China Properties Group Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1838

Annual Report 2012

POWER VISION

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Dr. Wang Shih Chang, George *(Chairman)*
Mr. Wong Sai Chung *(Managing Director)*
Mr. Xu Li Chang

Non-executive Director

Mr. Kwan Kai Cheong

Independent Non-executive Directors

Mr. Warren Talbot Beckwith
Mr. Cheng Chaun Kwan, Michael
Mr. Luk Koon Hoo
Mr. Garry Alides Willinge
Mr. Wu Zhi Gao

COMMITTEES

Audit Committee

Mr. Warren Talbot Beckwith *(Chairman)*
Mr. Cheng Chaun Kwan, Michael
Mr. Luk Koon Hoo
Mr. Garry Alides Willinge
Mr. Wu Zhi Gao

Remuneration Committee

Mr. Garry Alides Willinge *(Chairman)*
Dr. Wang Shih Chang, George
Mr. Luk Koon Hoo

Nomination Committee

Dr. Wang Shih Chang, George *(Chairman)*
Mr. Warren Talbot Beckwith
Mr. Cheng Chaun Kwan, Michael

AUTHORIZED REPRESENTATIVES

Dr. Wang Shih Chang, George
Mr. Wong Sai Chung

COMPANY SECRETARY

Ms. Yu Ling Ling

STOCK CODE

1838

REGISTERED OFFICE

Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

14th Floor, Wheelock House
20 Pedder Street
Central, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

HSBC Trustee (Cayman) Limited
P.O. Box 484
HSBC House
68 West Bay Road
Grand Cayman
KY1-1106
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
26/F., Tesbury Centre
28 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Agricultural Bank of China
China Development Bank Corporation
Hang Seng Bank Limited
Industrial and Commercial Bank of China

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

COMPANY'S WEBSITE

cpg-group.com

CHAIRMAN'S STATEMENT

In modern economic history, we have seen one after another, instances of poor judgment and poor decision making of monumental proportions, changing the international status quo. One of the infamous cases was the decline of Japan from a first-tier power to a third-rate economy when it missed the chances that arose from the global revolution in wireless network technologies. In contrast, China successfully seized the opportunities brought about by the demand from the European and American populations and their extravagant lifestyles fueled with huge debt. Being the world's factory with low labor costs, China has emerged powerfully in the international arena. In 2012, the market capitalization of Apple Inc. of the United States rose to a stunning US$632 billion while Kodak, the once-glorious multinational enterprise with a century long history, declared bankruptcy. As we can see, key historical decisions can bring about the rise or fall of an enterprise or even a country. Today, we have to choose between the following two propositions: some say that, after the fruits of the rapid economic growth driven by the then developing manufacturing industry in the '80s and the then soaring residential property market in the '90s were ripe and exploited by the government and the entrepreneurs together in the past two decades, China has entered economic stagnation; others disagree and believe that the forthcoming urbanization will give fresh and unceasing impetus to the Chinese economy. Will the latter proposition come true? The following statistics may make us think twice: assuming that the urban population in China will increase by 200 million people within the coming decade, 10 million more homes will be needed annually. However, based on the current breakneck speed of home construction in China (particularly in the rural-urban fringe zones) compelled by both the public and private sectors, the number of new homes built each year will reach 19 million in 5 years. Of course, urbanization in China will create growth in the long run, and the Group must identify and grasp any opportunity therefrom. However, what concerns us is that if urbanization develops in the "Great Leap Forward" style resulting in the creation of ghost towns and default in repayment of part, even if one-fifth only, of the RMB22 trillion loans lent by the shadow banking system, then not only the Chinese economy, but also the world as a whole will be disastrously impacted. In such a scenario, the government will inevitably be constrained by the economic situation in seeking to avert the crisis.

Therefore, the Group has planned to actively sell off its houses and apartments of over RMB100 billion within 3 to 5 years so as to evade this possible crisis. On the other hand, we will only acquire low-priced land but not any more commercial streets in the next 3 to 5 years. In these 3 to 5 years, the Group will retain the hundreds of million dollars of sales proceeds for any future once-in-a-lifetime investment opportunity. Meanwhile, we will also transform the invaluable 1-km-long commercial streets located respectively at Nanjing Road in Shanghai, Jiefangbei in Chongqing, Chongqing Global Twin Towers and Xidan in Beijing (the Group has an option to acquire 50% interest in the Beijing Xidan project) into new world famous landmarks fusing shopping streets, entertainment hubs, hotels and offices to house different economic activities. When the residential property market becomes risky, these world-class commercial streets will contribute huge and sustainable rental income to the Group and value for its shareholders.

Dr. Wang Shih Chang, George
Chairman

Hong Kong, March 18, 2013

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

Group Strategies

2012 is a challenging year. Looking ahead, the Group would continue to master property development projects, both residential and commercial, with sizable and distinct quality, in prime locations in the People's Republic of China ("PRC"). Our overall objectives are to exploit business opportunities, achieve sales growth, and enhance income as planned.

Key property development projects are as follows:

- *High-end and sizable middle-class residential projects*

  There are both high-end residential and well-located projects for the growing middle-class in both Shanghai and Chongqing. Luxurious design and leading residential projects, characterized by themes and motifs, are connected with mass transit system with rapid, convenient and efficient transportation.

- *Modern and upscale theme shopping street developments*

  These are modern, well-designed architectural projects situated at prime retail areas in major cities in the PRC which combines retail, residential, entertainment, cultural and recreational users with great accessibility, a focal point with attractions for residential, investment and business operations.

BUSINESS ENVIRONMENT

Overview of the Mainland Property Market

China's economic growth continued but started to slow down since 2011. Overall, the real GDP growth for the whole of 2012 was 7.8%, while growth in the 1st half of 2012 was 7.8%.

The growth of residential property prices in China were slowed in the 2012, amid the central government's tightening measures implemented since later 2010 and the wait-and-see attitude adopted by potential buyers. According to the statistics of National Bureau of Statistics of China in December 2012, the sale prices of newly constructed residential properties in 40 cities recorded year-on-year growth among 70 medium and large-sized cities. However, none of the above cities had a growth rate of more than 2.4%. During the same period, the sale prices of second-hand residential properties dropped in 42 cities.

In 2012, the total retail sales reached RMB20,717 billion, up 14.3% year-on-year. The prime retail property sector of China remained strong. Most cities saw retail rents trending upward steadily. International fashion brands continue to expand their store network actively in second and third tier cities.

The office market especially the Grade A sector of the major cities experienced modest rental growth in 2012. In the fourth quarter of 2012, as the slowdown of local economic growth continues, the demand for office space across China has gone down. Thus the leasing activity has slowed down in some first tier cities such as Beijing, Shanghai and Guangzhou, together with a decelerating rental increase.

Overview of the Shanghai's Property Market

Shanghai was in the process of economic restructuring since 2011. In 2012, its real GDP increased by 7.5% to RMB2,010 billion, which was slightly lower than the national average growth rate of 7.8%.

Shanghai's residential market continues to be stable as the home purchase restrictions were still strictly enforced. In 2012, commodity housing sales volume in the first-hand market of Shanghai increased by 8.1% and recorded a modest increase in the overall sale prices. The performance of second hand residential market was active. By November, the average second hand sale prices had increased for six consecutive months.

Prime submarkets remained stable and shopping malls continued to make tenant mix adjustments throughout the quarter. For instance, Raffles City introduced many new fashion brands such as Moussy, ONLY, Marc By Marc Jacobs, etc. Shanghai's five key retail submarkets' vacancy rate remained mostly unchanged at 5.4%. The average asking rent of prime retail ground floor shopping mall space climbed to RMB2,038 per square meter per month, an increase of 2.1% quarter-on-quarter and 7.2% year-on-year.

Office rents posted modest growth over 2012. Key submarket Grade A office rents posted a 2.2% decline in the fourth quarter to RMB419 per square meter per month on net basis. This is the first time since the fourth quarter of 2009 that Shanghai's Grade A rents have declined. Overall however, rents were up 1.1% from 2011 levels. With a high volume of upcoming new supply, the West Nanjing Road submarket saw a decline in rents. However, Lujiazui and People's Square rents continued to see growth. Overall vacancy rates posted steady fall. Shanghai's Grade A office vacancy rate decreased by 1.2 percentage points to 4.2%, its lowest record since the second quarter of 2008. As several projects experienced delays, 2012 saw less than 0.16 million square meters of new supply enter key submarkets.

Overview of the Chongqing's Property Market

Chongqing's economy grew steadily in 2012. The city's real GDP grew to RMB1,146 billion in 2012, up 13.6% year-on-year, the second fastest growth rate in China and the fastest pace in the west of the country. The growth surpassed the national average.

In 2012, Chongqing's residential market showed a stable growth. In the fourth quarter, the average price of luxury apartments was increased by 0.5% quarter-to-quarter to approximately RMB13,000 per square meter. In viewing the increasing demand and limited supply, the residential market will keep growing at steady pace.

Prime retail rent continued to rise slightly by 0.9% quarter-on-quarter to about RMB744 per square meter per month in the fourth quarter of 2012, while the average vacancy rate increased to about 6.6%. Many international retail brands such as UNIQLO, H&M, MUJI, etc. will continue to expand and take up some prime retail spaces in the city.

The office market is observed to be stable in the fourth quarter of 2012. The office rent dropped by 0.7% quarter-on-quarter. Abundant supply of Grade A office entered the market in 2012 which boosted up the vacancy rate to around 27.4%.

Outlook of the Mainland Property Market

Following the practices in 2012, the central government in 2013 is expected to 'maintain the tightening policies, promote the return of home prices to reasonable levels and the healthy development of the property market'. The local governments will follow the central government to maintain tightening measures throughout 2013. Therefore, the residential market sentiment in China is expected to remain stable in 2013.

After the temporary relief of the pressure from the European debt crisis and the US "fiscal cliff", the global economy is expected to be stable in 2013. China would be sustained to be one of the fastest growing economic bodies over the world.

Commercial property market would continue to grow under robust foreign and domestic demand, in particular to domestic investors. The domestic capital has become a formidable force in local commercial markets, while retail markets are prospected to be positive as supported by rising domestic incomes and urbanization. The international brands including high street and luxury brands continue to seek new opportunities in China as total retail sales is continuing to grow at a rapid pace. Yields are tight, especially for high-end shopping malls, and this reflects the continued scarcity of quality assets.

FINANCIAL REVIEW

The Group's profit attributable to equity holders for the year amounted to HK$1,757 million (2011: HK$1,999 million) decreased by 12.1% when compared to 2011. The profit before tax, excluding changes in fair value of investment properties and conversion option derivative amounted to HK$183 million (2011: HK$241 million), a decrease of 24.1% when compared with last year.

Basic earnings per share were HK$0.97 (2011: HK$1.11), a decrease of 12.6%, largely in line with the drop in rate of investment property appreciation by 12.4%.

As at December 31, 2012, the total assets increased to HK$60,683 million from HK$58,067 million in last year, as the Group continues its investment in premium property developments with attendant appreciation in fair values, albeit at a rate lower than last year. Net assets, the equivalent of shareholders' funds, similarly continued to grow to HK$40,310 million (December 31, 2011: HK$37,735 million), reflecting the solid investment value to shareholders. In terms of value per share, net assets value per share is HK$22.28 at the end of the reporting period, as compared to HK$20.86 as at December 31, 2011.

The Group's revenue of HK$693 million (2011: HK$984 million), decreased by 29.6% when compared with last year, and was mainly due to the decrease in revenue from sales of development properties.

The revenue from sales of development properties amounted to HK$674 million (2011: HK$961 million), decreased by 29.9% as compared to 2011. The Group delivered a gross floor area ("GFA") of approximately 1,439,000 sq. ft. in 2012 (2011: 2,345,000 sq. ft), a 38.6% decrease as compared with last year.

Gross profit margin for sales of development properties was 38.1% (2011: 35.5%). The increase was due to current year's sale and delivery of 1,438,000 sq. ft. of Chongqing Manhattan City Phase I and Phase II while in 2011, sales were mainly generated from Chongqing Manhattan City Phase I, which had a lower gross profit margin than that of Chongqing Manhattan City Phase II.

Income from property leasing decreased by 23.2% to HK$16 million (2011: HK$21 million). The decrease was attributable to the termination of certain tenancies for the future upgrade construction of the mall development. Property management income was HK$3 million (2011: HK$2 million).

During the year, the Group generated income of HK$350 million and HK$323 million from sales of residential properties of Chongqing Manhattan City Phase I and Phase II respectively. Deposits received on sales of properties decreased to HK$1,147 million as at December 31, 2012 from HK$1,707 million as at December 31, 2011 due to the recognition of revenue upon delivery of Chongqing Manhattan City Phase I and II.

Other income and gains were HK$54 million (2011: HK$28 million), a rise of 91.4%. It mainly comprised of gain from disposal of investment properties of HK$36 million (2011: Nil), net exchange gain of HK$11 million (2011: HK$22 million) and interest on bank deposits of HK$3 million (2011: HK$5 million).

During the year, selling expenses were HK$34 million (2011: HK$40 million), decreased by 13.7%. Decrease in advertising and promotion expenses were generally in line with the decrease in revenue of the Group.

Administrative expenses during the year were HK$99 million (2011: HK$104 million) which decreased by 5.0% when compared to 2011. The decrease was mainly attributed to less property related expenses and taxes including stamp duty paid as less development properties sold during the year.

Finance costs represented mainly interest expenses and other borrowing costs in relation to bank and other borrowings, effective interest of convertible note, deemed interest of shareholder loan and the fixed rate senior notes (the “Note”) issued in April 2007. Since all finance costs equivalent to HK$396 million (2011: HK$313 million) were wholly capitalized on various development projects, finance costs charged to profit and loss are nil (2011: Nil).

The changes in fair value of investment properties were HK$2,090 million (2011: HK$2,385 million), a drop of 12.4%. Although the transaction volume of the property market was shrinking with the launch of new real estate tightening measures in recent years, the property price remained steady during the year because the underlying demand remained strong. On the other hand, the central government’s blueprint that advocates Shanghai to become an international financial hub in 2020 also benefited local businesses including the retail and office property markets. Combining these factors, the valuation of investment properties in 2012 is still appreciating but at slower pace as compared to last year. The changes in fair value of investment properties in Shanghai experienced an increase of HK$1,781 million (2011: HK$1,772 million). Economic performance in Chongqing, which enjoys one of the highest GDP growth cities in the PRC, was also robust. The changes in fair value of investment properties in Chongqing experienced an increase of HK$309 million (2011: HK$613 million).

Income tax expense was HK$542 million (2011: HK$626 million), a decrease of 13.5%. The Group’s effective income tax rate was 23.6% (2011: 23.8%). The significant decrease in income tax expenses was brought by the changes in fair value of investment properties for 2012.

LIQUIDITY AND FINANCING

The Group monitors its liquidity requirements on a short to medium term basis and arranges refinancing of the Group’s borrowing when appropriate. During the year, the Group raised new external borrowings totaling of approximately HK$1,011 million (2011: HK$226 million). On the other hand, the Group net repayment to a shareholder of HK$39 million (2011: net advance from a shareholder of HK$1,596 million).

At the end of the reporting period, the Note, bank and other borrowings, amount due to/loan from a shareholder and convertible note amounted to HK$796 million, HK$3,725 million, HK$1,159 million and HK$270 million respectively, and the Group's total borrowings were HK$5,950 million, a decrease of HK$354 million when compared to December 31, 2011. HK$3,251 million is repayable within one year whilst the remaining is repayable in the second to sixth year inclusive.

The gearing ratio of the Group as at December 31, 2012 was 13.6% (2011: 13.4%), determined as proportion of the Group's net borrowings (after deducting bank balances and cash and pledged bank deposits) to the shareholders' funds.

With bank balances and cash in hand, banking facilities available and those financing plans, the Group has sufficient financial resources to satisfy its commitments and working capital requirements.

There was no material acquisition and disposal of group companies during the year.

TREASURY POLICIES

At the end of the reporting period, approximately 44.5% of the Group's borrowings were in RMB with the balance in HK$ and US$. The Group derives its revenue mainly in RMB. Bank balances are maintained mainly in HK$, US$ and RMB.

The bank borrowings are principally on a floating rate basis while the other borrowings and senior notes are on a fixed rate basis.

The functional currency of the respective group entities is RMB, the currency of the primary economic environment in which the Group operates. For the purpose of the consolidated financial statements and convenience of the financial statements users, the results and financial position of the Group are expressed in Hong Kong dollars, the presentation currency for the consolidated financial statements.

The Group has not used any interest rate or foreign currency derivative instrument to hedge its exposure to interest rate and foreign exchange risk. However, the management monitors closely the exposures and will consider hedging the exposures should the need arise.

During the year, the Group has complied with all borrowings covenants.

CHARGE ON ASSETS

At the end of the reporting period, the Group pledged assets with an aggregated carrying value of HK$29,019 million (December 31, 2011: HK$23,019 million) to secure loan facilities utilized.

CONTINGENT LIABILITIES

At the end of the reporting period, the Group guaranteed mortgage loans to purchasers of our properties in the aggregate outstanding principal amount of HK$1,386 million (December 31, 2011: HK$1,918 million). During the year, there was no default case. There was no bank deposits pledged for any of the guarantee as at December 31, 2012 (December 31, 2011: HK$1 million).

Legal disputes

As at December 31, 2012, the Group is subjected to several legal claims with aggregate amount of approximately HK$360 million in relation to disputes under construction contracts in the properties development operation during the normal course of business. In the opinion of the directors of the Company, the claims made by the construction contractors are mainly related to construction works that not met the required standards and pursuant to the terms of the construction contracts, the Group has the right not to certify those construction work claimed by the contractors. In addition, the Group has already made or in the process of making counter-claims for compensation from the construction contractors for causing delay in delivering of the properties to the end customers of the Group. The net financial effect of both claims and counter-claims is considered insignificant.

Based on the advices from the independent legal advisors, those outstanding legal claims are still in preliminary stage and the final outcome is unable to be determined at this stage. Accordingly, no provision is required to be made in the consolidated financial statements. The directors of the Company are of the opinion that the Group has reasonable ground to defense those legal claims and consider that those legal claims would not result in any material adverse effects on the financial position of the Group.

EMPLOYEES AND REMUNERATION POLICY

As at December 31, 2012, the Group had approximately 388 employees (2011: 374 employees) in Hong Kong and the PRC. The related employees' cost for the year amounted to approximately HK$36 million (2011: HK$31 million). The Group ensures that the pay levels of its employees are competitive and employees are rewarded on a performance related basis, together with reference to the profitability of the Group, remuneration benchmarks in the industry and prevailing market conditions. In addition, share options may be granted from time to time in accordance with the terms of the Group's approved share option scheme to provide incentives and rewards to the employees.

DIRECTORS' AND SENIOR MANAGEMENT'S PROFILE

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Dr. Wang Shih Chang, George, aged 79

Dr. Wang is the Chairman of our Board and has been with the Group since 1992. He is the Chairman of the nomination committee and the member of the remuneration committee of the Company. Dr. Wang is jointly responsible for the formulation of the overall corporate direction and business strategies for the Group with the Managing Director. Dr. Wang has extensive experience in property development and management in the PRC. Prior to joining the Group, Dr. Wang served as a vice president of various companies owned by or associated with Bechtel Group, Inc. from 1962 to 1984 and Fluor Corporation from 1984 to 1986. Bechtel and Fluor are construction and project management companies in the United States of America. Dr. Wang has many years of experience in the operation and management of global conglomerates. He obtained a Master Degree in Civil Engineering and Nuclear Engineering from the University of Michigan and a Ph.D. Degree in Engineering from the University of California, Los Angeles. He is the brother of Mr. Wong Sai Chung, the Managing Director of the Company. Dr. Wang also serves as a director of U.S. Concord (Holding) Limited and Pacific Concord Holding Limited ("PCH") (de-listed).

Wong Sai Chung (汪世忠), aged 63

Mr. Wong is the Managing Director of the Company, and has been with the Group since 1992. Mr. Wong is jointly responsible for the formulation of the overall corporate direction and business strategies for the Group with the Chairman, and has overall responsibility for the Group's policy and management. Mr. Wong has over 20 years of experience in property development and management in the PRC, and has extensive experience in identifying and acquiring precious sizable lands and developing the land into highly marketable properties in top-tier cities in the PRC. Throughout the years, Mr. Wong has established strong and solid connections and contacts in the property industry in the PRC. Mr. Wong founded the PCH Group in March 1982 and has served as the Chairman of PCH Group since its establishment. He is the brother of Dr. Wang Shih Chang, George, the Chairman of the Board. Mr. Wong also serves as a director of U.S. Concord (Holding) Limited and PCH (de-listed). In 1996, he was appointed as the executive director of Concord Land Development Company Limited (de-listed).

Xu Li Chang (徐禮昌), aged 73

Mr. Xu is an Executive Director of the Company. Mr. Xu has been responsible for the project management since joining the Group in September 1998. He pursued his studies at the University of Chongqing (重慶大學) (formerly The Chongqing Institute of Civil Engineering and Architecture) (重慶建築工程學院) and qualified as a senior engineer in the PRC. Mr. Xu was appointed the officer-in-charge of the Neijiang City Municipal Foreign Economic and Technological Co-operation Office in the PRC in 1987. Mr. Xu also worked as the vice general manager at a well-known property development company in 1997 and was responsible for the overall management of the construction projects of that company.

Non-executive Director

Kwan Kai Cheong (關啟昌), aged 63

Mr. Kwan is a Non-executive Director of the Company and has joined the Group for more than ten years. Mr. Kwan served in various positions with Merrill Lynch & Co. Inc. from 1982 to 1993, including as president of the Asia-Pacific Region. Mr. Kwan is currently the president of Morrison & Company Limited, a business consultancy firm; an independent non-executive director of Hutchison Harbour Ring Limited, SPG Land (Holdings) Limited, Goldpoly New Energy Holdings Limited and Win Hanverky Holdings Limited, shares of which are listed on the Main Board of the Stock Exchange. He is an independent non-executive director of Henderson Sunlight Asset Management Limited, which manages the Sunlight Real Estate Investment Trust, and the units are listed on the Main Board of the Stock Exchange. He is also a non-executive director of Galaxy Resources Limited which is listed in the Australian Securities Exchange.

Mr. Kwan holds a Bachelor Degree of Accountancy (Honours) from the University of Singapore. He is a member of the Institute of Chartered Accountants in Australia and a Fellow of the Hong Kong Institute of Certified Public Accountants and the Hong Kong Institute of Directors. Mr. Kwan completed the Stanford Executive Program in 1992.

Independent Non-executive Directors

Warren Talbot Beckwith, aged 73

Mr. Beckwith was appointed as an Independent Non-executive Director of the Company on February 1, 2007. He is the Chairman of the audit committee and the member of the nomination committee of the Company. Mr. Beckwith has business management experience in Australia, London and Hong Kong in various industries, including mining, petroleum, property and technology development. Mr. Beckwith is a Fellow of the Institute of Chartered Accountants in Australia, the Hong Kong Institute of Certified Public Accountants, the Australian Institute of Company Directors and the Taxation Institute of Australia. In the past, Mr. Beckwith held directorships and executive positions in public companies listed on stock exchanges in Australia and Hong Kong. Mr. Beckwith formerly served as an independent non-executive director on each of the boards of the then listed Pacific Concord Holding Limited and Concord Land Development Company Limited, both property development companies. Mr. Beckwith was a director and shareholder of Avon Real Estate Pty Ltd., a property development company, and he was also a director of Sentinel Investments Pty Ltd, an Australian-based property development company. He is currently the chairman of Westralian Group Pty Ltd., a Western Australian investment company and corporate financial advisor, is a non-executive director of Brockman Mining Limited, a mining company listed in Hong Kong and Australia, and is non-executive chairman of Gondwana Resources Limited, an Australian-listed mining company.

Luk Koon Hoo (陸觀豪), aged 61
Mr. Luk was appointed as an Independent Non-executive Director of the Company on February 1, 2007. He is the member of the audit committee and the remuneration committee of the Company. Mr. Luk is a retired banker, and served Hang Seng Bank Limited from 1975 as a trainee officer and as a director and deputy chief executive in 1994. He was re-designated as managing director in 1996 and retired from Hang Seng Bank Limited in May 2005. Mr. Luk is currently an independent non-executive director of Computime Group Limited, Hung Hing Printing Group Limited and i-Cable Communications Limited, shares of which are listed on the Main Board of the Stock Exchange. He is also an independent non-executive director of Wheelock Properties Limited and Octopus Holdings Limited, an non-executive director of Wharf T & T Limited and AXA General Insurance Hong Kong Limited. In public duties, Mr. Luk serves as a council member and treasurer of the Chinese University of Hong Kong, a member of Town Planning Board, a member of Witness Protection Review Board Panel and a non-official member of the Operations Review Committee of ICAC. Mr. Luk was born and educated in Hong Kong. He holds a Bachelor of Social Sciences Degree in Statistics from the University of Hong Kong and a Master Degree in Business Administration from the Chinese University of Hong Kong. He is a Fellow of the Hong Kong Institute of Bankers and the Hong Kong Institute of Directors. Mr. Luk is a Non-official Justice of the Peace.

Garry Alides Willinge, aged 63
Mr. Willinge was appointed as an Independent Non-executive Director of the Company on February 1, 2007. He is the member of the audit committee and the nomination committee and the Chairman of the remuneration committee of the Company. Mr. Willinge is a Fellow of the Australian Institute of Company Directors and the Hong Kong Institute of Directors. He graduated with a Bachelor Degree in Science from the University of Melbourne and then attained a Graduate Diploma in Applied Finance and Investment from the Securities Institute Education in Australia (now known as "The Securities Institute of Australia") in 1995. Mr. Willinge had served as director, Global Services, of IBM China/ Hong Kong Limited until January 2005. He previously held management positions in a number of IBM Asia Pacific and European business units, including director of New Business Ventures of the Asia Pacific, where he was responsible for forging alliances and joint ventures across Asia in order to expand IBM's services business portfolio. Mr. Willinge was a director, Information Technology, for the Sydney Olympic Games 2000. He also serves as an Adjunct Professor of Business Studies at Curtin University of Technology in Australia. He was assigned to the West Australian Premier in 1990, where he led the Office of Public Sector Management, which focused on leading public sector reform and developing CEO leadership within the sector. In Hong Kong, Mr. Willinge serves as a member of the General Management Committee of the Hong Kong Management Association and an independent non-executive director of JF Household Furnishings Limited, shares of which are listed on the Main Board of the Stock Exchange.

Cheng Chaun Kwan, Michael (鄭燦焜), aged 82
Mr. Cheng was appointed as an Independent Non-executive Director of the Company on February 1, 2007. He is the member of the audit committee and the nomination committee of the Company. Mr. Cheng is a retired property investment and development, corporate finance and accounting consultant. Mr. Cheng was the executive director of Sino Land Company Ltd., a company of which shares are listed on the Main Board of the Hong Kong Stock Exchange in 1987 and retired as director at the end of 1998. Prior to that, Mr. Cheng was the executive director of Henderson Investment Ltd., (formerly Wing Tai Development Co. Ltd.), a company of which shares are also listed on the Main Board of the Hong Kong Stock Exchange, for the period from 1981 to 1987. Mr. Cheng was the chief executive responsible for the listing of Sino Hotels (Holdings) Limited in 1995 on the Main Board of the Hong Kong Stock Exchange. Mr. Cheng is a Fellow of the Association of Chartered Certified Accountants in the U.K.

Wu Zhi Gao (吳志高), aged 68
Mr. Wu was appointed as an Independent Non-executive Director of the Company on February 1, 2007. He is the member of the audit committee of the Company. Mr. Wu is a retired lecturer and property development consultant. He holds a Bachelor Degree in Mathematics from Fudan University, Shanghai. Prior to joining the Group, he held senior academic positions at the Huadong University (華東師範大學) and Shanghai Education Institute (上海教育學院) and focused on teaching marketing, which included researches on sales and marketing of property development projects. Between 1998 to 2004, Mr. Wu served as the vice principal at the Huadong University. During that period, he also assisted in the development of a residential property project for the Huadong University. For the period from 1996 to 1997, Mr. Wu also served as a vice president for Shanghai Pingan Xinlun Property Development Co. Ltd. (上海平安欣侖物業發展有限公司), a company providing construction, leasing and sales of office premises, as well as property management services, to the Shanghai Education Institute.

The Executive Directors of the Company are also the Senior Management of the Group.

CORPORATE GOVERNANCE REPORT

The Board of Directors (the "Board") and the management of the Company are committed to a high standard of corporate governance. The Company considers such commitment is essential for the effective management, a healthy corporate culture, a successful business growth, balancing of business risk and enhancing of shareholders' value.

CORPORATE GOVERNANCE PRACTICES

Throughout 2012 and up to the date of this report, the Company has fully complied with all code provisions in the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

THE BOARD

Responsibilities

The Board assumes responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs. The management are delegated the authority and responsibilities by the Board for the day-to-day management and operation of the Company. The delegated functions and work tasks are reviewed by the Board periodically.

Composition

The composition of the Board reflects the necessary balance of skills and experience desirable for effective leadership of the Company and independence in decision making.

The Board currently comprises nine members with three executive directors, one non-executive director and five independent non-executive directors (the "INEDs"). It is the policy of the Company to compose majority of the Board by INEDs, the Board at all times meets the requirements of the Listing Rules relating to appointment of at least three INEDs with at least one INED possessing appropriate professional qualifications, or accounting or related financial management expertise.

Executive Directors

Dr. Wang Shih Chang, George *(Chairman)*
Mr. Wong Sai Chung *(Managing Director)*
Mr. Xu Li Chang

Non-executive Director

Mr. Kwan Kai Cheong

Independent Non-executive Directors

Mr. Warren Talbot Beckwith
Mr. Cheng Chaun Kwan, Michael
Mr. Luk Koon Hoo
Mr. Garry Alides Willinge
Mr. Wu Zhi Gao

The relationship among members of the Board and the biographies of the directors were disclosed under the "Directors' and Senior Management's Profile" section of the 2012 Annual Report.

The Company has appointed a Managing Director who performs similar functions as a chief executive officer. The position of the Chairman and Managing Director are held by two different persons in order to maintain an effective segregation of duties, independence and a balanced judgment of views. The Chairman provides leadership and is responsible for effective functioning of the Board in accordance with good corporate governance practice. With the support of the senior management, the Chairman is also responsible for ensuring that the directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues arising at Board meetings, and that all key and appropriate issues are discussed by the Board in a timely manner.

The Managing Director focuses on implementing objectives, policies and strategies approved and delegated by the Board. He has the executive responsibilities over the Company's day-to-day management and operations. He is also responsible for developing strategic plans and formulating the organizational structure, control systems and internal procedures and processes for the Board's approval.

The Company has received from each INED a written confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all INEDs to be independent in accordance with the independence guidelines set out in the Listing Rules.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

All directors (including non-executive director) of the Company are currently appointed with specific terms for 2 years commencing from February 23, 2013, which are also subject to retirement in accordance with the articles of association of the Company ("Articles"). According to the Articles, at each annual general meeting, one-third of the directors for the time being (or, if their number is not a multiple of three, the number nearest to but not greater than one-third) shall retire from office by rotation.

The Board as a whole is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of directors, monitoring the appointment of directors and assessing the independence of INEDs.

The Board reviews from time to time its own structure, size and composition regularly to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Company.

Where vacancies on the Board exist, the Board will carry out the selection process by making reference to skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidates, the Company's needs and other relevant statutory requirement and regulations.

In accordance with the Articles, Mr. Wong Sai Chung, Mr. Warren Talbot Beckwith and Mr. Cheng Chaun Kwan, Michael will retire by rotation and being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

The Company's circular contains detailed information of the directors standing for re-election.

TRAINING AND CONTINUING DEVELOPMENT OF DIRECTORS

The Chairman has assessed the development needs of the Board as a whole, with a view to build its effectiveness as a team and to assist in the development of individual skills, knowledge and expertise.

Arrangements have been made to provide each new director a comprehensive, formal and tailored induction on the first occasion of his appointment and continuing briefing and professional development when necessary.

BOARD MEETINGS

The Board aims to meet in person or by means of electronic communication, at least 4 times a year, if necessary, as well as on an ad hoc basis. The individual attendance record of each director at the meetings of the Board, Audit Committee, Remuneration Committees and Nomination Committee during the year ended December 31, 2012 is set out below.

Practices and Conduct of Meetings

Annual meeting schedules and draft agenda of each meeting are normally made available to all directors in advance. Notices of regular meetings are served to all directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given.

Board paper together with all appropriate, complete and reliable information are sent to all directors at least 3 days before each Board meeting or committee meeting to keep them apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each director also have separate and independent access to the management whenever necessary.

The company secretary of the Company is responsible to take and keep minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to directors and members of committees for comment within a reasonable time after each meeting and the final version is open for directors' inspection.

According to the current Board practice, any material transaction, which involves a conflict of interest for a substantial shareholder or a director, will be considered and dealt with by the Board at a duly convened Board meeting.

Upon reasonable request, the Company should provide separate independent professional advice to directors to assist them to discharge their duties in the appropriate circumstance.

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee for overseeing particular aspects of the Company's affair. The Board committees of the Company are established with defined written terms of reference. The majority of the members of the Board committees are INEDs and the list of the chairman and members of each Board committees are set out under "Corporate Information" in the 2012 Annual Report.

Meeting attendance during the year ended December 31, 2012 is as follows:

Name of Directors	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting
Dr. Wang Shih Chang, George	4/4	N/A	2/2	1/1
Mr. Wong Sai Chung	4/4	N/A	N/A	N/A
Mr. Xu Li Chang	1/4	N/A	N/A	N/A
Mr. Kwan Kai Cheong	4/4	2/2	N/A	N/A
Mr. Warren Talbot Beckwith	3/4	1/2	N/A	1/1
Mr. Cheng Chaun Kwan, Michael	3/4	2/2	N/A	1/1
Mr. Luk Koon Hoo	4/4	2/2	2/2	N/A
Mr. Garry Alides Willinge	4/4	2/2	2/2	N/A
Mr. Wu Zhi Gao	4/4	2/2	N/A	N/A

The Audit Committee

Composition of the Audit Committee
Mr. Warren Talbot Beckwith *(Chairman)*
Mr. Cheng Chaun Kwan, Michael
Mr. Luk Koon Hoo
Mr. Garry Alides Willinge
Mr. Wu Zhi Gao

The Company established an Audit Committee comprising 5 INEDs with written terms of reference in compliance with the requirements as set out in Appendix 14 to the Listing Rules. Mr. Warren Talbot Beckwith, who possesses a professional accounting qualification and relevant accounting experience, is the Chairman of the Audit Committee. None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

The main duties of the Audit Committee include the following:

(a) To review the Company's financial statements and report, and to consider any significant or unusual items raised by the corporate accounting department or external auditor before submission to the Board.

(b) To review the relationship with the external auditor by reference to the work performed by the auditor, the fees and terms of engagement, and make recommendation to the Board on the appointment, reappointment and removal of external auditor.

(c) To review the adequacy and effectiveness of the Company's financial reporting system, internal control system (including anti-fraud) and risk management system and associated procedures.

During the year ended December 31, 2012, the Audit Committee met twice to review the financial results and reports (including continuing connected transactions), financial reporting (including cash flow forecast) and compliance procedures, to review the effectiveness based on report on the Company's internal control and risk management review and processes and the re-appointment of the external auditor. The Audit Committee is provided with sufficient resources enabling it to discharge its duties.

The Audit Committee has not taken a different view from the Board regarding the selection and re-appointment of external auditor.

The Company's annual results and continuing connected transactions for the year ended December 31, 2012 have been reviewed by the Audit Committee.

The Remuneration Committee

Composition of the Remuneration Committee
Mr. Garry Alides Willinge *(Chairman)*
Dr. Wang Shih Chang, George
Mr. Luk Koon Hoo

The Company established a Remuneration Committee comprising an executive director and two INEDs with written terms of reference in compliance with the requirements as set out in Appendix 14 to the Listing Rules. Mr. Garry Willinge is the Chairman of the Remuneration Committee.

The main duties of the Remuneration Committee include the following:

(a) To make recommendation to the Board on the policy and structure for all remuneration of the directors and senior management and on the establishment of a formal and transparent procedures for developing policy on such remuneration.

(b) To determine, review and approve the specific remuneration packages of all executive directors and make recommendations to the Board of the remuneration of non-executive directors, taking into account those factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions elsewhere and desirability of performance-based remuneration.

(c) To review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.

During the year ended December 31, 2012 and up to the date of this report, the Remuneration Committee met on March 29, 2012 and August 27, 2012 to review the remuneration package of directors and senior management (including granting of share options and bonus to employees and reviewing service contract of each director).

The remuneration of the directors for the year ended December 31, 2012 was set out in note 12 to the consolidated financial statements.

The Nomination Committee

Composition of the Nomination Committee
Dr. Wang Shih Chang, George *(Chairman)*
Mr. Warren Talbot Beckwith
Mr. Cheng Chuan Kwan, Michael

The Company established a Nomination Committee comprising an executive director and two INEDs with written terms of reference in compliance with the requirements as set out in Appendix 14 to the Listing Rules. Dr. Wang Shih Chang, George is the Chairman of the Nomination Committee.

The main duties of the Nomination Committee include the following:

(a) To formulate the policy for the nomination of directors in compliance with the requirements of the Listing Rules including but not limited to the following for consideration by the Board and implement the nomination policy laid down by the Board:

  (i) all directors shall be subject to re-election at regular intervals as set out in the articles of association of the Company (as amended from time to time);

  (ii) the Company must comply with the disclosure requirements in relation to the appointment, resignation or removal of directors under the Listing Rules;

  (iii) non-executive directors should be appointed for a specific term, subject to re-election and the term of appointment of the non-executive directors must be disclosed in the Corporate Governance Report under the Listing Rules;

  (iv) all directors appointed to fill a casual vacancy should be 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 least once every three years.

During the year ended December 31, 2012 and up to the date of this report, the Nomination Committee met on August 27, 2012 to review the compliance for the policy for the nomination of directors.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions. The obligation to follow the Listing Rules is set out in the terms of the service contracts of each executive director and the letters of appointment of the non-executive directors and each INED.

The directors have confirmed, following specific enquiry by the Company, that they have complied with the required standards as set out in Model Code during the year ended December 31, 2012 and up to the date of this report.

INTERNAL CONTROL

The Board has overall responsibility for maintaining a sound and effective internal control system of the Group. The Group's internal control system includes a well defined management structure with limits of authority which is designed for the achievement of business objectives, safeguard assets against unauthorized use or disposition, ensure proper maintenance of books and records for the provision of reliable financial information for internal use or publication, and to ensure compliance with relevant legislations and regulations. In addition, the Group has exercised risk management procedures to identify and prioritize risks for the business to be addressed by management.

During the year ended December 31, 2012, the Board has conducted a review of the effectiveness of the system of internal control of the Group and is satisfied with the scope and effectiveness of the system.

The Board also carried out a review to consider the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and its training programmes and budget during the year ended December 31, 2012.

MANAGEMENT FUNCTION

The management team of the Company meets regularly to review and discuss with the executive directors on day-to-day operational issues, financial and operating performance as well as to monitor and ensure the management is carrying out the directions and strategies set by the Board properly.

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements.

The directors acknowledge their responsibilities for preparing the financial statements of the Company for the year ended December 31, 2012.

The statement of the external auditor of the Company about their reporting responsibilities on the consolidated financial statements is set out in the "Independent Auditor's Report" on page 31 and 32.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

The remuneration paid and payable to the external auditor of the Group in respect of audit services and non-audit services for the year ended December 31, 2012 are set out below:

	Year ended December 31, 2012
	HK$'000
Services rendered	
— Audit services	2,472
— Non-audit services	772
	3,244

SHAREHOLDERS' RIGHTS AND INVESTOR RELATIONS

The rights of shareholders are contained in the Company's Articles. Details of the poll procedures will be explained to shareholders during the proceedings of any general meetings, if necessary.

Poll results are published on the websites of the Stock Exchange and the Company before the designated time on any business day following the meeting in accordance with the Listing Rules.

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. The Chairman of the Board as well as chairmans of the Audit Committee and Remuneration Committee, or in their absence, other members of the respective committees, and where applicable, the independent Board committee, will be available to answer questions at the shareholders' meetings.

Any enquiries by shareholders requiring the Board's attention can be sent in writing to the company secretary at the Company's principal place of business in Hong Kong.

OTHERS

Annual Confirmation from Mr. Wong Sai Chung

The Board received a confirmation from Mr. Wong Sai Chung ("Mr. Wong") that during the year ended December 31, 2012 and up to the date of this report, Mr. Wong has complied with the non-compete undertaking as set out in the Prospectus.

New Business Opportunities

During the year ended December 31, 2012 and up to the date of this report, there have been no new business opportunities which are required to be referred to the INEDs under the deed of undertaking dated February 8, 2007 entered into between Mr. Wong and the Company.

Properties under the Beijing Concord Option and the General Option (collectively the "Options")

During the year ended December 31, 2012 and up to the date of this report, except the General Option in respect of the property situated south of Jiuzhou Road and east of Mei Dai Factory, Zhuhai, the PRC (the "Zhuhai Property"), no options for the acquisition of the properties under the Beijing Concord Option and the General Option are exercised. The INEDs have considered the respective status of the Beijing Concord Option and the General Option and decided that it is not the appropriate time for the Company to exercise these options. Details of the Options are set out in the prospectus dated February 9, 2007 issued by the Company.

The Beijing Cannes Option previously granted by Mr. Wong had automatically lapsed in accordance with the terms of the Option Agreement as Mr. Wong had ceased to be interested in the Beijing Cannes site. Please refer to the Company's announcement dated February 7, 2013 for further details.

The General Option in respect of the Zhuhai Property previously granted by Mr. Wong had automatically lapsed in accordance with the terms of the Option Agreement as Mr. Wong had ceased to be interested in the Zhuhai Property. Please refer to the Company's announcement dated September 21, 2011 for further details.

First Right of Refusal for the Properties under Options

During the year ended December 31, 2012 and up to the date of this report, the Company is entitled to the first right of refusal for the properties under Options.

The directors present their annual report and the audited consolidated financial statements for the year ended December 31, 2012.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 35 to the consolidated financial statements.

The Group is principally engaged in the property development and property investment business in the People's Republic of China (the "PRC" or "China").

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended December 31, 2012 are set out in the consolidated statement of comprehensive income on page 33.

The directors do not recommend the payment of a dividend and propose that the profit for the year be retained.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

During the year, the Group revalued all of its investment properties at the year end date. The net increase in fair value of investment properties, which has been credited directly to the consolidated statement of comprehensive income, amounted to HK$2,089,534,000.

During the year, the addition of investment properties under construction of the Group amounted to approximately HK$382,058,000.

Details of these and other movements during the year in property, plant and equipment and investment properties of the Group are set out in notes 15 and 17 to the consolidated financial statements respectively.

GROUP FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and minority interests of the Group for each of the five years ended December 31, 2012 is set out on page 98.

PROPERTIES

Particulars of major properties held by the Group are set out on pages 99 to 100.

SHARE PREMIUM AND RESERVES

Details of the movements in the share premium and reserves of the Group for the year ended December 31, 2012 are set out in the consolidated statement of changes in equity on page 36.

SHARE CAPITAL

Details of the movements in Company's share capital during the year are set out in note 28 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at December 31, 2012 were as follows:

	HK$'000
Share premium	**7,978,564**
Share option reserve	**15,503**
Accumulated losses	**(1,218,515)**
	6,775,552

Under the Companies Law of the Cayman Islands, the share premium of the Company may be distributed subject to the provisions of the Company's Memorandum or Articles of Association and provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

DIRECTORS

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

Executive directors:

Dr. Wang Shih Chang, George *(Chairman)*
Mr. Wong Sai Chung *(Managing Director)*
Mr. Xu Li Chang

Non-executive director:

Mr. Kwan Kai Cheong

Independent non-executive directors:

Mr. Warren Talbot Beckwith
Mr. Cheng Chaun Kwan, Michael
Mr. Luk Koon Hoo
Mr. Garry Alides Willinge
Mr. Wu Zhi Gao

Each of the executive directors has entered into a service agreement with the Company for another term of two years commencing February 23, 2013.

In accordance with article 87 of the Company's Articles of Association, Mr. Wong Sai Chung, Mr. Warren Talbot Beckwith and Mr. Cheng Chaun Kwan, Michael will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

No director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

The Company has received from each of the independent non-executive directors a confirmation of independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Company considers all of the independent non-executive directors are independent.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND UNDERLYING SHARES AND DEBENTURES

Directors' and Chief Executives' Interests in Securities of the Company

As at December 31, 2012, the interests and/or short positions of the directors and chief executives and their associates in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of the Listed Companies to be notified to the Company and the Stock Exchange, were as follows:

(a) Long positions in ordinary shares of HK$0.1 each of the Company

As at December 31, 2012, the long position in ordinary shares and underlying shares of the Company of the directors and the chief executives are as follows:

Name of director	Nature of interest	Number of issued ordinary shares held	Percentage of the issued share capital of the Company	Note
Mr. Wong Sai Chung ("Mr. Wong")	Corporate	1,556,611,570 shares	86.04%	(i) & (ii)

Notes:

(i) Of these shareholding interests, 1,350,000,000 shares of the Company are directly held by Hillwealth Holdings Limited ("Hillwealth") whose entire issued share capital is owned by Mr. Wong.

(ii) Such shareholding interests also included deemed interests in 206,611,570 shares of the Company to be issued upon the exercise of the conversion rights under the convertible note of HK$500 million of the Company agreed to be subscribed for by Hillwealth pursuant to the conditional subscription agreement dated January 27, 2012 entered into between the Company and Hillwealth (as amended by a supplemental agreement dated February 21, 2012).

(b) Long position in shares of associated corporations of the Company

Name of director	Nature of interest	Name of associated corporation	Number of issued ordinary shares held	Percentage of the issued share of the same class in the associated corporation	Note
Mr. Wong	Corporate	Concord Properties Holding (Shanghai) Limited ("CPH (Shanghai)")	100 non-voting deferred class "B" shares of HK$1.00 each	100%	(iii)
	Personal	Hillwealth	1 share of US$1.00	100%	(iv)

Notes:

(iii) CPH (Shanghai) is an indirectly owned subsidiary of the Company. It has in issue 100 non-voting deferred class "B" shares (the rights attached to which are set out in the Prospectus), all of which are beneficially owned by Concord China Land Holdings Limited which is in turn beneficially and wholly owned by Pacific Concord Holding Limited ("PCH") (which is wholly owned by Mr. Wong).

(iv) As Hillwealth directly holds approximately 74.62% of the total issued share capital of the Company and thus being the holding company of the Company, Hillwealth is an associated corporation of the Company under the SFO. The entire issued share capital of Hillwealth is owned by Mr. Wong.

As at December 31, 2012, Mr. Wong was a director of Hillwealth, Concord China Land Holdings Limited and PCH, and Dr. Wang Shih Chang, George and Mr. Kwan Kai Cheong were also directors of PCH.

Save as disclosed herein, as at December 31, 2012, none of the directors or chief executives nor their associates had or deemed to have any interests or short positions in any shares or underlying shares or debentures of the Company or any of its associated corporations.

SHARE OPTION SCHEMES

Particulars of the Company's share option schemes are set out in note 33 to the consolidated financial statements.

On January 17, 2011, 20,000,000 share options to subscribe for ordinary shares of HK$0.10 each of the Company were granted to certain eligible participants ("the Grantees"), subject to acceptance of each of the Grantees, under the share option scheme adopted by the Company on February 2, 2007. Details are set out in the Company's announcement dated January 17, 2011.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the share option schemes as disclosed in note 33 to the consolidated financial statements, at no time during the year was the Company, its ultimate holding company or any of its subsidiaries, a party to any arrangements to enable the directors of the Company or their respective spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS'/CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Details of the related party transactions, certain of which also constitute connected transactions under the Listing Rules disclosed below, during the year are set out in note 34 to the consolidated financial statements.

Other than as disclosed above, no contracts of significance to which the Company, its holding company, fellow subsidiaries 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.

SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed above in "Directors' and chief executives' interests in shares and underlying shares and debentures", the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO discloses no person as having a notifiable interest or short position in the issued capital of the Company as at December 31, 2012 and as at the date of this report.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year ended December 31, 2012, the Group had the following connected transactions under the Listing Rules. In the opinion of the directors, such connected transactions were conducted in the normal course of business.

Continuing connected transaction

Office rental and other charges

On July 31, 2008, a tenancy agreement (the "Tenancy Agreement") for the use of the principal place of business of the Company in Hong Kong was entered into between Marnav Holdings Limited (an independent third party) of one part, and Frank Union Limited ("Frank Union") (an associate of Mr. Wong) and the Group of the other part. The Tenancy Agreement is effective from August 1, 2008 to July 31, 2011. The Tenancy Agreement was renewed on July 22, 2011 for a further term of three years from August 1, 2011 to July 31, 2014.

A sharing agreement dated July 31, 2008 and subsequently renewed on July 22, 2011 for a further term of three years from August 1, 2011 to July 31, 2014 (the "Sharing Agreement") was entered into between Frank Union and the Group which both parties agreed that the principal office will be divided into two equal halves and each party will be entitled to occupy, use and possess half of the principal office. The rental and the electricity fee, fixed line telephone charge and other charges will be shared equally by the parties.

Having regard to the fact that (i) the Company is to share at cost the rent, rates, service fee and utilities charges incurred in respect of the premises subject to the Tenancy Agreement and Sharing Agreement proportional to the area used; and (ii) the rent and service fee are negotiated and agreed with an independent third party, rates are imposed by the government and utilities charges by the relevant independent third party service providers, the Directors consider the terms of the Tenancy Agreement and Sharing Agreement to be on normal commercial terms and are fair and reasonable so far as the Company is concerned. The Directors are of the view that the transactions under the Tenancy Agreement and Sharing Agreement are in the ordinary and usual course of business of the Group and are in the interests of the Company and the shareholders as a whole.

During the year, an amount of HK$4,270,000 and HK$42,000 was paid and payable for the office rental and office premises expenses respectively in relation to the use of the principal place of business of the Company in Hong Kong.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued a letter containing his conclusion in respect of the continuing connected transactions disclosed by the Group above have no non-compliance with Listing Rule 14A.38. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

DIRECTORS' INTEREST IN A COMPETING BUSINESS

Mr. Wong, managing director of the Company, is interested in certain property development projects in the PRC. Pursuant to the option agreements entered into between the Company and Mr. Wong on February 8, 2007, the Company has the right to acquire most of the properties held, whether directly or indirectly, by Mr. Wong. In addition, pursuant to the non-competition deed dated February 8, 2007 signed by Mr. Wong in favour of the Company (the "Non-competition Deed"), Mr. Wong has undertaken to the Company to make necessary arrangements as stated in the Non-competition Deed to avoid competing with the business of the Group. Details of such arrangements are set out in the prospectus dated February 9, 2007 issued by the Company ("Prospectus").

The Company has received confirmation from Mr. Wong that he has complied with the terms of the Deed of Undertaking since the Listing and up to the date of this report. Furthermore, there was no new business opportunities referred from Mr. Wong to the Company during the same period.

Saved as disclosed above, during the year ended December 31, 2012 and up to the date of this report, none of the directors, the substantial shareholders or the management shareholders had any interests in any business which competed with or might compete with the business of the Group.

MAJOR CUSTOMERS AND SUPPLIERS

Aggregate sales attributable to the Group's five largest customers were less than 30% of total revenue.

The largest supplier of the Group by itself and taken together with the next four largest suppliers accounted for 9.7% and 30.4% respectively of the Group's total purchases for the year.

At no time during the year did a director, an associate of a director, or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) have an interest in any of the Group's five largest suppliers.

EMOLUMENT POLICY

As at December 31, 2012, the Group had approximately 388 employees in Hong Kong and in the PRC. The total staff costs incurred were approximately HK$36 million.

The Group remunerates its employees mainly with reference to individual performance, qualification, experience and the prevailing industry practice. Apart from basic remuneration and statutory retirement benefit scheme, discretionary bonus may be granted to eligible employees by reference to the Group's performance as well as individual performance. In addition, share options may be granted from time to time in accordance with the terms of the Company's approved share option scheme to provide incentives and rewards to the employees.

PRE-EMPTIVE RIGHTS

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

CORPORATE GOVERNANCE

The Board and management of the Company are committed to maintain high standards of corporate governance. A report on the principal corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 14 to 22 of the annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and within the knowledge of the directors, there is sufficient public float of 25% of the Company's issued shares as required under the Listing Rules as at the latest practicable date prior to the issue of this report.

AUDITOR

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Dr. Wang Shih Chang, George
Chairman

Hong Kong, March 18, 2013

Deloitte.
德勤

TO THE MEMBERS OF CHINA PROPERTIES GROUP LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Properties Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 33 to 97, which comprise the consolidated statement of financial position as at December 31, 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED 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 and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, 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 judgment, 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 Group as at December 31, 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.

EMPHASIS OF MATTER

Without qualifying our opinion, we draw attention to note 1 to the consolidated financial statements which indicates that, as of December 31, 2012, the Group's current liabilities exceeded its current assets by approximately HK$861,748,000. In addition, the Group had other commitments contracted for but not provided in the consolidated financial statements of approximately HK$1,028,517,000 as disclosed in note 30 to the consolidated financial statements. The Group is taking several measures as disclosed in note 1 to the consolidated financial statements, certain of which have already been implemented, to improve the financial position of the Group and after taking into account these steps, the directors of the Company consider that the Group will have sufficient working capital to finance its operations and to pay its financial obligations as and when they fall due. The consolidated financial statements do not include any adjustments that would result from a failure to implement such measures as disclosed in note 1 to the consolidated financial statements.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
March 18, 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2012

	Notes	**2012** **HK$'000**	2011 HK$'000
Revenue	8	**692,760**	983,785
Cost of sales		**(429,980)**	(626,734)
Gross profit		**262,780**	357,051
Other income and gains	8	**53,587**	27,996
Selling expenses		**(34,470)**	(39,942)
Administrative expenses		**(99,233)**	(104,434)
Finance costs	9	**—**	—
Profit from operation before changes in fair value of investment properties and conversion option derivative		**182,664**	240,671
Changes in fair value of investment properties		**2,089,534**	2,385,228
Changes in fair value of conversion option derivative		**26,456**	—
Profit before tax		**2,298,654**	2,625,899
Income tax expense	10	**(541,915)**	(626,460)
Profit for the year attributable to the owners of the Company	11	**1,756,739**	1,999,439
Other comprehensive income			
Exchange differences arising on translation		**649,121**	1,441,742
Total comprehensive income for the year attributable to the owners of the Company		**2,405,860**	3,441,181
Earnings per share			
— Basic (HK dollar)	14	**0.97**	1.11
— Diluted (HK dollar)	14	**0.86**	1.11

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2012

	Notes	**2012 HK$'000**	2011 HK$'000
Non-current assets			
Property, plant and equipment	15	**327,644**	283,852
Prepaid lease payments	16	**161,652**	163,707
Investment properties	17	**55,281,545**	51,963,171
		55,770,841	52,410,730
Current assets			
Properties under development for sales	18	**3,595,693**	3,601,495
Properties held for sales	19	**463,239**	447,258
Trade and other receivables, deposits and prepayments	20	**365,002**	325,220
Tax recoverable		**18,181**	18,145
Pledged bank deposits	21	**421,436**	72,207
Bank balances and cash	21	**48,771**	1,192,134
		4,912,322	5,656,459
Current liabilities			
Deposits received on sales of properties	22	**1,146,923**	1,706,686
Construction costs accruals		**465,245**	576,456
Other payables and accruals		**154,768**	111,982
Amount due to a shareholder	23	**103,559**	1,456,696
Tax payable		**755,907**	679,895
Borrowings — due within one year	24	**3,147,668**	988,583
		5,774,070	5,520,298
Net current (liabilities) assets		**(861,748)**	136,161
Total assets less current liabilities		**54,909,093**	52,546,891

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current liabilities			
Borrowings — due after one year	24	**577,181**	2,716,642
Fixed rate senior notes	25	**795,529**	791,966
Convertible note	26	**270,323**	—
Conversion option derivative	26	**244,844**	—
Deferred tax liabilities	27	**11,655,603**	10,953,515
Loan from a shareholder	23	**1,056,000**	350,000
		14,599,480	14,812,123
Net assets		**40,309,613**	37,734,768
Capital and reserves			
Share capital	28	**180,907**	180,907
Share premium and reserves		**40,128,706**	37,553,861
Total equity		**40,309,613**	37,734,768

The consolidated financial statements on pages 33 to 97 were approved and authorized for issue by the board of directors on March 18, 2013 and are signed on its behalf by:

Dr. Wang Shih Chang, George
DIRECTOR

Wong Sai Chung
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2012

	Attributable to owners of the Company										
	Share capital	**Share premium**	**Revaluation reserve**	**Special reserve**	**Other reserve**	**General reserve**	**Shareholder contribution reserve**	**Share option reserve**	**Exchange reserve**	**Retained earnings**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
				(Note a)	(Note b)	(Note c)	(Note d)	(Note 33)			
At January 1, 2011	180,907	1,378,443	6,410	778,662	2,455,562	53,015	—	—	3,331,718	26,101,303	34,286,020
Profit for the year	—	—	—	—	—	—	—	—	—	1,999,439	1,999,439
Other comprehensive income for the year	—	—	—	—	—	—	—	—	1,441,742	—	1,441,742
Total comprehensive income for the year	—	—	—	—	—	—	—	—	1,441,742	1,999,439	3,441,181
Recognition of share-based payment	—	—	—	—	—	—	—	7,567	—	—	7,567
At December 31, 2011	180,907	1,378,443	6,410	778,662	2,455,562	53,015	—	7,567	4,773,460	28,100,742	37,734,768
Profit for the year	—	—	—	—	—	—	—	—	—	1,756,739	1,756,739
Other comprehensive income for the year	—	—	—	—	—	—	—	—	649,121	—	649,121
Total comprehensive income for the year	—	—	—	—	—	—	—	—	649,121	1,756,739	2,405,860
Recognition of share-based payment	—	—	—	—	—	—	—	7,936	—	—	7,936
Deemed contribution	—	—	—	—	—	—	161,049	—	—	—	161,049
At December 31, 2012	180,907	1,378,443	6,410	778,662	2,455,562	53,015	161,049	15,503	5,422,581	29,857,481	40,309,613

Notes:

(a) Special reserve represents the difference between the nominal value of shares of the acquired subsidiaries and the nominal value of the shares of the Company issued for the acquisition at the time of the corporate reorganisation ("Corporate Reorganisation") to rationalise the Group structure prior to the listing of the Company's shares on The Stock Exchange of Hong Kong Limited.

(b) Other reserve arose from the acquisition by Mr. Wong Sai Chung ("Mr. Wong"), the ultimate controlling shareholder of the Company, of the interests in the Company's subsidiaries owned by other shareholders and the implementation of the Corporate Reorganisation.

(c) As stipulated by the relevant laws and regulations in the People's Republic of China (the "PRC"), the subsidiaries established in the PRC may make an allocation to the general reserve from its profit for the year (prepared under the generally accepted accounting principles in the PRC) at a rate determined by directors of the relevant subsidiaries. The general reserve can only be used upon approval by the board of directors of the relevant subsidiaries to offset accumulated losses or increase capital.

(d) Shareholder contribution reserve represents the deemed contribution arising from a loan from a shareholder, Mr. Wong, amounted to HK$500,000,000, which is interest free, unsecured and repayable after one year from the borrowing date. The details of the loan from a shareholder are set out in note 23.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2012

	2012 HK$'000	2011 HK$'000
OPERATING ACTIVITIES		
Profit before tax	**2,298,654**	2,625,899
Adjustments for:		
Amortization of prepaid lease payments	**54**	53
Depreciation of property, plant and equipment	**2,566**	2,890
Share-based payment expenses	**7,936**	7,567
Changes in fair value of investment properties	**(2,089,534)**	(2,385,228)
Changes in fair value of conversion option derivative	**(26,456)**	—
Interest income	**(3,131)**	(4,830)
Gain on disposal of investment properties	**(36,447)**	—
Loss on disposal of property, plant and equipment	**49**	143
Operating cash flows before movements in working capital	**153,691**	246,494
Increase in properties under development for sales	**(305,431)**	(718,837)
Decrease in properties held for sales	**417,227**	618,891
Decrease in trade and other receivables, deposits and prepayments	**11,454**	6,343
Decrease in deposits received on sales of properties	**(580,784)**	(695,698)
(Decrease) increase in construction costs accruals	**(119,180)**	122,932
Increase (decrease) in other payables and accruals	**41,353**	(45,971)
Cash used in operations	**(381,670)**	(465,846)
PRC taxes paid	**(3,979)**	(63,779)
NET CASH USED IN OPERATING ACTIVITIES	**(385,649)**	(529,625)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(7,037)**	(13,774)
Additions to investment properties	**(82,744)**	(250,658)
Proceed received from disposal of property, plant and equipment	**280**	—
Proceed received from disposal of investment properties	**64,953**	—
Withdrawal of pledged bank deposits	**175,073**	2,412
Placement of pledged bank deposits	**(523,483)**	(60,753)
Interest received	**3,131**	4,830
NET CASH USED IN INVESTING ACTIVITIES	**(369,827)**	(317,943)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2012

	2012 HK$'000	2011 HK$'000
FINANCING ACTIVITIES		
Interest paid	**(312,212)**	(303,297)
New borrowings raised	**1,011,454**	226,149
Repayments of borrowings	**(1,032,581)**	(306,597)
Repayment to a shareholder	**(538,888)**	—
Advance from a shareholder	**500,000**	1,596,383
Loan raised expenses	**(21,918)**	(5,643)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(394,145)**	1,206,995
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(1,149,621)**	359,427
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**1,192,134**	796,730
Effect of foreign exchange rate changes	**6,258**	35,977
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**48,771**	1,192,134

1. GENERAL AND BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Company is a public limited company incorporated in Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its parent and ultimate holding company is Hillwealth Holdings Limited ("Hillwealth"), a limited company incorporated in the British Virgin Islands ("BVI"). Its ultimate controlling party is Mr. Wong Sai Chung ("Mr. Wong"). The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business is 14th Floor, Wheelock House, 20 Pedder Street, Central, Hong Kong.

The Company acts as an investment holding company. The subsidiaries of the Company are principally engaged in property development and property investment in the People's Republic of China (the "PRC"). The principal activities of its principal subsidiaries are set out in note 35.

The functional currency of the Company and the respective group entities is Renminbi ("RMB"), the currency of the primary economic environment in which the Group operates. For the purpose of the consolidated financial statements and convenience of the financial statements users, the results and financial position of the Group are expressed in Hong Kong dollars ("HK$"), the presentation currency for the consolidated financial statements.

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that, as at December 31, 2012, the Group's current liabilities exceeded its current assets by approximately HK$861,748,000 and the Group had other commitments contracted for but not provided in the consolidated financial statements of approximately HK$1,028,517,000 as stated in note 30.

In order to improve the Group's financial position, to provide liquidity and cash flows and to sustain the Group as a going concern, the Group has implemented the following measures:

(1) The Group is planning to obtain new long term fundings and borrowings from the capital market and banks of approximately HK$7,463,336,000. At the date of approval of these consolidated financial statements, the Group has successfully raised new other borrowings of HK$497,141,000.

(2) The Group has committed marketing plan to stimulate sales of its properties held for sales and pre-sales of properties under development for sales.

The directors of the Company consider that after taking into account the above measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due for the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new or revised amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

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

Amendments to HKAS 12 Deferred tax: Recovery of underlying assets

The Group has applied for the first time the amendments to HKAS 12 "Deferred tax: Recovery of underlying assets" in the current year. Under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment property" are presumed to be recovered entirely through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances. The amendments to HKAS 12 have to be applied retrospectively.

The Group measures its investment properties using the fair value model. As a result of the application of the amendments to HKAS 12, the directors of the Company reviewed the Group's investment property portfolios and concluded that the Group has a business model for its investment properties whose objective is to hold most of the investment properties so as to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Accordingly, deferred taxation in relation to the Group's investment properties, has been measured based on the tax consequences of recovering the carrying amounts entirely through use.

As the Group has previously recognized deferred taxes on changes in fair value of investment properties on the basis that the entire carrying amounts of the properties were recovered through use, the directors of the Company considered that the application of the above amendments has had no material impact on these consolidated financial statements.

Amendments to HKFRS 7 Financial instruments: Disclosures — Transfer of financial assets

The Group has applied for the first time the amendments to HKFRS 7 "Financial instruments: Disclosures — Transfer of financial assets" in the current year. The amendments increase the disclosure requirements for transactions involving transfers of financial assets in order to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the year. Based on an analysis of the financial instruments held by the Group as at December 31, 2012, the directors of the Company considered that the application of the above amendments has had no material impact on these consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") — continued

The Group has not early applied the following new or revised standards, amendments and interpretation that have been issued but are not yet effective:

HKAS 1 (Amendments)	Presentation of items of other comprehensive income[1]
HKAS 19 (Revised 2011)	Employee benefits[2]
HKAS 27 (Revised 2011)	Separate financial statements[2]
HKAS 28 (Revised 2011)	Investments in associates and joint ventures[2]
HKAS 32 (Amendments)	Offsetting financial assets and financial liabilities[3]
HKFRSs (Amendments)	Annual improvements to HKFRSs 2009–2011 cycle[2]
HKFRS 1 (Amendments)	Government loans[2]
HKFRS 7 (Amendments)	Disclosures — Offsetting financial assets and financial liabilities[2]
HKFRS 9	Financial instruments[4]
HKFRS 9 and HKFRS 7 (Amendments)	Mandatory effective date of HKFRS 9 and transition disclosures[4]
HKFRS 10	Consolidated financial statements[2]
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance[2]
HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment entities[3]
HKFRS 11	Joint arrangements[2]
HKFRS 12	Disclosure of interests in other entities[2]
HKFRS 13	Fair value measurement[2]
HK(IFRIC) — INT 20	Stripping costs in the production phase of a surface mine[2]

[1] Effective for annual periods beginning on or after July 1, 2012.
[2] Effective for annual periods beginning on or after January 1, 2013.
[3] Effective for annual periods beginning on or after January 1, 2014.
[4] Effective for annual periods beginning on or after January 1, 2015.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") — continued

Amendments to HKAS 1 Presentation of items of other comprehensive income

The amendments to HKAS 1 "Presentation of items of other comprehensive income" introduce new terminology for the statement of comprehensive income. Under the amendments to HKAS 1, a "statement of comprehensive income" is renamed as a "statement of profit or loss and other comprehensive income". In addition, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis — the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to HKAS 1 are effective for annual periods beginning on or after July 1, 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in future accounting periods. Other than the above mentioned presentation changes, the directors of the Company anticipate that the application of the amendments to HKAS 1 will not result in any material impact on the consolidated financial statements.

HKFRS 9 Financial instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

HKFRS 9 requires all recognized financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" are subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after January 1, 2015, with earlier application permitted. The directors of the Company anticipate that the adoption of HKFRS 9 in the future will not have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities based on an analysis of the financial instruments held by the Group as at December 31, 2012.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") — continued

HKFRS 13 Fair value measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 "Financial instruments: Disclosures" will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. The directors of the Company anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning January 1, 2013 and that the application may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

Other than as disclosed above, the directors of the Company anticipate that the other new and revised standards, amendments and interpretation will have no material impact on the consolidated financial statements of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for certain properties and financial instruments that are measured at fair values at the end of each reporting period as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES — continued

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Revenue recognition

Revenue is measured at the fair value at consideration received or receivable.

Revenue from sale of properties and pre-completion contracts for the sale of development properties in the ordinary course of business is recognized when all of the following criteria are satisfied:

- the significant risks and rewards of ownership of the properties are transferred to purchasers;
- neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the properties are retained;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

The above criteria are met when the construction of relevant properties has been completed, and the title of properties has been transferred or the properties have been delivered to the purchasers pursuant to the sales agreement whichever is earlier and the collectibility of related receivables is reasonably assumed. Deposits and instalments received from purchasers on properties sold prior to meeting the above criteria on revenue recognition are included in the consolidated statement of financial position under current liabilities.

Rental income from properties under operating leases is recognized in the consolidated statement of comprehensive income on a straight-line basis over the term of the relevant leases.

Service income is recognized when services are provided.

3. SIGNIFICANT ACCOUNTING POLICIES — continued

Revenue recognition — continued

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment including leasehold land and buildings held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognized so as to write off the cost of items of property, plant and equipment (other than properties under construction) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Such assets are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES — continued

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortized over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Leasehold land and buildings under development for future owner-occupied purpose

When the leasehold land and buildings are in the course of development for production or for administrative purposes, the leasehold land component is classified as a prepaid lease payment and amortized on a straight-line basis over the lease term. During the construction period, the amortization charge provided for the leasehold land is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under construction for such purposes). Investment properties include land held for undetermined future use, which is regarded as held for capital appreciation purpose. Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains and losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

Construction costs incurred for investment properties under construction are capitalized as part of the carrying amount of the investment properties under construction.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

3. SIGNIFICANT ACCOUNTING POLICIES — continued

Properties under development for sales

Properties under development for sales are stated at the lower of cost and net realizable value. Cost comprises both the prepaid lease payments for the land and development cost for the property. Net realizable value takes into account the price ultimately expected to be realized, less applicable selling expenses and the anticipated costs to completion.

Development cost of property comprises construction costs, borrowing costs capitalized according to the Group's accounting policy and directly attributable cost incurred during the development period. On completion, the properties are transferred to properties held for sales.

Properties held for sales

Properties held for sales are stated at the lower of cost and net realizable value.

Financial instruments

Financial assets and financial liabilities are recognized in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

Financial assets

The Group's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognized on an effective interest basis for debt instruments.

3. SIGNIFICANT ACCOUNTING POLICIES — continued

Financial instruments — continued

Financial assets — continued

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, pledged bank deposits and bank balances and cash) are measured at amortized cost using the effective interest method, less any identified impairment losses (see accounting policy in respect of impairment of financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. They are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For loans and receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. When a trade receivable or another receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES — continued

Financial instruments — continued

Financial assets — continued

Impairment of financial assets — continued

For financial assets measured at amortized cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity instruments in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognized on an effective interest basis.

The Group's financial liabilities are generally classified into financial liabilities at FVTPL and other financial liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES — continued

Financial instruments — continued

Financial liabilities and equity instruments — continued

Financial liabilities at FVTPL

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value at the end of the reporting period, with changes in fair value recognized directly in profit or loss in the period in which they arise.

Other financial liabilities

Other financial liabilities, other than convertible note and conversion option derivative (see accounting policy below), including borrowings, construction costs accruals, other payables and accruals, amount due to/loan from a shareholder and fixed rate senior notes are subsequently measured at amortized cost, using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES — continued

Financial instruments — continued

Convertible note and conversion option derivative

Convertible note issued by the Group that contains both liability and conversion option components is classified separately into respective items on initial recognition. Conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is a conversion option derivative. At the date of issue, both the liability and conversion option components are recognized at fair value.

In subsequent periods, the liability component of the convertible note is carried at amortized cost using the effective interest method. The conversion option derivative together with other embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss.

Transaction costs that relate to the issue of the convertible note are allocated to the liability and derivative components in proportion to their relative fair values. Transaction costs relating to the derivative components are charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortized over the period of the convertible note using the effective interest method.

Derecognition

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES — continued

Impairment losses on assets

At the end of the reporting period, the Group reviews the carrying amounts of its assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Recoverable amount is the higher of 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the relevant lease.

Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

3. SIGNIFICANT ACCOUNTING POLICIES — continued

Borrowing costs — continued

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before tax" as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES — continued

Taxation — continued

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at that date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity under the heading of exchange reserve.

Retirement benefit costs

Payments to the defined contribution retirement benefit schemes and state-managed retirement benefit schemes are recognized as an expense when employees have rendered service entitling them to the contributions.

3. SIGNIFICANT ACCOUNTING POLICIES — continued

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to consultants

Share options issued in exchange for services are measured at the fair values of the services received, unless that fair value cannot be reliably measured. The fair values of the services received are recognized as expenses on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve), when the counterparties render services, unless the services qualify for recognition as assets. If the fair value of the services received cannot be estimated reliably, the Group shall measure their value, and the corresponding increase in equity, indirectly, by reference to the fair value of equity instruments granted.

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimate is recognized 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.

Critical judgment in applying accounting policies

The following is the critical judgment that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

Deferred taxation on investment properties

For the purposes of measuring deferred taxation arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment property portfolios and concluded that substantially all of the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in measuring the Group's deferred taxation on investment properties, the directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is rebutted. Accordingly, deferred taxation in relation to the Group's investment properties has been measured based on the tax consequences of recovering the carrying amounts entirely through use.

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY — continued

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimate of fair value of investment properties under construction

As described in note 17, investment properties under construction are mainly measured at fair value at the end of the reporting period using a residual method by independent professional valuers. Such valuations are based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In relying on the valuation report, the directors of the Company have exercised their judgment and are satisfied that the assumptions used in the valuation reflect market condition. Where there are any changes in the assumptions due to the market conditions in the PRC, the estimate of fair value of investment properties under construction may be significantly affected. In making the valuation, the Group's management has made reference to the recent market condition. As at December 31, 2012, investment properties under construction of approximately HK$45,623,771,000 (2011: HK$42,513,871,000) are revalued using a residual method.

Estimate of fair value of conversion option derivative

As described in note 26, the directors of the Company engaged an independent valuer who applied appropriate valuation technique for conversion option derivative that is not quoted in an active market. The conversion option derivative was valued using the binomial option pricing model that incorporated market data and involved uncertainty in estimates in the assumptions. Because binomial option pricing model requires the input of highly subjective assumptions, including the volatility of share price, changes in subjective input assumptions can materially affect the fair value estimate. Details of the assumptions used are disclosed in note 26. As at December 31, 2012, the carrying amount of conversion option derivative is approximately HK$244,844,000. The directors believe that the chosen valuation technique and assumptions are appropriate in determining the fair value of the conversion option derivative.

Estimate of net realizable value of properties under development for sales and properties held for sales

As at December 31, 2012, properties under development for sales of approximately HK$3,595,693,000 (2011: HK$3,601,495,000) and properties held for sales of approximately HK$463,239,000 (2011: HK$447,258,000) are stated at lower of cost and net realizable value. Cost of each unit in each phase of development is determined using the weighted average method. The estimated net realizable value is estimated selling price less selling expenses and estimated cost of completion (if any), which are estimated based on best available information. Where there are any decrease in the estimated selling price arising from any changes to the market conditions in the PRC, there may be impairment loss recognized on the properties under development for sales and properties held for sales.

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY — continued

Key sources of estimation uncertainty — continued

Land appreciation taxes

PRC land appreciation tax ("LAT") is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including land costs, borrowing costs and all property development expenditure.

The Group is subject to LAT in the PRC which has been included in income tax expense of the Group. Significant judgment is required in determining the amount of land appreciation and the related taxes. The Group recognizes these liabilities based on the management's best estimates. Where the final outcome of this matter is different from the amounts that were initially recorded, such differences will impact the income tax expense in the period in which such determination is made. As at December 31, 2012, the Group has LAT payable of approximately HK$692,501,000 (2011: HK$636,130,000).

Provision for legal disputes and contingent liabilities under construction contracts

As at December 31, 2012, the Group is subjected to several legal claims with aggregate amount of approximately HK$360 million in relation to disputes under construction contracts in the properties development operation during the normal course of business. Determining whether provision for construction costs in dispute is necessary requires an estimation of probability that an outflow of resources embodying economic benefits to be required for settling the obligation and an estimation of the amount of the obligation which can be measured reliably at the end of the reporting period. Based on the advices from the independent legal advisors, those outstanding legal claims are still in preliminary stage and the final outcome is unable to be determined at this stage. In the opinion of the directors of the Company, the Group has possible obligation in relation to the legal disputes; however, a sufficiently reliable estimate of the amount of the obligation cannot be made at the end of the reporting period. Disclosure of such contingent liabilities has been made in note 29 to the consolidated financial statements. No amount has been included in construction costs accruals nor provision made in the consolidated financial statements in respect of these construction contract in disputes.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimisation of the debt and equity balances. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the amount due to/loan from a shareholder, borrowings, fixed rate senior notes and convertible note disclosed in notes 23, 24, 25 and 26 respectively, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and retained earnings.

The directors of the Company review the capital structure on a continuous basis taking into account the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through payments of dividends, new share issues, shares buy-backs and issue of new debts or redemption of existing debts.

6. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2012 HK$'000	2011 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**487,388**	1,279,568
Financial liabilities		
Financial liabilities classified as at FVTPL	**244,844**	—
Amortized cost	**6,570,273**	6,992,325

Financial risk management objectives and policies

The Group's financial instruments include trade and other receivables, pledged bank deposits, bank balances and cash, construction costs accruals, other payables and accruals, amount due to/loan from a shareholder, borrowings, fixed rate senior notes, convertible note and conversion option derivative. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Foreign currency risk

The Group's transactions are mainly denominated in RMB (which is the functional currency of respective group entities), except for certain bank balances, borrowings, fixed rate senior notes, convertible note and conversion option derivative which are denominated in HK$ and United States dollars ("USD") as disclosed below. The Group has not used any forward contract to hedge its exposure to currency risk. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. A significant depreciation/appreciation in the RMB against USD and HK$ may have a material impact on the Group's results.

6. FINANCIAL INSTRUMENTS — continued

Market risk — continued

Foreign currency risk — continued

As at the end of each reporting period, certain financial assets and financial liabilities of the Group were denominated in HK$ and USD which are the currencies other than the functional currency of the relevant group entities. The carrying amounts of those foreign currency monetary items are set out below:

	HK$		USD	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Pledged bank deposits	**—**	—	**334,270**	—
Bank balances and cash	**47,422**	105	**46**	39
Borrowings	**—**	—	**1,075,620**	1,382,940
Fixed rate senior notes	**—**	—	**795,529**	791,966
Convertible note	**270,323**	—	**—**	—

Sensitivity analysis

The Group is mainly exposed to the currency of HK$ and USD and the sensitivity analysis includes only outstanding foreign currency denominated monetary items and their translation at the year end for a 5% (2011: 5%) change in foreign currency rates. 5% (2011: 5%) is the sensitivity rate used in management's assessment of the reasonably possible change in foreign exchange rates.

A positive number below indicates an increase in post-tax profit for the year where RMB strengthens 5% against USD and HK$ for the current year. For a 5% weakening of RMB against USD and HK$, there would be an equal but opposite impact on the post-tax profit for the year.

	HK$ impact		USD impact	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Profit for the year	**11,145**	(5)	**76,842**	108,743

6. FINANCIAL INSTRUMENTS — continued

Market risk — continued

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank borrowings (see note 24 for details). The Group currently does not have any interest rate hedging policy. However, management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group's fair value interest rate risk relates primarily to its fixed rate bank deposits, other borrowings (see note 24 for details), fixed rate senior notes (see note 25 for details) and convertible note (see note 26 for details). The Group has not used any derivative contracts to hedge its exposure to interest rate risk. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise. In addition, the management monitors the interest rate movement for long term borrowings and will consider to exercise the redemption option of the fixed rate senior notes if necessary.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for bank borrowings. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 1% (2011: 1%) increase or decrease is used in management's assessment of the reasonably possible change in interest rates.

If interest rates relating to the variable-rate borrowings of the Group increase or decrease by 1%, finance costs would increase or decrease by approximately HK$30,935,000 (2011: HK$37,052,000). Since all the Group's finance costs had been capitalized in construction in progress included in property, plant and equipment, investment properties under construction and properties under development for sales, there would be no effect on the Group's post-tax profit for the year.

Other price risk

The Group is required to estimate the fair value of the conversion option derivative embedded in the convertible note at the end of the reporting date with changes in fair value to be recognized in the consolidated statement of comprehensive income as long as the convertible note is outstanding. The fair value adjustment will be affected either positively or negatively, amongst others, by the changes in market interest rate, the Company's share market price and share price volatility.

6. FINANCIAL INSTRUMENTS — continued

Market risk — continued

Other price risk — continued

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risk and volatility risk arising from conversion option derivative at the end of the reporting period only as the directors of the Company consider that the change in market interest rate may not have significant financial impact on the fair value of conversion option derivative.

(i) Changes in share price

If the Company's share price had been 5% higher/lower and all other variables were held constant, the Group's post-tax profit for the year (as a result of changes in fair value of conversion option derivative) would decrease/increase by HK$24,083,000 (2011: nil).

(ii) Changes in volatility

If the volatility of the Company's share price had been 5% higher/lower while all other variables were held constant, the Group's post-tax profit for the year ended December 31, 2012 (as a result of changes in fair value of conversion option derivative) would decrease/increase by approximately HK$14,968,000 (2011: nil).

Liquidity risk

The Group is exposed to significant liquidity risk as at December 31, 2012, as it has net current liabilities of approximately HK$861,748,000. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with loan covenants, to ensure that its 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 management closely monitors its liquidity risk through the steps set out in note 1. Accordingly, the directors of the Company considered that the Group's liquidity risk is properly addressed and therefore prepared the consolidated financial statements on a going concern basis.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specially, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for non-derivative financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows. To the extent that interest flows are floating rates, the undiscounted amounts are derived from interest rate curve at the end of the reporting period.

6. FINANCIAL INSTRUMENTS — continued

Liquidity risk — continued

Liquidity tables

	Weighted average interest rate	On demand or less than 1 year HK$'000	Between 1–2 years HK$'000	Between 2–5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
As at December 31, 2012							
Construction costs accruals	N/A	465,245	—	—	—	465,245	465,245
Other payables and accruals	N/A	154,768	—	—	—	154,768	154,768
Amount due to a shareholder	N/A	103,559	—	—	—	103,559	103,559
Loan from a shareholder	12%	—	1,200,000	—	—	1,200,000	1,056,000
Borrowings — variable rate	6.129%	3,101,453	81,542	—	—	3,182,995	3,093,480
Borrowings — fixed rate	20.424%	212,498	541,676	—	—	754,174	631,369
Fixed rate senior notes	9.125%	73,029	825,474	—	—	898,503	795,529
Convertible note (Note)	5%	—	50,000	75,000	540,167	665,167	515,167
Financial guarantee contracts	N/A	1,386,417	—	—	—	1,386,417	—
		5,496,959	2,698,692	75,000	540,167	8,810,828	6,815,117
As at December 31, 2011							
Construction costs accruals	N/A	576,456	—	—	—	576,456	576,456
Other payables and accruals	N/A	111,982	—	—	—	111,982	111,982
Amount due to/loan from a shareholder	N/A	1,456,696	—	—	—	1,456,696	1,456,696
Loan from a shareholder	N/A	—	350,000	—	—	350,000	350,000
Borrowings — variable rate	6.242%	1,208,231	2,704,827	107,945	—	4,021,003	3,705,225
Fixed rate senior notes	9.125%	73,029	73,029	825,474	—	971,532	791,966
Financial guarantee contracts	N/A	1,917,608	—	—	—	1,917,608	—
		5,344,002	3,127,856	933,419	—	9,405,277	6,992,325

Note: As at December 31, 2012, the carrying amount represents the total carrying amounts of the convertible note and conversion option derivative of approximately HK$270,323,000 and HK$244,844,000 respectively.

6. FINANCIAL INSTRUMENTS — continued

Liquidity risk — continued

Liquidity tables — continued

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

Credit risk

As at December 31, 2012, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from:

- the carrying amount of the respective recognized financial assets as stated in the consolidated statement of financial position; and
- the amount of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in note 29.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

For properties that are still under construction, the Group typically provides guarantees to banks in connection with its customers' borrowing of mortgage loans to finance their purchase of the properties for an amount up to 70% of the total purchase price of the property. Such guarantees will expire upon the completion of the registration of the mortgage with the relevant mortgage registration authorities or settlement of the outstanding mortgage loans. If a purchaser defaults on the payment of its mortgage during the term of the guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount under the loan and any accrued interest thereon. Under such circumstance, the Group is able to retain the customer's deposit and sell the property to recover any amount paid by the Group to the bank. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

6. FINANCIAL INSTRUMENTS — continued

Fair value

The fair values of financial assets and financial liabilities (excluding convertible option derivative) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The fair value of convertible option derivative is estimated using binomial option pricing model. It is grouped as level 3, the fair value measurements are those derived from valuation techniques that include inputs for the liability that are not based on observable market data (unobservable inputs).

Reconciliation of level 3 fair value measurements of financial liabilities

	Conversion option derivative HK$'000
At date of issue	271,300
Gain arising on changes in fair value	(26,456)
At December 31, 2012	244,844

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the consolidated financial statements approximate their fair values.

7. SEGMENT INFORMATION

The Company's Chief Executive Officer is the chief operating decision maker. The Group is principally operating in two operating locations and engaged in three principal business activities. Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on the operating locations of each principal business activity. The principal locations are Shanghai and Chongqing in the PRC. The Group's operating segments under HKFRS 8 are therefore as follows:

Property development (developing and selling of properties)	—	Shanghai
	—	Chongqing
Property investment (leasing of investment properties)	—	Shanghai
	—	Chongqing

Others (hotel operation, provision of building management and construction consultancy service)

Information regarding the above segments is presented below.

7. SEGMENT INFORMATION — continued

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segment:

For the year ended December 31, 2012

	Property development		Property investment			
	Shanghai	**Chongqing**	**Shanghai**	**Chongqing**	**Others**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Revenue						
External sales	**628**	**673,286**	**15,999**	**—**	**2,847**	**692,760**
Segment profit (loss)	**226**	**242,807**	**1,783,285**	**326,869**	**(8,887)**	**2,344,300**
Other income and gains						**53,587**
Unallocated expenses						**(99,233)**
Profit before tax						**2,298,654**

For the year ended December 31, 2011

	Property development		Property investment			
	Shanghai	Chongqing	Shanghai	Chongqing	Others	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue						
External sales	24,181	936,744	20,825	—	2,035	983,785
Segment profit (loss)	10,311	289,124	1,793,530	613,457	(4,085)	2,702,337
Other income and gains						27,996
Unallocated expenses						(104,434)
Profit before tax						2,625,899

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment result represents the profit earned by (loss incurred from) each segment including the changes in fair value of investment properties, changes in fair value of conversion option derivative and selling expenses without allocation of other income and gains, administrative expenses including share-based payment expenses and directors' salaries. This is the measure reported to the Company's Chief Executive Officer for the purposes of resource allocation and performance assessment.

7. SEGMENT INFORMATION — continued

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment which is also the information presented to the Company's Chief Executive Officer:

	2012	2011
	HK$'000	HK$'000
Segment assets		
Property development		
— Shanghai	**832,909**	793,961
— Chongqing	**3,228,799**	3,257,522
Property investment		
— Shanghai	**46,040,002**	43,469,855
— Chongqing	**9,241,543**	8,493,316
Others	**427,831**	381,839
Segment total	**59,771,084**	56,396,493
Unallocated assets	**912,079**	1,670,696
Consolidated assets	**60,683,163**	58,067,189
Segment liabilities		
Property development		
— Shanghai	**374,236**	357,196
— Chongqing	**2,863,804**	3,525,747
Property investment		
— Shanghai	**1,217,473**	954,760
— Chongqing	**2,615,501**	1,901,745
Others	**114,477**	85,671
Segment total	**7,185,491**	6,825,119
Unallocated liabilities	**13,188,059**	13,507,302
Consolidated liabilities	**20,373,550**	20,332,421

7. SEGMENT INFORMATION — continued

Segment assets and liabilities — continued

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating and reporting segments, other than certain property, plant and equipment, certain prepaid lease payments, other receivables, deposits and prepayments, tax recoverable, pledged bank deposits and bank balances and cash which are commonly used among segments or used for corporate operation.

- all liabilities are allocated to operating and reporting segments other than certain construction costs accruals, other payables and accruals, amount due to a shareholder, certain loan from a shareholder and current and deferred tax liabilities which are corporate liabilities that are unallocated either. Borrowings, fixed-rate senior notes, convertible note and certain loan from a shareholder are allocated on a consistent basis with finance costs capitalized. Conversion option derivative is allocated according to the portion of conversion note allocated.

Other segment information

For the year ended December 31, 2012

	Property development		Property investment			Segments'		
	Shanghai	Chongqing	Shanghai	Chongqing	Others	total	Adjustments	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
							(Note a)	
Amounts included in the measure of segment profit or loss or segment assets:								
Changes in fair value of investment properties	—	—	1,781,111	308,423	—	2,089,534	—	2,089,534
Additions to non-current assets (Note b)	—	—	95,720	295,777	40,470	431,967	2,992	434,959
Depreciation of property, plant and equipment	—	—	—	—	189	189	4,097	4,286
Gain on disposal of investment properties	—	—	—	—	—	—	36,447	36,447
Loss on disposal of property, plant and equipment	—	—	—	—	—	—	49	49
Amortization of prepaid lease payments	—	—	—	—	4,594	4,594	55	4,649

7. SEGMENT INFORMATION — continued

Other segment information — continued

For the year ended December 31, 2011

	Property development		Property investment					
	Shanghai	Chongqing	Shanghai	Chongqing	Others	Segments' total	Adjustments	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000 (Note a)	HK$'000
Amounts included in the measure of segment profit or loss or segment assets:								
Changes in fair value of investment properties	—	—	1,771,771	613,457	—	2,385,228	—	2,385,228
Additions to non-current assets (Note b)	—	—	144,907	314,561	38,998	498,466	1,724	500,190
Depreciation of property, plant and equipment	—	—	—	—	72	72	4,541	4,613
Loss on disposal of property, plant and equipment	—	—	—	—	—	—	143	143
Amortization of prepaid lease payments	—	—	—	—	4,509	4,509	53	4,562

Notes:

(a) All amounts included in the measure of segment profit or loss or segment assets are allocated to operating segments other than certain additions to non-current assets, depreciation of property, plant and equipment, gain on disposal of investment properties, loss on disposal of property, plant and equipment and amortization of prepaid lease payments which are related to unallocated assets commonly used between segments or used for corporate operation.

(b) Non-current assets include the investment properties, property, plant and equipment and prepaid lease payments.

Geographical information

All revenue of the Group are derived from operations in the PRC.

Non-current assets of the Group are mainly located in the PRC (group entity's country of domicile).

Information about major customer

For the years ended December 31, 2012 and December 31, 2011, no revenue from a customer of the corresponding year contributing over 10% of the total revenue of the Group.

8. REVENUE AND OTHER INCOME AND GAINS

	2012 HK$'000	2011 HK$'000
Revenue		
Sales of residential properties	**673,914**	960,925
Property rental income	**15,999**	20,825
Property management income	**2,847**	2,035
	692,760	983,785
Other income and gains		
Gain on disposal of investment properties	**36,447**	—
Net exchange gain	**10,867**	22,191
Interest on bank deposits	**3,131**	4,830
Others	**3,142**	975
	53,587	27,996
Total revenue and other income and gains	**746,347**	1,011,781

9. FINANCE COSTS

	2012 HK$'000	2011 HK$'000
Interest on other borrowings wholly repayable within five years	**36,584**	—
Interest on bank borrowings wholly repayable within five years	**224,516**	235,131
Effective interest expense on fixed rate senior notes	**76,593**	77,373
Effective interest expense on convertible note	**41,623**	—
Effective interest expense on loan from a shareholder	**17,049**	—
Total finance costs	**396,365**	312,504
Less: Amount capitalized in construction in progress included in property, plant and equipment, investment properties under construction and properties under development for sales	**(396,365)**	(312,504)
	—	—

Borrowing costs capitalized during the year arose on the specific borrowings.

10. INCOME TAX EXPENSE

	2012 HK$'000	2011 HK$'000
Current tax		
Enterprise income tax in the PRC	**22,665**	27,747
LAT in the PRC	**—**	2,406
	22,665	30,153
Deferred tax		
Current year	**519,250**	596,307
	541,915	626,460

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC group entities is 25% for both years.

Under the Provisional Regulations on LAT implemented upon the issuance of the Provisional Regulations of the PRC on January 27, 1995, all gains arising from transfer of real estate property in the PRC effective from January 1, 1994 are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including land costs, borrowings costs and all property development expenditures.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years in 2011 and 2012.

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

The income tax expense for the year can be reconciled to the profit before tax per the consolidated statement of comprehensive income as follows:

	2012 HK$'000	2011 HK$'000
Profit before tax	**2,298,654**	2,625,899
Tax at PRC enterprise income tax rate of 25%	**574,664**	656,474
Tax effect of expenses not deductible for tax purpose	**10,537**	11,014
Tax effect of income not taxable for tax purpose	**(43,286)**	(13,612)
LAT	**—**	2,406
Income tax effect of LAT	**—**	(602)
Tax effect of utilization of tax losses previously not recognized	**—**	(29,220)
Income tax for the year	**541,915**	626,460

11. PROFIT FOR THE YEAR

	2012 HK$'000	2011 HK$'000
Profit for the year has been arrived at after charging (crediting):		
Directors' emoluments (note 12)	**1,535**	1,534
Other staff costs		
— salaries and other benefits	**28,897**	25,528
— contributions to retirement benefits schemes	**5,617**	4,269
Total staff costs	**36,049**	31,331
Less: Amount capitalized in investment properties under construction and properties under development for sales	**(9,091)**	(11,205)
	26,958	20,126
Share-based payment expenses (included in administrative expenses)	**7,936**	7,567
Auditor's remuneration	**2,472**	2,400
Amortization of prepaid lease payments	**4,649**	4,562
Less: Amount capitalized in construction in progress under property, plant and equipment	**(4,595)**	(4,509)
	54	53
Depreciation of property, plant and equipment	**4,286**	4,613
Less: Amount capitalized in construction in progress under property, plant and equipment	**(1,720)**	(1,723)
	2,566	2,890
Loss on disposal of property, plant and equipment	**49**	143
Cost of properties sold (included in cost of sales)	**417,223**	620,033
Compensation paid to purchasers to re-schedule delivery of properties	**16,671**	13,903
Gross rental income from investment properties	**(15,999)**	(20,825)
Less: Direct operating expenses incurred for investment properties that generated rental income during the year	**1,039**	610
	(14,960)	(20,215)

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Directors' and chief executive's emoluments

	2012 HK$'000	2011 HK$'000
Fees	1,259	1,258
Salaries and allowances	276	276
	1,535	1,534

The emoluments paid to the directors and chief executive were as follows:

For the year ended December 31, 2012

	Fees HK$'000	Salaries and allowances HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Executive directors:				
Dr. Wang Shih Chang, George	—	—	—	—
Mr. Wong (Note)	—	—	—	—
Mr. Xu Li Chang	—	276	—	276
	—	276	—	276
Non-executive director:				
Mr. Kwan Kai Cheong	240	—	—	240
Independent non-executive directors:				
Mr. Warren Talbot Beckwith	240	—	—	240
Mr. Cheng Chaun Kwan, Michael	240	—	—	240
Mr. Luk Koon Hoo	240	—	—	240
Mr. Garry Alides Willinge	240	—	—	240
Mr. Wu Zhi Gao	59	—	—	59
	1,019	—	—	1,019
	1,259	276	—	1,535

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS — continued

Directors' and chief executive's emoluments — continued

For the year ended December 31, 2011

	Fees	Salaries and allowances	Retirement benefits scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors:				
Dr. Wang Shih Chang, George	—	—	—	—
Mr. Wong (Note)	—	—	—	—
Mr. Xu Li Chang	—	276	—	276
	—	276	—	276
Non-executive director:				
Mr. Kwan Kai Cheong	240	—	—	240
Independent non-executive directors:				
Mr. Warren Talbot Beckwith	240	—	—	240
Mr. Cheng Chaun Kwan, Michael	240	—	—	240
Mr. Luk Koon Hoo	240	—	—	240
Mr. Garry Alides Willinge	240	—	—	240
Mr. Wu Zhi Gao	58	—	—	58
	1,018	—	—	1,018
	1,258	276	—	1,534

Note: Mr. Wong is also the chief executive of the Company and no emoluments disclosed for his services rendered by him as the chief executive was provided by the Group.

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS — continued

Employees' emoluments

The emoluments for the five individuals with the highest emoluments in the Group did not include any director and chief executive of the Company for both years, details of whose emoluments are set out above. The emoluments of the five highest paid individuals (2011: five) were as follows:

	2012 **HK$'000**	2011 HK$'000
Salaries and allowances	**4,131**	4,140
Retirement benefits scheme contributions	**106**	97
	4,237	4,237

Their emoluments were within the following bands:

	2012 **Number of employees**	2011 Number of employees
Nil to HK$1,000,000	**3**	3
HK$1,000,001 to HK$1,500,000	**2**	2
	5	5

During both years, no remuneration was paid by the Group to any of the directors and chief executive or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors and chief executive waived any remuneration during both years.

13. DIVIDENDS

No dividend was paid or declared during 2012 and 2011, nor has any dividend been proposed since the end of the reporting period.

14. EARNINGS PER SHARE

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

	2012 HK$'000	2011 HK$'000
Earnings		
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	**1,756,739**	1,999,439
Effect of dilutive potential ordinary shares:		
— Change in fair value of conversion option derivative	**(26,456)**	—
— Effective interest expense on convertible note (net of income tax) (Note)	**—**	—
Earnings for the purpose of diluted earnings per share	**1,730,283**	1,999,439

	2012 '000	2011 '000
Number of shares		
Number of ordinary shares in issue during the year for the purpose of basic earnings per share	**1,809,077**	1,809,077
Effect of dilutive potential ordinary shares:		
— Convertible note	**191,934**	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,001,011**	1,809,077

Note: Since the effective interest expense on convertible note had been capitalised in investment properties under construction and properties under development for sales, there would be no effect on the earnings for the purposes of diluted earnings per share.

The computation of diluted earnings per share for both years did not assume the exercise of the Company's share options because the exercise price of those options was higher than the average market price of the shares for both years.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land HK$'000 (Note)	Buildings HK$'000	Leasehold improvements HK$'000	Office equipment, furniture and fixtures HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
COST							
At January 1, 2011	63,062	20,745	48	11,287	11,493	167,216	273,851
Exchange adjustments	2,468	830	2	447	441	6,952	11,140
Additions	—	1,231	—	909	—	38,582	40,722
Disposals	—	—	—	(571)	—	—	(571)
At December 31, 2011	65,530	22,806	50	12,072	11,934	212,750	325,142
Exchange adjustments	1,059	369	1	194	159	3,839	5,621
Additions	—	—	—	494	2,782	40,186	43,462
Disposals	—	—	—	—	(2,837)	—	(2,837)
At December 31, 2012	66,589	23,175	51	12,760	12,038	256,775	371,388
DEPRECIATION							
At January 1, 2011	12,612	6,221	48	8,412	8,362	—	35,655
Exchange adjustments	516	257	2	323	352	—	1,450
Provided for the year	1,616	998	—	765	1,234	—	4,613
Disposals	—	—	—	(428)	—	—	(428)
At December 31, 2011	14,744	7,476	50	9,072	9,948	—	41,290
Exchange adjustments	257	132	1	150	136	—	676
Provided for the year	1,646	1,058	—	729	853	—	4,286
Disposals	—	—	—	—	(2,508)	—	(2,508)
At December 31, 2012	16,647	8,666	51	9,951	8,429	—	43,744
CARRYING VALUES							
At December 31, 2012	49,942	14,509	—	2,809	3,609	256,775	327,644
At December 31, 2011	50,786	15,330	—	3,000	1,986	212,750	283,852

Note: On initial recognition, the leasehold land was classified as investment properties carried at fair value. The leasehold land was subsequently transferred to property, plant and equipment during the year ended December 31, 2003.

15. PROPERTY, PLANT AND EQUIPMENT — continued

The above items of property, plant and equipment except for construction in progress are depreciated on a straight-line basis at the following rates per annum:

Leasehold land	Over the lease terms
Buildings	Shorter of lease terms and 4.5%
Office equipment, furniture and fixtures, and motor vehicles	18%–19%
Leasehold improvements	Shorter of the remaining term of the land lease on which the buildings are located and 4.5%

Certain of the Group's leasehold land, buildings and construction in progress with a carrying value of approximately HK$24,486,000 (2011: HK$24,900,000), HK$6,391,000 (2011: Nil) and HK$139,184,000 (2011: HK$63,117,000) respectively were pledged to secure certain borrowing facilities granted to the Group.

The leasehold land and buildings are located in the PRC under medium-term lease.

16. PREPAID LEASE PAYMENTS

The carrying amount of prepaid lease payments comprises land use rights in the PRC as follows:

	2012	2011
	HK$'000	HK$'000
Long lease	**617**	662
Medium-term lease	**161,035**	163,045
	161,652	163,707

17. INVESTMENT PROPERTIES

	2012	2011
	HK$'000	HK$'000
FAIR VALUE		
Completed properties held for rental purpose (Note a)		
At the beginning of the year	**3,064,922**	2,865,749
Exchange adjustments	**48,879**	109,817
Disposals	**(28,506)**	—
Net changes in fair value recognized in profit or loss	**(28,316)**	89,356
At the end of the year	**3,056,979**	3,064,922
Leasehold land under and held for construction of properties for rental purpose and investment properties under construction		
At the beginning of the year	**45,240,414**	41,270,301
Exchange adjustments	**758,033**	1,647,431
Additions	**9,439**	26,810
Transfer from investment properties under construction	**268,634**	—
Net changes in fair value recognized in profit or loss	**2,117,850**	2,295,872
At the end of the year	**48,394,370**	45,240,414
Sub-total	**51,451,349**	48,305,336
COST		
Investment properties under construction (Note b)		
At the beginning of the year	**3,657,835**	3,099,445
Exchange adjustments	**58,937**	125,732
Transfer to leasehold land under and held for construction of properties for rental purpose and investment properties under construction	**(268,634)**	—
Additions	**382,058**	432,658
At the end of the year	**3,830,196**	3,657,835
Total	**55,281,545**	51,963,171

Notes:

(a) As at December 31, 2012, included in the Group's completed properties held for rental purpose balance are properties in Shanghai, namely, Phase 1 of Shanghai Concord City with carrying amount of approximately HK$2,550,311,000 (2011: HK$2,517,074,000); of which around 40% (2011: 40%) is currently unoccupied and strategically reserved for lease in the future because the Group plans to restructure the mixture of the tenants.

(b) The amount represents the construction costs for the building portion of certain investment property projects under construction. Since the fair value of investment properties under construction cannot be measured reliably at the end of the reporting period, the amounts are carried at cost until the fair value becomes reliably measurable. The land portion is measured at fair value and grouped under leasehold land under and held for construction of properties for rental purpose and investment properties under construction.

17. INVESTMENT PROPERTIES — continued

The fair values of certain of the Group's investment properties at December 31, 2012 and 2011 were arrived at on the basis of a valuation carried out on those dates by Cushman & Wakefield Valuation Advisory Services (HK) Ltd. ("C&W") in respect of the investment properties situated in Shanghai and Chongqing, the PRC. C&W is an independent qualified professional valuer not connected with the Group, a member of the Institute of Valuers and has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations.

The fair values of investment properties in Shanghai and Chongqing as at December 31, 2012 determined by C&W are approximately HK$42,882,520,000 (2011: HK$40,447,549,000) and HK$5,798,230,000 (2011: HK$5,131,244,000) respectively. For completed investment properties, the valuations have been arrived at using the capitalisation of net income method of valuation, based on the present value of the income to be derived from the properties. For properties which are currently vacant, the valuation was based on capitalisation of the hypothetical and reasonable market rents with a typical lease term. For investment properties under construction, the valuations have been arrived at using the residual approach by making reference to recent sales transactions of completed properties or rental yield as available in the relevant market to determine the potential sales proceeds or rental income of the completed investment properties, less estimated costs to completion and expected developer profit margin. The rental income included in the residual method was principally based on income approach by taking into account the current rents passing and the reversionary income potential of tenancies.

In July 2010, the Group had acquired a piece of land with total consideration of RMB818,450,000 (equivalent to approximately HK$963,336,000) which is to be developed together with another piece of land already acquired by the Group in prior year and situated next to this new acquisition. As at December 31, 2012 the development plan on this combined land plot has not yet been approved by the relevant government authority. As at December 31, 2012, the fair value of these two pieces of land in Chongqing amounted to approximately HK$2,770,599,000 (2011: HK$2,726,543,000) is determined by the directors of the Company with reference to the recent market condition in Chongqing for land transaction.

For investment properties located in Shanghai

For the year ended December 31, 2012, in determining the fair values of the investment properties located in Shanghai, C&W has adopted the discounted cash flow analysis and residual approach with the following key assumptions:

a. Annual growth rate of rental income is ranging from 3% to 6% (2011: ranging from 3% to 6%)

b. Occupancy rate for the investment properties is ranging from 50% to 98% (2011: ranging from 50% to 98%)

c. Expected developer profit is ranging from 10% to 20% (2011: ranging from 10% to 20%)

d. Discount rate is ranging from 4% to 9% (2011: ranging from 4% to 10%)

e. Rental rate per month per square meter is ranging from HK$206 to HK$1,933 (2011: ranging from HK$197 to HK$1,766)

17. INVESTMENT PROPERTIES — continued

For investment properties located in Chongqing

For the year ended December 31, 2012, in determining the fair values of the investment properties located in Chongqing, C&W has adopted the discounted cash flow analysis and residual approach with the following key assumptions:

a. Annual growth rate of rental income is ranging from 4% to 6% (2011: 4% to 6%)

b. Occupancy rate for the investment properties is ranging from 60% to 85% (2011: ranging from 60% to 80%)

c. Expected developer profit is ranging from 25% to 30% (2011: ranging from 25% to 30%)

d. Discount rate is ranging from 6% to 11% (2011: ranging from 7% to 11%)

e. Rental rate per month per square meter is ranging from HK$94 to HK$991 (2011: ranging from HK$134 to HK$950)

The investment properties shown above are situated on leasehold land in the PRC as follows:

	2012	2011
	HK$'000	HK$'000
Long lease	**6,548,787**	6,341,146
Medium-term lease	**48,732,758**	45,622,025
	55,281,545	51,963,171

As at December 31, 2012, certain of the Group's investment properties under construction carried at cost with a carrying value of approximately HK$543,649,000 (2011: HK$708,364,000) were pledged to secure certain borrowing facilities granted to the Group.

As at December 31, 2012, certain of the Group's investment properties (excluding investment properties under construction carried at cost) with a carrying value of approximately HK$24,284,475,000 (2011: HK$19,678,096,000) were pledged to secure certain borrowing facilities granted to the Group.

All the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

As at December 31, 2012, the Group obtained six (2011: four) out of seven (2011: seven) State-owned Land Use Rights Certificates ("Certificates") for Chongqing projects sites. The Group was in the process of obtaining the remaining one (2011: three) Certificates. The carrying amounts of the prepaid lease payments, investment properties and properties under development for sales which relate to this remaining one (2011: three) Certificate amounted to approximately HK$85,042,000 (2011: HK$159,516,000), HK$3,100,663,000 (2011: HK$7,115,629,000) and HK$288,238,000 (2011: HK$535,724,000) respectively.

18. PROPERTIES UNDER DEVELOPMENT FOR SALES

	2012	2011
	HK$'000	HK$'000
Cost		
At the beginning of the year	**3,601,495**	3,413,031
Exchange adjustments	**56,373**	133,124
Additions	**362,933**	801,815
Transfer to properties held for sale	**(425,108)**	(746,475)
At the end of the year	**3,595,693**	3,601,495
Properties under development for sales of which:		
— expected to be realized within twelve months	**419,344**	847,841
— expected to be realized over twelve months	**3,176,349**	2,753,654
	3,595,693	3,601,495

As at December 31, 2012, certain of the Group's properties under development for sales with a carrying value of approximately HK$3,297,514,000 (2011: HK$2,190,914,000) were pledged to secure certain borrowing facilities granted to the Group.

The carrying amount of properties under development for sales are situated on land use rights in the PRC as follows:

	2012	2011
	HK$'000	HK$'000
Long lease	**191,206**	185,386
Medium-term lease	**3,404,487**	3,416,109
	3,595,693	3,601,495

19. PROPERTIES HELD FOR SALES

As at December 31, 2012, certain of the Group's properties held for sales with a carrying value of approximately HK$302,298,000 (2011: HK$281,939,000) were pledged to secure certain borrowing facilities granted to the Group.

	2012 **HK$'000**	2011 HK$'000
Properties held for sales which		
— expected to be realised within twelve months	**185,343**	199,929
— expected to be realised within more than twelve months after the end of the reporting period	**277,896**	247,329
	463,239	447,258

20. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Consideration in respect of completed properties sold are paid in accordance with the terms of the related sales and purchase agreements, normally within 90 days from the agreement date. Consideration in respect of properties sold under pre-sale contracts will be fully received prior to the delivery of the properties to the purchasers.

	2012 **HK$'000**	2011 HK$'000
Trade receivables	**2,775**	2,731
Prepayment of business taxes and other PRC taxes	**84,057**	131,717
Other receivables, deposits and prepayments	**278,170**	190,772
	365,002	325,220

As at December 31, 2012, included in the Group's trade receivable balance are debtors with aggregate carrying amount of approximately HK$2,775,000 (2011: HK$2,731,000) which are past due as at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The average age of these receivables is over 90 days (2011: over 90 days).

21. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

The following bank deposits have been pledged to secure:

	2012	2011
	HK$'000	HK$'000
Bank borrowings of the Group	**421,436**	70,939
Bank borrowings procured by the purchasers of the Group's properties (Note 29)	**—**	1,268
	421,436	72,207

At December 31, 2012, pledged bank deposits of approximately HK$421,436,000 (2011: HK$72,207,000) were pledged for short term borrowings due within one year and the amount was classified as current.

The pledged bank deposits carry effective interest rates which range from 0.15% to 2.85% (2011: 0.50% to 3.10%) per annum. The pledged bank deposits will be released upon the settlement of the relevant bank borrowings. Bank balances carry interest at market rates which range from 0.01% to 0.35% (2011: 0.01% to 0.50%) per annum.

22. DEPOSITS RECEIVED ON SALES OF PROPERTIES

	2012	2011
	HK$'000	HK$'000
Deposits received on sales of properties — expected to be realized within twelve months	**1,146,923**	1,706,686

23. AMOUNT DUE TO/LOAN FROM A SHAREHOLDER

Amount due to a shareholder

Amount due to a shareholder, Mr. Wong, was non-trade in nature, unsecured, interest-free and repayable on demand. On August 14, 2012, an aggregate amount of HK$500,000,000 has been set off by the issuance of the convertible note (see note 26).

During the year ended December 31, 2012, repayment of approximately HK$538,888,000 has been made. On December 31, 2012, advance amounted to approximately HK$350,000,000 ("Advance A") was reclassified as a loan from a shareholder, details are set out below.

23. AMOUNT DUE TO/LOAN FROM A SHAREHOLDER — continued

Loan from a shareholder

Based on the agreement entered between Mr. Wong and the Company on December 31, 2011, a loan of HK$350,000,000 ("Loan A") was provided to the Group by Mr. Wong, which is interest-free, unsecured and repayable after one year from the date of borrowing.

On June 30, 2012, an agreement entered between Mr. Wong and the Company, whereby a loan of HK$500,000,000 ("Loan B") is provided by Mr. Wong. This shareholder loan is interest-free, unsecured and repayable after one year from the borrowing date. The fair value of the loan from a shareholder is determined based on the effective interest rate of 6.82% per annum at initial recognition. The difference between the principal amount of the loan of HK$500,000,000 and the fair value of the loan determined on June 30, 2012 amounted to approximately HK$34,099,000, which has been credited to equity as deemed contribution from a shareholder.

Pursuant to an agreement entered between Mr. Wong and the Company on December 31, 2012, Mr. Wong agreed not to request settlement within one year from the end of the reporting period of Advance A, Loan A and Loan B previously provided, of total principal amount of HK$1,200,000,000 ("Loan C"). Loan C is interest-free, unsecured and repayable after one year from the borrowing date. The fair value of Loan C is determined based on the effective interest rate of 12.00% per annum at initial recognition. The difference between the carrying amounts of the advances and loans and the fair value of Loan C determined on December 31, 2012 amounted to approximately HK$126,950,000, which has been credited to equity as deemed contribution from a shareholder.

24. BORROWINGS

	2012	2011
	HK$'000	HK$'000
Bank borrowings	**3,093,480**	3,705,225
Other borrowings	**631,369**	—
	3,724,849	3,705,225
Carrying amounts of the borrowings repayable based on contractual term#:		
Within one year	**3,147,668**	988,583
More than one year, but not exceeding two years	**577,181**	2,612,068
More than two years, but not exceeding five years	**—**	104,574
	3,724,849	3,705,225
Less: Amount due within one year shown under current liabilities	**(3,147,668)**	(988,583)
Amount shown under non-current liabilities	**577,181**	2,716,642
Secured	**3,662,706**	3,705,225
Unsecured	**62,143**	—
	3,724,849	3,705,225

24. BORROWINGS — continued

As at December 31, 2012, borrowings of approximately HK$385,285,000 (2011: Nil) with a "repayable on demand" clause are included in the "On demand or less than 1 year" time band.

The amounts due are based on scheduled repayment dates set out in the loan agreements.

The Group's borrowings that are denominated in a currency other than the functional currency of the relevant group entities are set out below:

	2012	2011
	HK$'000	HK$'000
USD (Note)	**1,075,620**	1,382,940

Note: As at December 31, 2012, the secured borrowings were secured by the shares of certain subsidiaries of the Company in the PRC.

Bank borrowings

	2012	2011
	HK$'000	HK$'000
Carrying amounts of variable-rate bank borrowings repayable based on contractual term#:		
Within one year	**3,013,440**	988,583
More than one year, but not exceeding two years	**80,040**	2,612,068
More than two years, but not exceeding five years	**—**	104,574
	3,093,480	3,705,225
Less: Amount due within one year shown under current liabilities	**(3,013,440)**	(988,583)
Amount shown under non-current liabilities	**80,040**	2,716,642
Secured	**3,031,337**	3,705,225
Unsecured	**62,143**	—
	3,093,480	3,705,225

The amounts due are based on scheduled repayment dates set out in the loan agreements.

24. BORROWINGS — continued

Bank borrowings — continued

The interest rates of the Group's variable rate bank borrowings are based on base rate fixed by the People's Bank of China ("PBOC") or London Interbank Offered Rate ("LIBOR") plus a premium. Details are as follows:

	2012 HK$'000	2011 HK$'000
Base rate fixed by PBOC plus a premium:		
Carrying amounts repayable:		
Within one year	**1,937,820**	681,263
More than one year, but not exceeding two years	**80,040**	1,536,448
More than two years, but not exceeding five years	**—**	104,574
LIBOR plus a premium:		
Carrying amounts repayable:		
Within one year	**1,075,620**	307,320
More than one year, but not exceeding two years	**—**	1,075,620

The range of effective interest rates (which are also equal to contracted interest rates) on the Group's bank borrowings are ranged from 4.89% to 8.40% (2011: 4.80% to 7.98%) per annum.

Other borrowings

	2012 HK$'000	2011 HK$'000
Carrying amount of the fixed-rate other borrowings repayable based on contractual term[#]:		
Within one year	**134,228**	—
More than one year, but not exceeding two years	**497,141**	—
	631,369	—
Less: Amount due within one year shown under current liabilities	**(134,228)**	—
Amount shown under non-current liabilities	**497,141**	—

[#] The amounts due are based on scheduled repayment dates set out in the loan agreements.

The other borrowings are secured and carrying at fixed interest rate ranging from 12.00% to 36.00% per annum.

25. FIXED RATE SENIOR NOTES

On April 27, 2007, the Company issued approximately US$300 million (approximately HK$2,340,000,000) in aggregate principal amount of the fixed rate senior notes which contain two components, liability and early redemption options.

The notes bear interest at the fixed rate of 9.125% per annum. The interest charged for the year is calculated by applying an effective interest rate of approximately 10.85% (2011: 10.85%) per annum. Interest on the notes is payable on May 4 and November 4 of each year. The notes will mature on May 4, 2014. The notes are guaranteed by certain of the Company's subsidiaries.

At any time before May 4, 2011, the Company may redeem the notes, in whole or in part, at a redemption price equal to 100% of their principal amount plus a premium and accrued and unpaid interest, if any, to the redemption date. In addition, at any time prior to May 4, 2010, the Company may redeem up to 35% of the principal amount of the notes using net cash proceeds from certain equity offerings at a redemption price of 109.125% of the principal amount of the notes plus accrued and unpaid interest, if any, to the redemption date.

On or after May 4, 2011, the Company may, at its option, redeem all or part of the notes at the redemption prices equals to the percentage of the principal amount set forth below plus accrued and unpaid interest to the redemption date if redeemed during the 12-month period commencing on May 4 of the years indicated below:

12-month period commencing in the year	Percentage
2011	104.56250%
2012	102.28125%
2013 and thereafter	100.00000%

The directors of the Company consider that the fair values of the redemption options at the date of issuance of the notes and at December 31, 2012 and 2011 are insignificant.

During the year ended December 31, 2010, the Group repurchased fixed rate senior notes with the carrying amount of US$197,395,000 (approximately HK$1,539,681,000) at the market price.

26. CONVERTIBLE NOTES

On January 27, 2012, the Company and Hillwealth Holdings Limited (the "Subscriber"), a company incorporated in the British Virgin Islands and wholly owned by Mr. Wong, entered into a conditional subscription agreement pursuant to which the Company agreed to issue and the Subscriber agreed to subscribe for a convertible note of HK$500,000,000 in cash. The convertible note is interest bearing at 5% per annum and matures on the fourth anniversary of the issue date. The conversion price of the convertible note is HK$2.42 per share.

On February 21, 2012, the Company and the Subscriber entered into a supplemental agreement to extend the maturity date and the period for conversion of the convertible note to the sixth anniversary of the issue date. Both the Company and the Subscriber have no early redemption rights on the convertible note. The Company shall repay the principal amount outstanding under the convertible note to the Subscriber together with all interest accrued on the sixth anniversary of the date of issue of the convertible note.

The issuance of the convertible note has been approved at the extraordinary general meeting of the Company held on March 16, 2012. On March 19, 2012, the Listing Committee of the Stock Exchange conditionally granted the listing of and permission to deal with the conversion shares, subject to (i) approval by the Independent Shareholders of the issue of the convertible note under Rule 13.36 of the Listing Rules and (ii) fulfillment of all other conditions of the subscription agreement. In accordance with the subscription agreement, all of the conditions precedent had been fulfilled on August 14, 2012 and the issue of the convertible note had been agreed between the Company and the Subscriber to fall on August 14, 2012 with settlement against funds previously advanced by Mr. Wong to the Company.

The convertible note is denominated in HK$ and contain two components, liabilities component and conversion option derivative. The effective interest rate of the liability component is 18.838% per annum. The conversion option derivative is measured at fair value with changes in fair value recognised in profit or loss.

The fair value of convertible note and conversion option derivative was calculated using the binomial option pricing model by an independent valuer, Asset Appraisal Limited. The inputs into the model are as follows:

	At date of issue	**At 31/12/2012**
Spot price (HK$)	2.35	2.44
Exercise price (HK$)	2.42	2.42
Risk-free rate	0.89%	0.36%
Discount rate	19.53%	16.19%
Volatility	40.998%	30.319%
Dividend yield	0%	0%
Conversion period start date (Note)	December 14, 2013	December 14, 2013

26. CONVERTIBLE NOTES — continued

Note: Pursuant to the subscription agreement and the supplemental agreement, conversion option may be exercised at any time after full repayment of the loan principal and all outstanding accrued interest under the facility agreement to China Development Bank Corporation, Hong Kong Branch or the date falling 36 months from the first date a loan was made under the facility agreement (whichever is earlier). The Subscriber will have the right to convert the whole or part of the principal amount of the convertible note into shares at any time and from time to time up to the sixth anniversary of the date of inception of the convertible note. Management assumes that the conversion period would be started on December 14, 2013, as full repayment of the loan principal and all outstanding accrued interest would be due and settled on that date.

Expected volatility of the convertible note and conversion option derivative was determined using the historical volatility of the price return of the ordinary shares of comparable companies. Because the binominal option pricing model requires the input of subjective assumptions, including the volatility of share price, changes in subjective input assumptions can materially affect the fair value estimate.

The movement of the liability component and conversion option derivative of the convertible note for the year is set out as below:

	Liabilities component HK$'000	Conversion option derivative HK$'000	Total HK$'000
Carrying amount at date of issue	228,700	271,300	500,000
Interest charge	41,623	—	41,623
Gain arising on changes of fair value	—	(26,456)	(26,456)
As at December 31, 2012	270,323	244,844	515,167

27. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities recognized and movements thereon during the current and prior years:

	Fair value adjustment of investment properties HK$'000	Other temporary differences HK$'000	Total HK$'000
At January 1, 2011	9,892,151	66,885	9,959,036
Exchange adjustments	392,738	5,434	398,172
Charge to profit or loss (note 10)	596,307	—	596,307
At December 31, 2011	10,881,196	72,319	10,953,515
Exchange adjustments	181,670	1,168	182,838
Charge to profit or loss (note 10)	519,250	—	519,250
At December 31, 2012	11,582,116	73,487	11,655,603

27. DEFERRED TAX LIABILITIES — continued

Other temporary differences mainly represent the temporary differences arising from the construction costs capitalized in investment properties under construction, properties under development for sales and properties held for sales which were deductible for tax purpose in the year those costs incurred.

The Group had no significant unprovided deferred tax during the two years ended December 31, 2012 and 2011 and at the end of the reporting periods.

Under the New Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from January 1, 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to retained earnings of the PRC subsidiaries amounting to approximately HK$18,824,999,000 (2011: HK$17,034,153,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

28. SHARE CAPITAL

	Number of shares	Share capital
		HK$'000
Ordinary shares of HK$0.1 each		
Authorized:		
At January 1, 2011, December 31, 2011 and December 31, 2012	5,000,000,000	500,000
Issued and fully paid:		
At January 1, 2011, December 31, 2011 and December 31, 2012	1,809,077,000	180,907

None of the Company's subsidiaries repurchased, sold or redeemed any of the Company's listed shares during the year.

29. CONTINGENT LIABILITIES

At the end of the reporting period, the contingent liabilities of the Group were as follows:

Guarantee	**2012**	2011
	HK$'000	HK$'000
Guarantees given to banks in connection with credit facilities granted to the purchasers of the Group's properties (Note)	**1,386,417**	1,917,608

Note: The guarantees were given to banks with respect to loans procured by the purchasers of the Group's properties. Such guarantees will be released by banks upon the delivery of the properties to the purchasers and completion of the registration of the mortgage with the relevant mortgage registration authorities or settlement of the outstanding mortgage loans. In the opinion of the directors, the fair value of the financial guarantee contracts is not significant. Deposits received on sales of properties prior to the date of revenue recognition are classified as current liabilities in the consolidated statement of financial position.

As at December 31, 2011, certain guarantees were secured by the Group's pledged bank deposits of approximately HK$1,268,000. There were no guarantees secured by the Group's pledged bank deposits as at December 31, 2012.

Legal disputes

As at December 31, 2012, the Group is subjected to several legal claims with aggregate amount of approximately HK$360 million in relation to disputes under construction contracts in the properties development operation during the normal course of business. In the opinion of the directors of the Company, the claims made by the construction contractors are mainly related to construction works that not met the required standards and pursuant to the terms of the construction contracts, the Group has the right not to certify those construction work claimed by the contractors. In addition, the Group has already made or in the process of making countered claims for compensation from the construction contractors for causing delay in delivering of the properties to the end customers of the Group. The net financial effect of both claims and counter-claims is considered insignificant.

Based on the advices from the independent legal advisors, those outstanding legal claims are still in preliminary stage and the final outcome is unable to be determined at this stage. Accordingly no provision is required to be made in the consolidated financial statements. The directors of the Company are of the opinion that the Group has reasonable ground to defense those legal claims and consider that those legal claims would not result in any material adverse effects on the financial position of the Group.

30. OTHER COMMITMENTS

	2012 HK$'000	2011 HK$'000
Construction commitment contracted for but not provided	**1,028,517**	758,962

31. OPERATING LEASE COMMITMENTS

As lessor

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2012 HK$'000	2011 HK$'000
Within one year	**5,386**	14,049
In the second to fifth year inclusive	**1,599**	9,801
	6,985	23,850

Around 40% (2011: 40%) of the Group's investment properties in Shanghai, namely, Phase 1 of Shanghai Concord City is currently unoccupied and strategically reserved for lease in the future because the Group plans to restructure the mixture of the tenants. For the Group's marketing strategy, upon the completion of northern portion of Phase 2 of Shanghai Concord City ("Phase 2 North Portion"), the Group will then recruit their target tenants for both Phase 1 of Shanghai Concord City and Phase 2 North Portion. The construction of Phase 2 North Portion is anticipated to be completed in the second half of 2013. The properties generated rental yields of average 0.60% (2011: 0.68%) for the year ended December 31, 2012. Leased properties have committed tenants from one to four (2011: one to five) years.

As lessee

Minimum lease payments paid under operating leases during the year:

	2012 HK$'000	2011 HK$'000
Premises	**4,113**	3,735

31. OPERATING LEASE COMMITMENTS — continued

As lessee — continued

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2012	2011
	HK$'000	HK$'000
Within one year	**4,441**	4,113
In the second to fifth year inclusive	**2,399**	6,511
	6,840	10,624

Operating lease payments represent rentals payable by the Group for certain of its office premises. Leases are negotiated and are fixed for an average of three (2011: three) years.

32. RETIREMENT BENEFITS PLANS

The Group operates a MPF Scheme under rules and regulations of Mandatory Provident Fund Schemes Ordinance for all its employees in Hong Kong. All the employees of the Group in Hong Kong are required to join the MPF Scheme. Contributions are made by both the Group and the employees based on 5% of the employees' salaries (capped at HK$25,000 (increases from HK$20,000 to HK$25,000 effective from June 1, 2012)) and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

According to the relevant laws and regulations in the PRC, the Company's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees. The principal obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme.

The total contributions incurred in this connection for the year was approximately HK$5,617,000 (2011: HK$4,269,000).

33. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was conditionally adopted pursuant to a resolution passed on February 5, 2007 for the primary purpose of providing incentives or rewards to selected participants for their contribution to the Group. The Scheme will expire on February 5, 2017.

Under the Scheme, the board of directors of the Company may grant options to directors (including executive directors, non-executive directors and independent non-executive directors) and employees of the Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters or service providers of any member of the Group who the board of directors of the Company considers, in its sole discretion, have contributed or will contribute to the Group.

The total number of shares which may be issued upon exercise of all options to be granted under the Scheme is not permitted to exceed 180,000,000 shares, being 10% of the shares of the Company in issue as at the date on which the shares of the Company are listed on the Stock Exchange, which can be refreshed according to the Scheme. The number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised at any time under the Scheme shall not exceed 30% of the issued share capital of the Company from time to time.

The number of shares in respect of which options may be granted to any individual in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders in accordance with the Scheme. Where any grant of options to a substantial shareholder or an independent non-executive director or any of their respective associates would result in the shares in the Company issued and to be issued upon exercise of all options to such person in the 12-month period up to and including the date of grant in excess of 0.1% of the shares of the Company in issue and with a value (based on the closing price of the shares of the Company at the offer date of each offer) in excess of HK$5,000,000, such grant of options must be approved in advance by the Company's shareholders in accordance with the Scheme.

An option may be exercised at any time during the period to be determined and notified by the directors to the grantee and in the absence of such determination, from the date of acceptance of an offer of the grant of such option to the earlier of the date on which such option lapses and ten years from the date of offer of that option. A consideration of HK$1 is payable upon acceptance of the offer.

The exercise price is determined by the directors of the Company, and will not be less than the higher of the nominal value of the share; the closing price of the Company's shares on the date of offer; and the average closing price of the shares for the five business days immediately preceding the date of offer.

Pursuant to the announcement dated January 17, 2011 ("Grant Date"), 20,000,000 options (the "Options") to subscribe for the Company's ordinary shares of HK$0.10 each (the "Shares") with the exercise price of HK$2.67 each were granted to certain eligible participants (the "Grantees"). The Grantees are consultants which are responsible for the investor relations of the Group. None of the Grantees is a director, chief executive or substantial shareholder of the Company, or any of their respective associates. The option is exercisable from January 17, 2013 to March 22, 2013 ("Exercise Period"). The closing price of the Company's share at Grant Date was HK$2.64.

33. SHARE OPTION SCHEME — continued

In the opinion of the directors of the Company, these share options were granted to the consultants for rendering consultancy services in respect of seeking potential investors to acquire a certain number of the Company's shares on or before January 16, 2013 ("Target"). The directors of the Company believe that the strategy to issue share options in return of consultancy services can bring benefits to the Group, without damaging the Group's operating cash flows and liquidity.

The exercise of the share options shall be conditional upon the Target being achieved within the period from January 17, 2011 to January 16, 2013. When the above Target is achieved, the share options will become exercisable within the Exercise Period.

Management determines that the fair value of the services received are amounting to approximately HK$15,850,000, which is expensed on a straight-line basis over the vesting period, with a corresponding increase in share option reserve. The Group would record an expense based on the fair value of services received and would not be required to determine the fair value of the share options granted to the Grantees since the fair value of the services could be reliably measured.

During the year ended December 31, 2012, share-based payment expenses of approximately HK$7,936,000 (2011: HK$7,567,000) is recognized in the profit or loss.

The following table discloses movements of the Company's share options held by the Grantees during the year.

	Number of options
Outstanding at January 1, 2011	—
Granted during the year	20,000,000
Outstanding at December 31, 2011 and December 31, 2012	20,000,000
Exercisable at December 31, 2011 and December 31, 2012	—

34. RELATED PARTY TRANSACTIONS

Apart from the related party transaction as disclosed in notes 23 and 26, the Group had the following transactions during the year:

Nature of transactions

	2012	2011
	HK$'000	HK$'000
Office premises expenses (Note)	**42**	43

Note: On July 31, 2008, a tenancy agreement (the "Tenancy Agreement") for the use of the principal place of business of the Company in Hong Kong was entered into between the landlord, a subsidiary of Pacific Concord Holding Limited ("PCH") of which ultimate shareholder is Mr. Wong, and the Group. The Tenancy Agreement is effective from August 1, 2008 to July 31, 2011.

On the same date, a sharing agreement was entered into between a subsidiary of PCH and the Group which both parties agreed that the principal office will be divided into two equal halves and each party will be entitled to occupy, use and possess half of the principal office. The rental and the electricity fee, fixed line telephone charge and other charges will be shared equally by the parties.

The Company has extended the tenancy by signing a new tenancy agreement (the "New Tenancy Agreement") with the landlord on July 22, 2011 for a further term of three years from August 1, 2011 to July 31, 2014. On the same date, the Company also entered into the new sharing agreement with the subsidiary of PCH to specify their respective rights and liabilities under the New Tenancy Agreement.

Compensation of key management personnel

The directors of the Company considered that the directors are the key management of the Group. The remuneration of key management personnel of the Group during the year was as follows:

	2012	2011
	HK$'000	HK$'000
Short-term benefits	**1,535**	1,534

The remuneration of directors is determined by the remuneration committee with reference to the involvement and the business performance of the directors of the Company.

35. LIST OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries as at December 31, 2012 and 2011 are as follows:

Name of the company	Country of establishment	Equity interest attributable to the Group as at December 31, 2012	2011	Issued and fully paid registered and paid-up capital as at December 31, 2012 and 2011	Principal activities
上海靜安協和房地產有限公司 Shanghai Jingan — Concord Real Estate Co., Ltd.#	PRC	**100%**	100%	US$68,000,000	Property development and investment
上海閔行協和房地產經營有限公司 Shanghai Minhang Concord Property Development Co., Ltd.#	PRC	**100%**	100%	US$99,600,000	Property development and investment
上海盈多利物業管理有限公司 Shanghai Yingduoli Property Management Co., Ltd.##	PRC	**100%**	100%	RMB500,000	Property management service
重慶茵威房地產有限公司 Chongqing Ace Blossom Real Estate Co., Ltd.#	PRC	**100%**	100%	US$50,000,000	Property development and investment
重慶半山一號房地產有限公司 Chongqing Mid-Levels No. 1 Real Estate Co., Ltd.#	PRC	**100%**	100%	US$50,000,000	Property development and investment
重慶山頂一號房地產有限公司 Chongqing Peak No. 1 Real Estate Co., Ltd.#	PRC	**100%**	100%	US$50,000,000	Property development and investment
重慶江灣房地產有限公司 Chongqing Riverside Real Estate Co., Ltd.#	PRC	**100%**	100%	US$50,000,000	Property development and investment
重慶兩江房地產有限公司 Chongqing Yangtze-Jialing River Real Estate Co., Ltd.#	PRC	**100%**	100%	US$50,000,000	Property development and investment
重慶正天投資有限公司 Chongqing Zhengtian Investment Ltd.##	PRC	**100%**	100%	RMB51,000,000	Property development and investment

\# Wholly foreign owned enterprises registered in the PRC.

\## A limited liability company registered in the PRC.

The English name stated above is for identification purpose only.

The above table lists the subsidiaries of the Group which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

36. MAJOR NON-CASH TRANSACTION

During the year ended December 31, 2012, the Group issued the convertible note of HK$500,000,000, which had been agreed between the Company and the Subscriber to fall on August 14, 2012 with settlement against funds previously advanced by Mr. Wong to the Company. Further details of the issuance of the convertible note and set off of amount due to a shareholder are set out in notes 26 and 23 respectively.

FINANCIAL SUMMARY

RESULTS

	For the year ended December 31,				
	2008	2009	2010	2011	**2012**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Revenue	1,746,024	1,286,850	207,262	983,785	**692,760**
Profit before tax	824,457	12,776,718	6,033,037	2,625,899	**2,298,654**
Income tax expense	(210,016)	(3,167,397)	(1,555,205)	(626,460)	**(541,915)**
Profit for the year attributable to owners of the Company	614,441	9,609,321	4,477,832	1,999,439	**1,756,739**
Earnings per share					
Basic	HK$0.33	HK$5.31	HK$2.48	HK$1.11	**HK$0.97**
Diluted	N/A	N/A	N/A	HK$1.11	**HK$0.86**

ASSETS AND LIABILITIES

	As at December 31,				
	2008	2009	2010	2011	**2012**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Total assets	29,200,105	42,416,016	52,475,396	58,067,189	**60,683,163**
Total liabilities	(10,344,584)	(13,880,024)	(18,189,376)	(20,332,421)	**(20,373,550)**
	18,855,521	28,535,992	34,286,020	37,734,768	**40,309,613**
Equity attributable to owners of the Company	18,855,521	28,535,992	34,286,020	37,734,768	**40,309,613**

Properties held by the Group as at December 31, 2012 are as follows:

Location	Type (Notes)	Gross floor area (Square meters)	Effective % held	Stage of completion	Anticipated completion
Portion of Phases 1, 2, 3, 4A and 4B of Shanghai Cannes No. 958 Xin Song Road Minhang District Shanghai The PRC	R & C	131,402	100	Completed	N/A
Commercial Street and Service Apartment located at No. 958 Xin Song Road Minhang District Shanghai The PRC	R & C	293,815	100	Under planning	2013–2015
Portion of Phase 1 of Shanghai Concord City (Commercial Street, Hotel, Office Premise and Service Apartment) located at West of Nanjing Road Jing'an District Shanghai The PRC	R & C	51,545	100	Completed	N/A
The whole of Phase 2 of Shanghai Concord City (Commercial Street, Hotel, Office Premise and Service Apartment) located at West of Nanjing Road Jing'an District Shanghai The PRC	R & C	338,074	100	Construction in progress	2013–2016
Huashan Building West Nanjing Road Jing'an District Shanghai The PRC	C	7,340	100	Renovation in progress	2014

PARTICULARS OF MAJOR PROPERTIES

At December 31, 2012

Location	Type (Notes)	Gross floor area (Square meters)	Effective % held	Stage of completion	Anticipated completion
Chongqing Global Twin Towers located at Nan Bin Road Chongqing The PRC	R & C	1,467,000	100	Under planning	2014–2017
Portion of Commercial Street Manhattan Luxury Residence and Beverly Hills located at Lijiu Road Chongqing The PRC	R & C	341,980	100	Construction in progress	2012–2013
Chongqing Manhattan City Villa Zone located at Lijiu Road Chongqing The PRC	R	456,940	100	Construction in progress	2012–2013
Chongqing Manhattan City European Type House Zone located at Lijiu Road Chongqing The PRC	R	477,995	100	Under planning	2013–2015
Chongqing Concord City located at Jiefangbei Chongqing The PRC	R & C	408,927	100	Under planning	2016–2018
Golden Tower located at Lijiu Road Chongqing The PRC	R & C	571,992	100	Under planning	2017

Notes:

Types of properties: R — Residential, C — Commercial
N/A: Not applicable