DIVIDENDS

No interim dividend for the year ended 31 December 2012 was paid and the Directors recommend the declaration of a final dividend at the rate of HK2.2 cents per share payable on 30 May 2013 to all persons registered as shareholders on 21 May 2013, being the record date for determining the entitlement of shareholders to the proposed final dividend.

### RESERVES

Particulars on the movements in the reserves of the Company and the Group during the year are set out in Note 27 to the accounts and the consolidated statement of changes in equity on pages 52 and 53 respectively.

### CHARITABLE DONATIONS

There were no donations to charitable organisations by the Group during the year (2011: Nil).

### PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Particulars of the movements of property, plant and equipment and investment properties are set out in Notes 15 and 16 to the accounts, respectively.

### PROPERTIES

Particulars of major properties of the Group are set out on pages 94 and 95.

### SHARE CAPITAL

Details of the share capital of the Company are set out in Note 25 to the accounts.

# REPORT OF THE DIRECTORS

## DIRECTORS

The board of Directors of the Company (the "Board") as at 31 December 2012 comprised nine Directors, including (i) five Executive Directors, namely, Mr Fok Kin Ning, Canning (Chairman), Mr Lai Kai Ming, Dominic (Deputy Chairman), Mr Tsui Kin Tung, Tony (Managing Director), Mrs Chow Woo Mo Fong, Susan and Ms Edith Shih; (ii) one Non-executive Director, namely, Mr Ronald Joseph Arculli; and (iii) three Independent Non-executive Directors, namely, Mr Kwan Kai Cheong, Dr Lam Lee G. and Mr Lan Hong Tsung, David.

In accordance with Bye-laws 112(A) and 112(B) of the Company and pursuant to code provision A.4.2 of Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), Mr Tsui Kin Tung, Tony, Mr Ronald Joseph Arculli and Dr Lam Lee G. will retire by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election. The Company received confirmation from the Independent Non-executive Directors of their independence pursuant to Rule 3.13 of the Listing Rules. The Company considered all the Independent Non-executive Directors as independent.

The Directors' biographical details are set out on pages 9 to 11.

## INTEREST IN CONTRACTS

No contracts of significance in relation to the businesses of the Company and its subsidiaries to which the Company or a subsidiary was a party in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## DIRECTORS' SERVICE CONTRACT

None of the Directors of the Company who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not terminable by the Company within one year without payment of compensation (other than statutory compensation).

## SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed on 20 May 2004, the Company adopted a share option scheme (the "Share Option Scheme"). The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group, to continue and/or render improved service with the Group, and/or to establish a stronger business relationship between the Group and such participants.

The Directors (which expression shall include a duly authorised committee thereof) may, at their absolute discretion, invite any person belonging to any of the following classes of participants to take up options to subscribe for shares of HK\$0.10 each in the share capital of the Company:

- (a) any employee/consultant (as to functional areas of finance, business or personnel administration or information technology) or proposed employee/consultant (whether full time or part time, including any Executive Director but excluding any Non-executive Director) of the Company, any of its subsidiaries or any entity in which any member of the Group holds any equity interest (the "Invested Entity");

## REPORT OF THE DIRECTORS

- (b) any Non-executive Directors (including Independent Non-executive Directors) of the Company, any of its subsidiaries or any Invested Entity;
- (c) any supplier of goods or services to any member of the Group or any Invested Entity;
- (d) any customer of any member of the Group or any Invested Entity;
- (e) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity;
- (f) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;
- (g) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group; and
- (h) any company wholly owned by one or more persons belonging to any of the above classes of participants.

For the avoidance of doubt, the grant of any options by the Company for the subscription of shares or other securities of the Group to any person who falls within any of the above classes of participants shall not, by itself, unless the Directors otherwise determine, be construed as a grant of option under the Share Option Scheme.

The eligibility of any of the above class of participants to the grant of any options shall be determined by the Directors from time to time on the basis of their contribution to the development and growth of the Group. The maximum number of shares of the Company to be allotted and issued is as follows:

- (a) The maximum number of shares which may be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 30% of the relevant class of securities of the Company (or its subsidiaries) in issue from time to time.
- (b) The total number of shares of the Company which may be allotted and issued upon the exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of the Group) to be granted under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 6% of the relevant class of securities of the Company (or its subsidiaries) in issue as at 20 May 2004, being the date of passing the relevant resolution adopting the Share Option Scheme (the "General Scheme Limit"). Based on the number of shares in issue of the Company on 20 May 2004, the General Scheme Limit of the Share Option Scheme is 402,300,015 shares. As at the date of this report, the total number of shares available for issue under the Share Option Scheme (including the share options granted but yet to be exercised) is 383,604,015, representing 4.3% of the existing issued share capital of the Company.

## REPORT OF THE DIRECTORS

- (c) Subject to (a) above and without prejudice to (d) below, the Company may seek approval of its shareholders in general meeting to refresh the General Scheme Limit (a circular containing the information required by the Listing Rules to be despatched to the shareholders of the Company for that purpose) provided that the total number of shares of the Company which may be allotted and issued upon the exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Group must not exceed 10% of the relevant class of securities of the Company (or its subsidiaries) in issue as at the date of approval of the limit and, for the purpose of calculating the limit, options including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme of the Group will not be counted.
- (d) Subject to (a) above and without prejudice to (c) above, the Company may seek separate approval of the shareholders in general meeting to grant options beyond the General Scheme Limit or, if applicable, the extended limit referred to in (c) above to participants specifically identified by the Company before such approval is sought.

The total number of shares of the Company issued and which may fall to be issued upon the exercise of the options granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to any one participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being (the "Individual Limit"). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant shall be subject to the approval of the shareholders in a general meeting of the Company with such participant and his associates abstaining from voting. The number and terms (including the exercise price) of the options to be granted (and options previously granted to such participant) must be fixed before the approval of the shareholders and the date of the board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under Note (1) to Rule 17.03(9) of the Listing Rules.

An option may be accepted by a participant within 21 days from the date of the offer for the grant of the option.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined on the date of offer for the grant of option and notified by the Directors to each grantees, which period may commence, once the offer for the grant is accepted within the prescribed time by the grantees, from the date of the offer for the grant of options but shall end in any event not later than ten years from the date on which the offer for the grant of the option is made, subject to the provisions for early termination thereof. Unless otherwise determined by the Directors and stated in the offer of the grant of options to a grantees, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

The subscription price for the shares under the Share Option Scheme shall be a price determined by the Directors but shall not be less than the highest of (i) the closing price of the shares of the Company as stated in the daily quotations sheet of The Stock Exchange of Hong Kong Limited (the "SEHK") for trade in one or more board lots of the shares of the Company on the date of the offer of grant which must be a business day; (ii) the average closing price of shares of the Company as stated in the SEHK's daily quotations sheet for trade in one or more board lots of shares of the Company for the five trading days immediately preceding the date of the offer of grant which must be a business day; and (iii) the nominal value of the shares of the Company. A nominal consideration of HK\$1.00 is payable on acceptance of the grant of an option.

The Share Option Scheme will remain in force for a period of ten years commencing on the date on which the Share Option Scheme becomes unconditional and has a remaining term of approximately one year as at the date of this report.

## REPORT OF THE DIRECTORS

The following share options were outstanding under the Share Option Scheme during the year ended 31 December 2012:

	Grant date	Options held at 1 January 2012	Options granted during the year	Options exercised during the year	Options cancelled/ lapsed during the year <sup>(1)</sup>	Options held at 31 December 2012	Exercise period <sup>(2)</sup>	Exercise price per share HK\$	Share price on the grant date <sup>(3)</sup> HK\$	Share price on the exercise date HK\$
<b>Employees in aggregate</b>	3.6.2005	600,000	–	–	–	600,000	3.6.2006 – 2.6.2015	0.822	0.82	N/A
	25.5.2007	200,000	–	–	–	200,000	25.5.2008 – 24.5.2017	0.616	0.61	N/A
<b>Total</b>		<b>800,000</b>	–	–	–	<b>800,000</b>				

Notes:

- (1) 5,000,000 vested options granted to Mr Endo Shigeru, a former Executive Director of the Company, were lapsed on 9 January 2012.
- (2) The share options are exercisable subject to, amongst other relevant vesting criteria, the vesting schedule of one-third on each of the first, second and third anniversaries of the date of grant of share options.
- (3) The stated price was the closing price of the shares quoted on the SEHK on the trading day immediately prior to the date of the grant of the share options.

As at the date of this report, the Company had 800,000 share options outstanding under the Share Option Scheme, which represented approximately 0.0089% of the shares of the Company in issue as at that date.

No share option was granted under the Share Option Scheme during the year ended 31 December 2012.

The fair value of granted options estimated in accordance with the Binomial valuation model is disclosed in Note 26 to the accounts.

Apart from the Share Option Scheme, at no time during the year ended 31 December 2012 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of acquisition of shares in, or debenture of, the Company or any other body corporate.

## CONTINUING CONNECTED TRANSACTIONS

### (I) Master Agreement for HWL Supplies

On 30 December 2011, the Company entered into an agreement (the "HWL Master Agreement") with Hutchison International Limited ("HIL", a wholly owned subsidiary of Hutchison Whampoa Limited ("HWL", the ultimate holding company of the Company)) for a term of three years from 1 January 2012 to 31 December 2014 setting the framework terms for acquisition of the "HWL Supplies" from HIL, its subsidiaries and entities controlled, directly or indirectly, as to no less than 50% by HIL, other than the Group (collectively "HWL Group").

## REPORT OF THE DIRECTORS

The "HWL Supplies", being the supplies to be provided by the HWL Group to the Group as defined in the HWL Master Agreement, included mobile phones and handsets; premium products; distilled water, food and beverages, groceries; stationeries, office supplies; printing services, IT technical support services, telecommunications and Internet services; storage, administrative, legal, consultancy, management, insurance support services, hotel services, travel and transportation services; letting and leasing services all relating to property, and marketing, advertising and promotional services.

By reference to the factors as announced by the Company on 30 December 2011, the maximum aggregate annual values for the acquisition of the HWL Supplies by the Group contemplated by the HWL Master Agreement for the three years ending 31 December 2012, 2013 and 2014 were set at HK\$9,200,000, HK\$9,600,000 and HK\$9,980,000 (the "HWL Supplies Annual Cap") respectively.

Each of HIL and other members of the HWL Group is a connected person of the Company by virtue of being an associate of HWL, a substantial shareholder of the Company. Accordingly, the transactions contemplated under the HWL Master Agreement constituted or are expected to constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

### **(II) Master Agreement for Group Supplies and HTHKH Group Supplies**

On 17 April 2009, the Company entered into an agreement (the "HTHKH Master Agreement") with Hutchison Telecommunications Hong Kong Holdings Limited ("HTHKH", a subsidiary of HWL) for a period of three years commencing from 8 May 2009 to 7 May 2012 setting the framework terms for the provision of the "Group Supplies" and the "HTHKH Group Supplies" between the relevant members of the Group and the relevant members of HTHKH (the "HTHKH Group").

The "Group Supplies", being the supplies by the Group to the HTHKH Group as defined in the HTHKH Master Agreement, included (i) mobile phone accessories and related products (including handsets, batteries, chargers, data cable, adaptors, connectors, mobile music stands, carry cases, premiums, memory cards and Bluetooth® accessories); (ii) consumer electronics products (including Digital Audio Broadcast Radios, MP3 players and Personal Multi-media Players); and (iii) marketing, advertising and promotional services.

The "HTHKH Group Supplies", being the supplies by the HTHKH Group to the Group as defined in the HTHKH Master Agreement, included the (i) mobile telecommunications services (including local voice, IDD and roaming services and other value-added services); and (ii) telecommunications and Internet services (including local and international fixed-line telecommunications services, Internet access bandwidth with value-added services, and Internet and web-hosting services).

On 8 May 2009, the Company announced the entering into of the HTHKH Master Agreement as a result of the separate listing of the shares of HTHKH on the SEHK and that it had set the maximum aggregate annual value of (i) Group Supplies; and (ii) the HTHKH Group Supplies for the period from 8 May to 31 December 2009, each of the two financial years ended 31 December 2010 and 2011 and the period from 1 January to 7 May 2012 at (i) HK\$1,500,000, HK\$1,700,000, HK\$1,900,000 and HK\$800,000 respectively and (ii) HK\$1,400,000, HK\$2,200,000, HK\$2,300,000 and HK\$1,000,000 (the "HTHKH Group Supplies Annual Cap") respectively, by reference to the factors as announced.

Each of HTHKH and its subsidiaries is a connected person of the Company by virtue of being an associate of HWL, a substantial shareholder of the Company. Accordingly, the transactions contemplated under the HTHKH Master Agreement constituted continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

## REPORT OF THE DIRECTORS

### (III) Master Agreement for Acquisition of Connected Debt Securities

On 6 April 2011, the Company entered into a conditional Master Agreement (the "CDS Master Agreement") with HWL pursuant to which the Company or its subsidiaries may acquire in the secondary market the Connected Debt Securities (as described below and defined in the CDS Master Agreement) issued by the Connected Issuers (as described below and defined in the CDS Master Agreement) subject to, inter alia, the Company obtaining all applicable approvals (including the CCT Approval (as defined in the CDS Master Agreement), if applicable).

The cap (the "Connected Debt Securities Cap") applicable to the transactions contemplated under the CDS Master Agreement and effected during either CCT Relevant Period (as described below and defined in the CDS Master Agreement) was set subject to the following limitations:

- (i) the aggregate gross purchase price of the Connected Debt Securities of a particular issue held and proposed to be acquired by the Group during either CCT Relevant Period pursuant to the CCT Approval sought shall not exceed 20% of the aggregate value of the subject issue and all outstanding Connected Debt Securities of the same issuer with the same maturity or shorter maturities; and
- (ii) the aggregate gross purchase price of the Connected Debt Securities proposed to be acquired by the Group during either CCT Relevant Period pursuant to the CCT Approval sought shall not exceed the lower of:
  - (a) HK\$1.2 billion, and
  - (b) 15% of the Company's "unaudited consolidated net liquid assets" (the "Company's Quarterly NLA") as at the last day of the immediately preceding calendar quarter (the "Quarter Reference Date") for the Connected Debt Securities proposed to be acquired during such CCT Relevant Period, and provided that the Net Connected Debt Securities Position (as described below and defined in the CDS Master Agreement) of the Group at any time during either CCT Relevant Period shall not exceed 50% of the Company's Quarterly NLA as at the Quarter Reference Date. For this purpose, the Company's Quarterly NLA as at the Quarter Reference Date shall mean the aggregate value of the cash, deposits and marketable securities (including for the avoidance of doubt any Connected Debt Securities held at the time all valued at their respective fair market values as at such date) held by the Company or any entity which is accounted for and consolidated in the accounts of the Company as subsidiaries as at the Quarter Reference Date less the aggregate value of any such assets which are subject to pledges or other encumbrances as at the Quarter Reference Date. The above formulation was determined as the cap for any possible acquisitions of the Connected Debt Securities to avoid any undue concentration in a single issue of the Connected Debt Securities and to achieve a reasonable degree of diversification, which is in line with the market practice as opined by the Independent Financial Adviser.

The consideration for the Connected Debt Securities would be on normal commercial terms to be determined with reference to market prices quoted on financial data providers (such as Bloomberg), which would be updated from time to time to reflect the ask/bid prices quoted by independent third parties (such as banks, debt securities dealers and institutional investors) having regard to the prevailing credit spread, market liquidity and counterparty risk, and, where applicable, accrued coupons of the Connected Debt Securities and would be settled in accordance with the terms of the Connected Issuers as may be applicable from time to time. For the other terms of the Connected Debt Securities, they would have been determined by the relevant Connected Issuers at the time such securities were first issued.

## REPORT OF THE DIRECTORS

The transactions underlying the CDS Master Agreement entered into during the CCT Relevant Periods constituted or are expected to constitute continuing connected transactions for the Company and were approved by the shareholders of the Company by poll at the 2011 annual general meeting, at which HWL and its associates abstained from voting.

"Net Connected Debt Securities Position", means (i) the aggregate gross purchase price paid in respect of the Connected Debt Securities held by the Group at the commencement of that CCT Relevant Period, if any; (ii) the aggregate gross purchase price paid in respect of the Connected Debt Securities acquired by the Group prior to such date during that CCT Relevant Period, if any; and (iii) the aggregate gross purchase price in respect of the Connected Debt Securities of a particular issue proposed to be acquired by the Group on such date; less (iv) the aggregate net sale proceeds in respect of the Connected Debt Securities sold by the Group prior to such date during that CCT Relevant Period, on any day during either CCT Relevant Period.

"CCT Relevant Periods" means, collectively, the First CCT Relevant Period and the Second CCT Relevant Period.

"Connected Debt Securities" means such bonds, notes, commercial paper or other similar debt instruments as are or to be issued by any of the Connected Issuers pursuant to the CDS Master Agreement.

"Connected Issuers" are the issuers of the Connected Debt Securities, being HWL or any of its subsidiaries.

"First CCT Relevant Period" means the period from the date on which the CDS Master Agreement received the CCT Approval until the earlier of: (i) the conclusion of the annual general meeting of the Company in respect of the financial year ended 31 December 2011; and (ii) the date on which the authority set out in the CCT Approval is revoked or varied by an ordinary resolution of the shareholders in a general meeting of the Company.

"Second CCT Relevant Period" means the period from the date immediately following the expiry of the First CCT Relevant Period and the earlier of: (i) the conclusion of the annual general meeting of the Company in respect of the financial year ended 31 December 2012; and (ii) the date on which the authority set out in the CCT Approval is revoked or varied by an ordinary resolution of the shareholders in a general meeting of the Company.

All the Independent Non-executive Directors of the Company have reviewed the continuing connected transactions contemplated under transactions (I) to (III) above for the year ended 31 December 2012 and confirmed that they were entered into by the Group (i) in the ordinary and usual course of business of the Group; (ii) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and (iii) in accordance with the respective agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Based on the work performed, the auditor of the Company has confirmed in a letter to the Board to the effect that the continuing connected transactions entered into under transactions (I) to (III) above during the year ended 31 December 2012 (i) have been approved by the Board; (ii) were carried out in accordance with the terms of the relevant agreements governing them; and (iii) did not exceed the respective annual caps applicable to them.

A summary of the material related party transactions entered into by the Group during the year ended 31 December 2012 is contained in Note 31 to the accounts. The transactions summarised in paragraphs (a) to (c) to such Note fall under the definition of "continuing connected transactions" under the Listing Rules.

The Company has complied with the disclosure requirements, in accordance with Chapter 14A of the Listing Rules with respect to the continuing connected transactions entered into by the Group during the year ended 31 December 2012.

## REPORT OF THE DIRECTORS

### INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SECURITIES AND FUTURES ORDINANCE (THE "SFO")

So far as is known to the Directors and chief executive of the Company, as at 31 December 2012, the following persons had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

**(I) Interests and short positions of substantial shareholders in the shares and underlying shares of the Company**

*Long positions in the shares of the Company*

Name	Capacity	Number of shares of the Company held	Total	Approximate % of shareholding of the Company
Li Ka-shing	Founder of discretionary trusts and interest of controlled corporations	6,399,728,952 <sup>(1),(2),(3)</sup>	6,399,728,952	71.36%
Li Ka-Shing Unity Trustcorp Limited ("LKSUT")	Trustee and beneficiary of a trust	6,399,728,952 <sup>(1),(2),(3)</sup>	6,399,728,952	71.36%
Li Ka-Shing Unity Trustee Corporation Limited ("LKSUTC")	Trustee and beneficiary of a trust	6,399,728,952 <sup>(1),(2),(3)</sup>	6,399,728,952	71.36%
Li Ka-Shing Unity Trustee Company Limited ("LKSUTCO")	Trustee	6,399,728,952 <sup>(1),(2),(3)</sup>	6,399,728,952	71.36%
Cheung Kong (Holdings) Limited ("CKH")	Interest of controlled corporations	6,399,728,952 <sup>(1),(2),(3)</sup>	6,399,728,952	71.36%
HWL	Interest of controlled corporations	6,399,728,952 <sup>(1),(2)</sup>	6,399,728,952	71.36%
HIL	Interest of controlled corporations	6,399,728,952 <sup>(1),(2)</sup>	6,399,728,952	71.36%
Promising Land International Inc. ("Promising Land")	Beneficial owner	4,155,284,508 <sup>(1)</sup>	4,155,284,508	46.33%
Uptalent Investments Limited ("Uptalent")	Beneficial owner	2,244,444,444 <sup>(2)</sup>	2,244,444,444	25.03%

## REPORT OF THE DIRECTORS

*Notes:*

- (1) *Promising Land is a wholly owned subsidiary of HIL, which in turn is a wholly owned subsidiary of HWL. By virtue of the SFO, HWL and HIL were deemed to be interested in the 4,155,284,508 shares of the Company held by Promising Land.*
- (2) *Uptalent is a wholly owned subsidiary of HIL, which in turn is a wholly owned subsidiary of HWL. By virtue of the SFO, HWL and HIL were deemed to be interested in the 2,244,444,444 shares of the Company held by Uptalent.*
- (3) *Li Ka-Shing Unity Holdings Limited, of which Mr Li Ka-shing and Mr Li Tzar Kuoi, Victor are respectively interested in one-third and two-third of the entire issued share capital, owns the entire issued share capital of LKSUTCO. LKSUTCO as trustee of The Li Ka-Shing Unity Trust, together with certain companies which LKSUTCO as trustee of The Li Ka-Shing Unity Trust is entitled to exercise or control the exercise of more than one-third of the voting power at their general meetings, hold more than one-third of the issued share capital of CKH. Subsidiaries of CKH are entitled to exercise or control the exercise of more than one-third of the voting power at the general meetings of HWL.*

*In addition, Li Ka-Shing Unity Holdings Limited also owns the entire issued share capital of LKSUTC as trustee of The Li Ka-Shing Unity Discretionary Trust ("DT1") and LKSUT as trustee of another discretionary trust ("DT2"). Each of LKSUTC and LKSUT holds units in The Li Ka-Shing Unity Trust but is not entitled to any interest or share in any particular property comprising the trust assets of the said unit trust. The discretionary beneficiaries of each of DT1 and DT2 are, inter alia, Mr Li Tzar Kuoi, Victor, his wife and children, and Mr Li Tzar Kai, Richard.*

*By virtue of the SFO, each of Mr Li Ka-shing being the settlor and may being regarded as a founder of DT1 and DT2 for the purpose of the SFO, LKSUT, LKSUTC, LKSUTCO and CKH was deemed to be interested in the 4,155,284,508 and 2,244,444,444 shares of the Company in which Promising Land and Uptalent were interested respectively.*

### (II) Interests and short positions of other persons in the shares and underlying shares of the Company

#### *Long positions in the shares of the Company*

Name	Capacity	Number of shares of the Company held	Approximate % of shareholding of the Company
Kwok Sau Po	Beneficial owner	809,332,000	9.02%

Saved as disclosed above, as at 31 December 2012, there was no other person (other than the Directors and the chief executive of the Company) who was recorded in the register of the Company as having an interest or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

## BORROWINGS

Details of the Group's borrowings are set out in Note 24 to the accounts.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year, neither the Company nor any of its subsidiaries has purchased or sold any of the listed securities of the Company. In addition, the Company has not redeemed any of its listed securities during the year.

## REPORT OF THE DIRECTORS

### PRE-EMPTIVE RIGHTS

There was no provisions for pre-emptive rights under the Bye-laws of the Company, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

### FIVE YEAR SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 93.

### RETIREMENT BENEFITS SCHEMES

Information on the retirement benefits schemes of the Group is set out in Note 13 to the accounts.

### MAJOR CUSTOMERS AND SUPPLIERS

The percentages of sales for the year ended 31 December 2012 attributable to the major customers of the Group were as follows:

	Percentage of total sales of the Group
The largest customer	11.3%
Five largest customers combined	40.4%

None of the Directors, their associates or any shareholders (which to the knowledge of the Directors, own more than 5% of the Company's share capital) had any interest in the major customers noted above.

There was no purchase from suppliers by the Group during the year ended 31 December 2012.

### PUBLIC FLOAT

As at the date of this report, based on information available to the Company and within the knowledge of the Directors of the Company, the public float capitalisation amounted to approximately HK\$1,615 million, representing approximately 28.58% of the issued share capital of the Company.

### AUDITOR

The accounts have been audited by PricewaterhouseCoopers, who will retire and, being eligible, will offer itself for re-appointment. A resolution for the re-appointment of PricewaterhouseCoopers as auditor of the Company is to be proposed at the forthcoming annual general meeting.

By Order of the Board

**Edith Shih**  
*Director and Company Secretary*

Hong Kong, 19 March 2013

# CORPORATE GOVERNANCE REPORT

The Company strives to attain and maintain high standards of corporate governance best suited to the needs and interests of the Company and its subsidiaries (the "Group") as it believes that effective corporate governance practices are fundamental to safeguarding interests of shareholders and other stakeholders and enhancing shareholder value. Accordingly, the Company has adopted and applied sound corporate governance principles that emphasise a quality board of Directors (the "Board"), effective internal controls, stringent disclosure practices and transparency and accountability. It is, in addition, committed to continuously improving these practices and inculcating an ethical corporate culture.

The Stock Exchange of Hong Kong Limited made certain amendments to the Code on Corporate Governance Practices contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and renamed it the Corporate Governance Code (the "Revised Code", together with the former code as the "CG Code") with effect from 1 April 2012.

The Company has complied throughout the year ended 31 December 2012 with all the code provisions of the CG Code applicable during the year, other than those in respect of the nomination committee of the Revised Code. The reasons for deviation are explained below in this report.

## THE BOARD

### Corporate Strategy

The primary objective of the Group is to enhance long-term total return for shareholders. To achieve this objective, the strategy of the Group is to deliver sustainable returns with solid financial fundamentals. The Chairman's Statement and the Review of Operations contain discussions and analyses of the performance of the Group and the basis on which the Group generates or preserves value over the longer term and the strategy for delivering the objective of the Group.

### Role of the Board

The Board, which is accountable to shareholders for the long-term performance of the Company, is responsible for directing the strategic objectives of the Company and overseeing the management of the business. Directors are charged with the task of promoting the success of the Company and making decisions in the best interest of the Company.

The Board, led by the Chairman, Mr Fok Kin Ning, Canning, approves and monitors Group-wide strategies and policies, annual budgets and business plans, evaluates the performance of the Company, and supervises the management of the Company ("Management"). Management is responsible for the day-to-day operations of the Group under the leadership of the Managing Director.

### Board Composition

As at 31 December 2012, the Board comprised nine Directors, including the Chairman, the Deputy Chairman, the Managing Director, two Executive Directors, one Non-executive Director and three Independent Non-executive Directors. Biographical details of the Directors are set out in the "Information on Directors" section on pages 9 to 11 and on the website of the Company ([www.hutchisonharbourring.com](http://www.hutchisonharbourring.com)). A list setting out the names of the Directors and their roles and functions is posted on the websites of the Company and Hong Kong Exchanges and Clearing Limited ("HKEX").

The Board has assessed the independence of all the Independent Non-executive Directors of the Company and considers all of them to be independent having regard to (i) their annual confirmation on independence as required under the Listing Rules, (ii) the absence of involvement in the daily management of the Company and (iii) the absence of any relationships or circumstances which would interfere with the exercise of their independent judgment. The number of Independent Non-executive Directors on the Board meets the one-third requirement under the Listing Rules throughout the year.

# CORPORATE GOVERNANCE REPORT

## Chairman, Deputy Chairman and Executive Directors

The roles of the Chairman and the Deputy Chairman are separate from that of the Managing Director. Such division of responsibilities helps to reinforce their independence and accountability.

The Chairman, assisted by the Deputy Chairman, Mr Lai Kai Ming, Dominic, is responsible for providing leadership to, and overseeing the functioning of, the Board to ensure that it acts in the best interests of the Group and that Board meetings are planned and conducted effectively. The Chairman is responsible for setting the agenda for each Board meeting, taking into account, where appropriate, matters proposed by the Directors and the Company Secretary. With the support of the Executive Directors and the Company Secretary, the Chairman seeks to ensure that all Directors are properly informed of issues arising at Board meetings and provided with adequate and accurate information in a timely manner. The Chairman promotes a culture of openness and actively encourages Directors with different views to voice their opinion and be fully engaged in the Board's affairs so as to contribute to the Board's functions. The Board, under the leadership of the Chairman, has adopted good corporate governance practices and procedures and taken appropriate steps to provide effective communication with shareholders and other stakeholders, as outlined later in the report.

The Managing Director, Mr Tsui Kin Tung, Tony, is responsible for managing the businesses of the Group, attending to the formulation and successful implementation of Group policies and assuming full accountability to the Board for all Group operations. Acting as the principal manager of the businesses of the Group, the Managing Director attends to developing strategic operating plans that reflect the long-term objectives and priorities established by the Board and is directly responsible for maintaining the operational performance of the Group. Working with the Group Financial Controller, Ms Wan Wing Sze, May, other Executive Directors and the senior management of business operations, the Managing Director presents annual budgets to the Board for consideration and approval, and ensures that the Board is fully apprised of the funding requirements of the businesses of the Group. With the assistance of the Group Financial Controller, the Managing Director sees to it that the funding requirements of the businesses are met and closely monitors the operating and financial results of the businesses against plans and budgets, taking remedial action if necessary. He maintains an ongoing dialogue with the Chairman, the Deputy Chairman and all Directors to keep them fully informed of all major business development and issues. He is also responsible for building and maintaining an effective executive team to support him in his role.

## Board Processes

The Board meets regularly, and at least four times a year with meeting dates scheduled at the beginning of the year. Between scheduled meetings, senior management of the Group provides to Directors on a regular basis monthly updates and other information with respect to the performance, and business activities and development of the Group. Throughout the year, Directors participate in the consideration and approval of routine and operational matters of the Company by way of circular resolutions with supporting explanatory materials, supplemented by additional verbal and/or written information or notification from the Company Secretary and other executives as and when required. Details of material or notable transactions of subsidiaries are provided to the Directors as appropriate. Whenever warranted, additional Board meetings are held. In addition, Directors have full access to information on the Group and independent professional advice at all times whenever deemed necessary by the Directors and they are at liberty to propose appropriate matters for inclusion in Board agendas.

## CORPORATE GOVERNANCE REPORT

With respect to regular meetings of the Board, Directors receive written notice of the meeting generally about a month in advance and an agenda with supporting Board papers no less than three days prior to the meeting. For other meetings, Directors are given as much notice as is reasonable and practicable in the circumstances. Except for those circumstances permitted by the Bye-laws of the Company and the Listing Rules, a Director who has a material interest in any contract, transaction, arrangement or any other kind of proposal put forward to the Board for consideration abstains from voting on the relevant resolution and such Director is not counted for quorum determination purposes.

The Company held four Board meetings and the annual general meeting in 2012 with 100% attendance.

Name of Director	Attended/ Eligible to attend Board meeting	2012 Annual General Meeting
<b>Chairman</b>		
Fok Kin Ning, Canning	4/4	✓
<b>Executive Directors</b>		
Lai Kai Ming, Dominic ( <i>Deputy Chairman</i> )	4/4	✓
Tsui Kin Tung, Tony ( <i>Managing Director</i> )	4/4	✓
Chow Woo Mo Fong, Susan	4/4	✓
Edith Shih	4/4	✓
<b>Non-executive Director</b>		
Ronald Joseph Arculli	4/4	✓
<b>Independent Non-executive Directors</b>		
Kwan Kai Cheong	4/4	✓
Lam Lee G.	4/4	✓
Lan Hong Tsung, David	4/4	✓

In addition to Board meetings, the Chairman holds regular meetings with Executive Directors and at least two meetings with Non-executive Directors (including Independent Non-executive Directors) annually without the presence of Executive Directors. The Non-executive Directors (including Independent Non-executive Directors) freely provide their independent opinion to the Board.

All Non-executive Directors are appointed for a term of 12 months, subject to renewal and re-election as and when required under the Listing Rules and the Bye-laws of the Company. However, any Director who is appointed by the Board to fill a casual vacancy shall hold office until the next following general meeting of the Company, or in the case of an additional appointment, until the next following annual general meeting of the Company, and shall be eligible for re-election at the relevant general meeting. All Directors are subject to retirement from office and re-election by shareholders at annual general meetings at least about once every three years on a rotation basis in accordance with the Bye-laws of the Company. A retiring Director is eligible for re-election and re-election of retiring Directors at general meetings is dealt with by separate individual resolutions.

No Director has a service contract with the Company which is not terminable by the Company within one year without payment of compensation (other than statutory compensation).

## CORPORATE GOVERNANCE REPORT

Shareholders may propose a candidate for election as Director in accordance with the Bye-laws of the Company. The procedures for such proposal are posted on the website of the Company.

### Training and Commitment

Upon appointment to the Board, Directors receive a package of orientation materials on the Group and are provided with a comprehensive induction to the businesses of the Group by senior executives. The Company provides Continuous Professional Development ("CPD") training and relevant reading materials to Directors to help ensure that they are apprised of the latest changes in the commercial, legal and regulatory environment in which the Group conducts its businesses and to refresh their knowledge and skills on the roles, functions and duties of a listed company director. In addition, attendance at external forums or briefing sessions (including delivery of speeches) on the relevant topics also counts toward CPD training.

The Directors are required to provide the Company with details of the CPD training undertaken by them from time to time. Based on the details so provided, the CPD training undertaken by the Directors in 2012 is summarised as follows, representing an average of approximately 19 hours by each Director in 2012.

Name of Director	Areas		
	Legal, regulatory and corporate governance	Businesses of the Group	Directors' roles, functions and duties
<b>Chairman</b> Fok Kin Ning, Canning	✓	✓	✓
<b>Executive Directors</b> Lai Kai Ming, Dominic ( <i>Deputy Chairman</i> )	✓	✓	✓
Tsui Kin Tung, Tony ( <i>Managing Director</i> )	✓	✓	✓
Chow Woo Mo Fong, Susan	✓	✓	✓
Edith Shih	✓	✓	✓
<b>Non-executive Director</b> Ronald Joseph Arculli	✓	✓	✓
<b>Independent Non-executive Directors</b> Kwan Kai Cheong	✓	✓	✓
Lam Lee G.	✓	✓	✓
Lan Hong Tsung, David	✓	✓	✓

Confirmation is received from the Directors that they have provided sufficient time and attention to the affairs of the Group. Besides, Directors disclose to the Company their interests as director and other office in other public companies and organisation in a timely manner and update the Company on any subsequent changes.

# CORPORATE GOVERNANCE REPORT

## Securities Transactions

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code") as the code of conduct of the Group regarding securities transactions of Directors for the year ended 31 December 2012. The Model Code has been updated to reflect the recent amendments to the Listing Rules which took effect in 2013. In response to specific enquiries made, all Directors confirmed that they have complied with the Model Code throughout 2012.

## Board Committees

The Board is supported by two permanent board committees: the Audit Committee and the Remuneration Committee, details of which are described later in this report. The terms of reference for these Committees, which have been reviewed and revised with reference to the CG Code and adopted by the Board, are available on the websites of the Company and HKEx. Other board committees are established by the Board as and when warranted to take charge of specific tasks.

The Company has considered the merits of establishing a nomination committee but is of the view that it is in the best interests of the Company that the Board collectively reviews, deliberates on and approves the structure, size and composition of the Board and the appointment of any new Director, as and when appropriate. The Board is tasked with ensuring that it has a balanced composition of skills and experience appropriate for the requirements of the businesses of the Group and that appropriate individuals with the relevant expertise and leadership qualities are appointed to the Board to complement the capabilities of the existing Directors. In addition, the Board as a whole is also responsible for reviewing the succession plan for the Directors, including the Chairman of the Board and the Managing Director, as and when appropriate.

## COMPANY SECRETARY

The Company Secretary, Ms Edith Shih, is responsible to the Board for ensuring that Board procedures are followed and Board activities are efficiently and effectively conducted. These objectives are achieved through adherence to proper Board processes and the timely preparation and dissemination to Directors comprehensive meeting agendas and papers. Minutes of all Board meetings and Board Committees are prepared and maintained by the Company Secretary to record in sufficient details the matters considered and decisions reached by the Board or Committee, including any concerns raised or dissenting views voiced by any Director. All draft and final minutes of Board meetings and meetings of Board Committees are sent to Directors and Committee members respectively for comments and records and are available for inspection by any Director upon request.

The Company Secretary is responsible for ensuring that the Board is fully apprised of all legislative, regulatory and corporate governance developments relating to the Group and that it takes these into consideration when making decisions for the Group. From time to time, she organises seminars on specific topics of significance and interest and disseminate reference materials to the Directors for their information.

## CORPORATE GOVERNANCE REPORT

The Company Secretary is also directly responsible for the compliance of the Group with all obligations of the Listing Rules and Codes on Takeovers and Mergers and Share Repurchases of the Group, including the preparation, publication and despatch of annual reports and interim reports within the time limits laid down in the Listing Rules, the timely dissemination to shareholders and the market of information relating to the Group.

Furthermore, the Company Secretary advises the Directors on their obligations for disclosure of interests and dealing in the securities of the Company, connected transactions and price-sensitive/inside information and ensures that the standards and disclosures required by the Listing Rules are observed and, where required, reflected in the annual report of the Company.

The appointment and removal of the Company Secretary is subject to Board approval in accordance with the Bye-laws of the Company. Whilst the Company Secretary reports to the Chairman and the Managing Director, all members of the Board have access to the advice and service of the Company Secretary. Ms Edith Shih has been appointed as the Company Secretary of the Company since 2001 and has day-to-day knowledge of the affairs of the Group. In response to specific enquiries made, the Company Secretary confirmed that she has complied with all the required qualifications, experience and training requirements of the Listing Rules.

## ACCOUNTABILITY AND AUDIT

### Financial Reporting

The annual and interim results of the Company are published in a timely manner, within three months and two months respectively of the year end and interim periods.

The responsibility of Directors in relation to the financial statements is set out below. It should be read in conjunction with, but distinguished from, the Independent Auditor's Report on page 45 which acknowledges the reporting responsibility of the Auditor of the Group.

#### *Annual Report and Accounts*

The Directors acknowledge their responsibility for the preparation of the annual report and financial statements of the Company, ensuring that the financial statements give a true and fair presentation in accordance with Hong Kong Companies Ordinance and the applicable accounting standards.

#### *Accounting Policies*

The Directors consider that in preparing the financial statements, the Group has applied appropriate accounting policies that are consistently adopted and made judgments and estimates that are reasonable and prudent in accordance with the applicable accounting standards.

# CORPORATE GOVERNANCE REPORT

## *Accounting Records*

The Directors are responsible for ensuring that the Group keeps accounting records which disclose the financial position of the Group upon which financial statements of the Group could be prepared in accordance with the accounting policies of the Group.

## *Safeguarding Assets*

The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities within the Group.

## *Going Concern*

The Directors, having made appropriate enquiries, are of the view that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate for the Group to adopt the going concern basis in preparing the financial statements.

## **Audit Committee**

The Audit Committee comprises two Independent Non-executive Directors and one Non-executive Director who possess the relevant business and financial management experience and skills to understand financial statements and contribute to the financial governance, internal controls and risk management of the Company. It is chaired by Mr Kwan Kai Cheong with Mr Ronald Joseph Arculli and Dr Lam Lee G. as members.

Under its terms of reference, the Audit Committee is required to oversee the relationship between the Company and its external auditor, review the preliminary results, interim results, and interim and annual financial statements of the Group, monitor the corporate governance of the Group including compliance with statutory and Listing Rules requirements, review the scope, extent and effectiveness of the activities of internal audit, engage independent legal and other advisers and conduct investigations as it determines to be necessary.

Procedures for Reporting Possible Improprieties in Matters of Financial Reporting, Internal Control or Other Matters were adopted by the Audit Committee in February 2012 and posted on the website of the Company.

The Audit Committee held four meetings in 2012 with 100% attendance.

Name of Member	Attended/Eligible to attend
Kwan Kai Cheong ( <i>Chairman</i> )	4/4
Ronald Joseph Arculli	4/4
Lam Lee G.	4/4

## CORPORATE GOVERNANCE REPORT

In 2012, the Audit Committee performed the duties and responsibilities under its terms of reference and other duties of the CG Code applicable during the year.

The Audit Committee meets with the Group Financial Controller and other senior management of the Group from time to time to review the interim and final results, the interim report and annual report, and other financial, internal control, corporate governance and risk management matters of the Group. It considers and discusses the reports and presentations of Management, the internal and external auditors of the Group, with a view of ensuring that the consolidated financial statements of the Group are prepared in accordance with accounting principles generally accepted in Hong Kong. It also meets at least four times a year with the principal external auditor of the Group, PricewaterhouseCoopers ("PwC"), to consider the reports of PwC on the scope, strategy, progress and outcome of its independent review of the interim financial report and its annual audit of the consolidated financial statements. In addition, the Audit Committee holds regular private meetings with the external auditor, Group Financial Controller and internal auditor separately without the presence of Management.

The Audit Committee assists the Board in meeting its responsibilities for maintaining an effective system of internal control. It reviews the process by which the Group evaluates its control environment and risk assessment process, and the way in which business and control risks are managed. It receives and considers the presentations of Management in relation to the reviews on the effectiveness of the internal control systems of the Group and the adequacy of resources, qualifications and experience of staff in the accounting and financial reporting function of the Group, as well as their training programmes and budget. In addition, The Audit Committee reviews with the internal auditor the work plan for its audits on the Group together with its resource requirements and considers the internal audit reports to the Audit Committee on the effectiveness of internal controls in the business operations of the Group. Further, it also receives the report from the Company Secretary on the compliance status on regulatory requirements of the Group. These reviews and reports are taken into consideration by the Audit Committee when it makes its recommendation to the Board for approval of the consolidated financial statements for the year.

### External Auditor

The Audit Committee reviews and monitors the external auditor's independence and objectivity and effectiveness of the audit process. It receives each year a letter from the external auditor confirming its independence and objectivity and holds meetings with representatives of the external auditor to consider the scope of its audit, approve its fees, and the scope and appropriateness of non-audit services, if any, to be provided by it. The Audit Committee also makes recommendations to the Board on the appointment and retention of external auditor.

The policy of the Group regarding the engagement of PwC for the various services listed below is as follows:

- Audit services – include audit services provided in connection with the audit of the consolidated financial statements. All such services are to be provided by external auditor.
- Audit related services – include services that would normally be provided by an external auditor but not generally included in audit fees, for example, audits of the pension plans of the Group, accounting advice related to mergers and acquisitions, internal control reviews of systems and/or processes, and issuance of special audit reports for tax or other purposes. The external auditor is to be invited to undertake those services that it must, or is best placed, to undertake in its capacity as auditor.

## CORPORATE GOVERNANCE REPORT

- Taxation related services – include all tax compliance and tax planning services, except for those services which are provided in connection with the audit. The Group uses the services of the external auditor where it is best suited. All other significant taxation related work is undertaken by other parties as appropriate.
- Other services – include, for example, financial due diligence, reviews of actuarial reports and calculations, risk management diagnostics and assessments, and non-financial systems consultations. The external auditor is also permitted to assist Management and the internal auditor with internal investigations and fact-finding into alleged improprieties. These services are subject to specific approval by the Audit Committee.
- General consulting services – the external auditor is not eligible to provide services involving general consulting work.

An analysis of the fees of PwC and other external auditor is shown in Note 6 to the accounts. During the year ended 31 December 2012, the fees paid to PwC were primarily for audit and audit related services.

### **INTERNAL CONTROL, CORPORATE GOVERNANCE, LEGAL AND REGULATORY CONTROL AND GROUP RISK MANAGEMENT**

The Board has overall responsibility for the system of internal control, corporate governance compliance and assessment and management of risks of the Group.

In meeting its responsibility, the Board seeks to increase risk awareness across the business operations of the Group and has put in place policies and procedures, including parameters of delegated authority, which provide a framework for the identification and management of risks. It also reviews and monitors the effectiveness of the systems of internal control to ensure that the policies and procedures in place are adequate. Reporting and review activities include review by the Executive Directors and the Board and approval of detailed operational and financial reports, budgets and plans provided by the management of the business operations, review by the Board of actual results against budget, review by the Audit Committee of the ongoing work of internal audit and risk management, as well as regular business reviews by the Executive Directors and the executive management team.

On behalf of the Board, the Audit Committee reviews regularly the corporate governance structure and practices within the Group and monitors compliance fulfillment on an ongoing basis.

Whilst these procedures are designed to identify and manage risks that could adversely impact the achievement of the business objectives of the Group, they do not provide absolute assurance against material mis-statement, errors, losses, fraud or non-compliance.

#### **Internal Control Environment and Systems**

Executive Directors are appointed to the boards of all material operating subsidiaries for monitoring those companies, including attendance at board meetings, review and approval of business strategies, budgets and plans, and setting of key business performance targets. The executive management team is accountable for the conduct and performance of the business within the agreed strategies and similarly the management of the business is accountable for its conduct and performance.

## CORPORATE GOVERNANCE REPORT

The internal control procedures of the Group include a comprehensive system for reporting information to the executive management team and the Executive Directors.

Business plans and budgets are prepared annually by the management and subject to review and approval by both the executive management team and the Executive Directors as part of the five-year corporate planning cycle of the Group. Reforecasts for the current year are prepared on a quarterly basis, reviewed for variances to the budget and for approval. When setting budgets and reforecasts, management identifies, evaluates and reports on the likelihood and potential financial impact of significant business risks.

The Executive Directors review monthly management reports on the financial results and key operating statistics of the business. In addition, the Managing Director holds periodic meetings with the executive management team and senior management of business operations to review the management reports, business performance against budgets, forecasts, significant business risk sensitivities and strategies. The Group Financial Controller also holds monthly meetings with finance managers of business operations to review monthly performance against budget and forecast, and to address accounting and finance related matters.

The Group maintains a centralised cash management system for its subsidiary operations and the Finance Department of the Group oversees the investment and lending activities of the Group. Treasury reports on cash and liquid investments, borrowings and movements thereof of the Group are distributed weekly.

The Group Financial Controller has established guidelines and procedures for the approval and control of expenditures. Operating expenditures are subject to overall budget control and are controlled within each business with approval levels set by reference to the level of responsibility of each executive and officer. Capital expenditures are subject to overall control within the annual budget review and approval process, and more specific control and approval prior to commitment by the Group Financial Controller or Executive Directors are required for unbudgeted expenditures and material expenditures within the approved budget. Quarterly reports of actual versus budgeted and approved expenditures are also reviewed.

The internal auditor, reporting directly to the Audit Committee, provides independent assurance as to the existence and effectiveness of the risk management activities and controls in the business operations of the Group. Using risk assessment methodology and taking into account the dynamics of the activities of the Group, internal audit derives its yearly audit plan which is reviewed by the Audit Committee, and reassessed during the year as needed to ensure that adequate resources are deployed and the objectives of the plan are met. The internal auditor is responsible for assessing the internal control system of the Group, formulating an impartial opinion on the system, and reporting its findings to the Audit Committee, the Group Financial Controller and the senior management concerned as well as following up on all reports to ensure that all issues have been satisfactorily resolved. In addition, a regular dialogue is maintained with the external auditor of the Group so that both are aware of the significant factors which may affect their respective scope of work.

Depending on the nature of business and risk exposure of individual business units, the scope of work performed by the internal auditor includes financial and operations reviews, recurring and surprise audits, fraud investigations and productivity efficiency reviews.

Reports from the external auditor on internal controls and relevant financial reporting matters are presented to the internal auditor and, as appropriate, to the Group Financial Controller. These reports are reviewed and appropriate actions are taken.

# CORPORATE GOVERNANCE REPORT

The Board, through the Audit Committee, has conducted a review of the effectiveness of the internal control systems of the Group for the year ended 31 December 2012 covering all material financial, operational and compliance controls and risk management functions, and is satisfied that such systems are effective and adequate. In addition, it has also reviewed and is satisfied with the adequacy of resources, qualifications and experience of the staff of the accounting and financial reporting function of the Group, and their training programmes and budget.

## Corporate Governance

The Board is entrusted with the overall responsibility of developing and maintaining sound and effective corporate governance within the Group and is committed to ensuring that an effective governance structure is put in place to continuously review and improve the corporate governance practices within the Group in light of the evolving operating environment and regulatory requirements.

Under its terms of reference, the Audit Committee has been delegated the corporate governance function of the Board to monitor, procure and manage corporate governance compliance within the Group. To assist the Audit Committee in fulfilling its responsibilities, a governance working group chaired by a Director comprising representatives from key departments of the Company was set up to continuously examine the corporate governance structure of the Group, provide updates, identify emerging matters of compliance, structure appropriate compliance mechanisms and monitor compliance fulfillment on an ongoing basis.

The Audit Committee has reviewed the compliance status, and is satisfied that the Company has complied throughout the year with all the code provisions of the CG Code applicable during the year, other than those in respect of the nomination committee of the Revised Code.

## Legal and Regulatory

In-house legal counsels have the responsibility of safeguarding the legal interests of the Group. They monitor the day-to-day legal affairs of the Group, including preparing, reviewing and approving all legal and corporate secretarial documentation of Group companies, working in conjunction with finance, corporate secretarial and business unit personnel on the review and co-ordination process, and advising management of legal and commercial issues of concern. In addition, the legal counsels are also responsible for overseeing regulatory compliance matters of all Group companies. They analyse and monitor the regulatory framework within which the Group operates, including reviewing applicable laws and regulations and preparing and submitting response to relevant regulatory and/or government consultations. Further, the legal counsels attend continuing education seminars/conferences on legal and regulatory matters to keep themselves updated on the latest developments in these matters.

## Group Risk Management

The Managing Director and the general manager of risk management have the responsibility of developing and implementing risk mitigation strategies including the deployment of insurance to transfer the financial impact of risks. The general manager of risk management, working with the business operations, is responsible for arranging appropriate insurance coverage and organising Group-wide risk reporting. Directors and Officers Liability Insurance is also in place to protect Directors and officers of the Group against their potential legal liabilities.

# CORPORATE GOVERNANCE REPORT

## REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

### Remuneration Committee

The Remuneration Committee comprises three members with expertise in human resources and personnel emoluments. The Committee is chaired by Mr Kwan Kai Cheong, an Independent Non-executive Director, with Mr Fok Kin Ning, Canning, Chairman of the Board, and Dr Lam Lee G., an Independent Non-executive Director, as members. The composition of the Remuneration Committee meets the requirements of chairmanship and independence of the Listing Rules. The Committee meets towards the end of each year for the determination of the remuneration packages of Directors and senior management of the Group. In addition, the Committee also meets, as and when required, to consider remuneration related matters.

The responsibilities of the Remuneration Committee are to assist the Board in achieving its objective of attracting, retaining and motivating employees of the highest calibre and experience needed to shape and execute strategy of the Group. It assists the Group in the administration of a fair and transparent procedure for setting remuneration policies for all the Directors and senior executives of the Group. Whilst the Board retains its power to determine the remuneration of Non-executive Directors, the responsibility for reviewing and determining the remuneration package of individual Executive Directors and senior management of the Group is delegated to the Remuneration Committee.

The Remuneration Committee met in December 2012 with 100% attendance to review background information on market data (including economic indicators, statistics and the Remuneration Bulletin), the business activities and human resources issues, and headcount and staff costs of the Group.

Name of Member	Attended/Eligible to attend
Kwan Kai Cheong ( <i>Chairman</i> )	1/1
Fok Kin Ning, Canning	1/1
Lam Lee G.	1/1

It reviewed and approved the proposed 2013 directors' fees for Executive Directors and made recommendation to the Board on the directors' fees for Non-executive Directors. Prior to the end of the year, the Committee reviewed and approved the year end bonus and 2013 remuneration package of Executive Directors and senior executives of the Company. Executive Directors do not participate in the determination of their own remuneration.

## CORPORATE GOVERNANCE REPORT

### Remuneration Policy

The remuneration of Directors and senior executives is determined with reference to their expertise and experience in the industry, the performance and profitability of the Group as well as remuneration benchmarks from other local and international companies and prevailing market conditions. Directors and employees also participate in bonus arrangements which are determined in accordance with the performance of the Group and the individual's performance.

### 2012 Remuneration

Directors' emoluments comprise payments to Directors from the Company and its subsidiaries. The emoluments of each of the Directors exclude amounts received from the subsidiaries of the Company and paid to the Company. The amounts paid to each Director for 2012 are as below:

Name of Director	Director's Fees HK\$'000	Basic Salaries, Allowances and Benefits-in-kind HK\$'000	Discretionary Bonuses HK\$'000	Provident Fund Contributions HK\$'000	Inducement or Compensation Fees HK\$'000	Total Emoluments HK\$'000
Fok Kin Ning, Canning <sup>(1)</sup>	90	—	—	—	—	90
Lai Kai Ming, Dominic	70	—	—	—	—	70
Tsui Kin Tung, Tony <sup>(5)</sup>	70	1,948	2,000	333	—	4,351
Chow Woo Mo Fong, Susan	70	—	—	—	—	70
Edith Shih	70	—	—	—	—	70
Ronald Joseph Arculli <sup>(2),(3)</sup>	140	—	—	—	—	140
Kwan Kai Cheong <sup>(1),(3),(4)</sup>	160	—	—	—	—	160
Lam Lee G. <sup>(1),(3),(4)</sup>	160	—	—	—	—	160
Lan Hong Tsung, David <sup>(4)</sup>	70	—	—	—	—	70
 Total:	 900	 1,948	 2,000	 333	 —	 5,181

#### Notes:

- (1) Members of the Remuneration Committee
- (2) Non-executive Director
- (3) Members of the Audit Committee
- (4) Independent Non-executive Directors
- (5) Director's fee received from the Company's subsidiaries have been paid to the Company and are not included in the amounts above

## CORPORATE GOVERNANCE REPORT

The remuneration paid to the members of the senior management by bands in 2012 is set out below:

Remuneration Bands	Number of Individuals
HK\$4 million to HK\$5 million	1
HK\$1 million to HK\$2 million	2

### CODE OF CONDUCT

The Group places utmost importance on employees' ethical, personal and professional standards. Every employee is required to undertake to adhere to the Code of Conduct of the Group, and is expected to achieve the highest standards set out in the Code of Conduct including avoiding conflict of interest, discrimination or harassment and bribery and corruption etc. The employees are required to report any non-compliance with the Code of Conduct to Management.

### RELATIONSHIP WITH SHAREHOLDERS AND OTHER STAKEHOLDERS

The Group actively promotes investor relations and communication with the investment community when the interim and year end financial results are announced and during the course of the year. Through its Deputy Chairman, the Group responds to requests for information and queries from the investment community. A Policy on shareholders' communication, which is available on the website of the Company, was adopted and is subject to regular review by the Board to ensure its effectiveness and compliance with the prevailing regulatory and other requirements.

The Board is committed to providing clear and full information on the Group to shareholders through the publication of notices, announcements, circulars, interim and annual reports. An up-to-date consolidated version of the Memorandum of Association and Bye-laws of the Company is published on the websites of the Company and HKEx. Moreover, additional information on the Group is also available to shareholders and stakeholders through the Investor Relations page on the website of the Company.

Shareholders are encouraged to attend all general meetings of the Company. Pursuant to Section 74 of the Bermuda Companies Act, shareholder(s) holding not less than one-tenth of the issued share capital of the Company carrying voting rights at general meetings of the Company have statutory rights to call for special general meetings and put forward agenda items for consideration by shareholders by sending to the Company Secretary at the registered office address a written request for such general meetings duly signed by the shareholders concerned together with the proposed agenda items.

Shareholders representing not less than one-twentieth of the total voting rights of all the shareholders or of at least one hundred shareholders in number, may put forward proposals for consideration at a general meeting of the Company by sending to the Company Secretary at the registered office address a written request for such proposals according to Sections 79 and 80 of the Bermuda Companies Act. All substantive resolutions at general meetings are decided on a poll which is conducted by the Company Secretary and scrutinised by the Hong Kong Branch Share Registrar of the Company. The results of the poll are published on the websites of the Company and HKEx. Regularly updated financial, business and other information on the Group is made available on the website of the Company for shareholders and stakeholders.

## CORPORATE GOVERNANCE REPORT

The latest shareholders' meeting of the Company was the 2012 Annual General Meeting (the "AGM"), which was held on 22 May 2012 at Harbour Grand Kowloon attended by PwC and all Directors including the Chairmen of the Board, the Audit Committee and the Remuneration Committee with attendance rate of 100%. The Directors are requested and encouraged to attend shareholders' meetings. Separate resolutions were proposed at that meeting on each substantive issue and the percentage of votes cast in favour of such resolutions as disclosed in the announcement of the Company dated 22 May 2012 are set out below:

<b>Resolutions proposed at the AGM</b>	<b>Percentage of Votes</b>
1 Adoption of the Statement of Audited Accounts, the Report of the Directors and the Independent Auditor's Report for the year ended 31 December 2011	100%
2 Declaration of a final dividend	100%
3(i) Re-election of Mr Lai Kai Ming, Dominic as a Director	98.69%
3(ii) Re-election of Mrs Chow Woo Mo Fong, Susan as a Director	98.62%
3(iii) Re-election of Mr Lan Hong Tsung, David as a Director	100%
3(iv) Authorisation of the Board of Directors to fix the Directors' remuneration	100%
4 Re-appointment of Auditor and authorisation of the Board of Directors of the Company to fix the Auditor's remuneration	99.98%
5(1) Granting of a general mandate to the Directors to allot and issue securities of the Company	98.62%
5(2) Authorisation of the Directors to repurchase shares of the Company	100%
5(3) Approval of the addition of the repurchased shares to the aggregate nominal share capital that can be allotted	98.62%
6 Amendment to the Bye-Laws of the Company	100%

At the AGM, a special resolution was passed to amend the Bye-Laws of the Company to (i) provide flexibility to determine the convening of adjourned general meetings; (ii) streamline the procedure for shareholders' nomination of Directors; (iii) remove the 5% exemption for voting on a board resolution by a Director in which he has an interest, in line with changes in the Listing Rules; and (iv) empower the Directors to fix the record date. All resolutions put to shareholders at the AGM were passed. The results of the voting by poll were published on the websites of the Company and HKEx.

## CORPORATE GOVERNANCE REPORT

Other corporate information is set out in the "Information for Shareholders" section of this annual report. This includes, among others, dates for key corporate events for 2013 and public float capitalisation as at 31 December 2012.

The Group values feedback from shareholders on its efforts to promote transparency and foster investor relationships. Comments and suggestions to the Board or the Company are welcome and can be addressed to the Deputy Chairman by mail to 22nd Floor, Hutchison House, 10 Harcourt Road, Hong Kong or by email at [info@hhr.com.hk](mailto:info@hhr.com.hk).

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE RESPONSIBILITY

The Group is committed to the long-term sustainability of its businesses and the communities in which it conducts business. It has adopted a proactive approach to environmental, social and governance ("ESG") responsibility and has established a working group, chaired by a Director, comprising representatives from key departments of the Company to spearhead the ESG activities of the Group. The working group focuses on initiatives related to our stakeholders, our employees, the environment, our operating practices and the community. Details of the initiatives of the working group are set out on pages 7 and 8.

By Order of the Board

**Edith Shih**

*Director and Company Secretary*

Hong Kong, 19 March 2013

## INDEPENDENT AUDITOR'S REPORT

**To the shareholders of Hutchison Harbour Ring Limited**  
*(incorporated in Bermuda with limited liability)*

We have audited the consolidated accounts of Hutchison Harbour Ring Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 46 to 92, which comprise the consolidated and Company statements of financial position as at 31 December 2012, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED ACCOUNTS

The directors of the Company are responsible for the preparation of consolidated accounts that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated accounts that are free from material misstatement, whether due to fraud or error.

### AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated accounts based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated accounts that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### OPINION

In our opinion, the consolidated accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**PricewaterhouseCoopers**  
Certified Public Accountants

Hong Kong, 19 March 2013

## CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2012

	Note	2012 HK\$'000	2011 HK\$'000
<b>Revenue</b>	5	<b>87,819</b>	86,366
Cost of sales		(15,436)	(14,848)
<b>Gross profit</b>		<b>72,383</b>	71,518
Interest income		<b>89,769</b>	76,690
Other income		<b>71,204</b>	—
Administrative expenses		(21,779)	(22,919)
Selling and distribution costs		(2,730)	(3,129)
<b>Operating profit</b>	6	<b>208,847</b>	122,160
Finance costs	7	(762)	(1,788)
<b>Profit before tax</b>		<b>208,085</b>	120,372
Tax charge	8	(16,480)	(22,011)
<b>Profit for the year</b>		<b>191,605</b>	98,361
<b>Attributable to:</b>			
Non-controlling interests		<b>9,445</b>	7,359
Shareholders of the Company	9	<b>182,160</b>	91,002
		<b>191,605</b>	98,361
<b>Basic and diluted earnings per share attributable to shareholders of the Company</b>	10	<b>HK2.03 cents</b>	HK1.01 cents

Details of proposed final dividend payable to shareholders of the Company are set out in Note 11.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 December 2012*

	2012 HK\$'000	2011 HK\$'000
<b>Profit for the year</b>	<b>191,605</b>	98,361
<b>Other comprehensive income/(expenses):</b>		
Translating accounts of foreign operations:		
– Gains taken to reserves	9,264	61,428
Available-for-sale financial assets:		
– Valuation losses taken to reserves	(8,210)	(15,278)
Surplus on revaluation upon transfer of land and buildings to investment properties	–	8,486
Deferred tax relating to surplus on revaluation	–	(2,122)
<b>Other comprehensive income for the year, net of tax</b>	<b>1,054</b>	52,514
<b>Total comprehensive income for the year</b>	<b>192,659</b>	150,875
<b>Total comprehensive income attributable to:</b>		
Non-controlling interests	11,486	14,387
Shareholders of the Company	181,173	136,488
	<b>192,659</b>	150,875

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 31 December 2012*

	Note	2012 HK\$'000	2011 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	15	4,886	3,823
Investment properties	16	1,007,448	1,000,359
Leasehold land and land use rights	17	1,684	1,418
Available-for-sale financial assets	19	1,276,628	1,201,163
		<b>2,290,646</b>	2,206,763
<b>Current assets</b>			
Trade receivables	20	215	536
Deposits, prepayments and other receivables		42,002	39,211
Cash and bank deposits	21	4,279,329	4,489,900
		<b>4,321,546</b>	4,529,647
<b>Total assets</b>		<b>6,612,192</b>	6,736,410

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 31 December 2012*

	Note	2012 HK\$'000	2011 HK\$'000
<b>EQUITY</b>			
<b>Equity attributable to shareholders of the Company</b>			
Share capital	25	896,814	896,814
Reserves		<b>5,238,248</b>	5,254,368
		<b>6,135,062</b>	6,151,182
<b>Non-controlling interests</b>		<b>140,367</b>	131,479
<b>Total equity</b>		<b>6,275,429</b>	6,282,661
<b>LIABILITIES</b>			
<b>Non-current liability</b>			
Deferred tax liabilities	23	<b>167,441</b>	154,665
		<b>169,322</b>	299,084
<b>Current liabilities</b>			
Deposits received, other payables and accruals	22	125,644	209,966
Loans from a non-controlling shareholder	24	–	40,295
Tax payables		<b>43,678</b>	48,823
<b>Total liabilities</b>		<b>336,763</b>	453,749
<b>Total equity and liabilities</b>		<b>6,612,192</b>	6,736,410
<b>Net current assets</b>		<b>4,152,224</b>	4,230,563
<b>Total assets less current liabilities</b>		<b>6,442,870</b>	6,437,326

**Lai Kai Ming, Dominic**  
*Deputy Chairman*

**Tsui Kin Tung, Tony**  
*Managing Director*

## STATEMENT OF FINANCIAL POSITION

*At 31 December 2012*

	Note	2012 HK\$'000	2011 HK\$'000
<b>ASSETS</b>			
<b>Non-current asset</b>			
Investments in subsidiaries	18	<b>659,085</b>	659,085
<b>Current assets</b>			
Amounts due from subsidiaries	31(d)	<b>1,393,498</b>	1,341,821
Deposits, prepayments and other receivables		<b>2,304</b>	1,055
Cash and bank deposits	21	<b>3,619,890</b>	3,837,798
		<b>5,015,692</b>	5,180,674
<b>Total assets</b>		<b>5,674,777</b>	5,839,759
<b>EQUITY</b>			
<b>Equity</b>			
Share capital	25	<b>896,814</b>	896,814
Reserves	27	<b>4,768,229</b>	4,907,448
<b>Total equity</b>		<b>5,665,043</b>	5,804,262
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Other payables and accruals		<b>6,389</b>	6,193
Amounts due to subsidiaries	31(d)	<b>3,345</b>	29,304
<b>Total liabilities</b>		<b>9,734</b>	35,497
<b>Total equity and liabilities</b>		<b>5,674,777</b>	5,839,759
<b>Net current assets</b>		<b>5,005,958</b>	5,145,177
<b>Total assets less current liabilities</b>		<b>5,665,043</b>	5,804,262

**Lai Kai Ming, Dominic**  
*Deputy Chairman*

**Tsui Kin Tung, Tony**  
*Managing Director*

# CONSOLIDATED STATEMENT OF CASH FLOWS

*For the year ended 31 December 2012*

	Note	2012 HK\$'000	2011 HK\$'000
<b>Operating activities</b>			
Cash generated from operating activities before finance costs, tax paid and changes in working capital	28(a)	<b>48,360</b>	46,201
Changes in working capital	28(b)	<b>(15,279)</b>	(21,422)
Cash generated from operations		<b>33,081</b>	24,779
Interest received		<b>100,831</b>	86,569
Income tax paid – outside Hong Kong		<b>(12,663)</b>	(10,488)
<b>Net cash from operating activities</b>		<b>121,249</b>	100,860
<b>Investing activities</b>			
Increase in bank deposits with maturity over three months		<b>(34,958)</b>	(16,995)
Purchase of property, plant and equipment		<b>(727)</b>	(355)
Proceeds on disposal of property, plant and equipment		–	91
Purchase of available-for-sale financial assets		<b>(97,629)</b>	–
<b>Net cash used in investing activities</b>		<b>(133,314)</b>	(17,259)
<b>Financing activities</b>			
Proceeds from issue of shares		–	823
Dividend paid		<b>(197,299)</b>	(197,270)
Repayment of loans to a non-controlling shareholder		<b>(39,874)</b>	–
Interest paid to a non-controlling shareholder by subsidiaries		<b>(771)</b>	(15,095)
<b>Net cash used in financing activities</b>		<b>(237,944)</b>	(211,542)
<b>Decrease in cash and cash equivalents</b>		<b>(250,009)</b>	(127,941)
<b>Cash and cash equivalents at 1 January</b>		<b>4,259,131</b>	4,361,458
<b>Exchange gains on cash and cash equivalents</b>		<b>4,480</b>	25,614
<b>Cash and cash equivalents at 31 December</b>		<b>4,013,602</b>	4,259,131
<b>Analysis of cash, liquid funds and listed investments</b>			
Bank deposits with maturity of less than three months		<b>3,917,671</b>	4,150,825
Cash at banks and on hand		<b>95,931</b>	108,306
Bank deposits with maturity over three months		<b>4,013,602</b>	4,259,131
Available-for-sale financial assets, overseas listed investments		<b>265,727</b>	230,769
		<b>1,276,628</b>	1,201,163
<b>Total cash, liquid funds and listed investments</b>		<b>5,555,957</b>	5,691,063

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	Attributable to shareholders of the Company						Non-controlling interests	Total
	Share capital HK\$'000	Share premium HK\$'000	Exchange reserve HK\$'000	Other properties revaluation reserve HK\$'000	Other reserves HK\$'000	Retained profits HK\$'000	Sub-total HK\$'000	HK\$'000
At 1 January 2012	896,814	2,612,756	224,568	8,654	71,531	2,336,859	6,151,182	131,479
Gains on translating accounts of foreign operations:								
– Taken to reserves			7,188	35	–	–	7,223	2,041
Available-for-sale financial assets:								
– Valuation losses taken to reserves			–	–	(8,210)	–	(8,210)	–
Net income/(expenses) recognised directly in equity			7,188	35	(8,210)	–	(987)	2,041
Profit for the year			–	–	–	182,160	182,160	9,445
Total comprehensive income/(expenses)			7,188	35	(8,210)	182,160	181,173	11,486
Share option lapsed	–	–	–	–	(1,249)	1,249	–	–
2011 final dividend paid	–	–	–	–	–	(197,299)	(197,299)	–
Dividend payable to a non-controlling shareholder	–	–	–	–	–	–	–	(2,598)
Write back of unclaimed dividends	–	–	–	–	–	6	6	–
At 31 December 2012	896,814	2,612,756	231,756	8,689	62,072	2,322,975	6,135,062	140,367
								6,275,429

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the year ended 31 December 2012*

	Attributable to shareholders of the Company						Non-controlling interests	Total
	Share capital HK\$'000	Share premium HK\$'000	Exchange reserve HK\$'000	Other properties revaluation reserve HK\$'000	Other reserves HK\$'000	Retained profits HK\$'000	Sub-total HK\$'000	HK\$'000
At 1 January 2011	896,680	2,611,724	170,413	2,045	87,152	2,443,127	6,211,141	117,092
Gains on translating accounts of foreign operations:								
– Taken to reserves				54,155	245	–	54,400	7,028
Available-for-sale financial assets:								
– Valuation losses taken to reserves				–	–	(15,278)	–	(15,278)
Surplus on revaluation upon transfer of land and buildings to investment properties				–	8,486	–	8,486	–
Deferred tax relating to surplus on revaluation				–	(2,122)	–	(2,122)	–
Net income/(expenses) recognised directly in equity				54,155	6,609	(15,278)	–	45,486
Profit for the year				–	–	–	91,002	91,002
Total comprehensive income/(expenses)				54,155	6,609	(15,278)	91,002	136,488
Issue of shares (Note 25)	134	1,032	–	–	(343)	–	823	823
2010 final dividend paid	–	–	–	–	–	(197,270)	(197,270)	–
At 31 December 2011	896,814	2,612,756	224,568	8,654	71,531	2,336,859	6,151,182	131,479
								6,282,661

*Note:*

*Other reserves comprise investment revaluation reserve, share-based compensation reserve and capital redemption reserve.*

	<i>Investment revaluation reserve HK\$'000</i>	<i>Share-based compensation reserve HK\$'000</i>	<i>Capital redemption reserve HK\$'000</i>	<i>Total HK\$'000</i>
At 1 January 2011	81,801	1,793	3,558	87,152
At 31 December 2011 and 1 January 2012	<b>66,523</b>	<b>1,450</b>	<b>3,558</b>	<b>71,531</b>
At 31 December 2012	<b>58,313</b>	<b>201</b>	<b>3,558</b>	<b>62,072</b>

# NOTES TO THE ACCOUNTS

## 1 GENERAL INFORMATION

Hutchison Harbour Ring Limited (the "Company") and its subsidiaries (together, the "Group") were principally engaged in property investments in Mainland China and earns rental income.

The Company is a limited liability company incorporated in Bermuda and the shares of which are listed on The Stock Exchange of Hong Kong Limited. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

These consolidated accounts are presented in Hong Kong dollars, unless otherwise stated.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated accounts of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"). These accounts have been prepared under the historical cost convention, as modified by the revaluation of investment properties and available-for-sale financial assets, which are carried at fair value, as explained in the significant accounting policies set out below.

### (a) Basis of consolidation

The consolidated accounts include the accounts of the Company and all its subsidiaries made up to 31 December.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. The acquisition of subsidiaries is accounted for using the purchase method of accounting.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Non-controlling interests represent the interests of shareholders external to the Group in the operating results and net assets of subsidiaries.

### (b) Subsidiaries

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies, so as to obtain benefits from their activities.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

In the Company's statement of financial position the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

## NOTES TO THE ACCOUNTS

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors that make strategic decisions.

#### (d) Foreign currency translation

##### (i) *Functional and presentation currency*

Items included in the accounts of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated accounts are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

##### (ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported in the income statement as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in other comprehensive income.

##### (iii) *Group's entities*

The results and financial position of all the Group's entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each income statement are translated at average exchange rates; and
- all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

## NOTES TO THE ACCOUNTS

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (e) Property, plant and equipment

Property, plant and equipment comprise mainly buildings, leasehold improvements, furniture, fixtures and equipment, and motor vehicles. Property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised and charged to the income statement. All repairs and maintenance are expensed in the income statement during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost less accumulated impairment losses over their estimated useful lives, as follows:

Buildings	20 years
Leasehold improvements	5 years or over the term of the relevant leases, whichever is shorter
Furniture, fixtures and equipment	3 to 5 years
Motor vehicles	5 years

The gain or loss on disposal of a property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the income statement.

The assets' useful lives are reviewed, and adjusted if appropriate, at each date of statement of financial position.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

#### (f) Investment properties

Investment properties are interests in land and buildings that are held for earning rentals or for capital appreciation or both. Investment properties are measured initially at cost and are subsequently carried in the statement of financial position at fair value determined annually by independent professional valuers at the date of the statement of financial position, and are not depreciated. Changes in fair values are recognised in the income statement.

## NOTES TO THE ACCOUNTS

### **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **(g) Available-for-sale financial assets**

Available-for-sale financial assets are non-derivative financial assets that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. At each statement of financial position date subsequent to initial recognition, these financial assets are carried at fair value and changes in fair value are dealt with as movements in the investment revaluation reserve except for impairment losses which are charged to the income statement. Where these investments are interest bearing, interest calculated using the effective interest method is recognised in the income statement. Dividends from available-for-sale investments are recognised when the right to receive payment is established. When available-for-sale investments are sold, the cumulative fair value gains or losses previously recognised in investment revaluation reserve is removed from investment revaluation reserve and recognised in the income statement.

#### **(h) Impairment of non-financial assets**

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to depreciation or amortisation are reviewed to determine whether there is any indication that the carrying value of these assets may not be recoverable and have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Such impairment loss is recognised in the income statement.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate accounts exceeds the carrying amount in the consolidated accounts of the investee's net assets including goodwill.

#### **(i) Trade and other receivables**

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered as indicators that the trade receivable is impaired. The amount of the provision is recognised in the income statement.

## NOTES TO THE ACCOUNTS

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (j) Cash and cash equivalents

Cash and cash equivalents includes cash on hand and deposits held at call with banks with original maturities of three months or less.

#### (k) Borrowings

Borrowings are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised costs. They are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the date of the statement of financial position.

#### (l) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

#### (m) Other payables

Other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

#### (n) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

##### (i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the date of statement of financial position in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

## NOTES TO THE ACCOUNTS

### **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### (n) Current and deferred income tax (Continued)

##### *(ii) Deferred income tax*

###### *Inside basis differences*

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated accounts. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill and the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the date of statement of financial position and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

###### *Outside basis differences*

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not be reversed in the foreseeable future.

##### *(iii) Offsetting*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

#### (o) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases (including up-front prepayments made for the leasehold land and land use rights) net of any incentives received from the leasing company are charged to the income statement on a straight-line basis over the lease periods.

## NOTES TO THE ACCOUNTS

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (p) Finance costs

Finance costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other finance costs are charged to the income statement in the year incurred.

#### (q) Employee benefits

- (i) Salaries, bonus, paid annual leave and the cost of other benefits to the Group are accrued in the year in which the associated services are rendered by employees of the Group.
- (ii) The Group operates two defined contribution schemes for Hong Kong employees, the assets of which are held in separate administered funds. The Group's contributions to the defined contribution schemes are expensed as incurred and are not reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions.

The Group also contributes on a monthly basis to various defined contribution retirement benefit plans organised by relevant municipal and provincial governments in Mainland China. The municipal and provincial governments undertake to assume the retirement benefit obligations payable to all existing and future retired employees for post-retirement benefits beyond the contributions made. The assets of these plans are held separately from those of the Group in independently administered funds managed by the government of Mainland China. Contributions to these plans are expensed as incurred.

- (iii) Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

#### (r) Share-based compensation

The Group operates an equity-settled share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become vested. At each date of the statement of financial position, the Group revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement and a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

## NOTES TO THE ACCOUNTS

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (s) Revenue recognition

##### *Rental income from operating leases*

Rental income receivable under operating leases is recognised in the income statement in equal instalments over the accounting periods covered by the lease term. Lease incentives granted are recognised in the income statement as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the year in which they are earned.

#### (t) Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

#### (u) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

#### (v) Dividend distribution

Dividend distribution of the final dividend to the Group's shareholders is recognised as a liability in the Group's accounts in the period in which the dividends are approved by the Company's shareholders.

## NOTES TO THE ACCOUNTS

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Group has adopted all of the new and revised HKFRSs and Interpretations that are effective for annual periods beginning on or after 1 January 2012. There have been no significant changes to the accounting policies applied in the accounts for the year ended 31 December 2012.

At the date these accounts are authorised for issue, the following standards, amendments and interpretations were in issue but not yet effective and have not been early adopted by the Group:

HKFRS 7 (Amendments)	Disclosure – Offsetting Financial Assets and Financial Liabilities <sup>(1)</sup>
HKFRS 9	Financial Instruments <sup>(3)</sup>
HKFRS 9 and 7 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures <sup>(3)</sup>
HKFRS 10	Consolidated Financial Statements <sup>(1)</sup>
HKFRS 11	Joint Arrangements <sup>(1)</sup>
HKFRS 12	Disclosure of Interests in Other Entities <sup>(1)</sup>
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance <sup>(1)</sup>
HKFRS 10, HKFRS 12 and HKAS 27 (2011) (Amendments)	Investment Entities <sup>(2)</sup>
HKFRS 13	Fair Value Measurement <sup>(1)</sup>
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income <sup>(1)</sup>
HKAS 19 (2011)	Employee Benefits <sup>(1)</sup>
HKAS 27 (2011)	Separate Financial Statements <sup>(1)</sup>
HKAS 28 (2011)	Investments in Associates and Joint Ventures <sup>(1)</sup>
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities <sup>(2)</sup>
Annual Improvements 2009-2011 Cycle	Improvements to HKFRSs <sup>(1)</sup>

(1) Effective for the Group for annual periods beginning 1 January 2013

(2) Effective for the Group for annual periods beginning 1 January 2014

(3) Effective for the Group for annual periods beginning 1 January 2015

The adoption of standards, amendments and interpretations listed above, with the exception of HKFRS 9 in future periods is not expected to have any material impact on the Group's results of operations and financial position.

The Hong Kong Institute of Certified Public Accountants ("HKICPA") intends to expand HKFRS 9 to add new requirements for impairment of financial assets measured at amortised cost and hedge accounting. Accordingly, the impact of HKFRS 9 may change as a consequence of further development resulting from the HKICPA's project to replace HKAS 39. As a result, it is impracticable to quantify the impact of HKFRS 9 as at the date of publication of these accounts.

## NOTES TO THE ACCOUNTS

### **3 FINANCIAL RISK MANAGEMENT**

#### (a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. Risk management is carried out by senior management of the Group under policies approved by the board of directors of the Company.

##### (i) *Market risk*

###### *Foreign exchange risk*

The Group is exposed to foreign exchange risk arising from foreign currency exposures, primarily with respect to the United States dollar, Hong Kong dollar and Renminbi. The Group's revenue and the operating costs are denominated in Hong Kong dollars and Renminbi. The Group is exposed to other currency movements, primarily in terms of bank deposits and available-for-sale financial assets denominated in United States dollars. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The Group has not entered into any derivative instruments to hedge its foreign exchange exposures.

At 31 December 2012, if the Hong Kong dollar had weakened/strengthened by 0.5% against the United States dollar with all other variables held constant, profit for the year and equity would have been HK\$18,156,000 (2011: HK\$19,310,000) and HK\$6,383,000 (2011: HK\$6,006,000) higher/lower respectively, mainly as a result of foreign exchange gains/losses on translation of United States dollar-denominated cash and cash equivalents and listed investments. Profit is less sensitive to movement in the Hong Kong dollar/United States dollar exchange rate in 2012 than 2011 because of the decreased amount of United States dollar-denominated bank deposits. Equity is more sensitive to movement in the Hong Kong dollar/United States dollar exchange rate in 2012 than 2011 because of the increased amount of United States dollar-denominated available-for-sale financial assets. The Group considers the risk of movements in exchange rates between the Hong Kong dollar and the United States dollar to be not significant due to the fact that the Hong Kong dollar and the United States dollar are pegged.

There is no significant foreign exchange risk arising from foreign currency exposures with respect to Renminbi at 31 December 2012. At 31 December 2011, if the Hong Kong dollar had weakened/strengthened by 5% against the Renminbi with all other variables held constant, profit for the year would have been HK\$762,000 lower/higher, mainly as a result of foreign exchange losses/gains on translation of Hong Kong dollar-denominated financial assets recorded by the subsidiaries in Mainland China. Profit is less sensitive to movement in the Hong Kong dollar/Renminbi exchange rate in 2012 than 2011 because of the reduced amount of Hong Kong dollar-denominated assets in Renminbi books.

## NOTES TO THE ACCOUNTS

### 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (a) Financial risk factors (Continued)

##### (i) *Market risk (Continued)*

###### *Price risk*

The Group's main market price risk exposures relate to available-for-sale financial assets which are mainly comprised of listed debt securities. At 31 December 2012, if the market price of the available-for-sale financial assets had increased/decreased by 1%, the equity would have been HK\$12,766,000 (2011: HK\$12,012,000) higher/lower, mainly as a result of the gains/losses on available-for-sale financial assets. The Group closely monitors the price movement and changes in market conditions that may have an impact on the value of these financial assets. The available-for-sale financial assets represented approximately 23% of the Group's total cash, liquid funds and listed investments.

###### *Interest rate risk*

The Group has no significant interest-bearing assets except for cash and bank deposits and the listed debt securities included under available-for-sale financial assets. The interest rate for the listed debt securities was fixed. At 31 December 2012, if interest rates on cash and bank deposits had been 100 basis points higher/lower with all other variables held constant, profit for the year would have been HK\$42,793,000 (2011: HK\$44,899,000) higher/lower, mainly as a result of higher/lower interest income on floating rate deposits.

At 31 December 2011, the Group had interest bearing shareholder's loans from a non-controlling shareholder. Loans from the non-controlling shareholder were issued at fixed rates and exposed the Group to fair value interest rate risk. The finance costs on loans from the non-controlling shareholder do not have significant financial impact to the Group.

##### (ii) *Credit risk*

The aggregate revenue from the five largest customers represent 40.4% (2011: 39.3%) of total revenue, of which, one (2011: one) customer exceeds 10% of the total revenue for the year ended 31 December 2012.

## NOTES TO THE ACCOUNTS

### **3 FINANCIAL RISK MANAGEMENT (CONTINUED)**

#### (a) Financial risk factors (Continued)

##### *(ii) Credit risk (Continued)*

At 31 December 2012, the balance of trade and other receivables mainly represented rental receivables and interest receivable. Rental deposits are required from tenants prior to the commencement of leases. The Group performs periodic credit evaluations of these debtors to manage the risk.

There is no significant credit risk in relation to the Group's cash and bank deposits as cash and bank deposits are placed with banks and financial institutions with good credit ratings. 71% of the Group's bank deposits were placed in an international financial institution with minimum credit ratings of Aa3/A+ as rated by Moody's and Standard & Poor's as at 31 December 2012.

The Group's available-for-sale financial assets were listed in Luxembourg and Singapore with credit rating of A3/A- as rated by Moody's and Standard & Poor's as at 31 December 2012.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of financial assets.

The maximum exposure to credit risk for the Company at the reporting date is the carrying amount of the amounts due from subsidiaries.

##### *(iii) Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, senior management of the Group aims to maintain flexibility in funding by keeping committed credit lines available.

## NOTES TO THE ACCOUNTS

### 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (a) Financial risk factors (Continued)

##### (iii) Liquidity risk (Continued)

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the date of the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Contractual payment			
	Less than 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000	Over 5 years HK\$'000
At 31 December 2012 Deposits received, other payables and accruals	46,109	4,665	7,090	3,031
At 31 December 2011 Deposits received, other payables and accruals	44,900	2,986	14,265	1,415
Loans from a non-controlling shareholder	40,295	—	—	—

#### (b) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total debt divided by total capital. Total debt is calculated as "total borrowings", as shown in the consolidated statement of financial position, including the loans from a non-controlling shareholder. Total capital is calculated as "equity", as shown in the consolidated statement of financial position.

The Group's strategy is to maintain a gearing ratio below 5%. At 31 December 2012, the Group did not have any borrowings. At 31 December 2011, the Group's total borrowings were HK\$40.3 million, which were loans from a non-controlling shareholder of the Group's subsidiaries. The gearing ratio, calculated by dividing total debt by total shareholders' equity, was 0.6% as at 31 December 2011.

## NOTES TO THE ACCOUNTS

### **3 FINANCIAL RISK MANAGEMENT (CONTINUED)**

#### (c) Fair value estimation

The amendment to HKFRS 7 requires disclosure of fair value measurements for financial instruments by level of the following fair value measurement hierarchy:

- (i) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- (ii) Inputs other than quoted prices included within level 1 that are observable for the assets or liabilities, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- (iii) Inputs for the assets or liabilities that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's financial assets that are measured at fair value at 31 December 2012 and 31 December 2011.

	<b>Level 1 HK\$'000</b>	<b>Level 2 HK\$'000</b>	<b>Level 3 HK\$'000</b>	<b>Total HK\$'000</b>
At 31 December 2012				
Available-for-sale financial assets				
– Debt securities	<b>1,276,628</b>	–	–	<b>1,276,628</b>
Total financial assets	<b>1,276,628</b>	–	–	<b>1,276,628</b>
At 31 December 2011				
Available-for-sale financial assets				
– Debt securities	1,201,163	–	–	1,201,163
Total financial assets	1,201,163	–	–	1,201,163

The fair value of financial instruments traded in active markets is based on quoted market prices at the date of the statement of financial position. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price.

## NOTES TO THE ACCOUNTS

### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Note 2 to the accounts includes a summary of the significant accounting policies used in the preparation of the accounts. The preparation of accounts often requires the use of judgments to select specific accounting methods and policies from several acceptable alternatives. Furthermore, significant estimates and assumptions concerning the future may be required in selecting and applying those methods and policies in the accounts. The Group bases its estimates and judgments on historical experience and various other assumptions that it believes are reasonable under the circumstances. Actual results may differ from these estimates and judgments under different assumptions or conditions.

The following is a review of the more significant assumptions and estimates, as well as the accounting policies and methods used in the preparation of the accounts.

#### (a) Income taxes

The Group is subject to income taxes mainly in Hong Kong and Mainland China, in which new and revised tax laws and regulations are issued from time to time and some of which may take effect on a retrospective basis. Significant judgment is required in determining provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain, in particular for the tax in Mainland China, during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues taking into account the existing tax legislations and market practice. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

#### (b) Estimated fair value of investment properties

The fair value of each investment property is determined individually at each date of the statement of financial position by independent professional valuers by reference to comparable market transactions and where appropriate on the basis of capitalisation of the net rental income/net income, after allowing for outgoings and in appropriate cases provisions for reversionary income potential. These methodologies are based upon estimates of future results and a set of assumptions as to income and expenses of the property and future economic conditions. The fair value of each investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

## NOTES TO THE ACCOUNTS

### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

#### (c) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably established.

Management's judgment is required in assessing the quantum of provisions at each date of the statement of financial position, which are made based on an estimation of historical and anticipated claims, the merits of the claims against the Group, and the existence of any obligation under the terms of relevant agreements with the counter parties. The amount of provisions represent management's best estimate of the expenditure required to settle the present obligations. The basis of estimation is reviewed on an on-going basis and revised where appropriate to reflect the current best estimate.

### 5 REVENUE AND SEGMENT INFORMATION

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in Note 34.

Revenue represents rental and service income. The amount of revenue recognised during the year is as follows:

	2012 HK\$'000	2011 HK\$'000
Rental and service income from investment properties	<b>87,819</b>	86,366

The Group has two reportable segments, including property division and corporate division.

The segments are managed separately as each business offers different services and each segment is subject to risks and returns that are different from the others.

Earnings before interest expense and tax ("EBIT") are regarded as segment results in respect of the Group's reportable segments as the directors consider that this can be better reflect the performance of each division. EBIT is used on the Group's internal financial and management reporting to monitor business performances.

## NOTES TO THE ACCOUNTS

### 5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment information:

	Year ended 31 December 2012		
	Property division HK\$'000	Corporate division HK\$'000	Total HK\$'000
Segment revenue from external customers			
– Company and subsidiaries	<b>87,819</b>	–	<b>87,819</b>
Segment results before write back of provisions and accruals			
– Company and subsidiaries	<b>85,957</b>	<b>51,686</b>	<b>137,643</b>
Write back of provisions and accruals	<b>71,204</b>	–	<b>71,204</b>
Earnings before interest expense and tax	<b>157,161</b>	<b>51,686</b>	<b>208,847</b>
Finance costs	(762)	–	(762)
Tax charge	(16,480)	–	(16,480)
Profit for the year			<b>191,605</b>
Segment assets	<b>1,680,360</b>	<b>4,931,832</b>	<b>6,612,192</b>
Total assets			<b>6,612,192</b>
Segment liabilities	<b>118,787</b>	<b>6,857</b>	<b>125,644</b>
Tax payables	<b>43,678</b>	–	<b>43,678</b>
Deferred tax liabilities	<b>167,441</b>	–	<b>167,441</b>
Total liabilities			<b>336,763</b>
Capital expenditure	<b>691</b>	<b>36</b>	<b>727</b>
Interest income	<b>18,436</b>	<b>71,333</b>	<b>89,769</b>
Depreciation of property, plant and equipment	(436)	(1)	(437)
Amortisation of leasehold land and land use rights	(49)	–	(49)

## NOTES TO THE ACCOUNTS

### 5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

#### Segment information: (Continued)

	Year ended 31 December 2011		
	Property division HK\$'000	Corporate division HK\$'000	Total HK\$'000
Segment revenue from external customers			
– Company and subsidiaries	86,366	–	<u>86,366</u>
Earnings before interest expense and tax	79,705	42,455	122,160
Finance costs	(1,788)	–	(1,788)
Tax charge	(22,011)	–	<u>(22,011)</u>
Profit for the year			<u>98,361</u>
Segment assets	1,665,137	5,071,273	<u>6,736,410</u>
Total assets			<u>6,736,410</u>
Segment liabilities	202,217	7,749	209,966
Loans from a non-controlling shareholder	40,295	–	40,295
Tax payables	48,823	–	48,823
Deferred tax liabilities	154,665	–	<u>154,665</u>
Total liabilities			<u>453,749</u>
Capital expenditure	355	–	355
Interest income	14,959	61,731	76,690
Depreciation of property, plant and equipment	(687)	–	(687)
Amortisation of leasehold land and land use rights	(83)	–	(83)

#### Geographical information:

The Group operates primarily in Hong Kong and Mainland China. In presenting information of geographical segments, segment revenue is based on the geographical location of provision of services.

During the year ended 31 December 2012 and 2011, all the revenues are derived from Mainland China.

Non-current assets (excluding available-for-sale financial assets) are mainly located in Mainland China at 31 December 2012 and 31 December 2011.

## NOTES TO THE ACCOUNTS

### 5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

#### Information about major customers:

Revenue of approximately HK\$9.9 million (2011: HK\$9.0 million) is derived from a single external customer. This revenue is attributable to the property division and is derived from Mainland China.

### 6 OPERATING PROFIT

	2012 HK\$'000	2011 HK\$'000
Operating profit is stated after crediting and charging the following:		
<u>Crediting</u>		
Rental income from investment properties less outgoings of HK\$12,130,000 (2011: HK\$11,906,000)	<b>71,395</b>	70,207
Write back of provisions and accruals ( <i>Note</i> )	<b>71,204</b>	–
Gain on disposal of property, plant and equipment	–	39
<u>Charging</u>		
Staff costs (Note 12)	<b>14,575</b>	13,382
Depreciation of property, plant and equipment (Note 15)	<b>437</b>	687
Amortisation of leasehold land and land use rights (Note 17)	<b>49</b>	83
Operating lease charges in respect of properties	<b>482</b>	2,252
Auditor's remuneration		
Audit and audit related work		
PricewaterhouseCoopers	<b>2,327</b>	2,200
Other auditors	<b>37</b>	49
Net exchange loss	<b>1,188</b>	455

*Note:*

*Other income for the year ended 31 December 2012 represented the write back of provisions and accruals for exposures associated with legal undertakings relating to the disposal of subsidiaries in 2008. As at 31 December 2012, the Group reassessed that the crystallisation of the related exposures had become not probable upon expiry of those undertakings during the year.*

## NOTES TO THE ACCOUNTS

### 7 FINANCE COSTS

	2012 HK\$'000	2011 HK\$'000
Interest on loans from a non-controlling shareholder (repayable on demand)	<b>762</b>	1,788

### 8 TAX CHARGE

	2012 HK\$'000	2011 HK\$'000
Current tax, outside Hong Kong		
– current year provision	<b>10,350</b>	11,512
– over provision in prior years	<b>(3,168)</b>	–
Deferred tax charge	<b>9,298</b>	10,499
	<b>16,480</b>	22,011

The Group's subsidiaries in Mainland China are subject to Enterprise Income Tax of Mainland China at a standard rate of 25% for 2012 (2011: 25%).

No Hong Kong profits tax has been provided as the Group has no estimated assessable profits for the year ended 31 December 2012 (2011: Nil).

The differences between the Group's expected tax charges calculated at the domestic rates and the Group's tax charge for the years were as follows:

	2012 HK\$'000	2011 HK\$'000
Profit before tax	<b>208,085</b>	120,372
Tax calculated at the domestic rates applicable to the profits in the countries concerned	<b>16,719</b>	14,562
Income not subject to tax	<b>(2,009)</b>	(177)
Expenses not deductible for tax purposes	<b>2,456</b>	7,564
Tax losses not recognised	<b>2,481</b>	64
Over provision in prior years	<b>(3,168)</b>	–
Other temporary differences	<b>1</b>	(2)
Total tax charge	<b>16,480</b>	22,011

The weighted average applicable tax rate was 8.0% (2011: 12.1%). The decrease for the year ended 31 December 2012 is mainly due to the write back of provisions and accruals which is not subject to tax.

## NOTES TO THE ACCOUNTS

### 9 PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The profit attributable to shareholders of the Company is dealt with in the accounts of the Company to the extent of HK\$58,074,000 (2011: HK\$45,396,000).

### 10 EARNINGS PER SHARE

#### (a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year.

	2012	2011
Weighted average number of ordinary shares in issue	<b>8,968,140,707</b>	8,967,252,597
Profit attributable to shareholders of the Company (HK\$'000)	<b>182,160</b>	91,002
Basic earnings per share attributable to shareholders of the Company (HK cent per share)	<b>2.03</b>	1.01

#### (b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares deemed to be issued assuming the exercise of the share options.

	2012	2011
Weighted average number of ordinary shares in issue	<b>8,968,140,707</b>	8,967,252,597
Adjustment for share options	<b>14,945</b>	48,706
	<b>8,968,155,652</b>	8,967,301,303
Profit attributable to shareholders of the Company (HK\$'000)	<b>182,160</b>	91,002
Diluted earnings per share attributable to shareholders of the Company (HK cent per share)	<b>2.03</b>	1.01

## NOTES TO THE ACCOUNTS

### 11 DIVIDEND

	2012 HK\$'000	2011 HK\$'000
Final dividend proposed – HK2.2 cents (2011: HK2.2 cents per ordinary share)	<b>197,299</b>	197,299

At a meeting held on 19 March 2013 the Directors declared a final dividend of HK2.2 cents per ordinary share. The amount of proposed final dividend for 2012 is based on 8,968,140,707 shares in issue on 19 March 2013. This proposed dividend is not reflected as a dividend payable in these accounts but will be reflected as an appropriation of retained profits for the year ending 31 December 2013.

The amount of proposed final dividend for 2011 was based on 8,968,140,707 shares in issue on 27 March 2012 and the amount paid of HK\$197,299,000 was based on 8,968,140,707 shares in issue and recorded on the Registers of Members of the Company on 28 May 2012.

### 12 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

The amount recognised during the year is as follows:

	2012 HK\$'000	2011 HK\$'000
Wages and salaries	12,156	11,117
Other allowances and benefits	966	957
Pension costs	1,453	1,308
 Total staff costs (including directors' emoluments)	<b>14,575</b>	13,382

## NOTES TO THE ACCOUNTS

### 13 RETIREMENT BENEFITS SCHEMES

The Group has two defined contribution schemes for all qualified employees in Hong Kong.

- (a) Hong Kong employees who commenced employment before 1 September 2000 are members of the first defined contribution scheme. The assets of the first defined contribution scheme are held separately under a provident fund managed by an independent trustee. Pursuant to the rules of the scheme, the employers and its employees are each required to make contributions to the scheme calculated at 5% of the employees' basic salaries on a monthly basis. The employees are entitled to 100% of the employers' contributions and accrued interest after 10 years' service, or at an increasing scale of between 20% to 90% after completion of 2 to 9 years' service.

When there are employees who leave the scheme prior to vesting fully in the contributions, in accordance with the rules of the scheme, the forfeited employers' contributions arising from members terminating employment before becoming fully vested are allocated to the benefit of the remaining members instead of being used to reduce the future contributions of the employers.

- (b) All qualified Hong Kong employees who commenced employment on or after 1 September 2000 are members of the second defined contribution scheme which has been set up in accordance with the guidelines of Mandatory Provident Fund Schemes Ordinance. Both the employers and employees contribute 5% of relevant income (limited to HK\$1,000 before 1 June 2012 and HK\$1,250 from 1 June 2012) to the scheme each month. The assets of the second defined contribution scheme are held separately from those of the Group in funds under the control of trustees.

The employees of the Group's subsidiaries in Mainland China are members of a state-managed retirement benefit plan operated by the government of Mainland China. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

## NOTES TO THE ACCOUNTS

### 14 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

#### (a) Directors' emoluments

Directors' emoluments comprise payments to directors of the Company by the Group in connection with the management of the affairs of the Group. The emoluments of each of the Directors exclude amounts received from the subsidiaries of the Company and paid to the Company. The emoluments of the directors of the Company are as follows:

Name of director	Basic		Inducement		2012 Total emoluments HK\$'000
	Director's fees HK\$'000	salaries, allowances and benefits- in-kind HK\$'000	Discretionary bonuses HK\$'000	Provident fund contributions HK\$'000	
Fok Kin Ning, Canning <sup>(1)</sup>	90	–	–	–	90
Lai Kai Ming, Dominic	70	–	–	–	70
Tsui Kin Tung, Tony <sup>(5)</sup>	70	1,948	2,000	333	4,351
Chow Woo Mo Fong, Susan	70	–	–	–	70
Edith Shih	70	–	–	–	70
Ronald Joseph Arculli <sup>(2), (3)</sup>	140	–	–	–	140
Kwan Kai Cheong <sup>(1), (3), (4)</sup>	160	–	–	–	160
Lam Lee G. <sup>(1), (3), (4)</sup>	160	–	–	–	160
Lan Hong Tsung, David <sup>(4)</sup>	70	–	–	–	70
Total – 2012	900	1,948	2,000	333	5,181

Notes:

- (1) Members of the Remuneration Committee
- (2) Non-executive Director
- (3) Members of the Audit Committee
- (4) Independent Non-executive Directors
- (5) Director's fee received from the Company's subsidiaries have been paid to the Company and are not included in the amounts above

## NOTES TO THE ACCOUNTS

### 14 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (CONTINUED)

#### (a) Directors' emoluments (Continued)

Name of director	Director's fees HK\$'000	Basic salaries, allowances and benefits-in-kind HK\$'000	Discretionary bonuses HK\$'000	Provident fund contributions HK\$'000	Inducement or compensation fees HK\$'000	2011 Total emoluments HK\$'000
Fok Kin Ning, Canning <sup>(1)</sup>	90	–	–	–	–	90
Lai Kai Ming, Dominic	70	–	–	–	–	70
Tsui Kin Tung, Tony <sup>(6)</sup>	70	1,948	2,000	333	–	4,351
Chow Woo Mo Fong, Susan	70	–	–	–	–	70
Chow Wai Kam, Raymond <sup>(2)</sup>	66	–	–	–	–	66
Edith Shih	70	–	–	–	–	70
Endo Shigeru <sup>(2)</sup>	66	–	–	–	–	66
Ronald Joseph Arculli <sup>(3), (4)</sup>	140	–	–	–	–	140
Kwan Kai Cheong <sup>(1), (4), (5)</sup>	160	–	–	–	–	160
Lam Lee G. <sup>(1), (4), (5)</sup>	160	–	–	–	–	160
Lan Hong Tsung, David <sup>(5)</sup>	70	–	–	–	–	70
Total – 2011	1,032	1,948	2,000	333	–	5,313

Notes:

- (1) Members of the Remuneration Committee
- (2) Retired with effect from 10 December 2011
- (3) Non-executive Director
- (4) Members of the Audit Committee
- (5) Independent Non-executive Directors
- (6) Director's fee received from the Company's subsidiaries have been paid to the Company and are not included in the amounts above

During the year ended 31 December 2012 and 2011, no director waived or agreed to waive any emoluments.

## NOTES TO THE ACCOUNTS

### 14 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (CONTINUED)

#### (b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one (2011: one) director whose emoluments are reflected in the analysis presented in Note 14(a) to the accounts. The emoluments payable to the remaining four (2011: four) individuals for the year are as follows:

	2012 HK\$'000	2011 HK\$'000
Basic salaries, allowances and benefits-in-kind	2,775	2,959
Discretionary bonuses	780	660
Provident fund contributions	147	101
	<b>3,702</b>	3,720

The emoluments of the remaining four (2011: four) individuals with the highest emoluments for the year fell within the following bands:

<b>Emolument bands</b>	<b>Number of individuals</b>	
	<b>2012</b>	<b>2011</b>
HK\$1,000,001 – HK\$1,500,000	2	2
< HK\$1,000,001	2	2

During the year ended 31 December 2012 and 2011, no emoluments were paid by the Group for any of the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office.

## NOTES TO THE ACCOUNTS

### 15 PROPERTY, PLANT AND EQUIPMENT

	Buildings HK\$'000	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>Cost</b>					
At 1 January 2012	3,483	357	1,744	924	6,508
Exchange translation differences	46	3	15	2	66
Transfer from investment properties	722	–	–	–	722
Additions	–	268	149	310	727
Disposals and write off	–	–	(82)	(457)	(539)
At 31 December 2012	4,251	628	1,826	779	7,484
<b>Accumulated depreciation and impairment</b>					
At 1 January 2012	72	99	1,590	924	2,685
Exchange translation differences	2	1	12	–	15
Charge for the year (Note 6)	193	80	149	15	437
Disposals and write off	–	–	(82)	(457)	(539)
At 31 December 2012	267	180	1,669	482	2,598
<b>Net book value</b>					
At 31 December 2012	3,984	448	157	297	4,886

## NOTES TO THE ACCOUNTS

### 15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Buildings HK\$'000	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>Cost</b>					
At 1 January 2011	9,947	732	1,730	879	13,288
Exchange translation differences	396	51	70	45	562
Revaluation upon transfer to investment properties	6,008	–	–	–	6,008
Transfer to investment properties	(12,868)	–	–	–	(12,868)
Additions	–	277	78	–	355
Disposals and write off	–	(703)	(134)	–	(837)
At 31 December 2011	3,483	357	1,744	924	6,508
<b>Accumulated depreciation and impairment</b>					
At 1 January 2011	2,546	675	1,408	823	5,452
Exchange translation differences	92	36	66	41	235
Transfer to investment properties	(2,904)	–	–	–	(2,904)
Charge for the year (Note 6)	338	87	202	60	687
Disposals and write off	–	(699)	(86)	–	(785)
At 31 December 2011	72	99	1,590	924	2,685
<b>Net book value</b>					
At 31 December 2011	3,411	258	154	–	3,823

The Group's interests in buildings at their net book values are analysed as follows:

	2012 HK\$'000	2011 HK\$'000
Leases of between 10 to 50 years		
Outside Hong Kong	3,984	3,411

## NOTES TO THE ACCOUNTS

### 16 INVESTMENT PROPERTIES

	2012 HK\$'000	2011 HK\$'000
<b>Valuation</b>		
At 1 January	<b>1,000,359</b>	937,521
Exchange translation differences	<b>8,108</b>	48,318
Transfer (to)/from property, plant and equipment and leasehold land and land use rights	<b>(1,019)</b>	14,520
At 31 December	<b>1,007,448</b>	1,000,359

*Notes:*

- (a) The Group's investment properties comprise:

	2012 HK\$'000	2011 HK\$'000
Leases of between 10 to 50 years Outside Hong Kong	<b>1,007,448</b>	1,000,359

- (b) The investment properties at 31 December 2012 and 31 December 2011 were revalued on an open market value basis by independent professional valuers, DTZ Debenham Tie Leung Limited.

### 17 LEASEHOLD LAND AND LAND USE RIGHTS

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments.

	2012 HK\$'000	2011 HK\$'000
<b>Net book value</b>		
At 1 January	<b>1,418</b>	3,440
Exchange translation differences	<b>18</b>	139
Revaluation upon transfer to investment properties	<b>–</b>	2,478
Transfer from/(to) investment properties	<b>297</b>	(4,556)
Amortisation (Note 6)	<b>(49)</b>	(83)
At 31 December	<b>1,684</b>	1,418

## NOTES TO THE ACCOUNTS

### 17 LEASEHOLD LAND AND LAND USE RIGHTS (CONTINUED)

The Group's leasehold land and land use rights comprise:

	2012 HK\$'000	2011 HK\$'000
Leases of between 10 to 50 years		
Outside Hong Kong	<b>1,684</b>	1,418

### 18 INVESTMENTS IN SUBSIDIARIES

	Company	
	2012 HK\$'000	2011 HK\$'000
Unlisted investments, at cost	<b>659,085</b>	659,085

Particulars of the principal subsidiaries at 31 December 2012 are set out in Note 34 to the accounts.

### 19 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2012 HK\$'000	2011 HK\$'000
Overseas listed debt securities, at fair value	<b>1,276,628</b>	1,201,163

The available-for-sale financial assets are denominated in United States dollars.

During the year ended 31 December 2012, the Group acquired from the market US\$12,000,000 (approximately HK\$93,600,000) aggregate principal amount of 4.625% note due 13 January 2022 issued by a subsidiary of Hutchison Whampoa Limited at a total consideration of HK\$97,629,000 (Note 31).

### 20 TRADE RECEIVABLES

At 31 December 2012 and 31 December 2011, trade receivables represented rental receivables which no credit term is granted. At 31 December, the aging analysis of trade receivables, net of provision, based on the date of invoice is as follows:

	2012 HK\$'000	2011 HK\$'000
0-30 days	181	420
31-60 days	34	95
61-90 days	-	21
	<b>215</b>	536

## NOTES TO THE ACCOUNTS

### 20 TRADE RECEIVABLES (CONTINUED)

No interest is charged on the overdue trade receivables. The trade receivables included in the above aging are considered not impaired as these relate to a number of independent customers for whom there is no recent history of default. As of 31 December 2012, no trade receivables were impaired.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold any collateral as security.

### 21 CASH AND BANK DEPOSITS

	Group		Company	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Bank deposits with maturity less than three months	<b>3,917,671</b>	4,150,825	<b>3,616,776</b>	3,833,371
Bank deposits with maturity over three months	<b>265,727</b>	230,769	—	—
Cash at banks and on hand	<b>95,931</b>	108,306	<b>3,114</b>	4,427
	<b>4,279,329</b>	4,489,900	<b>3,619,890</b>	3,837,798

Bank balances of HK\$646,666,000 (2011: HK\$610,061,000) are mainly denominated in Renminbi and are placed with banks in Mainland China. The remittance of these funds out of Mainland China is subject to exchange control restrictions imposed by the Chinese government. The remaining bank balances are mainly denominated in Hong Kong dollars or United States dollars.

The average effective interest rate on bank deposits during the year ended 31 December 2012 was approximately 0.68% (2011: 0.42%) per annum. These deposits have an average maturity of 51 days (2011: 16 days).

### 22 DEPOSITS RECEIVED, OTHER PAYABLES AND ACCRUALS

Included in deposits received, other payables and accruals at 31 December 2012 are rental deposits received of HK\$27 million (2011: HK\$25 million), provisions and accruals of approximately HK\$21 million (2011: HK\$92 million) in respect of legal and constructive obligations in connection with disposals of subsidiaries in 2008. During the year ended 31 December 2012, provisions of HK\$71 million were written back (Note 6). The amounts due to certain subsidiaries of Hutchison Whampoa Limited were HK\$23,224,000 (2011: HK\$38,224,000), which are unsecured, interest free and repayable on demand.

## NOTES TO THE ACCOUNTS

### 23 DEFERRED TAX

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes related to the same fiscal authority.

- (a) The gross movement in the net deferred tax liabilities is as follows:

	2012 HK\$'000	2011 HK\$'000
At 1 January	<b>154,665</b>	137,195
Exchange translation differences	3,478	4,849
Deferred tax debit to revaluation reserve	–	2,122
Charge to income statement	<b>9,298</b>	10,499
 At 31 December	<b>167,441</b>	154,665

- (b) Analysis of net deferred tax liabilities:

	Accelerated tax depreciation HK\$'000	Changes in fair value of investment properties HK\$'000	Other temporary differences HK\$'000	Total HK\$'000
At 1 January 2012	<b>94,399</b>	54,824	5,442	154,665
Exchange translation differences	850	2,619	9	3,478
Charge to income statement	<b>8,497</b>	–	<b>801</b>	<b>9,298</b>
 At 31 December 2012	<b>103,746</b>	<b>57,443</b>	<b>6,252</b>	<b>167,441</b>
 At 1 January 2011	  81,699	  51,065	  4,431	  137,195
Exchange translation differences	2,638	1,637	574	4,849
Deferred tax debit to revaluation reserve	–	2,122	–	2,122
Charge to income statement	<b>10,062</b>	–	<b>437</b>	<b>10,499</b>
 At 31 December 2011	<b>94,399</b>	<b>54,824</b>	<b>5,442</b>	<b>154,665</b>

## NOTES TO THE ACCOUNTS

### 23 DEFERRED TAX (CONTINUED)

- (c) Deferred tax assets are recognised for unused tax losses carried forward to the extent it is probable that future taxable profit will be available against which the unused tax losses can be utilised, based on all available evidence. The Group has not recognised deferred tax assets of HK\$13,631,000 (2011: HK\$21,111,000) in respect of the unused tax losses carried forward amounting to HK\$82,614,000 (2011: HK\$127,945,000). These amounts can be carried forward indefinitely.

### 24 LOANS FROM A NON-CONTROLLING SHAREHOLDER

The loans from a non-controlling shareholder were fully repaid during the year. At 31 December 2011, the loans from the non-controlling shareholder were interest bearing at 4.412% per annum, unsecured and repayable on demand.

At 31 December 2011, the carrying amounts of loans from the non-controlling shareholder approximated to their fair values and were denominated in the following currencies.

	2011 HK\$'000
United States dollar	36,605
Renminbi	3,690
	<hr/>
	40,295
	<hr/>

### 25 SHARE CAPITAL

	2012			2011
	Number of shares	Amount HK\$'000	Number of shares	Amount HK\$'000
Authorised:				
Ordinary shares of HK\$0.1 each	<b>20,000,000,000</b>	<b>2,000,000</b>	20,000,000,000	2,000,000
Issued and fully paid:				
At 1 January	<b>8,968,140,707</b>	<b>896,814</b>	8,966,804,707	896,680
Issue of shares upon exercise of share options (Note 26)	-	-	1,336,000	134
At 31 December	<b>8,968,140,707</b>	<b>896,814</b>	8,968,140,707	896,814

## NOTES TO THE ACCOUNTS

### 26 SHARE OPTIONS

The Company operates a share option scheme which was adopted in 2004. 123,750,000 and 33,000,000 share options were granted on 3 June 2005 and 25 May 2007 to certain directors and employees at the exercise price of HK\$0.822 and HK\$0.616 per share respectively. Share options are conditional on the employee completing the prescribed years of service. The share options are exercisable subject to, amongst other relevant vesting criteria, the vesting schedule of one-third on each of the first, second and third anniversaries of the date of grant of share options. The share options have a contractual option term of 10 years. The Group has no legal or constructive obligation to repurchase or settle the share options in cash.

During the year ended 31 December 2012, no (2011: 1,336,000) share options were exercised and 5,000,000 (2011: Nil) share options had lapsed. The number of share options outstanding at 31 December 2012 was 800,000 (2011: 5,800,000) of which 600,000 will expire on 2 June 2015 and the remaining 200,000 will expire on 24 May 2017 unless exercised before then. All outstanding share options were exercisable at 31 December 2011 and 31 December 2012.

The fair value of share options granted on 3 June 2005 and 25 May 2007, determined using the Binomial valuation model, was as follows:

Date of grant of share options	25 May 2007	3 June 2005
Value of each share option	HK\$0.2565	HK\$0.2498
<b>Significant inputs into the valuation model:</b>		
Share price at grant date	HK\$0.61	HK\$0.82
Exercise price	HK\$0.616	HK\$0.822
Expected volatility ( <i>Note a</i> )	37.4%	31.7%
Expected life of share options	7 years	7 years
Expected dividend yield	0.98%	2.44%
Annual risk-free interest rate	4.318%	3.444%

*Notes:*

- (a) *The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices over one year immediately preceding the grant date.*
- (b) *Any change in the above variables adopted may affect the fair value estimation.*

## NOTES TO THE ACCOUNTS

### 26 SHARE OPTIONS (CONTINUED)

Movements in share options were as follows:

	Date of grant	Number of share options				At 31 December 2012
		At 1 January 2012	Granted	Exercised	Cancelled/ lapsed (Note)	
Employees in aggregate	3 June 2005	600,000	-	-	-	600,000
	25 May 2007	200,000	-	-	-	200,000
	Total	800,000	-	-	-	800,000

Note: 5,000,000 vested options granted to Mr Endo Shigeru, a former Executive Director of the Company, were lapsed on 9 January 2012.

### 27 RESERVES

#### Company

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Share-based compensation reserve HK\$'000	Contributed surplus HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2012	2,612,756	3,558	1,450	1,456	2,288,228	4,907,448
Profit for the year	-	-	-	-	58,074	58,074
Share option lapsed	-	-	(1,249)	-	1,249	-
Write back of unclaimed dividend	-	-	-	-	6	6
2011 final dividend paid	-	-	-	-	(197,299)	(197,299)
At 31 December 2012	2,612,756	3,558	201	1,456	2,150,258	4,768,229
At 1 January 2011	2,611,724	3,558	1,793	1,456	2,440,102	5,058,633
Profit for the year	-	-	-	-	45,396	45,396
Issue of shares (Note 25)	1,032	-	(343)	-	-	689
2010 final dividend paid	-	-	-	-	(197,270)	(197,270)
At 31 December 2011	2,612,756	3,558	1,450	1,456	2,288,228	4,907,448

## NOTES TO THE ACCOUNTS

### 27 RESERVES (CONTINUED)

The application of share premium account is governed by section 40 of the Companies Act 1981 of Bermuda (as amended).

The contributed surplus of the Company represents the difference between the consolidated shareholders' funds of subsidiaries when they were acquired by the Company and the nominal amount of the Company's share capital issued for the acquisition.

Under the Companies Act 1981 of Bermuda (as amended), contributed surplus is available for distribution to shareholders. However, a company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if:

- (a) the company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

As at 31 December 2012, the aggregate amount of reserves available for distribution to shareholders of the Company was HK\$2,151,714,000 (2011: HK\$2,289,684,000).

### 28 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

- (a) Reconciliation of operating profit to cash generated from operating activities before finance costs, tax paid and changes in working capital:

	2012 HK\$'000	2011 HK\$'000
Operating profit	<b>208,847</b>	122,160
Adjustments for:		
Interest income	(89,769)	(76,690)
Write back of provisions and accruals	(71,204)	–
Depreciation of property, plant and equipment	437	687
Amortisation of leasehold land and land use rights	49	83
Gain on disposal of property, plant and equipment	–	(39)
	<b>48,360</b>	46,201

## NOTES TO THE ACCOUNTS

### 28 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

- (b) Changes in working capital:

	2012 HK\$'000	2011 HK\$'000
Decrease in trade and other receivables, deposits and prepayments	422	810
Decrease in deposits received, other payables and accruals	(15,701)	(22,232)
	<b>(15,279)</b>	(21,422)

### 29 CAPITAL COMMITMENTS

- Capital commitments for property, plant and equipment:

	2012 HK\$'000	2011 HK\$'000
Authorised but not contracted for	623	554

### 30 OPERATING LEASES

- (a) At 31 December, the Group had future aggregate minimum lease receivables under non-cancellable operating leases in respect of investment properties as follows:

	2012 HK\$'000	2011 HK\$'000
Not later than one year	71,476	78,934
Later than one year and not later than five years	118,732	82,409
Later than five years	19,976	11,548
	<b>210,184</b>	172,891

## NOTES TO THE ACCOUNTS

### 30 OPERATING LEASES (CONTINUED)

- (b) At 31 December, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of properties as follows:

	2012 HK\$'000	2011 HK\$'000
Not later than one year	<b>439</b>	439
Later than one year and not later than five years	<b>146</b>	585
	<b>585</b>	1,024

### 31 MATERIAL RELATED PARTY TRANSACTIONS

The Group had the following significant transactions during the year with related parties which were carried out in the normal course of business at terms determined and agreed by both parties, details of which are as follows:

- (a) The Group purchased notes issued by subsidiaries of Hutchison Whampoa Limited from the market at approximately HK\$1,187,213,000 in 2009, due 2014 with a coupon rate of 6.25%; and at approximately HK\$97,629,000 during the year ended 31 December 2012, due 2022 with a coupon rate of 4.625% (Note 19). Net interest income recognised during the year was approximately HK\$59,942,000 (2011: HK\$57,763,000).
- (b) Hutchison International Limited, a wholly-owned subsidiary of Hutchison Whampoa Limited, has been providing and will continue to provide administrative and support services to the Group. The aggregate fees charged for the year were approximately HK\$5,000,000 (2011: HK\$5,600,000).
- (c) During the year, the Group paid rental expenses to subsidiaries of Hutchison Whampoa Limited of approximately HK\$439,000 (2011: HK\$4,399,000).
- (d) The amounts due from/to subsidiaries are unsecured, interest free and repayable on demand.
- (e) No transaction has been entered with the directors and senior management of the Company during the year other than the emoluments paid to them (being the key management personnel compensation) as disclosed in Note 14.

## NOTES TO THE ACCOUNTS

### 32 HOLDING COMPANY

The directors consider the ultimate holding company to be Hutchison Whampoa Limited, which is incorporated and listed in Hong Kong.

### 33 APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 19 March 2013.

### 34 PARTICULARS OF THE PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries at 31 December 2012 are as follows:

Name of subsidiaries	Place of operations/ incorporation	Particulars of issued/registered capital	Group's effective interest (%)	Principal activity
Grand Hover International Development Limited	Hong Kong	HK\$2	100	Property investment
Harbour Ring Property Development Limited	Hong Kong	HK\$1,000,000	100	Investment holding and provision of management services
Jeanwell Development Limited	Hong Kong	HK\$2	100	Property investment
Mitsuda Corporation Limited	Hong Kong	HK\$10,000	100	Provision of management services
P & H Development Limited	Hong Kong	HK\$4,999,997 ordinary shares HK\$3 non-voting deferred shares	100	Investment holding and provision of management services
# Shanghai Gang Lu Real Estate Development Co., Ltd.	China	US\$16,000,000 registered capital	88	Property investment
# Shanghai Pu Gang Real Estate Development Co., Ltd.	China	US\$7,000,000 registered capital	80	Property investment

The non-voting deferred shares practically carry no rights to dividends or receive notice of or to attend or vote at any general meeting of the respective companies or to participate in any distribution on winding up.

# Sino-foreign equity joint ventures

## FIVE YEAR SUMMARY

	2012 HK\$'000	2011 HK\$'000	2010 HK\$'000	2009 HK\$'000	2008 HK\$'000
<b>Results</b>					
Revenue					
– Continuing operations	<b>87,819</b>	86,366	82,185	84,308	202,069
– Discontinued operations	–	–	54,405	187,711	1,512,364
	<b>87,819</b>	86,366	136,590	272,019	1,714,433
<b><u>Continuing operations</u></b>					
Operating profit	<b>208,847</b>	122,160	161,501	252,134	2,396,082
Finance costs	<b>(762)</b>	(1,788)	(1,767)	(1,192)	(1,204)
Profit before tax	<b>208,085</b>	120,372	159,734	250,942	2,394,878
Tax charge	<b>(16,480)</b>	(22,011)	(19,026)	(21,846)	(68,624)
Profit for the year from continuing operations	<b>191,605</b>	98,361	140,708	229,096	2,326,254
<b><u>Discontinued operations</u></b>					
Profit/(loss) for the year from discontinued operations	–	–	19,554	(32,950)	(291,144)
<b>Profit for the year</b>	<b>191,605</b>	98,361	160,262	196,146	2,035,110
<b>Attributable to:</b>					
Non-controlling interests	<b>9,445</b>	7,359	8,262	7,892	25,692
Shareholders of the Company	<b>182,160</b>	91,002	152,000	188,254	2,009,418
	<b>191,605</b>	98,361	160,262	196,146	2,035,110
<b>Assets and liabilities</b>					
Total assets	<b>6,612,192</b>	6,736,410	6,790,906	6,971,384	7,252,337
Total liabilities	<b>(336,763)</b>	(453,749)	(462,673)	(646,224)	(915,814)
Net assets	<b>6,275,429</b>	6,282,661	6,328,233	6,325,160	6,336,523

## PARTICULARS OF MAJOR PROPERTIES

Particulars of major properties held by the Group which have been completed for existing use at 31 December 2012 are as follows:

### A. INVESTMENT PROPERTIES

Name/Location	Lease expiry	Type	Gross floor area (sq.m)	Attributable interest
1. Various units on levels 1-3, 5-7, 11, 15, 16, 20 & 21 and the whole of levels 4, 14, 22 & 23, and 50 car parking spaces in the basement, Harbour Ring Huang Pu Centre, No. 98 Luhe Road, Huangpu District, Shanghai, China.	The land use term of the property is 50 years from 19 November 1992 to 18 November 2042	Commercial	9,344 (exclude car park)	80%
2. Various units on levels 4-6, 9-14, 17-18, 23-24 & 28 and the whole of levels 2 & 3 and 152 car parking spaces in the basement, Harbour Ring Plaza, No. 18 Xizang Zhong Road, Huangpu District, Shanghai, China.	The land use term of the property is 50 years from 1 August 1993 to 31 July 2043	Commercial	26,378 (exclude car park)	88%
3. Level 29 in Harbour Ring Plaza, No. 18 Xizang Zhong Road, Huangpu District, Shanghai, China.	The land use term of the property is 50 years from 1 August 1993 to 31 July 2043	Commercial	1,269	80%
4. Levels 31 and 32 in Harbour Ring Plaza, No. 18 Xizang Zhong Road, Huangpu District, Shanghai, China.	The land use term of the property is 50 years from 1 August 1993 to 31 July 2043	Commercial	1,629	100%

## PARTICULARS OF MAJOR PROPERTIES

### B. OTHER PROPERTIES

Name/Location	Lease expiry	Type	Gross floor area (sq.m)	Attributable interest
Unit 1007 on level 10 in Harbour Ring Plaza, No. 18 Xizang Zhong Road, Huangpu District, Shanghai, China.	The land use term of the property is 50 years from 1 August 1993 to 31 July 2043	Commercial	229	88%

## INFORMATION FOR SHAREHOLDERS

<b>LISTING</b>	The ordinary shares of the Company are listed on The Stock Exchange of Hong Kong Limited
<b>STOCK CODE</b>	715
<b>PUBLIC FLOAT CAPITALISATION</b>	As at 31 December 2012: approximately HK\$1,717 million, representing 28.58% of the issued share capital of the Company
<b>FINANCIAL CALENDAR</b>	2012 Final Results Announcement 19 March 2013 Closure of Registers of Members 9 May 2013 – 14 May 2013 Annual General Meeting 14 May 2013 Record Date for 2012 Final Dividend 21 May 2013 Payment of 2012 Final Dividend 30 May 2013 2013 Interim Results Announcement July 2013
<b>REGISTERED OFFICE</b>	Clarendon House, 2 Church Street, Hamilton HM11, Bermuda Telephone : +441 295 1422 Facsimile : +441 292 4720
<b>HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS</b>	22nd Floor, Hutchison House, 10 Harcourt Road, Hong Kong Telephone : +852 2128 1188 Facsimile : +852 2128 1778
<b>PRINCIPAL EXECUTIVE OFFICE</b>	Unit 507A, 5/F, Two Harbourfront, 22 Tak Fung Street Hung Hom, Kowloon, Hong Kong Telephone : +852 2861 1638 Facsimile : +852 2422 1639
<b>BERMUDA PRINCIPAL SHARE REGISTRAR</b>	Butterfield Fulcrum Group (Bermuda) Limited 26 Burnaby Street, Hamilton HM11, Bermuda Telephone : +441 299 3882 Facsimile : +441 295 6759
<b>HONG KONG BRANCH SHARE REGISTRAR</b>	Computershare Hong Kong Investor Services Limited Rooms 1712-1716, 17th Floor Hopewell Centre, 183 Queen's Road East Wan Chai, Hong Kong Telephone : +852 2862 8555 Facsimile : +852 2865 0990
<b>INVESTOR INFORMATION</b>	Corporate press releases, financial reports and other investor information of the Group are available online at the website of the Company
<b>INVESTOR RELATIONS CONTACT</b>	Please direct enquiries to: Deputy Chairman Unit 507A, 5/F, Two Harbourfront, 22 Tak Fung Street Hung Hom, Kowloon, Hong Kong Telephone : +852 2861 1638 Facsimile : +852 2422 1639
<b>WEBSITE ADDRESS</b>	<a href="http://www.hutchisonharbourring.com">www.hutchisonharbourring.com</a>