HENGLI COMMERCIAL PROPERTIES (GROUP) LIMITED
恒力商業地產(集團)有限公司

(Incorporated in Bermuda with limited liability)

ANNUAL REPORT 2012

Stock Code: 169

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Chen Chang Wei *(Chairman and Managing Director)*
Ms. Chen Dongxue
Mr. Chan Chi Wang
Ms. Wu Weilan

Independent Non-executive Directors

Ms. Lin Wen Feng
Mr. Ma Ving Lung
Mr. Yip King Keung, Pony

AUDIT COMMITTEE

Mr. Ma Ving Lung *(Chairman)*
Ms. Lin Wen Feng
Mr. Yip King Keung, Pony

REMUNERATION COMMITTEE

Mr. Yip King Keung, Pony *(Chairman)*
Mr. Chen Chang Wei
Ms. Chen Dongxue
Ms. Lin Wen Feng
Mr. Ma Ving Lung

NOMINATION COMMITTEE

Mr. Chen Chang Wei *(Chairman)*
Ms. Chen Dongxue
Ms. Lin Wen Feng
Mr. Ma Ving Lung
Mr. Yip King Keung, Pony

COMPANY SECRETARY

Ms. Hui Wai Man, Shirley

PRINCIPAL BANKERS

China Construction Bank
China Greatwall Asset Management Corporation
Chiyu Banking Corporation Limited
The Bank of East Asia, Limited

AUDITORS

KPMG, Certified Public Accountants

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

PRINCIPAL OFFICE IN HONG KONG

Unit 3401, 34th Floor
Tower Two, Lippo Centre
89 Queensway
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Bermuda) Limited
26 Burnaby Street
Hamilton HM11, Bermuda

HONG KONG PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK CODE

169

Financial Highlights

	For year ended 31 December		
	2012	2011	
	HK$'000	HK$'000	Change %
Turnover	**2,773,419**	—	-100.0
Gain on redemption/repurchase of convertible bonds	**14,860**	100,669	-85.2
Valuation gain on investment properties	**449,846**	215,701	+108.6
Profit from continuing operations	**243,363**	131,719	+84.8
Net gain on disposal of subsidiaries	**—**	62,460	-100.0
Profit attributable to equity shareholders of the Company	**232,335**	185,411	+25.3
Earnings per share (HK cents)			
From continuing operations and discontinued operations			
Basic	**9.9**	8.0	+23.8
Diluted	**3.9**	2.0	+95.0
From continuing operations			
Basic	**9.9**	5.3	+86.8
Diluted	**3.9**	1.4	+178.6
Cash and bank balances	**519,545**	407,440	+27.5
Total assets	**6,173,582**	7,215,414	-14.4
Total liabilities	**5,378,404**	6,751,326	-20.3
Equity attributable to equity shareholders of the Company	**667,444**	370,237	+80.3
Current ratio	**1.0**	1.3	
Gearing ratio	**58.3%**	83.3%	
Borrowings from financial institutions to total equity attributable to equity shareholders of the Company	**7.7%**	302.4%	

Chairman's Statement

On behalf of the Board of Directors (the "Board") of Hengli Commercial Properties (Group) Limited (the "Company"), I am pleased to present the annual report of the Company together with its subsidiaries (the "Group") for the year ended 31 December 2012.

During 2012, the Group continued to focus on the development of high-end property projects, namely "Hengli City「恒力城」, Hengli • Financial Center「恒力 • 金融中心」, Hengli • Prosperity Centre「恒力 • 創富中心」and Hengli • Bona Plaza「恒力 • 博納廣場」".

During the year, Hengli City, a residential, office and retail complex with a total floor gross area of approximately 241,600 square meters developed by the Group was completed and posted turnover and rental income of approximately HK$2,349.3 million and HK$43.1 million respectively for the Group. Hengli • Financial Center, a high-end commercial project with a total gross area of approximately 50,645 square meters developed by the Group was completed and posted turnover of HK$378.7 million for the Group.

PROSPECTS

The Group believes the Chinese economy will still be one of the fastest growing economy globally, coupled with long-term development plan for urbanization. The Group remains optimistic about the prospects of China's real estate sector.

The Group will continue to strategically select and develop commercial property projects and commercial-residential composite projects that are in line with the Group's long-term development strategy to further penetrate into other cities in China. The Group is committed to offering high-quality, high yield commercial property to customers, contributing to the country's urbanization, creating values for the society and providing satisfactory returns to its shareholders.

ACKNOWLEDGEMENTS

On behalf of the Group, I would like to take this opportunity to express my sincere gratitude to our shareholders, directors, management, staffs, business partners and all parties who have rendered their unfailing support and enormous contribution to the Group.

Chen Chang Wei
Chairman
6 February 2013

Management Discussion and Analysis

BUSINESS REVIEW

There were some signs of liquidity loosening in the market in year 2012. The People's Bank of China lowered the reserve requirement ratio twice during the year and lowered the RMB benchmark deposit and loan interest rates of financial institutions twice in June 2012 and July 2012 respectively. The transaction volume of real estate market has been improved during the period as compared to the year 2011. However, controls on real estate sector have not yet been loosened. Overall liquidity remains tight and market conditions remains challenging for real estate developers.

In 2012, the Group continued to place emphasis on the Company motto and brand image of "恒力築經典，品質贏天下" in implementing its corporate strategy. The Group focuses on its existing high-end property projects, namely "Hengli City" (「恒力城」), "Hengli • Financial Center" (「恒力 • 金融中心」), "Hengli • Prosperity Center" (「恒力 • 創富中心」) and "Hengli • Bona Plaza" (「恒力 • 博納廣場」).

During the year, "Hengli City", a residential, office and retail complex with a total gross floor area of approximately 241,600 square meters developed by the Group was completed and posted turnover of approximately HK$2,349.3 million for the Group. The leased commercial podium of "Hengli City" was handed over to Beijing Wangfujing Department Store (Group) Co. Ltd. (北京王府井百貨(集團)股份有限公司) upon completion of the project and posted rental income of approximately HK$43.1 million to the Group. Portion of the office units of "Hengli City" was also leased out near the year end.

"Hengli • Financial Center", a high-end commercial project developed by the Group was completed in the 2nd half of 2012 and posted turnover of approximately HK$378.7 million for the Group. Majority of the remaining areas of the property was contracted for a total consideration of approximately RMB716 million.

The other two projects of the Group, "Hengli • Prosperity Center" and "Hengli • Bona Plaza", are also located in the central business area of Fuzhou city and are under development. "Hengli • Prosperity Center" is being developed into high-end commercial properties, with estimated gross floor area of approximately 56,500 sq.m.. "Hengli • Bona Plaza" is now in the design and planning stage and will be developed into high-end commercial properties with residential building with an estimated gross floor area of approximately 270,000 sq.m..

For property management, the Group runs joint venture with a subsidiary of Savills Group, a renowned global real estate service provider, to ensure high-end property management services that keep pace with the latest international standards and to meet the increasingly diversified needs of different householders, thus enhancing the value of the properties and the Group's brand value.

Given the proximity of the aforementioned property projects in Fuzhou, the Group is expected to enjoy synergy effects and economies of scale in managing and developing those property projects.

During the year, the Group continued to focus on the quality of its properties to reflect a high-quality product offering premium brand image and continued to cooperate with solid and renowned business partners to bring high-quality, high-value products and services to its customers.

FINANCIAL REVIEW

Turnover and results

Turnover of the Group for the year ended 31 December 2012 amounted to HK$2,773.4 million. Turnover of HK$2,728.0 million, HK$43.1 million and HK$2.3 million were derived from sales of developed properties, property leasing and property management service respectively. The Group's profit attributable to equity shareholders of the Company was approximately HK$232.3 million. This was mainly due to i) recognition of gross profit of HK$378.4 million, ii) recognition of valuation gain on investment properties of HK$449.8 million, net of iii) finance costs and other operating expenses of HK$239.9 million, and iv) income tax expenses of HK$369.7 million.

Net assets and equity attributable to equity holders

As at 31 December 2012, the Group recorded total assets and total liabilities of approximately HK$6,173.6 million and HK$5,378.4 million respectively. The Group's net assets as at 31 December 2012 increased by approximately HK$331.1 million to approximately HK$795.2 million as compared to approximately HK$464.1 million as at 31 December 2011. As at 31 December 2012, the equity attributable to equity holders of the Company was approximately HK$667.4 million as compared to HK$370.2 million as at 31 December 2011.

Liquidity and financial ratios

The Group had total cash and bank balances of approximately HK$519.5 million as at 31 December 2012 as compared with HK$407.4 million as at 31 December 2011. As at 31 December 2012, the current ratio was 1.02 as compared with 1.3 as at 31 December 2011. The gearing ratio, which is defined as net debts divided by aggregate of net debts and total equity, was 58.3% as at 31 December 2012 as compared with 83.3% as at 31 December 2011. Borrowings from financial institutions to equity attributable to equity shareholders of the Company ratio was 7.7% as at 31 December 2012 as compared to 302.4% as at 31 December 2011.

Borrowings

The Group had interest-bearing borrowings from financial institutions of approximately HK$51.1 million as at 31 December 2012 (31 December 2011: HK$1,119.4 million), representing a decrease of approximately 95.4% over the amount as at 31 December 2011. Borrowings were denominated in Renminbi ("RMB") and Hong Kong dollar ("HK$"). Approximately 80.4% of the borrowings is repayable within one year and the rest represent the loans from financial institutions of HK$10.0 million repayable after one year.

The Group had interest-bearing borrowings from related parties of approximately HK$280.3 million (31 December 2011: HK$377.5 million). All these borrowings are repayable within one year.

The Group is confident in meeting its loan repayment obligations with its cash and bank deposits and proceeds from pre-sales and sales of its projects.

The Group had aggregate net carrying amount of convertible bonds of approximately HK$1,221.0 million (principal amount of approximately HK$1,800.0 million) as at 31 December 2012. The maturity date of the convertible bonds is 20 January 2018.

Foreign currency exposure

Other than financing activities of borrowings denominated in HK$, the Group conducts its business almost exclusively in RMB. Thus the Group is exposed to foreign exchange risk arising from the exposure of RMB against HK$. The Directors do not anticipate any significant foreign exchange loss as a result of changes in exchange rate between RMB and HK$ in the foreseeable future. The Directors also consider that there will be sufficient cash resources denominated in both RMB and HK$ for repayment of its borrowings. During the year, the Group did not use any financial instrument to hedge foreign currency exposure and the Group did not have hedging instrument outstanding as at 31 December 2012.

Interest rate exposure

The Group obtained borrowing from financial institutions and related parties to finance the development of its projects and accordingly, the Group was exposed to changes in interest rates which affected the cost of borrowing. As at 31 December 2012, borrowings from financial institutions of the Group amounted to HK$12.1 million were on a floating rate basis while the rest of the borrowings (including borrowings from related parties) were at fixed rate. The interest rate risk exposure was considered acceptable and no hedging was considered necessary. The Group will continue to monitor the suitability and cost efficiency of hedging instrument (including interest rates swaps) and consider a mix of fixed and floating rate borrowings in order to manage interest rate risks.

PLEDGE OF ASSETS

As at 31 December 2012, the Group pledged certain of its property, plant and equipment, prepaid lease payments, and restricted bank deposits to banks in the PRC to secure the bank loans of approximately HK$51.1 million granted by these financial institutions. The aggregate carrying value of these property, plant and equipment, prepaid lease payments, and restricted bank deposits as at 31 December 2012 amounted to approximately HK$2.4 million, HK$24.9 million, and HK$42.9 million respectively.

INVESTMENTS

There were no significant investments held by the Company as at 31 December 2012.

CONTINGENT LIABILITIES

The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificate upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of properties.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the mortgages. The directors of the Company are of the view that the fair value of financial guarantee is not significant.

The amount of guarantees given to banks for mortgage facilities granted to the purchasers of the Group's properties at the end of each reporting period is as follows:

	2012 **$'000**	2011 $'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	**587,427**	528,923

The directors also consider that the fair market value of the underlying properties is able to cover the outstanding mortgage loans in the event of default payments by the purchasers to the banks.

CAPITAL COMMITMENTS

The Group's capital commitments outstanding at the end of each reporting period not provided for in the financial statements are as follows:

	2012 **$'000**	2011 $'000
Contracted for	**908,033**	1,138,122
Authorised but not contracted for	**230,069**	318,061
	1,138,102	1,456,183

The above commitments include mainly the land costs and construction related costs to be incurred in respect of the Group's development of its properties for sales and investment properties in mainland China.

MATERIAL ACQUISITION AND DISPOSAL

The Company had no material acquisition or disposal of subsidiaries and affiliated companies during 2012.

CHANGES IN SHARE CAPITAL AND CAPITAL STRUCTURE

During the year ended 31 December 2012, 23,952,094 ordinary shares of HK$0.10 each were issued pursuant to the exercise of the conversion rights attaching to the Company's convertible bonds at a conversion price of HK$0.334 per share. As at 31 December 2012, issued and paid up share capital was 2,352,916,692 ordinary shares.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2012, the Group employed approximately 254 full time staffs in the PRC and Hong Kong.

The Group remunerates its employees based on their performance, experience and prevailing market price while performance bonuses are granted on a discretionary basis. Other employee benefits include insurance and medical cover, subsidised educational and training programs.

DIVIDENDS

The Directors of the Company did not recommend the payment of a final dividend for the year ended 31 December 2012 (2011: nil).

OUTLOOK

In the year of 2012, the global economy was continuously affected by the complicated impact from the threat of euro-zone sovereign debt crisis worsening and slow recovery of US economy. Despite there was slowdown in the economic growth in China, the Chinese economy still recorded gross domestic product ("GDP") growth at 7.8% for the first half of 2012. And Fuzhou city, at where the Group focuses its business, recorded GDP growth at about 13% each year for the past five years.

As the most important driver for domestic economic growth, China's real estate industry is still under the significant impact of industrial adjustment and control under which speculative activities, and investment demand might be affected. But the demand from users is still solid and strong.

The Group believes the Chinese economy will still be one of the fastest growth globally, coupled with the long-term policy of urbanization. The Group remains optimistic about the prospects of China's real estate sector. The Group will continue to strategically select and develop commercial property projects and commercial-residential composite projects that are in line with the Group's long-term development strategy to further penetrate into other second-tier and third-tier cities in the PRC. The Group is committed to offering high-quality, high yield commercial property products to its customers, contributing to the urbanization of the country, creating values for the society and providing satisfactory returns to its shareholders.

SIGNIFICANT EVENTS SINCE APPROVAL OF THE FINANCIAL STATEMENTS ON 6 FEBRUARY 2013

On 20 March 2013, the Company, Mr. Chen Chang Wei and Wanda Commercial Properties (Hong Kong) Co. Limited ("**Wanda**") (among others) entered into a series of transactions involving: (i) the disposal of 65% interest in the Company by Mr. Chen Chang Wei to Wanda; (ii) the disposal of interests in subsidiaries of the Company to Mr. Chen Chang Wei; and (iii) a possible mandatory unconditional cash offer for all the issued shares in the Company by or on behalf of Wanda (the "**Transactions**"). Details of the Transactions are set out in the announcement made by the Company on 10 April 2013. Further announcements and disclosures in respect of the Transactions will be made by the Company as and when required by The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and the Code on Takeovers and Mergers.

Biographical Details of Directors and Senior Management

DIRECTORS

Executive Directors

Mr. Chen Chang Wei ("Mr. Chen"), aged 50, joined the Group on 22 January 2008. Mr. Chen is currently the Chairman and Managing Director of the Company. He is responsible for the overall strategic planning and formulation of the corporate policies of the Group. Mr. Chen graduated from Department of Civil Engineering in Huaqiao University, the People's Republic of China (the "PRC"). He holds a Bachelor Degree of Civil Engineering. Mr. Chen has over 20 years of experience in investment, industrial and commercial sectors and real estate development. Mr. Chen is the brother of Ms. Chen Dongxue ("Ms. Chen") and the father of Mr. Chan Chi Wang ("Mr. Chan"). Ms. Chen and Mr. Chan are executive directors of the Company.

Ms. Chen Dongxue ("Ms. Chen"), aged 42, joined the Group on 15 February 2008. She is mainly responsible for the management of the Group's PRC operations. Ms. Chen graduated from Department of International Finance and Financial Economics in Xiamen University, the PRC. She holds a Bachelor Degree of Economics. Ms. Chen has over 15 years of experience in investment, industrial and commercial sectors and real estate development. Ms. Chen is the sister of Mr. Chen, the Chairman and Managing Director of the Company, and the aunt of Mr. Chan, an executive director of the Company.

Mr. Chan Chi Wang, aged 27, joined the Group in July 2009. Mr. Chan is mainly responsible for the sales, marketing management and design of the Group's projects. Mr. Chan is experienced in property development, property investment and property sales. Mr. Chan graduated from York University, Ontario, Canada. He holds a Bachelor Degree of Economics with Honors. Mr. Chan is the son of Mr. Chen, the Chairman and Managing Director of the Company, and the nephew of Ms. Chen, an executive director of the Company.

Ms. Wu Weilan, aged 35, joined the Group in August 2009. She is also the Company's chief financial officer and is responsible for the financial management of the Group. Ms. Wu holds a Master of Business Administration degree from Paris Graduate School of Management, France and a Bachelor of Law degree from Guangdong University of Foreign Studies, PRC. Ms. Wu was qualified as Certified Public Accountant in the USA in 2009. Prior to joining the Group, Ms. Wu has over 8 years' experience in public accounting.

Independent Non-executive Directors

Ms. Lin Wen Feng, aged 44, was appointed as an Independent Non-executive Director on 15 October 2007. Ms. Lin graduated from the Xiamen University with a Master Degree of Laws. She passed the National Judicial Examination in People's Republic of China in 1992 and has 15 years' practicing experience as a solicitor, involving in corporate, finance and conveyancing sections.

Mr. Ma Ving Lung, aged 43, was appointed as an Independent Non-executive Director on 30 November 2007. Mr. Ma graduated from York University, Ontario, Canada. He holds a Bachelor Degree of Accountancy with Honors and was qualified as an accountant in USA in 2000. Mr. Ma became an associate member of Hong Kong Institute of Certified Public Accountant in 2000. He has worked for a number of listed companies and has extensive experience in initial public offerings.

Mr. Yip King Keung, Pony, aged 43, was appointed as an Independent Non-executive Director on 14 January 2008. Mr. Yip holds a Bachelor Degree of Business Administration (Honors) from York University, Ontario, Canada. Mr. Yip has more than 10 years experience in the field of business management and property investment.

SENIOR MANAGEMENT

Ms. Hui Wai Man, Shirley, aged 45, joined the Group in December 2000. She is responsible for the company secretarial affairs of the Group. Ms. Hui has over 20 years of professional experience in public accounting and corporate finance. She is a fellow member of The Association of Chartered Certified Accountants, Hong Kong Institute of Certified Public Accountants, The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. She is also a member of the Society of Chinese Accountants and Auditors and Hong Kong Securities Institute.

Directors' Report

The directors have pleasure in submitting the annual report and the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2012.

PRINCIPAL PLACE OF BUSINESS

Hengli Commercial Properties (Group) limited is a company incorporated in Bermuda and has its principal place of business in Hong Kong at Unit 3401, 34th Floor, Tower Two, Lippo Centre, 89 Queensway, Hong Kong.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in property letting, sales of developed properties and investment holdings in the People's Republic of China (the "PRC").

The principal activities and other particulars of the Group's subsidiaries are set out in note 15 to the financial statements.

RESULTS FOR THE YEAR AND DIVIDEND

The profit of the Group for the year ended 31 December 2012 and the state of the Company's and the Group's affair as at that date are set out in the financial statements.

The directors do not recommend the payment of a final dividend for the year ended 31 December 2012.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the percentage of the aggregate sales attributable to the Group's five largest customers accounted for less than 30% of the Group's total sales in 2012.

The aggregate purchases during the year attributable to the Group's five largest suppliers comprised approximately 65.8% of the Group's total purchases while the purchases attributable to the Group's largest supplier was approximately 49.4% of the Group's total purchases.

None of the directors, their associates or any shareholder, which to the knowledge of the directors own more than 5% of the Company's issued share capital, had any interest in the five largest suppliers of the Group.

DONATIONS

During the year, the Group has made charitable donations of HK$615,050 (2011: HK$72,420).

SUMMARY FINANCIAL INFORMATION

A summary of the results, assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 106. This summary does not form part of the audited financial statements.

INVESTMENT PROPERTIES

Details of the movements in investment properties of the Group during the year are set out in note 13(d) to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movement in property, plant and equipment of the Group during the year are set out in note 13 to the financial statements.

Particulars of the major properties and property interests of the Group are shown on page 107 to 108 of the annual report.

RETIREMENT SCHEMES

The Group operates a Mandatory Provident Fund scheme and participates in various defined contribution retirement plans organised by municipal and provincial governments in the PRC for its employees. Particulars of these retirement schemes are set out in note 26 to the financial statements.

CONVERTIBLE BONDS

Details of the convertible bonds are set out in note 25 to the financial statements.

SHARE CAPITAL

Details of the movement in share capital of the Company during the year are set out in note 28 to the financial statements.

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out on the consolidated statement of changes in equity and note 28 to the financial statements respectively.

DIRECTORS AND SERVICE CONTRACTS

The directors of the Company during the year and up to the date of this report were as follows:

Executive directors:

Mr. Chen Chang Wei *(Chairman and Managing Director)*
Ms. Chen Dongxue
Mr. Chan Chi Wang
Ms. Wu Weilan

Independent non-executive directors:

Ms. Lin Wen Feng
Mr. Ma Ving Lung
Mr. Yip King Keung, Pony

In accordance with clause 99 of the Bye-Laws of the Company and code provision A.4.2 in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, Mr. Chen Chang Wei, Ms. Chen Dongxue and Mr. Yip King Keung, Pony will retire and, being eligible, will offer themselves for re-election at the Annual General Meeting.

Mr. Chen Chang Wei, Ms. Chen Dongxue, Mr. Chan Chi Wang and Ms. Wu Weilan have service contracts with the Company for a fixed term of 2 years, which may be terminated, by either side, on 6 months' notice.

The service contracts for Mr. Chen Chang Wei and Ms. Chen Dongxue expired on 31 January 2012 and 31 May 2012 respectively, and thereafter have been automatically renewed for a further period of 2 years per the terms of the service contracts.

The appointment of each independent non-executive director expired three years from the date of acceptance of appointment and thereafter have been automatically renewed for a further term of one year in each year.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2012, the interests of the directors and their associates in the ordinary shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordnance ("SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Long position in ordinary shares of HK$0.10 each of the Company

Name of directors	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Mr. Chen Chang Wei	Beneficial owner and held by controlled corporation (1)	1,582,163,507	67.24%
	Interest of spouse (2)	12,346,000	0.53%
		1,594,509,507	67.77%
Ms. Chen Dongxue	Beneficial owner (3)	43,774,000	1.86%

(1) As at 31 December 2012, Mr. Chen Chang Wei ("Mr. Chen") was deemed to be interested in 1,594,509,507 shares of the Company, of which (1) 14,894,000 shares were directly held by Mr. Chen, (2) 172,000,000 shares were held in trust for him by Ever Good Luck Limited (a company incorporated in the British Virgin Islands ("BVI") of which the entire issued share capital is beneficially owned by Mr. Chen), (3) 1,395,269,507 shares were beneficially owned by Ever Good Luck Limited, and (4) 12,346,000 shares were held by his spouse, Ms. Chan Sheung Ni, as beneficial owner.

(2) Ms. Chan Sheung Ni is the spouse of Mr. Chen and sister-in-law of Ms. Chen Dongxue.

(3) Ms. Chen Dongxue is the sister of Mr. Chen and sister-in-law of Ms. Chan Sheung Ni.

During the year ended 31 December 2012, the Company early redeemed convertible bonds with principal amount of HK$108,000,000 held by Mr. Chen Chang Wei, representing approximately 5.66% of the outstanding principal amount of the convertible bonds at the date of redemption. As at 31 December 2012, Mr. Chen Chang Wei held convertible bonds of an outstanding principal amount of HK$1,800,000,000 which are convertible into ordinary shares of the Company at the price of HK$0.334 per share.

Save as disclosed above, none of the directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 December 2012, as recorded in the register kept by the Company under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange of Hong Kong Limited pursuant to the Model Code.

SHARE OPTIONS

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on 15 May 2002 for the primary purpose of providing incentives to directors and eligible employees. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 30% of the issued shares of the Company from time to time. The scheme period of the Scheme is ten years commencing on the adoption date. As such, the Scheme has already expired.

There were no new shares options granted from 1 January 2012 till expiration of the Scheme.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Other than convertible bonds as disclosed in note 25 to the financial statements, at no time during the year was the Company, its holding company or any of its subsidiaries, a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and neither the directors nor chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER THE SFO

As at 31 December 2012, the following persons or corporations (other than a Director or Chief Executive Officer of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO and so far as is known to any Director or Chief Executive of the Company.

Name	Long position/ Short position	Capacity/ Nature of interest	Number of shares held	Approximate percentage of shareholding
Ever Good Luck Limited	Long	Beneficial interest (1)	1,395,269,507	59.30%
Glories Structure Limited	Long	Beneficial interest (2)	170,000,000	7.23%

(1) Ever Good Luck Limited is a company incorporated in the British Virgin Islands ("BVI") , the entire issued share capital of which is ultimately held by Mr. Chen Chang Wei.

(2) Glories Structure Limited is a company incorporated in the BVI.

CONNECTED TRANSACTIONS

Connected transactions in accordance with the requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") are disclosed in note 32(e) to the financial statements.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

The Group had certain loan agreements with Mr. Chen and a company controlled by Mr. Chen during the year ended 31 December 2012.

Under these loan agreements, the loans from Mr. Chen, amounted to HK$24,000,000 that bear interest ranging from 18% to 20% per annum, are unsecured and repayable six months after the date of the respective drawdowns. The loans were extended for a period of six months at an interest rate of 18% per annum and are extended automatically thereafter at the same terms unless they are repaid by the Company. During the year, the Company repaid the loans from Mr. Chen and related interests of HK$6,139,000.

The loans from an entity controlled by Mr. Chen, amounted to HK$353,479,000 that bear interest ranging from 8% to 20% per annum, are unsecured and repayable six months after the date of the respective drawdowns. The loans were extended for a period of six months at an interest rate of 18% per annum and are extended further at the same terms unless they are repaid by the Group or until 31 December 2012 by which date the interest rate was reduced to 15% per annum. During the year, a loan of HK$27,062,000 which was interest bearing at 18% per annum, unsecured and repayable within two months was further drawdown. In addition, loan principals of HK$103,328,000 have been repaid.

Other than as disclosed above, no other contract of significance, to which the Company or any of its holding companies or subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

No contracts for management and administration of the whole or any substantial part of any business of the Company were entered into or existed during the year.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the Directors are reviewed and recommended by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

The Directors believe that none of the Directors or their respective associates (as defined in the Listing Rules) had any interest in a business which causes or may cause significant competition with the business of the Group.

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

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

CONFIRMATION OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each independent non-executive directors ("INEDs") an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers that all the INEDs to be independent.

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and within the knowledge of the Directors of the Company as at the date of this report, the Company has maintained the prescribed public float under the Listing Rules throughout the year ended 31 December 2012.

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 18 to 30.

AUDIT COMMITTEE

The consolidated financial statements for the year ended 31 December 2012 has been reviewed by the Audit Committee. Information on the work of Audit Committee and its composition are set out in Corporate Governance Report on pages 24 to 26 of the annual report.

AUDITOR

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

On behalf of the Board

CHEN CHANG WEI
Chairman

Hong Kong, 6 February 2013

The Company is committed to maintaining a high standard of corporate governance within a sensible framework with an emphasis on the principles of transparency, accountability and independence. The Board of Directors of the Company (the "Board") believes that good corporate governance is essential for the effective management, a healthy corporate culture and balancing of business risk. And it is also essential to the success of the Company and the enhancement of shareholders' value.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions set out in the Code on Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code (the "Code") (effective from 1 April 2012) as contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"), except for deviations from Code A.2.1 (Separate of roles of chairman and chief executive officer), Code Provision A.6.7 (independent non-executive directors attending general meetings) and Code Provision E.1.2 (chairmen or member of the audit committee attending annual general meeting) as explained in the relevant paragraphs in this report.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the directors. Following specific enquiry by the Company, all Directors have confirmed that they have complied with the required standard as set out in the Model Code during the year ended 31 December 2012.

THE BOARD OF DIRECTORS

The Board currently comprises seven Directors, including four Executive Directors and three Independent Non-executive Directors. All three Non-Executive Directors are Independent Non-Executive Directors which represent over one-third of the Board. And its composition of the Board during the year ended 31 December 2012 and up to the date of this report is set out as follows:

Executive Directors:
Mr. Chen Chang Wei *(Chairman and Managing Director)*
Ms. Chen Dongxue
Mr. Chan Chi Wang
Ms. Wu Weilan

Independent Non-executive Directors ("INED"):
Ms. Lin Wen Feng
Mr. Ma Ving Lung
Mr. Yip King Keung, Pony

All Directors have distinguished themselves in their field of expertise and have exhibited high standards of personal and professional ethics and integrity. The brief biographical details of the Directors are set out in the "Biographical Details of Directors and Senior Management" section on page 10. Except for Ms. Chen Dongxue, being the sister of Mr. Chen Chang Wei, and Mr. Chan Chi Wang, being the son of Mr. Chen Chang Wei, there is no financial, business, or other material/relevant relationship amongst the Directors.

BOARD PRACTICE

The Board is collectively and ultimately responsible for how the Company is managed, its strategic direction and performance. There is a formal schedule of matters specifically reserved to and delegated by the Board. The Board had given clear directions to the Management that certain matters (including the following) must be reserved to the Board:

— Publication of final and interim results of the Company;

— Dividend distribution or other distributions;

— Treasury policy, accounting policy and remuneration policy;

— Review on internal control system and risk management;

— Changes to major group corporate structure or Board composition requiring notification by announcement;

— Notifiable transaction and non-exempted connected transaction/continuing connected transaction;

— Proposed transaction requiring Shareholders' approval;

— Capital re-structuring and issue of new securities;

— Joint-venture with outside party involving capital commitment from the Group of over 5% of the relevant size test of the Company; and

— Financial assistance to Directors.

Day-to-day operations of the Group and implementation of the Board's decisions and strategy are delegated to the Company's management team.

The Chairman, assisted by the Company Secretary, has ensured that the Board adheres strictly to all rules and requirements for its meetings and the maintenance of full and proper records. Procedures are established for every director to have access to board papers and related information, to have the services of the Company Secretary, and to seek independent professional advice at the Company's expense upon reasonable request.

BOARD PRACTICE *(Continued)*

The Board acknowledges their responsibilities for the preparation of the financial statements of the Company and ensures that they are prepared in accordance with statutory requirements and applicable accounting standards. The Board also ensures the timely publications of such financial statements.

The Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Group, and to review and approve the Group's annual and interim results. During the year, ten Board meetings and two general meetings were held and attendance of each Director at these meetings is set out as follows:

	Number of Board meetings Attended/held	Number of general meetings Attended/held
Executive Directors:		
Mr. Chen Chang Wei *(Chairman and Managing Director)*	7/10	2/2
Ms. Chen Dongxue	8/10	0/2
Mr. Chan Chi Wang	7/10	0/2
Ms. Wu Weilan	10/10	2/2
INEDS:		
Ms. Lin Wen Feng	10/10	0/2
Mr. Ma Ving Lung	10/10	1/2
Mr. Yip King Keung, Pony	10/10	1/2

Code provision A.6.7 stipulates that independent non-executive directors should attend general meetings. Code provision E.1.2 further stipulates that the chairman of the board should invite the chairmen of the audit committee or (in his/her absence) another member of the audit committee to attend the annual general meeting. Due to other business engagements, the members and chairman of the audit committee did not attend the annual general meeting, and not all independent non-executive directors attended the annual general meeting and special general meeting (attendance by name listed out in the above table). General meeting is one of the channels for communication between the Board and the shareholders. The Company's auditors, member of the remuneration committee, chairman of the nomination committee and the chairman of the Board were available to answer questions at the annual general meeting held on 7 June 2012. Chairman of the audit, remuneration, nomination and the Board were all available to answer questions at the special general meeting held on 28 June 2012. Other than the general meetings, the shareholders may also communicate with the Company through the contact information listed on the Company's website. Measures for effective communication between the Board and the shareholders are described in the paragraphs under "Communication with Shareholders" and "Shareholders' Rights" in this report.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code Provision A.2.1 stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. The division of responsibilities between the Chairman and Chief Executive Officer should be clearly established and set out in writing.

In place with the business development and growth of the Group, the Group currently maintains a small but efficient team in the daily operations of the Group. Due to the small size of the team, both of the roles of the Chairman and Managing Director of the Company are currently played by Mr. Chen Chang Wei. The Board considers the currently simple but efficient team serves sufficiently enough the need of the Group. The Board will, nonetheless, review the business growth of the Group and, when considered essential, will set out a clear division of responsibilities at the board level and the day-to day management team to ensure a proper balance of power and authority within the Company.

The Board currently comprises four Executive Directors (one of whom is the Chairman and Managing Director), and three Independent Non-executive Directors. Mr. Chen took over the role of Managing Director and Chairman from February 2008 and July 2008 respectively. He is primarily responsible for leadership of the Board, ensuring the effectiveness in all aspects of its role and for setting its agenda, whereas clearly established executive responsibilities for running of the business of the Group lie with different designated senior executives. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the business of the Group given that there is a strong and independent non-executive element on the Board and a clear division of responsibility for the running of the business of the Group. The Board believes that the structure outlined above is beneficial to the Company and its business.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Independent Non-executive Directors provide the Group with a wide range of expertise and experience. Their active participation in Board and committee meetings brings independent judgment on issues relating to the Group's strategy, performance and management process, taking into account the interests of all shareholders.

The Company has three INEDs representing over one-third of the Board. One of the INEDs has appropriate accounting or related financial management expertise under Rule 3.10 of the Listing Rules. The Board has received from each INED an annual confirmation of his/her independence and considers that all the INEDs are independent under the guidelines set out in Rule 3.13 of the Listing Rules.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

In June 2005, the Board has established and adopted a written nomination procedure (the "Nomination Procedure") specifying the process and criteria for the selection and recommendation of candidates for directorship of the Company. The Nomination Committee shall, based on those criteria as set out in the Nomination Procedure (such as appropriate experience, personal skills and time commitment etc.), identify and recommend the proposed candidate to the Board for approval of an appointment.

New Directors, on appointment, will be given an induction package containing all key legal and Listing Rules' requirements as well as guidelines on the responsibilities and obligations to be observed by a director. The package will also include the latest published financial reports of the Company and the documentation for the corporate governance practices adopted by the Board. The senior management will subsequently conduct such briefing as is necessary to give the new Directors more detailed information on the Group's business and activities.

According to Provision 99 of the Bye-Laws of the Company, 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, then the number nearest one-third, shall retire from office by rotation save any Director holding office as Chairman or Managing Director. The Directors to retire in every year shall be those who have been longest in office since their last election but as between persons who became Directors on the same day shall (unless they otherwise agree between themselves) be determined by lot. The retiring Directors shall be eligible for re-election. The Company at any general meeting at which any Directors retire may fill the vacated offices. Further, any Director appointed to fill a casual vacancy or as an addition to the Board should hold office only until the next following annual general meeting and shall then be eligible for re-election at the meeting.

According to code provision A.4.2 in Appendix 14 of the Listing Rules, all Directors appointed to fill a casual vacancy should subject to election by shareholders at the first general meeting after appointment. Every Director, including those appointed for a specific term, should be subject to retirement by rotation at lease once every three years.

During the year, no amount was paid or payable by the Company to the Directors or any of the 5 highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which a Director waived or agree to waive any remuneration during the year.

BOARD COMMITTEES

The Board has established various committees, including a Remuneration Committee, an Audit Committee and a Nomination Committee, each of which has its specific written terms of reference. Copies of minutes of all meetings and resolutions of the committees, which are kept by the Company Secretary, are circulated to all Board members and the committees are required to report back to the Board on their decision and recommendations where appropriate. The procedures and arrangements for a Board meeting, as mentioned on pages 19 to 20 in the section "Board Practice" above, have been adopted for the committee meetings so far as practicable.

BOARD COMMITTEES *(Continued)*

Remuneration Committee

The Remuneration Committee currently consists of five members, including Mr. Yip King Keung, Pony (Chairman), Mr. Chen Chang Wei, Ms. Chen Dongxue, Mr. Ma Ving Lung, and Ms. Lin Wen Feng, three of whom are INEDs. The Remuneration Committee is provided with sufficient resources to discharge its duties and has access to independent professional advice in accordance with the Company's policy if considered necessary.

In light of the relevant amendments to the Listing Rules, a revised terms of reference of the Remuneration Committee was adopted by the Board on 28 February 2012, and is available on the Company's Website.

The major roles and functions of the Remuneration Committee are:

(i) to review and recommend to the Board on the Company's policy and structure for all Directors' remuneration and, where appropriate, to consult the Chairman and/or the Managing Director about the committee's proposals relating to the remuneration of other Executive Directors;

(ii) to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

(iii) to make recommendations to the Board on the remuneration package of individual executive directors and senior management;

(iv) to make recommendations to the Board on the remuneration of non-executive directors;

(v) to review and recommend the compensation payable to Executive Directors relating to any loss or termination of their office or appointment;

(vi) to review and recommend compensation arrangements relating to dismissal or removal of Directors for misconduct; and

(vii) to ensure that no Director is involved in deciding his own remuneration.

The Remuneration Committee of the Company has been established since June 2005 to comply with Rule 3.25 of the Listing Rules.

BOARD COMMITTEES *(Continued)*

Remuneration Committee *(Continued)*

The Remuneration Committee shall meet at least once a year. Two committee meetings were held in 2012 to, among other things, review and discuss the existing policy and structure for the remuneration of Directors, and the remuneration packages of both the Executive and Non-executive Directors. The attendance of each member is set out as follows:

Committee member	Number of Committee meeting attended/held
Mr. Yip King Keung, Pony *(Chairman)*	2/2
Mr. Chen Chang Wei	2/2
Ms. Chen Dongxue	1/2
Ms. Lin Wen Feng	2/2
Mr. Ma Ving Lung	2/2

Details of the Directors' remuneration are set out in note 8 to the financial statements.

Audit Committee

The Audit Committee has been established since May 2002 and currently consists of three Independent Non-Executive Directors. To retain independence and objectivity, the Audit Committee is chaired by an INED with appropriate professional qualifications or accounting or related financial management expertise. The current members of the Audit Committee are Mr. Ma Ving Lung (Chairman), Mr. Yip King Keung, Pony and Ms. Lin Wen Feng. The Audit Committee is provided with sufficient resources to discharge its duties and has access to independent professional advice according to the Company's policy if considered necessary.

In light of the relevant amendments to the Listing Rules, a revised terms of reference of the Audit Committee was adopted by the Board on 28 February 2012, and is available on the Company's website.

The major roles and functions of the Audit committee are:

(i) to consider and recommend to the Board on the appointment, re-appointment and removal the external auditors;

(ii) to approve the remuneration and terms of engagement of the external auditors, and any questions of resignation or dismissal of that auditors;

(iii) to discuss with the external auditors the nature and scope of the audit and reporting obligations before the audit commencement;

BOARD COMMITTEES *(Continued)*

Audit Committee *(Continued)*

(iv) to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

(v) to review the interim and annual financial statements, interim and annual reports before submission to the Board;

(vi) to develop and implement policy on the engagement of the external auditor to supply non-audit services;

(vii) to review the Group's financial and accounting policies and practices;

(viii) to review the external auditors' management letters, any material queries raised by the auditor to management in respect of accounting records, financial accounts or system of control and management's response and to ensure the Board will provide a timely response to the issue raised;

(ix) to review the Groups' financial controls, internal control and risk management systems; and ensure that the management has discharged its duty to have an effective internal control system;

(x) to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to monitor the effectiveness of the internal audit function; and

(xi) to consider any findings of major investigations of internal control matters as delegated by the Board and or on its own initiative and management's response.

The Audit Committee has explicit authority to investigate into any matter under the scope of its duties and the authority to obtain independent professional advice. It is given full access and assistance from management and reasonable resources to discharge its duties properly. At least once annually, the Audit Committee will meet the external auditors.

BOARD COMMITTEES *(Continued)*

Audit Committee *(Continued)*

The Audit Committee will meet at least twice each year. In 2012, the Audit Committee met four times considering, among other things, the annual results of the Group for the financial year ended 31 December 2011 and the interim results of the Group for the 6 month ended 30 June 2012, discussing with the auditors of the Company on internal control, auditors' independence, auditors' remuneration and the scope of work in relation to the annual audit. Attendance records of the Audit Committee members in 2012 are as follows:

Committee member	Number of Committee meetings attended/held
Mr. Ma Ving Lung *(Chairman)*	4/4
Mr. Yip King Keung, Pony	4/4
Ms. Lin Wen Feng	4/4

Nomination Committee

The Nomination Committee has been established since June 2005. It currently consists of five members, including Mr. Chen Chang Wei (Chairman), Ms. Chen Dongxue, Mr. Ma Ving Lung, Ms. Lin Wen Feng and Mr. Yip King Keung, Pony, three of whom are INEDs. The Nomination Committee is provided with sufficient resources to discharge its duties and has access to independent professional advice in accordance with the Company's policy if considered necessary.

In light of the relevant amendments to the Listing Rules, a revised terms of reference of the Nomination Committee was adopted by the Board on 28 February 2012, and is available on the Company's website.

The major roles and functions of the Nomination Committee are:

(i) to review the structure, size and composition of the Board at least annually;

(ii) to review and recommend the Board on the appointment or re-appointment of directors and succession planning for directors in particular the chairman and the chief executive.

BOARD COMMITTEES *(Continued)*

Nomination Committee *(Continued)*

The Nomination Committee shall meet at least once a year. One committee meeting was held in 2012 to review the revised term of reference of the Nomination Committee. The attendance of each member is set out as follows:

Committee member	Number of Committee meeting attended/held
Mr. Chen Chang Wei *(Chairman)*	1/1
Ms. Chen Dongxue	0/1
Ms. Lin Wen Feng	1/1
Mr. Ma Ving Lung	1/1
Mr. Yip King Keung, Pony	1/1

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Directors acknowledge their responsibility for preparing, with the support from finance department, the financial statements of the Group and ensure that the financial statements are in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the timely publication of the financial statements of the Group. The Directors also confirm that, to the best of their knowledge, information and belief, having made all reasonable enquires, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as going concern.

The report of the Company's external auditor, KPMG, and their reporting responsibilities on the financial statements of the Group are set out in the Independent Auditor's Report on pages 31 and 32.

ACCOUNTABILITY AND AUDIT *(Continued)*

External Auditor's Independence and Remuneration

The Audit Committee is mandated to monitor the independence of the external auditor to ensure the objectivity in the finance statements. Members of the Committee are of the view that the Company's auditor, KPMG is independent and recommended the Board to propose its re-appointment as the Company's external auditor at the AGM. During the year, the remuneration paid/payable to the Company's external auditor, KPMG, is set out as follows:

Services rendered for the Group	Fee paid/payable HK$'000
Audit services	1,082
Non-audit services	741

INTERNAL CONTROL

The Board has overall responsibilities for maintaining sound and effective internal control system of the Group. The Group's system of internal controls includes a defined management structure with limit authority, is designed to help the achievement of business objectives, safeguard assets against unauthorized use or disposition, ensure the maintenance of proper accounting records for the provisions of reliable financial information for internal use or for publication, and ensure compliance with relevant legislation and regulations. The system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather that eliminate risks of failure in operational systems and achievement of the Group's objectives. The Board has conducted review of the system of internal control of the Group during the year ended 31 December 2012.

Directors' Training

Pursuant to Code Provision A.6.5, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. The Directors have been given relevant guideline materials to ensure that they are apprised of the latest changes in the commercial, legal and regulatory requirements in relation to the Company's businesses, and to refresh their knowledge and skills on the roles, functions and duties of a listed company director.

For the period from 1 January 2012 to 31 December 2012, all Directors provided their records of training to the Company. All Directors, namely Mr. Chen Chang Wei, Ms. Chen Dongxue, Mr. Chan Chi Wang, Ms. Wu Weilan, Ms. Lin Wen Feng, Mr. Ma Ving Lung and Mr. Yip King Keung, Pony, participated in this continuous professional development mainly by reading various materials regarding directors' responsibilities, prevention of breaching listing rules and disclosure of inside information, etc.

Company Secretary's Training

Pursuant to new Rule 3.29 of the Listing Rules, the Company Secretary must take no less than 15 hours of relevant professional training in each financial year. The Company Secretary provided her training records to the Company indicating more than 15 hours of relevant professional development by means of attending in-house briefings, attending seminars and reading relevant guideline materials.

COMMUNICATION WITH SHAREHOLDERS

The Board recognizes the importance of good communication with shareholders. Information in relation to the Group is disseminated to shareholders in a timely manner through a number of formal channels, which include interim reports, annual reports, announcements and circulars.

The Company's annual general meeting (the "AGM") is a valuable forum for the Board to communicate directly with the shareholders. The Chairman actively participates in the AGM and personally chairs the meeting to answer any questions from the shareholders. A separate resolution is proposed by the Chairman in respect of each issue to be considered at the AGM. An AGM circular is distributed to all shareholders at least 21 days prior to the AGM, setting out details of each propose resolution, voting procedures (including procedures for demanding and conducting a poll) and other relevant information. The Chairman explains the procedures for demanding and conducting a poll again at the beginning of the AGM, and (except where a poll is demanded) reveals how many proxies for and against have been received in respect of each resolution.

SHAREHOLDERS' RIGHTS

Set out below is a summary of certain rights of the shareholders as required to be disclosed pursuant to the Code.

Convening an extraordinary general meeting and procedures for putting forward proposals by shareholders at general meeting

Shareholders may request the Company to convene a general meeting according to the provision as set out in the Company's Bye-Laws and the Companies Act of Bermuda. A copy of the Company's Bye-Laws is available on the Company's website. The procedure for shareholders to nominate a person for election as a director of the Company is also available on the Company's website. Subject to bye-laws of the Company, any shareholder wishing to nominate an individual for election as a director of the Company in the annual general meeting shall, no later than 7 days prior to the relevant general meeting, submit a completed form of nomination to the principal place of business of the Company in Hong Kong, and in default the form of nomination submitted shall be treated as invalid. Any such form of nomination shall be accompanied by a biographical profile of each proposed nominee and a written statement from the proposed nominee consenting to be nominated and, if nominated and elected, consenting to serve as a director of the Company. The biographical profile of each proposed nominee shall include at least the following information:- (i) full name, age and address of the proposed nominee; (ii) past and present directorships (if any) and employment of the proposed nominee; (iii) the information as required to be include in the announcement of the Company under Rule 13.51(2) of the Listing Rules.

SHAREHOLDERS' RIGHTS *(Continued)*

Enquiries from shareholders to the Board

In order to ensure effective communication between the shareholders and the Board, the Company adopted the shareholders communication procedures on 28 February 2012. According to the shareholders communication procedures, the board should be responsible for maintaining an on-going dialogue with shareholders and in particular, use annual general meetings or other general meetings to communicate with them and encourage their participation. The chairman of the board should attend the annual general meeting. He should also invite the independent non-executive directors, the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In their absence, the chairman should invite another member of the committee or failing this his duly appointed delegate, to attend. These persons should be available to answer questions at the annual general meeting.

The chairman of the independent board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that requires independent shareholders' approval.

Any further questions shall be directed to the Company's principal place of business in Hong Kong. Contact details of the Company is available from the Company's website.

CONSTITUTIONAL DOCUMENTS

There are no significant changes in the Company's constitutional documents during the year ended 31 December 2012.

CORPORATE GOVERNANCE ENHANCEMENT

Enhancing corporate governance is not simply a matter of applying and complying with the Code of the Stock Exchange but about promoting and developing an ethical and healthy corporate culture. We will continue to review and, where appropriate, improve our current practices on the basis of our experience, regulatory changes and developments. Any views and suggestions from our shareholders are also welcome to promote our transparency.

Independent auditor's report to the shareholders of
Hengli Commercial Properties (Group) Limited
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Hengli Commercial Properties (Group) Limited ("the Company") and its subsidiaries (together the "Group") set out on pages 33 to 105, which comprise the consolidated and company statements of financial position as at 31 December 2012, the consolidated income statement, 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 FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements 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 financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, 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 financial statements 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 financial statements.

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

Independent Auditor's Report

OPINION

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

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

6 February 2013

Consolidated Income Statement

For the year ended 31 December 2012
(Expressed in Hong Kong dollars)

	Note	2012 $'000	2011 $'000
Continuing operations			
Turnover	3	**2,773,419**	—
Cost of sales		**(2,395,066)**	—
Gross profit		**378,353**	—
Gain on redemption/repurchase of convertible bonds	25	**14,860**	100,669
Valuation gain on investment properties		**449,846**	215,701
Other revenue	4	**10,740**	27,585
Other net loss	4	**(877)**	(4,391)
Selling, administrative and other operating expenses		**(75,957)**	(59,933)
Profit from operations		**776,965**	279,631
Finance costs	5(a)	**(163,924)**	(130,286)
Profit before taxation	5	**613,041**	149,345
Income tax	6(a)	**(369,678)**	(17,626)
Profit from continuing operations		**243,363**	131,719
Discontinued operations	7		
Results of discontinued operations		**—**	516
Net gain on disposal of subsidiaries		**—**	62,460
Profit for the year		**243,363**	194,695
Attributable to:			
Equity shareholders of the Company (from continuing operations: $232,335,000 (2011: $123,559,000))		**232,335**	185,411
Non-controlling interests (from continuing operations: $11,028,000 (2011: $8,160,000))		**11,028**	9,284
Profit for the year		**243,363**	194,695
Earnings per share (HK cents)	12		
From continuing operations and discontinued operations			
Basic		**9.9**	8.0
Diluted		**3.9**	2.0
From continuing operations			
Basic		**9.9**	5.3
Diluted		**3.9**	1.4

The notes on pages 40 to 105 form part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012
(Expressed in Hong Kong dollars)

	Note	2012 $'000	2011 $'000
Profit for the year		**243,363**	194,695
Other comprehensive income for the year (after tax and reclassification adjustments):	11		
Exchange differences on translation of financial statements of subsidiaries in the mainland of the People's Republic of China (the "PRC")		**107,621**	148,820
Surplus on revaluation of property, plant and equipment		**4,038**	260
Exchange reserve realised on disposal of subsidiaries		**–**	(6,027)
		111,659	143,053
Total comprehensive income for the year		**355,022**	337,748
Attributable to:			
Equity shareholders of the Company		**342,078**	324,300
Non-controlling interests		**12,944**	13,448
Total comprehensive income for the year		**355,022**	337,748

The notes on pages 40 to 105 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2012
(Expressed in Hong Kong dollars)

	Note	2012 $'000	2011 $'000
Non-current assets			
Fixed assets	13		
— Property, plant and equipment		**18,512**	4,420
— Prepaid lease payments		**46,469**	24,940
— Investment properties		**2,361,583**	1,683,501
		2,426,564	1,712,861
Goodwill	14	**106,939**	105,531
Deferred tax assets	27(b)	**85,510**	—
		2,619,013	1,818,392
Current assets			
Properties for sales	16	**2,107,945**	3,846,822
Deposits for land use right	17	**702,694**	695,010
Trade and other receivables	18	**132,887**	267,479
Derivative financial instruments	25	**63,430**	60,264
Prepaid taxes	27(a)	**28,068**	120,007
Restricted bank deposits	19	**42,904**	349,423
Cash and cash equivalents	20(a)	**476,641**	58,017
		3,554,569	5,397,022
Current liabilities			
Trade and other payables	21	**949,417**	873,584
Receipts in advance	22	**1,532,527**	2,051,717
Loans from financial institutions	23	**41,099**	781,373
Loans from related parties	32(b)	**280,284**	377,479
Advance from lessee	24	**124,360**	—
Current taxation	27(a)	**550,835**	2,749
		3,478,522	4,086,902
Net current assets		**76,047**	1,310,120
Total assets less current liabilities		**2,695,060**	3,128,512

Consolidated Statement of Financial Position

At 31 December 2012
(Expressed in Hong Kong dollars)

	Note	2012 $'000	2011 $'000
Non-current liabilities			
Loans from financial institutions	23	**10,008**	338,058
Convertible bonds	25	**1,220,962**	1,203,381
Advance from lessee	24	**—**	123,000
Deferred tax liabilities	27(b)	**668,912**	999,985
		1,899,882	2,664,424
NET ASSETS		**795,178**	464,088
CAPITAL AND RESERVES	28		
Share capital		**235,292**	232,897
Retained profits/(Accumulated losses)		**84,144**	(297,644)
Other reserves		**348,008**	434,984
Total equity attributable to equity shareholders of the Company		**667,444**	370,237
Non-controlling interests		**127,734**	93,851
TOTAL EQUITY		**795,178**	464,088

Approved and authorised for issue by the board of directors on 6 February 2013

Chen Chang Wei
Chairman

Wu Weilan
Executive Director

The notes on pages 40 to 105 form part of these financial statements.

Statement of Financial Position

At 31 December 2012
(Expressed in Hong Kong dollars)

	Note	2012 $'000	2011 $'000
Non-current assets			
Investments in subsidiaries	15	**1,705,241**	1,705,241
Current assets			
Trade and other receivables	18	**287,328**	566,013
Derivative financial instruments	25	**63,430**	60,264
Cash and cash equivalents	20(a)	**23,684**	1,328
		374,442	627,605
Current liabilities			
Other payables	21	**665,431**	718,033
Loans from financial institutions	23	**–**	50,000
Loans from related parties	32(b)	**–**	24,000
		665,431	792,033
Net current liabilities		**(290,989)**	(164,428)
Total assets less current liabilities		**1,414,252**	1,540,813
Non-current liabilities			
Convertible bonds	25	**1,220,962**	1,203,381
NET ASSETS		**193,290**	337,432
CAPITAL AND RESERVES	28		
Share capital		**235,292**	232,897
Reserves		**(42,002)**	104,535
TOTAL EQUITY		**193,290**	337,432

Approved and authorised for issue by the board of directors on 6 February 2013

Chen Chang Wei
Chairman

Wu Weilan
Executive Director

The notes on pages 40 to 105 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012
(Expressed in Hong Kong Dollars)

		Attributable to equity shareholders of the Company												
		Share capital $'000	Share premium $'000	Prepaid share reserve $'000	Capital reserve $'000	Special reserve $'000	Exchange reserve $'000	Property revaluation reserve $'000	Statutory reserve fund $'000	Convertible bond reserve $'000	(Accumulated losses)/ Retained profits $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
	Note	28(b)	28(c)(i)		28(c)(iii)	28(c)(iv)	28(c)(v)	13(b)	28(c)(ii)	25/28(c)(vi)				
Balance at 1 January 2011		111,851	193,139	111,851	3,038	44,144	104,701	1,616	–	136,770	(484,779)	222,331	188,047	410,378
Changes in equity for 2011:														
Profit for the year		–	–	–	–	–	–	–	–	–	185,411	185,411	9,284	194,695
Other comprehensive income	11	–	–	–	–	–	138,791	98	–	–	–	138,889	4,164	143,053
Total comprehensive income		–	–	–	–	–	138,791	98	–	–	185,411	324,300	13,448	337,748
Rights issue of shares		111,851	–	(111,851)	–	–	–	–	–	–	–	–	–	–
Convertible bonds converted	25	9,195	10,563	–	–	–	–	–		(1,789)	–	17,969	–	17,969
Convertible bonds redeemed	25	–	–	–	–	–	–	–	–	(251,589)	–	(251,589)	–	(251,589)
Recognition of redemption options	25	–	–	–	60,264	–	–	–	–	–	–	60,264	–	60,264
Disposals of subsidiaries		–	–	–	(3,038)	(10)	–	(1,714)	–	–	1,724	(3,038)	(107,644)	(110,682)
Balance at 31 December 2011 and 1 January 2012		**232,897**	**203,702**	**–**	**60,264**	**44,134**	**243,492**	**–**	**–**	**(116,608)**	**(297,644)**	**370,237**	**93,851**	**464,088**
Changes in equity for 2012:														
Profit for the year		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**232,335**	**232,335**	**11,028**	**243,363**
Other comprehensive income	11	**–**	**–**	**–**	**–**	**–**	**105,705**	**4,038**	**–**	**–**	**–**	**109,743**	**1,916**	**111,659**
Total comprehensive income		**–**	**–**	**–**	**–**	**–**	**105,705**	**4,038**	**–**	**–**	**232,335**	**342,078**	**12,944**	**355,022**
Capital injection from non-controlling interests		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**37,501**	**37,501**
Dividend attributable to non-controlling interests		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(16,562)**	**(16,562)**
Convertible bonds converted	25	**2,395**	**3,339**	**–**	**–**	**–**	**–**	**–**	**–**	**(466)**	**–**	**5,268**	**–**	**5,268**
Convertible bonds redeemed	25	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(50,139)**	**–**	**(50,139)**	**–**	**(50,139)**
Reduction of share premium	28(c)(i)	**–**	**(207,041)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**207,041**	**–**	**–**	**–**
Appropriation to statutory reserve fund	28(c)(ii)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**57,588**	**–**	**(57,588)**	**–**	**–**	**–**
Balance at 31 December 2012		**235,292**	**–**	**–**	**60,264**	**44,134**	**349,197**	**4,038**	**57,588**	**(167,213)**	**84,144**	**667,444**	**127,734**	**795,178**

The notes on pages 40 to 105 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2012
(Expressed in Hong Kong Dollars)

	Note	2012 $'000	2011 $'000
Operating activities			
Cash generated from operations	20(b)	**1,574,162**	99,878
PRC tax paid		**(153,041)**	(76,956)
Net cash generated from operating activities		**1,421,121**	22,922
Investing activities			
Payment for the purchase of property, plant and equipment		**(822)**	(2,064)
Expenditure on investment properties		**(161,620)**	(116,509)
Disposal of discontinued operations, net of cash disposed of	7 & 18	**73,000**	(221,803)
Proceeds from sale of available-for-sale investment		**—**	2,368
Interest received		**10,740**	9,267
Decrease in restricted bank deposits		**306,519**	8,664
Net cash generated from/(used in) investing activities		**227,817**	(320,077)
Financing activities			
Capital injection from non-controlling interests		**37,501**	—
Interest paid		**(49,851)**	(75,721)
Loans from related parties		**27,062**	377,479
Repayment of loans from related parties		**(127,328)**	—
Proceeds from new loans from financial institutions		**—**	307,500
Repayment of loans from financial institutions		**(1,068,324)**	(546,221)
Payment for the repurchase of convertible bonds		**(50,000)**	(45,274)
Advance from lessee		**—**	123,000
Dividends paid to non-controlling equity holders of a subsidiary		**—**	(3,836)
Net cash (used in)/generated from financing activities		**(1,230,940)**	136,927
Net increase/(decrease) in cash and cash equivalents		**417,998**	(160,228)
Cash and cash equivalents at 1 January		**58,017**	209,835
Effect of foreign exchange rate changes		**626**	8,410
Cash and cash equivalents at 31 December	20(a)	**476,641**	58,017

The notes on pages 40 to 105 form part of these financial statements.

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements 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 disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). 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 financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2012 comprise the Company and its subsidiaries (together referred to as the "Group").

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

— derivative financial instruments (see note 1(f));

— investment property (see note 1(g)); and

— buildings held for own use (see note 1(h)).

The preparation of financial statements 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 financial statements *(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 financial statements and major sources of estimation uncertainty are discussed in note 2.

The directors are of the opinion that, after careful consideration of liquidity requirement and cashflow forecasts of the Group, and taking into account of the effect of the financial support from a major shareholder, it is appropriate to prepare the consolidated financial statements on a going concern basis. The directors have concluded that the Group would have sufficient working capital to finance its operations in the next 12 months and remains as a going concern.

(c) Changes in accounting policies

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to HKFRS 7, Financial instruments: Disclosures — Transfers of financial assets
- Amendments to HKAS 12, Income taxes — Deferred tax: Recovery of underlying assets

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Amendments to HKFRS 7 Financial instruments: disclosures

The amendments to HKFRS 7 require certain disclosures to be included in the financial statements in respect of transferred financial assets that are not derecognised in their entirety and for any continuing involvement in transferred financial assets that are derecognised in their entirety, irrespective of when the related transfer transaction occurred. However, an entity need not provide the disclosures for the comparative period in the first year of adoption. The Group did not have any significant transfers of financial assets in previous periods or the current period which require disclosure in the current accounting period under the amendments.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Changes in accounting policies *(Continued)*

Amendments to HKAS 12, Income taxes

Under HKAS 12 deferred tax is required to be measured with reference to the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of the asset(s) in question. In this regard, the amendments to HKAS 12 introduced a rebuttable presumption that the carrying amount of investment property carried at fair value under HKAS 40, Investment property, will be recovered through sale. This presumption is rebutted on a property-by-property basis if the investment property in question is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

In respect of the Group's investment properties, the Group has determined that the investment properties are held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time and consequently the presumption in the amended HKAS 12 is rebutted for the property. As a result, the Group continues to measure the deferred tax relating to the investment property using the tax rate that would apply as a result of recovering their value through use.

(d) Subsidiaries and non-controlling interests

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 financial statements 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 financial statements. 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.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Subsidiaries and non-controlling interests *(Continued)*

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Other contractual obligations toward these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 1(n) or (o) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or jointly controlled entity.

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

(e) Goodwill

Goodwill represents the excess of:

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Goodwill *(Continued)*

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1(j)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(f) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period, the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

(g) Investment property

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

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period 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(t)(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(i)), 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(i).

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Property, plant and equipment

Buildings held for own use are stated in the statement of financial position at their revalued amount, being their fair value at the date of the revaluation less any subsequent accumulated depreciation. Revaluations are performed with sufficient regularity to ensure that the carrying amount of these assets does not differ materially from that which would be determined using fair values at the end of reporting period.

Other items of plant and equipment are stated in the statement of financial position at cost less accumulated depreciation and impairment losses (see note 1(j)).

Changes arising on the revaluation of properties held for own use are generally dealt with in other comprehensive income and are accumulated separately in equity in the property revaluation reserve. The only exceptions are as follows:

— when a deficit arises on revaluation, it will be charged to profit or loss to the extent that it exceeds the amount held in the reserve in respect of that same asset immediately prior to the revaluation; and

— when a surplus arises on revaluation, it will be credited to profit or loss to the extent that a deficit on revaluation in respect of that same asset had previously been charged to profit or loss.

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 and borrowing costs (see note 1(v)).

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. Any related revaluation surplus is transferred from the revaluation reserve to retained profits/accumulated losses and is not reclassified to profit or loss.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Property, plant and equipment *(Continued)*

Depreciation is calculated to write off the cost or valuation 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:

— Buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 20 to 50 years

— Leasehold improvements	5 years or over the lease term whichever is shorter
— Furniture, fixtures and equipment	5 to 10 years
— Motor vehicles	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation 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.

(i) 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(g)); and

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Leased assets *(Continued)*

(i) Classification of assets leased to the Group *(Continued)*

— 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.

(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 assets. 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(g)) or is held for development for sale (see note 1(k)).

(j) Impairment of assets

(i) Impairment of investments in subsidiaries and other receivables

Investments in subsidiaries and other current and non-current receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period 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;

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Impairment of assets *(Continued)*

(i) Impairment of investments in subsidiaries and other receivables *(Continued)*

— 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.

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

— For investments in subsidiaries, impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 1(j)(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(j)(ii).

— For trade and other current receivables, 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.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Impairment of assets *(Continued)*

(i) Impairment of investments in subsidiaries 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 the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment (other than properties carried at revalued amounts);

— pre-paid interests in leasehold land classified as being held under an operating lease; and

— goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, the recoverable amount of goodwill is estimated annually whether or not there is any indication of impairment.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Impairment of assets *(Continued)*

(ii) Impairment of other assets *(Continued)*

— *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 first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other 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.

— *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

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.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Impairment of assets *(Continued)*

(iii) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 1(j)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(k) Properties for sales

Properties for sales are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows:

– **Property 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, an appropriate proportion of overheads and borrowing costs capitalised (see note 1(v)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

– **Completed property held for resale**

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.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) 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(j)), 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.

(m) Convertible bonds

Convertible bonds that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition the liability component of the convertible bonds is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the convertible bonds equity reserve until either the bond is converted or redeemed.

The convertible bonds redemption options held by the Group are initially measured at fair value and presented as derivative financial instruments (see note 1(f)) and subsequently remeasured in accordance with note 1(f).

If the bond is converted, the convertible bond reserve, together with the carrying amount of the liability component and the derivative at the time of conversion are transferred to share capital and share premium as consideration for the shares issued.

If the bond is redeemed, any difference between the fair values and the carrying amounts of the liability component and the derivative is recognised immediately in profit or loss. The difference between the total redemption payment and the fair value of the liability component and the derivative is considered as payment to redeem the equity component of the convertible bonds. This deemed redemption payment in relation to the equity component of the convertible bonds is dealt with directly in equity.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(o) 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(s)(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.

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on 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.

(q) Employee benefits

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.

(r) 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.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Income tax *(Continued)*

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of reporting period, 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 goodwill not deductible for tax purposes, 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(g), 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 reporting 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 end of reporting period. Deferred tax assets and liabilities are not discounted.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Income tax *(Continued)*

The carrying amount of a deferred tax asset is reviewed at end of each reporting period 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.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

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.

(s) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

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(s)(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.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Financial guarantees issued, provisions and contingent liabilities *(Continued)*

(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.

(t) 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) Sales of properties

Revenue from sales of properties is recognised when the risks and rewards of properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been delivered to the purchasers and collectability of related receivables is reasonably assured. Proceeds received on properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position under current liabilities.

(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.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Revenue recognition *(Continued)*

(iii) Dividends

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(iv) Interest income

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

(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 end of reporting period. 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. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, including goodwill arising on consolidation of foreign operations, are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(w) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, the following items are presented on the face of the consolidated income statement:

— the post-tax profit or loss of the discontinued operation; and

— the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(x) 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 or the Group's parent.

(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 (a).

(vii) A person identified in (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)*

(y) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, 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 geographical locations.

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 ACCOUNTING JUDGEMENT AND ESTIMATES

The Group makes estimates and assumptions concerning the future. Notes 14 and 29 contain information about the assumptions and their risk factors relating to goodwill impairment and fair value of financial instruments. Other key sources of estimation uncertainty are as follows:

(a) Investment property

The best evidence of fair value is current prices in an active market for the properties with similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

— current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;

— recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

— discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

2 ACCOUNTING JUDGEMENT AND ESTIMATES *(Continued)*

(b) Income taxes

(i) PRC Corporate Income Tax

The Group is subject to income taxes in the PRC. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the year in which such determination is made.

(ii) PRC Land Appreciation Taxes

The Group is subject to Land Appreciation Taxes in the PRC. However, the implementation and settlement of these taxes varies among tax jurisdictions in cities of the PRC, and the Group has not finalised its PRC Land Appreciation Taxes calculation and payments with any local tax authorities in the PRC. Accordingly, significant judgement is required in determining the amount of the land appreciation and its related taxes. The Group recognised these PRC Land Appreciation Taxes based on management's best estimates according to the understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax in the years in which such taxes have been finalised with local tax authorities.

(iii) Deferred tax assets and liabilities

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management consider to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different. Deferred tax liabilities relating to certain temporary differences are recognised when the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax charge in the year in which such determination is made.

3 TURNOVER AND SEGMENT REPORTING

(a) Turnover

The principal activities of the Group are property development and investment. Turnover during the year is analysed as follows.

	2012 $'000	2011 $'000
Continuing operations		
Sales of properties	**2,728,045**	—
Rental income	**43,124**	—
Property management income	**2,250**	—
	2,773,419	—

(b) Services from which reportable segments derive their revenue

After disposal of entire interest in Right Strong Holdings Limited and its subsidiaries (the "Disposal Group") (see note 7) on 24 May 2011, information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance is more focused on the Group as a whole, as all the Group's activities are considered to be primarily dependent on the performance on property development. Resources are allocated based on what is beneficial for the Group in enhancing its property development activities as a whole rather than any special service. Performance assessment is based on the results of the Group as a whole. Therefore, management considers there to be only one operating segment under the requirements of HKFRS 8, *Operating segments*.

(c) Geographical information

No geographical information is shown as the turnover and profit from operations of the Group is substantially derived from activities in Fujian Province in the PRC.

(d) Information about major customers

The Group does not have a single customer with whom transactions have exceeded 10% of the Group's turnover for the years ended 31 December 2012 and 2011.

4 OTHER REVENUE AND NET LOSS

	2012 $'000	2011 $'000
Continuing operations		
Other revenue		
Interest income from banks	**10,740**	9,267
Interest income from loan to a director	**—**	18,318
	10,740	27,585
Other net loss		
Gain on revaluation of convertible bonds redemption options	**3,166**	—
Net foreign exchange (loss)/gain	**(3,952)**	390
Others	**(91)**	(4,781)
	(877)	(4,391)

5 PROFIT BEFORE TAXATION

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

	2012 $'000	2011 $'000
Continuing operations		
(a) Finance costs:		
Interest on loans from financial institutions	**43,712**	71,374
Interest on convertible bonds (note 12(b))	**95,570**	102,591
Interest on loans from related parties repayable within one year	**67,270**	16,739
Deemed interest on advance from lessee	**26,232**	—
	232,784	190,704
Less: Interest expenses capitalised into properties under development *	**(68,860)**	(60,418)
	163,924	130,286

* The borrowing costs have been capitalised at rates ranging from 5.85%-18% per annum (2011: 5.4%-6.4% per annum).

(Expressed in Hong Kong dollars unless otherwise indicated)

5 PROFIT BEFORE TAXATION *(Continued)*

	2012 $'000	2011 $'000
(b) Staff costs:		
Contributions to defined contribution retirement plan	**1,219**	253
Salaries, wages and other benefits	**17,778**	9,541
	18,997	9,794
(c) Other items:		
Amortisation of prepaid lease payments	**138**	65
Depreciation of property, plant and equipment	**982**	802
Impairment losses of trade and other receivables	**—**	180
Auditor's remuneration		
— Audit services	**1,082**	941
— Other services	**741**	1,207
Operating lease charges: minimum lease payments on the hire of property, plant and equipment	**527**	379
Loss on disposal of property, plant and equipment	**4**	45
Revaluation surplus on property, plant and equipment (note 13(b))	**—**	(518)
Cost of properties sold	**2,388,283**	—

6 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Income tax in the consolidated income statement represents:

	2012 $'000	2011 $'000
Continuing operations		
Current tax		
PRC Corporate Income Tax (iii)	**327,485**	—
PRC Land Appreciation Tax (iv)	**448,140**	—
Withholding tax (v)	**17,441**	—
	793,066	—
Deferred tax		
Origination and reversal of temporary differences:		
— Revaluation of properties for sales	**(491,989)**	(23,746)
— Revaluation of investment properties	**118,890**	47,455
— Deductibility of LAT	**(79,405)**	—
— Effective interest	**—**	4,578
— Tax losses	**29,116**	(10,661)
	(423,388)	17,626
Total income tax	**369,678**	17,626

(i) Pursuant to the rules and regulations of the Bermuda and BVI, the Group is not subject to any income tax in the Bermuda Islands and BVI.

(ii) No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Company and the Group did not have assessable profits in Hong Kong for the year.

(iii) PRC Corporate Income Tax ("CIT")

The provision for CIT has been calculated at the applicable tax rates on the estimated assessable profits of the Group's subsidiaries in the PRC as determined in accordance with the relevant income tax rules and regulations of the PRC. The CIT rate applicable to the Group's subsidiaries located in the PRC is 25% (2011: 25%). No provision for CIT has been made for 2011 as the Group's subsidiaries in the PRC did not have assessable profits during that year.

6 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT *(Continued)*

(a) Income tax in the consolidated income statement represents: *(Continued)*

(iv) PRC Land Appreciation Tax ("LAT")

All income from sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, which under the applicable regulations is calculated based on the proceeds of sales of properties less deductible expenditures including costs of land use rights, borrowing costs and relevant development expenditure.

(v) Withholding tax

Withholding taxes are levied on the Hong Kong companies in respect of dividend distributions arising from profit of PRC subsidiaries earned after 1 January 2008 at 5% — 10%.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates (for continuing and discontinued operations):

	2012 $'000	2011 $'000
Profit before taxation	**613,041**	215,018
Notional tax calculated at rates applicable to profits in the tax jurisdictions concerned	**167,967**	50,113
Tax effect of non-deductible expenses	**41,158**	25,192
Tax effect of non-taxable income	**(5,173)**	(32,385)
Tax effect of unused tax losses not recognised	**1,383**	407
Temporary differences not recognised in previous years	**(3,594)**	(502)
Withholding tax	**17,441**	—
LAT and corresponding PRC CIT effect	**150,496**	(22,502)
Actual tax expense	**369,678**	20,323

7 DISCONTINUED OPERATIONS

The Company disposed of the Disposal Group to a third party, China Fair Land Properties Limited ("China Fair Land") on 24 May 2011 at a consideration of $150,656,000 and resulted in a gain of $62,460,000 for the year ended 31 December 2011.

8 DIRECTORS' REMUNERATION

Directors' remuneration is as follows:

	2012			
	Directors' fee $'000	Salaries allowances and benefits in kind $'000	Retirement scheme contributions $'000	Total $'000
Chairman and executive director:				
Mr. Chen Chang Wei	–	3,888	28	3,916
Executive directors:				
Ms. Chen Dong Xue	–	1,701	47	1,748
Mr. Chan Chi Wang	–	1,187	14	1,201
Ms. Wu Weilan	–	960	14	974
Independent non-executive directors:				
Ms. Lin Wen Feng	96	–	–	96
Mr. Ma Ving Lung	120	–	–	120
Mr. Yip King Keung, Pony	96	–	–	96
	312	7,736	103	8,151

8 DIRECTORS' REMUNERATION *(Continued)*

	2011			
	Directors' fee $'000	Salaries allowances and benefits in kind $'000	Retirement scheme contributions $'000	Total $'000
Chairman and executive director:				
Mr. Chen Chang Wei	—	2,825	12	2,837
Executive directors:				
Ms. Chen Dong Xue	—	1,130	—	1,130
Mr. Chan Chi Wang (appointed on 1 July 2011)	—	414	6	420
Ms. Wu Weilan (appointed on 1 July 2011)	—	318	6	324
Ms. Chan Sheung Ni ((resigned on 22 June 2011)	—	355	6	361
Independent non-executive directors:				
Ms. Lin Wen Feng	80	—	—	80
Mr. Ma Ving Lung	100	—	—	100
Mr. Yip King Keung, Pony	80	—	—	80
	260	5,042	30	5,332

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, four (2011: all) of them are directors whose emoluments are disclosed in note 8 and which represented such amounts paid/payable since their appointment or up to her resignation. The emoluments in respect of the remaining individual (2011: none), including the emoluments of the directors and already included in the directors' remuneration in note 8, are as follows:

	2012 $'000	2011 $'000
Salaries and other emoluments	**8,205**	5,875
Retirement scheme contributions	**75**	48
	8,280	5,923

The emolument of the remaining individual with the highest emolument who is not a director with the highest emoluments in 2012 is within the band of nil to $1,000,000.

10 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a loss of $99,271,000 (2011: profit of $109,420,000) which has been dealt with in the financial statements of the Company.

11 OTHER COMPREHENSIVE INCOME

Tax effects relating to each component of other comprehensive income are as follows:

	2012			2011		
	Before tax amount $'000	**Tax expense $'000**	**Net of tax amount $'000**	Before tax amount $'000	Tax expense $'000	Net of tax amount $'000
Exchange differences on translation of financial statements of subsidiaries in the PRC	**107,621**	**—**	**107,621**	148,820	—	148,820
Surplus on revaluation of property, plant and equipment	**5,323**	**(1,285)**	**4,038**	347	(87)	260
Exchange reserve realised on disposal of subsidiaries	**—**	**—**	**—**	(6,027)	—	(6,027)
	112,944	**(1,285)**	**111,659**	143,140	(87)	143,053

12 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of $232,335,000 (2011: $185,411,000 from continuing and discontinued operations and $123,559,000 for continuing operations) and divided by the weighted average number of 2,351,804,000 (2011: 2,321,839,000) ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2012 '000	2011 '000
Issued ordinary shares at 1 January	**2,328,965**	1,118,507
Effect of rights issue	**—**	1,115,412
Effect of exercise of convertible bonds	**22,839**	87,920
	2,351,804	2,321,839

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on profit attributable to equity shareholders of the Company of $309,879,000 (2011: $187,333,000 from continuing and discontinued operations and $125,481,000 for continuing operations) and the weighted average number of 8,033,686,000 shares (2011: 9,170,879,000 shares), calculated as follows:

(i) Profit attributable to equity shareholders of the Company (diluted)

	2012	2011	
		Continuing and discontinued operations	Continuing operations
	$'000	$'000	$'000
Profit attributable to equity shareholders	**232,335**	185,411	123,559
Interest on convertible bonds	**95,570**	102,591	102,591
Gain on redemption/repurchase of convertible bonds	**(14,860)**	(100,669)	(100,669)
Gain on revaluation of convertible bonds redemption options	**(3,166)**	—	—
	309,879	187,333	125,481

12 EARNINGS PER SHARE *(Continued)*

(b) Diluted earnings per share *(Continued)*

(ii) Weighted average number of ordinary shares (diluted)

	2012 **'000**	2011 '000
Weighted average number of ordinary shares at 31 December	**2,351,804**	2,321,839
Effect of deemed conversion of convertible bonds	**5,681,882**	6,849,040
	8,033,686	9,170,879

The diluted earnings per share for 2011 excluded the gain on repurchase of convertible bonds from the measure of earnings, in order to conform with the current year calculation of the fully diluted earnings per share.

13 FIXED ASSETS

(a) The Group

	Buildings held for own use carried at fair value $'000	Furniture, fixtures, and equipment $'000	Motor vehicles $'000	Leasehold improvements $'000	Sub-total $'000	Interests in leasehold land held for own use under operating leases $'000	Investment properties $'000 (note 13(d))	Total fixed assets $'000
Cost or valuation:								
At 1 January 2011	16,527	1,167	3,868	118	21,680	29,719	101,771	153,170
Exchange adjustments	255	126	420	–	801	77	51,028	51,906
Additions	–	149	1,915	–	2,064	–	116,509	118,573
Disposals	–	(52)	(396)	–	(448)	–	–	(448)
Disposal of subsidiaries	(15,183)	(683)	(2,324)	–	(18,190)	(4,596)	(101,771)	(124,557)
Surplus on revaluation	865	–	–	–	865	–	215,701	216,566
Less: elimination of accumulated depreciation	(464)	–	–	–	(464)	–	–	(464)
Transfer from properties for sales	–	–	–	–	–	–	1,300,263	1,300,263
At 31 December 2011	2,000	707	3,483	118	6,308	25,200	1,683,501	1,715,009
Representing:								
Cost	–	707	3,483	118	4,308	25,200	–	29,508
Valuation – 2011	2,000	–	–	–	2,000	–	1,683,501	1,685,501
	2,000	707	3,483	118	6,308	25,200	1,683,501	1,715,009
At 1 January 2012	2,000	707	3,483	118	6,308	25,200	1,683,501	1,715,009
Exchange adjustments	–	6	21	–	27	–	18,614	18,641
Additions	–	462	360	–	822	–	161,620	162,442
Disposals	–	(47)	–	–	(47)	–	–	(47)
Surplus on revaluation	5,323	–	–	–	5,323	–	449,846	455,169
Less: elimination of accumulated depreciation	(197)	–	–	–	(197)	–	–	(197)
Transfer from properties for sales	8,902	–	–	–	8,902	21,667	48,002	78,571
At 31 December 2012	16,028	1,128	3,864	118	21,138	46,867	2,361,583	2,429,588

13 FIXED ASSETS *(Continued)*

(a) The Group *(Continued)*

	Buildings held for own use carried at fair value $'000	Furniture, fixtures, and equipment $'000	Motor vehicles $'000	Leasehold improvements $'000	Sub-total $'000	Interests in leasehold land held for own use under operating leases $'000	Investment properties $'000 (note 13(d))	Total fixed assets $'000
Representing:								
Cost	–	1,128	3,864	118	5,110	46,867	–	51,977
Valuation – 2012	16,028	–	–	–	16,028	–	2,361,583	2,377,611
	16,028	1,128	3,864	118	21,138	46,867	2,361,583	2,429,588
Accumulated depreciation:								
At 1 January 2011	–	680	2,353	107	3,140	1,097	–	4,237
Exchange adjustments	–	114	401	–	515	16	–	531
Charge for the year	464	209	521	11	1,205	106	–	1,311
Written back on disposals	–	(47)	(356)	–	(403)	–	–	(403)
Written back on disposals of subsidiaries	–	(463)	(1,642)	–	(2,105)	(959)	–	(3,064)
Elimination on revaluation	(464)	–	–	–	(464)	–	–	(464)
At 31 December 2011	–	493	1,277	118	1,888	260	–	2,148
At 1 January 2012	–	493	1,277	118	1,888	260	–	2,148
Exchange adjustments	–	(1)	(3)	–	(4)	–	–	(4)
Charge for the year	197	141	644	–	982	138	–	1,120
Written back on disposals	–	(43)	–	–	(43)	–	–	(43)
Elimination on revaluation	(197)	–	–	–	(197)	–	–	(197)
At 31 December 2012	–	590	1,918	118	2,626	398	–	3,024
Net book value:								
At 31 December 2012	16,028	538	1,946	–	18,512	46,469	2,361,583	2,426,564
At 31 December 2011	2,000	214	2,206	–	4,420	24,940	1,683,501	1,712,861

13 FIXED ASSETS *(Continued)*

(b) Revaluation of properties held for own use

The buildings held by the Group for own use were revalued on an open market value basis at the end of each reporting period by independent firms of surveyors. The valuation of the properties as at 31 December 2012 were carried out by RHL Appraisal Limited and CBRE HK Limited, which has recent experience in the location and category of properties being valued. The revaluation surplus of $4,038,000 has been recognised in other comprehensive income of the Group, net of deferred tax (2011: $518,000 was recognised in profit or loss of the Group, net of deferred tax (note 5(c)).

Had these buildings held for own use been carried at cost less accumulated depreciation, the carrying amounts would have been approximately $9,956,000 (2011: $1,331,000) at 31 December 2012.

As at 31 December 2012, the property, plant and equipment and the prepaid lease payments with carrying value of $2,430,000 (2011: $2,000,000) and $24,875,000 (2011: $24,940,000) respectively are pledged as collateral for the Group's borrowings (note 23).

(c) The analysis of net book value of the properties of the Group is as follows:

	2012	2011
	$'000	$'000
In Hong Kong — held under long lease (over 50 years)	**27,305**	26,940
In the PRC — held under medium term lease (10 to 50 years)	**35,193**	—
	62,498	26,940

	2012	2011
	$'000	$'000
Representing:		
— Buildings held for own use carried at fair value	**16,029**	2,000
— Prepaid lease payment carried at cost	**46,469**	24,940
	62,498	26,940

13 FIXED ASSETS *(Continued)*

(d) Investment properties

	Completed $'000	Under development $'000	Total $'000
At 1 January 2011	101,771	—	101,771
Transfer from properties for sale	—	1,300,263	1,300,263
Addition	—	116,509	116,509
Exchange adjustments	—	51,028	51,028
Surplus on revaluation	—	215,701	215,701
Disposal of subsidiaries	(101,771)	—	(101,771)
At 31 December 2011	—	1,683,501	1,683,501
Representing:			
Valuation — 2011	—	1,683,501	1,683,501
At 1 January 2012	—	1,683,501	1,683,501
Transfer from properties for sales	48,002	—	48,002
Addition	—	161,620	161,620
Exchange adjustments	—	18,614	18,614
Surplus on revaluation	449,846	—	449,846
Transfer	1,863,735	(1,863,735)	—
At 31 December 2012	2,361,583	—	2,361,583
Representing:			
Valuation — 2012	2,361,583	—	2,361,583

(i) The Group's investment properties was revalued on an open market value basis at the end of the reporting period by an independent firm of surveyors, CBRE HK Limited, which has recent experience in the respective location and category of property being valued. As a result of the revaluation, a net gain of $449,846,000 (2011: $215,701,000) has been recognised in profit or loss for the year in respect of investment properties.

13 FIXED ASSETS *(Continued)*

(d) Investment properties *(Continued)*

(ii) The Group's investment properties are held under medium-term leases (10 to 50 years) in the PRC.

As at 31 December 2011, the Group's investment properties with fair value of $1,446,741,000 were pledged as collateral for the Group's borrowings (note 23). None of the investment properties were pledged as at 31 December 2012.

(iii) Investment properties leased out under operating leases

The Group leases out its investment properties under operating leases. The leases for most of the properties typically run for an initial period of one to twenty years, with an option to renew the lease after that date at which time all terms are renegotiated.

The Group's total future minimum rental receivables under non-cancellable operating leases are as follows:

	2012 **$'000**	2011 $'000
Within 1 year	**43,347**	4,061
After 1 year but within 5 years	**278,797**	246,615
After 5 years	**1,232,774**	1,282,530
	1,554,918	1,533,206

14 GOODWILL

	The Group	
	2012	2011
	$'000	$'000
Cost	**394,782**	394,782
Accumulated impairment losses	**(299,000)**	(299,000)
Exchange adjustments	**11,157**	9,749
Carrying amount	**106,939**	105,531

Goodwill arose from the acquisition of the entire issued share capital of Amazing Wise Limited ("Amazing Wise") in 2008. The balance represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of Amazing Wise as at the acquisition date.

The Group carried out impairment testing of the goodwill at the end of each reporting period. As a result of the downturn of the PRC property market in 2008, an impairment loss of $299,000,000 in respect of the goodwill was recorded. No further impairment is considered necessary as a result of subsequent appreciation of property prices. The impairment loss on goodwill was not reversed in accordance with the Group's accounting policy as set out note 1(e).

In assessing the impairment of goodwill, the recoverable amount of the cash generating units ("CGU") is determined. The CGU related to the goodwill includes all subsidiaries under the Fujian segment. The recoverable amount of the CGU is determined based on value-in-use calculations under the Fujian segment. These calculations use cash flow projections based on financial budgets approved by management covering a 5-year period. Cash flows are extrapolated using an estimated weighted average growth rate of 3%-5% (2011: 3%-5%). The cash flows are discounted using a discount rate of 19% (2011: 17%). In determining discount rate, the Capital Assets Pricing Model ("CAPM") was used. Under CAPM, the appropriate expected rate of return is the sum of the risk-free return and the equity risk premium required by investors to compensate for the market risk assumed. The management's key assumptions include profit margins which have been determined based on past performance and its expectations for market performance. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

15 INVESTMENTS IN SUBSIDIARIES

	The Company	
	2012	2011
	$'000	$'000
Unlisted investments, at cost	**1,705,241**	1,705,241

Particulars of principal subsidiaries of the Group are as follow:

			Proportion of ownership interest			
Name of company	**Place of incorporation/ establishment and operation**	**Particulars of issued and paid up capital/ paid in capital**	**Group's effective interest**	**held by the Company**	**held by a subsidiary**	**Principal activities**
Amazing Wise Limited	British Virgin Islands	10 ordinary shares of US$1 each	100%	100%	–	Investment holding
Dalong Industrial Group Limited	Hong Kong	10,000,000 ordinary shares of $1 each	100%	–	100%	Investment holding
Fujian Zhonglu Real Estate Development (HK) Limited	Hong Kong	1,000 ordinary shares of $1 each	100%	–	100%	Treasury
Fujian Zhonglu Real Estate Development Co., Limited (notes i, ii and v)	PRC	RMB129,820,000	95% (note v)	–	95%	Property development
Fujian Hengli Real Estate Development Co., Limited (note iii)	PRC	RMB180,000,000	100%	–	100%	Property development
Fujian Hengli Commercial Properties Co. Limited (note iv)	PRC	RMB321,600,000	100%	–	100%	Property management

(Expressed in Hong Kong dollars unless otherwise indicated)

15 INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of company	Place of incorporation/ establishment and operation	Particulars of issued and paid up capital/ paid in capital	Proportion of ownership interest: Group's effective interest	held by the Company	held by a subsidiary	Principal activities
Fujian Hengli Bona Plaza Development Co. Limited (note i)	PRC	RMB105,000,000	70%	–	70%	Property development
Fuzhou Hengli & Savills Property Management Co. Limited (note i)	PRC	RMB500,000	55%	–	55%	Property management
Fujian Hengli Assets Management Co. Limited (note iii)	PRC	–	100%	–	100%	Property management

i These entities are equity joint ventures established in the PRC.

ii 30% of the Group's interest in this entity has been pledged as a collateral for the advance from lessee (see note 24).

iii This entity is a wholly foreign owned enterprise established in the PRC.

iv This entity is a domestic enterprise established in the PRC.

v Pursuant to a share transfer agreement (the "Agreement") dated 22 May 2005 between Dalong Industrial Limited ("Dalong"), a subsidiary of the Group, and Fujian Zhonglu Group Co., Limited ("Zhonglu Group"), Zhonglu Group agreed to transfer 95% of equity of Fujian Zhonglu Real Estate Development Co., Limited ("Fujian Zhonglu") to Dalong, after which Fujian Zhonglu became a subsidiary of Dalong. Zhonglu Group has since then been the non-controlling equity holder of Fujian Zhonglu. According to the Agreement, certain assets and liabilities related to an old project commenced before the transfer were retained by Zhonglu Group, the relevant risks and benefits of the aforesaid projects were also retained by Zhonglu Group. Fujian Zhonglu maintains a separate books and records for this old project. As at 31 December 2012, the relevant assets and liabilities amounted to $35,526,000 (2011: $43,660,000) and $35,000 (2011: $43,400) respectively have not been legally transferred. However, as the risk and benefits of these assets and liabilities were retained by Zhonglu Group, these assets and liabilities were excluded from the consolidated financial statements. The Group is therefore entitled to 95% of the equity interest of Fujian Zhonglu excluding the above mentioned assets and liabilities.

16 PROPERTIES FOR SALES

	The Group	
	2012	2011
	$'000	$'000
Properties under development	**700,723**	3,846,822
Completed properties for sales	**1,407,222**	—
	2,107,945	3,846,822

(a) Analysis of carrying amount of leasehold land included in properties for sales by lease terms is as follows:

	The Group	
	2012	2011
	$'000	$'000
Held under:		
— long leases (over 50 years) in the PRC	**183,112**	1,170,807
— medium-term leases (10 to 50 years) in the PRC	**1,264,982**	1,667,004
	1,448,094	2,837,811

(b) The amount of properties for sale expected to be recovered after more than one year is analysed as follows:

	The Group	
	2012	2011
	$'000	$'000
Properties under development	**700,723**	1,552,713

(c) Certain of the Group's properties for sale was pledged as securities for the Group's loans from financial institutions as at 31 December 2011 (note 23). None of the Group's properties for sale was pledged as at 31 December 2012.

17 DEPOSITS FOR LAND USE RIGHT

The amount represents deposits for land use right in respect of a piece of land in Fuzhou. The directors consider that the land use right of that piece of land will be obtained within one year.

18 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2012	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000
Trade receivables	**115**	1,592	**–**	1,566
Other receivables, prepayments and deposits	**132,772**	265,887	**34,255**	105,690
Amounts due from subsidiaries	**–**	–	**253,073**	458,757
	132,887	267,479	**287,328**	566,013

Included in trade and other receivables is an amount due from China Fair Land of $32,690,000 (2011: $105,690,000) arising from the disposal of the Disposal Group to China Fair Land. The amount has been fully settled after the year end.

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

The amount of the Group's and the Company's deposits and prepayments expected to be recovered after more than one year are $98,000 (2011: $10,626,000).

Details of the Group's credit policy are set out in note 29(a).

(a) Ageing analysis

The ageing analysis of trade receivables based on the invoice date is as follows:

	The Group		The Company	
	2012	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000
Within 1 month	**115**	26	**–**	–
Over 1 month	**–**	1,566	**–**	1,566
	115	1,592	**–**	1,566

At 31 December 2012, no impairment allowance is necessary in respect of the Group's trade receivables as the management considers that the balance is fully recoverable. The Group does not hold any collateral over the balance.

19 RESTRICTED BANK DEPOSITS

Bank deposits have been pledged as security for loans from financial institutions (see note 23). The pledged bank deposits will be released upon the settlement of relevant bank loans.

20 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	The Group		The Company	
	2012 $'000	2011 $'000	**2012 $'000**	2011 $'000
Cash at bank and in hand	**476,641**	58,017	**23,684**	1,328

(b) Reconciliation of profit before taxation to cash generated from operations:

	Note	**2012 $'000**	2011 $'000
Profit before taxation resulting from:			
Continuing operations		**613,041**	149,345
Discontinuing operations		**–**	3,213
Net gain on disposal of subsidiaries		**–**	62,460
		613,041	215,018
Adjustments for:			
Gain on early redemption of convertible bonds		**(14,860)**	(100,669)
Gain on revaluation of convertible bonds redemption options		**(3,166)**	–
Valuation gain on investment properties		**(449,846)**	(215,701)
Revaluation surplus on property, plant and equipment		**–**	(518)
Depreciation and amortisation		**1,120**	1,311
Loss on disposal of property, plant and equipment	5(c)	**4**	45
Finance costs		**163,924**	130,286
Interest income	4	**(10,740)**	(27,585)
Net gain on disposal of subsidiaries		**–**	(62,460)
Changes in working capital:			
Decrease/(increase) in properties for sales		**1,751,322**	(933,325)
Decrease/(increase) in trade and other receivables		**59,784**	(157,187)
Increase in deposits for land use right		**–**	(472,456)
Decrease/(increase) in receipts in advance		**(519,190)**	1,107,370
Increase in trade and other payables		**(17,231)**	615,749
Cash generated from operations		**1,574,162**	99,878

21 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2012	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000
Trade payables (note (a))	**135,898**	185,174	**–**	–
Other creditors and accrued charges	**659,747**	671,371	**822**	380
Interest payable to related parties	**79,002**	17,013	**–**	2,327
Amount due to a director (note (b))	**58,000**	–	**58,000**	–
Amounts due to subsidiaries (note (c))	**–**	–	**606,609**	715,326
Amounts due to non-controlling equity holders (note (c))	**16,770**	26	**–**	–
	949,417	873,584	**665,431**	718,033

(a) The amount of the Group's trade payables expected to be settled after more than one year is $93,373,000 (2011: $135,152,000)

The aging analysis of trade payables based on the invoice date as of the end of reporting period is as follows:

	The Group	
	2012	2011
	$'000	$'000
Within 1 month	**11,428**	10,976
1 to 3 months	**4,840**	21,953
Over 3 months but within 6 months	**4,791**	32,929
Over 6 months but within 12 months	**9,846**	65,858
Over 12 months	**104,993**	53,458
	135,898	185,174

(b) The amount due to a director represents unsettled amount in respect of redemption of convertible bonds as at 31 December 2012 (see note 25). The amount is unsecured, interest free and repayable on demand.

(c) The amounts due to subsidiaries and non-controlling equity holders are unsecured, interest free and repayable on demand or within one year.

22 RECEIPTS IN ADVANCE

The amount represents instalments of sales proceeds received from buyers in connection with the Group's pre-sale of properties. The amount as at 31 December 2012 included sales proceeds of RMB680,382,000 received from a single buyer of certain properties held for sale. The amount is expected to be recognised as revenue of the Group within one year.

23 LOANS FROM FINANCIAL INSTITUTIONS

At 31 December 2012, loans from financial institutions were repayable and secured as follows:

	The Group		The Company	
	2012	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000
Current				
Within 1 year	**41,099**	781,373	**–**	50,000
Non-current				
After 1 year but within 2 years	**2,159**	328,049	**–**	–
After 2 years but within 5 years	**6,851**	6,662	**–**	–
After 5 years	**998**	3,347	**–**	–
	10,008	338,058	**–**	–
	51,107	1,119,431	**–**	50,000

(a) Assets of the Group pledged to secure the loans from financial institutions comprise:

	2012	2011
	$'000	$'000
Property, plant and equipment (note 13(b))	**2,430**	2,000
Prepaid lease payments (note 13(b))	**24,875**	24,940
Investment properties (note 13(d))	**–**	1,446,741
Properties for sales (note 16(c))	**–**	1,142,230
Restricted bank deposits (note 19)	**42,904**	349,423
	70,209	2,965,334

24 ADVANCE FROM LESSEE

The advance from lessee is non-interest bearing, and is secured by the Group's 30 percent interest in a subsidiary (see note 15). The amount was settled subsequent to the reporting date.

25 CONVERTIBLE BONDS

On 21 January 2008, the Company issued $2,701,711,500 zero coupon convertible bond at 100% of principal amount to Mr. Chen as part of the consideration for the acquisition of Amazing Wise Limited and its subsidiaries. The convertible bond are secured by the shares of Amazing Wise Limited held by the Company.

The rights of the convertible bond holder to convert the convertible bond into ordinary shares are as follows:

— Conversion rights are exercisable at any time up to maturity at the option of convertible bond holders.

— Pursuant to the terms of the convertible bond, the exercise/conversion price and the number of shares to be issued upon exercise of the subscription rights attached to the convertible bond have been adjusted as a result of a rights issue in January 2011. The Company is required to deliver ordinary shares at a rate of $0.334 per share (originally $0.5 per share before the right issue).

If the convertible bond holder's conversion rights have not been exercised or the convertible bond has not been repurchased or redeemed up to the maturity date, i.e. 20 January 2018, the Company will redeem at face value on 20 January 2018.

During 2011, the Company executed supplemental deeds to modify certain terms of the convertible bonds to amend the restriction to the maximum number conversion rights exercisable at any time up to maturity. In addition, the Company also inserted an early redemption provision such that the Company should have the right at any time to redeem the whole or any part of the outstanding principal amount of the convertible bonds at their face value. The option to enable the Company to redeem the convertible bonds is considered as derivative financial instrument of the Company and revalued at each reporting date. The Directors consider such option to be contributed by Mr. Chen in the capacity of the major shareholder and therefore the asset was credited to capital reserve.

At 31 December 2012, the outstanding principal amount of the convertible bond is $1,800,000,000 (2011: $1,916,000,000).

25 CONVERTIBLE BONDS *(Continued)*

The convertible bonds recognised in the statements of financial position of the Group and the Company are analysed as follows:

	Liability component $'000	**Equity component** $'000
Net carrying amount at 1 January 2011	1,368,839	136,770
Interest expense (i)	102,591	—
Conversion rights exercised (ii)	(17,970)	(1,789)
Convertible bonds repurchased (iii)	(250,079)	(23,361)
Net carrying amount at 31 December 2011	1,203,381	111,620
Net carrying amount at 1 January 2012	1,203,381	111,620
Interest expense (i)	95,570	—
Conversion rights exercised (ii)	(5,268)	(466)
Convertible bonds redeemed (iii)	(72,721)	(6,292)
Net carrying amount at 31 December 2012	1,220,962	104,862

(i) Interest expense

Interest expense on the convertible bonds is calculated using the effective interest method by applying the effective interest rate of 8% to the liability component.

(ii) Conversion rights exercised

Convertible bonds with principal amount of $8,000,000 and $30,711,000 were converted on 18 January 2012 and 17 January 2011 respectively.

25 CONVERTIBLE BONDS *(Continued)*

(iii) Convertible bonds redeemed/repurchased

On 8 June 2011, the Company repurchased convertible bonds with principal amount of $45,000,000 held by Mr. Chen, representing approximately 1.94% of the outstanding principal amount of the convertible bond at the date of the repurchase. The consideration is equal to the face value of the convertible bonds and is settled by cash. As a result of the repurchase, the liability component of the convertible bonds was remeasured at its fair value at the date of the repurchase and compared to the carrying amount of the convertible bonds. A fair value gain of approximately $4,403,000 was recognised in the profit or loss.

In 2011, the Company entered into a sale and purchase agreement to repurchase convertible bonds with principal amount of $356,000,000 held by Mr. Chen, representing approximately 15.67% of the outstanding principal amount of the convertible bonds at the date of the repurchase. The consideration is equal to the face value of the convertible bonds repurchased and is settled by way of setting off the loan of approximately RMB289,330,000 (equivalent to approximately $355,726,000) due from Mr. Chen to the Group and the remaining balance of approximately $274,000 in cash. The repurchase was completed on 31 December 2011 and as a result of the repurchase, the liability component of the convertible bonds was remeasured at its fair value at the date of the repurchase and compared to the carrying amount of the convertible bonds. A gain of approximately $96,266,000 was recognised in the profit or loss.

On 26 November 2012, the Company early redeemed convertible bonds with principal amount of $108,000,000 held by Mr. Chen, representing approximately 5.66% of the outstanding principal amount of the convertible bonds at the date of the redemption. The consideration is to be settled by cash in instalments on or before 31 March 2013. As a result of the repurchase, the liability component of the convertible bonds was remeasured at its fair value at the date of the repurchase and compared to the carrying amount of the convertible bonds. A gain of approximately $14,860,000 was recognised in the profit or loss. As at 31 December 2012, $58,000,000 has not yet been settled by the Company to Mr. Chen (note 21(b)).

26 EMPLOYEE RETIREMENT BENEFITS

Defined contribution retirement plans

The Group 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. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of $25,000 ($20,000 prior to June 2012). Contributions to the plan vest immediately.

As stipulated by the regulations of the PRC, the Group participates in various defined contribution retirement plans organised by municipal and provincial governments for its employees. The Group is required to make contributions to the retirement plans at rates ranging from 12% to 18% of the salaries, bonuses and certain allowances of the employees.

The Group has no other material obligation for the payment of pension benefits associated with these plans beyond the annual contributions described above.

27 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	The Group	
	2012	2011
	$'000	$'000
Prepaid tax:		
PRC Corporate Income Tax	**22,366**	71,693
PRC Land Appreciation Tax	**5,702**	48,314
	28,068	120,007
Current tax payable:		
PRC Corporate Income Tax	**208,796**	2,749
PRC Land Appreciation Tax	**342,039**	—
	550,835	2,749

(b) Deferred tax assets and liabilities recognised:

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

Deferred tax arising from:

	Revaluation of properties for sales and buildings held for own use $'000	Revaluation of investment properties $'000	Land appreciation tax $'000	Effective interest $'000	Tax losses $'000	Total $'000
At 1 January 2011	(978,776)	–	4,397	4,491	17,568	(952,320)
Exchange adjustments	(37,200)	–	69	87	887	(36,157)
Transfer to investment properties	203,784	(203,784)	–	–	–	
Credited/(charged) to profit or loss	23,746	(47,455)	(666)	(4,578)	10,661	(18,292)
Credited to reserves	–	–	(32)	–	–	(32)
Credited to non-controlling interests	–	–	(55)	–	–	(55)
Disposal of subsidiaries	10,584	–	(3,713)	–	–	6,871
At 31 December 2011	(777,862)	(251,239)	–	–	29,116	(999,985)
At 1 January 2012	(777,862)	(251,239)	–	–	29,116	(999,985)
Exchange adjustments	2,278	(7,736)	(62)	–	–	(5,520)
Credited/(charged) to profit or loss	491,989	(118,890)	79,405	–	(29,116)	423,388
Credited to reserves	(1,285)	–	–	–	–	(1,285)
At 31 December 2012	(284,880)	(377,865)	79,343	–	–	(583,402)

27 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

(b) Deferred tax assets and liabilities recognised: *(Continued)*

Reconciliation to the consolidated statement of financial position:

	The Group	
	2012	2011
	$'000	$'000
Deferred tax assets	**85,510**	—
Deferred tax liabilities	**(668,912)**	(999,985)
	(583,402)	(999,985)

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 1(r), the Group has not recognised deferred tax assets in respect of cumulative tax losses of $1,383,000 (2011: $1,063,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses arose in mainland China can be carried forward for five years and the tax losses of the Group arose elsewhere other than in mainland China do not expire under current tax legislation.

(d) Deferred tax liabilities not recognised

The Group is subject to withholding tax ranging from 5% to 10% on dividends receivable from its PRC subsidiaries in respect of their profits earned since 1 January 2008. As at 31 December 2012, temporary differences relating to the undistributed profits of the Group's certain PRC subsidiaries amounted to $187,044,000 (2011: Nil). Deferred tax liabilities of $12,925,000 (2011: Nil) have not been recognised in respect of the withholding tax that would be payable on the distribution of these retained profits, as the Company controls the dividend policy of these PRC subsidiaries and the Directors have determined that these profits are not likely to be distributed in the foreseeable future.

28 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:

	Note	Share capital $'000	Share premium $'000	Prepaid share reserve $'000	Capital reserve $'000	Special reserve $'000	Convertible bond equity reserve $'000	Accumulated losses $'000	Total $'000
Balance at 1 January 2011		111,851	193,139	111,851	3,038	127,961	136,770	(280,204)	404,406
Changes in equity for 2011									
Profit for the year		–	–	–	–	–	–	109,420	109,420
Other comprehensive income		–	–	–	–	–	–	–	–
Total comprehensive income for the year		–	–	–	–	–	–	109,420	109,420
Rights issue of shares		111,851	–	(111,851)	–	–	–	–	–
Convertible bonds converted	25	9,195	10,563	–	–	–	(1,789)	–	17,969
Convertible bonds redeemed	25	–	–	–	–	–	(251,589)	–	(251,589)
Recognition of redemption options	25	–	–	–	60,264	–	–	–	60,264
Disposal of subsidiaries		–	–	–	(3,038)	–	–	–	(3,038)
Balance at 31 December 2011 and 1 January 2012		232,897	203,702	–	60,264	127,961	(116,608)	(170,784)	337,432
Changes in equity for 2012									
Loss for the year		–	–	–	–	–	–	(99,271)	(99,271)
Other comprehensive income		–	–	–	–	–	–	–	–
Total comprehensive income for the year		–	–	–	–	–	–	(99,271)	(99,271)
Reduction of share premium		–	(207,041)	–	–	–	–	207,041	–
Convertible bonds converted	25	2,395	3,339	–	–	–	(466)	–	5,268
Convertible bonds redeemed	25	–	–	–	–	–	(50,139)	–	(50,139)
Balance at 31 December 2012		235,292	–	–	60,264	127,961	(167,213)	(63,014)	193,290

28 CAPITAL AND RESERVES *(Continued)*

(b) Share capital

	2012		2011	
	No. of shares '000	**Amount $'000**	No. of shares '000	Amount $'000
Authorised:				
Ordinary shares of $0.1 each	**10,000,000**	**1,000,000**	10,000,000	1,000,000
Issued and fully paid:				
Ordinary shares of $0.1 each				
At 1 January	**2,328,965**	**232,897**	1,118,507	111,851
Rights issue of shares	**—**	**—**	1,118,507	111,851
Exercise of convertible bonds	**23,952**	**2,395**	91,951	9,195
At 31 December	**2,352,917**	**235,292**	2,328,965	232,897

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.

During the year ended 31 December 2012, 23,952,000 ordinary shares of $0.10 each were issued pursuant to the exercise of the conversion rights attaching to the Company's convertible bonds at a conversion price of $0.334 per share (see note 25).

(c) Nature and purpose of reserves

(i) Share premium

The application of the share premium is governed by Companies Act 1981 of Bermuda.

On 18 January 2012, convertible bonds with principal amount of $8,000,000 were converted and share premium of $3,339,000 arose accordingly.

On 28 June 2012, the resolution in respect of proposed reduction of the share premium account of the Company to nil was passed in the special general meeting of the Company. Accordingly, the share premium of the Company amounted to $207,041,000 was reduced during the year.

28 CAPITAL AND RESERVES *(Continued)*

(c) Nature and purpose of reserves *(Continued)*

(ii) Statutory reserve fund

The statutory reserve fund is non-distributable and the transfer to this reserve is determined by the board of directors of the respective subsidiaries in accordance with the relevant laws and regulations of the PRC. This reserve can be used to offset accumulated losses and increase capital upon approval from the relevant authorities.

(iii) Capital reserve

In 2002, upon the reorganisation and the listing of the Company, Mr. So Pang Gen, International Offshore Development Limited ("International Offshore"), Chance Fair International Development Limited and Future Opportunity Limited (hereinafter collectively referred to as the "Covenanters"), entered into a deed of tax indemnity with the Company whereby the Covenanters have on a joint and several basis, under certain terms and conditions, undertaken to indemnify the Company in respect of the LAT which might be payable by any member of the Group resulting from or by reference to any income, profits or gains earned, accrued or received on or before the date of listing of the Company's shares on the Stock Exchange (the "Listing Date") or by reference to any act, transaction or event occurring or deemed to occur on or before the Listing Date. The capital reserve of the Company and of the Group as at 1 January 2011 represented the estimated indemnity of LAT from the Covenanters. As a result of the disposal of the Disposal Group in 2011, the capital reserve was extinguished.

In 2011, the Company executed supplemental deeds to insert an early redemption clause to the convertible bonds and Mr. Chen, the holder of the convertible bonds and major shareholder of the Company, accepted such clause amendment in the capacity of a major shareholder. The capital reserve as at 31 December 2011 represents the fair value of the derivative financial assets upon the execution of the supplemental deeds.

(iv) Special reserve

The special reserve of the Group represents the difference between the aggregate nominal value of the share capital of the Company's subsidiaries acquired and the nominal value of the shares issued by the Company in connection with a group reorganisation.

The special reserve of the Company represents the difference between the aggregate of the net asset value of the Company's subsidiaries acquired and the nominal value of the shares issued by the Company in connection with a group reorganisation.

28 CAPITAL AND RESERVES *(Continued)*

(c) Nature and purpose of reserves *(Continued)*

(v) Exchange reserve

The exchange reserve of the Group comprises all foreign exchange differences arising from the translation of the financial statements of operations in the PRC.

The reserve is dealt with in accordance with the accounting policies set out in note 1(u).

(vi) Convertible bond reserve

Convertible bond equity reserve represents the excess of the principal value over the present value of the future principal payments of the convertible bonds, discounted at the market rate of interest applicable to similar liabilities that do not have a conversion option at its inception; and the amount transferred from the balance of the consideration paid for the repurchase or redemption net of the liability component of the convertible bonds extinguished.

(vii) Distributable reserve

As at 31 December 2012, the Company did not have any reserves distributable to shareholders (2011: nil) and, accordingly, the Directors of the Company did not recommend the payment of a dividend for the year ended 31 December 2012 (2011: nil).

The Company's share premium account, special reserve and capital reserve of nil (2011: $203,702,000), $44,134,000 (2011: $44,134,000) and $60,264,000 (2011: $60,264,000) respectively, as at 31 December 2012 may be distributable to shareholders, after netting off with the accumulated losses and the convertible bond reserve in certain circumstances prescribed by Section 54 of the Companies Act 1981 of Bermuda.

(d) Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise return to shareholders.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may issue new shares. No changes were made in the objectives, policies or processes during the current year.

28 CAPITAL AND RESERVES *(Continued)*

(d) Capital management *(Continued)*

The Group monitors capital using a gearing ratio, which is defined as net debt divided by aggregate of net debts and total equity. Net debts are calculated as loans from financial institutions, including current and non-current portion, loans from related parties and convertible bonds, net of cash and bank balances as shown in the consolidated statement of financial position. Total equity is as shown in the consolidated statement of financial position. The Group aims to maintain the gearing ratio at a reasonable level.

The net gearing ratio at 31 December 2012 and 2011 was as follows:

	The Group		The Company	
	2012	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000
Loans from financial institutions	**51,107**	1,119,431	**–**	50,000
Loans from related parties and related interest payable	**359,286**	394,491	**–**	26,326
Convertible bonds	**1,220,962**	1,203,381	**1,220,962**	1,203,381
Total debt	**1,631,355**	2,717,303	**1,220,962**	1,279,707
Less: Cash at bank and in hand and pledged bank deposits	**(519,545)**	(407,440)	**(23,684)**	(1,329)
Net debts	**1,111,810**	2,309,863	**1,197,278**	1,278,378
Total equity	**795,178**	464,088	**193,290**	337,432
Gearing ratio	**58.30%**	83.27%	**86.10%**	79.12%

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

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

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:

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(a) Credit risk

The Group has no concentrations on credit risk. The extent of the Group's credit exposure is represented by the aggregate balance of cash at bank, restricted bank deposits, trade and other receivables.

For deposits at banks and financial institutions, deposits are only placed with reputable banks.

For the trade receivables arising from sales of properties, the Group manages the credit risk by fully receiving cash before delivery of property. The Group has set out policies to ensure follow-up action is taken to recover overdue debts. The Group also reviews regularly the recoverable amount of each individual trade receivable balance to ensure that adequate impairment losses are made for irrecoverable amounts. The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the statement of financial position after deducting any impairment allowance.

In addition, the Group has arranged bank financing for certain purchasers of property units and provided guarantees to secure obligations of such purchasers for repayments. Detailed disclosure of these guarantees is set out in note 31. Except for these financial guarantee by the Group as set out in note 31, the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of each reporting period is disclosed in note 31.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 18.

(b) Liquidity risk

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 loans 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 and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table show the remaining contractual maturities at the end of each reporting period 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 or, if floating, based on rates current at the end of each reporting period) and the earliest date of the Group and the Company can be required to pay.

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(b) Liquidity risk *(Continued)*

The Group:

	2012					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand $'000	**More than 1 year but less than 2 years $'000**	**More than 2 year but less than 5 years $'000**	**More than 5 years $'000**	**Total $'000**	**Balance sheet carrying amount $'000**
Trade and other payables	**696,438**	**132,690**	**61,176**	**1,113**	**891,417**	**891,417**
Advance from lessee	**124,360**	**–**	**–**	**–**	**124,360**	**124,360**
Loans from related parties	**330,735**	**–**	**–**	**–**	**330,735**	**280,284**
Loans from financial institutions	**42,144**	**2,411**	**7,234**	**1,006**	**52,795**	**51,107**
Convertible bonds	**–**	**–**	**–**	**1,800,000**	**1,800,000**	**1,220,962**
Amount due to a director	**58,000**	**–**	**–**	**–**	**58,000**	**58,000**
	1,251,677	**135,101**	**68,410**	**1,802,119**	**3,257,307**	**2,626,130**

	2011					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 year but less than 5 years $'000	More than 5 years $'000	Total $'000	Balance sheet carrying amount $'000
Trade and other payables	856,571	–	–	–	856,571	856,571
Advance from lessee	–	123,000	–	–	123,000	123,000
Loans from related parties	405,262	–	–	–	405,262	394,491
Loans from financial institutions	865,183	361,956	7,234	3,418	1,237,791	1,119,431
Convertible bonds	–	–	–	1,916,000	1,916,000	1,203,381
	2,127,016	484,956	7,234	1,919,418	4,538,624	3,696,874

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(b) Liquidity risk *(Continued)*

The Company:

	2012			
	Contractual undiscounted cash outflow			
	Within 1 year or on demand $'000	**More than 5 years $'000**	**Total $'000**	**Balance sheet carrying amount $'000**
Other payables	**665,431**	**—**	**665,431**	**665,431**
Convertible bonds	**—**	**1,800,000**	**1,800,000**	**1,220,962**
	665,431	**1,800,000**	**2,465,431**	**1,886,393**

	2011			
	Contractual undiscounted cash outflow			
	Within 1 year or on demand $'000	More than 5 years $'000	Total $'000	Balance sheet carrying amount $'000
Other payables	718,033	—	718,033	718,033
Loans from related parties	26,226	—	26,226	24,000
Loans from financial institutions	50,000	—	50,000	50,000
Convertible bonds	—	1,916,000	1,916,000	1,203,381
	794,259	1,916,000	2,710,259	1,995,414

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(c) Interest rate risk

The Group's interest rate risk arises primarily from loans from related parties and financial institutions. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's and the Company's borrowings at the end of each reporting period:

The Group:

	2012		2011	
	Effective interest rate %	**$'000**	Effective interest rate %	$'000
Fixed rate borrowings:				
— Convertible bonds	**8**	**1,260,304**	8	1,203,381
— Loans from financial institutions	**3.50**	**39,000**	3.25~5.76	586,500
— Loans from related parties	**18**	**280,284**	8~20	377,479
		1,579,588		2,167,360
Variable rate borrowings:				
— Loans from financial institutions	**2.80**	**12,108**	2~6	532,931
Total borrowings		**1,591,696**		2,700,291

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(c) Interest rate risk *(Continued)*

(i) Interest rate profile *(Continued)*

The Company:

	2012		2011	
	Effective interest rate %	**$'000**	Effective interest rate %	$'000
Fixed rate borrowings:				
— Convertible bonds	**8**	**1,260,304**	8	1,203,381
— Loans from related parties	**–**	**–**	8~20	24,000
		1,260,304		1,227,381
Variable rate borrowings:				
— Loans from financial institutions	**–**	**–**	2	50,000
Total borrowings		**1,260,304**		1,277,381

(ii) Sensitivity analysis

At 31 December 2012, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's financial costs by approximately $121,000 (2011: $4,689,000). The Group's profit after tax would decrease/increase by approximately $121,000 (2011: $1,656,000), after taking into account of interest capitalisation to properties for sales and investment properties. Other components of consolidated equity would not be affected by the changes in interest rates.

The sensitivity analysis above indicates the instantaneous change in the Group's profit/loss after tax (and retained profits/accumulated losses) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the end of each reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to interest rate risk at the end of each reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate instruments held by the Group at the end of each reporting period, the impact on the Group's profit/loss after tax (and retained profits/accumulated losses) and other components of consolidated equity is estimated as an annualised impact on interest expense of such change in interest rates. The analysis is performed on the same basis for 2011.

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(d) Currency risk

The Group's business is principally conducted in RMB except that the convertible bonds is denominated in Hong Kong dollar (HK$). The functional currency of the Group's subsidiaries in the PRC is RMB and they do not have significant monetary assets or liabilities denominated in currencies other than RMB. The functional currency of the Group's subsidiaries outside the PRC is HK$ and they do not have significant monetary assets or liabilities denominated in currencies other than HK$. As a result, the exchange rate risk is not significant for the Group.

The Group has not entered into any forward exchange contract.

(e) Fair values

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

	2012		2011	
	Carrying amount $'000	**Fair value $'000**	Carrying amount $'000	Fair value $'000
Convertible bonds	**1,220,692**	**1,104,537**	1,203,381	685,025

The fair value of liability portion of convertible bonds is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

30 COMMITMENTS

(a) Capital commitments outstanding at 31 December 2012 not provided for in the financial statements are as follows:

	The Group		The Company	
	2012	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000
Contracted for	**908,033**	1,138,122	**–**	–
Authorised but not contracted for	**230,069**	318,061	**–**	–
	1,138,102	1,456,183	**–**	–

The above commitments include mainly the land costs and construction related costs to be incurred in respect of the Group's development of its properties for sales and investment properties in mainland China.

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

	The Group		The Company	
	2012	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000
Within 1 year	**50**	306	**720**	–
After 1 year but within 5 years	**–**	7	**2,880**	–
	50	313	**3,600**	–

The Group is the lessee in respect of a number of properties held under operating leases. The leases typically run for an initial period of two years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

31 CONTINGENT LIABILITIES

The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificate upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of properties.

31 CONTINGENT LIABILITIES *(Continued)*

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the mortgages. The directors of the Company are of the view that the fair value of financial guarantee is not significant.

The amount of guarantees given to banks for mortgage facilities granted to the purchasers of the Group's properties at the end of each reporting period is as follows:

	2012 **$'000**	2011 $'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	**587,427**	528,923

The directors also consider that the fair market value of the underlying properties is able to cover the outstanding mortgage loans in the event of default payments by the purchasers to the banks.

32 MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with key management personnel

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

	2012 **$'000**	2011 $'000
Short-term employee benefits	**8,280**	6,183

Total remuneration is included in "staff costs" (see note 5(b)).

32 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(b) Loans from related parties

Mr Chen is a director and major shareholder of the Group and is considered a related party of the Group. The loans from related parties are made from Mr. Chen and an entity controlled by Mr. Chen.

The loans from Mr. Chen, amounted to $24,000,000, were drawn down in 2011, interest bearing ranging from 18% to 20% per annum and were unsecured and repayable within six months after the date of the respective drawdowns. The loans were extended for a period of six months at an interest rate of 18% per annum and are extended automatically thereafter at the same terms unless they are repaid by the Company. During the year, the Company repaid the loans from Mr. Chen and the related interests of $6,139,000.

The loans from an entity controlled by Mr. Chen, amounted to $353,479,000, were drawn down in 2011, interest bearing ranging from 8% to 20% per annum and were unsecured and repayable within six months after the date of the respective drawdowns. The loans were extended for a period of six months at an interest rate of 18% per annual and are extended further at the same terms unless they are repaid by the Group or until 31 December 2012 by which date the interest rate was reduced to be 15% per annum. During the year, a loan of $27,062,000 which was interest bearing at 18% per annum, unsecured and repayable within two months was further drawdown. In addition, loan principals of $103,328,000 have been repaid.

(c) Convertible bonds

During the year, the Company redeemed/repurchased convertible bonds with principal amount of $108,000,000 held by Mr. Chen at the face value of the convertible bonds and the redemption is to be settled by cash in instalments on or before 31 March 2013. In 2011, convertible bonds with principal amount of $401,000,000 were repurchased by way of setting off the loan of RMB 289,330,000 due from Mr. Chen to the Group and the remaining balance in cash. Details of the convertible bonds redeemed/repurchased and payable to Mr. Chen are disclosed in note 25.

(d) Other related party transactions

Other amounts due to related parties are set out in note 21.

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

The related party transactions in respect of the interest on loans from related parties constitute connected transactions as defined in Chapter 14A of the Listing Rules, However they are exempted from the disclosure and approval requirements in Chapter 14A of the Listing Rules.

(Expressed in Hong Kong dollars unless otherwise indicated)

33 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 financial statements, 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 financial statements. These include the following which may be 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 Group's consolidated financial statements except for the following:

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.

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

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 financial statements.

34 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2012, the directors consider the immediate parent and ultimate controlling party of the group to be Ever Good Luck Limited, which is incorporated in BVI. This entity does not produce financial statements available for public use.

Financial Summary

For the year end 31 December 2012
(Expressed in Hong Kong dollars)

	Year ended 31 December				
	2008 HK$'000	2009 HK$'000	2010 HK$'000	2011 HK$'000	**2012 HK$'000**
RESULTS					
Turnover	149,029	426,086	—	—	**2,773,419**
(Loss)/profit before taxation from continuing operations	(555,146)	146,546	(133,431)	149,345	**613,041**
Income tax credit/(expense) from continuing operations	25,009	(63,070)	15,969	(17,626)	**(369,678)**
Results of discontinued operations	—	—	37,682	516	**—**
Net gain on disposal of subsidiaries	—	—	—	62,460	**—**
(Loss)/profit for the year	(530,137)	83,476	(79,780)	194,695	**243,363**
(Loss)/profit attributable to equity shareholders of the Company	(503,523)	11,217	(102,911)	185,411	**232,335**
Non-controlling interests	(26,614)	72,259	23,131	9,284	**11,028**
(Loss)/profit for the year	(530,137)	83,476	(79,780)	194,695	**243,363**

	At 31 December				
	2008 HK$'000	2009 HK$'000	2010 HK$'000	2011 HK$'000	**2012 HK$'000**
ASSETS AND LIABILITIES					
Total assets	3,997,214	4,648,574	5,703,955	7,215,414	**6,173,582**
Total liabilities	3,772,422	4,372,374	5,293,577	6,751,326	**5,378,404**
Net assets	224,792	276,200	410,378	464,088	**795,178**
Equity attributable to equity shareholders of the Company	135,942	116,908	222,331	370,237	**667,444**
Non-controlling interests	88,850	159,292	188,047	93,851	**127,734**
Total equity	224,792	276,200	410,378	464,088	**795,178**

1 MAJOR PROPERTY UNDER DEVELOPMENT

Location	Intended use	Expected stage of completion	Expected date of completion	Site area (sq m)	Gross floor area (sq m)	Group's interest (%)
Hengli Prosperity Center	Commercial	Under development	Oct 2013	6,875	56,500	100%

2 MAJOR PROPERTIES HELD FOR SALE

Location	Existing use	Site area (sq m)	Gross floor area (sq m)	Group's interest (%)
Hengli City No.128 Wusi Road Gulou District Fuzhou City, Fujian	Residential and Commercial	24,982	32,168	95%
Hengli Financial Center No. 6 Guanfengting St. Gudong Street Gulou District Fuzhou City, Fujian	Commercial	6,035	31,939	100%

3 MAJOR PROPERTIES HELD FOR INVESTMENT

Location	Existing use	Gross floor area (sq m)	Group's interest (%)	Term of lease
The Commercial Podium of Hengli City No. 128 Wusi Road Gulou District Fuzhou City, Fujian	Commercial	58,663	95%	Medium
Portion of the Carpark of Hengli City No. 128 Wusi Road Gulou District Fuzhou City, Fujian	Commercial	12,321	95%	Medium
Portion of the office of Hengli City No. 128 Wusi Road Gulou District Fuzhou City, Fujian	Commercial	1,552	95%	Medium

4 MAJOR PROPERTIES HELD FOR OWN USE

Location	Existing use	Gross floor area (sq m)	Group's interest (%)
Unit 3401, 34/F Tower Two Lippo Centre 89 Queensway Hong Kong	Office	157	100%
40/F the office of Hengli City No.128 Wusi Road Gulou District Fuzhou City, Fujian	Office	988	95%