HONG KONG FERRY (HOLDINGS) COMPANY LIMITED
香港小輪(集團)有限公司

(Stock Code 股份代號: 50)

Annual Report 年報
2012

5 years+

caringcompany


2011/12 恒生HANG SENG 珠三角環保大獎 Pearl River Delta Environmental Awards

香港工業總會「一廠一年一環保項目」計劃 FHKI One Factory-One Year-One Environmental Project Programme

This certificate is presented to

The Hong Kong Shipyard Ltd.

香港船廠有限公司

green medal 綠色獎章公司

4 February 2013


2011/12 恒生HANG SENG 珠三角環保大獎 Pearl River Delta Environmental Awards

香港工業總會「一廠一年一環保項目」計劃 FHKI One Factory-One Year-One Environmental Project Programme

This certificate is presented to

The Hongkong & Yaumati Ferry Co. Ltd.

香港油蔴地小輪船有限公司

3 yrs+ entrant 3年+參與公司 green participant 綠色參與公司

4 February 2013


Hong Kong Ferry (Holdings) Co. Ltd.

香港小輪(集團)有限公司

5 years+ 商界展關懷 caring company

Mission

To build a cohesive society by promoting strategic partnerships among businesses and social service partners and inspiring corporate social responsibility through caring for the community, employees and the environment.

宗旨

Caring for the Community 關懷社區

Caring for the Employees 關懷員工

Caring for the Environment 關懷環境

Valid from 1 March 2012 to 30 April 2013


In Appreciation of

茲感謝

The Hong Kong Shipyard Ltd.

香港船廠有限公司

for its Continued Pursuit of Environmental Initiatives and Participation in the Sectoral Awards of the 2011 Hong Kong Awards for Environmental Excellence

為推動環保不斷作出努力及參與2011香港環保卓越計劃界別卓越獎

Mr. Ma Ching-hang, Patrick, BBS, JP

Chairman, Awards Committee on the Hong Kong Awards for Environmental Excellence

Environmental Campaign Committee

環境保護運動委員會

香港環保卓越計劃委員會主席

馬清鏗 BBS, JP

Date: 4th May 2012

ENVIRONMENTAL CAMPAIGN COMMITTEE 環境保護運動委員會


HONG KONG Q-MARK SERVICE SCHEME

CERTIFICATE

This is to certify that

HYFCO Travel Agency Limited

of 98 Tam Kon Shan Road, Ngau Kok Wan, North Tsing Yi, New Territories.

has been approved by

The Hong Kong Q-Mark Council, Federation of Hong Kong Industries as meeting the prescribed Hong Kong Q-Mark Service Standard

The scope of certification is applicable to

Provision of inbound and outbound tours, local tours, visa applications, worldwide air tickets and hotel reservations; ticketing agent of Macau and Shekou ferries

Certificate No. S1017

Original Approval : 1 April 2004

Current Certificate : 1 April 2010

Certificate Expiry : 31 March 2013

Signed for and on behalf of The Hong Kong Q-Mark Council, Federation of Hong Kong Industries

Dr. Roy Chung

Chairman


HONG KONG Q-MARK SERVICE SCHEME

CERTIFICATE

This is to certify that

Harbour Cruise - Bauhinia

of North Point East Ferry Pier, North Point, Hong Kong.

has been approved by

The Hong Kong Q-Mark Council, Federation of Hong Kong Industries as meeting the prescribed Hong Kong Q-Mark Service Standard

The scope of certification is applicable to

Entertainment and Sumptuous Onboard Dinning

Certificate No. S1018

Original Approval : 1 April 2004

Current Certificate : 1 April 2010

Certificate Expiry : 31 March 2013

Signed for and on behalf of The Hong Kong Q-Mark Council, Federation of Hong Kong Industries

Dr. Roy Chung

Chairman


CERTIFICATE OF APPROVAL

This is to certify that the Quality Management System of:

The Hong Kong Shipyard Limited

North Tsing Yi,

Hong Kong

has been approved by Lloyd's Register Quality Assurance to the following Quality Management System Standards:

ISO 9001:2008

The Quality Management System is applicable to:

Ship repairing, fabrication of steelworks, and management of interior renovation.

Approval Certificate No: HKG0061013

Original Approval: 8th March 2007

Current Certificate: 8th March 2010

Certificate Expiry: 7th March 2013

Issued by: Lloyd's Register Quality Assurance Limited


CERTIFICATE OF APPROVAL

This is to certify that the Quality Management System of:

The Hong Kong Shipyard Limited

North Tsing Yi,

Hong Kong

has been approved by Lloyd's Register Quality Assurance to the following Quality Management System Standards:

ISO 9001:2008

The Quality Management System is applicable to:

Ship repairing, fabrication of steelworks, and management of interior renovation.

Approval Certificate No: HKG0061013A

Original Approval: 8th March 2007

Current Certificate: 8th March 2010

Certificate Expiry: 7th March 2013

Issued by: Lloyd's Register Quality Assurance, Inc.

5 years+ 商界展關懷 caring company

Awarded by The Hong Kong Council of Social Service

香港社會服務聯會頒發

Contents 目錄

Corporate Information

BOARD OF DIRECTORS

Executive Directors:

Mr. Lam Ko Yin, Colin *(Chairman)*
Mr. Li Ning

Non-executive Directors:

Mr. Au Siu Kee, Alexander
Mr. Lau Yum Chuen, Eddie
Dr. the Hon. Lee Shau Kee
Mr. Wong Man Kong, Peter

Independent Non-executive Directors:

Mr. Ho Hau Chong, Norman
Mr. Leung Hay Man
Ms. Wong Yu Pok, Marina
Mr. Wu King Cheong

AUDIT COMMITTEE

Mr. Ho Hau Chong, Norman *(Chairman)*
Mr. Leung Hay Man
Ms. Wong Yu Pok, Marina
Mr. Wu King Cheong

REMUNERATION COMMITTEE

Mr. Wu King Cheong *(Chairman)*
Mr. Lam Ko Yin, Colin
Mr. Li Ning
Mr. Ho Hau Chong, Norman
Mr. Leung Hay Man
Ms. Wong Yu Pok, Marina

NOMINATION COMMITTEE

Mr. Lam Ko Yin, Colin *(Chairman)*
Mr. Li Ning
Mr. Ho Hau Chong, Norman
Ms. Wong Yu Pok, Marina
Mr. Wu King Cheong

GROUP GENERAL MANAGER

Ir. Dr. Ho Chi Shing, David

COMPANY SECRETARY

Mr. Yuen Wai Kuen, Peter

AUDITOR

KPMG

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Bank of Communications Co., Ltd. Hong Kong Branch
DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Wing Hang Bank, Limited

REGISTERED OFFICE

98 Tam Kon Shan Road
Ngau Kok Wan
North Tsing Yi
New Territories
Hong Kong

Telephone : (852) 2394 4294
Facsimile : (852) 2786 9001
Website : www.hkf.com
E-Mail : hkferry@hkf.com

SHARE LISTING

The Stock Exchange of Hong Kong Limited
Stock Code: 50

SHARE REGISTRAR

Tricor Standard Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Directors' and Senior Management's Profile

DIRECTORS' PROFILE

Mr. Lam Ko Yin, Colin, *FCILT, FHKIoD*, aged 61, was appointed on 1 July 1986, is the Chairman of the Company. Mr. Lam has over 39 years' experience in banking and property development. He is also a Vice-Chairman of Henderson Land Development Company Limited ("Henderson Land") and Henderson Investment Limited, a non-executive director of The Hong Kong and China Gas Company Limited and an executive director of Miramar Hotel and Investment Company, Limited, all of which are listed public companies. He is also a director of Wiselin Investment Limited ("Wiselin"), Henderson Development Limited ("Henderson Development"), Graf Investment Limited ("Graf"), Mount Sherpa Limited ("Mount"), Paillard Investment Limited ("Paillard"), Hopkins (Cayman) Limited ("Hopkins"), Rimmer (Cayman) Limited ("Rimmer") and Riddick (Cayman) Limited ("Riddick"). Henderson Land, Wiselin, Henderson Development, Graf, Mount, Paillard, Hopkins, Rimmer and Riddick have discloseable interests in the Company under the provisions of Part XV of the Securities and Futures Ordinance. Mr. Lam is a Director of The University of Hong Kong Foundation for Educational Development and Research Limited and a Director of Fudan University Education Development Foundation. Mr. Lam was awarded an Honorary University Fellowship by The University of Hong Kong in 2008 and was a member of the Court of The University of Hong Kong until 12 December 2012. Mr. Lam is a Fellow of The Chartered Institute of Logistics and Transport in Hong Kong and a Fellow of The Hong Kong Institute of Directors.

Mr. Lam Ko Yin, Colin
Chairman

Mr. Li Ning, *BSc, MBA*, aged 56, was appointed on 20 October 1989, is an Executive Director of the Company. Mr. Li is also an Executive Director of Henderson Land Development Company Limited ("Henderson Land") and an Independent Non-executive Director of Glencore International plc, both of which are listed public companies. He previously served as an Executive Director of Henderson Investment Limited, a listed public company, until his retirement on 1 June 2010. Henderson Land has discloseable interests in the Company under the provisions of Part XV of the Securities and Futures Ordinance. Mr. Li is the son-in-law of Dr. Lee Shau Kee, a Non-executive Director of the Company.

Mr. Li Ning

Directors' and Senior Management's Profile (Continued)

Mr. Au Siu Kee, Alexander

Mr. Au Siu Kee, Alexander, *OBE, ACA, FCCA, FCPA, AAIA, FCIB, FHKIB*, aged 66, was appointed as an Independent Non-executive Director on 17 January 2005 and re-designated as a Non-executive Director of the Company on 7 November 2005. Mr. Au is a well-known banker in Hong Kong and has more than 32 years' experience in local and international banking business, having been the Chief Executive Officer of Hang Seng Bank Limited (from October 1993 to March 1998) and of Oversea-Chinese Banking Corporation Limited in Singapore (from September 1998 to April 2002). He is currently an independent non-executive director of Henderson Land Development Company Limited ("Henderson Land") and The Wharf (Holdings) Limited and a non-executive director of Miramar Hotel and Investment Company, Limited, all of which are listed public companies. He is the chairman and a non-executive director of Henderson Sunlight Asset Management Limited, the manager of the publicly-listed Sunlight Real Estate Investment Trust. He is also a member of the Court of the Hong Kong University of Science and Technology. Mr. Au was previously an independent non-executive director of Wheelock and Company Limited, a listed public company. An accountant by training, he is a Chartered Accountant as well as a Fellow of The Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. As at 31 December 2012, Henderson Land has discloseable interests in the share capital of the Company under the provisions of Part XV of the Securities and Futures Ordinance.

Mr. Lau Yum Chuen, Eddie

Mr. Lau Yum Chuen, Eddie, aged 66, was appointed on 5 May 1988, is a Non-executive Director of the Company. He has over 40 years of experience in banking, finance and investment. Mr. Lau is also an Executive Director of Henderson Land Development Company Limited ("Henderson Land") and Miramar Hotel and Investment Company, Limited, both of which are listed public companies. He previously served as an Executive Director of Henderson Investment Limited, a listed public company, until his retirement on 9 June 2011. Henderson Land has discloseable interests in the Company under the provisions of Part XV of the Securities and Futures Ordinance.

Dr. the Hon. Lee Shau Kee, *GBM, DBA (Hon), DSSc (Hon), LLD (Hon)*, aged 84, was appointed on 15 December 1981, is a Non-executive Director of the Company. He has been engaged in property development in Hong Kong for more than 55 years. He is the founder and the Chairman and Managing Director of Henderson Land Development Company Limited ("Henderson Land") and Henderson Investment Limited, the Chairman of The Hong Kong and China Gas Company Limited and Miramar Hotel and Investment Company, Limited and the Vice-Chairman of Sun Hung Kai Properties Limited. He is also an independent non-executive director of The Bank of East Asia, Limited, but will retire from such directorship on 24 April 2013. All the above companies are listed public companies. Dr. Lee was awarded Grand Bauhinia Medal by the Government of the Hong Kong Special Administrative Region in 2007. He is a director of Pataca Enterprises Limited ("Pataca"), Wiselin Investment Limited ("Wiselin"), Henderson Development Limited ("Henderson Development"), Graf Investment Limited ("Graf"), Mount Sherpa Limited ("Mount"), Paillard Investment Limited ("Paillard"), Hopkins (Cayman) Limited ("Hopkins"), Rimmer (Cayman) Limited ("Rimmer") and Riddick (Cayman) Limited ("Riddick"). Henderson Land, Pataca, Wiselin, Henderson Development, Graf, Mount, Paillard, Hopkins, Rimmer and Riddick have discloseable interests in the Company under the provisions of Part XV of the Securities and Futures Ordinance. Dr. Lee is the father-in-law of Mr. Li Ning, an Executive Director of the Company.

Dr. the Hon. Lee Shau Kee

Mr. Wong Man Kong, Peter, *BBS, JP, BSc, FCILT, MRINA*, aged 64, was appointed on 9 March 1992, is a Non-executive Director of the Company. Mr. Wong was the President and Chief Executive Officer of the Company from 1992 to 1995. Mr. Wong has over 40 years of industrial, commercial and public service experience, having served as Director of Kowloon-Canton Railway Corporation and a member in Hong Kong Government's Transport Advisory Board, Industry Development Board and Trade Advisory Board. He was also a member of the Hong Kong Special Administrative Region Preparatory Committee in 1996/1997 and a member of the Election Committee of the Second Chief Executive of the Hong Kong Special Administrative Region in 2002. He is serving as a deputy to the 12th National People's Congress of the People's Republic of China. Mr. Wong is the Chairman of M.K. Corporation Limited and North West Development Limited. Currently he holds directorship of Glorious Sun Enterprises Limited, China Travel International Investment Hong Kong Limited, Chinney Investments Limited, Sun Hung Kai & Company Limited, Sino Hotels (Holdings) Limited, Far East Consortium International Limited, New Times Energy Corporation Limited (formerly known as New Times Group Holdings Limited) and MGM China Holdings Limited, all of which are listed public companies.

Mr. Wong Man Kong, Peter

Directors' and Senior Management's Profile (Continued)

Mr. Ho Hau Chong, Norman

Mr. Ho Hau Chong, Norman, *BA, ACA, FCPA*, aged 57, was appointed on 28 March 1995, is an Independent Non-executive Director of the Company. Mr. Ho is a member of the Institute of Chartered Accountants in England and Wales and a Fellow of the Hong Kong Institute of Certified Public Accountants. Mr. Ho is an Executive Director of Honorway Investments Limited and Tak Hung (Holding) Company Limited and has over 21 years of experience in management and property development. He is also a Director of Lee Hing Development Limited, Miramar Hotel and Investment Company, Limited, Starlight International Holdings Limited, Vision Values Holdings Limited and Shun Tak Holdings Limited, all of which are listed public companies. He was previously a director of Taifook Securities Group Limited. Mr. Ho previously served as a director of CITIC Pacific Limited, a listed public company until 12 May 2011.

Mr. Leung Hay Man

Mr. Leung Hay Man, *FRICS, FCIArb, FHKIS*, aged 78, was appointed on 15 December 1981, and was re-designated as an Independent Non-executive Director of the Company on 15 October 2012. He is a Chartered Surveyor. Mr. Leung was also re-designated as an Independent Non-executive Director of Henderson Land Development Company Limited ("Henderson Land") and Henderson Investment Limited on 22 August 2012 and is an Independent Non-executive Director of The Hong Kong and China Gas Company Limited, all of which are listed public companies. Henderson Land has discloseable interests in the Company under the provisions of Part XV of the Securities and Futures Ordinance.

Ms. Wong Yu Pok, Marina, *JP*, aged 64, was appointed on 8 May 2008, is an Independent Non-executive Director of the Company. Ms. Wong joined PricewaterhouseCoopers in 1968 and was responsible for the development of the firm's business in Mainland China since 1980. After her retirement as a partner from PricewaterhouseCoopers in July 2004, she joined Tricor Services Limited as a director from September 2004 to February 2006. Ms. Wong is a member of a number of Government advisory and other bodies in Hong Kong, including the Advisory Committee on Social Work Training and Manpower Planning, the Advisory Committee on Post-service Employment of Civil Servants, the Review Panel of the Pilot Project on Child Fatality Review of the Social Welfare Department and is the Chairman of The Applied Research Council. Ms. Wong is the Vice-Chairman of the Hong Kong Federation of Women, a director of China Tibetan Children Health & Education Fund and a director of The Child Development Centre at Matilda. An accountant by training, Ms. Wong is a Fellow of the Hong Kong Institute of Certified Public Accountants and a Fellow of the Association of Chartered Certified Accountants. She is also an Independent Non-Executive Director of Kerry Properties Limited, a listed public company in Hong Kong and an independent director of China World Trade Center Co. Ltd which is listed on the Shanghai Stock Exchange.

Ms. Wong Yu Pok, Marina

Mr. Wu King Cheong, *BBS, JP*, aged 62, was appointed as an Independent Non-executive Director of the Company on 17 January 2005. He is a Life Honorary Chairman of the Chinese General Chamber of Commerce, the Honorary Permanent President of the Chinese Gold & Silver Exchange Society and the Permanent Honorary President of the Hong Kong Securities Association Ltd. He is an executive director of Lee Cheong Gold Dealers Ltd. Mr. Wu is currently an independent non-executive director of Yau Lee Holdings Limited, Henderson Land Development Company Limited ("Henderson Land"), Henderson Investment Limited and Miramar Hotel and Investment Company, Limited, all of which are listed public companies. Mr. Wu previously served as an independent non-executive director of Chevalier Pacific Holdings Limited, a listed public company, until 27 October 2011. Henderson Land has discloseable interests in the Company under the provisions of Part XV of the Securities and Futures Ordinance. Mr. Wu was awarded an Honorary Fellowship by Lingnan University in 2009.

Mr. Wu King Cheong

SENIOR MANAGEMENT'S PROFILE

The Senior Management of the Company is as follows:

Ir. Dr. Ho Chi Shing, David	Group General Manager and General Manager – Ferry and Property Operations
Mr. Fan Chi Ming, Paul	General Manager – Travel & Cruise Operations
Mr. Leung Shu Keung, Brian	Internal Audit Manager
Mr. Tse Chuen Chi, Pollux	Chief Financial Officer
Mr. Yuen Wai Kuen, Peter	Company Secretary

Ir. Dr. Ho Chi Shing, David, *DBA, FCILT, FCIM, FHKIoD, MHKIE, MPIA, MCIArb*, aged 56, joined the Company in 1981 and has been the Group General Manager since 1996. He has over 31 years of experience in ferry operations. Dr. Ho is currently the Chairman of the Logistics Industry Training Advisory Committee, a Director of The Shipowners' Mutual Protection & Indemnity Association (Luxembourg), a Council Member of the Chartered Institute of Logistics and Transport in Hong Kong, the Chairman of Adventure-Ship, a member of the Hong Kong Council for Accreditation of Academic and Vocational Qualifications, a member of the Standing Committee on Language Education and Research, and a member of the Safety Committee of Outward Bound® Hong Kong. Dr. Ho has been extensively involved in works of the Vocational Training Council and was awarded VTC Honorary Fellow Award in 2007. He was the Chairman of the Transport Logistics Training Board until 31 March 2012 and serves as the Chairman of the Discipline Advisory Board (Business Administration). Dr. Ho is also a General Committee Member and the Chairman of the Transport and Logistics Services Council of the Federation of Hong Kong Industries. He has been appointed as adjunct professor at the College of Business of City University of Hong Kong.

Mr. Fan Chi Ming, Paul, *BCS, DMS, MBA*, aged 64, joined the Company as Head of Group Business Development in 2010. He has been the General Manager of the travel and cruise operations since 2011. He has previously worked in Hong Kong Trade Development Council and has over 22 years of extensive experience in China trade and business promotion.

Mr. Leung Shu Keung, Brian, *BA, CIA, CRMA, CFE, CBM, PgD*, aged 51, is the Internal Audit Manager of the Company. He joined the Company in 1992 and has over 23 years of experience in accounting, auditing and management assurance.

Mr. Tse Chuen Chi, Pollux, *MBA, CPA, FAIA, MHKSI*, aged 59, has been the Chief Financial Officer of the Company since 1992. Mr. Tse has over 31 years of experience in accounting, corporate finance and corporate development in Hong Kong and overseas.

Mr. Yuen Wai Kuen, Peter, *BA, MBA, ACIS, ACS, FFA*, aged 54, has joined the Company in January 2005 and been appointed Secretary of the Company on 1 April 2005. Mr. Yuen has over 20 years of experience in company secretarial, corporate advisory and general management.

Changes in Information of Directors

Pursuant to Rule 13.51B(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the changes in information of Directors of the Company are required to be disclosed shown as follows:

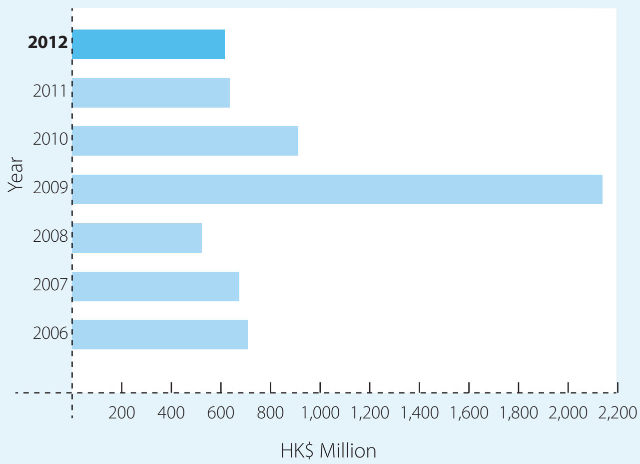
Name of Director	Details of Changes
Mr. Lam Ko Yin, Colin	Ceased to be a member of the Court of The University of Hong Kong on 12 December 2012.
Mr. Au Siu Kee, Alexander	Resigned as independent non-executive director and also ceased to be the chairman and a member of the audit committee of Wheelock and Company Limited* on 22 October 2012.
	Appointed as independent non-executive director and a member of the audit committee of The Wharf (Holdings) Limited* on 22 October 2012.
	Re-designated from non-executive director to independent non-executive director of Henderson Land Development Company Limited* on 18 December 2012.
Mr. Wong Man Kong, Peter	Appointed as independent non-executive director, a member of the audit committee, remuneration committee and nomination and corporate governance committee of MGM China Holdings Limited* on 1 December 2012.
Mr. Leung Hay Man	Re-designated from non-executive director to independent non-executive director of Henderson Land Development Company Limited* on 22 August 2012.
	Re-designated from non-executive director to independent non-executive director of Henderson Investment Limited* on 22 August 2012.
	Re-designated from non-executive director to independent non-executive director and also appointed as a member of the audit committee and remuneration committee of the Company on 15 October 2012.
Ms. Wong Yu Pok, Marina	Ceased to be a member of the Broadcasting Authority from 31 March 2012.
	Ceased to be an Executive Committee Member of the All China Federation of Industries and Commerce from 6 December 2012.
	Appointed as the chairman of the Applied Research Council on 1 January 2013.
	Re-appointed as a member of the Advisory Committee on Social Work Training and Manpower Planning for a term of two years with effect from 9 January 2013.

* A company whose shares are listed on the Main Board of the Stock Exchange.

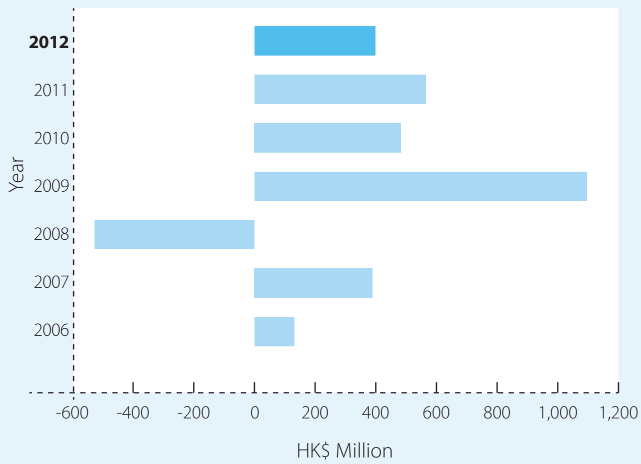
Financial Highlights

		2012	2011	Variance
Turnover	HK$M	**616**	635	-3.0%
Profit attributable to shareholders	HK$M	**398**	565	-29.6%
Dividends	HK$M	**128**	128	–
Shareholders' funds	HK$M	**5,149**	4,729	8.9%
Basic earnings per share	HK$	**1.12**	1.59	-29.6%
Dividend per share	HK Cents	**36.0**	36.0	–
Dividend cover	Times	**3.1**	4.4	-29.5%
Return on equity	%	**7.7**	12.0	-35.8%
Net assets per share	HK$	**14.5**	13.3	9.0%

Group Turnover



Profit/(loss) attributable to shareholders



Chairman's Statement

I am pleased to present to the shareholders my report on the operations of the Group for the year ended 31 December 2012.

Green Code, No. 1 Ma Sik Road, Fanling, New Territories (Artist's impression)

BUSINESS RESULTS

The Group's consolidated profit after taxation for the year ended 31 December 2012 amounted to approximately HK$398 million, a decrease of 30% as compared with the profit after taxation of HK$565 million last year. However, if the gain from the disposal of Silvermine Beach Hotel in 2011 (amounting HK$245 million) is disregarded, the Group has achieved an increase of 24% in profit in 2012 as compared with that of 2011. The earnings per share this year were HK$1.12 compared with the earnings per share of HK$1.59 in the previous year.

DIVIDENDS

The Board of Directors recommends the payment of a final dividend for the year ended 31 December 2012 of HK26 cents per share. Subject to shareholders' approval at the Annual General Meeting to be held on Monday, 20 May 2013, the final dividend will be paid on or about Thursday, 6 June 2013 to shareholders whose names appear on the register of members of the Company on Wednesday, 29 May 2013. The final dividend, together with the interim dividend of HK10 cents per share already paid, will make a total distribution of HK36 cents for the full year.

Hong Kong Shipyard

Harbour Cruise – Bauhinia

BUSINESS REVIEW

During the year under review, profit for the Group was mainly derived from the sale of the residential units of Shining Heights, rental income and the surplus from the revaluation of investment properties.

Property Development and Investment Operations

The Group sold 14 flats in Shining Heights and 1 flat in The Spectacle which accounted for a total profit of approximately HK$162 million during the year. Rental and other income from the commercial arcades of the Group amounted to HK$54 million. The commercial arcades of Metro Harbour View and Shining Heights were fully let whereas the occupancy rate of the commercial portion of The Spectacle at year end was about 60%.

During the year, the superstructure works of the development project of the Group, Green Code at No. 1 Ma Sik Road, Fanling, New Territories (formerly known as Fanling Sheung Shui Town Lot No. 177) have been completed and the pre-sale of the property commenced in mid-March 2013. The response from the buyers was good. Up to yesterday, the accumulated number of residential flats sold amounted to 363, or approximately one half of the total units in the project. The sale proceeds amounted to approximately HK$1.607 billion. The occupation permit of the property is expected to be obtained at the end of 2013.

Construction works of the site at the junction of Gillies Avenue South and Bulkeley Street, Hung Hom Inland Lot No. 555, with a site area of approximately 6,300 sq. ft., is progressing well. Foundation works are expected to be completed in the second quarter of 2013. The residential-cum-commercial tower will provide a total gross floor area of approximately 56,000 sq. ft. and 95 residential units.

Foundation works of the property at 208 Tung Chau Street (formerly known as 204-214 Tung Chau Street) is in progress. It is expected that the aforesaid works would be completed by second quarter of 2013. The project will be re-developed into a residential-cum-commercial building with a total gross floor area of approximately 54,000 sq. ft.

Ferry, Shipyard and Related Operations

The Ferry, Shipyard and related operations achieved an increase in operating profit to HK$28.1 million. This sum represents a five-fold as compared with the profit of HK$5.5 million last year. The increase was mainly due to increased leasing of the Group's vehicular ferries as a result of more harbour works in Hong Kong. The turnover of the shipyard operations has also improved.

Travel Operation

With increasing competition during the year under review, the Travel Operation achieved a profit of HK$0.6 million, a decrease of 78% compared with that for last year.

Securities Investment

Although the Group recorded an impairment loss of HK$34.4 million due to market fluctuation on available-for-sale securities in the first half of 2012, the Group derived an appreciation of approximately HK$116 million in the portfolio following market recovery at the year end date, which had been credited into the Securities Revaluation Reserve.

PROSPECTS

In October 2012, the Hong Kong SAR Government announced an increase in the Special Stamp Duty and introduced a new Buyer's Stamp Duty of 15% on the sale price of the property. In February 2013, the Government further proposed that stamp duty payable be increased by generally doubling the rates across the board (with certain exemptions). The Government also announced re-adopting regular land auctions and abolished the land application system. On 13 March 2013, HSBC and Standard Chartered Bank announced an increase of 0.25% of mortgage lending rates for new flat buyers to offset the increase in the cost of capital funding. All these measures are expected to have a cooling effect on the overheated local property market and to reduce the interest of external property investors, and lead to a reduction in the transactions of properties. The overall effect is likely to be the suppression of the escalation of property prices in the medium to long term. In the short run, as the supply of new residential properties is still tight and there is solid demand for flats, the residential property price is expected to be steady with a slight bias towards softening in the near term.

The sale of flats in the Green Code, Fanling project is satisfactory. The Group will continue to sell the residential flats in different lots and strive to procure the occupation permit by the end of 2013. If the occupation permit can be obtained by the end of this year, the profits from the sale of the project will be booked in the Group's accounts for the year 2013.

The Chief Executive proposed in the 2013 Policy Address to increase land supply so as to provide a total of 128,700 flats in the next five years. The existing abundant cash reserves of the Group plus the substantial cash inflow from the sale of Green Code will be of advantage to the Group in the opportunity to acquire quality land at Government public auction or tender in future.

ACKNOWLEDGEMENT

On behalf of the shareholders and the Board, I would like to take this opportunity to express appreciation to all our staff for their dedication and hard work during the year.

Lam Ko Yin, Colin
Chairman

Hong Kong, 22 March 2013

Management Discussion and Analysis

The following comments should be read in conjunction with the Audited Consolidated Accounts of the Company and the related notes to the accounts.

REVIEW OF RESULTS

The Group's turnover for the year amounted to approximately HK$616 million, representing a slight decrease of 3% when compared to the previous year. This was mainly attributed to the decrease in the sales of The Spectacle.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As of 31 December 2012, shareholders' fund of the Group showed an increase of 9% as compared to the previous year and amounted to approximately HK$5,149 million. The increase was mainly due to net effect of the profit realised from the sale of residential units of Shining Heights, the gains on revaluation of the Group's investment properties and the payment of dividends.

There was no change as to the capital structure of the Group during the year. Funding for the Group's activities during the year under review was mainly generated from the sale of residential units of Shining Heights.

During the year, there was no material acquisition and disposal of subsidiary and associate. A net repayment of approximately HK$4.1 million was received from an associate who provided mortgage loans to buyers of residential units of Metro Harbour View.

Current assets of the Group were recorded at approximately HK$3,514 million as compared to the current liabilities of approximately HK$400 million as of 31 December 2012. Current ratio of the Group had been decreased to 8.8, mainly attributed to the increase in trade and other payables.

GEARING RATIO AND FINANCIAL MANAGEMENT

As there was no borrowing as at 31 December 2012, no gearing ratio, which is calculated on the basis of bank borrowing as a ratio of the Group's shareholders' fund, was shown. Assets of the Group had not been charged to any third parties in the year under review.

The Group's financing and treasury activities were managed centrally at the corporate level. Financing facilities extended to the Group were denominated in Hong Kong dollar. Certain deposits are denominated in Australian dollar and Renminbi, and the incidental foreign exchange exposures are kept under periodic review. The management will consider appropriate hedging measures, if necessary.

EMPLOYEES

As at 31 December 2012, the number of employees of the Group stood at about 310 (2011: 310). The remuneration packages to employees were commensurable to the market trend and levels of pay in similar industries. A discretionary year-end bonus was paid to employees based on individual performance. Other benefits to employees included medical insurance, retirement scheme, training programmes and educational subsidies. Total employees' costs for the year amounted to approximately HK$82.5 million, which was commensurate with that recorded in the previous year.

The directors have pleasure in submitting their annual report together with the audited accounts for the year ended 31 December 2012.

PRINCIPAL PLACE OF BUSINESS

Hong Kong Ferry (Holdings) Company Limited (the "Company") is a company incorporated and domiciled in Hong Kong and has its registered office and principal place of business at 98 Tam Kon Shan Road, Ngau Kok Wan, North Tsing Yi, New Territories, Hong Kong.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the principal activities of its subsidiaries are property development and investment, ferry, shipyard and related businesses, travel operation and securities investment.

The analysis of the principal activities of the Company and its subsidiaries (the "Group") during the financial year are set out in note 3 to the accounts.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's purchases attributable to the major suppliers during the financial year is as follows:

	Percentage of the Group's total purchases
The largest supplier	50.3%
Five largest suppliers in aggregate	60.8%

Henderson Land Development Company Limited ("HLD"), through its subsidiaries, was one of the Group's five largest suppliers during the financial year. As at 31 December 2012, HLD, a substantial shareholder (as defined in the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange")) of the Company, which indirectly holds approximately 31.36% of the entire issued share capital of the Company.

No analysis in respect of the Group's major customers is shown as the percentage of turnover attributable to the Group's five largest customers is less than 30%.

Apart from the foregoing, at no time during the year have the directors, their associates or any shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

SUBSIDIARIES

Details of the principal subsidiaries of the Company at 31 December 2012 are set out in note 15 to the accounts.

ACCOUNTS AND DIVIDENDS

The profit of the Group for the year ended 31 December 2012 and the state of affairs of the Company and the Group at that date are set out in the accounts on pages 42 to 116.

An interim dividend of HK10 cents (2011: HK10 cents) per share was paid on 27 September 2012. The directors now recommend the payment of a final dividend of HK26 cents (2011: HK26 cents) per share in respect of the year ended 31 December 2012. Subject to the shareholders' approval at the Annual General Meeting ("AGM") to be held on Monday, 20 May 2013, the final dividend will be paid on or about Thursday, 6 June 2013 to shareholders whose names appear on the register of members of the Company on Wednesday, 29 May 2013.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to HK$12,422 (2011: HK$7,439).

FIXED ASSETS

Movements in fixed assets during the year are set out in note 14 to the accounts.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 24 to the accounts.

DIRECTORS

The directors of the Company during the year ended 31 December 2012 and up to the date of this report were:

Executive Directors

Mr. Lam Ko Yin, Colin *(Chairman)*
Mr. Li Ning

Non-executive Directors

Mr. Au Siu Kee, Alexander
Mr. Lau Yum Chuen, Eddie
Dr. the Hon. Lee Shau Kee
Mr. Wong Man Kong, Peter

Independent Non-executive Directors

Mr. Ho Hau Chong, Norman
Mr. Leung Hay Man *(re-designated from Non-executive Director to Independent Non-executive Director with effect from 15 October 2012)*
Ms. Wong Yu Pok, Marina
Mr. Wu King Cheong

In accordance with Article 103(A) of the Company's Articles of Association, Mr. Li Ning, Mr. Lau Yum Chuen, Eddie, Mr. Wong Man Kong, Peter and Mr. Ho Hau Chong, Norman shall retire at the forthcoming AGM, and, being eligible, offer themselves for re-election as directors.

The Company has received from each Independent Non-executive Director an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and the Company considered all of them to be independent.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of Directors and Senior Management are set out on pages 3 to 8 of the Annual Report.

DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Details of Directors' and Chief Executive's remuneration are set out in note 8 to the accounts.

DIRECTORS' INTEREST IN CONTRACTS

Except for the "Connected Transactions" as disclosed in this report, no other contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

DIRECTORS' SERVICE CONTRACTS

None of the directors proposed for re-election at the forthcoming AGM has a service contract with the Company which is not determinable by the Company or any of its subsidiaries within one year without payment other than statutory compensation.

DISCLOSURE OF INTERESTS

Directors' Interests in Securities

As at 31 December 2012, the interests of the directors in securities of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register of directors' and chief executives' interests and short positions maintained under Section 352 of the SFO were as follows:

DISCLOSURE OF INTERESTS (Continued)

Directors' Interests in Securities (Continued)

Interests

	THE COMPANY				
	Personal Interests *Number of Shares*	**Corporate Interests** *Number of Shares*	**Family Interests** *Number of Shares*	**Total Interests** *Number of Shares*	**Approximate percentage of total issued shares**
Mr. Lam Ko Yin, Colin	150,000	–	–	150,000	0.04%
Mr. Au Siu Kee, Alexander	–	–	–	–	0.00%
Mr. Ho Hau Chong, Norman	3,313,950	–	–	3,313,950	0.93%
Mr. Lau Yum Chuen, Eddie	–	–	–	–	0.00%
Dr. Lee Shau Kee	7,799,220	111,732,090 (Note 6 on page 20)	–	119,531,310	33.55%
Mr. Leung Hay Man*	2,250	–	–	2,250	0.00%
Mr. Li Ning	–	–	111,732,090 (Note 5 on page 19)	111,732,090	31.36%
Mr. Wong Man Kong, Peter	1,051,000	–	–	1,051,000	0.29%
Ms. Wong Yu Pok, Marina	–	–	–	–	0.00%
Mr. Wu King Cheong	–	–	–	–	0.00%

	2OK COMPANY LIMITED	
	Corporate Interests *Number of Shares*	**Family Interests** *Number of Shares*
Dr. Lee Shau Kee *(Note 1)*	5	–
Mr. Li Ning *(Note 2)*	–	5

	WINWIDE LIMITED	
	Corporate Interests *Number of Shares*	**Family Interests** *Number of Shares*
Dr. Lee Shau Kee *(Note 3)*	70	–
Mr. Li Ning *(Note 4)*	–	70

* Re-designated from Non-executive Director to Independent Non-executive Director of the Company with effect from 15 October 2012.

DISCLOSURE OF INTERESTS (Continued)

Directors' Interests in Securities (Continued)

Notes:

1. These 5 shares representing 50% equity interest in 2OK Company Limited (an associated company in which the Company through a subsidiary owned the remaining 50% interest) were beneficially owned by wholly-owned subsidiaries of Henderson Land Development Company Limited ("HLD"). Henderson Development Limited ("HD") beneficially owned more than one-third of the issued share capital in HLD. Rimmer (Cayman) Limited and Riddick (Cayman) Limited as trustees of respective discretionary trusts held units in a unit trust (the "Unit Trust"). Hopkins (Cayman) Limited as trustee of the Unit Trust owned all the issued ordinary shares which carried the voting rights in the share capital of HD. Dr. Lee Shau Kee beneficially owned all the issued share capital of Rimmer (Cayman) Limited, Riddick (Cayman) Limited and Hopkins (Cayman) Limited. By virtue of the SFO, Dr. Lee Shau Kee was taken to be interested in these 5 shares in 2OK Company Limited.

2. By virtue of the SFO, Mr. Li Ning was taken to be interested in these 5 shares in 2OK Company Limited as Mr. Li's spouse was one of the discretionary beneficiaries of the two discretionary trusts holding units in the Unit Trust.

3. These 70 shares representing 70% equity interest in Winwide Limited (an associated company in which the Company through a subsidiary owned the remaining 30% interest) were beneficially owned by a company in which HLD had a 40% interest. HD beneficially owned more than one-third of the issued share capital in HLD. Rimmer (Cayman) Limited and Riddick (Cayman) Limited as trustees of respective discretionary trusts held units in the Unit Trust. Hopkins (Cayman) Limited as trustee of the Unit Trust owned all the issued ordinary shares which carried the voting rights in the share capital of HD. Dr. Lee Shau Kee beneficially owned all the issued share capital of Rimmer (Cayman) Limited, Riddick (Cayman) Limited and Hopkins (Cayman) Limited. By virtue of the SFO, Dr. Lee Shau Kee was taken to be interested in these 70 shares in Winwide Limited.

4. By virtue of the SFO, Mr. Li Ning was taken to be interested in these 70 shares in Winwide Limited as Mr. Li's spouse was one of the discretionary beneficiaries of the two discretionary trusts holding units in the Unit Trust.

Other than as stated above, no directors or chief executives of the Company had any interest or short position, whether beneficial or non-beneficial, in the shares (in respect of positions held pursuant to equity derivatives), underlying shares and debentures of the Company or any of its associated corporations as at 31 December 2012.

SUBSTANTIAL SHAREHOLDERS AND OTHERS

As at 31 December 2012, the interests in ordinary shares of the Company of every person as recorded in the register required to be kept under Section 336 of the SFO were as follows:

	No. of shares in which interested	Approximate percentage of total issued shares
Substantial Shareholders		
Henderson Land Development Company Limited *(Note 1)*	111,732,090	31.36%
Pataca Enterprises Limited *(Note 1)*	70,200,000	19.70%
Wiselin Investment Limited *(Note 2)*	41,532,090	11.66%
Max-mercan Investment Limited *(Note 2)*	41,532,090	11.66%
Camay Investment Limited *(Note 2)*	41,532,090	11.66%
Henderson Development Limited *(Note 3)*	111,732,090	31.36%
Hopkins (Cayman) Limited *(Note 4)*	111,732,090	31.36%
Rimmer (Cayman) Limited *(Note 4)*	111,732,090	31.36%
Riddick (Cayman) Limited *(Note 4)*	111,732,090	31.36%
Mr. Li Ning *(Note 5)*	111,732,090	31.36%
Dr. Lee Shau Kee *(Note 6)*	119,531,310	33.55%
Persons other than Substantial Shareholders		
Graf Investment Limited *(Note 1)*	23,400,000	6.57%
Mount Sherpa Limited *(Note 1)*	23,400,000	6.57%
Paillard Investment Limited *(Note 1)*	23,400,000	6.57%

Notes:

All shares referred to below, unless otherwise stated, form part of the same parcel of 111,732,090 shares.

1. These 111,732,090 shares were beneficially owned by some of the subsidiaries of Henderson Land Development Company Limited ("HLD"). Of these 111,732,090 shares, 70,200,000 shares were owned by some of the subsidiaries (viz., Graf Investment Limited, Mount Sherpa Limited and Paillard Investment Limited, each of which owned 23,400,000 shares) of Pataca Enterprises Limited, which was itself a subsidiary of HLD.

2. These 41,532,090 shares, which constitute part of the said 111,732,090 shares, were beneficially owned by Wiselin Investment Limited which was a subsidiary of Max-mercan Investment Limited. Max-mercan Investment Limited was a subsidiary of Camay Investment Limited ("Camay") which in turn was a subsidiary of HLD.

3. These 111,732,090 shares are duplicated in the interests described in Notes 1 and 2. Henderson Development Limited ("HD") beneficially owned more than one-third of the issued share capital in HLD which was, in turn, the holding company of Camay.

4. These 111,732,090 shares are duplicated in the interests described in Notes 1, 2 and 3. Rimmer (Cayman) Limited and Riddick (Cayman) Limited as trustees of respective discretionary trusts held units in a unit trust (the "Unit Trust"). Hopkins (Cayman) Limited as trustee of the Unit Trust owned all the issued ordinary shares, which carry the voting rights in the share capital of HD.

5. By virtue of the SFO, Mr. Li Ning was taken to be interested in these 111,732,090 shares as Mr. Li's spouse was one of the discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust. These 111,732,090 shares are duplicated in the interests described in Notes 1, 2, 3 and 4.

SUBSTANTIAL SHAREHOLDERS AND OTHERS (Continued)

6. Dr. Lee Shau Kee beneficially owned all the issued share capital of Rimmer (Cayman) Limited, Riddick (Cayman) Limited and Hopkins (Cayman) Limited. By virtue of the SFO, Dr. Lee Shau Kee was taken to be interested in 111,732,090 shares which are duplicated in the interests described in Notes 1, 2, 3 and 4. Together with his personal shareholding of 7,799,220 shares, Dr. Lee Shau Kee was taken to be interested in 119,531,310 shares (approximately 33.55% of the total issued share capital of the Company) as at 31 December 2012.

Save as disclosed, as at 31 December 2012, the Company has not been notified of any other relevant interests or short positions in the shares or underlying shares of the Company.

RESERVES

Profits attributable to shareholders, before dividend, of HK$398,355,000 (2011: HK$565,125,000) have been transferred to reserves. Other movements in reserves during the year are set out in note 24 to the accounts.

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

During the year, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

ARRANGEMENT TO PURCHASE SHARES, WARRANTS, OPTIONS OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the directors or chief executive of the Company or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of shares, options, debentures or warrants of the Company or any other body corporate.

FINANCIAL SUMMARIES

The five years' summary of assets and liabilities and ten years' financial summary of the Group are set out on pages 117 to 119 of the accounts.

GROUP PROPERTIES

A summary of the Group's properties is set out on pages 120 and 121 of the accounts.

RETIREMENT PLANS

The Group's Hong Kong employees participate either in a defined benefit retirement scheme or a Mandatory Provident Fund scheme. Particulars of these retirement plans are set out in note 18 to the accounts.

CONNECTED TRANSACTIONS

Pursuant to the transactions and arrangements entered into by the Group with persons who are connected persons for the purposes of the Listing Rules, the Group recorded the transactions as described in note 29 to the accounts.

Continuing Connected Transactions

During the year ended 31 December 2012 and up to the date of this report, the Company and/or its subsidiaries had entered into certain continuing connected transactions, with details below, which were subject to the annual review and reporting requirements under Chapter 14A of the Listing Rules.

	Date	Connected Persons	Transactions
1.	15 March 2011	Henderson Real Estate Agency Limited ("HREAL"), a wholly-owned subsidiary of Henderson Land Development Company Limited ("HLD")	The Group entered into the Fanling Project Management Agreement with HREAL for appointing HREAL as the project manager of the development of No. 1 Ma Sik Road, Fanling, New Territories, Hong Kong (formerly known as Fanling Sheung Shui Inland Lot No. 177) (the "Fanling Property").
	11 January 2013	HREAL and Henderson Property Agency Limited ("HPAL"), a wholly-owned subsidiary of HREAL	The Group entered into the Supplemental Fanling Project Management Agreement with HREAL and HPAL to revise the maximum annual aggregate amounts of the Fanling Project Management Fee during the term of the Fanling Project Management Agreement and to transfer and novate the rights and obligations of HREAL regarding the project sales and marketing services to HPAL.
2.	15 March 2011	Heng Lai Construction Company Limited ("Heng Lai"), a wholly-owned subsidiary of HLD	The Group entered into the Fanling Prime Cost Contract with Heng Lai for appointing Heng Lai as the main contractor for the development of the Fanling Property.
3.	15 March 2011	HREAL	The Group entered into the TCS Project Management Agreement with HREAL for appointing HREAL as the project manager of the development of No. 208 Tung Chau Street (formerly known as No. 204-214 Tung Chau Street), Sham Shui Po, Kowloon, Hong Kong (the "TCS Property").
	11 January 2013	HREAL and HPAL	The Group entered into the Supplemental TCS Project Management Agreement with HREAL and HPAL to revise the maximum annual aggregate amounts of the TCS Project Management Fee during the term of the TCS Project Management Agreement and to transfer and novate the rights and obligations of HREAL regarding the project sales and marketing services to HPAL.

CONNECTED TRANSACTIONS (Continued)

Continuing Connected Transactions (Continued)

	Date	Connected Persons	Transactions
4.	15 March 2011	Heng Tat Construction Company Limited ("Heng Tat"), a wholly-owned subsidiary of HLD	The Group entered into the TCS Prime Cost Contract with Heng Tat for appointing Heng Tat as the main contractor for the development of the TCS Property.
	11 January 2013	Heng Tat	The Group entered into the Supplemental TCS Prime Cost Contract with Heng Tat to revise the maximum annual aggregate amounts of the TCS Prime Costs and Fees payable during the term of the TCS Prime Cost Contract.
5.	5 July 2011	Citistore (Hong Kong) Limited ("Citistore"), a wholly-owned subsidiary of HLD	The Group entered into the Tenancy Renewal Agreement with Citistore for renewing the tenancy of Shop Nos. G01, Portion of G31, G35-G50, Portion of G51, Portion of G52, G63-G74 and corridors and atrium on Ground Floor, and Shop Nos. 127-161 and corridors and toilets on Level 1, Metro Harbour Plaza ("MHP"), Tai Kok Tsui, Kowloon, Hong Kong. The Group also entered into the Wall Signage Licence Agreement and the Entrance Signage Licence Agreement with Citistore for licensing fourteen external wall signages and one signage at the entrance of MHP, respectively. The Tenancy Renewal Agreement, the Wall Signage Licence Agreement and the Entrance Signage Licence Agreement are for a term of three years commencing from 1 July 2011 and other terms as stated in the 2011 Annual Report.
6.	3 February 2012	Granbo Construction Company Limited ("Granbo"), a wholly-owned subsidiary of HLD	The Group entered into a binding letter of intent with Granbo for the appointment of Granbo as the contractor of the proposed development of the TCS Property and the Group revised the maximum annual aggregate amounts of substructure contract sums payable under the aforesaid letter on 11 January 2013.
7.	20 March 2012	HREAL and Miramar Hotel and Investment Company, Limited ("Miramar"), which HLD is a substantial shareholder	The Group entered into a letter agreement with Shahdan Limited, a wholly-owned subsidiary of Miramar, that HREAL acts as agent of the Group for the period from 20 March 2012 to the completion date (the earlier of 15 June 2013 and the date on which the last residential unit in the proposed development of the Fanling Property to be sold is sold) under the Miramar/HREAL Agreements, being (i) the Renewal Tenancy Agreement, (ii) the Renewal First Licence Agreement, and (iii) the Renewal Second Licence Agreement, all as disclosed in the announcement of Miramar dated 7 December 2010.

Details of the above continuing connected transactions are set out in note 29 to the accounts.

CONNECTED TRANSACTIONS (Continued)

Continuing Connected Transactions (Continued)

The Independent Non-executive Directors of the Company have reviewed and confirmed that the above continuing connected transactions entered during the year ended 31 December 2012 have been entered into (i) in the ordinary and usual course of the business of the Group; (ii) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditor of the Company have also confirmed to the Board in writing that the above continuing connected transactions entered during the year ended 31 December 2012 (i) have received the approval of the Board of Directors of the Company; (ii) have been entered into in accordance with the relevant agreements governing the transactions; and (iii) have not exceeded the cap disclosed in the previous announcements.

CORPORATE GOVERNANCE

During the year ended 31 December 2012, the Company has complied with all the Code Provisions of the Code on Corporate Governance Practices, which was revised and renamed as the Corporate Governance Code on 1 April 2012, contained in Appendix 14 to the Listing Rules on the Stock Exchange for the period from 1 January 2012 to 31 March 2012 and of the Corporate Governance Code for the period from 1 April 2012 to 31 December 2012, other than Code Provision A.6.7 of the Corporate Governance Code.

In respect of Code Provision A.6.7 of the Corporate Governance Code, all non-executive directors (including independent non-executive directors) attended the Annual General Meeting of the Company held on 18 May 2012 except two Non-executive Directors and one Independent Non-executive Director due to personal or business engagement.

Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report of the Annual Report on pages 24 to 37.

AUDIT COMMITTEE

The Audit Committee has reviewed the financial results of the Group for the year ended 31 December 2012 and discussed with internal audit department and independent external auditor in respect of matters on auditing, internal control and financial reports of the Group.

PUBLIC FLOAT

As at the date of this report, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the directors.

AUDITOR

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditor of the Company is to be proposed at the forthcoming AGM.

On behalf of the Board

Lam Ko Yin, Colin	**Li Ning**
Chairman	*Director*

Hong Kong, 22 March 2013

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance. The Board of Directors (the "Board") is devoted to the ongoing enhancement of the corporate governance practices of the Company as the Board believes that good corporate governance practices are fundamental to the effective operation of a company and enhancement of shareholders' value as a whole.

The Company has adopted the code provisions as set out in The Code on Corporate Governance Practices (the "CG Code") (effective until 31 March 2012) under Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Corporate Governance Code (the "Code") (effective from 1 April 2012) under Appendix 14 to the Listing Rules, except where otherwise stated. The Board shall review and update its corporate governance practices from time to time to ensure its continuous compliance with the Code.

The Company has complied with all code provisions of the CG Code during the period from 1 January 2012 to 31 March 2012 and the Code during the period from 1 April 2012 to 31 December 2012 as set out in Appendix 14 of the Listing Rules other than Code Provision A.6.7 of the Code.

Under Code Provision A.6.7 of the Code, Independent Non-executive Directors and other Non-executive Directors, as equal board members, should give the Board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and develop a balanced understanding of the views of shareholders.

In the opinion of the Board, all Non-executive Directors including all Independent Non-executive Directors of the Company had exercised their skills, expertise and have various backgrounds and qualifications through their regular attendance to the matters of the Board and attended the relevant meetings by active participation. Due to personal or business engagement, two Non-executive Directors and one Independent Non-executive Director of the Company were unable to attend the Annual General Meeting of the Company held on 18 May 2012.

BOARD OF DIRECTORS

Responsibility and delegation

The Board is responsible for considering and deciding on matters covering overall Group strategies, major acquisitions and disposals, annual budgets, annual and interim results, recommendations on Directors' appointments or re-appointments, approval of major capital transactions and other significant operational and financial matters.

The functions reserved to the Board are basically provided by the Articles of Association of the Company and the Board will from time to time delegate the functions to the management whenever required. The Board is primarily responsible for the strategic planning and policy formulation of the Company. Several material matters are reserved for the Board's considerations and/or decisions including, among other things, overall strategy of the Company; business plans; annual financial budgets; annual and interim results and reports; dividend policy and payments; investment plans; disposal proposals; appointment of directors; oversight of management and review of the effectiveness of the internal control system including the adequacy of resources, qualifications and experience of staff of the accounting and financial reporting function, and their respective training programmes and budget. The management of the Company is responsible for the day-to-day operations of the Company and implementation of strategies adopted by the Board.

The Board has established board committees with written terms of references to assist in the efficient implementation of its functions, namely the Audit Committee, the Remuneration Committee and the Nomination Committee. Specific responsibilities have been delegated to the above Board Committees.

The Board has delegated the day-to-day management of the Company's business to the senior management, and focuses its attention on matters affecting the Company's long term objectives and plans for achieving these objectives, the Group's overall business and commercial strategy as well as overall policies and guidelines.

BOARD OF DIRECTORS (Continued)

Responsibility and delegation (Continued)

Decisions relating to the aforesaid matters and any acquisitions or disposal of businesses, investments, or transactions or commitments of any kind where the actual or potential liability or value exceed the threshold for discloseable transactions for the Company (as defined in the Listing Rules from time to time) are reserved for the Board.

The Board meets from time to time according to the business requirement of the Company. During the year, five board meetings were held to review financial results and business development. In order to meet tight time constraints and make timely decision for the Company's policies and businesses, Board approvals have also been sought by circulation of resolutions in writing from time to time in accordance with the Articles of Association of the Company. Directors' attendance by electronic means including telephone conferencing is counted as attendance at a physical board meeting. The Company Secretary shall attend all regular board meetings to advise on statutory compliance and corporate governance, when necessary.

From April 2012 onwards, all Directors have been provided, on a monthly basis, with the Group's management information updates, giving a balanced and understandable assessment of the Group's performance, position, and budget, to keep them abreast of the Group's affairs and facilitate them to discharge their duties under the relevant requirements of the Listing Rules.

BOARD COMPOSITION

The Board comprises ten directors including two executive directors ("ED"), four non-executive directors ("NED") and four independent non-executive directors ("INED"). In compliance with the minimum number of INEDs required under Rules 3.10(1) and 3.10A of the Listing Rules, on 15 October 2012, Mr. Leung Hay Man was re-designated from NED to INED of the Company. The names of the directors of the Company are as follows:

Executive Directors

Mr. Lam Ko Yin, Colin *(Chairman)*
Mr. Li Ning

Non-executive Directors

Mr. Au Siu Kee, Alexander
Mr. Lau Yum Chuen, Eddie
Dr. the Hon. Lee Shau Kee
Mr. Wong Man Kong, Peter

Independent Non-executive Directors

Mr. Ho Hau Chong, Norman
Mr. Leung Hay Man
(re-designated from a NED to an INED with effect from 15 October 2012)
Ms. Wong Yu Pok, Marina
Mr. Wu King Cheong

The biographical details of the directors are set out in the section headed "Directors' and Senior Management's Profile" of this Annual Report on pages 3 to 7.

Dr. Lee Shau Kee and Mr. Li Ning are deemed as having substantial interests in the issued share capital of the Company under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO"). Dr. Lee is the father-in-law of Mr. Li Ning. Dr. Lee Shau Kee, Messrs. Lam Ko Yin, Colin, Li Ning, Au Siu Kee, Alexander, Leung Hay Man, Lau Yum Chuen, Eddie and Wu King Cheong are directors of Henderson Land Development Company Limited ("HLD"). Messrs. Leung Hay Man, Wu King Cheong and Au Siu Kee, Alexander are independent non-executive directors of Henderson Land. Henderson Land has discloseable interests under the provisions of Part XV of the SFO in the Company.

Save as disclosed above, there is no financial, business, family or other material or relevant relationship among the directors.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Board established a nomination committee of the Company (the "Nomination Committee") on 20 March 2012 to review the structure, size and composition of the Board, identify suitable candidates to the Board, and to make recommendations on any matters in relation to the appointment or re-appointment of members of the Board. Appointment of new Directors is reserved for the Board's approval.

The Nomination Committee ensures that the Board comprises members with mixed skills and experience with appropriate knowledge necessary to accomplish the Group's business development, strategies, operation, challenges and opportunities. The Nomination Committee takes into account that person's skills, qualifications and expected contributions to the Company before making any recommendations to the Board in relation to the appointment or re-appointment of members of the Board. Although Mr. Ho Hau Chong, Norman ("Mr. Ho") has served the Company as Independent Non-executive Director of the Company for more than nine years, he does not have any management role in the Company.

The Nomination Committee and the Board noted that Mr. Ho is an executive director of Miramar Hotel and Investment Company, Limited ("Miramar") and a director of Wealth Team Development Limited ("Wealth Team"), which is an indirect subsidiary of HLD. Mr. Ho also has an indirect beneficial interests of 9.9% in all issued share capital of Wealth Team, but is not involved in the management and operation of Wealth Team. Miramar, Wealth Team and HLD are connected persons of the Company under the Listing Rules. Save as aforesaid, Mr. Ho has complied with other conditions set out in Rule 3.13 of the Listing Rules.

In view of the fact that Mr. Ho does not have any material interests in any principal business activity of and is not involved in any material business dealings with the Company, or any of its subsidiaries or with any connected persons of the Company, and that both the management and the operations of the Miramar group and the Group are totally independent from each other, the Board in good faith considers that the independence of Mr. Ho as an independent non-executive director of the Company is not in any way affected by his directorships in both Miramar and Wealth Team.

The Nomination Committee considered that Mr. Ho has continuously contributed to the Company and the Board with his relevant experience and knowledge throughout his years of service.

The appointment of Independent Non-executive Directors adheres to the guidelines for assessing independence as set out in Rule 3.13 of the Listing Rules. As disclosed in the announcement of the Company dated 15 October 2012, Mr. Leung Hay Man ("Mr. Leung") had certain services rendered in the past falling within the independence guideline in Rule 3.13(3) of the Listing Rules, and had/has previous/existing directorships falling within the independence guideline in Rule 3.13(7) of the Listing Rules, among the factors affecting independence:

Mr. Leung owns a company (the "Consultancy Co") which used to provide general consultancy services to the Company for certain years. The Consultancy Co has stopped providing services to the Company and no service fee has been paid by the Company to it from June 2012. Given that the consultancy fee paid by the Company was insignificant and immaterial, the Company considers that such services rendered in the past have no bearing on his independence.

Until November 2011, Mr. Leung had been a director of several companies (the "Marina Companies") in which HLD holds 40% interest and HLD's controlling shareholder indirectly holds the remaining 60% interest. Taking into account that the directorships of Mr. Leung in the Marina Companies remained only from an old project and that Mr. Leung had no active management role in, and received no emoluments or fees from, those companies, the Company considers that his previous directorships in the Marina Companies have no bearing on his independence.

APPOINTMENT AND RE-ELECTION OF DIRECTORS (Continued)

Until January 2012, Mr. Leung had been a director of a company jointly and indirectly owned as to 50% interest by HLD and as to 50% by the Company, which was set up for providing second mortgage loans to residential unit buyers in respect of an old property development known as Metro Harbour View. Mr. Leung had no active management role in, and received no emoluments or fees from, such company. The Company considers that such previous directorship has no bearing on his independence.

Until January 2012, Mr. Leung had been a director of a substantial number of subsidiaries of the Company (the "Relevant Subsidiaries"). Mr. Leung, previously as director of the Relevant Subsidiaries, did not take part in the day-to-day management of those companies nor had any management functions in the Relevant Subsidiaries and received no emoluments or fees from them. The Company considers that such previous directorships have no adverse impact on his independence.

Having regard that the non-executive directorships of Mr. Leung involved no active management role in the Company, HLD and Henderson Investment Limited ("HIL") and that Mr. Leung has been re-designated as an independent non-executive director of each of HLD and HIL with effect from 22 August 2012, the Company considers that the previous non-executive roles of Mr. Leung in the Company, HLD and HIL have no bearing on his independence as an Independent Non-executive Director of the Company.

On 15 October 2012, the Board considered and approved the re-designation of Mr. Leung Hay Man from a Non-executive Director to an Independent Non-executive Director.

According to the Articles of Association of the Company, a newly appointed Director shall hold office until the next following general meeting of the Company (in case of filling a casual vacancy) or until the next following annual general meeting of the Company (in case of an addition to the Board) and shall then be eligible for re-election at that general meeting.

In accordance with the Articles of Association of the Company, no director shall hold office for a continuous period in excess of 3 years, or past the third annual general meeting, following the Director's appointment or re-election, whichever is the longer, without submitting for re-election at an annual general meeting of the shareholders.

In addition, at each annual general meeting one-third of the Directors for the time being or, if their number is not three or a multiple of three, the number nearest to but not less than one-third, shall retire from office by rotation at least once every three years.

The procedures for shareholders of the Company (the "Shareholders") to propose a person for election as a Director are available and accessible on the Company's website (www.hkf.com) and to the section of "Procedures for Shareholders to propose a person for election as a director" in this Corporate Governance Report on page 37.

CHAIRMAN AND GROUP GENERAL MANAGER

The roles of the Chairman and the Group General Manager of the Company are taken by two separate individuals who are not related to each other. The separation of the roles of the Chairman and the Group General Manager enables a clear division of responsibilities between the Chairman of the Board and the Group General Manager and also provides checks and balances effect.

The role of the Chairman of the Board is taken by Mr. Lam Ko Yin, Colin while the role of the Group General Manager (whose status is equivalent to chief executive officer for the purpose of the CG Code and the Code but not otherwise) is taken by Ir. Dr. Ho Chi Shing, David. The key function of the Chairman is the management of the Board whereas the key function of the Group General Manager is the day-to-day management of the Company's business.

NON-EXECUTIVE DIRECTORS

The Company has complied with the requirements under Rules 3.10(1) and 3.10(2), and 3.10A of the Listing Rules. Rule 3.10(1) of the Listing Rules requires that every board of directors of a listed issuer must include at least three INEDs and Rule 3.10(2) of the Listing Rules requires that at least one of the INEDs must have appropriate professional qualifications or accounting or related financial management expertise. Rule 3.10A of the Listing Rules requires that an issuer must appoint independent non-executive directors representing at least one-third of the board by 31 December 2012. Following the re-designation of Mr. Leung Hay Man as an Independent Non-executive Director of the Company with effect from 15 October 2012, the Company complied with Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules.

All non-executive directors (including independent non-executive directors) of the Company have been appointed for a specific term to 31 December 2013. They are eligible for re-appointment and subject to re-election on retirement by rotation in accordance with the Company's Articles of Association.

The Chairman, even though he is an Executive Director, held a meeting with all Non-executive Directors (including all Independent Non-executive Directors) without the presence of another Executive Director during the year.

CONFIRMATION OF INDEPENDENCE

The Board has received confirmation of independence from each of Mr. Ho Hau Chong, Norman, Mr. Leung Hay Man, Ms. Wong Yu Pok, Marina and Mr. Wu King Cheong pursuant to Rule 3.13 of the Listing Rules.

All INEDs also meet the guidelines for assessment of their independence as set out in Rule 3.13 of the Listing Rules. Further, up to the date of this Report, the Board has not been aware of the occurrence of any events which would cause it to believe that their independence has been impaired.

In conclusion, the Board considers Mr. Ho Hau Chong, Norman, Mr. Leung Hay Man, Ms. Wong Yu Pok, Marina and Mr. Wu King Cheong as independent.

DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

On appointment to the Board, each Director receives comprehensive induction covering business operations, policy and procedures of the Company as well as the general, statutory and regulatory obligations of being a Director to ensure that he/she is sufficiently aware of his/her responsibilities under the Listing Rules and other relevant regulatory requirements.

The Directors are regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. In addition, the Company has been encouraging the Directors and senior executives to enroll in a wide range of professional development courses and seminars relating to the Listing Rules, Companies Ordinance (Chapter 32 of the Laws of Hong Kong) and corporate governance practices organised by professional bodies and institutions in Hong Kong so that they can continuously update and further improve their relevant knowledge and skills.

From time to time, Directors are provided with written reading materials to develop and refresh their professional skills; the Group also organises and arranges seminars on the latest development of applicable laws, rules and regulations for the Directors to assist them in discharging their duties. During the year, the Group arranged for the Directors and senior management to attend two in-house workshops with distinguished speakers from the legal and commercial fields on topics of legal, compliance and corporate governance.

DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT (Continued)

The Group continuously updates Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices.

According to the records maintained by the Company, the current Directors received the following training(s) in compliance with the new requirement of the Code regarding the training records receiving on continuous professional development during the period from 1 April 2012 to 31 December 2012:–

BOARD OF DIRECTORS	Type of trainings
Executive Directors	
Mr. Lam Ko Yin, Colin	a, b
(Chairman of the Board)	
Mr. Li Ning	a, b
Non-executive Directors	
Mr. Au Siu Kee, Alexander	a, b, c
Mr. Lau Yum Chuen, Eddie	a, b
Dr. Lee Shau Kee	a, b
Mr. Wong Man Kong, Peter	a, b
Independent Non-executive Directors	
Mr. Ho Hau Chong, Norman	a, b, c
Mr. Leung Hay Man	a, b
(re-designated from a NED to an INED with effect from 15 October 2012)	
Ms. Wong Yu Pok, Marina	a, b, c
Mr. Wu King Cheong	a, b

a: corporate governance
b: regulatory
c: accounting and finance

DIRECTORS' AND OFFICERS' INSURANCE

The Company has arranged appropriate insurance cover in respect of potential legal actions against its Directors and officers.

BOARD COMMITTEES

The Board has established three board committees, namely, Audit Committee, Remuneration Committee and Nomination Committee to oversee particular aspects of the Company's affairs. Each committee has been delegated with certain functions of the Board.

Audit Committee

The Audit Committee of the Company has been established with written terms of reference setting out duties, responsibilities and authorities delegated to them by the Board. The Audit Committee comprises four Independent Non-executive Directors, namely, Mr. Ho Hau Chong, Norman (Chairman of the Audit Committee), Mr. Leung Hay Man (a former NED and subsequently re-designated as an INED and also appointed a member of the Audit Committee, both with effect from 15 October 2012), Ms. Wong Yu Pok, Marina and Mr. Wu King Cheong.

On 20 March 2012, the Board resolved and adopted a set of terms of reference of the Audit Committee and subsequently resolved to adopt a revised terms of reference for the Audit Committee with effect from 15 October 2012, which has included changes in line with the Code's new requirements effective from 1 April 2012. The revised terms of reference of the Audit Committee setting out its authorities, duties and responsibilities are available on the websites of the Company (www.hkf.com) and the Stock Exchange (www.hkexnews.hk) respectively.

BOARD COMMITTEES (Continued)

Audit Committee (Continued)

The major duties and responsibilities of the Audit Committee of the Company is primarily responsible for review of the annual and interim results and oversight of the Company's financial reporting principles and practices; to recommend the appointment and re-appointment or removal of the external auditor, to determine their independence and objectivity as well as to review the scope of audit and the reporting obligation of the external auditor. The Audit Committee oversees internal control system of the Group including the adequacy of resources, staff qualifications, experience, programmes and budget of the accounting and reporting function of the Group. The Audit Committee also oversees the risk management of the Group and discusses with the external auditor on financial reporting and compliance. The external auditor is invited to attend the meetings of Audit Committee to present their reports and reviews for the interim and final results of the Group. The Audit Committee has been delegated the corporate governance functions by the Board to review and monitor the corporate compliance within the Group.

During the year, two audit committee meetings were held. During the meetings, the Audit Committee members reviewed the annual results and its corresponding accounts for the year 2012, the Annual Internal Audit Report for 2012, Continuing Connected Transactions, the Report on Training Budget for Accounting Staff 2012, the interim results and its corresponding accounts for the six months ended 30 June 2012, the Interim Review of Audit Assignments for 2012 and the works of the Company's internal audit department and assessed the effectiveness of the Company's systems of risk management and internal control. The Audit Committee performed the corporate governance duties by reviewing the compliance with the Code and disclosure requirements as set out in this Corporate Governance Report.

As a recommended best practice under the Code, the Company has adopted a whistle blowing policy at a Board meeting held on 22 March 2013. The policy aims at encouraging and enabling employees of the Group at all levels and others to report violations or suspected violations and to raise serious concerns about possible improprieties in matters of financial reporting or other matters of the Group.

Remuneration Committee

The Remuneration Committee of the Company has been established with written terms of reference setting out duties, responsibilities and authorities delegated to them by the Board. The Remuneration Committee comprises four Independent Non-executive Directors, namely, Mr. Wu King Cheong (Chairman of the Remuneration Committee), Mr. Ho Hau Chong, Norman, Mr. Leung Hay Man (a former NED and subsequently re-designated as an INED and appointed a member of the Remuneration Committee, both with effect from 15 October 2012) and Ms. Wong Yu Pok, Marina and two executive directors namely Mr. Lam Ko Yin, Colin and Mr. Li Ning.

On 20 March 2012, the Board resolved and adopted a set of terms of reference of the Remuneration Committee and subsequently resolved to adopt a revised terms of reference for the Remuneration Committee with effect from 15 October 2012, which has included changes in line with the new requirements of the Code under Appendix 14 to the Listing Rules effective from 1 April 2012. The revised terms of reference of the Remuneration Committee setting out its authority, duties and responsibilities are available on the websites of the Company (www.hkf.com) and the Stock Exchange (www.hkexnews.hk) respectively.

The Remuneration Committee has adopted the operation model where it performs to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy.

The Remuneration Committee is responsible for reviewing the policy and structure for the remuneration of all directors and senior management of the Company, assessing performance of executive directors and establishment of a formal and transparent procedure for developing policy on such remuneration.

BOARD COMMITTEES (Continued)

Remuneration Committee (Continued)

The remuneration of the directors and senior management is determined by reference to the skills, knowledge and the tasks assigned and also to the individual performance and the overall profitability, corporate goals and objectives of the Company as a whole. In determining the remuneration package, the Committee will also obtain relevant information from external source and consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors, etc.

During the year, one remuneration committee meeting was held and passed one Written Resolution. During the meeting, the Remuneration Committee members reviewed and determined the remuneration package of the senior management and made recommendations on the fees of all the directors of the Company for the financial year ended 31 December 2012.

The summary of the work performed by the Remuneration Committee during the year ended 31 December 2012 included:

(i) Reviewing the salary level and structure of the staff and making recommendation to the Board on the remuneration packages of the Directors and the senior management for the year 2012;

(ii) To make recommendations to the Board on the remuneration of all Directors; and

(iii) In October 2012, the Remuneration Committee recommended the remuneration of Mr. Leung Hay Man, as Independent Non-executive Director of the Company to the Board and the Board considered and approved the re-designation of Mr. Leung Hay Man from Non-executive Director to Independent Non-executive Director of the Company with effect from 15 October 2012.

Nomination Committee

The Nomination Committee of the Company has been established with written terms of reference setting out duties, responsibilities and authorities delegated to them by the Board. The Nomination Committee comprises two executive directors namely Mr. Lam Ko Yin, Colin (Chairman of the Nomination Committee) and Mr. Li Ning and three independent non-executive directors, namely, Mr. Ho Hau Chong, Norman, Ms. Wong Yu Pok, Marina and Mr. Wu King Cheong.

On 15 October 2012, the Board resolved to adopt a revised terms of reference for the Nomination Committee, which has included changes in line with the Code's new requirements effective from 1 April 2012. The revised terms of reference of the Nomination Committee setting out its authority, duties and responsibilities are available on the websites of the Company (www.hkf.com) and the Stock Exchange (www.hkexnews.hk) respectively.

The Nomination Committee is responsible for reviewing the structure, size and composition (including the skills, knowledge and experience) of the board at least annually and make recommendations on any proposed changes to the board to implement the Company's corporate strategy. It also identifies individuals suitably qualified to become board members and select or make recommendations to the board on the selection of individuals nominated for directorships and to assess the independence of independent non-executive directors and make recommendations to the board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman and the chief executive. The Committee shall consider the candidate from a wide range of backgrounds, on his/her merits and against objective criteria set out by the Board and taking into consideration of his/her time devoted to the position.

BOARD COMMITTEES (Continued)

Nomination Committee (Continued)

During the year, there is no change in the composition of the Board except Mr. Leung Hay Man, a former NED and subsequently re-designated as an INED.

For the year ended 31 December 2012, one nomination committee meeting was held and passed one Written Resolution.

The summary of the work performed by the Nomination Committee during the year ended 31 December 2012 included:

(i) To review the structure, size and composition (including the skills, knowledge, experience and length of service) of the Board; and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(ii) To consider the skills mix needed in respect of Directors and make recommendations to the Board;

(iii) To assess the independence of independent non-executive Directors and review the independent non-executive Directors' annual confirmations on their independence; and make disclosure of its review results in the Corporate Governance Report;

(iv) To review the time required for a Director to perform his responsibilities;

(v) In October 2012, the Nomination Committee assessed the independence of Mr. Leung Hay Man, as Independent Non-executive Director of the Company and made recommendation to the Board. The Board considered and approved the re-designation of Mr. Leung Hay Man from Non-executive Director to Independent Non-executive Director of the Company with effect from 15 October 2012; and

(vi) In December 2012, the Nomination Committee reviewed and assessed the independence of Independent Non-executive Directors of the Company and the independency status of an Independent Non-executive Director who has served the Board for more than 9 years pursuant to the Listing Rules.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code for dealing in securities of the Company by the directors. Having made specific enquiry, the Company confirmed that all directors of the Company have complied with the required standard as set out in the Model Code throughout the year ended 31 December 2012.

The Company has also adopted the written guidelines on no less exacting terms than the Model Code for those relevant employees, (including employees of the Company or directors or employees of its subsidiaries who, because of such office or employment, is likely to be in possession of unpublished price sensitive information in relation to the Company or its securities) in respect of their dealings in the securities of the Company.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR ACCOUNTS

The Board, supported by the Chief Financial Officer and the accounts department, is responsible for the preparation of the financial statements of the Group and the Company. The Directors acknowledge their responsibility for preparing the financial statements for each financial period to give a true and fair view of the state of affairs of the Company. In preparing the financial statements for the year ended 31 December 2012, the Directors have selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR ACCOUNTS (Continued)

The statement of the Independent Auditor of the Company regarding their reporting responsibilities on the accounts of the Company is set out on pages 40 and 41 of this annual report.

INDEPENDENT AUDITOR'S REMUNERATION

Apart from carrying out the annual audit, KPMG, Certified Public Accountants, Hong Kong, the Independent Auditor of the Company also carried out the review on the interim reports of the Company. The fee of the annual audit is HK$1,427,000 whereas the fee for the interim review is HK$268,000. Save the interim review, KPMG did not provide any substantial non-audit services to the Company.

COMPANY SECRETARY

Mr. Yuen Wai Kuen, Peter, the Company Secretary of the Company, is a full time employee of the Group and has day-to-day knowledge of the Company's affairs. During the financial year, the Company Secretary has duly complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules. The biographical details of the Company Secretary is set out in the section headed "Directors' and Senior Management's Profile" in the Annual Report on page 8.

INTERNAL CONTROLS AND RISK MANAGEMENT

The Company maintains a comprehensive and effective internal control system on income and capital and revenue expenditures. As part of internal audit, the Company has its own internal audit department and maintained a system of internal control, with manuals guiding internal controls on business operation and conducted audits of all branches of operations on a regular basis. The Internal Audit Department would recommend improvement and strengthening in the implementation of all internal control systems. The Company and the directors will review the effectiveness of the internal control system from time to time to meet with the changing business operation environment.

For the year ended 31 December 2012, the internal audit department has conducted a review of the effectiveness of the system of internal control on the areas of financial, operational and compliance controls and risk management functions.

The members of the Risk Management Committee met twice in February and July 2012 respectively. The senior management and the Internal Audit Manager had identified the relevant risks of the operational units and the control strategies of the Company and incorporated significant risk management and control strategies in the internal audit reports for the review of the Audit Committee members.

The Internal Audit Manager, who is independent to the Company's daily operations, reports directly to the Audit Committee and Group General Manager and regularly conducts audits of the practices, procedures, expenditures and internal control for business operations and corporate functions of the Company.

ATTENDANCE RECORD OF DIRECTORS AND BOARD COMMITTEE MEMBERS IN 2012

Details of the individual attendance of each director at the Board Meetings ("BM"), Audit Committee Meetings ("ACM"), Remuneration Committee Meeting ("RCM") and Nomination Committee Meeting ("NCM") during the year and Annual General Meeting held on 18 May 2012 ("AGM") are set out in the following table:

	BM	ACM	RCM	NCM	AGM
BOARD OF DIRECTORS					
Executive Directors					
Mr. Lam Ko Yin, Colin *(Chairman of the Board and the Nomination Committee)*^#	5/5	N/A	1/1	1/1	1/1
Mr. Li Ning ^#	5/5	N/A	1/1	1/1	1/1
Non-executive Directors					
Mr. Au Siu Kee, Alexander	5/5	N/A	N/A	N/A	1/1
Mr. Lau Yum Chuen, Eddie	4/5	N/A	N/A	N/A	0/1
Dr. Lee Shau Kee	2/5	N/A	N/A	N/A	0/1
Mr. Wong Man Kong, Peter	5/5	N/A	N/A	N/A	1/1
Independent Non-executive Directors					
Mr. Ho Hau Chong, Norman *(Chairman of the Audit Committee)**^#	4/5	1/2	1/1	1/1	1/1
Mr. Leung Hay Man *(Note)**^	5/5	0/2	0/1	N/A	1/1
Ms. Wong Yu Pok, Marina*^#	4/5	2/2	1/1	1/1	0/1
Mr. Wu King Cheong *(Chairman of the Remuneration Committee)**^#	5/5	2/2	1/1	1/1	1/1

Remarks:

* Members of the Audit Committee
^ Members of the Remuneration Committee
\# Members of the Nomination Committee

Note:

Mr. Leung Hay Man was re-designated as an Independent Non-executive Director of the Company with effect from 15 October 2012 and was also appointed as a member of the Audit Committee of the Company and a member of the Remuneration Committee of the Company with effect from 15 October 2012.

COMMUNICATION WITH SHAREHOLDERS

The Company continues to pursue investor relations and communications with Shareholders.

The Board resolved to adopt a shareholders communication policy in 2012 to set out the Company's procedures in providing the Shareholders with prompt and equal access to information about the Company, in order to enable the Shareholders to access the Company's overall performance, exercise their rights in an informed manner and engage actively with the Company.

The Company's senior management has undertaken the role of establishing an effective communication system. The Company also maintains a website (www.hkf.com) through which the Company's updated financial information, announcements, circulars, notices of meetings, press releases and contact details can be accessed by the Shareholders and investors. The Board believes that the Company's website provides an alternative means for the investing public to obtain information of the Company in a convenient and timely manner.

The annual general meeting also provides an important opportunity for constructive communication between the Board and the Shareholders. The Chairman and the chairmen of the audit committee, remuneration committee and nomination committee as well as the Company's auditor maintained an on-going dialogue with the Shareholders and answered all questions raised by the Shareholders throughout the last annual general meeting held on 18 May 2012.

SHAREHOLDERS' RIGHTS

Set out below are procedures by which Shareholders may: (1) convene an extraordinary general meeting; (2) put forward enquiries to the Board; and (3) put forward proposals at Shareholders' meetings. These procedures are generally governed by the provisions of the Company's Articles of Association and applicable laws, rules and regulations, which prevail over what is stated in this section in case of inconsistencies.

1. Procedures by which Shareholders may convenue an extraordinary general meeting

Pursuant to the Articles of Association of the Company and the Companies Ordinance, Chapter 32 of the laws of Hong Kong (the "Companies Ordinance"), registered Shareholders holding not less than one-twentieth (5%) of the paid-up capital of the Company carrying the right of voting at general meetings of the Company (the "EGM Requisitionists") can deposit a written request to convene an EGM at the registered office of the Company (the "Registered Office"), which is presently situated at the 98 Tam Kon Shan Road, Ngau Kok Wan, North Tsing Yi, New Territories, Hong Kong for the attention of the Company Secretary.

The EGM Requisitionists must state in their request(s) the reasonable objects of the EGM and such request(s) must be signed by all the EGM Requisitionists and may consist of several documents, each signed by one or more of the EGM Requisitionists.

The Share Registrar will verify the EGM Requisitionists' particulars in the EGM Requisitionists' request. Promptly after confirmation from the Share Registrar that the EGM Requisitionists' request is in order, the Company Secretary will arrange with the Board to convene an EGM by serving sufficient notice to all the registered Shareholders in accordance with all the relevant statutory and regulatory requirements. On the contrary, if the EGM Requisitionists' request is verified not in order, the EGM Requisitionists will be advised of the outcome and accordingly, an EGM will not be convened as requested.

SHAREHOLDERS' RIGHTS (Continued)

1. Procedures by which Shareholders may convenue an extraordinary general meeting (Continued)

The EGM Requisitionists, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene an EGM if within twenty-one (21) days of the deposit of the EGM Requisitionists' request, the Board does not proceed duly to convene an EGM for a day not more than twenty-eight (28) days after the date on which the notice convening the EGM is given, provided that any EGM so convened is held within three (3) months from the date of the original EGM Requisitionists' request. Any reasonable expenses incurred by the EGM Requisitionists by reason of the Board's failure to duly convene an EGM shall be repaid to the EGM Requisitionists by the Company.

2. Procedures for putting forward enquiries to the Board

Shareholders may put forward enquiries to the Board through the Company Secretary who will direct the enquiries to the Board for handling. The contact details of the Company Secretary are as follows:

The Company Secretary
Hong Kong Ferry (Holdings) Company Limited
98 Tam Kon Shan Road
Ngau Kok Wan
North Tsing Yi
New Territories
Hong Kong

E-Mail: hkferry@hkf.com
Telephone: (852) 2394 4294
Facsimile: (852) 2786 9001

3. Procedures for putting forward proposals at a Shareholders' meeting

Pursuant to the Companies Ordinance, either any number of the registered Shareholders holding not less than one-fortieth (2.5%) of the paid-up capital of the Company carrying the right of voting at general meetings of the Company ("Requisitionists"), or not less than 50 registered Shareholders holding shares on which there has been paid up an average sum, per Shareholder, of not less than HK$2,000, can request the Company in writing to (a) give to the Shareholders entitled to receive notice of the next AGM notice of any resolution which may properly be moved and is intended to be moved at that meeting; and (b) circulate to the Shareholders entitled to have notice of any general meeting any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

The requisition signed by all the Requisitionists may consist of several documents in like form, each signed by one or more of the Requisitionists; and it must be deposited at the Registered Office stated in the paragraph 2 above with a sum reasonably sufficient to meet the Company's relevant expenses, not less than six weeks before the meeting in case of a requisition requiring notice of a resolution or not less than one week before the meeting in the case of any other requisition. Provided that if an AGM is called for a date six weeks or less after the requisition has been deposited, the requisition though not deposited within the time required shall be deemed to have been properly deposited for the purposes thereof.

PROCEDURES FOR SHAREHOLDERS TO PROPOSE A PERSON FOR ELECTION AS A DIRECTOR

According to the Articles of Associations of the Company, a notice signed by a shareholder of his/her intention to propose a person for election and also a notice signed by the person (the "Candidate") to be proposed of his/her willingness to be elected shall be lodged at the registered office of the Company no earlier than the day after the despatch of the notice of the general meeting appointed for such election and no later than seven days prior to the date of such general meeting.

The Candidate is required to provide his/her biographical details as set out under Rule 13.51(2) of the Listing Rules.

The Nomination Committee, where applicable, will review and make recommendations to the board on the selection of any individuals nominated for directorships in accordance with the terms of reference of the Nomination Committee.

The Company will, where appropriate, issue a supplementary circular which shall include name of the Candidate together with his/her biographical details as set out in Rule 13.51(2) of the Listing Rules, to the shareholders for them to make decision on their election at a general meeting.

INVESTOR RELATIONS

During the year ended 31 December 2012, there has not been any change in the Company's constitutional documents.

Corporate Social Responsibility

Sponsored Mainland university students from China Candlelight of Educational Fund

Supported The Red Cross Blood Donation Day

The Group values the importance of corporate social responsibility ("CSR") and its impact on the community. The Group integrates CSR elements in its business activities and participates in or encourages its staff to take part in charitable activities to promote good corporate citizenship.

Our continuous commitments to community service and care of employees have been recognised by The Hong Kong Council of Social Service as a "Caring Company" for nine consecutive years since 2003.

Our Staff Volunteer Team, formally established in 2008, served the community by participating in different community service events and charitable activities in the past years.

COMMUNITY SERVICE

Our Group actively supports community service and encourages our staff to contribute their time and efforts in various charitable and volunteer services.

During the year, the Group organised two CSR events at Harbour Cruise-Bauhinia. In January 2012, our volunteer team members participated in a joint New Year party, co-organised by the Group and Wofoo Social Enterprises ("Wofoo"), with more than 200 kids and their parents from deprived families. The volunteer group and Wofoo facilitators designed games making the party a funny and smiley ending. The Group had also continued to arrange a group of 40 Mainland university students from China Candlelight of Educational fund to join a sharing session and enjoy a buffet dinner on board while cruising in Hong Kong waters in August 2012.

In April 2012, the Group encouraged staff to support for donating blood and join the Red Cross Blood Donation Day organised by the Federation of Hong Kong Industries. Staff members voluntarily joined this meaningful event in order to spread their love to the one in need by blood.

The Group continues to support the events organised by the Community Chest. The Group encouraged staff to participate in "The Community Chest Green Day 2012" event held on 17 and 18 June 2012, which encouraged greener form of transport and reduce the carbon footprint at workplace by saving energy and resources. In September 2012, our staff participated in the "Dress Casual Day 2012" event for raising funds for several social welfare services supported by the Community Chest. In both events, the Group offered its support by matching the funds raised by the employees.

Apart from giving donations, our Group also encouraged staff to participate in "Partnering into the Future VTC 30th Anniversary Walkathon" held by Vocational Training Council with their families members and friends on 9 December 2012. All participants spent a pleasurable morning together.

During the year, our volunteer team members visited the elderly families at Chai Wan District before the Chinese Lunar New Year and Christmas, which were held by the Hong Kong Federation of Youth Groups. During the visits, the volunteer group enjoyed the time with the elderly and distributed gifts and shared the joy with them.

A staff local day trip

Visited kindergarten at Chai Wan District

STAFF ACTIVITIES

The Group organises staff outing activities every year to enhance the social contact among all staff. On 22 April 2012, the Group organised a local day trip to Sha Tau Kok, Dr. Sun Yat-sen Museum and Sky 100. The outing was received with overwhelming success with over 140 staff and their family members joined the trip and enjoyed the leisure and sightseeing tour.

EMPLOYEES DEVELOPMENT

The Group provided various seminars and workshops to staff of different levels and positions. The seminars and workshops were organised by internal departments and external organizations to enhance the job-skills of the staff. The Company recruited IVE students as helpers to help out in various external fairs, and also employed undergraduate students from IVE and local universities as intern to provide learning opportunities to them throughout the year.

The Group provides sponsorship to employees to attend training courses organised by professional institutions from time to time to enhance their professional and technical knowledge. In April 2012, the Company continued to be awarded the title and logo of "Manpower Developer 1st" by Employees Retraining Board in recognition of our support to staff training and development in Hong Kong.

ENVIRONMENTAL AWARENESS

Our Group continues to contribute to the preservation of the environment and its resources: minimizing environmental impacts of our development projects by implementing an effective safety management system, compliance to statutory requirements, maintaining consciousness of environmental protection and being considerate to neighborhood and passers-by, etc. Our Group encouraged its subsidiary companies to contribute to the recycling of the food remains and waste to protect the environment. The Hongkong and Yaumati Ferry Company Limited and The Hong Kong Shipyard Limited are granted the "Green Medal" and "Green Participant" respectively under the "Hang Seng Pearl River Delta Environmental Awards 2011/12 – Green Participant" award which is jointly organised by the Federation of Hong Kong Industries and Hang Seng Bank in recognition of their contribution to environmental protection.

In order to express our concern on climate change and to encourage staff to adopt a low-carbon lifestyle, the Company and various subsidiary companies joined the event of "Earth Hour 2012" organised by World Wide Fund for Nature and the event of "Hong Kong No Air-con Night 2012" organised by Green Sense. We also encouraged our staff to support these events through our internal communications.

Independent Auditor's Report

Independent auditor's report to the shareholders of
Hong Kong Ferry (Holdings) Company Limited
(Incorporated in Hong Kong with limited liability)

We have audited the consolidated accounts of Hong Kong Ferry (Holdings) Company Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 42 to 116, which comprise the consolidated and company balance sheets as at 31 December 2012, the consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement 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 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. This report is made solely to you, as a body, in accordance with Section 141 of the Hong Kong Companies Ordinance, 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 judgement, 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 the 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 Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

22 March 2013

Consolidated Profit and Loss Account

for the year ended 31 December 2012

	Note	2012 HK$'000	2011 HK$'000
Turnover	3(a)	**616,181**	635,040
Cost of sales		**(289,939)**	(329,983)
		326,242	305,057
Other revenue	3(a) & 4	**35,539**	27,203
Other net income	4	**19,459**	43,633
Valuation gains on investment properties and investment property held for development	3(d) & 14	**220,510**	127,438
Impairment loss on available-for-sale securities	17	**(34,441)**	(44,834)
Selling and marketing expenses		**(41,450)**	(19,620)
Administrative expenses		**(42,839)**	(46,250)
Other operating expenses		**(48,717)**	(44,829)
Profit from operations	3(b)	**434,303**	347,798
Profit on disposal of hotel properties	5	**–**	244,970
Share of profits less losses of associates		**734**	910
Profit before taxation	6	**435,037**	593,678
Taxation	7(a)	**(36,682)**	(28,553)
Profit attributable to equity shareholders of the Company	10	**398,355**	565,125
Earnings per share – Basic and diluted	13	**$1.12**	$1.59

The notes on pages 50 to 116 form part of these accounts. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 11.

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2012

	Note	2012 HK$'000	2011 HK$'000
Profit attributable to equity shareholders of the Company		**398,355**	565,125
Other comprehensive income for the year (after tax and reclassification adjustments):			
Available-for-sale securities:			
net movement in the securities revaluation reserve	*12*	**150,738**	(133,382)
Realisation of inter-company profits		**–**	(264)
		150,738	(133,646)
Total comprehensive income attributable to equity shareholders of the Company		**549,093**	431,479

The notes on pages 50 to 116 form part of these accounts.

Consolidated Balance Sheet

at 31 December 2012

	Note	2012 HK$'000	2012 HK$'000	2011 HK$'000	2011 HK$'000
Non-current assets					
Fixed assets	*14*				
– Investment properties			**1,182,800**		1,010,400
– Investment property held for development			**–**		108,000
– Other property, plant and equipment			**73,724**		79,684
– Interest in leasehold land			**47,245**		48,615
			1,303,769		1,246,699
Interest in associates	*16*		**22,046**		25,390
Available-for-sale securities	*17*		**711,636**		487,691
Employee benefits assets	*18(a)*		**10,796**		11,189
Deferred tax assets	*23(b)*		**7,482**		5,961
			2,055,729		1,776,930
Current assets					
Inventories	*19(a)*	**2,443,439**		2,202,271	
Trade and other receivables	*20*	**203,096**		249,011	
Cash and cash equivalents	*21*	**837,030**		684,813	
Tax recoverable	*23(a)*	**30,677**		31,655	
		3,514,242		3,167,750	
Current liabilities					
Trade and other payables	*22*	**359,829**		174,382	
Tax payable	*23(a)*	**39,711**		32,217	
		399,540		206,599	
Net current assets			**3,114,702**		2,961,151
Total assets less current liabilities			**5,170,431**		4,738,081
Non-current liability					
Deferred tax liabilities	*23(b)*		**20,987**		9,472
NET ASSETS			**5,149,444**		4,728,609

Consolidated Balance Sheet (Continued)

at 31 December 2012

	Note	2012 HK$'000	2012 HK$'000	2011 HK$'000	2011 HK$'000
CAPITAL AND RESERVES					
Share capital	*24(b)*		**356,274**		356,274
Reserves			**4,793,170**		4,372,335
TOTAL EQUITY			**5,149,444**		4,728,609

Approved and authorised for issue by the board of directors on 22 March 2013.

Lam Ko Yin, Colin
Chairman

Li Ning
Director

The notes on pages 50 to 116 form part of these accounts.

Balance Sheet

at 31 December 2012

	Note	2012 HK$'000	2012 HK$'000	2011 HK$'000	2011 HK$'000
Non-current assets					
Interest in subsidiaries	15		**4,460,160**		4,346,151
Interest in associates	16		**2,902**		2,902
Available-for-sale securities	17		**45**		45
Employee benefits assets	18(a)		**10,796**		11,189
			4,473,903		4,360,287
Current assets					
Trade and other receivables	20	**2,370**		2,073	
Cash and cash equivalents	21	**560**		1,802	
		2,930		3,875	
Current liabilities					
Amounts due to subsidiaries	15	**736,841**		600,731	
Trade and other payables	22	**6,643**		7,841	
		743,484		608,572	
Net current liabilities			**(740,554)**		(604,697)
NET ASSETS			**3,733,349**		3,755,590
CAPITAL AND RESERVES	24(a)				
Share capital	24(b)		**356,274**		356,274
Reserves			**3,377,075**		3,399,316
TOTAL EQUITY			**3,733,349**		3,755,590

Approved and authorised for issue by the board of directors on 22 March 2013.

Lam Ko Yin, Colin
Chairman

Li Ning
Director

The notes on pages 50 to 116 form part of these accounts.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2012

	Note	Share capital HK$'000 (Note 24(b))	Share premium HK$'000 (Note 24(c))	Securities revaluation reserve HK$'000 (Note 24(c))	Other capital reserves HK$'000 (Note 24(c))	Retained profits HK$'000	Total HK$'000
Balance at 1 January 2011		356,274	1,398,527	146,400	869	2,523,318	4,425,388
Changes in equity for 2011:							
Profit for the year		–	–	–	–	565,125	565,125
Other comprehensive income for the year		–	–	(133,382)	(264)	–	(133,646)
Total comprehensive income for the year		–	–	(133,382)	(264)	565,125	431,479
Dividends approved in respect of the previous year	11	–	–	–	–	(92,631)	(92,631)
Dividends declared in respect of the current year	11	–	–	–	–	(35,627)	(35,627)
Balance at 31 December 2011 and 1 January 2012		**356,274**	**1,398,527**	**13,018**	**605**	**2,960,185**	**4,728,609**
Changes in equity for 2012:							
Profit for the year		**–**	**–**	**–**	**–**	**398,355**	**398,355**
Other comprehensive income for the year		**–**	**–**	**150,738**	**–**	**–**	**150,738**
Total comprehensive income for the year		**–**	**–**	**150,738**	**–**	**398,355**	**549,093**
Dividends approved in respect of the previous year	11	**–**	**–**	**–**	**–**	**(92,631)**	**(92,631)**
Dividends declared in respect of the current year	11	**–**	**–**	**–**	**–**	**(35,627)**	**(35,627)**
Balance at 31 December 2012		**356,274**	**1,398,527**	**163,756**	**605**	**3,230,282**	**5,149,444**

The notes on pages 50 to 116 form part of these accounts.

Consolidated Cash Flow Statement

for the year ended 31 December 2012

	Note	2012 HK$'000	2012 HK$'000	2011 HK$'000	2011 HK$'000
Operating activities					
Profit before taxation			**435,037**		593,678
Adjustments for:					
Depreciation		**7,068**		8,840	
Amortisation of leasehold land premium		**1,370**		1,376	
Impairment losses on trade and other receivables		**682**		2,266	
Impairment loss on available-for-sale securities		**34,441**		44,834	
Net profit on disposal of investment properties		**(3,451)**		(37,400)	
Net profit on disposal of investment property held for development		**(4,172)**		–	
Net loss/(profit) on disposal of other property, plant and equipment		**4**		(42)	
Profit on disposal of hotel properties		**–**		(244,970)	
Valuation gains on investment properties and investment property held for development		**(220,510)**		(127,438)	
Net realised and unrealised gains on derivative financial instruments		**–**		(682)	
Interest income		**(26,303)**		(23,815)	
Dividend income from listed investments		**(16,758)**		(17,970)	
Share of profits less losses of associates		**(734)**		(910)	
Realisation of inter-company profits		**–**		(16)	
			(228,363)		(395,927)
Operating profit before changes in working capital			**206,674**		197,751
Decrease/(increase) in employee benefits assets		**393**		(102)	
Increase in inventories		**(62,478)**		(391,375)	
Decrease in trade and other receivables		**44,560**		17,453	
Increase/(decrease) in trade and other payables		**6,403**		(35,671)	
			(11,122)		(409,695)
Cash generated from/(used in) operations			**195,552**		(211,944)
Profits tax paid		**(18,216)**		(50,045)	
			(18,216)		(50,045)
Net cash generated from/(used in) operating activities			**177,336**		(261,989)

Consolidated Cash Flow Statement (Continued)

for the year ended 31 December 2012

	Note	2012 HK$'000	2012 HK$'000	2011 HK$'000	2011 HK$'000
Investing activities					
Interest received		**26,600**		22,652	
Payment for purchase of fixed assets		**(1,112)**		(1,717)	
Payment for purchase of available-for-sale securities		**(106,902)**		(15,044)	
Proceeds from disposal of other property, plant and equipment		**–**		50	
Net repayment from associates		**4,031**		15,367	
Proceeds from disposal of derivative financial instruments		**–**		493	
Proceeds from disposal of investment properties		**12,046**		5,820	
Proceeds from disposal of investment property held for development		**152,172**		–	
Proceeds from disposal of hotel properties		**–**		277,930	
Dividends received from listed investments		**16,304**		16,165	
Net cash generated from investing activities			**103,139**		321,716
Financing activity					
Dividends paid		**(128,258)**		(128,258)	
Net cash used in financing activity			**(128,258)**		(128,258)
Net increase/(decrease) in cash and cash equivalents			**152,217**		(68,531)
Cash and cash equivalents at 1 January			**684,813**		753,344
Cash and cash equivalents at 31 December	*21*		**837,030**		684,813

The notes on pages 50 to 116 form part of these accounts.

Notes to the Accounts

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These accounts have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These accounts also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these accounts.

(b) Basis of preparation of the accounts

The consolidated accounts for the year ended 31 December 2012 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates.

The measurement basis used in the preparation of the accounts is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

– investment properties (see note 1(h));

– financial instruments classified as available-for-sale securities (see note 1(f)); and

– derivative financial instruments (see note 1(g)).

The preparation of accounts in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of preparation of the accounts (Continued)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the accounts and major sources of estimation uncertainty are discussed in note 2.

(c) Changes in accounting policies

The HKICPA has issued a few amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. These include the amendments to HKAS 12, *Income taxes – Deferred tax: recovery of underlying assets*, which the Group has already adopted in the prior period. None of the other developments are relevant to the Group's accounts and the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(d) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated accounts from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated accounts. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 1(k)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Associates

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated accounts under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the associate's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the associate's net assets and any impairment loss relating to the investment (see note 1(k)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the associates and any impairment losses for the year are recognised in the consolidated profit and loss account, whereas the Group's share of the post-acquisition post-tax items of the associates' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(f)).

In the Company's balance sheet, investments in associates are stated at cost less impairment losses (see note 1(k)), unless classified as held for sale (or included in a disposal group that is classified as held for sale).

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Other investments in equity securities

The Group's and the Company's policies for investments in equity securities, other than investments in subsidiaries and associates, are as follows:

Investments in equity securities, being those held for non-trading purpose, are classified as available-for-sale securities. Available-for-sale securities are initially stated at fair value, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs.

At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the securities revaluation reserve. Dividend income from these investments is recognised in profit or loss in accordance with the policy set out in note 1(s)(vii). When these investments are derecognised or impaired (see note 1(k)), the cumulative gain or loss is reclassified from equity to profit or loss.

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the balance sheet at cost less impairment losses (see note 1(k)).

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

(g) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At each balance sheet date the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 1(j)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair values, unless they are still in the course of construction or development at the balance sheet date and their fair value cannot be reliably determined at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 1(s)(ii).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 1(j)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 1(j).

(i) Other property, plant and equipment

Other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(k)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Other property, plant and equipment (Continued)

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

Land	Over the unexpired terms of the leases
Buildings	40 years or over the unexpired terms of the leases, if shorter
Leasehold land classified as held under finance leases	Over the unexpired terms of the leases
Ferry vessels and other crafts	8 to 15 years
Machinery, furniture and other fixed assets	
– Dry dock and ship lift	30 to 40 years
– Others	4 to 10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(j) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

– property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 1(h)); and

– land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Leased assets (Continued)

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see note 1(h)) or is held for development for sale (see note 1 (l)(iv)).

(k) Impairment of assets

(i) Impairment of investments in equity securities and other receivables

Investments in equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Impairment of assets (Continued)

(i) Impairment of investments in equity securities and other receivables (Continued)

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For investments in subsidiaries and associates (including those recognised using the equity method (see note 1(e))), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 1(k)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 1(k)(ii).

– For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

– For available-for-sale securities, the cumulative loss that has been recognised in the securities revaluation reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

  Impairment losses recognised in profit or loss in respect of available-for-sale securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Impairment of assets (Continued)

(i) Impairment of investments in equity securities and other receivables (Continued)

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that other property, plant and equipment may be impaired or an impairment loss previously recognised no longer exists or may have decreased.

If any such indication exists, the asset's recoverable amount is estimated.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Impairment of assets (Continued)

(ii) Impairment of other assets (Continued)

– Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(l) Inventories

(i) Trading stocks

Trading stocks are stated at the lower of cost and net realisable value. Cost includes the cost of materials computed using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(ii) Spare parts and consumables

Spare parts and consumables are stated at cost, computed using the weighted average method, less provision for obsolescence.

(iii) Work in progress

Work in progress are construction and repairing in progress at the balance sheet date and are recorded at the net amount of costs incurred plus recognised profits less recognised losses and progress billings.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Inventories (Continued)

(iv) Property development

Inventories in respect of property development activities are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows:

– Properties under development for sale

The cost of properties under development for sale comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, and an appropriate proportion of overheads. Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

– Completed properties held for sale

In the case of completed properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

(m) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 1(k)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(n) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 1(r)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(p) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Defined benefit retirement plan obligations

The Group's net obligation in respect of defined benefit retirement plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value and the fair value of any plan assets is deducted. The discount rate is the yield at the balance sheet date on high quality corporate bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in profit or loss on a straight-line basis over the average period until the benefits become vested. If the benefits vest immediately, the expense is recognised immediately in profit or loss.

In calculating the Group's obligation in respect of a plan, if any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the defined benefit obligation and the fair value of plan assets, that portion is recognised in profit or loss over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gain or loss is not recognised.

Where the calculation of the Group's net obligation results in a negative amount, the asset recognised is limited to the total of any cumulative unrecognised net actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 1(h), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the balance sheet date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Income tax (Continued)

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(r) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Financial guarantees issued, provisions and contingent liabilities (Continued)

(i) Financial guarantees issued (Continued)

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 1(r)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(s) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of properties

Revenue arising from the sale of properties held for sale is recognised upon the later of the signing of the sale and purchase agreement and the completion of the properties, which is taken to be the point in time when the risks and rewards of ownership of the property have passed to the buyer. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the balance sheet under deposits received.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Revenue recognition (Continued)

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iii) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customers have accepted the goods and the related risks and rewards of ownership.

(iv) Ferry operations and related services

Revenue relating to ferry operations is recognised when the relevant ferry services are provided.

(v) Travel business

Revenue arising from the travel business is recognised on the completion date of the tours or when the relevant services are provided.

(vi) Interest income

Interest income is recognised as it accrues using the effective interest method.

(vii) Dividends

Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(t) Deferred interest income

Where properties are sold under deferred terms with part of the sales proceeds being receivable after an interest-free period, the differences between the sale prices with and without such terms are treated as deferred income and is released to profit or loss on a straight-line basis over the interest-free period.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates.

(v) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (v)(a).

(vii) A person identified in (v)(a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Segment reporting

Operating segments, and the amounts of each segment item reported in the accounts, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

Notes 18 and 25 contain information about the assumptions and their risk factors relating to defined benefit retirement obligation and financial instruments. Other key sources of estimation uncertainty and critical accounting judgements in applying the Group's accounting policies are as follows:

(a) Valuation of investment properties

In determining the fair value of the investment properties, the Group has considered information from different sources, including a valuation performed by an independent firm of professional valuers after taking into consideration the net rental income allowing for reversionary income potential, and other available market survey reports.

The assumptions adopted in the property valuations are based on the market conditions existing at the balance sheet date, with reference to current market sales prices and the appropriate capitalisation rate.

(b) Recognition of deferred tax assets

At 31 December 2012, the Group has recognised deferred tax assets in relation to the unused tax losses amounting to approximately HK$60,188,000 (2011: HK$66,958,000). The realisability of the deferred tax assets mainly depends on whether it is probable that future taxable profits or taxable temporary differences will be available against which related tax benefits under the deferred tax assets can be utilised. In cases where the actual future taxable profits or taxable temporary differences generated are less than expected, a reversal of deferred tax assets may arise, which will be recognised in profit or loss for the period in which such a reversal takes place.

2 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

(c) Impairment of interest in subsidiaries

In considering the impairment losses that may be required for the Company's interest in subsidiaries, recoverable amount of the assets needs to be determined. The recoverable amount is the greater of its fair value less costs to sell and value in use. It is difficult to precisely estimate fair value because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to items such as level of turnover and amount of operating costs of the subsidiaries. The Company uses all readily available information in determining an amount that is reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as turnover and operating costs of subsidiaries.

3 SEGMENT INFORMATION

The operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following five reportable segments.

- Property development: development and sale of properties.
- Property investment: leasing of properties.
- Ferry, shipyard and related operations: operation of dangerous goods vehicular ferry service, cruise vessels and ship repairs and maintenance services.
- Travel and hotel operations: hotel operation and management and operation of travel agency services.
- Securities investment: debt and equity securities investments.

Segment information is presented only in respect of the Group's business segments. No geographical analysis is shown as less than 10% of the Group's revenue and profit from operations were derived from activities outside Hong Kong.

Segment results

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

3 SEGMENT INFORMATION (Continued)

The segment information for the years ended 31 December 2012 and 2011 about these reportable segments is presented below:

(a) Segment revenue

	Total revenue		Elimination of inter-segment revenue		Revenue from external customers	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Property development	**252,866**	286,349	**–**	–	**252,866**	286,349
Property investment	**63,288**	56,779	**69**	65	**63,219**	56,714
Ferry, shipyard and related operations	**150,749**	117,960	**3,058**	3,496	**147,691**	114,464
Travel and hotel operations	**144,849**	164,495	**15**	101	**144,834**	164,394
Securities investment	**22,203**	18,672	**–**	–	**22,203**	18,672
Others	**71,080**	68,944	**50,173**	47,294	**20,907**	21,650
	705,035	713,199	**53,315**	50,956	**651,720**	662,243
Analysed by:						
Turnover					**616,181**	635,040
Other revenue					**35,539**	27,203
					651,720	662,243

The principal activities of the Group are property development, property investment, ferry, shipyard and related businesses, travel and hotel operations, and securities investment.

The hotel operation was ceased after the completion of sale of the hotel properties, the Silvermine Beach Hotel, and hotel-related leasehold land, machinery and furniture in September 2011.

Turnover represents gross income from the sale of properties, sales value of goods delivered to customers, income from services rendered, rental income, interest income and dividend income.

3 SEGMENT INFORMATION (Continued)

(b) Segment result

	Reportable segment profit	
	2012	2011
	HK$'000	*HK$'000*
Property development	**135,388**	156,033
Property investment *(note 3(d))*	**257,642**	189,288
Ferry, shipyard and related operations	**28,067**	5,535
Travel and hotel operations	**1,218**	1,992
Securities investment	**(12,660)**	(25,986)
Others *(note 3(e))*	**24,648**	20,936
	434,303	347,798

(c) Reconciliation of reportable segment profit

	2012	2011
	HK$'000	*HK$'000*
Reportable segment profit derived from external customers	**434,303**	347,798
Profit on disposal of hotel properties *(note 5)*	**–**	244,970
Share of profits less losses of associates	**734**	910
Profit before taxation in the consolidated profit and loss account	**435,037**	593,678

(d) The segment result of the property investment included valuation gains on investment properties and investment property held for development of HK$220,510,000 (2011: HK$127,438,000).

(e) The segment result of "Others" mainly comprises interest income, corporate expenses and exchange gains/losses.

3 SEGMENT INFORMATION (Continued)

(f) Other segment information

	Depreciation and amortisation		Impairment loss		Capital expenditure incurred	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Property investment	**18**	25	**456**	113	**2**	21
Ferry, shipyard and related operations	**7,453**	7,625	**226**	2,153	**796**	644
Travel and hotel operations	**186**	1,826	**–**	–	**136**	149
Securities investment	**–**	–	**34,441**	44,834	**–**	–
Others	**781**	740	**–**	–	**178**	903
	8,438	10,216	**35,123**	47,100	**1,112**	1,717

4 OTHER REVENUE AND NET INCOME

	2012	2011
	HK$'000	*HK$'000*
Other revenue		
Management fee income	**8,878**	8,502
Air-conditioning charges income	**6,597**	6,306
Other interest income	**6,262**	2,474
Other income	**13,802**	9,921
	35,539	27,203
Other net income		
Net exchange gains	**8,268**	2,824
Net profit on disposal of investment properties	**3,451**	37,400
Net (loss)/profit on disposal of other property, plant and equipment	**(4)**	42
Net profit on disposal of investment property held for development *(note 14(d))*	**4,172**	–
Net realised and unrealised gains on derivative financial instruments	**–**	682
Income from sale of spare parts	**950**	680
Forfeited deposits	**1,572**	891
Sundry income	**1,050**	1,114
	19,459	43,633

5 DISPOSAL OF HOTEL PROPERTIES

In September 2011, the Group completed the sale of the hotel properties, the Silvermine Beach Hotel, and hotel-related leasehold land, machinery and furniture for a cash consideration of HK$280,800,000. The profit of HK$244,970,000 arising on the sale of the properties was credited to the consolidated profit and loss account for the year ended 31 December 2011.

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Staff costs:

	2012 ***HK$'000***	2011 *HK$'000*
Increase/(decrease) in liability for defined benefit retirement plan *(note 18(a)(v))*	**393**	(102)
Contributions to defined contribution retirement plan	**2,521**	2,518
Total retirement costs	**2,914**	2,416
Salaries, wages and other benefits	**79,608**	79,221
	82,522	81,637

6 PROFIT BEFORE TAXATION (Continued)

(b) Other items:

	2012 HK$'000	2011 HK$'000
Amortisation of leasehold land premium	**1,370**	1,376
Depreciation	**7,068**	8,840
Cost of inventories *(note 19(b))*	**93,236**	132,206
Auditor's remuneration		
– audit services	**1,427**	1,407
– other services	**268**	254
Operating lease charges: minimum lease payments – property rentals	**4,694**	4,673
Impairment losses on trade and other receivables	**682**	2,266
Rentals receivable from investment properties less direct outgoings of HK$25,540,000 (2011: HK$23,065,000)	**(21,814)**	(18,658)
Rentals receivable from operating leases, other than those relating to investment properties, less direct outgoings of HK$923,000 (2011: HK$1,022,000)	**(10,945)**	(8,319)
Interest income	**(26,303)**	(23,815)
Dividend income from listed investments	**(16,758)**	(17,970)

7 INCOME TAX IN THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

(a) Taxation in the consolidated profit and loss account represents:

	2012 HK$'000	2011 HK$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	**26,705**	18,459
Over-provision in respect of prior year	**(17)**	(108)
	26,688	18,351
Deferred tax		
Origination and reversal of temporary differences	**9,994**	10,202
	36,682	28,553

The provision for Hong Kong Profits Tax for 2012 is calculated at 16.5% (2011: 16.5%) of the estimated assessable profits for the year.

7 INCOME TAX IN THE CONSOLIDATED PROFIT AND LOSS ACCOUNT (Continued)

(b) Reconciliation between tax expense and accounting profit at an applicable tax rate:

	2012	2011
	HK$'000	*HK$'000*
Profit before taxation	**435,037**	593,678
Notional tax on profit before taxation, calculated at 16.5%	**71,781**	97,957
Tax effect of non-deductible expenses	**7,241**	8,897
Tax effect of non-taxable income	**(44,753)**	(83,316)
Tax effect of current year's tax losses not recognised	**514**	607
Tax effect of prior years' unrecognised tax losses utilised this year	**(617)**	(340)
Tax effect of prior years' tax losses/temporary differences recognised this year	**–**	(922)
Tax effect of temporary differences on fixed assets	**2,533**	5,778
Over-provision in respect of prior year	**(17)**	(108)
Actual tax expense	**36,682**	28,553

8 DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and Chief Executive's remuneration disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance and Appendix 16 to the Main Board Listing Rules are as follows:

	Directors' fee	
	2012	2011
	HK$'000	*HK$'000*
Executive directors		
Mr. Lam Ko Yin, Colin	**200**	200
Mr. Li Ning	**150**	150
Non-executive directors		
Mr. Au Siu Kee, Alexander	**100**	100
Mr. Lau Yum Chuen, Eddie	**100**	100
Dr. Lee Shau Kee	**100**	100
Mr. Wong Man Kong, Peter	**100**	100
Independent non-executive directors		
Mr. Ho Hau Chong, Norman	**300**	300
Mr. Leung Hay Man*	**143**	100
Ms. Wong Yu Pok, Marina	**300**	300
Mr. Wu King Cheong	**300**	300
	1,793	1,750

	Salaries and other emoluments	
	2012	2011
	HK$'000	*HK$'000*
Group General Manager		
Dr. Ho Chi Shing, David	**3,953**	2,517

* Re-designated from Non-executive Director to Independent Non-executive Director with effect from 15 October 2012.

9 EMOLUMENTS OF FIVE HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT

(a) Five highest paid individuals

Of the five individuals with the highest emoluments, one is a chief executive whose emolument is disclosed in note 8. The aggregate of the emoluments in respect of the remaining four (2011: four) individuals are as follows:

	2012 **HK$'000**	2011 HK$'000
Salaries and other emoluments	**4,023**	3,488
Retirement scheme contributions	**81**	76
	4,104	3,564

The emoluments of the four (2011: four) individuals with the highest emoluments are within the following bands:

HK$	**2012** ***Number of individuals***	2011 *Number of individuals*
1,000,000 or below	**3**	3
1,000,001-1,500,000	**–**	1
1,500,001-2,000,000	**1**	–

(b) Emoluments of senior management

Other than the emoluments of directors, chief executive and five highest paid individuals disclosed in notes 8 and 9(a), the emoluments of the remaining senior management whose profiles are provided in Directors' and Senior Management's Profile fell within the following bands:

HK$	**2012** ***Number of individuals***	2011 *Number of individuals*
500,001-1,000,000	**2**	2

10 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a profit of HK$106,017,000 (2011: HK$98,128,000) which has been dealt with in the accounts of the Company.

Details of dividends paid and payable to equity shareholders of the Company are set out in note 11.

11 DIVIDENDS

(a) Dividends payable to equity shareholders of the Company attributable to the year

	2012	2011
	HK$'000	*HK$'000*
Interim dividend declared and paid of HK10 cents (2011: HK10 cents) per ordinary share	**35,627**	35,627
Final dividend proposed after the balance sheet date of HK26 cents (2011: HK26 cents) per ordinary share	**92,631**	92,631
	128,258	128,258

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2012	2011
	HK$'000	*HK$'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of HK26 cents (2011: HK26 cents) per ordinary share	**92,631**	92,631

12 OTHER COMPREHENSIVE INCOME

Components of other comprehensive income, including reclassification adjustments

	2012	2011
	HK$'000	*HK$'000*
Available-for-sale securities		
Changes in fair value recognised during the year	**116,297**	(178,216)
Reclassification adjustments for amounts transferred to profit or loss:		
– impairment losses	**34,441**	44,834
Net movement in the securities revaluation reserve during the year recognised in other comprehensive income	**150,738**	(133,382)

13 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK$398,355,000 (2011: HK$565,125,000) and 356,273,883 (2011: 356,273,883) ordinary shares in issue during the year.

There were no dilutive potential ordinary shares in existence during the years 2012 and 2011, therefore diluted earnings per share are the same as basic earnings per share for both years.

14 FIXED ASSETS

The Group

	Hotel properties HK$'000	Buildings HK$'000	Ferry vessels and other crafts HK$'000	Machinery, furniture and others HK$'000	Sub-total HK$'000	Investment properties HK$'000	Investment property held for development HK$'000	Interest in leasehold land HK$'000	Total HK$'000
Cost or valuation:									
At 1 January 2011	69,211	70,364	131,337	283,859	554,771	914,650	99,000	160,084	1,728,505
Additions	–	89	78	1,550	1,717	–	–	–	1,717
Cost adjustment *(Note)*	–	–	–	–	–	(1,888)	–	–	(1,888)
Disposals	(69,211)	(238)	(44)	(7,864)	(77,357)	(20,800)	–	(677)	(98,834)
Valuation gains	–	–	–	–	–	118,438	9,000	–	127,438
At 31 December 2011	–	70,215	131,371	277,545	479,131	1,010,400	108,000	159,407	1,756,938
Representing:									
Cost	–	70,215	131,371	277,545	479,131	–	–	159,407	638,538
Valuation	–	–	–	–	–	1,010,400	108,000	–	1,118,400
	–	70,215	131,371	277,545	479,131	1,010,400	108,000	159,407	1,756,938
Accumulated amortisation and depreciation:									
At 1 January 2011	36,047	58,075	124,603	216,043	434,768	–	–	109,723	544,491
Charge for the year	1,285	658	1,854	5,043	8,840	–	–	1,376	10,216
Written back on disposals	(37,332)	–	(44)	(6,785)	(44,161)	–	–	(307)	(44,468)
At 31 December 2011	–	58,733	126,413	214,301	399,447	–	–	110,792	510,239
Net book value:									
At 31 December 2011	–	11,482	4,958	63,244	79,684	1,010,400	108,000	48,615	1,246,699

14 FIXED ASSETS (Continued)

The Group (Continued)

	Buildings HK$'000	Ferry vessels and other crafts HK$'000	Machinery, furniture and others HK$'000	Sub-total HK$'000	Investment properties HK$'000	Investment property held for development HK$'000	Interest in leasehold land HK$'000	Total HK$'000
Cost or valuation:								
At 1 January 2012	70,215	131,371	277,545	479,131	1,010,400	108,000	159,407	1,756,938
Additions	126	272	714	1,112	–	–	–	1,112
Cost adjustment *(Note)*	–	–	–	–	485	–	–	485
Disposals	(121)	–	(255)	(376)	(8,595)	(148,000)	–	(156,971)
Valuation gains	–	–	–	–	180,510	40,000	–	220,510
At 31 December 2012	70,220	131,643	278,004	479,867	1,182,800	–	159,407	1,822,074
Representing:								
Cost	70,220	131,643	278,004	479,867	–	–	159,407	639,274
Valuation	–	–	–	–	1,182,800	–	–	1,182,800
	70,220	131,643	278,004	479,867	1,182,800	–	159,407	1,822,074
Accumulated amortisation and depreciation:								
At 1 January 2012	58,733	126,413	214,301	399,447	–	–	110,792	510,239
Charge for the year	605	1,663	4,800	7,068	–	–	1,370	8,438
Written back on disposals	(121)	–	(251)	(372)	–	–	–	(372)
At 31 December 2012	59,217	128,076	218,850	406,143	–	–	112,162	518,305
Net book value:								
At 31 December 2012	11,003	3,567	59,154	73,724	1,182,800	–	47,245	1,303,769

Note: Cost adjustment represents the revision of the original construction cost of the properties completed in prior years, confirmed by the surveyor during the years ended 31 December 2012 and 2011.

14 FIXED ASSETS (Continued)

(a) Investment properties held by the Group were revalued at 31 December 2012, on a market value basis in their existing states calculated by means of capitalisation of the net income allowing for reversionary income potential and where appropriate by reference to comparable market transactions. The valuations were carried out by an independent firm of surveyors, DTZ Debenham Tie Leung Limited, who have among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued.

(b) The analysis of the net book value of all the properties, which are held in Hong Kong, is as follows:

	The Group	
	2012	2011
	HK$'000	*HK$'000*
Medium-term leases	**1,241,048**	1,070,497
Long leases	**–**	108,000
	1,241,048	1,178,497

(c) The Group leases out investment properties under operating leases. The leases typically run for an initial period of one month to three years, with an option to renew the lease after that date at which time all terms are renegotiated. Certain of the leases include contingent rentals calculated with reference to the revenue of tenants.

All properties held under operating leases that would otherwise meet the definition of investment properties are classified as investment properties.

The Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2012	2011
	HK$'000	*HK$'000*
Within 1 year	**32,108**	17,617
After 1 year but within 5 years	**25,802**	9,176
After 5 years	**1,594**	–
	59,504	26,793

(d) In September 2012, the Group completed the sale of property located at 52-56 Kwun Chung Street for a consideration of HK$155,000,000. The profit of HK$4,172,000 arising on the sale of property was credited to the consolidated profit and loss account.

15 INTEREST IN SUBSIDIARIES

	The Company	
	2012	2011
	HK$'000	*HK$'000*
Unlisted shares, at cost	**166,888**	166,888
Amounts due from subsidiaries	**4,987,370**	4,981,053
Less: Impairment losses	**(694,098)**	(801,790)
	4,460,160	4,346,151

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment. The balances are not expected to be recovered within one year.

The amounts due to subsidiaries are unsecured, interest-free and repayable on demand.

Details of the principal subsidiaries at 31 December 2012, which materially affect the results, assets or liabilities of the Group, are as follows:

		Proportion of ownership interests		
	Particulars of issued and paid up capital *HK$*	**Held by the Company**	**Held by subsidiaries**	**Principal activities**
HYFCO Development Company, Limited	12,000,030	100%	–	Property investment
The Hong Kong Shipyard Limited	17,000,000	100%	–	Shipbuilding and repairs
HYFCO Trading and Investments Company Limited	2	100%	–	Trading
HYFCO Estate Management & Agency Limited	25,000,000	100%	–	Property management
HYFCO Travel Agency Limited	3,500,000	100%	–	Travel business
The Hongkong and Yaumati Ferry Company Limited	100,000,000	100%	–	Ferry operations

15 INTEREST IN SUBSIDIARIES (Continued)

	Particulars of issued and paid up capital *HK$*	Proportion of ownership interests: Held by the Company	Proportion of ownership interests: Held by subsidiaries	Principal activities
Galaxy Hotel Management Company Limited	1,350,000	–	100%	Floating restaurant business
Genius Star Development Limited	2	100%	–	Property investment
Pico International Limited	6,000,000	100%	–	Investment holding
Hong Kong Ferry Finance Company Limited	2	100%	–	Group financing
Thommen Limited	20	100%	–	Investment holding
Lenfield Limited	2	100%	–	Property development, investment and financing
HKF Property Investment Limited	2	100%	–	Property investment
Join Galaxy Limited	2	–	100%	Property investment and financing
Merry World Assets Limited	390,000	100%	–	Investment holding
Star Unity Limited	1	100%	–	Property development and investment
Jet Legend Limited	1	100%	–	Property development
World Light Limited	1	100%	–	Property development
Well Dynamic Limited	1	100%	–	Property development

15 INTEREST IN SUBSIDIARIES (Continued)

All the subsidiaries listed above are incorporated in Hong Kong except for Merry World Assets Limited which is incorporated in the British Virgin Islands.

Except for HYFCO Travel Agency Limited which operates outbound tours in the Mainland China and Macau, all the other subsidiaries operate in Hong Kong.

16 INTEREST IN ASSOCIATES

	The Group		The Company	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Unlisted shares, at cost	**–**	–	**–**	–
Share of net assets	**6,055**	5,321	**–**	–
Amounts due from associates	**22,461**	26,539	**9,372**	9,372
	28,516	31,860	**9,372**	9,372
Less: Impairment loss	**(6,470)**	(6,470)	**(6,470)**	(6,470)
	22,046	25,390	**2,902**	2,902

Except for the amount advanced to 2OK Company Limited ("2OK") which is interest-bearing at Hong Kong dollar prime rate minus 3% (2011: Hong Kong dollar prime rate minus 3%) per annum, as disclosed in note 29(b)(ii), all of the amounts due from associates are unsecured, interest-free and have no fixed terms of repayment. All the amounts due from associates are neither past due nor impaired and are not expected to be recovered within one year.

Details of the associates at 31 December 2012 are as follows:

	Particulars of issued and paid up capital	**Proportion of ownership interest held by subsidiaries**	**Principal activities**
2OK	10 ordinary shares of HK$1 each	50%	Property financing
Authian Estates Limited	5,000 A shares of HK$1 each 5,000 B shares of HK$1 each	50%	Property investment
Winwide Limited	100 ordinary shares of HK$1 each	30%	Trading

All of the associates are incorporated and operate in Hong Kong.

16 INTEREST IN ASSOCIATES (Continued)

Summary financial information on associates

	Assets	Liabilities	Equity	Revenues	Profit
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2012					
Group's effective interest	**19,091**	**(13,036)**	**6,055**	**3,725**	**734**
2011					
Group's effective interest	22,456	(17,135)	5,321	3,957	910

17 AVAILABLE-FOR-SALE SECURITIES

	The Group		The Company	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Unlisted shares	**45**	45	**45**	45
Listed debt securities	**134,585**	13,781	**–**	–
Listed shares				
– in Hong Kong	**416,859**	325,849	**–**	–
– outside Hong Kong	**160,147**	148,016	**–**	–
	577,006	473,865	**–**	–
	711,636	487,691	**45**	45
Market value of listed securities at 31 December	**711,591**	487,646	**–**	–
Fair value of individually impaired available-for-sale securities	**50,111**	51,866	**–**	–

As at 31 December 2012, the Group's available-for-sale securities were individually determined to be impaired on the basis of a material decline in their fair value below cost and adverse changes in the market in which these investees operated which indicated that the cost of the Group's investment in them may not be recovered. Impairment losses of HK$34,441,000 (2011: HK$44,834,000) on these investments were recognised in profit or loss in accordance with the policy set out in note 1(k)(i).

18 EMPLOYEE BENEFITS ASSETS

(a) Defined benefit retirement plan

The Group makes contributions to a defined benefit retirement plan which covers about 15.1% (2011: 17.5%) of the Group's employees. The plan is administered by independent trustees with their assets held separately from those of the Group.

The plan is funded by contributions from the Group in accordance with an independent actuary's recommendations based on annual actuarial valuations. The latest independent actuarial valuation of the plan was at 31 December 2012 and was prepared by qualified staff of Towers Watson Hong Kong Limited, who are members of recognised actuarial bodies, using the projected unit credit method. The actuarial valuation indicates that the Group's obligations under the defined benefit retirement plan were fully covered by the plan assets held by the trustees.

(i) The amounts recognised in the balance sheets are as follows:

	The Group and the Company	
	2012	2011
	HK$'000	*HK$'000*
Present value of wholly or partly funded obligations	**(41,746)**	(38,811)
Fair value of plan assets	**46,548**	44,015
Net unrecognised actuarial losses	**5,994**	5,985
	10,796	11,189

The plan assets do not include any share issued by the Company or any property occupied by the Group.

A portion of the above liability is expected to be settled after more than one year. However, it is not practicable to segregate this amount from the amounts payable in the next twelve months, as future contributions will also relate to future services rendered and future changes in actuarial assumptions and market conditions. The Group does not expect to pay contributions to defined benefit retirement plan in 2013.

18 EMPLOYEE BENEFITS ASSETS (Continued)

(a) Defined benefit retirement plan (Continued)

(ii) Plan assets consist of the following:

	The Group and the Company	
	2012	2011
Equity securities	**29.5%**	21.5%
Fixed deposits	**70.5%**	78.5%
Total	**100.0%**	100.0%

The plan target asset allocation is 25% in equity securities and 75% in fixed deposits. The expected long-term annual return of equity securities and fixed deposits are determined to be approximately 4% per annum.

(iii) Movements in the present value of the defined benefit obligations:

	The Group and the Company	
	2012	2011
	HK$'000	*HK$'000*
At 1 January	**38,811**	35,711
Current service cost	**1,430**	1,447
Interest cost	**494**	993
Benefits paid by the plan	**(2,267)**	(3,383)
Actuarial losses	**3,278**	4,043
At 31 December	**41,746**	38,811

18 EMPLOYEE BENEFITS ASSETS (Continued)

(a) Defined benefit retirement plan (Continued)

(iv) Movements in plan assets:

	The Group and the Company	
	2012	2011
	HK$'000	*HK$'000*
At 1 January	**44,015**	51,085
Actuarial expected return on plan assets	**1,729**	2,542
Benefits paid by the plan	**(2,267)**	(3,383)
Actuarial gains/(losses)	**3,071**	(6,229)
At 31 December	**46,548**	44,015

(v) Expense/(income) recognised in the consolidated profit and loss account is as follows:

	2012	2011
	HK$'000	*HK$'000*
Current service cost	**1,430**	1,447
Interest cost	**494**	993
Actuarial expected return on plan assets	**(1,729)**	(2,542)
Net actuarial loss recognised	**198**	–
	393	(102)

The above expense/(income) is recognised in the following item in the consolidated profit and loss account:

	2012	2011
	HK$'000	*HK$'000*
Debited/(credited) to administrative expenses	**393**	(102)

The actual return on plan assets of the Group (taking into account all changes in the fair value of the plan assets excluding contributions paid and received) was net profit of HK$4,800,000 (2011: net loss of HK$3,687,000).

18 EMPLOYEE BENEFITS ASSETS (Continued)

(a) Defined benefit retirement plan (Continued)

(vi) The principal actuarial assumptions used at 31 December 2012 (expressed as weighted averages) are as follows:

	The Group and the Company	
	2012	2011
Discount rate	**0.5%**	1.3%
Expected rate of return on plan assets	**4%**	4%
Future salary increases		
– 2012	**–**	3%
– 2013 and onwards	**3%**	3%

Historical information

	The Group and the Company				
	2012	2011	2010	2009	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Present value of the defined benefit obligations	**(41,746)**	(38,811)	(35,711)	(35,188)	(40,002)
Less: Fair value of plan assets	**46,548**	44,015	51,085	51,358	51,549
Surplus in the plan	**4,802**	5,204	15,374	16,170	11,547
Experience losses/(gains) on plan liabilities	**1,279**	607	178	(261)	(3)
Experience (gains)/losses on plan assets	**(3,071)**	6,229	1,805	(857)	14,145

18 EMPLOYEE BENEFITS ASSETS (Continued)

(b) Defined contribution retirement plan

The Group also operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not covered by the defined benefit retirement plan. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employers and their employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$25,000 (HK$20,000 prior to June 2012). Contributions to the MPF Scheme vest immediately.

19 INVENTORIES

(a) Inventories in the consolidated balance sheet comprise:

	2012	2011
	HK$'000	*HK$'000*
Property development		
Properties under development for sale	**2,360,533**	2,049,533
Completed properties held for sale	**71,980**	143,926
	2,432,513	2,193,459
Other operations		
Trading stocks	**1,382**	296
Spare parts and consumables	**2,577**	3,160
Work in progress	**6,967**	5,356
	10,926	8,812
	2,443,439	2,202,271

The above properties are situated in Hong Kong and held under medium-term leases.

The amount of properties under development for sale expected to be completed after more than one year is HK$649,291,000 (2011: HK$2,049,533,000). All of the other inventories are expected to be recovered within one year.

19 INVENTORIES (Continued)

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2012 **HK$'000**	2011 *HK$'000*
Carrying amount of inventories sold	**93,236**	132,206

20 TRADE AND OTHER RECEIVABLES

	The Group		**The Company**	
	2012 **HK$'000**	2011 *HK$'000*	**2012** **HK$'000**	2011 *HK$'000*
Trade receivables	**168,803**	159,071	**–**	–
Less: allowance for doubtful debts	**(497)**	(2,266)	**–**	–
	168,306	156,805	**–**	–
Other receivables and prepayments	**34,790**	92,206	**2,370**	2,073
	203,096	249,011	**2,370**	2,073

All of the trade and other receivables except for instalment receivables of HK$108,046,000 (2011: HK$82,810,000) are expected to be recovered or recognised as expense within one year.

20 TRADE AND OTHER RECEIVABLES (Continued)

(a) Ageing analysis

Included in trade and other receivables are trade debtors (net of allowance for doubtful debts) with the following ageing analysis at the balance sheet date:

	The Group	
	2012	2011
	HK$'000	*HK$'000*
Current	**148,143**	147,958
1 to 3 months overdue	**16,744**	6,929
More than 3 months but less than 12 months overdue	**2,271**	759
More than 12 months overdue	**1,148**	1,159
	168,306	156,805

Trade debtors are due ranging from 7 to 45 days from the date of billing. Debtors with balances that are more than 60 days overdue are generally required to settle all outstanding balances before any further credit is granted. Further details on the Group's credit policy are set out in note 25(a).

(b) Impairment of trade debtors

Impairment losses in respect of trade debtors are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly (see note 1(k)(i)).

The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

	The Group	
	2012	2011
	HK$'000	*HK$'000*
At 1 January	**2,266**	31
Impairment loss recognised	**682**	2,266
Uncollectible amounts written off	**(2,451)**	(31)
At 31 December	**497**	2,266

20 TRADE AND OTHER RECEIVABLES (Continued)

(b) Impairment of trade debtors (Continued)

At 31 December 2012, the Group's trade debtors of HK$497,000 (2011: HK$2,266,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowances for doubtful debts of HK$497,000 (2011: HK$2,266,000) were recognised.

(c) Trade debtors that are not impaired

The ageing analysis of trade debtors that are neither individually nor collectively considered to be impaired are as follows:

	The Group	
	2012	2011
	HK$'000	*HK$'000*
Neither overdue nor impaired	**148,143**	147,958
1 to 3 months overdue	**16,744**	6,929
More than 3 months but less than 12 months overdue	**2,271**	759
More than 12 months overdue	**1,148**	1,159
	20,163	8,847
	168,306	156,805

Receivables that were neither overdue nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were overdue but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

21 CASH AND CASH EQUIVALENTS

(a)

	The Group		The Company	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Deposits with banks and other financial institutions	**822,535**	658,938	**–**	–
Cash at bank and in hand	**14,495**	25,875	**560**	1,802
	837,030	684,813	**560**	1,802

Included in cash and cash equivalents are the following amounts denominated in a currency other than Hong Kong dollars:

	The Group				The Company			
		2012		2011		**2012**		2011
		'000		*'000*		***'000***		*'000*
United States dollars	**USD**	**4**	USD	4	**USD**	**4**	USD	4
Australian dollars	**AUD**	**29,228**	AUD	37,856		**–**		–
Renminbi	**RMB**	**64,320**	RMB	98,497		**–**		–

(b) Major non-cash transactions

During the year, the Group has payable in relation to addition of properties under development for sale of HK$178,532,000 (2011: HK$14,830,000). These additions have no cash flow impact to the Group.

22 TRADE AND OTHER PAYABLES

All of the trade and other payables are expected to be settled or recognised as income within one year except for an amount of HK$6,684,000 of the Group (2011: HK$4,149,000).

Included in trade and other payables are trade payables with the following ageing analysis at the balance sheet date:

	The Group	
	2012	2011
	HK$'000	*HK$'000*
Due within 1 month or on demand	**294,592**	96,525
Due after 1 month but within 3 months	**45**	179
Due after 3 months but within 12 months	**–**	650
More than 12 months	**1**	–
	294,638	97,354

23 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET

(a) Tax (recoverable)/payable in the consolidated balance sheet represents:

	2012	2011
	HK$'000	*HK$'000*
Provision for Hong Kong Profits Tax for the year	**26,705**	18,459
Provisional Profits Tax paid	**(15,576)**	(15,734)
	11,129	2,725
Balance of Hong Kong Profits Tax recoverable relating to prior years	**(2,095)**	(2,163)
	9,034	562

Represented by:

	2012	2011
	HK$'000	*HK$'000*
Tax recoverable	**(30,677)**	(31,655)
Tax payable	**39,711**	32,217
	9,034	562

23 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET (Continued)

(b) Deferred tax assets and liabilities recognised:

The components of deferred tax (assets)/liabilities recognised in the consolidated balance sheet and the movements during the year are as follows:

Deferred tax arising from:	Temporary differences arising from fixed assets	Future benefit of tax losses	Intra-group interest capitalised in properties under development	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2011	12,539	(13,210)	(6,020)	(6,691)
Charged to profit or loss *(note 7(a))*	5,474	2,162	2,566	10,202
At 31 December 2011 and 1 January 2012	**18,013**	**(11,048)**	**(3,454)**	**3,511**
Charged to profit or loss *(note 7(a))*	**8,737**	**1,117**	**140**	**9,994**
At 31 December 2012	**26,750**	**(9,931)**	**(3,314)**	**13,505**

	The Group	
	2012	2011
	HK$'000	*HK$'000*
Represented by:		
Net deferred tax asset recognised in the consolidated balance sheet	**(7,482)**	(5,961)
Net deferred tax liability recognised in the consolidated balance sheet	**20,987**	9,472
	13,505	3,511

23 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET (Continued)

(c) Deferred tax assets not recognised:

In accordance with the accounting policy set out in note 1(q), the Group has not recognised the following deferred tax assets in respect of deductible temporary differences and cumulative tax losses as it is not probable that future taxable profits against which the deductible temporary differences and tax losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses do not expire under current tax legislation.

	2012		2011	
	Deductible temporary differences/ tax losses	**Deferred tax assets**	Deductible temporary differences/ tax losses	Deferred tax assets
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
(i) Excess of tax written down values over accounting carrying values of certain fixed assets	**1,523**	**251**	149	25
(ii) Tax losses	**70,307**	**11,601**	68,281	11,266
	71,830	**11,852**	68,430	11,291

24 CAPITAL AND RESERVES

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Note	**Share capital** *HK$'000* *(note 24(b))*	**Share premium** *HK$'000*	**Retained profits** *HK$'000*	**Total** *HK$'000*
Balance at 1 January 2011		356,274	1,398,527	2,030,919	3,785,720
Changes in equity for 2011:					
Profit and total comprehensive income for the year		–	–	98,128	98,128
Dividends approved in respect of the previous year	*11*	–	–	(92,631)	(92,631)
Dividends declared in respect of the current year	*11*	–	–	(35,627)	(35,627)
Balance at 31 December 2011 and 1 January 2012		**356,274**	**1,398,527**	**2,000,789**	**3,755,590**
Changes in equity for 2012:					
Profit and total comprehensive income for the year		**–**	**–**	**106,017**	**106,017**
Dividends approved in respect of the previous year	*11*	**–**	**–**	**(92,631)**	**(92,631)**
Dividends declared in respect of the current year	*11*	**–**	**–**	**(35,627)**	**(35,627)**
Balance at 31 December 2012		**356,274**	**1,398,527**	**1,978,548**	**3,733,349**

24 CAPITAL AND RESERVES (Continued)

(b) Share capital

	Number of shares		Nominal value	
	2012	2011	**2012**	2011
			HK$'000	*HK$'000*
Authorised:				
Ordinary shares of HK$1 each	**550,000,000**	550,000,000	**550,000**	550,000
Issued and fully paid:				
Ordinary shares of HK$1 each	**356,273,883**	356,273,883	**356,274**	356,274

There was no movement in share capital during the years ended 31 December 2012 and 2011.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(c) Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by Section 48B of the Hong Kong Companies Ordinance.

(ii) Securities revaluation reserve

The securities revaluation reserve comprises the cumulative net change in the fair value of available-for-sale securities held at the balance sheet date and is dealt with in accordance with the accounting policies adopted for the revaluation of securities (see note 1(f)).

(iii) Other capital reserves

The other capital reserves comprise the unrealised profit on inter-company interest capitialised under investment properties.

24 CAPITAL AND RESERVES (Continued)

(d) Distributability of reserves

The distributable reserves of the Company at 31 December 2012 amounted to HK$1,511,098,000 (2011: HK$1,533,293,000), as calculated under the provisions of Section 79B of the Hong Kong Companies Ordinance. After the balance sheet date the directors proposed a final dividend of HK26 cents (2011: HK26 cents) per ordinary share, amounting to HK$92,631,000 (2011: HK$92,631,000) (see note 11). This dividend has not been recognised as a liability at the balance sheet date.

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern and ensure that it maintains a healthy capital ratio in order to support its business and provide returns for shareholders.

The Group actively and regularly reviews and manages its capital structure under the policy of prudent financial management. The Group maintains a financially sound capital position and, where appropriate, makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2012 and 2011.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities and movements in its own equity share price.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to bank deposits, trade and other receivables and derivative financial instruments. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(a) Credit risk (Continued)

Cash is deposited with financial institutions with sound credit ratings and the Group has exposure limit to any single financial institution. Transactions involving derivative financial instruments are also executed with counterparties of sound credit standing. Given their high credit ratings, management does not expect any of these financial institutions will fail to meet their obligations.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due ranging from 7 to 45 days from the date of billing. Debtors with balances that are more than 60 days overdue are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is not influenced by the individual characteristics of each customer as the Group does not have a certain concentration of credit risk of the total trade and other receivables.

Investments are normally only in liquid securities quoted on a recognised stock exchange, except where entered into for long term strategic purposes. Transactions involving derivative financial instruments are with counterparties of sound credit standing and with whom the group has a signed netting agreement. Given their high credit standing, management does not expect any investment counterparty to fail to meet its obligations.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheets. Except for the financial guarantees given by the Group as set out in note 28, the Group does not provide any other guarantees to third parties which would expose the Group to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 20.

(b) Liquidity risk

The treasury functions of the Group is centralised at the head office. Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loan to cover expected cash demands, subject to approval by the Company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements, to ensure that it maintains sufficient reserves of cash from major financial institutions to meet its liquidity requirements in the short and longer term.

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(b) Liquidity risk (Continued)

The following table details the remaining contractual maturities at the balance sheet date of the Group's and the Company's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates at the balance sheet date) and the earliest date the Group and the Company can be required to pay:

The Group

	2012 Contractual undiscounted cash outflow						2011 Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at 31 December	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	Carrying amount at 31 December
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade and other payables	349,917	3,875	1,913	896	356,601	356,601	170,233	2,628	1,521	174,382	174,382

The Company

	2012 Contractual undiscounted cash outflow			2011 Contractual undiscounted cash outflow		
	Within 1 year or on demand	Total	Carrying amount at 31 December	Within 1 year or on demand	Total	Carrying amount at 31 December
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amounts due to subsidiaries	736,841	736,841	736,841	600,731	600,731	600,731
Trade and other payables	6,643	6,643	6,643	7,841	7,841	7,841
	743,484	743,484	743,484	608,572	608,572	608,572

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(c) Currency risk

The Group is exposed to currency risk primarily through cash and cash equivalents that are denominated in a currency other than the Hong Kong dollars. The currencies giving rise to this risk are primarily Australian dollars and Renminbi.

In respect of cash and cash equivalents denominated in Australian dollars and Renminbi, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

Other than the above, the Group has no significant exposure to foreign currency risk given its large asset base and operational cash flow primarily denominated in Hong Kong dollars.

Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise if foreign exchange rates to which the Group has significant exposure at the balance sheet date had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies.

The Group

	2012		2011	
	Increase/ (decrease) in foreign exchange rates	**Effect on profit after tax and retained profits** *HK$'000*	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits *HK$'000*
Australian dollars	**10%**	**23,570**	10%	29,891
	(10%)	**(23,570)**	(10%)	(29,891)
Renminbi	**10%**	**7,933**	10%	12,135
	(10%)	**(7,933)**	(10%)	(12,135)

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(c) Currency risk (Continued)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profits after tax and equity measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the balance sheet date for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the balance sheet date. The analysis is performed on the same basis for 2011.

(d) Equity price risk

The Group is exposed to equity price change arising from equity investments classified as available-for-sale securities (see note 17). Other than unquoted securities held for strategic purpose, all of these investments are listed.

Listed investments held in the available-for-sale securities portfolio have been chosen based on their longer term growth potential and are monitored regularly for performance against expectations.

Sensitivity analysis

At 31 December 2012, it is estimated that an increase/decrease of 10% (2011: 10%) in the market prices of the investments in available-for-sale securities, with all other variables held constant would have increased/decreased the securities revaluation reserve by approximately HK$71,159,000 (2011: HK$48,765,000).

The sensitivity analysis indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise assuming that the changes in the stock market index or other relevant risk variables had occurred at the balance sheet date and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the balance sheet date. The analysis is performed on the same basis for 2011.

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(e) Fair values

(i) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at the balance sheet date across the three levels of the fair value hierarchy defined in HKFRS 7, *Financial instruments: Disclosures*, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

– Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments

– Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data

– Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

The Group

Assets	Level 1 *HK$'000*	Level 2 *HK$'000*	Level 3 *HK$'000*	Total *HK$'000*
2012				
Available-for-sale securities:				
– Listed	**711,591**	**–**	**–**	**711,591**
2011				
Available-for-sale securities:				
– Listed	487,646	–	–	487,646

During the years ended 31 December 2012 and 2011, there were no transfers between instruments in Level 1 and there were no financial instruments categorised in Level 2 and Level 3.

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(e) Fair values (Continued)

(ii) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values at 31 December 2012 and 2011 except as follows:

	Note	**2012** Carrying amount *HK$'000*	**2012** Fair value *HK$'000*	2011 Carrying amount *HK$'000*	2011 Fair value *HK$'000*
The Group					
Amounts due from associates	*(1)*	**5,131**	**–**	5,131	–
Available-for-sale securities:					
– Unlisted	*(2)*	**45**	**–**	45	–
The Company					
Amounts due from associates	*(1)*	**2,902**	**–**	2,902	–
Available-for-sale securities:					
– Unlisted	*(2)*	**45**	**–**	45	–
Amounts due from subsidiaries	*(3)*	**4,987,370**	**–**	4,981,053	–

Notes:

(1) The amounts due from associates (except for HK$10,860,000 (2011: HK$14,938,000), due from 2OK) are unsecured, interest-free and have no fixed terms of repayment. Given these terms it is not meaningful to disclose their fair values.

(2) These investments do not have a quoted market price in an active market and whose fair value cannot be realiably measured. They are recognised at cost less impairment losses.

(3) The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment. Given these terms it is not meaningful to disclose their fair values.

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(f) Estimation of fair values

The following summaries the major method and assumption used in estimating the fair values of financial instruments.

(i) Listed securities

Fair value is based on quoted market prices at the balance sheet date without any deduction for transaction costs.

26 OPERATING LEASE COMMITMENTS

At 31 December 2012, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2012	2011
	HK$'000	*HK$'000*
Within 1 year	**4,388**	5,003
After 1 year but within 5 years	**924**	1,977
	5,312	6,980

The Group leases a number of retail outlets and offices under operating leases. The leases typically run for an initial period of two years. Lease payments are usually fixed during the period of the leases. None of the leases includes contingent rentals.

27 CAPITAL AND OTHER COMMITMENTS

Capital and other commitments outstanding at 31 December 2012 not provided for in the Group's consolidated accounts were as follows:

	2012	2011
	HK$'000	*HK$'000*
Contracted for	**871,648**	1,101,366
Authorised but not contracted for	**131,418**	–
	1,003,066	1,101,366

28 CONTINGENT LIABILITIES

Financial guarantees issued

At 31 December 2012, the Company has issued the following guarantees:

(a) guarantees to certain suppliers in respect of granting or giving credit facilities to its wholly-owned subsidiaries; and

(b) guarantees to banks in respective of banking facilities granted to its wholly-owned subsidiaries.

Under the guarantees, the Company is liable to the amount due from the subsidiaries to these respective parties in the event of any default and its liability shall at no time exceed the sum stated on the letters of guarantee.

At the balance sheet date, the directors do not consider it probable that a claim will be made against the Company under any of the guarantees. The maximum liability of the Company at the balance sheet date under the guarantees issued above is the outstanding amount due to the relevant suppliers by its wholly-owned subsidiaries, being HK$1,115,000 (2011: HK$1,762,000).

The Company has not recognised any deferred income in respect of the guarantees issued as its fair value cannot be reliably measured using observable market data and its transaction price was HK$Nil.

29 MATERIAL RELATED PARTY AND CONNECTED TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to certain of the Company's directors, chief executive and the highest paid employees as disclosed in notes 8 and 9 respectively, is as follows:

	2012 ***HK$'000***	2011 *HK$'000*
Short-term employee benefits	**6,704**	4,999
Post-employment benefits	**–**	40
	6,704	5,039

Total remuneration is included in "staff costs" (see note 6(a)).

29 MATERIAL RELATED PARTY AND CONNECTED TRANSACTIONS (Continued)

(b) Other material related party and connected transactions

(i) In 1998, the Group appointed a wholly-owned subsidiary of Henderson Land Development Company Limited ("HLD") as the development and sales manager (the "Project Manager") for the redevelopment of Metro Harbour View, Kowloon Inland Lot No. 11127 (the "MHV Property") in consideration for a fee equivalent to the aggregate of 1% of the construction cost and 0.5% of the gross proceeds of sale of the residential portion of the redevelopment. At 31 December 2012, an amount of HK$18,000,000 (2011: HK$18,000,000) payable to the Project Manager was included in trade and other payables.

In 1999, the Group entered into a development agreement (the "Agreement") with HLD and two wholly-owned subsidiaries of HLD ("HLD Sub"), whereby HLD Sub acquired the right to 50% of any proceeds from the future sale of the residential portion of the redevelopment for a consideration of HK$1,500,000,000.

As part of the Agreement, HLD Sub agreed to reimburse the Group 50% of its development expenditures relating to the residential portion of the MHV Property. At 31 December 2012, an amount of HK$7,957,000 (2011: HK$7,997,000) remained unpaid and was included in trade and other receivables.

(ii) In December 2001, a wholly-owned subsidiary of the Company acquired 50% equity interest in 2OK Company Limited ("2OK") which was set up to provide mortgage loans to the residential unit buyers of the MHV Property. HLD through its subsidiaries beneficially owned the remaining 50% equity interest in 2OK at 31 December 2012. During the year, the Group received management and administrative fees in the total of HK$380,000 (2011: HK$500,000) from 2OK. The Group and HLD Sub have made advances to 2OK to finance the latter's mortgage operation and interest was charged on amounts advanced. During the year, the Group received interest amounting to HK$245,000 (2011: HK$420,000) from 2OK. At 31 December 2012, the amount advanced by the Group totalling HK$10,860,000 (2011: HK$14,938,000) is in proportion to the Group's equity interest in 2OK and is unsecured and has no fixed repayment terms.

(iii) In December 2002, the Group appointed the Project Manager as the leasing and promotion agent of the commercial arcade of the MHV Property, Metro Harbour Plaza ("MHP"), for an initial term of two years at the remuneration of 5% of the monthly rental income from MHP and such agreement shall thereafter be renewable on the same terms from year to year until terminated by either party by giving three months' prior notice in writing. An amount of HK$1,452,000 (2011: HK$1,277,000) was charged to the Group for the year. At 31 December 2012, an amount of HK$779,000 (2011: HK$697,000) remained unpaid and was included in trade and other payables.

As the aforementioned agreement was renewable on the yearly basis until terminated by either party, the Group had monitored the receipt of the funds during the year.

29 MATERIAL RELATED PARTY AND CONNECTED TRANSACTIONS (Continued)

(b) Other material related party and connected transactions (Continued)

(iv) In May 2006, the Group appointed a wholly-owned subsidiary of HLD as the project manager for the development of Shining Heights, Nos. 220-222 Tai Kok Tsui Road, Kowloon, Hong Kong (the "TKT Property") for a term of three years commencing from 1 April 2006 in consideration for a fee equivalent to the aggregate of 1% of the construction cost, and other lump sum fees for supplementary services, subject to a total annual ceiling of HK$3,033,000 up to the period end of 31 March 2009. In September 2009, the project management agreement extension letter was signed which all the terms and conditions remain unchanged except to extend the period of payment for the respective ceiling of HK$3,000,000 and HK$3,000,000 for the nine months ended 31 December 2009 and year ended 31 December 2010 respectively. At 31 December 2011, an amount of HK$8,500,000 remained unpaid and was included in trade and other payables. The balance has been repaid during the year.

(v) In May 2006, the Group also appointed another wholly-owned subsidiary of HLD as the main contractor for a fee of 5% on all works relating to the development of the TKT Property. The aggregate of the cost of works carried out by the main contractor or any connected persons (as defined in the Listing Rules) of the Group together with the 5% fee shall be subject to a total annual ceiling of HK$16,000,000 up to the period end of 31 March 2009. In September 2009, the prime cost contract extension letter was signed which all the terms and conditions remain unchanged except to extend the period of payment for the respective ceiling of HK$5,500,000 and HK$6,500,000 for the nine months ended 31 December 2009 and year ended 31 December 2010 respectively.

During the year ended 31 December 2012, as a result of change in the latest cost estimates, amounts of HK$6,854,000 and HK$343,000, represented a corresponding adjustment in fees, were credited to the Group in relation to the superstructure work of the development and the 5% fee on all works relating to the development of the TKT Property. During the year ended 31 December 2011, there was no change in cost estimates. At 31 December 2012, an amount of HK$2,294,000 (2011: HK$9,491,000), which included amounts payable to other subcontractors through this main contractor, remained unpaid and was included in trade and other payables.

29 MATERIAL RELATED PARTY AND CONNECTED TRANSACTIONS (Continued)

(b) Other material related party and connected transactions (Continued)

(vi) In July 2009, the Group as landlord entered into a Lease Agreement with a wholly-owned subsidiary of HLD as tenant. Pursuant to the Lease Agreement, the tenant agreed to take the lease of certain shops and spaces of MHP for a term of two years commencing from 1 July 2009 at a monthly rental of HK$280,000 and other ancillary expenses and a turnover rent of 7% (if any) of annual gross turnover of the tenant's business over HK$142,241,000 which shall be payable monthly in arrears. The Group also entered into (i) a Wall Signage Licence Agreement for one external wall signage at MHP; and (ii) an Entrance Signage Licence Agreement for one signage at the entrances of MHP. An additional external wall signage was licensed to the tenant in October 2010 at an annual fee of HK$1,000 and expired on 30 June 2011.

In July 2011, the Group and the wholly-owned subsidiary of HLD agreed to renew their tenancy and licence agreements was for a term of three years commencing from 1 July 2011. Pursuant to the Tenancy Renewal Agreement, the tenant agreed to take the lease for a term of three years commencing from 1 July 2011 at a monthly rental of HK$350,000 and other ancillary expenses and a turnover rent of 7% (if any) of annual gross turnover of the tenant's business over HK$120,000,000 which shall be payable monthly in arrears. The Group also entered into (i) a Wall Signage Licence Agreement for fourteen external wall signages at MHP; and (ii) an Entrance Signage Licence Agreement for one signage at the entrances of MHP. Total annual licence fee payable under the Wall Signage Licence Agreement and the Entrance Signage Licence Agreement is HK$60,000 and HK$6,600 respectively.

The annual value of the aforementioned lease and licence was subjected to certain annual cap.

During the year, an amount of HK$8,298,000 (2011: HK$7,666,000), being aggregate rental and fees receivable under the aforementioned lease and licence, was credited to the Group.

(vii) In November 2008, the Group appointed a wholly-owned subsidiary of HLD as the sales manager for the TKT Property for a term of three years commencing from 1 November 2008 in consideration for a sales fee of 0.5% of the gross proceeds of sale of certain portions of the TKT Property, subject to the respective ceilings of HK$Nil, HK$2,000,000, HK$400,000 and HK$200,000 for the two months ended 31 December 2008, the years ended 31 December 2009 and 2010, and the ten months ended 31 October 2011 respectively. No fee (2011: HK$200,000) was charged to the Group for the year ended 31 December 2012. At 31 December 2011, an amount of HK$318,000 remained unpaid and included in trade and other payables. The balance has been repaid during the year.

(viii) In November 2008, the Group appointed a wholly-owned subsidiary of HLD as the agent of the Group for marketing of the TKT Property for the period from 16 June 2008 to the earlier of 15 December 2009 and the date on which the last residential unit in the TKT Property to be sold is sold, subject to the respective ceilings of HK$5,000,000 for the period from 16 June 2008 to 31 December 2008 and HK$8,500,000 for the year ended 31 December 2009. At 31 December 2012, an amount of HK$1,104,000 (2011: HK$1,104,000) remained unpaid and was included in trade and other payables.

29 MATERIAL RELATED PARTY AND CONNECTED TRANSACTIONS (Continued)

(b) Other material related party and connected transactions (Continued)

(ix) In March 2011, the Group appointed a wholly-owned subsidiary of HLD ("HLD Sub A") as the project manager for the development of Fanling Sheung Shui Town Lot No. 177 (the "Fanling Property") for a term of three years commencing from 1 April 2011 in consideration for a fee equivalent to the aggregate of 0.7% of the construction costs of the Fanling Property and other lump sum fees for supplementary services subject to a ceiling of HK$7,000,000; and 0.5% of the gross proceeds of sales (but excluding those sale and purchase agreements which were effected by a third party sales agent) subject to the total annual ceilings of the respective years. A total fee of HK$5,580,000 (2011: HK$4,752,000) was charged to the Group for the year. At 31 December 2012, an amount of HK$10,332,000 (2011: HK$4,752,000) remained unpaid and was included in trade and other payables.

In January 2013, the Group revised the annual cap of the Fanling project management fee as set out in the Fanling Management Agreement of the respective years. The Group entered into the Supplemental Fanling Project Management Agreement with HLD Sub A and another wholly-owned subsidiary of HLD ("HLD Sub B"), pursuant to which the parties thereto have agreed to revise the maximum annual aggregate amounts of the Fanling project management fee, the rights and obligations of HLD Sub A regarding the project sales and marketing services was transferred and novated to HLD Sub B.

(x) In March 2011, the Group appointed another wholly-owned subsidiary of HLD as the main contractor for a fee of 5% on all works relating to the Fanling Property. The aggregate of the cost of works carried out by the main contractor or any connected persons (as defined in the Listing Rules) of the Company together with the 5% fee shall be subject to the total ceilings of the respective years. In accordance with the contract entered into with the Group, an amount of HK$250,699,000 (2011: HK$23,762,000), of which HK$42,694,000 (2011: HK$6,903,000) being cost of work carried out by the main contractor or the connected persons (as defined in the Listing Rules) of the Company and the 5% fee, was charged by the main contractor for the superstructure work of the development of the Fanling Property. At 31 December 2012, an amount of HK$175,543,000 (2011: HK$23,762,000), which included amounts payable to other subcontractors through this main contractor, remained unpaid and was included in trade and other payables.

(xi) In March 2011, the Group appointed HLD Sub A as the project manager for the development of 208 Tung Chau Street (formerly known as 204-214, Tung Chau Street), Sham Shui Po, Kowloon, Hong Kong (the "TCS Property") for a term of three years commencing from 1 April 2011 in consideration for a fee equivalent to the aggregate of 1% of the construction costs of the TCS Property, subject to a ceiling of HK$1,490,000; and 0.5% of the gross proceeds of sale (but excluding those sale and purchase agreements which were effected by a third party sales agent) subject to the total annual ceilings of the respective years. A total fee of HK$1,992,000 (2011: HK$1,292,000) was charged to the Group for the year. At 31 December 2012, an amount of HK$3,283,000 (2011: HK$1,292,000) remained unpaid and was included in trade and other payables.

29 MATERIAL RELATED PARTY AND CONNECTED TRANSACTIONS (Continued)

(b) Other material related party and connected transactions (Continued)

(xi) (Continued)

In January 2013, the Group revised the annual cap of the TCS project management fee as set out in the TCS Project Management Agreement of the respective years. The Group entered into the Supplemental TCS Project Management Agreement with HLD Sub A and another wholly-owned subsidiary of HLD ("HLD Sub C"), pursuant to which the parties thereto have agreed to revise the maximum annual aggregate amounts of the TCS project management fee, the rights and obligations of HLD Sub A regarding the project sales and marketing services was transferred and novated to HLD Sub C.

(xii) In March 2011, the Group appointed another wholly-owned subsidiary of HLD as the main contractor for a fee of 5% on all works relating to the TCS Property. The aggregate of the cost of works carried out by the main contractor or any connected persons (as defined in the Listing Rules) of the Company together with the 5% fee shall be subject to the total ceilings of the respective years. The construction has not commence. No cost has been charged for the year ended 31 December 2012.

In January 2013, the Group revised the annual cap of the TCS Prime Cost Contract as set out in the TCS Prime Cost Contract of the respective years. The Group entered into the Supplemental TCS Prime Cost Contract with the another wholly-owned subsidiary of HLD to revise the maximum annual aggregate amounts of the TCS Prime Costs.

(xiii) In February 2012, the Group appointed a wholly-owned subsidiary of HLD as the contractor for carrying out the substructure works of TCS Property. The annual ceiling for the year ending 31 December 2012 and 31 December 2013 were HK$26,000,000 and HK$4,000,000 respectively. A total fee of HK$10,405,000 was charged to the Group for the year. At 31 December 2012, an amount of HK$10,405,000 remained unpaid and was included in trade and other payables.

In January 2013, the Group revised the annual cap of the Substructure Works of the respective years.

(xiv) In March 2012, the Group appointed a wholly-owned subsidiary of HLD as the agent of the Group for marketing of the Fanling Property (the "Tenancy Arrangements"), for the period from 20 March 2012 to the earlier of 15 June 2013 and the date on which the last residential unit in the Fanling Property is sold, subject to the respective ceilings of HK$7,500,000 for the period from 20 March 2012 to 31 December 2012 and HK$4,500,000 for the period ended 15 June 2013. A total fee of HK$7,020,000 was charged to the Group for the year. At 31 December 2012, an amount of HK$7,020,000 remained unpaid and was included in trade and other payables.

29 MATERIAL RELATED PARTY AND CONNECTED TRANSACTIONS (Continued)

(b) Other material related party and connected transactions (Continued)

(xv) At 31 December 2012, HLD (as defined in the Listing Rules) beneficially owned approximately 31.36% of the entire issued share capital of the Company.

Dr. Lee Shau Kee, a director of the Company, is interested in the above transactions as a substantial shareholder of HLD.

To the extent the above transactions constituted connected transactions (as defined in the Listing Rules), the Group had complied with the relevant requirements under Chapter 14A of the Listing Rules.

(c) Applicability of the Listing Rules relating to connected transactions

The related party transactions in respect of notes 29(b)(vi), (ix), (x), (xi), (xii), (xiii) and (xiv) above constitute connected transactions and/or continuing connected transactions (as defined in Chapter 14A of the Listing Rules). The disclosures required by Chapter 14A of the Listing Rules are provided in the paragraph headed "Connected Transactions" in the Report of the Directors as set out in the Company's annual report for the year ended 31 December 2012.

30 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

After the balance sheet date, the directors proposed a final dividend. Further details are disclosed in note 11.

31 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2012

Up to the date of issue of these accounts, the HKICPA has issued a number of amendments and five new standards which are not yet effective for the year ended 31 December 2012 and which have not been adopted in these accounts. These include the following which may relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*	1 July 2012
HKFRS 10, *Consolidated financial statements*	1 January 2013
HKFRS 11, *Joint arrangements*	1 January 2013
HKFRS 12, *Disclosure of interests in other entities*	1 January 2013
HKFRS 13, *Fair value measurement*	1 January 2013
HKAS 27, *Separate financial statements* (2011)	1 January 2013
HKAS 28, *Investments in associates and joint ventures*	1 January 2013
Revised HKAS 19, *Employee benefits*	1 January 2013
Annual Improvements to HKFRSs 2009-2011 Cycle	1 January 2013
Amendments to HKFRS 7, *Financial instruments: Disclosures – Disclosures – Offsetting financial assets and financial liabilities*	1 January 2013
Amendments to HKAS 32, *Financial instruments: Presentation – Offsetting financial assets and financial liabilities*	1 January 2014
HKFRS 9, *Financial instruments*	1 January 2015

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated accounts except for the following:

31 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2012 (Continued)

Amendments to HKAS 1, Presentation of financial statements – Presentation of items of other comprehensive income

The amendments to HKAS 1 require entities to present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The Group's presentation of other comprehensive income will be modified accordingly when the amendments are adopted for the first time.

HKFRS 10, Consolidated financial statements

HKFRS 10 replaces the requirements in HKAS 27, *Consolidated and separate financial statements* relating to the preparation of consolidated financial statements and HK-SIC 12 *Consolidation – Special purpose entities*. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

The application of HKFRS 10 is not expected to change any of the control conclusions reached by the Group in respect of its involvements with other entities as at 1 January 2013. However, it may in the future result in investees being consolidated which would not have been consolidated under the Group's existing policies or vice versa.

HKFRS 12, Disclosure of interests in other entities

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required in HKFRS 12 are generally more extensive than those required in the current standards. The Group may have to make additional disclosures about its interests in other entities when the standard is adopted for the first time in 2013 accounts.

HKFRS 13, Fair value measurement

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. HKFRS 13 is effective as from 1 January 2013, but retrospective adoption is not required. The Group estimates that the adoption of HKFRS 13 will not have any significant impact on the fair value measurements of its assets and liabilities, but additional disclosures may need to be made in the 2013 accounts.

Revised HKAS 19, Employee benefits

Revised HKAS 19 introduces a number of amendments to the accounting for employee benefits. Among them, revised HKAS 19 eliminates the "corridor method" under which the recognition of actuarial gains and losses relating to defined benefit schemes could be deferred and recognised in profit or loss over the expected average remaining service lives of employees. Under the revised standard, all actuarial gains and losses are required to be recognised immediately in other comprehensive income. This will change the Group's accounting for defined benefit plans under which the corridor method is currently applied. The revised HKAS 19 is effective as from 1 January 2013, and retrospective adoption is required. The Group has not completed its assessment of the full impact of adopting revised HKAS 19 and therefore the possible impact on the Group's results and financial position has not been quantified.

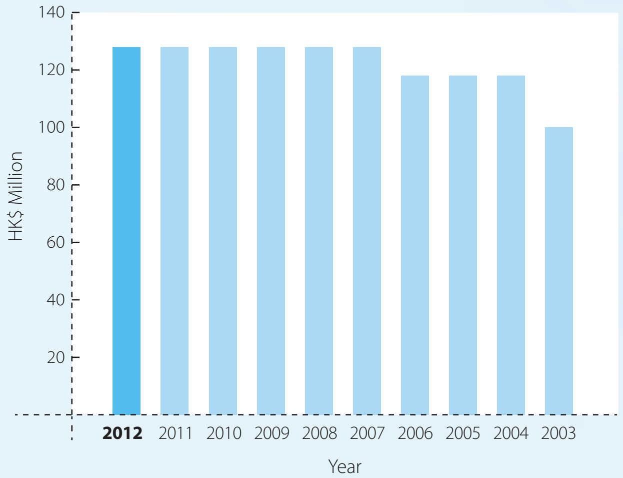
Five Years' Summary of Assets and Liabilities

Year	2008 *HK$ Million*	2009 *HK$ Million*	2010 *HK$ Million*	2011 *HK$ Million*	**2012** ***HK$ Million***
Fixed assets and interest in leasehold land	1,034	1,106	1,184	1,247	**1,304**
Interest in associates	109	80	40	25	**22**
Properties under development	476	–	1,511	2,050	**2,361**
Investments	330	854	661	499	**722**
Deferred tax assets	74	28	8	6	**7**
Current assets	1,499	2,396	1,249	1,118	**1,154**
Total assets	3,522	4,464	4,653	4,945	**5,570**
Total liabilities	549	363	228	216	**421**
Net assets employed	2,973	4,101	4,425	4,729	**5,149**

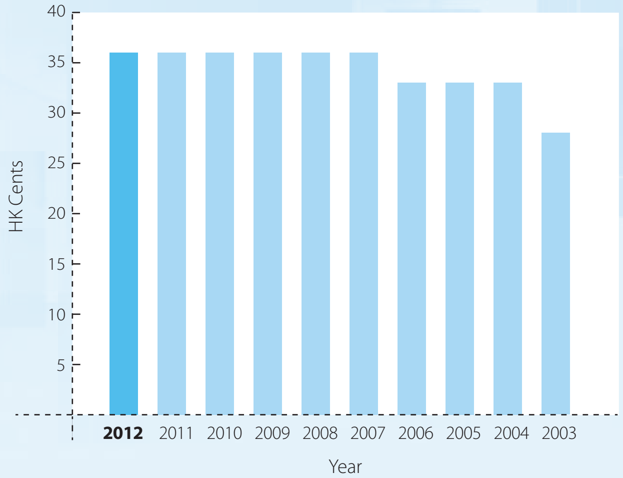
Ten Years' Financial Summary

Year		2003	2004	2005	2006	2007	2008	2009	2010	2011	**2012**
Turnover	*HK$M*	1,041	994	764	708	673	522	2,139	912	635	**616**
Profit/(loss) attributable to shareholders	*HK$M*	265	328	257	131	389	(527)	1,095	483	565	**398**
Dividends	*HK$M*	100	118	118	118	128	128	128	128	128	**128**
Shareholders' funds	*HK$M*	3,006	3,207	3,381	3,411	3,713	2,973	4,101	4,425	4,729	**5,149**
Earnings/(loss) per share	*HK Cents*	74.3	92.0	72.1	36.8	109.2	(147.9)	307.5	135.6	158.6	**111.8**
Dividend per share	*HK Cents*	28.0	33.0	33.0	33.0	36.0	36.0	36.0	36.0	36.0	**36.0**
Dividend cover	*Times*	2.6	2.8	2.2	1.1	3.0	–	8.5	3.8	4.4	**3.1**
Return/(loss) on equity	*%*	8.8	10.2	7.6	3.9	10.5	(17.7)	26.7	10.9	12.0	**7.7**
Net assets per share	*HK$*	8.4	9.0	9.5	9.6	10.4	8.3	11.5	12.4	13.3	**14.5**

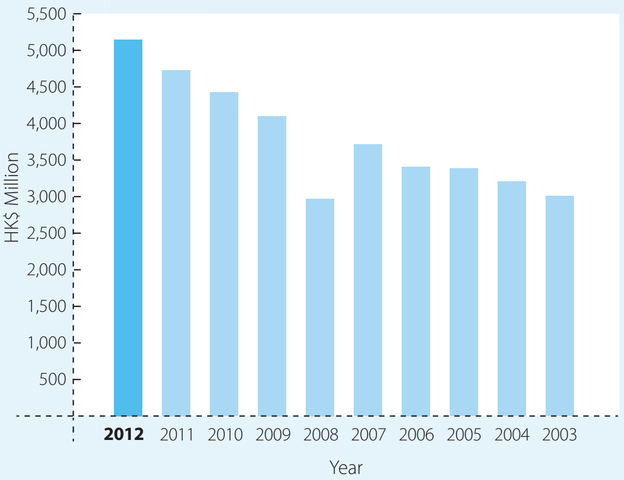
Dividends



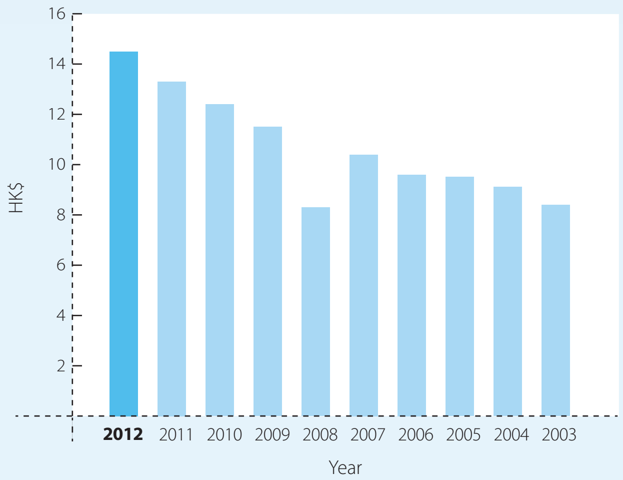
Dividend per share



Shareholders' funds



Net assets per share



Group Properties

As at 31 December 2012

1 PROPERTIES UNDER DEVELOPMENT

Location	Lot No.	Site area *(sq.m.)*	Gross floor area *(sq.m.)*	Group's interest *(%)*	Intended use
No. 1 Ma Sik Road, Fanling, New Territories (formerly known as Fanling, Sheung Shui Town Lot No. 177)	F.S.S.T.L. 177 (S.T.T. 1364(N))	8,900	50,278	100	Commercial and residential
208 Tung Chau Street (formerly known as 204-214 Tung Chau Street)	NKIL 48, s.B. R.P., s.B.ss.1R.P., R.P., s1& sH	614	5,016	100	Commercial and residential
Junction of Gillies Avenue South & Bulkeley Street, Hung Hom	Hung Hom I.L. No.555	582	5,240	100	Commercial and residential

2 PROPERTIES HELD FOR SALE

Location	Lot No.	Gross floor area *(sq.m.)*	Group's interest *(%)*	Existing use
Shining Heights 83 Sycamore Street	KIL 11159	1,460*	100	Residential
The Spectacle 8 Cho Yuen Street Yau Tong	Yau Tong Inland Lot No. 38	562*	100	Residential

3 PROPERTIES HELD FOR INVESTMENT

Location	Lot No.	Gross floor area *(sq.m.)*	Lease expiry *(year)*	Existing use
Metro Harbour Plaza 8 Fuk Lee Street Tai Kok Tsui	KIL 11127 RP	23,549	2047	Commercial arcade

3 PROPERTIES HELD FOR INVESTMENT (Continued)

Location	Lot No.	Gross floor area *(sq.m.)*	Lease expiry *(year)*	Existing use
Leyburn Villa Cheung Sha	DD 332, Lot No. 695	265	2047	Residential
20 Tin Dai Yan Road Chung Uk Tsuen Hung Shui Kiu	Lot Nos. 3039A, 3039RP & 3042 in DD 124 Hung Shui Kiu	1,912	2047	Godown
Shining Heights 83 Sycamore Street	KIL 11159	2,469	2054	Commercial arcade
The Spectacle 8 Cho Yuen Street Yau Tong	Yau Tong Inland Lot No. 38	2,300	2047	Commercial arcade

4 OTHER PROPERTIES

Location	Lot No.	Site area *(sq.m.)*	Lease expiry *(year)*	Group's interest *(%)*	Description
98 Tam Kon Shan Road Ngau Kok Wan North Tsing Yi	Tsing Yi Town Lot No. 102	19,740	2047	100	Shipyard and office
Mui Wo	DD 2 Lot Nos. 614 RP, 619 Sec. B, C and RP	4,233	2047	100	Agricultural land
Mui Wo	DD 2 Lot Nos. 431-487, 569 and 635-637	28,606	2047	50	Agricultural land
Mui Wo	DD 2 Lot Nos 498-499, and 588-591	849	2047	100	Agricultural land

* The area represents gross floor area of unsold units at 31 December 2012.

GREEN CODE
逸峯

No. 1 Ma Sik Road, Fanling, New Territories
新界粉嶺馬適路一號

Artist's impression
印象示意圖

Artist's impression
印象示意圖

During the year, the superstructure works of the development project of the Group, Green Code at No. 1 Ma Sik Road, Fanling, New Territories (formerly known as Fanling Sheung Shui Town Lot No. 177) have been completed and the pre-sale of the property commenced in mid-March 2013. The response from the buyers was good. The occupation permit of the property is expected to be obtained at the end of 2013.

年內，集團位於新界粉嶺馬適路一號「逸峯」（前稱粉嶺上水市地段第一百七十七號）之發展項目上蓋建築工程已封頂，樓花預售亦已於二零一三年三月中旬展開，買家反應熱烈。該物業預期於二零一三年年底取得入伙紙。

BULKELEY STREET
寶其利街

Hung Hom Inland Lot No. 555
紅磡內地段第五百五十五號

Construction works of the site at the junction of Gillies Avenue South and Bulkeley Street, Hung Hom Inland Lot No. 555, with a site area of approximately 6,300 sq. ft., is progressing well. Foundation works are expected to be completed in the second quarter of 2013.

位於紅磡機利士南路及寶其利街交界之紅磡內地段第五百五十五號約六千三百平方呎之地盤，建築工程順利進行，該地基工程預計二零一三年第二季完成。

SHINING HEIGHTS
亮賢居

83 Sycamore Street
詩歌舞街83號

The residential units are currently on sale and 4 residential units remained to be sold as at year end 2012. The project is a 60-storey building, 700 feet high, with gross floor area of approximately 336,000 sq.ft. It is the highest building in the district.

住宅單位現正發售及截至二零一二年年底，四個住宅單位尚待出售。該項目為樓高六十層，高七百呎，總樓面約三十三萬六千平方呎，乃該區最高之大廈。

http://www.hkf.com