北京建設 BPHL

BEIJING PROPERTIES (HOLDINGS) LTD

(incorporated in Bermuda with limited liability)

Stock Code: 925

ANNUAL REPORT 2012

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr. ZHOU Si *(Chairman)*
Mr. YU Li *(Vice Chairman)*
Mr. QIAN Xu *(Chief Executive Officer)*
Mr. SIU Kin Wai *(Chief Financial Officer)*
Mr. XU Taiyan
Mr. JIANG Xinhao
Ms. MENG Fang
Mr. YU Luning
Mr. LIU Xueheng
Mr. ANG Renyi (appointed on 19 December 2012)
Mr. ANG Keng Lam *(Vice Chairman)*
(resigned on 19 December 2012)

Non-Executive Director
Mr. LIN Chun Kuei (resigned on 27 June 2012)

Independent Non-Executive Directors
Mr. GOH Gen Cheung
Mr. MA Chiu Cheung, Andrew
Mr. NG Tang Fai, Ernesto
Mr. ZHU Wuxiang
Mr. James CHAN

AUDIT COMMITTEE

Mr. MA Chiu Cheung, Andrew *(Chairman)*
Mr. GOH Gen Cheung
Mr. NG Tang Fai, Ernesto
Mr. ZHU Wuxiang
Mr. James CHAN

INVESTMENT AND RISK MANAGEMENT COMMITTEE (ESTABLISHED ON 4 MAY 2011)

Mr. QIAN Xu
Mr. JIANG Xinhao
Ms. MENG Fang
Mr. SIU Kin Wai
Mr. YU Luning
Mr. LIU Xueheng
Mr. ZHU Wuxiang
Mr. ANG Keng Lam *(Chairman)* (resigned on 19 December 2012)

NOMINATION COMMITTEE

Mr. NG Tang Fai, Ernesto *(Chairman)*
Mr. GOH Gen Cheung
Mr. MA Chiu Cheung, Andrew
Mr. QIAN Xu
Ms. MENG Fang
Mr. YU Luning
Mr. James CHAN

REMUNERATION COMMITTEE

Mr. GOH Gen Cheung *(Chairman)*
Mr. MA Chiu Cheung, Andrew
Mr. NG Tang Fai, Ernesto
Mr. YU Luning
Mr. James CHAN

COMPANY SECRETARY

Mr. SIU Kin Wai

STOCK CODE

925

AUTHORIZED REPRESENTATIVES

Mr. QIAN Xu
Mr. SIU Kin Wai

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

66th Floor,
Central Plaza,
18 Harbour Road,
Wanchai, Hong Kong
Tel: (852) 2511 6016
Fax: (852) 2598 6905

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

HSBC Securities Services (Bermuda) Limited
6 Front Street, Hamilton HM11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

AUDITORS

Ernst & Young

WEBSITE

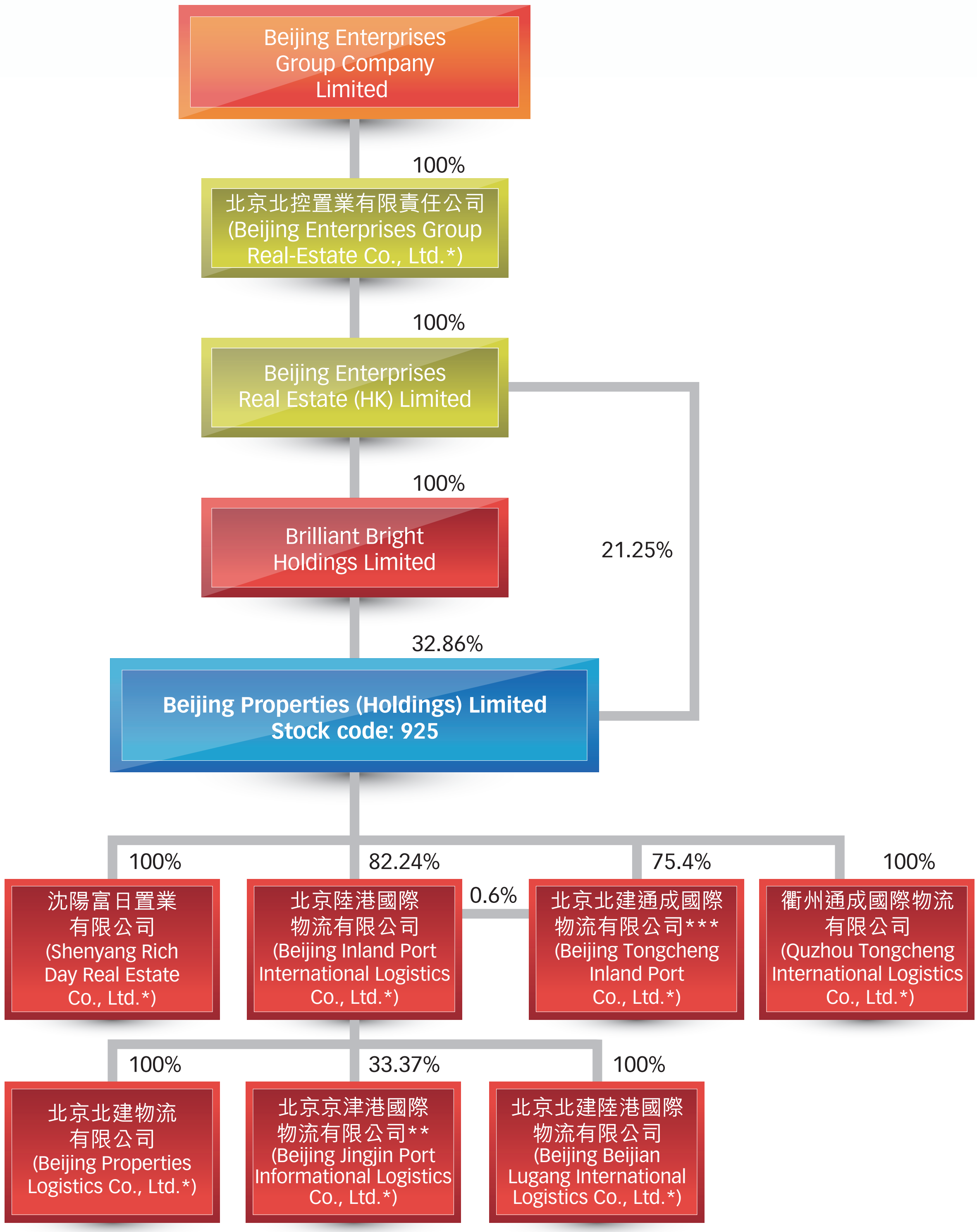
www.bphl.com.hk

PRINCIPAL BANKERS

China CITIC Bank International Limited
Bank of Communications Co., Ltd.
Shanghai Pudong Development Bank Co. Ltd.
Beijing Chaoyang Sub-branch
Bank of Beijing Co., Ltd.
Agricultural Bank of China Limited
China Construction Bank Corporation
Hua Xia Bank Co., Ltd.
Industrial and Commercial Bank of China Limited

GROUP STRUCTURE

As at 31 March 2013



* *for identification purpose only*
** *Associate Company*
*** *Joint Venture Company*

DIRECTORS AND SENIOR MANAGEMENT

Our board (the "Board") of directors (the "Directors") currently consists of fifteen Directors, comprising ten executive Directors and five independent non-executive Directors.

CHAIRMAN

MR. ZHOU SI

Aged 56, *chairman*, Mr. Zhou is the vice-chairman of Beijing Enterprises Group Company Limited, a controlling shareholder of the Company (the "BE Group"), the vice-chairman, an executive director and the chief executive officer of Beijing Enterprises Holdings Limited ("BEHL"), a company listed on the Stock Exchange of Hong Kong Limited (the "SEHK") (SEHK stock code: 392), the chairman of Beijing Enterprises Group Real-Estate Co., Ltd (the "BE Real Estate") and the chairman of Beijing Gas Group Co., Ltd., both are subsidiaries of the BE Group. Mr. Zhou graduated his bachelor's degree in science (physics) from Capital Normal University in 1982, an MBA degree from School of Economics and Management of Tsinghua University in 1998 and possesses the title of senior economist. From 1984 to 2003, he worked with Comprehensive Planning Department of Urban Management Commission of Beijing Municipality as Chief Officer, Deputy Director and Director; and later worked as Deputy Director of Urban Management Commission of Beijing Municipality. He has extensive experience in management, economics, finance and enterprise management. Mr. Zhou joined the Group in January 2011.

EXECUTIVE DIRECTORS

MR. YU LI

Aged 49, *vice chairman*, Mr. Yu is the general manager and an executive director of the BE Real Estate. Mr. Yu obtained an Executive MBA degree from the Peking University. Mr. Yu has extensive experience in corporate management. Mr. Yu joined the Group in January 2011.

MR. QIAN XU

Aged 49, *chief executive officer*, Mr. Qian is an executive director of the BE Real Estate. Mr. Qian graduated from the Economics and Management Faculty of the Beijing Industrial University with a Bachelor's degree in economics and has obtained his EMBA degree from Tsinghua University. Mr. Qian has extensive experience in mergers and acquisitions, corporate restructuring and financial management. Mr. Qian is a director of Brilliant Bright Holdings Limited ("Brilliant Bright"), which is a controlling shareholder of the Company. Mr. Qian joined the Group in July 2009.

MR. SIU KIN WAI

Aged 44, *chief financial officer and company secretary*, Mr. Siu graduated from the City University of Hong Kong with a Bachelor's degree in Accountancy and is a fellow member of the Association of Chartered Certified Accountants and members of the Hong Kong Institute of Certified Public Accountants and Institute of Chartered Accountants in England and Wales. Mr. Siu has extensive experience in financial management and corporate advisory and assurance. Mr. Siu is a director of Brilliant Bright, which is a controlling shareholder of the Company and serves as the chief financial officer of Beijing Holdings Limited ("BHL"), which is the holding company of Brilliant Bright. Mr. Siu is also the independent non-executive director of Agritrade Resources Limited (SEHK stock code: 1131) since August 2010. Mr. Siu joined the Group in July 2009.

MR. XU TAIYAN

Aged 59, is a vice president and the company secretary of the BE Group and an executive director of the BE Real Estate. Mr. Xu obtained his bachelor's degree in economics from the Renmin University of China. Mr. Xu joined the Group in January 2011.

MR. JIANG XINHAO

Aged 48, is a vice general manager of the BE Group, an executive director of the BE Real Estate, an executive director and a vice-president of BEHL (SEHK stock code: 392) and an executive director of Beijing Enterprises Water Group Limited ("BE Water") (SEHK stock code: 371), BEHL and BE Water are respectively subsidiary and associated company of the BE Group. Mr. Jiang graduated from Fudan University in 1987 with a bachelor's degree in law, and then in 1992 with a master's degree in law. Mr. Jiang was a lecturer at Peking University between 1992 and 1994. From 2000 to 2005, Mr. Jiang was a manager of the investment development department of BHL, and the general manager of Beijing BHL Investment Center, a wholly owned subsidiary of BHL. He served as a policy analyst of the Chinese State Commission of Restructuring Economic System from 1987 to 1989. Mr. Jiang has extensive experience in corporate finance and corporate management. Mr. Jiang joined the Group in January 2011.

MS. MENG FANG

Aged 49, is a vice general manager of the BE Real Estate. Ms. Meng graduated from Chinese Academy of Social Sciences. Ms. Meng has extensive experience in corporate management. Ms. Meng joined the Group in January 2011.

MR. YU LUNING

Aged 51, is a director of 北京京泰投資諮詢有限公司 (BHL Investment Consulting Co., Ltd ("BICC")), is subsidiary of the Company. Mr. Yu graduated from the Economics and Management Faculty of the Beijing Industrial University with a bachelor's degree in economics. Mr. Yu has extensive experience in property development, corporate restructuring and financial management. Mr. Yu joined the Group in January 2011.

MR. LIU XUEHENG

Aged 39, obtained his MBA from the Cambridge University of the United Kingdom. Mr. Liu has extensive experience in the equity investment, corporate finance, IPO listings and mergers and acquisitions. Mr. Liu is a co-founder of Partners Capital International Limited and Vision Finance Group Limited and is currently an executive director of Vision Finance Group Limited and the chief executive officer of Vision Finance Active Investments Limited. Mr. Liu joined the Group in January 2011.

MR. ANG RENYI

Aged 27, holds a Bachelor of Arts in Environmental Engineering degree from the Harvard University. Prior to joining our Board, Mr. Ang Renyi had been an analyst of energy and natural resources group in J.P. Morgan Asia Pacific. He has extensive experience in the areas of banking and capital markets. Mr. Ang was appointed as an executive Director of the Group since 19 December 2012.

INDEPENDENT NON-EXECUTIVE DIRECTOR

MR. GOH GEN CHEUNG

Aged 66. Mr. Goh has been appointed as independent non-executive Director of the Group since November 1997. Mr. Goh has over 30 years of treasury, finance and banking experience. Mr. Goh is an associate member of the Chartered Institute of Bankers and obtained his MBA degree from the University of East Asia in Macau. Mr. Goh also serves as Independent Non-Executive Director of CEC International Holdings Limited (SEHK stock code: 759) and Shinhint Acoustic Link Holdings Limited (SEHK stock code: 2728).

MR. MA CHIU CHEUNG, ANDREW

Aged 71. Mr. Ma has been appointed as an independent non-executive Director of the Group since September 2004. Mr. Ma is a founder and former director of AMA CPA Limited (formerly known as Andrew Ma DFK (CPA) Limited) and is currently a director of Mayee Management Limited. He has over 30 years' experience in the fields of accounting, auditing and finance. He received his bachelor's degree, majoring in economics, from the London School of Economics and Political Science (University of London) in England. Mr. Ma is a fellow member of the Institute of Chartered Accountants in England and Wales, the Hong Kong Institute of Certified Public Accountants, the Hong Kong Institute of Directors and the Taxation Institute of Hong Kong. Mr. Ma also serves as independent non-executive director of Asia Financial Holdings Limited (SEHK stock code: 662), Tanrich Financial Holdings Limited (SEHK stock code: 812), C.P. Pokphand Company Limited (SEHK stock code: 43), China Resources Power Holdings Company Limited (SEHK stock code: 836), and Chong Hing Bank Limited (SEHK stock code: 1111). Mr. Ma is also an non-executive director of Asian Citrus Holdings Limited, a company listed on the AIM Board of The London Stock Exchange (AIM stock code: ACHL) and on the SEHK (SEHK stock code: 73)

MR. NG TANG FAI, ERNESTO

Aged 69. Mr. Ng has been appointed as independent non-executive Director of the Group since May 2007. Mr. Ng has extensive experience in the areas of corporate governance, banking and capital markets. Mr. Ng is now the executive vice president of Asia Financial Holdings Limited (SEHK stock code: 662).

MR. ZHU WUXIANG

Aged 47, Mr. Zhu is currently a professor of the Department of Finance of the School of Economics and Management, Tsinghua University. Mr. Zhu graduated from Tsinghua University in 2002, specialising in quantitative economics and has obtained a doctorate degree. He has been studying and working at Tsinghua University since 1982. Mr. Zhu also serves as independent non-executive directors of Goertek Inc. (Shenzhen A share stock code: 002241). Mr. Zhu joined the Group in January 2011.

MR. JAMES CHAN

Aged 59. Mr. Chan has over 30 years of comprehensive experience in design, planning and land matters, and design development and construction management of investment properties. Mr. Chan is a Bachelor of Arts in Architectural Studies degree from the University of Hong Kong, a Bachelor of Architecture degree from University of Dundee in Scotland and a degree of Executive Master Business Administration from Tsinghua University. Mr. Chan also is an executive director and the project director of Pacific Century Premium Development Limited. Mr. Chan joined the Group in June 2011.

DIRECTORS AND SENIOR MANAGEMENT

The senior management team of the Group include:

DONG QILIN

Aged 48, executive vice president of BICC. Mr. Dong graduated from University of Science and Technology Beijing (北京科技大學) with a master's degree in Public Administration (MPA) and obtained the professional and technological qualifications of Senior Accountant and Certified Public Accountant of the PRC. Mr. Dong has extensive experience in corporate management and financial operation. He was appointed as the executive vice president of BICC in November 2009.

LI CHANGFENG

Aged 40, vice president of BICC. Mr. Li graduated from Northern Jiaotong University (北方交通大學) with a Master's Degree in Transportation Management and obtained the professional and technological qualification of an Engineer of the PRC. Mr. Li has extensive experience in corporate management and logistics property investment and development. He was appointed as vice president of BICC in November 2009.

TIAN YUE

Aged 50, vice president of BICC. Mr. Tian graduated from Northwestern Polytechnical University (西北工業大學) with a bachelor's degree in Industry Electrification. Mr. Tian has extensive experience in corporate management, commercial property operation and property leasing management. He was appointed as vice president of BICC in June 2010.

GU SHANCHAO

Aged 49, vice president of BICC. Mr. Gu graduated from Tsinghua University (清華大學) with a master's degree in Real Estates. Mr. Gu has extensive experience in property investment, planning, and operation and sales management. He was appointed as vice president of BICC in June 2010.

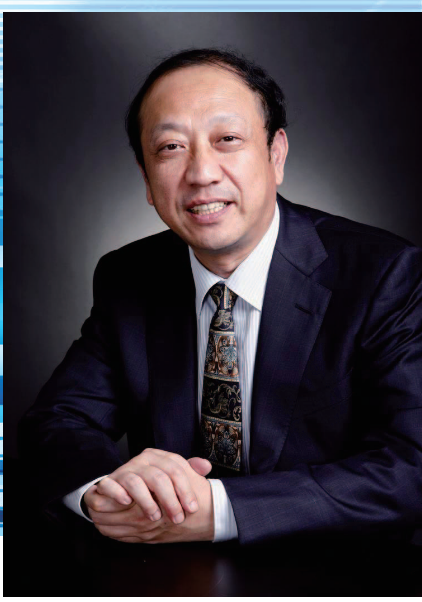
ZHU SHIXING

Aged 43, vice president of BICC. Mr. Zhu graduated from Beijing Sport University (北京體育大學) and Central University of Finance and Economics (中央財經大學) with a bachelor's degrees in Management and Finance respectively, and obtained the professional and technological qualification of an assistant economist of the PRC. Mr. Zhu has extensive experience in real estate project construction management. He was appointed as vice president of BICC in June 2010.

XIAO LI

Aged 60, vice president of BICC. Mr. Xiao graduated from Beijing Chaoyang District Workers College (朝陽職工大學) with a professional college diploma in Real Estates and obtained the professional and technological qualification of an economist of the PRC. Mr. Xiao has extensive experience in corporate management. He was appointed as vice president of BICC in December 2011.

CHAIRMAN'S STATEMENT



Zhou Si
Chairman

Dear Shareholders,

On behalf of the board of directors (the "Board") of Beijing Properties (Holdings) Limited (the "Company", together with its subsidiaries, the "Group"), I would like to present the annual report for the year ended 31 December 2012.

REVIEW OF SIGNIFICANT EVENTS OF 2012

Business Operation

The Group successfully completed a change of core business from gardening business to properties business.

The Group has continued to build up platforms for investment, development and operation of our core businesses, namely logistics, residential and commercial real estate by adhering to its established guidance for development. The Group has committed to develop itself as one of the top two leaders in the PRC in investment, development and operation of logistics infrastructures in the 12th Five-Year Plan period. As such, a logistics business team has been formed by the Company in 2012 financial year. The projects of the segment have been recognized on an on-going basis through investment in as well as acquisition of potential projects. The Group completed the following transactions for the period from the beginning of 2012 to the date of this report:

- Acquisition of land use rights of a piece of land with a site area of 57,041 square meters located in Kecheng District, Quzhou City, Zhejiang Province, PRC.

- Completion of the acquisition of 24% equity interests in a joint venture company from Hutchison Whampoa Group, further increasing the equity interests in the joint venture company held by the Group from 52% to 76%; and

- Acquisition of customs warehouse of the Tianjin Binhai International Airport was in progress.

In addition, the Group is currently evaluating a number of potential projects, which are in line with our development goals, located in Tianjin, Shanghai, Guangdong and Hainan, further announcement will be made in relation to the progress of any potential projects as and when appropriate.

EQUITY REORGANIZATION

BE Group, a controlling shareholder of the Company, has initiated an internal reorganization during the year, transferring the Group's equity interests and convertible bonds in entirety to BE Real Estate, a real estate flagship of BE Group, from a number of holders. Such move embodied specialized management of business by BE Group, representing a stronger support from BE Group for the Group in the future, including but not limited to injection of quality assets, further issue of convertible bonds as well as joint development of projects, though no proposal has been definitive. BE Group has completed the following in relation to the equity interests of the Group:

- Transfer of convertible bonds to Beijing Enterprises Real Estate (HK) Limited ("BE Real Estate HK"), a wholly own subsidiary of BE Real Estate;

- Transfer the entire equity interests in Brilliant Bright to BE Real Estate HK; and

- Conversion of partial convertible bonds for the enlargement of share capital of the Company.

PROSPECT

Building the nationwide network of logistics properties to enjoy the stable rental yield is one of our business goals. Our target is to own a total area of at least four million square meters of rentable areas of logistics properties in the coming five years. If this goal is successfully implemented, the Group will be ranked one of the top leaders in the industry in the PRC and will bring stable cash return to the Group. To realize such goal, the Group will accelerate investment, development and operation of logistics properties in respect of inland port, e-commerce and cold chain storage by leveraging the policies implemented as well as economic development trends in the 12th Five Year Plan period and depending on advantages of financing as a listed company. Through tapping opportunities from development of logistics industry by stages, consolidating internal and external resources as well as cooperating with industry-leading companies and companies that monopolizing resources, we will formulate strategic layout for national key logistics hubs and regions with high demand for logistics services. In addition, we will endeavor to commence the development and construction of logistics warehouse and relevant ancillary facilities based on the model of "provision of customized large-scale storage facilities to customers", provided that customers acknowledge the lease by letter of intent or agreement. Meanwhile, we will further extend its logistics industry chain by cooperating with experienced partners in good faith to provide our customers high value-added services and establish a commercial model for long-term sustainable development, in a bid to enhance the Group's profitability and maximize the value of our shareholders' equity.

At the meantime, we will also focus on opportunities of residential and commercial properties to enrich the profitability of the Group and this focus will never change.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to sincerely thank the management team and our staff for their diligence, dedication, loyalty, integrity and their strenuous contribution to the Group throughout the year. Furthermore, I would like to express my gratitude to all customers, vendors, partners and shareholders for their patience, trust and support.

Zhou Si
Chairman

Hong Kong, 28 March 2013

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31 December 2012 (the "Fiscal Year 2012"), the Group recorded a consolidated loss attributable to the owner of the Company of approximately HK$97,769,000, as compared to the consolidated profit of approximately HK$114,594,000 recorded in the year ended 31 December 2011 (the "Fiscal Year 2011"). The reason of the significant decrease in profit of current year was mainly due to majority of revenue from residential property project of Owners' City (the "Residential Project") have been already recognized in the Fiscal Year 2011 and there is no income contribution from other projects yet in the Fiscal Year 2012 as they are still in development stage, even all of which are carried on following our planned timetable.

BUSINESS REVIEW

During the Fiscal Year 2012, we had completed the change of core business from gardening business to properties business.

As mentioned in our previous reports, the Group is following the mentality of "Professionally-devoted, Multifunctional and Dual-driven" to develop ourselves as one of the top two leaders in PRC in investment, development and operation of logistics infrastructures within the Twelfth Five-Year Plan. During the Fiscal Year 2012, a capable team was formed for the logistics business. Projects of this segment had been confirmed continuously by investments and acquisitions of potential projects in parallel.

BUSINESS PROSPECT

Following an internal restructuring, the Company has been rearranged to be under the control of the BE Real Estate by the BE Group. BE Real Estate is wholly owned by the BE Group and is currently the flagship of the properties business of BE Group. This reallocation of control represents additional support will be given by both the BE Real Estate and BE Group to enhance the Group's development in the properties business and the recent conversion into shares of the Company by partial exercise of the Convertible Bonds and the continuous purchases of the Company's shares in the open market are solid evidence of it.

Looking forward, BE Real Estate commits to fully assist our development by quality assets and continuous financial supports, even no concrete plan has been fixed so far.

On the other hand, the Company continues to set up a reliable platform to contribute future profitability and value to our shareholders. The investment, development and operation of logistics properties is our core business. Even it is money intensive, time-consuming and the return is slower than residential properties, the return of which is very reliable, stable and growing due to increasing demand of modern logistics infrastructures in the PRC. We believe the profits and cash flows contributed by this business in future can ensure our healthy developments in other businesses like the commercial properties and residential properties.

In line with logistics properties, our next focus will be the investments and developments of commercial properties. Again, its primary goal is to provide stable returns and cash flows to the Company and thus the shareholders' value.

Simultaneously, we do not give up the residential properties. We will carefully bid, acquire and develop our residential properties with higher construction standard maintained to further provide the goodwill of the Company and to ensure the profitability of the projects.

Following the stable returns from logistics and commercial businesses, we believe the large but one-off profit and cash flows arising from development of residential projects can enable us to distribute a larger portion of profit to shareholders in future.

FINANCIAL REVIEW

Due to the disposal of New Radiant and thus the operating results of the gardening business had been presented as the discontinued operation in the consolidated financial statements, the operating results of the gardening business for the Fiscal Year 2011 had also been restated respectively.

Revenue and gross profit analysis

The revenue from continuing operations (net of business tax) for the Fiscal Year 2012 amounted to approximately HK$11,007,000, representing a decrease of approximately HK$1,529,531,000 or 99.29%, from approximately HK$1,540,538,000 of the Fiscal Year 2011.

The decline was primarily attributable to the substantial decrease in revenue recognition from Residential Project for the Fiscal Year 2012. For the Fiscal Year 2011, the revenue of approximately HK$1,539,835,000 was recognized for the Residential Project while in the Fiscal Year 2012, the revenue of approximately HK$2,867,000 was recognized for the Residential Project, the reason of the significant decrease was mainly due to the fact that the majority of the properties' handover works have been already completed in the Fiscal Year 2011. The gross profit margin of the Residential Project was approximately 34.95% in the Fiscal Year 2012 compared to 39.31% in the Fiscal Year 2011. The slight decrease in gross profit margin was attributable to the lower gross profit margin of the properties in Residential Project which were recognized in the Fiscal Year 2012.

In regard to the logistics business, the amount of revenue amounted to approximately HK$8,140,000. The gross profit margin was approximately 77.10% in the Fiscal Year 2012 compared to 67.28% in the Fiscal Year 2011. The increase in gross profit margin was attributable to the reduction in direct costs. Despite this high gross profit margin, however, the revenue of which was limited by the old and poor condition of the current facilities. According to the arrangement set out by the People's Government of the Beijing Municipality, the entire existing function and business of Chaoyang Inland Port will be migrated to the Majuqiao Logistics Base. The current facilities will be further developed and modernised it into an inner city distribution center in Chaoyang Inland Port after the completion of construction in Majuqiao Logistics Base.

Gain on disposal of interests in subsidiaries

During the Fiscal Year 2012, the Company disposed of its entire interest in Zenna Investments Limited ("Zenna"), a wholly-owned subsidiary of the Company, which indirectly held 60% equity interest of 北京京泰同成置業有限公司 ("Tongcheng"), which owned the Owners' City, to an independent third party for a cash consideration of RMB251,710,000 (equivalent to approximately HK$310,136,000). The gain on disposal of Zenna was approximately HK$35,272,000. The transaction was completed on 16 March 2012.

Other income and gains, net

During the Fiscal Year 2012, the other income and gains, net from continuing operations were approximately HK$77,603,000, which represents an increase of approximately HK$31,567,000 or 68.57%, from approximately HK$46,036,000 of the Fiscal Year 2011. The increase was mainly attributable to the increase in bank and other interest income and the gains on fair value change in investment properties recorded by the Group.

Selling expenses

During the Fiscal Year 2012, the selling expenses from continuing operations were HK$850,000, which represents a decrease of approximately HK$10,275,000, or 92.36%, from approximately HK$11,125,000 of the Fiscal Year 2011. The decrease was mainly attributable to decrease in the salary and allowance expenses incurred in the Residential Project in the Fiscal Year 2012 after disposal of Zenna in March 2012.

FINANCIAL REVIEW (Continued)

Administrative expenses

During the Fiscal Year 2012, the administrative expenses from continuing operations were approximately HK$85,901,000, which represents an increase of approximately HK$30,594,000 or 55.32% from approximately HK$55,307,000 of the Fiscal Year 2011. The acquisition of 北京陸港國際物流有限公司 (Beijing Inland Port International Logistics Co., Ltd. ("Lugang")) was completed on 21 November 2011, the administrative expenses of Lugang were only recognized around one month in the Fiscal Year 2011. The increase was mainly attributable to the administrative expenses of logistics business in Lugang which were recognized throughout of year in the Fiscal Year 2012.

Provision for litigations

During the Fiscal Year 2012, provision for litigations is the related interests and overdue penalties of approximately HK$16,489,000. Details of which are set out in note 32 to the financial statements.

Other expenses

During the Fiscal Year 2012, the other expenses from continuing operations were approximately HK$23,955,000, which represents a decrease of approximately HK$4,668,000 or 16.31%, from approximately HK$28,623,000 of the Fiscal Year 2011. Other expenses mainly included the equity-settled share option expenses for consultancy service of approximately HK$21,881,000.

Finance costs

During the Fiscal Year 2012, the finance costs from continuing operations were approximately HK$91,169,000, which represents an increase of approximately HK$44,686,000 or 96.13% from approximately HK$46,483,000 of the Fiscal Year 2011. The significant increase was mainly attributable to the loss on early redemption of convertible bonds and the penalties on overdue other loans.

Share of losses of a jointly-controlled entity

北京北建通成國際物流有限公司 (Beijing Tungcheng Inland Port Co., Ltd. ("BIPL")) is the only jointly-controlled entity (the "JCE") of the Group. During the Fiscal Year 2012, the share of loss of a JCE by the Group amounted to approximately HK$10,351,000, which was attributable to the finance cost and incorporation cost for the establishment of the Majuqiao Logistics Base.

Share of losses of associates

During the Fiscal Year 2012, the share of losses of an associate by the Group amounted to approximately HK$4,833,000 which was attributable to the written-off of a long outstanding other receivable in an associate.

Total assets

The total assets of the Group as at 31 December 2012 were approximately HK$3,092,269,000 representing a decrease of approximately HK$1,119,886,000 or 26.59% from approximately HK$4,212,155,000. The decrease was mainly attributable to (i) the disposal of subsidiaries; (ii) the payment for the early redemption of convertible bonds; (iii) the share of losses of a JCE and an associate and (iv) the amortization expenses for the land use right.

Total liabilities

The total liabilities of the Group as at 31 December 2012 were approximately HK$1,950,857,000 representing a decrease of approximately HK$835,981,000 or 30.00% from approximately HK$2,786,838,000. The decrease was attributable to (i) the disposal of subsidiaries; (ii) the early redemption of convertible bonds by the bondholders and (iii) the repayment of the interest-bearing bank and other borrowings on behalf of Lugang by the Group.

FINANCIAL REVIEW (Continued)

Liquidity and financial resources

As at 31 December 2012, the Group had total borrowing of approximately HK$1,504,561,000 (2011: approximately HK$1,887,051,000). The Group's gearing ratio, which was defined as total borrowing as percentage of total assets, was approximately 48.66% (2011: approximately 44.80%).

As at 31 December 2012, the Group's cash and bank balance amounted to approximately HK$1,769,367,000 (2011: HK$2,873,409,000), which was denominated in United States dollars ("USD"), HKD and RMB. The cash balances, together with the unutilised banking facilities, will enable the Group to finance both businesses at the moment.

As at 31 December 2012, the Group's current ratio and quick ratio were approximately 115.83% (2011: approximately 129.15%) and approximately 115.83% (2011: approximately 124.34%) respectively.

Capital expenditure

During the Fiscal Year 2012, the Group spent approximately HK$954,000 (2011: approximately HK$438,562,000) as capital expenditures, which included acquisition of furniture and fixtures, office equipments, motor vehicles, plant and machinery and construction in progress for the Group.

Capital commitments

As at 31 December 2012, the Group has invested RMB260,000,000 and has the outstanding contracted capital commitments for the BIPL amounted to RMB780,000,000 (equivalent to approximately HK$960,625,000) , being the capital to be contributed into the BIPL by the Group calculated based on the total investment of RMB2,000,000,000 of the BIPL, where as to 52% of which is invested by the Group and (ii) has the contracted capital commitments for the purchase of 24% equity interest of BIPL from Hutchison Ports Beijing Limited amounted to approximately HK$47,156,000.

Foreign exchange exposure

The Group did not engage in any hedging transactions related to foreign currencies. During the Fiscal Year 2012, the Group's major revenue and cost arose from the residential property business and were denominated in Renminbi. It is expected the continuous appreciation of the Renminbi will has a positive effect on the Group's financial condition. The Group will closely assess and monitor the movement of RMB exchange rate, and to consider hedging the relative exposure should the need arise.

Significant investments and acquisitions

The Group had no material significant investments and acquisitions of subsidiaries and affiliated companies during the year ended 31 December 2012.

Contingent liabilities

As at 31 December 2012, the Group had no significant contingent liability. The details are set out in note 40 to the financial statements.

Charges on assets

As at 31 December 2012, the Group had entrusted loans with principal amount of RMB28,000,000 (equivalent to approximately HK$34,484,000) (2011: HK$77,624,000), which were secured by floating charges over the investment properties, buildings and prepaid land lease payments of a subsidiary of the Company with aggregated carrying amount of approximately RMB115,579,000 (equivalent to approximately HK$142,343,000) (2011: HK$409,591,000). As at 31 December 2011, certain assets of a subsidiary in gardening Business of the Company with carrying amount of approximately HK$16,255,000 were pledged to secure the general banking facilities of approximately HK$2,477,000 which was drawn down. However, it had been disposed together with the gardening Business in the Fiscal Year 2012.

FINANCIAL REVIEW (Continued)

Litigations

As at 31 December 2012, total gross floor area of two buildings is approximately 11,585.25 square metres with the related land area of 7,427.54 square metres in Lugang were distrained by 北京市朝陽區人民法院 (Beijing Chaoyang District People's Court), due to the Legal Proceedings in Lugang. Details of the Legal Proceedings are set out in note 32 to the financial statements.

Employees and remuneration policies

As at 31 December 2012, the Group had a total of 108 (2011: 133) employees. Total staff cost from continuing operations incurred during the Fiscal Year 2012 amounted to approximately HK$49,427,000 (2011: approximately HK$49,532,000) (including staff cost included in cost of sales, directors' remuneration and equity settled option expenses).

The employees are remunerated based on their work performance, professional experiences and prevailing industry practices. The Group's employee remuneration policy and packages are periodically reviewed by the management. Apart from pension funds, discretionary bonuses and share options are awarded to certain employees according to the assessment of individual performance.

CORPORATE GOVERNANCE REPORT

The Company is committed to maintain a quality corporate governance so to ensure better transparency of the Company, protection of shareholders' and stakeholders' rights and enhancement of shareholders' value.

In the opinion of the Board, the Company had complied with all code provisions set out in the Corporate Governance Code ("CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") during the year, except for certain deviations disclosed herein below.

BOARD OF DIRECTORS

Composition and role

The Board currently consists of fifteen directors: comprising ten executive Directors, namely, Mr. Zhou Si, Mr. Yu Li, Mr. Qian Xu, Mr. Siu Kin Wai, Mr. Xu Taiyan, Mr. Jiang Xinhao, Ms. Meng Fang, Mr. Yu Luning, Mr. Liu Xueheng and Mr. Ang Renyi; and five independent non-executive Directors ("INED(s)"), namely, Mr. Goh Gen Cheung, Mr. Ng Tang Fai, Ernesto, Mr. Ma Chiu Cheung, Andrew, Mr. Zhu Wuxiang and Mr. James Chan. One of the INEDs, namely, Mr. Ma Chiu Cheng, Andrew, has the professional and accounting qualifications required by the Listing Rules. The principal function of the Board is to formulate corporate strategy and business development and to ensure a high standard of corporate governance. The Board met regularly during the year to approve acquisition and disposal, connected transactions, placing of shares and monitoring the financial performance of the Group in pursuit of its strategic goals. Control and day to day operation of the Company is delegated to the chief executive officer and the management of the Company. There is no relationship among members of the Board in respect of financial, business, family or other material/relevant relationship. Newly appointed Director would receive a comprehensive induction package covering the statutory and regulatory obligations of a director of a listed company. The Company continuously updates Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices. All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company has arranged trainings for Directors in the form of seminar and provision of training materials. Guidance notes and memorandum are issued to Directors where appropriate, to ensure awareness of best corporate governance practices.

BOARD OF DIRECTORS (Continued)

Directors' continuous professional development

According to the records maintained by the Company, the current Directors received the following training in respect of the roles, functions and duties of a director of a listed company in compliance with the new requirement of the CG Code contained in Appendix 14 of the Listing Rules on continuous professional development during the year ended 31 December 2012.

Directors	Read materials	Attending seminars/briefing
Executive directors		
Mr. Zhou Si	✓	✓
Mr. Ang Keng Lam (resigned on 19 December 2012)	✓	✓
Mr. Yu Li	✓	
Mr. Qian Xu	✓	
Mr. Xu Taiyan	✓	
Mr. Jiang Xinhao	✓	✓
Ms. Meng Feng	✓	
Mr. Siu Kin Wai	✓	✓
Mr. Yu Luning	✓	✓
Mr. Lui Xueheng	✓	
Mr. Ang Renyi (appointed on 19 December 2012)	✓	
Non-executive director		
Mr. Lin Chun Kuei (resigned on 27 June 2012)	✓	
Independent non-executive directors		
Mr. Goh Gen Cheung	✓	✓
Mr. Ma Chiu Cheung, Andrew	✓	✓
Mr. Ng Tang Fai, Ernesto	✓	✓
Mr. Zhu Wuxiang	✓	
Mr. James Chan	✓	✓

BOARD OF DIRECTORS (Continued)

Meetings

Attendance records of the Board meetings, meetings of all committees and general meetings of the Company for the year ended 31 December 2012 were set out below:

	Board meeting	Audit committee meeting	Investment and risk management committee meeting	Remuneration committee meeting	Nomination committee meeting	General meeting
Number of meetings held	8	3	1	2	2	3
Name of director			**Number of meetings attended**			
Executive directors						
Mr. Zhou Si	8/8	N/A	N/A	N/A	N/A	0/3
Mr. Ang Keng Lam (resigned on 19 December 2012)	7/7	N/A	1/1	N/A	N/A	0/3
Mr. Yu Li	8/8	N/A	N/A	N/A	N/A	0/3
Mr. Qian Xu	8/8	N/A	1/1	N/A	1/2	0/3
Mr. Siu Kin Wai	8/8	N/A	1/1	N/A	N/A	3/3
Mr. Xu Taiyan	7/8	N/A	N/A	N/A	N/A	0/3
Mr. Jiang Xinhao	8/8	N/A	1/1	N/A	N/A	0/3
Ms. Meng Fang	7/8	N/A	1/1	N/A	2/2	0/3
Mr. Yu Luning	7/8	N/A	0/1	2/2	2/2	0/3
Mr. Liu Xueheng	8/8	N/A	0/1	N/A	N/A	0/3
Mr. Ang Renyi (appointed 19 December 2012)	1/1	N/A	N/A	N/A	N/A	N/A
Non-executive director						
Mr. Lin Chun Kuei (resigned on 27 June 2012)	0/3	N/A	N/A	N/A	N/A	0/2
Independent non-executive directors						
Mr. Goh Gen Cheung	8/8	3/3	N/A	2/2	2/2	3/3
Mr. Ma Chiu Cheung, Andrew	7/8	3/3	N/A	2/2	2/2	3/3
Mr. Ng Tang Fai, Ernesto	8/8	3/3	N/A	2/2	2/2	3/3
Mr. Zhu Wuxiang	8/8	3/3	1/1	N/A	N/A	1/3
Mr. James Chan	8/8	3/3	N/A	2/2	2/2	1/3

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

During the financial year ended 31 December 2012, the positions of the chairman and the chief executive officer of the Company were held separately. The chairman of the Company is Mr. Zhou Si and the chief executive officer of the Company is Mr. Qian Xu. The segregation of duties of the chairman and the chief executive officer ensures a clear distinction in the chairman's responsibility to provide leadership for the Board and the chief executive officer's responsibility to manage the Company's business.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Board considers that the INEDs can provide independent advices on the Company's business strategies, results and management so as to safeguard the interests of the Company and its shareholders.

Code provision A.4.1 of CG Code stipulates that non-executive directors should be appointed for a specific term, subject to re-election. Before 1 May 2010, two of INEDs of the Company have not been appointed for a specific term but all of them are subject to retirement by rotation and re-election at annual general meeting in accordance with the Bye-laws of the Company. Effective from 1 May 2010, following the service agreements signed between the Company and all INEDs, all INEDs have been appointed for a term three years but are subject to retirement by rotation and re-election in accordance with the bye-laws of the Company (the "Bye-Laws").

The Company has received written annual confirmations from all INEDs confirming their independence pursuant to Rules 3.13 of the Listing Rules. The Company considers all INEDs are independent.

DIRECTOR'S SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the code of conduct in respect of securities transactions of the Directors. Having made specific enquiry of all Directors, the Company has confirmed that all Directors except one (as described below) have complied with the required standards set out in the Model Code and its code of conduct regarding Director's securities transaction during the year ended 31 December 2012. An executive Director, Mr. Yu Luning has inadvertently and unintentionally acquired 2,476,000 shares of the Company on 21 February 2012, which did not fully comply with Rules A.3.(a)(i) and B.8 of the Appendix 10 of the Listing Rules. On 5 September 2012, the Company received an enquiry from the Stock Exchange of Hong Kong Limited (the "Stock Exchange") regarding the matter of the acquisition of 2,476,000 shares of the Company by Mr. Yu during the black-out period. The Company has provided relevant information and reply to Stock Exchange for their enquiry. On 17 October 2012, Stock Exchange has issued a warning letter to Mr. Yu regarding the breached Rules A.3(a)(i) and B.8 of the Model code for his acquisition of 2,476,000 shares of the Company during the black-out period. In such consideration, the Company has explained to all the Directors the standard and requirements to be complied with in securities dealings to ensure no recurrence of such similar event in future. In addition, the Company will regularly organize professional training and provide relevant material to update the knowledge of the relevant regulations.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practices (effective until 31 March 2012) ("Old CG Code") and the Corporate Governance Code (effective from 1 April 2012) ("CG Code") set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the year ended 31 December 2012, except as disclosed herein below.

(i) Under the revised code provision E.1.2, the chairman of the Board should attend the Annual General Meeting and invite the chairmen of Audit, Remuneration, Nomination and any other committees (as appropriate) to attend. However, in the Annual General meeting held on 29 June 2012 (the "2012 AGM"), our chairman was unable to attend the meeting due to his other commitments. He appointed Mr. Siu Kin Wai, the executive Director and company secretary of the Company to chair the meeting on his behalf and chairmen of the Audit, Remuneration and Nomination Committees had also attended the 2012 AGM.

(ii) Under the revised code provision A.2.7, the chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present. The meeting has been arranged in Beijing on 30 October 2012. However, the chairman could not attend due to his important business engagement in our ultimate holding. Nevertheless, from time to time, independent non-executive Directors of the Company can express their views directly to the chairman. The Company will ensure that there is sufficient communication between independent non-executive Directors and the chairman.

The Company reviews its corporate governance practices from time to time to ensure compliance with the CG Code.

BOARD COMMITTEES

The Board has established four board committees to strengthen its functions and corporate governance practices, namely, Audit Committee, Investment and Risk Management Committee, Remuneration Committee and Nomination Committee. All Committees perform their specific roles and duties in accordance with their respective written terms of reference.

Audit Committee

The Audit Committee was established in 1999 and all members are INEDs. Members of the Audit Committee are Mr. Ma Chiu Cheung, Andrew, Mr. Goh Gen Cheung, Mr. Ng Tang Fai, Ernesto, Mr. Zhu Wuxiang and Mr. James Chan. The Audit Committee is chaired by Mr. Ma Chiu Cheung, Andrew who is the founder and a former director of Andrew Ma DFK (CPA) Limited and has over 30 years of experience in the field of corporate advisory and assurance and finance. All members of this committee hold the relevant industry and financial experience necessary to advise on Board strategies and other related matters. The Board adopted a set of the revised terms of reference of the Audit Committee effective from 30 March 2012, which had included changes in line with the requirements under the Listing Rules. The Audit Committee members performed their duties within written terms of reference formulated by the Company in accordance with the requirements of the Listing Rules from time to time.

The Audit Committee is mainly responsible for considering all relationships between the Company and the auditing firm (including the provision of non-audit services), monitoring the integrity of the Company's financial statements and issues arising from the audit, and the review of the Group's internal controls and risk management.

In addition, the Audit Committee had been delegated the responsibility to perform the corporate governance duties including:

1. to develop and review the Company's policies and practices on corporate governance and make recommendations to the board;

2. to review and monitor the training and continuous professional development of directors and senior management;

3. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and

5. to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

Every year, the Audit Committee meets with the Group's independent auditors to discuss the annual audit plan. The meetings of the Audit Committee are attended by members of the committee, and where necessary, the independent auditors. Independent auditors made presentations to the Audit Committee on implications of the introduction of new accounting standards in Hong Kong and their audit methodologies. The Audit Committee subsequently reported its recommendations to the Board for further review and approval. The Audit Committee is also entrusted with monitoring and assessing the independence and objectivity of the independent auditors and the effectiveness of the audit process. All partners of independent auditors are subject to periodic rotations, and where necessary, the ratio of annual fees for non-audit services and for audit service is subject to close scrutiny by the Audit Committee.

Summary of the work during the year, the Audit Committee reviewed the financial statements for interim and annual results, considered and approved the audit work of the auditors, and reviewed the business and financial performance of the Company and internal control system and risk management and determined the policy for corporate governance.

The Group's annual report for the year ended 31 December 2012 has been reviewed by the Audit Committee.

For details of the terms of reference of Audit Committee, please refer to the Company's website (www.bphl.com.hk) under the section headed "Corporate Governance" and it is also available on request with the Company's investor relations.

BOARD COMMITTEES (Continued)

Investment and Risk Management Committee

The Investment and Risk Management Committee was established on 4 May 2011, which is mainly responsible for: (i) assessing and recommending to the Board all possible investment proposals prepared by the senior management; (ii) analysing the possible adverse effect of global economic environment and recommending measures and solutions to the Board; and (iii) assessing the operating risks of the Company and our subsidiaries and recommending solutions to the Board.

The members of the Investment and Risk Management Committee are Mr. Qian Xu, Mr. Jiang Xinhao, Ms. Meng Fang, Mr. Siu Kin Wai, Mr. Yu Luning, Mr. Liu Xueheng and Mr. Zhu Wuxiang. All members except Mr. Zhu Wuxiang are executive Directors of the Company as the committee will mostly involve in operational matters of the Company. Mr. Zhu Wuxiang is the representative of independent non-executive Directors to join the committee to provide independent and professional opinion.

Remuneration Committee

The Remuneration Committee was established in 2005. The majority of the Remuneration Committee members are INEDs. Members of the Remuneration Committee are Mr. Goh Gen Cheung (Chairman), Mr. Ma Chiu Cheung, Andrew, Mr. Ng Tang Fai, Ernesto, Mr. James Chan and Mr. Yu Luning. The Board adopted a set of the revised terms of reference of the Remuneration Committee effective from 30 March 2012, which had included changes in line with the requirements under the Listing Rules. The Remuneration Committee members performed their duties within written terms of reference formulated by the Company in accordance with the requirements of the Listing Rules from time to time. The Remuneration Committee adopted the operation model where it performs an advisory role to the Board and to make recommendations to the Board on the remuneration packages of individual executive directors and senior management with the Board retaining the final authority to approve executive directors' and senior management remuneration. It is the Company's policy to offer remuneration packages which are competitive and sufficient to retain such individuals and no director is involved in decision of his own remuneration.

Summary of work done during the year, the remuneration committee have reviewed remuneration policy and oversee the remuneration packages of executive directors and senior management taking consideration of factors such as salaries paid by comparable companies, time commitment and responsibilities of Directors and senior management.

For details of the terms of reference of Remuneration Committee, please refer to the Company's website (www.bphl.com.hk) under the section headed "Corporate Governance" and it is also available on request with the Company's investor relations.

Nomination Committee

The Nomination Committee was established in 2005. The majority of the Nomination Committee members are INEDs. Members of the Nomination Committee are Mr. Ng Tang Fai, Ernesto (Chairman), Mr. Goh Gen Cheung, Mr. Ma Chiu Cheung, Andrew, Mr. James Chan, Mr. Qian Xu, Ms. Meng Fang and Mr. Yu Luning. The Board adopted a set of the terms of reference of the Nomination Committee effective from 30 March 2012, which had included changes in line with the requirements under the Listing Rules. The Nomination Committee members performed their duties within written terms of reference formulated by the Company in accordance with the requirements of the Listing Rules from time to time. The Nomination Committee is mainly responsible for formulating policy and making recommendations to the Board on nominations, appointment and re-appointment of directors and board succession.

Summary of work done during the year, the Nomination Committee have reviewed the size, structure and composition of the Board to complement the Group's corporate strategy, proposed new executive Director in accordance with requirements under the Listing Rules and considered and made recommendation to the Board.

For details of the terms of reference of Nomination Committee, please refer to the Company's website (www.bphl.com.hk) under the section headed "Corporate Governance" and it is also available on request with the Company's investor relations.

AUDITORS' REMUNERATION

The fees paid/payable in respect of services provided by the Group's independent auditors during the year ended 31 December 2012 were as follows:

	2012 HK$'000	2011 HK$'000
Audit service	**985**	700
Non-audit services	**819**	1,103

The Audit Committee has concluded that it is satisfied with the findings of its review of the audit and non-audit services fees, process and effectiveness, independence and objectivity.

INTERNAL CONTROLS

The Board has overall responsibility for the system of internal controls of the Company and for reviewing its effectiveness. The Board is committed to implement an effective and sound internal control system to safeguard the interest of shareholders and the Group's assets. The Board has delegated to the management the implementation of the system of internal controls and reviewing financial, operational, compliance controls and risk management functions within an established framework.

During the year ended 31 December 2012, the Board reviewed the operational and financial reports, budgets and business plans provided by the management.

The Board has conducted a review of the effectiveness of the system of internal controls of the Company. In view of strengthening the internal control system to meet with the continuous corporate and business development of the Company, the Board will conduct an internal company-wide study periodically to review and enhance the internal control system.

COMPANY SECRETARY

The company secretary of the Company is Mr. Siu Kin Wai, Michael, who is also the chief financial officer and executive Director of the Company and is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants and Institute of Chartered Certified Accountants in England and Wales. Mr. Siu has complied with rule 3.29 of the Listing Rules for taking not less than 15 hours of relevant professional training during the year.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for the preparation of accounts for each financial year which gives a true and fair view of the state of affairs of the Group and of the results and cash flows for that year. In preparing the accounts for the year ended 31 December 2012, the Directors have selected suitable accounting policies and applied them consistently; adopted appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards; made adjustments and estimates that are prudent and reasonable; and have prepared the accounts on a going concern basis. The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company.

The responsibility of Ernst & Young, the Company's external auditors, is set out on page 36 of the "Independent Auditors' Report" in this annual report.

SHAREHOLDERS' RIGHTS

Convening a special general meeting by shareholders ("SGM")

The Board shall be on the written requisition of shareholders of the Company holding at the date of the deposit of the requisition in aggregate not less than one-tenth of such of the paid-up capital of the Company as at the date of the deposit carries the right of voting at the SGM, forthwith proceed duly to convene the SGM ("Requisition"). The Requisition, which may consist of several documents in like form each signed by one or more requisitionists, must state the objects of the SGM and deposited at the Company's head office and principal place of business in Hong Kong.

If the Board does not within twenty-one days from the date of the deposit of the Requisition proceed duly to convene a SGM, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a SGM in the same manner, as nearly as possible, as that in which SGM may be convened by the Board, but any meeting so convened shall not be held after the expiration of three months from the aforesaid date of the deposit of the Requisition.

All reasonable expenses incurred by the requisitionists as a result of the failure of the Board to convene such a SGM shall be reimbursed to them by the Company.

Procedures for directing shareholders' enquiries to the Board

Shareholders may at any time send their enquiries to the Board for the attention of the secretary of the Company ("Company Secretary") via email (ir@bphl.com.hk) or directed to the Company's head office and principal place of business in Hong Kong at 66th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong. Shareholders may also make enquiries with the Board at the general meetings of the Company.

Procedures for putting forward proposals at shareholders' meetings

If a shareholder of the Company wishes to put forward proposals at the annual general meeting (the "AGM")/SGM which is to be held, such shareholder, who is duly qualified to attend and vote at such general meeting, shall follow the procedures as set out below which are required in accordance with the bye-laws of the Company ("Bye-laws") and the Listing Rules.

1. A shareholder shall validly serve on the Company Secretary his/her written and signed notice of intention to propose a resolution at the AGM/SGM.

2. The foregoing documents shall be lodged at the Company's head office and principal place of business in Hong Kong at 66th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

3. The period for lodgment of the foregoing notices required under the Bye-Laws shall commence on the day after the despatch of the notice of the AGM/SGM and end no later than 7 days prior to the date of the AGM/SGM and such period shall be at least 7 days.

4. If the foregoing notices shall be received less than 10 business days prior to the date of such AGM/SGM, the Company needs to consider the adjournment of such AGM/SGM in order to allow shareholders of the Company 14 days' notice (the notice period must include 10 business days) of the proposal.

5. The foregoing notice of intention to propose a resolution will be verified by the Company's branch share registrar in Hong Kong (the "Branch Share Registrar"). Upon confirmation from the Branch Share Registrar, the Company Secretary will present to the board of Directors for their approval on the inclusion of the proposed resolutions in the AGM/SGM.

INVESTOR RELATIONS

Communication with shareholders

The Board believes that effective and proper investor relations play an important role in creating shareholders' value, enhancing the corporate transparency as well as establishing market confidence.

During the financial year ended 31 December 2012, the Company has proactively taken the following measures to ensure effective shareholders' communication and enhance our transparency:

1. maintained frequent contacts with institutional shareholders and investors through various channels such as meetings, telephone and emails; and

2. updated regularly the Company's news and developments through the "investor relations" section of the Company's website.

The above measures will be provided them with the latest development of the Group as well as the residential, commercial and logistics property industry.

Constitutional documents

The special resolution regarding the amendments to the Bye-laws had been passed by the shareholders of the Company at the SGM held on 29 June 2012.

An updated consolidated version of the Memorandum of Association and Bye-Laws is available on both the websites of the Company and the Stock Exchange.

REPORT OF THE DIRECTORS

The Board presents its report and the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in note 19 to the financial statements. The Group is principally engaged in the development of logistics, commercial and residential properties. On 10 May 2012, the Board announced its decision to dispose the Group's gardening business, New Radiant and its subsidiaries. Accordingly, the gardening business operation of the Group was discontinued on 31 May 2012. Other than these businesses, there were no other significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2012 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 38 to 120. The Board does not recommend the payment of any dividend for the year.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and equity of the Group for the last five financial years, as extracted from the audited financial statements and annual report of the Company for the year ended 31 December 2012. Further details of the summary financial information are set out on page 122. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment, and investment properties of the Group during the year are set out in notes 15 and 16 respectively to the financial statements, respectively. Further details of the Group's investment properties are set out on page 121.

SHARE CAPITAL, SHARE OPTIONS AND CONVERTIBLE BONDS

Details of movements in the Company's share options and convertible bonds during the year are set out in notes 35 and 31 to the financial statements.

There were no movement in either the Company's authorised or issued share capital during the year.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 36(b) to the audited financial statement and the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES OF THE COMPANY

At 31 December 2012, the Company's reserves available for distribution to shareholders amounted to HK$506,918,000.

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

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to Group's five largest customers accounted for 48.89% of the Group's revenue for the year and revenue from the largest customers accounted for 20.75% of the Group's revenue for the year. Purchase from the Group's five largest suppliers for less than 30% of the Group's total purchase for the year.

None of the Directors of the Company, or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five customer and suppliers.

DIRECTORS

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

Executive directors:
Mr. Zhou Si *(Chairman)*
Mr. Yu Li *(Vice Chairman)*
Mr. Qian Xu *(Chief Executive Officer)*
Mr. Siu Kin Wai *(Chief Financial Officer and Company Secretary)*
Mr. Xu Taiyan
Mr. Jiang Xinhao
Ms. Meng Fang
Mr. Yu Luning
Mr. Liu Xueheng
Mr. Ang Renyi (appointed on 19 December 2012)
Mr. Ang Keng Lam *(Vice Chairman)* (resigned on 19 December 2012)

Non-executive director:
Mr. Lin Chun Kuei (resigned on 27 June 2012)

Independent non-executive directors:
Mr. Goh Gen Cheung
Mr. Ma Chiu Cheung, Andrew
Mr. Ng Tang Fai, Ernesto
Mr. Zhu Wuxiang
Mr. James Chan

DIRECTORS (Continued)

In accordance with bye-law 111(A) and 114 of the Company's bye-laws, Mr. Xu Taiyan, Mr. Jiang Xinhao, Ms. Meng Fang, Mr. Yu Luning, Mr. Liu Xueheng and Mr. Ang Renyi shall retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The Company has received written annual confirmations of independence from all INEDs and as at the date of this report all of them are still considered to be independent.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the directors and senior management of the Company are set out on pages 4 to 7 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Mr. Ma Chiu Cheung, Andrew, Mr. Goh Gen Cheung, Mr. Ng Tang Tai, Ernesto, Mr. Zhu Wuxiang and Mr. James Chan, INEDs of the Company, had entered into service agreement with the Company for a term of three years commencing on 1 May 2010, 1 May 2010, 1 May 2010, 1 January 2010 and 3 June 2011 respectively, until terminated by either party thereto giving to the other not less than three months' notice in writing.

Except for the above, 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.

DIRECTORS' REMUNERATION

The Directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's board of Directors with reference to Directors' duties, responsibilities and performance and the results of the Group as well as the recommendation of the remuneration committee.

Further details of the Company's remuneration committee are set out in the corporate governance report on page 20 of this annual report.

EMOLUMENT POLICY

The emolument of each of Directors and the employees of the Group is on the basis of their merit, qualification, competence and experience in the industry, the profitability of the Group as well as remuneration benchmarks from other local and international companies and prevailing market conditions. Directors and employees also participate in bonus arrangements which are determined in accordance with the performance of the Group and the individual's performance.

The Company has adopted a share option scheme as incentives to Directors and eligible employees, details of the scheme is set out in note 35 to the financial statements.

DIRECTORS' INTERESTS IN CONTRACTS AND CONTRACT OF SIGNIFICANCE

No contracts of significance to which the Company or any of its holding companies, subsidiaries and fellow 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.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2012, the interests and short positions of the Directors and the chief executive of the Company in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long position in the ordinary shares of the Company:

Name of Director	Nature of interest	Number of Shares held	Percentage of the Company's issued share capital (%)
Mr. Yu Luning	Beneficial Owner	2,476,000	0.06

Long position in underlying shares of the Company

The interests of the Directors and chief executive in the share options of the Company are separately disclosed in the section "Share option schemes" below.

Save as disclosed above, as at 31 December 2012, none of the Directors or chief executives had registered an interest or a short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code or the SFO.

SHARE OPTION SCHEME

On 18 March 2010, the Company adopted new share option scheme (the "Scheme") to replace the old share option scheme adopted on 18 June 2002 and, unless otherwise cancelled or amended, the Scheme will remain in force for 10 years from that date. The purpose of the Scheme is to attract and retain the best quality personnel of the Group for the development of the Group's business; to provide additional incentives to employees, officers and Directors, contractors, suppliers, advisors and consultants who have contribution to the Group; and to promote the long term financial success of the Company by aligning the interests of option holders to shareholders of the Company. The Directors of the Company may, at their discretion, invite employees (including executive Directors) and non-executive Directors of the Company and any of its subsidiaries, to take up options to subscribe for ordinary shares of the Company at HK$1 per grant of options.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 30% of the total number of ordinary shares of the Company in issue at any time. The total number of ordinary shares of the Company issued and to be issued upon exercise of options (whether exercised or outstanding) in any 12-month period granted to any one person must not exceed 1% of the total number of ordinary shares of the Company in issue.

An option granted under the Scheme is personal to the grantee and shall not be assignable or transferable.

The period during which an option granted under the Scheme may be exercised will be determined by the Board at their discretion, save that no option may be exercised later than 10 years after the grant date. No option may be granted more than 10 years after the date of approval of the Scheme.

SHARE OPTION SCHEME (Continued)

The exercise price of the share options is determinable by the Board, but may not be less than the highest of (i) the closing price of the Company's ordinary shares on the Stock Exchange on the date of grant, which must be a trading day; (ii) the average closing price of the Company's ordinary shares on the Stock Exchange on the five trading days immediately preceding the date of grant of the option; and (iii) the nominal value of an ordinary share of the Company.

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Further details of the Scheme are disclosed in note 35 to the financial statements.

The following table discloses movements in the Company's share options outstanding during the 2012 Period:

Name or category of participant	Number of share options: At 1 January 2012	Granted during the year	Exercised during the year	Cancelled during the year	Forfeited during the year	At 31 December 2012	Date of grant of share options***	Exercise period of share options	Exercise price of share options HK$ per share
Directors:									
Mr. Zhou Si	5,000,000	–	–	5,000,000	–	–	8-Apr-10	8-Apr-10 to 7-Apr-20	0.820
	7,000,000	–	–	–	–	7,000,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465
	–	5,000,000	–	–	–	5,000,000	1-Jun-12	1-Jun-12 to 31-May-22	0.410
	12,000,000	5,000,000	–	5,000,000	–	12,000,000			
Mr. Yu Li	4,250,000	–	–	4,250,000	–	–	8-Apr-10	8-Apr-10 to 7-Apr-20	0.820
	6,000,000	–	–	–	–	6,000,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465
	–	4,250,000	–	–	–	4,250,000	1-Jun-12	1-Jun-12 to 31-May-22	0.410
	10,250,000	4,250,000	–	4,250,000	–	10,250,000			
Mr. Qian Xu	6,000,000	–	–	6,000,000	–	–	8-Apr-10	8-Apr-10 to 7-Apr-20	0.820
	6,000,000	–	–	–	–	6,000,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465
	–	6,000,000	–	–	–	6,000,000	1-Jun-12	1-Jun-12 to 31-May-22	0.410
	12,000,000	6,000,000	–	6,000,000	–	12,000,000			
Mr. Xu Taiyan	5,000,000	–	–	5,000,000	–	–	8-Apr-10	8-Apr-10 to 7-Apr-20	0.820
	5,000,000	–	–	–	–	5,000,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465
	–	5,000,000	–	–	–	5,000,000	1-Jun-12	1-Jun-12 to 31-May-22	0.410
	10,000,000	5,000,000	–	5,000,000	–	10,000,000			
Mr. Jiang Xinhao	3,300,000	–	–	3,300,000	–	–	8-Apr-10	8-Apr-10 to 7-Apr-20	0.820
	5,000,000	–	–	–	–	5,000,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465
	–	3,300,000	–	–	–	3,300,000	1-Jun-12	1-Jun-12 to 31-May-22	0.410
	8,300,000	3,300,000	–	3,300,000	–	8,300,000			

SHARE OPTION SCHEME (Continued)

Name or category of participant	Number of share options: At 1 January 2012	Granted during the year	Exercised during the year	Cancelled during the year	Forfeited during the year	At 31 December 2012	Date of grant of share options***	Exercise period of share options	Exercise price of share options HK$ per share
Ms. Meng Fang	5,000,000	–	–	5,000,000	–	–	8-Apr-10	8-Apr-10 to 7-Apr-20	0.820
	5,000,000	–	–	–	–	5,000,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465
	–	5,000,000	–	–	–	5,000,000	1-Jun-12	1-Jun-12 to 31-May-22	0.410
	10,000,000	5,000,000	–	5,000,000	–	10,000,000			
Mr. Siu Kin Wai	5,000,000	–	–	5,000,000	–	–	8-Apr-10	8-Apr-10 to 7-Apr-20	0.820
	5,000,000	–	–	–	–	5,000,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465
	–	5,000,000	–	–	–	5,000,000	1-Jun-12	1-Jun-12 to 31-May-22	0.410
	10,000,000	5,000,000	–	5,000,000	–	10,000,000			
Mr. Yu Luning	5,000,000	–	–	5,000,000	–	–	8-Apr-10	8-Apr-10 to 7-Apr-20	0.820
	5,000,000	–	–	–	–	5,000,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465
	–	5,000,000	–	–	–	5,000,000	1-Jun-12	1-Jun-12 to 31-May-22	0.410
	10,000,000	5,000,000	–	5,000,000	–	10,000,000			
Mr. Liu Xueheng	5,000,000	–	–	–	–	5,000,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465
Mr. Goh Gen Cheung	2,000,000	–	–	2,000,000	–	–	27-Apr-10	27-Apr-10 to 26-Apr-20	0.808
	2,000,000	–	–	–	–	2,000,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465
	–	1,837,700	–	–	–	1,837,700	1-Jun-12	1-Jun-12 to 31-May-22	0.410
	4,000,000	1,837,700	–	2,000,000	–	3,837,700			
Mr. Ma Chiu Cheung, Andrew	2,000,000	–	–	2,000,000	–	–	27-Apr-10	27-Apr-10 to 26-Apr-20	0.808
	2,000,000	–	–	–	–	2,000,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465
	–	1,837,700	–	–	–	1,837,700	1-Jun-12	1-Jun-12 to 31-May-22	0.410
	4,000,000	1,837,700	–	2,000,000	–	3,837,700			
Mr. Ng Tang Fai, Ernesto	2,000,000	–	–	2,000,000	–	–	27-Apr-10	27-Apr-10 to 26-Apr-20	0.808
	2,000,000	–	–	–	–	2,000,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465
	–	1,837,700	–	–	–	1,837,700	1-Jun-12	1-Jun-12 to 31-May-22	0.410
	4,000,000	1,837,700	–	2,000,000	–	3,837,700			

SHARE OPTION SCHEME (Continued)

Name or category of participant	At 1 January 2012	Granted during the year	Exercised during the year	Cancelled during the year	Forfeited during the year	At 31 December 2012	Date of grant of share options***	Exercise period of share options	Exercise price of share options HK$ per share
	Number of share options								
Mr. Zhu Wuxiang	2,000,000	–	–	–	–	2,000,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465
Mr. James Chan	2,000,000	–	–	–	–	2,000,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465
Other employees and consultants in aggregate:	245,050,000*	–	–	245,050,000	–	–	8-Apr-10	8-Apr-10 to 7-Apr-20	0.820
	11,400,000**	–	–	10,600,000	800,000	–	11-May-10	11-May-10 to 10-May-20	0.820
	2,400,000	–	–	2,400,000	–	–	17-Jun-10	17-Jun-10 to 16-Jun-20	0.820
	141,000,000*	–	–	–	–	141,000,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465
	–	258,850,000*	–	–	–	258,850,000	1-Jun-12	1-Jun-12 to 31-May-22	0.410
	399,850,000	258,850,000	–	258,050,000	800,000	399,850,000			
	503,400,000	302,913,100	–	302,600,000	800,000	502,913,100			

Notes:

* Mr. Ang Keng Lam was granted 5,000,000 options, 6,000,000 options and 5,000,000 options on 8 April 2010, 28 October 2011 and 1 June 2012, respectively, has been re-designated to Company's consultant upon his resignation from executive Director on 19 December 2012.

** Mr. Lin Chun Kuei, was granted 5,000,000 options and 5,000,000 options on 11 May 2010 and 1 June 2012, respectively, has been re-designated to Company's consultant upon his resignation from non-executive Director on 27 June 2012.

*** The share options have no vesting period.

SHARE OPTION SCHEME (Continued)

The Directors have estimated the values of the share options granted during the year, calculated using the binomial option pricing model as at the date of grant of the options:

Grantee	Number of share options granted during the year	Theoretical value of share options (HK$'000)
Mr. Zhou Si	5,000,000	1,052
Mr. Ang Keng Lam (resigned on 19 December 2012 and re-designated as a consultant of the Company)	5,000,000	1,052
Mr. Yu Li	4,250,000	894
Mr. Qian Xu	6,000,000	1,262
Mr. Xu Taiyan	5,000,000	1,052
Mr. Jiang Xinhao	3,300,000	694
Ms. Meng Fang	5,000,000	1,052
Mr. Siu Kin Wai	5,000,000	1,052
Mr. Yu Luning	5,000,000	1,052
Mr. Lin Chun Kuei (resigned on 27 June 2012 and re-designated as a consultant of the Company)	5,000,000	1,052
Mr. Goh Gen Cheung	1,837,700	386
Mr. Ma Chiu Cheung, Andrew	1,837,700	386
Mr. Ng Tang Fai, Ernesto	1,837,700	386
Other employees and consultants	248,850,000	31,701
	302,913,100	43,073

The fair values of the options have been arrived at on the basis of a valuation carried out on the grant date by Greater China Appraisal Limited, independent qualified professional valuers using binomial model on grant date. The variables and assumptions used in computing the fair value of the share options are based on the Board's best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

For the year ended 31 December 2012, the Group recognised the total expense of HK$43,073,000 (2011: HK$35,462,000) in relation to share options granted by the Company.

The expected volatility was determined by using the average annualised standard deviations of the continuously compounded rates of return of share prices of comparable companies with principal business in property development as of the valuation dates quoted by Bloomberg.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the headings "Directors' and Chief Executives' interests and short positions in shares and underlying shares" and "Share option scheme" at no time during the year ended 31 December 2012 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any of the Directors or their respective spouse or minor children under the age of 18, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2012, the following interests and short positions of 5% or more of the issued share capital and underlying shares of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in shares and underlying shares of the Company:

Name	Notes	Number of shares held, capacity and nature of interest: directly beneficially owned	Number of shares held, capacity and nature of interest: through a controlled corporation	Number of underlying shares held, capacity and nature of interest: directly beneficially owned	Number of underlying shares held, capacity and nature of interest: through a controlled corporation	Total	Approximate percentage of the Company's issued share capital (%)
Brilliant Bright Holdings Limited	(a)	1,557,792,500	–	–	–	1,557,792,500	40.59%
Beijing Holdings Limited	(b)	–	1,557,792,500	–	–	1,557,792,500	40.59%
Beijing Enterprises Real Estate (HK) Limited	(c)	31,500,000	–	–	–	31,500,000	0.82%
北京北控置業有限責任公司 (Beijing Enterprises Group Real-Estate Co., Ltd.	(d)	–	31,500,000	–	–	31,500,000	0.82%
Beijing Enterprises Group (BVI) Company Limited	(e)	–	–	2,307,692,307	–	2,307,692,307	60.13%
Beijing Enterprises Group Company Limited	(f)	–	1,589,292,500	–	2,307,692,307	3,896,984,807	101.54%
Thular Limited	(g)	354,400,000	–	–	–	354,400,000	9.23%
Kerry Holdings Limited	(g)	–	354,400,000	–	–	354,400,000	9.23%
Kerry Group Limited	(g)	–	354,400,000	–	–	354,400,000	9.23%

Notes:

(a) Brilliant Bright Holding Limited ("Brilliant Bright") holds 1,557,792,500 shares.

(b) Beijing Holdings Limited ("BHL") is deemed to be interested in the 1,557,792,500 shares by virtue of its controlling interests in its wholly owned subsidiary, Brilliant Bright.

(c) Beijing Enterprises Real Estate (HK) Limited ("BE Real Estate HK") holds 31,500,000 shares.

(d) 北京北控置業有限責任公司 (Beijing Enterprises Group Real-Estate Co., Ltd. ("BE Real Estate")) is deemed to be interested in the 31,500,000 shares by virtue of its controlling interests in its wholly owned subsidiary, BE Real Estate HK.

(e) Beijing Enterprises Group (BVI) Company Limited ("BE Group BVI") holds 2,307,692,307 underlying shares through it's ownerships in the HK$1,500,000,000 convertible bonds of the Company which are convertible at HK$0.65 per share.

(f) The interest disclosed represents the shares owned by BHL as detail in note (b); and the underlying shares owned by BE Group BVI as detail in note (e); and the shares owned by BE Real Estate as detail in note (d). BHL, BE Group BVI and BE Real Estate is held directly as to 100% by Beijing Enterprises Group Company Limited ("BE Group"). Accordingly, BE Group is deemed to be interested in the said shares and underlying shares.

(g) Thular Limited ("Thular") (formerly known as "Timekey Limited") is the beneficial owner of 354,400,000 shares. As Thular is wholly owned by Kerry Holdings Limited ("KHL") which is in turn wholly owned by Kerry Group Limited ("KGL"), KHL and KGL are also deemed to be interested in the said shares.

Save as disclosed above, as at 31 December 2012, no person whose interests had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTION

During the year, the Company and the Group had following connected and continuing connected transactions, certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

Connected transaction

The Group did not carry out any connected transaction during the year.

Continuing connected transactions

The Group carried out following continuing connected transactions (other than continuing connected transactions that are exempted under Rule 14A.33 of the Listing Rules) during the year:

(a) On 17 April 2012, the 北京京泰投資諮詢有限公司 (BHL Investment Consulting Co., Ltd. ("BHL Consulting")), a wholly owned subsidiary of the Company, entered into a tenancy agreement with Beijing Holdings Limited (the "BHL"), a controlling shareholder of the Company, in respect of renting a office which located at 10th Floor, Jing Tai Building, C24 Jian Guo Men Wai Avenue, Beijing, PRC (the "Office Premises"). Further details of the tenancy agreement are set out in the Company's announcement dated 17 April 2012. During the year ended 31 December 2012, the rental expense for the above Office Premises was RMB1,441,224 (equivalent to approximately HK$1,771,416).

(b) On 31 December 2012, the 北京陸港國際物流有限公司 (Beijing Inland Port International Logistics Co., Ltd. ("Lugang")), a non-wholly owned subsidiary of the Company, entered into tenancy agreements with Beijing Leading Edge Container Services Company Limited, an associate of BHL, in respect of leasing a warehouse of approximately 3,100 square metres which located at Zone A, No. A1, Dongsihuan, Nanlu Chaoyang District, Beijing, PRC (the "Zone A Premises"); and leasing a warehouse of approximately 8,023 square metres, platform office of 194.40 square metres and office of 260 square metres which located at Zone B, No.1 A1 Dongsihuan, Nanlu Chaoyang District, Beijing, PRC (the "Zone B Premises"). Further details of the tenancy agreements are set out in the Company's announcement dated 31 December 2012. During the year ended 31 December 2012, the rental income for the above Zone A Premises was RMB65,100 (equivalent to approximately HK$80,015), the rental income for the above Zone B Premises was RMB1,864,040 (equivalent to approximately HK$2,291,102) which included an amount of RMB1,706,514 for the eleven months ended 30 November 2012 which was covered by three previous agreements which were superseded by the agreement as disclosed in the Company's announcement dated 31 December 2012. The annual cap set out in the Company's announcement dated 31 December 2012 in respect to the continuing connected transactions of Zone B Premises are applicable to the financial years ended/ending 31 December 2012, 2013 and 2014.

The Directors of the Company confirmed that the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

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

Ernst & Young, the Company's auditors, were 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. Ernst & Young have issued their unqualified letter containing their findings and conclusions in respect of these continuing connected transactions in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Board, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

EVENT AFTER THE REPORTING PERIOD

Details of the significant events occurring after the reporting period of the Group are set out in note 46 to the financial statements.

DISCLOSURES PURSUANT TO RULES 13.20 OF THE LISTING RULES

As disclosed in the announcement made by the Company on 10 September 2012, Hutchison Ports Beijing Limited (the" Borrower"), a shareholder of the BIPL, entered into an agreement with New Concord Properties Limited (the "Lender"), a wholly owned subsidiary of the Company, pursuant to which the Lender agreed to provide the Borrower a revolving loan facility which shall applied and used by the Borrower solely for increasing the registered capital of the BIPL. The loan facility is unsecured revolving loan facility of up to equivalent Hong Kong dollars of RMB34,920,000 for an initial period of six months commencing from the Drawdown Date. The loan shall be automatically renewed every six months until repayment. The loan facilities carry interest at the rate of 1-year Hong Kong Inter-Bank Offered Rate plus 1.5% per annum. The loan and accrued interests will not be immediately due and repayable at any time until either one of the various conditions aforesaid happens. The loan will be funded from the internal resources of the Group. As at 31 December 2012, the aggregate amount of advances given for the loan facilities granted to the Borrower amounted to RMB34,920,000 (equivalent to approximately HK$42,721,000). The repayment has been made by the Borrower on 22 February 2013.

DISCLOSURES PURSUANT TO RULES 13.22 OF THE LISTING RULES

In accordance with the disclosure requirements of Rule 13.22 of the Listing Rules, the following disclosure is included in respect of financial assistance given to affiliated company. As at the latest practicable date (i.e. 31 December 2012), the Group has provided to affiliated company financial assistance amounting, in aggregate, to RMB262,000,000 (equivalent to approximately HK$322,672,000) which exceeded 8% of the assets ratio of the Company, as defined under Rule 14.07(1) of the Listing Rules. Further details of such financial assistance are disclosed in the announcements of the Company dated 7 July 2011, 23 September 2011 and 10 September 2012. The combined statement of financial position of the affiliated company as at 31 December 2012 and the Group's attributable interest therein are as follows:

	Combined statement of financial position HK$'000	The Group's attributable interest HK$'000
Non-current assets	10,725	5,577
Current assets	974,294	506,633
Current liabilities	(390,679)	(203,153)
Net assets	594,340	309,057
Issued capital	614,559	
Reserves	(20,219)	
Equity	594,340	

CORPORATE GOVERNANCE

The Company is committed to maintaining the quality of corporate governance so as to ensure better transparency of the Company, protection of shareholders' and stakeholders' rights and enhance shareholder value. In the opinion of the board of Directors of the Company, the Company had complied with all code provisions set out in the CG Code contained in Appendix 14 of Rules Governing the Listing Rules during the financial year ended 31 December 2012 and up to the date of publication of this annual report, except as disclosed in the Corporate Governance Report.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its code of conduct regarding Directors' securities transactions. Having made specific enquiry of the Directors, all of the Directors have complied with, for any part of the accounting period covered by this annual report, the required standard set out in the Model Code, except as disclosed in Corporate Governance Report.

AUDITORS

During the year ended 31 December 2011, Deloitte Touche Tohmatsu Certified Public Accountants resigned as auditors of the Company and Ernst & Young were appointed by the Directors to fill the casual vacancy so arising. Save as aforesaid, there have been no other changes of auditors in the past three years. Ernst & Young retire and a resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements of the Group for the year ended 31 December 2012 were approved by the board of Directors on 28 March 2013.

ON BEHALF OF THE BOARD
Zhou Si
Chairman

Hong Kong
28 March 2013

INDEPENDENT AUDITORS' REPORT

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To the shareholders of Beijing Properties (Holdings) Limited
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Beijing Properties (Holdings) Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 38 to 120, which comprise the consolidated and company statements of financial position as at 31 December 2012, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED 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.

AUDITORS' RESPONSIBILITY

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of 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.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012, and of the Group's loss 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.

Ernst & Young
Certified Public Accountants
Hong Kong

28 March 2013

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000 (Restated)
CONTINUING OPERATIONS			
REVENUE	5	**11,007**	1,540,538
Cost of sales and services		**(3,729)**	(934,762)
Gross profit		**7,278**	605,776
Gain on disposal of interests in subsidiaries	6	**35,272**	–
Other income and gains, net	5	**77,603**	46,036
Selling expenses		**(850)**	(11,125)
Administrative expenses		**(85,901)**	(55,307)
Provision for litigations	32	**(16,489)**	–
Other expenses		**(23,955)**	(28,623)
Finance costs	7	**(91,169)**	(46,483)
Share of losses of:			
A jointly-controlled entity	20(a)	**(10,351)**	–
Associates	21(a)	**(4,833)**	(15)
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	8	**(113,395)**	510,259
Income tax	11	**(632)**	(250,785)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		**(114,027)**	259,474
DISCONTINUED OPERATION			
Profit/(loss) for the year from a discontinued operation	12	**5,674**	(1,384)
PROFIT/(LOSS) FOR THE YEAR		**(108,353)**	258,090
Attributable to:			
Shareholders of the Company	13	**(97,769)**	114,594
Non-controlling interests		**(10,584)**	143,496
		(108,353)	258,090
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	14		
Basic:			
— For profit/(loss) for the year		**HK(2.55) cents**	HK3.11 cents
— For profit/(loss) from continuing operations		**HK(2.70) cents**	HK3.15 cents
Diluted:			
— For profit/(loss) for the year		**HK(2.55) cents**	HK2.40 cents
— For profit/(loss) from continuing operations		**HK(2.70) cents**	HK2.42 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2012

	Note	2012 HK$'000	2011 HK$'000 (Restated)
PROFIT/(LOSS) FOR THE YEAR		**(108,353)**	258,090
OTHER COMPREHENSIVE INCOME/(LOSS)			
Exchange differences:			
— Translation of foreign operations		**(7,605)**	69,921
— Reclassification adjustments for gain/(loss) on disposal of interests in subsidiaries included in the consolidated income statement	38	**(9,653)**	(21,251)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF INCOME TAX OF NIL		**(17,258)**	48,670
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**(125,611)**	306,760
Attributable to:			
Shareholders of the Company		**(112,800)**	155,918
Non-controlling interests		**(12,811)**	150,842
		(125,611)	306,760

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2012

	Notes	**31 December 2012 HK$'000**	31 December 2011 HK$'000 (Restated)	1 January 2011 HK$'000
NON-CURRENT ASSETS				
Property, plant and equipment	15	**16,194**	18,911	4,496
Investment properties	16	**170,248**	163,537	500
Prepaid land lease payments	17	**239,043**	246,006	–
Goodwill	18	**149,881**	149,881	–
Investment in a jointly-controlled entity	20	**309,057**	–	–
Investments in associates	21	**50,032**	54,960	–
Deposits paid for the acquisition of land use rights	22	**15,200**	249,187	–
Loan receivable		**–**	–	56,036
Deferred tax assets	33	**17**	40,809	–
Total non-current assets		**949,672**	923,291	61,032
CURRENT ASSETS				
Inventories		**–**	–	3,515
Properties under development		**–**	–	592,237
Properties held for sale	23	**–**	122,578	–
Trade receivables	24	**253**	16,050	27,374
Prepayments, deposits and other receivables	25	**50,161**	68,466	123,239
Loan receivable		**–**	–	11,797
Due from a jointly-controlled entity	20	**322,672**	–	–
Due from related parties	26	**144**	208,361	11,207
Cash and bank balances	27	**1,769,367**	2,873,409	3,303,855
Total current assets		**2,142,597**	3,288,864	4,073,224
CURRENT LIABILITIES				
Trade payables	28	**228**	121,426	36,370
Deposits received from the sale of properties		**–**	34,502	1,382,383
Other payables and accruals	29	**30,170**	84,845	31,936
Due to a jointly-controlled entity	20	**3,198**	–	–
Due to related parties	26	**138,907**	155,108	610
Bank and other borrowings	30	**32,294**	49,281	–
Convertible bonds	31	**1,437,555**	1,682,602	1,747,876
Income tax payables		**279**	227,871	17
Provision for litigations	32	**207,090**	–	–
Other liabilities	37	**–**	190,867	–
Total current liabilities		**1,849,721**	2,546,502	3,199,192
NET CURRENT ASSETS		**292,876**	742,362	874,032

31 December 2012

	Notes	**31 December 2012 HK$'000**	31 December 2011 HK$'000 (Restated)	1 January 2011 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,242,548**	1,665,653	935,064
NON-CURRENT LIABILITIES				
Bank and other borrowings	30	**34,712**	155,168	–
Deferred tax liabilities	33	**66,424**	85,168	562
Total non-current liabilities		**101,136**	240,336	562
Net assets		**1,141,412**	1,425,317	934,502
EQUITY				
Equity attributable to shareholders of the Company				
Issued capital	34	**383,779**	383,779	353,656
Reserves	36(a)	**773,088**	842,810	529,213
		1,156,867	1,226,589	882,869
Non-controlling interests		**(15,455)**	198,728	51,633
Total equity		**1,141,412**	1,425,317	934,502

Qian Xu
Director

Siu Kin Wai
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2012

		Attributable to shareholders of the Company											
	Notes	Issued capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000 (note 36(a)(ii))	Capital reserve HK$'000	Convertible bond equity reserve HK$'000	Exchange fluctuation reserve HK$'000	PRC statutory reserves HK$'000 (note 36(a)(iii))	Retained profits/ (accumulated losses) HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2011		353,656	554,070	18,528	86,533	–	233,752	39,522	20,490	(423,682)	882,869	51,633	934,502
Profit for the year, as restated		–	–	–	–	–	–	–	–	114,594	114,594	143,496	258,090
Other comprehensive income for the year:													
Exchange differences:													
— Translation of foreign operations, as restated		–	–	–	–	–	–	62,575	–	–	62,575	7,346	69,921
— Reclassification adjustments for loss on disposal of interests in subsidiaries included in the consolidated income statement	38	–	–	–	–	–	–	(21,251)	–	–	(21,251)	–	(21,251)
Total comprehensive income for the year, as restated		–	–	–	–	–	–	41,324	–	114,594	155,918	150,842	306,760
Acquisition of subsidiaries, as restated	37	12,443	41,062	–	–	–	–	–	–	–	53,505	(3,747)	49,758
Disposal of subsidiaries	38	–	–	–	–	–	–	–	(20,490)	20,490	–	–	–
Equity-settled share option arrangements	35(b)	–	–	–	35,462	–	–	–	–	–	35,462	–	35,462
Transfer of share option reserve due to resignation of staff and a consultant		–	–	–	(585)	–	–	–	–	585	–	–	–
Conversion of convertible bonds	31	17,680	96,354	–	–	–	(15,199)	–	–	–	98,835	–	98,835
Transfer of equity component of convertible bonds upon early redemption of convertible bonds	31	–	–	–	–	–	(1,564)	–	–	1,564	–	–	–
Transfer to statutory reserves		–	–	–	–	–	–	–	20,887	(20,887)	–	–	–
At 31 December 2011, as restated		383,779	691,486*	18,528*	121,410*	–*	216,989*	80,846*	20,887*	(307,336)*	1,226,589	198,728	1,425,317
At 1 January 2012:													
As previously reported		**383,779**	**691,486**	**18,528**	**121,410**	**-**	**216,989**	**81,582**	**20,887**	**(300,986)**	**1,233,675**	**232,628**	**1,466,303**
Effect of remeasurement of a business combination	37	-	-	-	-	-	-	**(736)**	-	**(6,350)**	**(7,086)**	**(33,900)**	**(40,986)**
As restated		**383,779**	**691,486**	**18,528**	**121,410**	**-**	**216,989**	**80,846**	**20,887**	**(307,336)**	**1,226,589**	**198,728**	**1,425,317**
Loss for the year		-	-	-	-	-	-	-	-	**(97,769)**	**(97,769)**	**(10,584)**	**(108,353)**
Other comprehensive loss for the year:													
Exchange differences:													
— Translation of foreign operations		-	-	-	-	-	-	**(5,378)**	-	-	**(5,378)**	**(2,227)**	**(7,605)**
— Reclassification adjustments for gain on disposal of interests in subsidiaries included in the consolidated income statement	38	-	-	-	-	-	-	**(9,653)**	-	-	**(9,653)**	-	**(9,653)**
Total comprehensive loss for the year		-	-	-	-	-	-	**(15,031)**	-	**(97,769)**	**(112,800)**	**(12,811)**	**(125,611)**
Disposal of subsidiaries	38	-	-	-	-	-	-	-	**(20,887)**	**20,887**	-	**(201,372)**	**(201,372)**
Reduction of share premium	36(b)	-	**(691,486)**	**348,750**	-	-	-	-	-	**342,736**	-	-	-
Equity-settled share option arrangements	35(b)	-	-	-	**43,073**	-	-	-	-	-	**43,073**	-	**43,073**
Transfer of share option reserve due to resignation of staff and a consultant		-	-	-	**(180)**	-	-	-	-	**180**	-	-	-
Transfer of share option reserve due to cancellation	35(c)	-	-	-	**(85,768)**	-	-	-	-	**85,768**	-	-	-
Transfer of equity component of convertible bonds upon early redemption of convertible bonds	31	-	-	-	-	-	**(42,037)**	-	-	**42,037**	-	-	-
Share of reserves of a jointly-controlled entity		-	-	-	-	**5**	-	-	-	-	**5**	-	**5**
At 31 December 2012		**383,779**	**-***	**367,278***	**78,535***	**5***	**174,952***	**65,815***	**-***	**86,503***	**1,156,867**	**(15,455)**	**1,141,412**

* These reserves accounts comprise the consolidated reserves of HK$773,088,000 (2011: HK$842,810,000, as restated) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax:			
From continuing operations		**(113,395)**	510,259
From discontinued operation		**5,686**	(1,771)
Adjustments for:			
Bank interest income		**(50,476)**	(28,035)
Other interest income		**(20,094)**	(11,486)
Gain on disposal of items of property, plant and equipment		**–**	(1,370)
Gain/(loss) on disposal of interests in subsidiaries	38	**(35,272)**	27
Gain on disposal of interest in a discontinued operation	12	**(12,901)**	–
Fair value loss/(gain) on investment properties	16	**(6,952)**	68
Depreciation	15	**2,232**	717
Amortisation of prepaid land lease payments	17	**6,566**	549
Provision for litigations	32	**16,489**	–
Contingent liabilities on interest and penalties	8	**–**	1,778
Equity-settled share option expense	35	**43,073**	35,462
Finance costs	7	**91,169**	46,483
Share of loss of a jointly-controlled entity	20(a)	**10,351**	–
Share of losses of associates	21(a)	**4,833**	15
Operating profit/(loss) before working capital changes		**(58,691)**	552,696
Increase in inventories		**–**	(707)
Decrease in properties under development		**–**	592,237
Decrease/(increase) in properties held for sale		**7,427**	(122,578)
Decrease in trade receivables		**2,165**	5,502
Decrease/(increase) in prepayments, deposits and other receivables		**(46,799)**	88,440
Decrease in loan receivable		**–**	11,797
Increase in amounts due from related parties		**(119)**	(147,758)
Increase/(decrease) in trade payables		**(40,908)**	96,286
Decrease in deposits received from the sale of properties		**–**	(1,347,881)
Increase/(decrease) in other payables and accruals		**(2,468)**	10,912
Increase in amount due to a jointly-controlled entity		**3,192**	–
Increase/(decrease) in amounts due to related parties		**(19,071)**	154,497
Cash used in operations		**(155,272)**	(106,557)
Mainland China income tax paid		**(1)**	(44,164)
Net cash flows used in operating activities		**(155,273)**	(150,721)

	Notes	2012 HK$'000	2011 HK$'000 (Restated)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	15	**(954)**	(9,117)
Acquisition of interests in subsidiaries	37	**–**	(61,294)
Increase in an investment in a jointly-controlled entity		**(319,423)**	–
Proceeds from disposal of items of property, plant and equipment		**10**	2,781
Disposal of interests in subsidiaries	38	**(247,078)**	40,605
Increase in prepayments, deposits and other receivables		**–**	(47,745)
Increase in amount due from a jointly-controlled entity		**(124,044)**	–
Increase in amounts due from related parties		**–**	(47,745)
Deposits refund/(paid) for the acquisition of land use rights		**130,538**	(249,187)
Interest received		**70,570**	37,870
Net cash flows used in investing activities		**(490,381)**	(333,832)
CASH FLOWS FROM FINANCING ACTIVITIES			
New loans		**5,726**	2,477
Repayment of loans		**(136,372)**	–
Redemption of convertible bonds	31	**(317,850)**	(11,830)
Interests paid		**(3,782)**	(1,092)
Net cash flows used in financing activities		**(452,278)**	(10,445)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(1,097,932)**	(494,998)
Cash and cash equivalents at beginning of year		**2,873,409**	3,303,855
Effect of foreign exchange rate changes, net		**(6,110)**	64,552
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,769,367**	2,873,409

STATEMENT OF FINANCIAL POSITION

31 December 2012

	Notes	**31 December 2012 HK$'000**	31 December 2011 HK$'000 (Restated)	1 January 2011 HK$'000
NON-CURRENT ASSETS				
Property, plant and equipment	15	**–**	44	88
Investments in subsidiaries	19	**1,306,415**	725,090	56,113
Total non-current assets		**1,306,415**	725,134	56,201
CURRENT ASSETS				
Due from subsidiaries	19	**558,267**	87,767	199,483
Prepayments, deposits and other receivables	25	**682**	11,552	589
Cash and bank balances	27	**795,446**	1,907,118	2,406,094
Total current assets		**1,354,395**	2,006,437	2,606,166
CURRENT LIABILITIES				
Due to subsidiaries	19	**11,568**	11,707	3,669
Other payables and accruals	29	**952**	10,504	1,684
Convertible bonds	31	**1,437,555**	1,682,602	1,747,876
Total current liabilities		**1,450,075**	1,704,813	1,753,229
NET CURRENT ASSETS/(LIABILITIES)		**(95,680)**	301,624	852,937
Net assets		**1,210,735**	1,026,758	909,138
EQUITY				
Issued capital	34	**383,779**	383,779	353,656
Reserves	36(b)	**826,956**	642,979	555,482
Total equity		**1,210,735**	1,026,758	909,138

Qian Xu
Director

Siu Kin Wai
Director

1. CORPORATE INFORMATION

Beijing Properties (Holdings) Limited (the "Company") is a limited liability company incorporated in Bermuda and shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

During the year, the Company and its subsidiaries (collectively the "Group") were involved in the following principal activities:

- development of residential and commercial properties in Mainland of the People's Republic of China (the "PRC")
- provision of logistics services, including leasing of warehouse facilities and provision of related management services
- manufacture and sale of outdoor gardening products and indoor lifestyle products (discontinued during the year — note 12)

Following a group reorganisation undertaken by a major shareholder of the Company and its associates involving the transfer of the equity interest of that major shareholder of the Company and the issue of new ordinary shares of the Company to Beijing Enterprises Real Estate (HK) Limited ("BE Real Estate HK", a limited liability company incorporated in Hong Kong) subsequent to the reporting period as further detailed in note 46(d), in the opinion of the directors of the Company, the immediate holding company of the Company is BE Real Estate HK and the ultimate holding company of the Company is 北京控股集團有限公司 ("Beijing Enterprises Group", a state-owned enterprise established in the PRC and is wholly owned by The State-owned Assets Supervision and Administration Commission of the People's Government of Beijing Municipality) as at the date of approval of these financial statements.

2.1 BASIS OF PRESENTATION AND PREPARATION

Basis of presentation

Despite that (i) the Group incurred a loss for the year ended 31 December 2012; (ii) the Group had capital commitments of HK$1,007,781,000 in aggregate as at 31 December 2012 as detailed in note 42 to the financial statements; and (iii) the Company had net current liabilities of HK$95,680,000 as at 31 December 2012, the directors consider that the Group and the Company will have adequate funds available to enable them to operate as going concerns, based on the Group's profit forecast and cash flow projection which, inter alia, take into account the historical operating performance of the Group and the following:

(a) certain convertible bonds of the Company as at 31 December 2012 in the principal amount of HK$586,950,000 had been converted into 903,000,000 new ordinary shares of the Company at a conversion price of HK$0.65 per share on 24 January 2013; and

(b) certain of the above-mentioned total capital commitments are expected to be fulfilled by the Group after 2013 with reference to the terms of respective agreements and the schedule of capital contribution to a jointly-controlled entity.

Accordingly, these financial statements have been prepared on a going concern basis which assumes, among other things, the realisation of assets and satisfaction of liabilities in the normal course of business.

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

2.1 BASIS OF PRESENTATION AND PREPARATION (Continued)

Basis of preparation (Continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2012. The financial statements of the subsidiaries are prepared for the same reporting period as the Company. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if it results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in the income statement. The Group's share of components previously recognised in other comprehensive income is reclassified to the income statement or retained profits/accumulated losses, as appropriate.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements:

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Transfers of Financial Assets*
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes — Deferred Tax: Recovery of Underlying Assets*

Other than as further explained below regarding the impact of amendments to HKAS 12, the adoption of the revised HKFRSs has had no significant financial effect on these financial statements.

The HKAS 12 Amendments clarify the determination of deferred tax for investment property measured at fair value and introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, the amendments incorporate the requirement previously in HK(SIC)-Int 21 *Income Taxes — Recovery of Revalued Non-Depreciable Assets* that deferred tax on non-depreciable assets, measured using the revaluation model in HKAS 16, should always be measured on a sale basis. Prior to the adoption of the amendments, deferred tax with respect to the Group's investment properties was provided on the basis that the carrying amount will be recovered through use. Upon the adoption of HKAS 12 Amendments, deferred tax in respect of the Group's investment properties is provided on the presumption that the carrying amount will be recovered through sale. However, since the investment properties of the Group are all located in Mainland China, there is no difference in the corporate income tax implications under the prevailing tax legislation in the PRC when the investment properties are recovered through sale or use. Accordingly, the adoption of the amendments has had no significant financial impact on these financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements:

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Government Loans* [2]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities* [2]
HKFRS 9	*Financial Instruments* [4]
HKFRS 10	*Consolidated Financial Statements* [2]
HKFRS 11	*Joint Arrangements* [2]
HKFRS 12	*Disclosure of Interests in Other Entities* [2]
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 — *Transition Guidance* [2]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) — *Investment Entities* [3]
HKFRS 13	*Fair Value Measurement* [2]
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income* [1]
HKAS 19 (2011)	*Employee Benefits* [2]
HKAS 27 (2011)	*Separate Financial Statements* [2]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures* [2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities* [3]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine* [2]
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012 [2]

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

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

(a) The HKFRS 7 Amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32 *Financial Instruments: Presentation*. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with HKAS 32. The Group expects to adopt the amendments from 1 January 2013.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

(b) HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income. The remainder of the change in fair value is presented in the income statement, unless presentation of the fair value change in respect of the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in the income statement. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1 January 2015. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

(c) HKFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled, compared with the requirements in HKAS 27 and HK(SIC)-Int 12 *Consolidation — Special Purpose Entities*. HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also addresses the issues raised in HK(SIC)-Int 12. Based on the preliminary analyses performed, HKFRS 10 is not expected to have any impact on the currently held investments of the Group.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK(SIC)-Int 13 *Jointly Controlled Entities — Non-Monetary Contributions by Venturers*. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e., joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation.

HKFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities previously included in HKAS 27 *Consolidated and Separate Financial Statements*, HKAS 31 *Interests in Joint Ventures* and HKAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

(c) (Continued)

In July 2012, the HKICPA issued amendments to HKFRS 10, HKFRS 11 and HKFRS 12 which clarify the transition guidance in HKFRS 10 and provide further relief from full retrospective application of these standards, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Group is different between HKFRS 10 and HKAS 27 or HK(SIC)-Int 12 at the beginning of the annual period in which HKFRS 10 is applied for the first time. Furthermore, for disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before HKFRS 12 is first applied.

The amendments to HKFRS 10 issued in December 2012 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with HKFRS 9 rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The Group expects that these amendments will not have any impact on the Group as the Company is not an investment entity as defined in HKFRS 10.

Consequential amendments were made to HKAS 27 and HKAS 28 as a result of the issuance of HKFRS 10, HKFRS 11 and HKFRS 12. The Group expects to adopt HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (2011), HKAS 28 (2011), and the subsequent amendments to these standards issued in July and December 2012 from 1 January 2013.

(d) HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. The Group expects to adopt HKFRS 13 prospectively from 1 January 2013.

(e) The HKAS 1 Amendments change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to the income statement at a future point in time (for example, net gain on hedge of a net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items which will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendments will affect presentation only and have no impact on the financial position or performance. The Group expects to adopt the amendments from 1 January 2013.

(f) HKAS 19 (2011) includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The revised standard introduces significant changes in the accounting for defined benefit plans including removing the choice to defer the recognition of actuarial gains and losses. Other changes include modifications to the timing of recognition for termination benefits, the classification of short-term employee benefits and disclosures of defined benefit plans. The Group expects to adopt HKAS 19 (2011) from 1 January 2013.

(g) The HKAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to setoff" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2014.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

(h) The *Annual Improvements to HKFRSs 2009-2011 Cycle* issued in June 2012 sets out amendments to a number of HKFRSs. The Group expects to adopt the amendments from 1 January 2013. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group. Those amendments that are expected to have a significant impact on the Group's policies are as follows:

(i) HKAS 1 *Presentation of Financial Statements:* Clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the previous period. The additional comparative information does not need to contain a complete set of financial statements.

In addition, the amendment clarifies that the opening statement of financial position as at the beginning of the preceding period must be presented when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. However, the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

(ii) HKAS 32 *Financial Instruments: Presentation:* Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with HKAS 12 *Income Taxes*. The amendment removes existing income tax requirements from HKAS 32 and requires entities to apply the requirements in HKAS 12 to any income tax arising from distributions to equity holders.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any accumulated impairment losses.

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits or losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Joint ventures (Continued)

A joint venture is treated as:

(a) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture;

(b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

Jointly-controlled entity

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's investment in a jointly-controlled entity is stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any accumulated impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and reserves of the jointly-controlled entity is included in the consolidated income statement and consolidated reserves, respectively. Where the profit sharing ratio is different to the Group's equity interest, the share of post-acquisition results of the jointly-controlled entity is determined based on the agreed profit sharing ratio. Unrealised gains and losses resulting from transactions between the Group and its jointly-controlled entity are eliminated to the extent of the Group's investment in the jointly-controlled entity, except where unrealised losses provide evidence of an impairment of the asset transferred.

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any accumulated impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person: (i) has control or joint control over the Group; (ii) has significant influence over the Group; or (iii) is a member of the key management personnel of the Group or of a holding company of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a holding company, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

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

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

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

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill (Continued)

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in income statement.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of HKAS 39 is measured at fair value with changes in fair value either recognised in income statement or as a change to other comprehensive income. If the contingent consideration is not within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in income statement as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any accumulated impairment losses.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of different categories of property, plant and equipment are as follows:

Buildings	Over the shorter of the lease terms and 2.5%
Leasehold improvements	Over the shorter of the lease terms and 10%
Plant and machinery	10%
Furniture, fixtures and equipment	20%
Motor vehicles	20%
Moulds	50%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the period the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than investment properties, goodwill, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the income statement in the period in which it arises.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of a non-financial asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are all classified as loans and receivables. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value plus transaction costs.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in "Other income and gains, net" in the income statement. The loss arising from impairment is recognised in "Other expenses" in the income statement.

Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed item of loans and receivables, whether significant or not, it includes the asset in a group of loans and receivables with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Impairment (Continued)

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to "Other expenses" in the income statement.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities (loans and borrowings)

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are all classified as loans and borrowings. The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and net of directly attributable transaction costs.

Subsequent measurement

After initial recognition, loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in "Finance costs" in the income statement.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option (the equity component) that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are initially recognised.

Upon the exercise of the conversion options, the resulting ordinary shares issued are recorded by the Company as additional share capital at the nominal value of the ordinary shares issued, and the excess of the total carrying amount of the liability and equity components of the convertible bonds over the nominal value of the ordinary shares issued is recorded in the share premium account. When the convertible bonds are redeemed, the carrying amount of equity component is transferred to retained profits/accumulated losses as a movement in reserves and any difference between the amount paid and the carrying amount of the liability component is recognised in the income statement. Where the conversion option remains unexercised at the expiry date, any remaining balance of the equity component of the convertible bonds will be transferred to retained profits/accumulated losses as a movement in reserves. No gain or loss is recognised in the income statement upon conversion or expiration of the conversion option.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and other valuation models.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Properties under development

Properties under development are intended to be held for sale after completion.

Properties under development are stated at the lower of cost and net realisable value and comprise land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond the normal operating cycle. On completion, the properties are transferred to properties held for sale.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost is determined by an apportionment of the total costs of land and buildings costs attributable to the unsold properties. Net realisable value is estimated by the directors based on the prevailing market prices, on an individual property basis.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in "Finance costs" in the income statement.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with the general guidance for provisions above; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the guidance for revenue recognition.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and a jointly-controlled entity, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and a jointly-controlled entity, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

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 profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of properties, when the significant risks and rewards of ownership of the properties are transferred to the buyer, which is when the construction work has been completed and the properties have been delivered to the buyer. Deposits and instalments received in respect of properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position under current liabilities;

(b) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(c) rental income, on a time proportion basis over the lease terms;

(d) management income, when the related management services have been provided; and

(e) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 35 to the financial statements.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings/(loss) per share.

Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. In addition, at the time when the share options are exercised, the amount previously recognised in the share option reserve will be transferred to the share premium account.

Options which are cancelled prior to their exercise date or lapsed are deleted from the register of outstanding options. When the share options are still not exercised at the expiry date, the amount previously recognised in the share option reserve will be transferred to retained profits/accumulated losses as a movement in reserves.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other employee benefits

Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement 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.

The employees of the Group's subsidiaries which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. Contributions are made based on a percentage of the participating employee's salaries and are charged to the income statement as they became payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when 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 capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's presentation currency, where the functional currency of the Company is Renminbi ("RMB"). Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or income statement is also recognised in other comprehensive income or income statement, respectively).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

The functional currencies of the Company, certain Mainland China and overseas subsidiaries, a jointly-controlled entity and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of the exchange fluctuation reserve relating to that particular foreign operation is recognised in the income statement.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of the Company, certain Mainland China and overseas subsidiaries, a jointly-controlled entity and associates are translated into Hong Kong dollars at the exchange rates prevailing at the dates of the cash flows. Frequently recurring cash flows of these entities which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

The major judgements, estimates and assumptions that have the most significant effect on the amounts recognised in the financial statements and have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

Operating lease commitments — Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation of fair value of investment properties

Investment properties were revalued at the end of each reporting period based on the appraised market value provided by independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimation, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of each reporting period.

Recognition and allocation of construction cost on properties under development

Development costs of properties are recorded as properties under development during the construction stage and will be transferred to properties held for sale upon completion. Apportionment of these costs will be recognised in the income statements upon the recognition of the sale of the properties. Before the final settlement of the development costs and other costs relating to the sale of the properties, these costs are accrued by the Group based on management's best estimate.

When developing properties, the Group may divide the development projects into phases. Specific costs directly related to the development of a phase are recorded as the cost of such phase. Costs that are common to phases are allocated to individual phases based on the estimated saleable area of the entire project.

Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect the income statement in future years.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill carried as an asset in the consolidated statement of financial position as at 31 December 2012 was HK$149,881,000 (2011: HK$149,881,000), details of which are set out in note 18 to the financial statements.

Impairment of trade receivables and other receivables

The policy for provision for impairment of trade receivables and other receivables of the Group is based on the evaluation of the collectability and ageing analysis of accounts and on management's estimation. A considerable amount of estimation is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment may be required. The carrying amounts of trade receivables and other receivables carried as assets in the consolidated statement of financial position as at 31 December 2012 were HK$253,000 (2011: HK$16,050,000) and HK$42,930,000 (2011: HK$59,628,000), respectively, details of which are set out in notes 24 and 25 to the financial statements.

Provision for litigations

As further disclosed in notes 32 and 37 to the financial statements, the Group involved in the legal proceedings for the repayment obligations of certain overdue bank loans arising from a reorganisation undertaken by certain investors of 北京陸港國際物流有限公司 ("Lugang") in prior years. Management determines the provision for litigations based on their best estimates, after considering the PRC legal advice from the external lawyer of the Group. When the final outcome of the claims and negotiations with the claimant involved is different from the estimation made by management, such difference will impact the provision for litigations in the year in which the litigations are settled.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Current tax and deferred tax

The Group is subject to income taxes in Hong Kong and Mainland China. The Group carefully evaluates tax implications of its transactions in accordance with prevailing tax regulations and makes tax provision accordingly. However, judgement is required in determining the Group's provision for income taxes as there are many transactions and calculations of which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact on the income tax and deferred tax provision in the periods in which such determination is made. The carrying amount of current tax payables carried as liabilities in the consolidated statement of financial position as at 31 December 2012 was HK$279,000 (2011: HK$227,871,000).

Deferred tax assets relating to certain temporary differences and tax losses are recognised as management considers that it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectations are different from the original estimates, such differences will impact the recognition of deferred tax assets and deferred tax in the periods in which such estimates have been changed. The carrying amounts of deferred tax assets and liabilities carried as assets and liabilities in the consolidated statement of financial position as at 31 December 2012 were HK$17,000 (2011: HK$40,809,000) and HK$66,424,000 (2011: HK$85,168,000), respectively, details of which are set out in note 33 to the financial statements.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

(a) the properties business segment engages in the development of residential and commercial properties in Mainland China;

(b) the logistics business segment engages in the leasing of warehouse facilities and provision of related management services; and

(c) the gardening business segment engages in the manufacture and sale of outdoor gardening products and indoor lifestyle products (discontinued during the year ended 31 December 2012 — note 12).

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that interest income, finance costs, as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, amounts due from a jointly-controlled entity and related parties, cash and bank balances and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude bank and other borrowings, amounts due to a jointly-controlled entity and related parties, convertible bonds, income tax payables, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

4. OPERATING SEGMENT INFORMATION (Continued)

	Continuing operations						Discontinued operation			
	Properties business		Logistics business		Total		Gardening business		Total	
	2012 HK$'000	2011 HK$'000 (Restated)	2012 HK$'000	2011 HK$'000 (Restated)	2012 HK$'000	2011 HK$'000 (Restated)	2012 HK$'000	2011 HK$'000 (Restated)	2012 HK$'000	2011 HK$'000 (Restated)
Segment revenue:										
Sales to external customers	2,867	1,539,835	8,140	703	11,007	1,540,538	35,093	93,391	46,100	1,633,929
Other income and gains, net	–	–	6,952	–	6,952	–	–	–	6,952	–
	2,867	1,539,835	15,092	703	17,959	1,540,538	35,093	93,391	53,052	1,633,929
Reconciliation:										
Bank interest income					50,476	28,013	–	22	50,476	28,035
Other interest income					20,094	1,651	–	9,835	20,094	11,486
Gain on disposal of interests in subsidiaries					35,272	–	–	–	35,272	–
Gain on disposal of a discontinued operation					–	–	12,901	–	12,901	–
Unallocated gains					81	16,372	244	6,540	325	22,912
Revenue, other income and gains, net					123,882	1,586,574	48,238	109,788	172,120	1,696,362
Segment results:										
The Group	(927)	584,582	(33,056)	(3,172)	(33,983)	581,410	(7,298)	(17,749)	(41,281)	563,661
Share of losses of:										
A jointly-controlled entity	–	–	(10,351)	–	(10,351)	–	–	–	(10,351)	–
Associates	–	–	(4,833)	(15)	(4,833)	(15)	–	–	(4,833)	(15)
	(927)	584,582	(48,240)	(3,187)	(49,167)	581,395	(7,298)	(17,749)	(56,465)	563,646
Reconciliation:										
Bank interest income					50,476	28,013	–	22	50,476	28,035
Other interest income					20,094	1,651	–	9,835	20,094	11,486
Gain/(loss) on disposal of interests in subsidiaries					35,272	–	–	(27)	35,272	(27)
Gain on disposal of a discontinued operation					–	–	12,901	–	12,901	–
Unallocated gains					81	16,372	244	6,540	325	22,912
Corporate and unallocated expenses					(78,982)	(70,689)	–	–	(78,982)	(70,689)
Finance costs					(91,169)	(46,483)	(161)	(392)	(91,330)	(46,875)
Profit/(loss) before tax					(113,395)	510,259	5,686	(1,771)	(107,709)	508,488
Segment assets	–	270,003	997,551	739,971	997,551	1,009,974	–	16,041	997,551	1,026,015
Reconciliation:										
Corporate and other unallocated assets					2,094,718	3,179,156	–	6,984	2,094,718	3,186,140
Total assets					3,092,269	4,189,130	–	23,025	3,092,269	4,212,155
Segment liabilities	–	(191,658)	(211,938)	(207,721)	(211,938)	(399,379)	–	(20,833)	(211,938)	(420,212)
Reconciliation:										
Corporate and other unallocated liabilities					(1,738,919)	(2,363,409)	–	(3,217)	(1,738,919)	(2,366,626)
Total liabilities					(1,950,857)	(2,762,788)	–	(24,050)	(1,950,857)	(2,786,838)
Other segment information:										
Depreciation on:										
Segment assets	62	354	1,152	217	1,214	571	92	146	1,306	717
Corporate and other unallocated assets					926	–	–	–	926	–
					2,140	571	92	146	2,232	717
Amortisation on segment assets	–	–	6,566	549	6,566	549	–	–	6,566	549
Investment in a jointly-controlled entity	–	–	309,057	–	309,057	–	–	–	309,057	–
Investments in associates	–	–	50,032	54,960	50,032	54,960	–	–	50,032	54,960
Provision for litigations	–	–	207,090	–	207,090	–	–	–	207,090	–
Other liabilities	–	–	–	190,867	–	190,867	–	–	–	190,867
Capital expenditure* on:										
Segment assets	–	122	830	429,946	830	430,068	–	8,325	830	438,393
Corporate and other unallocated assets					124	169	–	–	124	169
					954	430,237	–	8,325	954	438,562

* Capital expenditure consists of additions of property, plant and equipment, investment properties and prepaid land lease payments, including assets from the acquisition of subsidiaries.

4. OPERATING SEGMENT INFORMATION (Continued)

Geographical information

Geographical information is not presented since over 90% of the Group's revenue from external customers is generated in Mainland China and over 90% of the assets of the Group are located in Mainland China. Accordingly, in the opinion of the directors, the presentation of geographical information would provide no additional useful information to the users of these financial statements.

Information about major customers

During the year ended 31 December 2012, the Group had transactions with one (2011: Nil) external customer for each of the properties and logistics business segments which each contributed over 10% of the Group's total revenue for the year.

A summary of revenue earned from each of these major external customers is set out below:

	2012 **HK$'000**	2011 HK$'000
Customer 1	**2,371**	N/A*
Customer 2	**1,882**	N/A*

* The corresponding revenue of these customers is not disclosed as they individually did not contributed over 10% of the Group's total revenue for the year ended 31 December 2011.

5. REVENUE, OTHER INCOME AND GAINS, NET

Revenue, which is also the Group's turnover, represents (1) the invoiced value of properties sold, net of business tax and government surcharges; (2) the gross rental income received and receivable from investment properties, net of business tax and government surcharges; and (3) the management fee from the services rendered, net of business tax, valued-added tax and government surcharges.

An analysis of revenue, other income and gains, net from continuing operations is as follows:

	2012 HK$'000	2011 HK$'000 (Restated)
Revenue		
Sale of properties	**2,867**	1,539,835
Gross rental income	**5,778**	689
Management fee	**2,362**	14
	11,007	1,540,538
Other income		
Bank interest income	**50,476**	28,013
Other interest income	**20,094**	1,651
Others	**81**	–
	70,651	29,664
Gains, net		
Fair value gains on investment properties	**6,952**	–
Foreign exchange differences, net	**–**	16,372
	6,952	16,372
Other income and gains, net	**77,603**	46,036

6. GAIN ON DISPOSAL OF INTERESTS IN SUBSIDIARIES

The gain on disposal of interests in subsidiaries recognised during the year arose from the disposal of the Group's equity interest in Zenna Investments Limited ("Zenna"), a then wholly-owned subsidiary of the Company which holds 60% of the registered capital of 北京京泰同成置業有限公司 ("Jingtai Tongcheng"). Further details of the disposal transaction are set out in note 38 to the financial statements.

7. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	2012 HK$'000	2011 HK$'000 (Restated)
Interests on bank and other loans wholly repayable within five years	**8,317**	1,092
Imputed interest on convertible bonds (note 31)	**37,646**	43,961
Loss on early redemption of convertible bonds	**35,157**	1,430
Penalties on overdue other loans	**10,049**	–
	91,169	46,483

8. PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS

The Group's profit/(loss) before tax from continuing operations is arrived at after charging/(crediting):

	Notes	2012 HK$'000	2011 HK$'000 (Restated)
Cost of properties sold		**1,865**	934,532
Direct cost of rental income		**782**	24
Cost of services provided		**1,082**	206
Depreciation		**2,140**	571
Amortisation of prepaid land lease payments		**6,566**	549
Minimum lease payments under operating leases in respect of land and buildings		**4,671**	3,806
Auditors' remuneration		**985**	700
Employee benefit expense (including directors' remuneration — note 9):			
Salaries, allowances and benefits in kind		**23,106**	28,553
Equity-settled share option expense*		**21,192**	19,127
Pension scheme contributions		**5,129**	1,852
		49,427	49,532
Changes in fair value of investment properties	16	**(6,952)**	68
Provision for litigations	32	**16,489**	–
Contingent liabilities on interest and penalties**	37	**–**	1,778
Equity-settled share option expenses for consultancy service**		**21,881**	16,335
Foreign exchange differences, net		**2,074**	(16,372)

* This item is included in "Administrative expenses" on the face of the consolidated income statement.

** These items are included in "Other expenses" on the face of the consolidated income statement.

9. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to The Rules Governing the Listing of Securities on the Stock Exchange and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Fees	**1,800**	1,750
Other emoluments:		
Salaries, allowances and benefits in kind	**1,441**	3,323
Equity-settled share option expense	**11,372**	15,860
Pension scheme contributions	**–**	12
	12,813	19,195
	14,613	20,945

Certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company during the years ended 31 December 2012 and 2011, details of which are set out in note 35 to the financial statements. The fair values of such options were determined and recognised in the income statement at the respective dates of grant and the amounts included in the financial statements for the current year are included in the above directors' remuneration disclosures.

9. DIRECTORS' REMUNERATION (Continued)

An analysis of the directors' remuneration, on a named basis, is as follows:

Name of director	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Equity-settled share option expense HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
Year ended 31 December 2012					
Executive directors:					
Mr. Zhou Si	120	–	1,052	–	1,172
Mr. Ang Keng Lam	116	–	1,052	–	1,168
Mr. Yu Li	120	–	894	–	1,014
Mr. Xu Taiyan	120	–	1,052	–	1,172
Mr. Qian Xu	120	1,416	1,262	–	2,798
Mr. Jiang Xinhao	120	–	694	–	814
Ms. Meng Fang	120	–	1,052	–	1,172
Mr. Siu Kin Wai	120	25	1,052	–	1,197
Mr. Yu Luning	120	–	1,052	–	1,172
Mr. Liu Xueheng	120	–	–	–	120
Mr. Ang Renyi	4	–	–	–	4
	1,200	1,441	9,162	–	11,803
Non-executive director:					
Mr. Lin Chun Kuei	–	–	1,052	–	1,052
Independent non-executive directors:					
Mr. Ng Tang Fai, Ernesto	120	–	386	–	506
Mr. Goh Gen Cheung	120	–	386	–	506
Mr. Ma Chiu Cheung Andrew	120	–	386	–	506
Mr. James Chan	120	–	–	–	120
Mr. Zhu Wuxiang	120	–	–	–	120
	600	–	1,158	–	1,758
Total	1,800	1,441	11,372	–	14,613

9. DIRECTORS' REMUNERATION (Continued)

Name of director	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Equity-settled share option expense HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
Year ended 31 December 2011					
Executive directors:					
Mr. Zhou Si	120	–	1,708	–	1,828
Mr. Ang Keng Lam	120	–	1,464	–	1,584
Mr. Yu Li	120	–	1,464	–	1,584
Mr. Xu Taiyan	120	–	1,220	–	1,340
Mr. Qian Xu	120	1,371	1,464	–	2,955
Mr. Jiang Xinhao	120	–	1,220	–	1,340
Ms. Meng Fang	120	–	1,220	–	1,340
Mr. Siu Kin Wai	120	–	1,220	–	1,340
Mr. Yu Luning	120	–	1,220	–	1,340
Mr. Liu Xueheng	120	–	1,220	–	1,340
Mr. Lei Zhengang	–	–	–	–	–
	1,200	1,371	13,420	–	15,991
Non-executive director:					
Mr. Lin Chun Kuei	–	1,952	–	12	1,964
Independent non-executive directors:					
Mr. Ng Tang Fai, Ernesto	120	–	488	–	608
Mr. Goh Gen Cheung	120	–	488	–	608
Mr. Ma Chiu Cheung Andrew	120	–	488	–	608
Mr. James Chan	70	–	488	–	558
Mr. Zhu Wuxiang	120	–	488	–	608
	550	–	2,440	–	2,990
Total	1,750	3,323	15,860	12	20,945

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2011: Nil).

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year ended 31 December 2012 included one (2011: two, as restated) director details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining four (2011: three, as restated) non-director, highest paid employees for the year are as follows:

	2012	2011
	HK$'000	HK$'000
		(Restated)
Salaries, allowances and benefits in kind	**3,163**	2,316
Equity-settled share option expense	**2,089**	1,089
Pension scheme contributions	**314**	229
	5,566	3,634

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2012	2011
		(Restated)
HK$1,000,001 to HK$1,500,000	**3**	3
HK$1,500,001 to HK$2,000,000	**1**	–
	4	3

11. INCOME TAX

No provision for Hong Kong profits tax has been made for the year ended 31 December 2012 as the Group did not generate any assessable profits arising in Hong Kong during the year (2011: Nil).

The PRC corporate income tax provision in respect of operations in Mainland China is calculated at the applicable tax rates on the estimated assessable profits for the year based on the existing legislation, interpretations and practices in respect thereof.

PRC land appreciation tax is levied at 30% on the appreciation of the land value, being the proceeds from sales of properties less deductible expenditures including amortisation of land use rights, borrowing costs and all property development expenditures in accordance with the relevant PRC tax laws and regulations.

	2012 **HK$'000**	2011 HK$'000 (Restated)
Current — PRC:		
Hong Kong	**–**	–
Mainland China		
PRC corporate income tax	**1**	155,201
PRC land appreciation tax ("LAT")	**–**	116,130
Deferred	**631**	(20,546)
Total tax charge for the year	**632**	250,785

11. INCOME TAX (Continued)

A reconciliation of the tax expense/(credit) applicable to profit/(loss) before tax at the statutory rates for the jurisdictions in which the Company and majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

Group

Year ended 31 December 2012

	Hong Kong		Mainland China		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Loss before tax from continuing operations	(62,456)		(50,939)		(113,395)	
Tax credit at the statutory tax rate	(10,305)	16.5	(12,735)	25.0	(23,040)	20.3
Losses attributable to a jointly-controlled entity and associates	1,688	(2.7)	1,238	(2.4)	2,926	(2.6)
Income not subject to tax	(13,397)	21.4	(1,738)	3.4	(15,135)	13.3
Expenses not deductible for tax	16,637	(26.6)	4,024	(7.9)	20,661	(18.2)
Tax losses utilised from previous periods	–	–	(2,136)	4.2	(2,136)	1.9
Tax losses not recognised as deferred tax assets	5,377	(8.6)	11,979	(23.5)	17,356	(15.3)
Tax expense at the Group's effective tax rate	–	–	632	(1.2)	632	(0.6)

Year ended 31 December 2011

	Hong Kong		Mainland China		Total	
	HK$'000	%	HK$'000 (Restated)	%	HK$'000 (Restated)	%
Profit/(loss) before tax from continuing operations	(68,573)		578,832		510,259	
Tax expense/(credit) at the statutory tax rate	(11,315)	16.5	144,708	25.0	133,393	26.1
Effect of withholding tax at 10% on the distributable profits of a PRC subsidiary of the Group	–	–	18,534	3.2	18,534	3.6
Losses attributable to associates	–	–	4	0.0	4	0.0
Income not subject to tax	(11,765)	17.1	(2,157)	(0.4)	(13,922)	(2.7)
Expenses not deductible for tax	15,652	(22.8)	149	0.0	15,801	3.1
Tax losses utilised from previous periods	–	–	(3,200)	(0.6)	(3,200)	(0.6)
Tax losses not recognised as deferred tax assets	7,428	(10.8)	5,649	1.0	13,077	2.6
LAT	–	–	116,130	20.1	116,130	22.7
Tax effect of LAT	–	–	(29,032)	(5.0)	(29,032)	(5.7)
Tax expense at the Group's effective tax rate	–	–	250,785	43.3	250,785	49.1

12. DISCONTINUED OPERATION

On 10 May 2012, the Company entered into a sale and purchase agreement with an independent third party, pursuant to which, the Group sold the entire equity interest in New Radiant Investments Limited ("New Radiant", a then wholly-owned subsidiary of the Group) to the independent third party at a cash consideration of HK$5,000,000. The transaction was completed on 31 May 2012.

The Group's gardening business operation was solely undertaken by New Radiant and its subsidiaries. Accordingly, the gardening business operation of the Group was discontinued upon the completion of the transaction.

(a) The results of the discontinued operation dealt with in the consolidated financial statements for the years ended 31 December 2012 and 2011 are summarised as follows:

	2012 HK$'000	2011 HK$'000
Revenue	**35,337**	109,788
Expenses	**(42,552)**	(111,559)
Loss before tax of the discontinued operation	**(7,215)**	(1,771)
Income tax credit/(expense) related to loss before tax of the discontinued operation	**(12)**	387
	(7,227)	(1,384)
Gain on disposal of the discontinued operation, net of income tax of nil	**12,901**	–
Profit/(loss) for the year from a discontinued operation wholly attributable to shareholders of the Company	**5,674**	(1,384)

(b) The net cash flows of the discontinued operation dealt with in the consolidated financial statements for the years ended 31 December 2012 and 2011 are as follows:

	2012 HK$'000	2011 HK$'000
Operating activities	**(6,367)**	(33,330)
Investing activities	**(91)**	(6,313)
Financing activities	**3,254**	18,720
Net cash outflow attributable to the discontinued operation	**(3,204)**	(20,923)

12. DISCONTINUED OPERATION (Continued)

(c) Earnings/(loss) per share from the discontinued operation

	2012	2011
Basic and diluted	**HK0.15 cents**	HK(0.04) cents

The calculation of the basic earnings per share amount from the discontinued operation is based on the profit for the year from a discontinued operation of HK$5,674,000 (2011: loss of HK$1,384,000), and the weighted average number of 3,837,788,500 (2011: 3,677,916,664) ordinary shares in issue during the year.

No adjustment has been made to the basic earnings/(loss) per share amounts from the discontinued operation presented for the years ended 31 December 2012 and 2011 in respect of a dilution as the impact of the share options and convertible bonds outstanding during these years had either no diluting effect or an anti-dilutive effect on the basic earnings/(loss) per share amounts from the discontinued operation presented.

13. PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to shareholders of the Company for the year ended 31 December 2012 includes a profit of HK$142,390,000 (2011: loss of HK$38,703,000), which has been dealt with in the financial statements of the Company.

A reconciliation of the above amount to the Company's profit/(loss) for the year is as follows:

	Notes	2012 HK$'000	2011 HK$'000
Amount of consolidated profit/(loss) for the year attributable to shareholders of the Company dealt with in the financial statements of the Company		**142,390**	(38,703)
Impairment of amounts due from subsidiaries recognised during the year in the income statement	19(b)	**(53)**	(88,642)
Write-back of amounts due to subsidiaries recognised during the year in the income statement		**–**	3,666
Company's profit/(loss) for the year	36(b)	**142,337**	(123,679)

14. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of the basic loss per share amounts is based on the loss for the year and the loss for the year from continuing operations attributable to shareholders of the Company of HK$97,769,000 (2011: profit of HK$114,594,000) and HK$103,443,000 (2011: profit of HK$115,978,000), respectively, and the weighted average number of 3,837,788,500 (2011: 3,677,916,664) ordinary shares in issue during the year.

14. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY (Continued)

In respect of the diluted loss per share amounts for the year ended 31 December 2012, no adjustment has been made to the basic loss per share amounts presented as the impact of the share options and convertible bonds outstanding during the year had either no diluting effect or an anti-dilutive effect on the basic loss per share amounts presented.

The calculation of the diluted earnings per share amounts for the year ended 31 December 2011 is based on the profit for the year and the profit for the year from continuing operations attributable to shareholders of the Company, adjusted to reflect the effect of the deemed conversion of all dilutive convertible bonds at the beginning of the year, and the weighted average number of ordinary shares after adjustment for the effect of deemed conversion of all dilutive convertible bonds at the beginning of the year.

The calculation of the basic and diluted earnings/(loss) per share amounts is based on the following data:

	2012	2011
	HK$'000	HK$'000
		(Restated)
Earnings/(loss)		
(i) For profit/(loss) for the year:		
Profit/(loss) for the year attributable to shareholders of the Company, used in the basic earnings/(loss) per share calculation	**(97,769)**	114,594
Imputed interest on dilutive convertible bonds	**–**	43,961
Profit/(loss) for the year attributable to shareholders of the Company, used in the diluted earnings/(loss) per share calculation	**(97,769)**	158,555
(ii) For profit/(loss) for the year from continuing operations:		
Profit/(loss) for the year from continuing operations attributable to shareholders of the Company, used in the basic earnings/(loss) per share calculation	**(103,443)**	115,978
Imputed interest on dilutive convertible bonds	**–**	43,961
Profit/(loss) for the year from continuing operations attributable to shareholders of the Company, used in the diluted earnings/(loss) per share calculation	**(103,443)**	159,939

14. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY (Continued)

	2012	2011 (Restated)
Number of ordinary shares		
Weighted average number of ordinary shares in issue during the year, used in the basic earnings/(loss) per share calculation	**3,837,788,500**	3,677,916,664
Effect of dilution of dilutive convertible bonds — weighted average number of ordinary shares	**–**	2,937,662,719
Weighted average number of ordinary shares, used in the diluted earnings/(loss) per share calculation	**3,837,788,500**	6,615,579,383

15. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures, equipment, and motor vehicles HK$'000	Moulds HK$'000	Construction in progress HK$'000	Total HK$'000
Year ended 31 December 2012							
At 1 January 2012:							
Cost	9,202	6,066	10,274	4,651	–	2,030	32,223
Accumulated depreciation	(57)	(4,701)	(6,125)	(2,429)	–	–	(13,312)
Net carrying amount	9,145	1,365	4,149	2,222	–	2,030	18,911
Net carrying amount:							
At 1 January 2012	9,145	1,365	4,149	2,222	–	2,030	18,911
Additions	–	88	215	100	–	551	954
Depreciation provided during the year	(379)	(339)	(1,000)	(514)	–	–	(2,232)
Disposals	–	–	(10)	–	–	–	(10)
Disposal of subsidiaries (note 38)	–	–	(745)	(655)	–	–	(1,400)
Exchange realignment	(15)	(2)	(6)	(3)	–	(3)	(29)
At 31 December 2012	8,751	1,112	2,603	1,150	–	2,578	16,194
At 31 December 2012:							
Cost	9,188	6,184	3,908	2,088	–	2,578	23,946
Accumulated depreciation	(437)	(5,072)	(1,305)	(938)	–	–	(7,752)
Net carrying amount	8,751	1,112	2,603	1,150	–	2,578	16,194

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

Group (Continued)

	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures, equipment, and motor vehicles HK$'000	Moulds HK$'000	Construction in progress HK$'000	Total HK$'000
Year ended 31 December 2011							
At 1 January 2011:							
Cost	–	5,867	8,117	15,631	656	–	30,271
Accumulated depreciation	–	(4,761)	(7,369)	(13,117)	(528)	–	(25,775)
Net carrying amount	–	1,106	748	2,514	128	–	4,496
Net carrying amount:							
At 1 January 2011	–	1,106	748	2,514	128	–	4,496
Acquisition of subsidiaries (note 37)	9,163	–	2,860	467	–	2,019	14,509
Additions	–	7,337	1,444	336	–	–	9,117
Depreciation provided during the year	(60)	(185)	(209)	(203)	(60)	–	(717)
Disposals	–	(48)	(737)	(626)	–	–	(1,411)
Disposal of subsidiaries (note 38)	–	(6,847)	–	(301)	(80)	–	(7,228)
Exchange realignment	42	2	43	35	12	11	145
At 31 December 2011	9,145	1,365	4,149	2,222	–	2,030	18,911
At 31 December 2011:							
Cost	9,202	6,066	10,274	4,651	–	2,030	32,223
Accumulated depreciation	(57)	(4,701)	(6,125)	(2,429)	–	–	(13,312)
Net carrying amount	9,145	1,365	4,149	2,222	–	2,030	18,911

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Total HK$'000
Year ended 31 December 2012			
At 1 January 2012:			
Cost	**289**	**138**	**427**
Accumulated depreciation	**(289)**	**(94)**	**(383)**
Net carrying amount	**–**	**44**	**44**
Net carrying amount:			
At 1 January 2012	**–**	**44**	**44**
Depreciation provided during the year	**–**	**(44)**	**(44)**
At 31 December 2012	**–**	**–**	**–**
At 31 December 2012:			
Cost	**289**	**138**	**427**
Accumulated depreciation	**(289)**	**(138)**	**(427)**
Net carrying amount	**–**	**–**	**–**
Year ended 31 December 2011			
At 1 January 2011:			
Cost	289	138	427
Accumulated depreciation	(289)	(50)	(339)
Net carrying amount	–	88	88
Net carrying amount:			
At 1 January 2011	–	88	88
Depreciation provided during the year	–	(44)	(44)
At 31 December 2011	–	44	44
At 31 December 2011:			
Cost	289	138	427
Accumulated depreciation	(289)	(94)	(383)
Net carrying amount	–	44	44

Notes:

(a) The Group's buildings are situated in Mainland China and are held under medium term leases.

(b) Certain buildings of the Group with an aggregate net carrying amount of HK$1,564,000 (2011: HK$7,259,000) as at 31 December 2012 were pledged to secure certain other loans granted to the Group (note 30(b)(i)).

(c) Certain plant and machinery and equipment of the Group with an aggregate net carrying amount of HK$618,000 as at 31 December 2011 were pledged to secure a bank loan granted to the Group (note 30(a)).

16. INVESTMENT PROPERTIES

		Group	
		2012	2011
	Notes	**HK$'000**	HK$'000
Carrying amount at 1 January		**163,537**	500
Acquisition of subsidiaries	37	**–**	162,945
Net gain/(loss) on fair value adjustment		**6,952**	(68)
Disposal of subsidiaries	38	**–**	(500)
Exchange realignment		**(241)**	660
Carrying amount at 31 December		**170,248**	163,537

Notes:

(a) The Group's investment properties are situated in Mainland China and are held under medium term leases. Further particulars of the investment properties of the Group are included on page 121.

(b) At 31 December 2012, the investment properties were revalued by Asset Appraisal Limited, independent professionally qualified valuers, on an open market value, existing use basis.

(c) Certain investment properties of the Group with an aggregate carrying amount of HK$95,865,000 (2011: HK$149,736,000) as at 31 December 2012 were pledged to secure certain other loans granted to the Group (note 30(b)(ii)).

(d) At 31 December 2012, certain investment properties of the Group with a then aggregate carrying amount of HK$34,914,000 were distrained by a district court in Mainland China in connection with certain legal proceedings against the Group as further detailed in notes 32 and 37 to the financial statements.

17. PREPAID LAND LEASE PAYMENTS

		Group	
		2012	2011
	Notes	**HK$'000**	HK$'000
Carrying amount at 1 January		**252,596**	–
Acquisition of subsidiaries	37	**–**	251,991
Amortisation provided during the year		**(6,566)**	(549)
Exchange realignment		**(408)**	1,154
Carrying amount at 31 December		**245,622**	252,596
Current portion included in prepayments, deposits and other receivables	25	**(6,579)**	(6,590)
Non-current portion		**239,043**	246,006

Notes:

(a) All leasehold land of the Group are situated in Mainland China and held under medium term leases.

(b) Certain land use rights to which the prepaid land lease payments of the Group relate with an aggregate carrying amount of HK$44,914,000 (2011: HK$252,596,000) as at 31 December 2012 were pledged to secure certain other loans granted to the Group (note 30(b)(iii)).

18. GOODWILL

	2012 HK$'000	2011 HK$'000 (Restated)
Cost and net carrying amount:		
At 1 January	**149,881**	–
Acquisition of a subsidiaries (note 37)	**–**	149,881
At 31 December	**149,881**	149,881

Impairment testing of goodwill

The net carrying amount of goodwill as at 31 December 2012 and 2011 acquired through acquisition has been allocated to the logistics business segment of the Group for impairment testing.

The recoverable amounts of the relevant business units in the logistics business segment has been determined by reference to business valuations performed by Asset Appraisal Limited, independent professionally qualified valuers, on fair value less costs to sell estimations using cash flow projections which are based on financial forecast approved by senior management covering a period of 10 years. The discount rate applied to the cash flow projections for the first 10-year period is 12.4% for the business units of the logistics business segment, which is determined by reference to the average rates for similar industries and the business risks of the business units. A growth rate of 3% is used for the perpetual period.

Based on the results of the impairment testing of goodwill, in the opinion of the directors, no impairment provision is considered necessary for the Group's goodwill as at 31 December 2012 (2011: Nil).

Key assumptions used in fair value less costs to sell estimations

The following describes each key assumption adopted by management in the preparation of the cash flow projections for the purpose of impairment testing of goodwill:

- Budgeted turnover
  In respect of the revenue from the logistic business segment, the budgeted turnover is based on the total projected gross floor area of the warehouse to be built, the rent and the occupancy rate of individual projects up to the date of valuation.

- Budgeted gross margins
  The basis used to determine the value assigned to budgeted gross margins is the average gross achieved in the year immediately before the budgeted year, increased for expected efficiency improvements and the experience of management on the operation of the logistics business.

- Business environment
  There have been no major changes in the existing political, legal and economic conditions in Mainland China.

19. INTERESTS IN SUBSIDIARIES

	Note	Company 31 December 2012 HK$'000	31 December 2011 HK$'000 (Restated)	1 January 2011 HK$'000
Investments in subsidiaries,				
included in non-current assets				
Unlisted shares, at cost		**132,506**	211,218	56,113
Due from subsidiaries	(a)	**1,173,909**	513,872	–
		1,306,415	725,090	56,113
Due from subsidiaries, included in current assets	(a)	**558,267**	87,767	199,483
Due to subsidiaries, included in current liabilities	(a)	**(11,568)**	(11,707)	(3,669)
Total interests in subsidiaries		**1,853,114**	801,150	251,927

Notes:

(a) The amounts due from/to subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

The amounts due from subsidiaries included in non-current assets above are, in the opinion of the directors, considered as quasi-equity loans to the subsidiaries.

(b) The movements in the provision for impairment of the amounts due from subsidiaries during the year are as follows:

	Company 2012 HK$'000	2011 HK$'000
At 1 January	**–**	–
Impairment during the year recognised in the income statement	**53**	88,642
Disposal of subsidiaries	**(53)**	(88,642)
At 31 December	**–**	–

19. INTERESTS IN SUBSIDIARIES (Continued)

Notes: (Continued)

(c) Particulars of the principal subsidiaries are as follows:

Company name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up capital/ registered capital	Percentage of attributable equity interest held by		Principal activities
			Company	Group	
北京陸港國際物流有限公司	PRC/Mainland China	RMB199,095,322	–	84.24	Provision of logistics services
New Concord Properties Limited	Hong Kong	HK$1.00	–	100	Investment holding
北京京泰投資諮詢有限公司 ("BHL Consulting")[Ω#]	PRC/Mainland China	US$10,000,000	–	100	Office management
Lugang No.1 Land (HK) Limited (formerly known as BPHL Yuquanshan (HK) Limited)	Hong Kong	HK$1.00	–	100	Investment holding
China Logistics Infrastructures (Holdings) Limited[@]	British Virgin Islands/ Hong Kong	US$1.00	100	100	Investment holding
New Fine International Development Limited[#@]	Hong Kong	HK$1.00	–	100	Investment holding
BPHL Quzhou Limited[@]	Hong Kong	HK$1.00	–	100	Investment holding
衢州通成國際物流有限公司 ("Quzhou Tongcheng")[Ω#@]	PRC/Mainland China	RMB49,800,000	–	100	Logistics facilities development

Ω Registered as wholly-foreign-owned enterprises under PRC law.

\# Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

@ Incorporated/established during the year.

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

20. INTERESTS IN A JOINTLY-CONTROLLED ENTITY

	Notes	Group 2012 HK$'000	2011 HK$'000
Investment in a jointly-controlled entity,			
included in non-current assets:			
Share of net assets	(a)	**309,057**	–
Due from a jointly-controlled entity, included in current assets	(b)	**322,672**	–
Due to a jointly-controlled entity, included in current liabilities	(b)	**(3,198)**	–
Total interests in a jointly-controlled entity		**628,531**	–

Notes:

(a) The following tables illustrate the summarised financial information of the Group's jointly-controlled entity:

	Group 2012 HK$'000	2011 HK$'000
Share of the jointly-controlled entity's assets and liabilities		
Non-current assets	**5,577**	–
Current assets	**506,633**	–
Current liabilities	**(203,153)**	–
Net assets	**309,057**	–
Share of the jointly-controlled entity's results		
Other income	**5,063**	–
Total expenses	**(18,743)**	–
Loss before tax	**(13,680)**	–
Income tax	**3,329**	–
Loss for the year	**(10,351)**	–

(b) The amount due from a jointly-controlled entity as at 31 December 2012 represented bank entrusted loans with an aggregate amount of RMB262,000,000 (equivalent to HK$322,672,000) provided by the Group to finance the business development of the jointly-controlled entity. The bank entrusted loans bear interest at rates ranging from 7.1% to 7.6% per annum and are fully repayable in 2013.

The amount due to a jointly-controlled entity included in current liabilities as at 31 December 2012 is unsecured, interest-free and has no fixed terms of repayment.

20. INTERESTS IN A JOINTLY-CONTROLLED ENTITY (Continued)

Notes: (Continued)

(c) Particulars of the jointly-controlled entity, which is registered as a Sino-foreign joint venture under PRC law, are as follows:

Company name	Place of incorporation/ registration and operations	Nominal value of paid-up capital/ registered capital	Percentage of Ownership interest attributable to the Group	Percentage of Voting power	Percentage of Profit sharing	Principal activity
北京北建通成國際物流有限公司 ("BIPL")	PRC/Mainland China	RMB337,040,000	52	52	52	Logistics facilities development

21. INVESTMENTS IN ASSOCIATES

	Notes	Group 2012 HK$'000	Group 2011 HK$'000
Investments in associates, included in non-current assets:			
Share of net assets	(a)	**64,702**	69,653
Provision for impairment	(b)	**(14,670)**	(14,693)
		50,032	54,960

21. INVESTMENTS IN ASSOCIATES (Continued)

Notes:

(a) The following tables illustrate the summarised financial information of the Group's associates:

	2012 HK$'000	2011 HK$'000
Share of the associates' assets and liabilities		
Non-current assets	**46,343**	48,421
Current assets	**34,031**	29,703
Current liabilities	**(15,672)**	(8,471)
Net assets	**64,702**	69,653
Share of the associates' results		
Revenue	**2,489**	1,430
Other income	**7,344**	448
Total revenue	**9,833**	1,878
Total expenses	**(14,665)**	(1,893)
Loss before tax	**(4,832)**	(15)
Income tax	**(1)**	–
Loss for the year	**(4,833)**	(15)

(b) The movements in the provision for impairment of investments in associates during the year are as follows:

	2012 HK$'000	2011 HK$'000
At 1 January	**14,693**	–
Acquisition of subsidiaries	**–**	14,626
Exchange realignment	**(23)**	67
At 31 December	**14,670**	14,693

(c) Particulars of the principal associate are as follows:

			Percentage of			
Company name	Place of registration and operations	Registered capital	Ownership interest attributable to the Group	Voting power	Profit sharing	Principal activity
北京京津港國際物流有限公司#	PRC/ Mainland China	RMB128,850,000	33.37%	33.37%	33.37%	Provision of logistics services

Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

The above table lists the associate of the Group which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

22. DEPOSITS PAID FOR THE ACQUISITION OF LAND USE RIGHTS

The deposits paid for land use rights as at 31 December 2012 represented deposits paid for the acquisition of a land use right in Quzhou City, Jiangsu Province, the PRC, which the Group intends to hold on a long term basis. The balance has been subsequently transferred to prepaid land lease payments upon the completion of the acquisition of the land use right in January 2013, further details of which are set out in note 46(a) to the financial statements.

23. PROPERTIES HELD FOR SALE

The Group's properties held for sale as at 31 December 2011 were situated in Mainland China and were held by Jingtai Tongcheng, a subsidiary of the Group deconsolidated during the year as a result of the disposal of the Group's equity interest in Zenna in March 2012, further details of which are set out in notes 6 and 38 to the financial statements .

24. TRADE RECEIVABLES

	Group	
	2012	2011
	HK$'000	HK$'000
Trade receivables	**253**	16,502
Impairment (note (b))	**–**	(452)
	253	16,050

Notes:

(a) The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally 14 to 60 days for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

24. TRADE RECEIVABLES (Continued)

Notes: (Continued)

(a) (Continued)

An aged analysis of the trade receivables as at the end of the reporting period, based on the due date and net of impairment, is as follows:

	Group 2012 HK$'000	Group 2011 HK$'000
Within credit period	**253**	2,587
Overdue:		
Within 1 month	**–**	10,722
1 to 3 months	**–**	2,300
4 to 6 months	**–**	299
Over 6 months	**–**	142
	253	16,050

Receivables that were neither past due nor impaired relate to a number of independent customers for whom there was no recent history of default.

Receivables that were past due but not impaired as at 31 December 2011 relate to a number of independent customers that had a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable.

(b) The movement in the Group's provision for impairment of trade receivables during the year is as follows:

	Group 2012 HK$'000	Group 2011 HK$'000
At 1 January	**452**	452
Disposal of subsidiaries	**(452)**	–
At 31 December	**–**	452

The above provision for impairment of trade receivables as at 31 December 2011 was the provision for individually impaired trade receivables. The individually impaired trade receivables related to customers that were in financial difficulties or were in default in both interest and/or principal payments and none of the receivables was expected to be recovered. The Group did not hold any collateral or other credit enhancements over these balances.

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group			Company	
	31 December 2012 HK$'000	31 December 2011 HK$'000 (Restated)	1 January 2011 HK$'000	**31 December 2012 HK$'000**	31 December 2011 HK$'000
Prepayments	**652**	2,248	117,447	**585**	1,552
Prepaid land lease payments					
— current portion (note 17)	**6,579**	6,590	–	**–**	–
Deposits and other receivables (note)	**42,930**	59,628	5,792	**97**	10,000
	50,161	68,466	123,239	**682**	11,552

Note: The Group's deposits and other receivables as at 31 December 2012 included a cash advance of RMB34,920,000 (equivalent to HK$42,721,000) made to a joint venture partner of BIPL for its capital injection to BIPL in September 2012.

The Group's deposits and other receivables as at 31 December 2011 included certain unsecured loans to a third party with an aggregate principal amount of RMB38,707,000 (equivalent to HK$47,745,000), which bore interest at the rate of 6.1% per annum and was repayable within one year.

26. AMOUNTS DUE FROM/(TO) RELATED PARTIES

The balances with related parties are unsecured, interest-free and have no fixed terms of repayment, except for certain unsecured loans to a shareholder of the Company with an aggregate principal amount of RMB38,707,000 (equivalent to HK$47,745,000) in 2011, which bore interest at the rate of 6.1% per annum and was repayable within one year. These loans were fully settled by the shareholder of the Company during the year.

27. CASH AND BANK BALANCES

	Group		Company	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Cash and bank balances other than time deposits	**183,971**	444,950	**41,904**	77,594
Time deposits	**1,585,396**	2,428,459	**753,542**	1,829,524
Total cash and bank balances	**1,769,367**	2,873,409	**795,446**	1,907,118

Notes:

(a) At 31 December 2012, the cash and bank balances of the Group denominated in RMB amounted to HK$1,324,798,000 (2011: HK$2,374,734,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

(b) Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

28. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Within 1 month	**–**	9,066
1 month	**–**	2,902
2 to 3 months	**228**	87
Over 3 months	**–**	109,371
	228	121,426

The trade payables are non-interesting-bearing and are repayable within the normal operating cycle or on demand.

29. OTHER PAYABLES AND ACCRUALS

	Group			Company	
	31 December	31 December	1 January	**31 December**	31 December
	2012	2011	2011	**2012**	2011
	HK$'000	HK$'000	HK$'000	**HK$'000**	HK$'000
		(Restated)			
Accruals	**25,368**	13,476	29,293	**175**	961
Receipts in advance	**910**	–	–	**–**	–
Other payables	**3,892**	71,369	2,643	**777**	9,543
	30,170	84,845	31,936	**952**	10,504

Other payables are non-interest-bearing and have an average term of three months.

30. BANK AND OTHER BORROWINGS

		Group		
	Notes	**31 December 2012 HK$'000**	31 December 2011 HK$'000 (Restated)	1 January 2011 HK$'000
Bank loan, secured	(a)	**–**	2,477	–
Other loans:				
Secured	(b), (c)	**47,108**	90,267	–
Unsecured		**19,898**	111,705	–
		67,006	201,972	–
Total bank and other borrowings		**67,006**	204,449	–
Analysed into:				
Bank loan repayable within one year		**–**	2,477	–
Other loans repayable:				
Within one year or on demand		**32,294**	46,804	–
In the second year		**34,712**	–	–
In the third to fifth years, inclusive		**–**	155,168	–
		67,006	201,972	–
Total bank and other borrowings		**67,006**	204,449	–
Portion classified as current liabilities		**(32,294)**	(49,281)	–
Non-current portion		**34,712**	155,168	–

30. BANK AND OTHER BORROWINGS (Continued)

Notes:

(a) The bank loan of US$319,000 (equivalent to HK$2,477,000) as at 31 December 2011 was personally guaranteed by a then director of the Company and secured by floating charges over the assets of a former subsidiary of the Company with an aggregate carrying amount of HK$16,255,000 (including certain plant and machinery and equipment with a then net aggregate carrying amount of HK$618,000 (note 15(c)). The secured bank loan bore interest at the rate of 5.75% per annum and was fully settled during the year.

(b) The Group's secured other loans are secured by:

(i) mortgages over certain buildings, plant and machinery and equipment of the Group with an aggregate carrying amount of HK$1,564,000 (2011: HK$7,259,000) as at 31 December 2012 (note 15(b));

(ii) mortgages over certain investment properties of the Group situated in Mainland China with an aggregate carrying amount of HK$95,865,000 (2011: HK$149,736,000) as at 31 December 2012 (note 16(c));

(iii) mortgages over certain prepaid land lease payments of the Group with an aggregate carrying amount of HK$44,914,000 (2011: HK$252,596,000) as at 31 December 2012 (note 17(b)); and/or

(iv) corporate guarantees given by a non-controlling equity holder of Lugang.

(c) The Group's secured other loans as at 31 December 2012 included two other loans in a total principal amount of RMB10,250,000 (equivalent to HK$12,624,000) which bear interest at rates ranging from 8.54% to 9.71% per annum and have been overdue during the years ended 31 December 2012 and 2011. The interest payables and penalties of the two overdue other loans amounted to HK$11,171,000 (2011: HK$10,355,000) and HK$10,049,000 (2011: Nil) as at 31 December 2012.

(d) Except for the secured bank loan and an unsecured other loan of HK$228,000, which are denominated in United States dollars, all borrowings are denominated in RMB.

31. CONVERTIBLE BONDS

The Company had two batches of convertible bonds outstanding during the years ended 31 December 2012 and 2011, the summary information of which is set out as follows:

	Placing Convertible Bonds* (note (a))	**Convertible Bonds*** (note (b))
Issuance date	3 December 2010	31 December 2010
Maturity date	2 December 2015	30 December 2015
Redemption option of the convertible bonds holders	Any day after the first anniversary of the issuance date	
Original principal amount (HK$'000)	499,850	1,500,000
Coupon rate	Zero	Zero
Conversion price per ordinary share of the Company (HK$)	0.65	0.65

* As defined in the respective circulars of the Company in connection with issuance of the convertible bonds.

31. CONVERTIBLE BONDS (Continued)

Each batch of these convertible bonds was bifurcated into a liability component and an equity component for accounting purposes, as further described in the accounting policy for "Convertible bonds" set out in note 2.4 to the financial statements. The following tables summarise the movements in the principal amounts, the liability and equity components of the Company's convertible bonds during the years ended 31 December 2012 and 2011:

	Placing Convertible Bonds HK$'000	Convertible Bonds HK$'000	Total HK$'000
Principal amount outstanding			
At 1 January 2011	490,750	1,500,000	1,990,750
Conversion to ordinary shares (note 34(b))	(114,920)	–	(114,920)
Redemption	(11,830)	–	(11,830)
At 31 December 2011 and 1 January 2012	364,000	1,500,000	1,864,000
Redemption	(317,850)	–	(317,850)
At 31 December 2012	46,150	1,500,000	1,546,150
Liability component			
At 1 January 2011	417,956	1,329,920	1,747,876
Transfer to share capital and share premium account upon conversion to ordinary shares (note 34(b))	(98,835)	–	(98,835)
Redemption	(10,400)	–	(10,400)
Imputed interest expense	11,563	32,398	43,961
At 31 December 2011 and 1 January 2012	320,284	1,362,318	1,682,602
Redemption	(282,693)	–	(282,693)
Imputed interest expense	4,366	33,280	37,646
At 31 December 2012	41,957	1,395,598	1,437,555
Equity component (included in the convertible bond equity reserve)			
At 1 January 2011	64,904	168,848	233,752
Transfer to share capital and share premium account upon conversion to ordinary shares (note 34(b))	(15,199)	–	(15,199)
Redemption	(1,564)	–	(1,564)
At 31 December 2011 and 1 January 2012	48,141	168,848	216,989
Redemption	(42,037)	–	(42,037)
At 31 December 2012	6,104	168,848	174,952

31. CONVERTIBLE BONDS (Continued)

Notes:

(a) The Placing Convertible Bonds were issued to certain independent third parties by a placing agent pursuant to a placing agreement dated 25 June 2010 for the purpose of financing future investments in property and logistics business operations in the PRC and providing additional working capital to the Group. Further details of the Placing Convertible Bonds are set out in the Company's circular dated 16 August 2010 and announcements dated 25 June 2010, 29 June 2010, 29 October 2010 and 3 December 2010.

(b) The Convertible Bonds were issued to Beijing Enterprises Group (BVI) Company Limited ("BE Group BVI", a fellow subsidiary of a substantial shareholder of the Company), pursuant to a subscription agreement dated 25 June 2010 for the purpose of financing future investments in the property and logistics business operations and providing additional working capital to the Group. Further details of the Convertible Bonds are set out in the Company's circular dated 16 August 2010 and announcements dated 25 June 2010, 29 June 2010, 29 October 2010 and 31 December 2010.

32. PROVISION FOR LITIGATIONS

	2012	2011
	HK$'000	HK$'000
At 1 January	**–**	–
Transfer from other liabilities	**190,867**	–
Additional provision	**16,489**	–
Exchange realignment	**(266)**	–
At 31 December	**207,090**	–

The provision for litigations as at 31 December 2012 related to a number of litigations brought against Lugang, a subsidiary of the Group, by a bank in Mainland China during the year ended 31 December 2012 in respect of certain overdue bank loans borrowed by a subsidiary of a non-controlling equity holder of Lugang, further details of which are set out in note 37 to the financial statements.

In respect of these litigations, certain investment properties of the Group with an aggregate carrying amount of HK$34,914,000 as at 31 December 2012 were distrained by a district court in Mainland China (note 16(d)).

33. DEFERRED TAX

Net deferred tax assets/(liabilities) recognised in the consolidated statement of financial position are as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Deferred tax assets	**17**	40,809
Deferred tax liabilities	**(66,424)**	(85,168)
	(66,407)	(44,359)

33. DEFERRED TAX (Continued)

The components of deferred tax assets and liabilities and their movements during the year are as follows:

Group

		Attributable to				
	Notes	Fair value adjustments arising from acquisition of subsidiaries HK$'000	Revaluation of properties HK$'000	Withholding taxes HK$'000	Others HK$'000	Net deferred tax assets/ (liabilities) HK$'000
At 1 January 2011		–	–	–	(562)	(562)
Acquisition of subsidiaries	37	(41,872)	(23,722)	–	–	(65,594)
Net deferred tax credited/(charged) to the income statement during the year		–	–	(18,534)	39,493	20,959
Exchange realignment		(63)	(34)	–	935	838
At 31 December 2011 and 1 January 2012		(41,935)	(23,756)	(18,534)	39,866	(44,359)
Net deferred tax credited/(charged) to the income statement during the year		1,107	(1,738)	–	–	(631)
Disposal of subsidiaries		–	–	18,534	(40,158)	(21,624)
Exchange realignment		(61)	(24)	–	292	207
At 31 December 2012		(40,889)	(25,518)	–	–	(66,407)

Notes:

(a) At 31 December 2012, deferred tax assets have not been recognised in respect of unused tax losses of HK$149,086,000 (2011: HK$67,753,000) as they have arisen in the Company and certain subsidiaries that have been loss-making for some time and it is not probable that taxable profits will be available against which such tax losses can be utilised. Out of this amount, unrecognised tax losses of HK$102,368,000 (2011: HK$53,623,000) will expire in one to five years.

(b) Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders (2011: Nil).

34. SHARE CAPITAL

Shares

	Company 2012 HK$'000	Company 2011 HK$'000
Authorised:		
10,000,000,000 ordinary shares of HK$0.10 each	**1,000,000**	1,000,000
Issued and fully paid:		
3,837,788,500 ordinary shares of HK$0.10 each	**383,779**	383,779

A summary of the movements of the Company's issued capital and share premium account during the years ended 31 December 2012 and 2011 is as follows:

	Notes	Number of ordinary shares in issue	Issued capital HK$'000	Share premium account HK$'000	Total HK$'000
At 1 January 2011		3,536,558,500	353,656	554,070	907,726
Issue of consideration shares for a business combination	(a)	124,430,000	12,443	41,062	53,505
Shares issued upon conversion of convertible bonds	(b)	176,800,000	17,680	96,354	114,034
At 31 December 2011 and 1 January 2012		3,837,788,500	383,779	691,486	1,075,265
Reduction of share premium account	36(b)	–	–	(691,486)	(691,486)
At 31 December 2012		3,837,788,500	383,779	–	383,779

Notes:

(a) On 21 November 2011, the Company allotted and issued 124,430,000 new ordinary shares of the Company as part of the consideration for the acquisition of Zhi Jian Limited ("Zhi Jian"), further details of which as set out in note 37.

(b) During the year ended 31 December 2011, certain Placing Convertible Bonds of the Company with an aggregate principal amount of approximately HK$114,920,000 were converted by certain bondholders into a total of 176,800,000 new ordinary shares of the Company at a conversion price of HK$0.65 per share. The difference of approximately HK$96,354,000 between the nominal value of the ordinary shares issued and the aggregate carrying amounts of the liability and equity components of the Placing Convertible Bonds at the dates of conversions was transferred to the Company's share premium account.

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 35 to the financial statements.

35. SHARE OPTION SCHEME

On 18 March 2010, the Company adopted a new share option scheme (the "Scheme") to replace the old share option scheme adopted on 18 June 2002 and, unless otherwise cancelled or amended, the Scheme will remain in force for 10 years from that date. The purpose of the Scheme is to attract and retain the best quality personnel of the Group for the development of the Group's business; to provide additional incentives to employees, officers and directors, contractors, suppliers, advisors and consultants who have contribution to the Group; and to promote the long term financial success of the Group by aligning the interests of option holders to shareholders of the Company. The directors of the Company may, at their discretion, invite employees (including executive directors) and non-executive directors of the Company and any of its subsidiaries, to take up options to subscribe for ordinary shares of the Company at HK$1 per grant of options.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 30% of the ordinary shares of the Company in issue at any time. The total number of ordinary shares of the Company issued and to be issued upon exercise of options (whether exercised or outstanding) in any 12-month period granted to any one person must not exceed 1% of the total number of ordinary shares of the Company in issue.

An option granted under the Scheme is personal to the grantee and shall not be assignable or transferable.

The period during which an option granted under the Scheme may be exercised will be determined by the Board at their discretion, save that no option may be exercised later than 10 years after the grant date. No option may be granted more than 10 years after the date of approval of the Scheme.

The exercise price of the share options is determinable by the board of directors, but may not be less than the highest of (i) the closing price of the Company's ordinary shares on the Stock Exchange on the date of grant, which must be a trading day; (ii) the average closing price of the Company's ordinary shares on the Stock Exchange on the five trading days immediately preceding the date of grant of the option; and (iii) the nominal value of an ordinary share of the Company.

35. SHARE OPTION SCHEME (Continued)

The following share options were outstanding under the Scheme during the year:

	Notes	2012 Weighted average exercise price (HK$ per share)	2012 Number of options '000	2011 Weighted average exercise price (HK$ per share)	2011 Number of options '000
At 1 January		**0.679**	**503,400**	0.820	305,700
Granted during the year	(b)	**0.410**	**302,913**	0.465	200,000
Forfeited during the year		**0.820**	**(800)**	0.820	(2,300)
Cancelled during the year	(c)	**0.820**	**(302,600)**	–	–
At 31 December		**0.432**	**502,913**	0.679	503,400

Notes:

(a) No share options were exercised during the year (2011: Nil).

(b) The share options were granted on 28 October 2011 and 1 June 2012 during the years ended 31 December 2012 and 2011, respectively. The fair values of the options, all vested immediately on the date of grant, were determined at the dates of grant using binomial model and ranged from HK$0.1274 to HK$0.2103 (2011: from HK$0.1452 to HK$0.2440). The following table lists the inputs to the model used:

	Date of grant 1 June 2012	Date of grant 28 October 2011
Grant date share price	HK$0.41	HK$0.465
Exercise price	HK$0.41	HK$0.465
Option life	10 years	10 years
Expected volatility	47.276%	48.360%
Dividend yield	0%	0%
Risk-free interest rate	0.960%	2.270%

The fair values of the options have been arrived at on the basis of a valuation carried out by Greater China Appraisal Limited, independent qualified professional valuers, on the grant date. The variables and assumptions used in computing the fair value of the share options are based on the management's best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

The expected volatility was determined by using the average annualised standard deviations of the continuously compounded rates of return of share prices of comparable companies with principal business in property development as of the valuation dates quoted by Bloomberg.

The Group recognised equity-settled share option expense of HK$43,073,000 (2011: HK$35,462,000) during the year ended 31 December 2012.

(c) Pursuant to a resolution passed by the Company's directors at the board meeting held on 1 June 2012, the share options granted in 2010 (the "2010 Share Options") were cancelled. The cancellation of the 2010 Share Options was completed on 31 July 2012 and the amount of HK$85,768,000 standing to the credit of share option reserve of the Company in respect of these share options was reclassified to the accumulated losses of the Company.

35. SHARE OPTION SCHEME (Continued)

Notes: (Continued)

(d) The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2012

Number of options '000	Exercise price* (HK$ per share)	Exercise period**
200,000	**0.465**	**28–10–2011 to 27–10–2021**
302,913	**0.410**	**1–6–2012 to 31–5–2022**
502,913		

2011

Number of options '000	Exercise price* (HK$ per share)	Exercise period**
283,600	0.820	8–4–2010 to 7–4–2020
6,000	0.808	27–4–2010 to 26–4–2020
11,400	0.820	11–5–2010 to 10–5–2020
2,400	0.820	17–6–2010 to 16–6–2020
200,000	0.465	28–10–2011 to 27–10–2021
503,400		

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

** The share options have no vesting period.

(e) At 31 December 2012, the Company had 502,913,100 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 502,913,100 additional ordinary shares of the Company and additional share capital of HK$50,291,000 and share premium of HK$166,903,000 (before issue expenses and without taking into account any transfer of share option reserve to share premium account).

Subsequent to the end of the reporting period, on 9 January 2013, 300,000 share options were exercised at the exercise price of HK$0.41 per share by an employee of the Group. At the date of approval of these financial statements, the Company had 502,613,100 share options outstanding under the Scheme, which represented approximately 10.6% of the Company's shares as at that date.

36. RESERVES

(a) Group

(i) The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

(ii) The share option reserve of the Group and the Company comprises the fair value of share options granted which are yet to exercise, as further explained in the accounting policy for the "Share-based payments" in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits/accumulated losses should the related options expire or be forfeited.

36. RESERVES (Continued)

(a) Group (Continued)

(iii) The PRC reserve funds are reserves set aside in accordance with the PRC Companies Law or the Law of the PRC on Joint Ventures Using Chinese and Foreign Investment as applicable to the Group's subsidiaries, a jointly-controlled entity and associates established in Mainland China. None of the Group's PRC reserve funds as at 31 December 2012 were distributable in the form of cash dividends.

(b) Company

	Notes	Share premium account HK$'000 (note 34)	Contributed surplus HK$'000	Share option reserve HK$'000	Convertible bond equity reserve HK$'000 (note 31)	Exchange fluctuation reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Total equity HK$'000
At 1 January 2011		554,070	75,130	86,533	233,752	14,487	(408,490)	555,482
Loss for the year		–	–	–	–	–	(123,679)	(123,679)
Other comprehensive income for the year								
— Exchange differences on translation		–	–	–	–	53,497	–	53,497
Total comprehensive loss for the year		–	–	–	–	53,497	(123,679)	(70,182)
Conversion of convertible bonds	31, 34(b)	96,354	–	–	(15,199)	–	–	81,155
Acquisition of subsidiaries	34(a), 37	41,062	–	–	–	–	–	41,062
Equity-settled share option arrangements	35(b)	–	–	35,462	–	–	–	35,462
Transfer of share option reserve due to resignation of staff and a consultant		–	–	(585)	–	–	585	–
Transfer of equity component of convertible bonds upon early redemption of convertible bonds	31	–	–	–	(1,564)	–	1,564	–
At 31 December 2011 and 1 January 2012		691,486	75,130	121,410	216,989	67,984	(530,020)	642,979
Profit for the year		–	–	–	–	–	142,337	142,337
Other comprehensive loss for the year								
— Exchange differences on translation		–	–	–	–	(1,433)	–	(1,433)
Total comprehensive income for the year		–	–	–	–	(1,433)	142,337	140,904
Equity-settled share option arrangements	35(b)	–	–	43,073	–	–	–	43,073
Transfer of share option reserve due to resignation of staff and a consultant		–	–	(180)	–	–	180	–
Transfer of share option reserve due to cancellation	35(c)	–	–	(85,768)	–	–	85,768	–
Transfer of equity component of convertible bonds upon early redemption of convertible bonds	31	–	–	–	(42,037)	–	42,037	–
Reduction of share premium account (note)		(691,486)	348,750	–	–	–	342,736	–
At 31 December 2012		**–**	**423,880**	**78,535**	**174,952**	**66,551**	**83,038**	**826,956**

Note: Pursuant to a special resolution passed by the Company's shareholders at the annual general meeting on 29 June 2012, the entire amount of HK$691,486,000 standing to the credit of share premium account of the Company on 2 July 2012 was reduced to nil, with the credit arising therefrom being applied towards the then entire balance of the accumulated losses of the Company of HK$342,736,000 and the remaining balance of HK$348,750,000 being credited to the contributed surplus account of the Company. Further details of the aforesaid reduction in the share premium account of the Company are set out in the Company's announcement and circular dated 23 May 2012 and 31 May 2012, respectively.

37. BUSINESS COMBINATION

Pursuant to an acquisition agreement entered into between the Company and a subsidiary of a substantial shareholder of the Company on 25 July 2011, the Company acquired 100% equity interest in Zhi Jian at a total consideration of HK$132,506,000, which was payable as to HK$79,001,000 in cash and as to the balance of HK$53,505,000 by way of issuance of 124,430,000 new ordinary shares of the Company at the closing price of HK$0.43 per share on the completion date. The purchase consideration was fully settled on 21 November 2011 and the transaction was completed on the same date.

Zhi Jian and its subsidiaries (collectively the "Zhi Jian Group") are principally engaged in the leasing of warehouse facilities and provision of management services at Chaoyang Island Port in Beijing and the acquisition transaction was accounted for as a business combination in accordance with HKFRS 3. The aforesaid transaction also constitutes a major and connected transaction as defined in Chapters 14 and 14A of the Listing Rules.

As disclosed in the shareholders' circular of the Company dated 25 October 2011 for the acquisition of Zhi Jian and in the consolidated financial statements of the Group for the year ended 31 December 2011 (the "2011 Consolidated FS"), the Zhi Jian Group had certain contingent liabilities (the "Zhi Jian Group Contingent Liabilities") arising from a reorganisation (the "Reorganisation") undertaken by certain investors for the establishment of Lugang, a 88.24% subsidiary of Zhi Jian, in 2001. Pursuant to the Reorganisation, inter alia, an investor (the "Lugang MI", being currently a non-controlling equity holder of Lugang) injected certain assets and liabilities of its subsidiary (the "Lugang MI Subsidiary") into Lugang as its capital contribution to Lugang while certain bank loans with an aggregate outstanding principal amount of RMB47,700,000 (the "Bank Loans") borrowed by the Lugang MI Subsidiary from a bank in Mainland China (the "Bank") were not taken up by Lugang. Based on the information available to the Group, the Bank Loans had been overdue and remained unsettled as at the date of acquisition and 31 December 2011. Owing to the defects in the Reorganisation, the Bank might require Lugang to assume the repayment obligations in respect of the Bank Loans should the Lugang MI Subsidiary and the Lugang MI (being the guarantor for the Bank Loans) be unable to settle the Bank Loans, related interests and overdue penalties. The Zhi Jian Group Contingent Liabilities were not recognised as part of the identifiable liabilities for the acquisition of Zhi Jian in the preparation of the 2011 Consolidated FS as the fair value of the contingent liabilities could not be reliably measured, by reasons of uncertainties as to whether the Bank would sue Lugang and the amount and timing of the potential cash outflow, if any.

However, in May 2012, legal proceedings (the "Legal Proceedings") were brought by the Bank against the Lugang MI Subsidiary as the first defendant and Lugang as the second defendant, for the repayment obligations in respect of the overdue Bank Loans. The total amount of claims made by the Bank amounted to RMB154,331,000, comprising loan principal amounts of RMB47,700,000, and related interests and overdue penalties of RMB106,631,000 as of 20 December 2011. Based on the PRC legal advice obtained by the Group, it is probable that Lugang will be required to assume the repayment obligations of the Bank Loans under the Legal Proceedings. On account of the aforesaid new information obtained about the Zhi Jian Group Contingent Liabilities that existed as of the date of acquisition of Zhi Jian, the Group retrospectively remeasured the business combination of the Zhi Jian Group within the measurement period in accordance with HKFRS 3 by including the Zhi Jian Group Contingent Liabilities as additional identifiable liabilities assumed by the Group in the acquisition. The effects of the remeasurement of the business combination of the Zhi Jian Group on the 2011 Consolidated FS are summarised as below:

- each of the profit for the year and the profit for the year from continuing operations was decreased by HK$6,666,000, as a result of a decrease of HK$4,888,000 in a gain on bargain purchase of subsidiaries and an increase of HK$1,778,000 in other expenses recognised in the income statement for additional contingent liabilities on interests and penalties in respect of the Bank Loans between the date of acquisition and 31 December 2011. HK$6,350,000 and HK$316,000 of the decrease in profit for the year and profit for the year from continuing operations were attributable to shareholders of the Company and non-controlling interests, respectively;

37. BUSINESS COMBINATION (Continued)

- other comprehensive income for the year was decreased by HK$897,000, as a result of a decrease in exchange differences on translation of foreign operations. HK$736,000 and HK$161,000 of the decrease in other comprehensive income were attributable to shareholders of the Company and non-controlling interests, respectively;

- goodwill, other liabilities and accumulated losses carried in the consolidated statement of financial position as at 31 December 2011 were increased by HK$149,881,000, HK$190,867,000 and HK$6,350,000, respectively;

- exchange fluctuation reserve and non-controlling interests carried in the consolidated statement of financial position as at 31 December 2011 were decreased by HK$736,000 and HK$33,900,000, respectively; and

- each of the basic earnings per share and diluted earnings per share attributable to shareholders of the Company for profit for the year and profit for the year from continuing operations was decreased by HK0.17 cents and HK0.10 cents, respectively.

During the current year, the Zhi Jian Group Contingent Liabilities were reclassified from "Other liabilities" to "Provision for litigations" at its then carrying amount of RMB154,735,000 (equivalent to HK$190,867,000) in the consolidated statement of financial position when the Legal Proceedings were brought against Lugang in May 2012. As at 31 December 2012, the provision for litigations in respect of the Legal Proceedings carried in the consolidated statement of financial position amounted to RMB168,151,000 (equivalent to HK$207,090,000), of which RMB13,416,000 (equivalent to HK$16,489,000) was recognised in the income statement during the current year (note 32).

37. BUSINESS COMBINATION (Continued)

The fair values of the identifiable assets and liabilities of the Zhi Jian Group as at the date of acquisition, as restated for the remeasurement of the business combination of the Zhi Jian Group, were as follows:

	Notes	**2012 HK$'000**	2011 HK$'000 (Restated) (note (a))
Net assets acquired:			
Property, plant and equipment	15	–	14,509
Investment properties	16	–	162,945
Prepaid land lease payments	17	–	251,991
Investments in associates		–	54,726
Trade receivables		–	506
Prepayments, deposits and other receivables		–	64
Cash and bank balances		–	17,707
Trade payables		–	(464)
Other payables and accruals		–	(71,127)
Income tax payables		–	(277)
Bank and other borrowings		–	(197,916)
Other liabilities		–	(188,192)
Deferred tax liabilities	33	–	(65,594)
Non-controlling interests		–	3,747
		–	(17,375)
Goodwill on acquisition	18	–	149,881
		–	132,506
Satisfied by:			
Cash		–	79,001
Issue of ordinary shares	34(a)	–	53,505
		–	132,506
Loss for the year since acquisition		–	1,510

37. BUSINESS COMBINATION (Continued)

An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:

	2012 **HK$'000**	2011 HK$'000 (Restated)
Cash consideration	–	(79,001)
Cash and bank balances acquired	–	17,707
Net outflow of cash and cash equivalents included in cash flows from investing activities	–	(61,294)
Transaction costs of acquisition included in cash flows from operating activities	–	(1,115)
Net outflow of cash and cash equivalent in respect of the acquisition of subsidiaries	–	(62,409)

Notes:

(a) Except for the property, plant and equipment, prepaid land lease payments and investments in associates with aggregate carrying amounts immediately before the acquisitions of HK$15,785,000, HK$83,227,000 and HK$50,160,000, respectively, the fair value of the identifiable assets and liabilities of the Zhi Jian Group as at the date of acquisition have no significant differences from their respective carrying amounts.

(b) Had the combination taken place at the beginning of 2011, the Group's profit would have been HK$655,329,000 (as restated), and the Group's revenue (turnover and other income and gains, net) would have been HK$1,903,228,000 (as restated).

38. DISPOSAL OF SUBSIDIARIES

	Notes	2012 HK$'000 (note (a))	2011 HK$'000
Net assets disposed of:			
Property, plant and equipment	15	**1,400**	7,228
Investment properties	16	**–**	500
Deferred tax assets		**40,307**	–
Inventories		**52**	4,222
Properties held for sale		**115,151**	–
Trade receivables		**13,632**	6,322
Prepayments, deposits and other receivables		**239,005**	20,737
Loan receivables		**–**	61,032
Due from related companies		**160,064**	–
Cash and bank balances		**330,233**	4,279
Trade payables		**(80,290)**	(11,694)
Other payables and accruals		**(89,464)**	(26,464)
Income tax payables		**(227,978)**	–
Bank and other borrowings		**(5,726)**	–
Deferred tax liabilities		**(18,683)**	–
Non-controlling interests		**(201,372)**	–
		276,331	66,162
Exchange fluctuation reserve realised		**(9,653)**	(21,251)
Professional costs for the disposal of interests in subsidiaries		**285**	116
Gain/(loss) on disposal of interests in subsidiaries		**35,272**	(27)
Gain on disposal of a discontinued operation	12	**12,901**	–
		315,136	45,000
Satisfied by cash		**315,136**	45,000

38. DISPOSAL OF SUBSIDIARIES (Continued)

An analysis of the cash flows in respect of the disposal of subsidiaries is as follows:

	2012 HK$'000	2011 HK$'000
Cash consideration	**315,136**	45,000
Consideration satisfied by offsetting current account (note 39(i))	**(222,428)**	–
Cash consideration received in advance in prior period (note (i))	**(9,268)**	–
Cash and bank balances disposed of	**(330,233)**	(4,279)
Professional costs associated with disposal of interests in subsidiaries	**(285)**	(116)
Net inflow/(outflow) of cash and cash equivalents in respect of the disposal of subsidiaries	**(247,078)**	40,605

Note: During the year ended 31 December 2012, the Group had the following transactions for the disposal of subsidiaries:

(i) Pursuant to a sale and purchase agreement dated 8 December 2011, the Company disposed of its entire interest in Zenna (together with its subsidiaries referred to as the "Zenna Group") to an independent third party at a cash consideration of RMB251,710,000 (equivalent to HK$310,136,000). The consideration of RMB7,000,000 (equivalent to HK$9,268,000) was received by the Group during the year ended 31 December 2011 and was included in other payables and accruals as at 31 December 2011. Zenna Group is principally engaged in the development of residential properties in Mainland China. The transaction was completed on 16 March 2012.

(ii) As detailed in note 12 to the financial statements, the Company disposed of its entire equity interest in New Radiant to an independent third party on 31 May 2012 at a cash consideration of HK$5,000,000.

39. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transactions

Apart from the transaction detailed in note 34(b) to the financial statements, the Group had the following major non-cash transactions of investing activities during the years ended 31 December 2012 and 2011:

Year ended 31 December 2012

(i) Pursuant to a deed of setoff entered into between the Company, BHL Consulting, Jingtai Tongcheng and the purchaser of Zenna, part of the cash consideration of RMB180,000,000 (equivalent to HK$222,428,000) receivable from the purchaser in respect of the disposal of Zenna Group was offset against the current accounts between the parties; and

(ii) Settlement of certain unsecured loans from a third party of the Company and a shareholder of the Company, and the refund of a deposit for the acquisition of land use right of HK$47,745,000, HK$47,745,000 and HK$103,449,000, respectively, were received by the jointly-controlled entity on behalf of the Group.

Year ended 31 December 2011

Part of the consideration of HK$53,505,000 for the acquisition of the Zhi Jian Group was settled by way of the issue and allotment of 124,430,000 new ordinary shares of the Company, further details of which are set out in note 37 to the financial statements.

40. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
		(Restated)
Guarantees given to banks in respect of mortgage facilities for certain purchasers of the Group's properties (note)	**–**	40,891

Note: During the year ended 31 December 2011, the Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principal together with the accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal titles and possession of the related properties. The Group's guarantee period starts from the date of grant of the relevant mortgage loans and ends upon issuance of real estate ownership certificates which will generally be available within a certain period after the purchasers take possession of the relevant properties.

The fair value of the guarantees is not significant and the directors of the Group considered that in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principal together with the accrued interest and penalty and therefore no provision has been made in these financial statements for the guarantees.

At 31 December 2012, the Company did not have any significant contingent liabilities (2011: Nil).

41. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties under operating lease arrangements, with the leases negotiated for terms ranging from 1 to 10 years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 December 2012, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Within one year	**2,583**	352
In the second to fifth years, inclusive	**5,018**	288
After five years	**131**	179
	7,732	819

At 31 December 2012, the Company did not have any operating lease arrangement as lessor (2011: Nil).

41. OPERATING LEASE ARRANGEMENTS (Continued)

(b) As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from 1 to 3 years.

At 31 December 2012, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Within one year	**1,713**	414
In the second to fifth years, inclusive	**2,930**	1,551
	4,643	1,965

At 31 December 2012, the Company did not have any operating lease arrangement as lessee (2011: Nil).

42. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 41(b) above, the Group had the following capital commitments as at the end of the reporting period:

	Group	
	2012	2011
	HK$'000	HK$'000
Contracted, but not provided for:		
Capital contribution to a jointly-controlled entity	**960,625**	1,282,842
Acquisition of a jointly-controlled entity	**47,156**	–
Total capital commitments	**1,007,781**	1,282,842

At 31 December 2012, the Company did not have any significant capital commitment (2011: Nil).

43. RELATED PARTY DISCLOSURES

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

		Group	
		2012	2011
	Notes	**HK$'000**	HK$'000
Rental income received from an associate of a substantial shareholder of the Company	(i)	**2,371**	166
Interest income received or receivable from:			
A jointly-controlled entity	(ii)	**23,595**	–
A shareholder of the Company	(ii)	**–**	836
Rental expense paid or payable to a substantial shareholder of the Company	(iii)	**1,771**	946
Interest expense paid or payable to:			
Non-controlling equity holders of a subsidiary	(iv)	**410**	34
Fellow subsidiaries	(iv)	**6,517**	400

Notes:

(i) The rental income related to the lease of warehouse, platform office and office by the Group to an associate of a substantial shareholder of the Company for its business activities. The rental income was determined by reference to the prevailing market rentals at the time when the rental agreements were entered into. These transactions also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules and are subject to the reporting and announcement requirements and are exempted from independent shareholders' approval requirement under the Listing Rules. Further details of these transactions are set out in the Company's announcement dated 31 December 2012.

(ii) The interest income was charged on bank entrusted loans advanced to a jointly-controlled entity and a shareholder of the Company at mutually-agreed rates.

(iii) The rental expense related to the rent of an office located in Beijing from a substantial shareholder of the Company. The rental expense was determined by reference to the prevailing market rentals at the time when the rental agreements entered into. These transactions also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules and are subject to the reporting and announcement requirements and are exempted from independent shareholders' approval requirement under the Listing Rules. Further details of these transactions are set out in the Company's announcement dated 17 April 2012.

(iv) The interest expenses were charged based on the interest rates mutually agreed by the relevant parties.

43. RELATED PARTY DISCLOSURES (Continued)

(b) Save as disclosed above and the transactions and balances detailed in notes 20, 26 and 31 to the financial statements, the Group had no material transactions and outstanding balances with related parties during the years ended 31 December 2012 and 2011.

(c) Compensation of key management personnel of the Group:

	2012 HK$'000	2011 HK$'000
Short term employee benefits	**14,613**	20,933
Pension scheme contributions	**–**	12
Total compensation paid to key management personnel	**14,613**	20,945

Further details of directors' emoluments are included in note 9 to the financial statements.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank and other borrowings, convertible bonds and cash and bank balances. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables, deposits and other receivables, trade payables, other payables and amounts due from/to a jointly-controlled entity and related parties.

It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's borrowings with floating interest rates. The Group's exposure to market risk arising from changes in interest rates in respect of cash and cash equivalents is considered relatively minimal.

At 31 December 2012, no interest-bearing borrowing bear interest at floating rates.

At 31 December 2011, approximately HK$2,477,000 of the Group's interest-bearing borrowings bore interest at floating rates.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Interest rate risk (Continued)

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) during the year ended 31 December 2011:

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax HK$'000	Increase/ (decrease) in equity HK$'000
Year ended 31 December 2011	100	(25)	(25)
Year ended 31 December 2011	(100)	25	25

Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. As a result of its significant investment operations in Mainland China, the Group's statement of financial position can be affected significantly by movements in the RMB/HK$ exchange rate.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in RMB/HK$ exchange rate, with all other variables held constant, of the Group's profit/(loss) before tax.

At 31 December 2012

	Increase/ (decrease) in loss before tax HK$'000
If Hong Kong dollar weakens against RMB by 5%	**2,547**
If Hong Kong dollar strengthens against RMB by 5%	**(2,547)**

At 31 December 2011

	Increase/ (decrease) in profit before tax HK$'000
If Hong Kong dollar weakens against RMB by 5%	28,942
If Hong Kong dollar strengthens against RMB by 5%	(28,942)

The Group has minimal transactional currency exposure which arises from sales or purchases by an operating unit in currencies other than the unit's functional currency.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

The credit risk of the Group's other financial assets, which comprise amounts due from a jointly-controlled entity and related parties, deposits and other receivables and cash and bank balances, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Over 90% of the Group's customers and operations are located in Mainland China. Concentrations of credit risk are managed by industry sector and by customer.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 24 to the financial statements.

Liquidity risk

The Group's objective is to maintain a balance between the continuity of funding and flexibility through the use of bank and other borrowings and convertible bonds. In addition, banking facilities have been put in place for contingency purposes.

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of short term loans to cover expected cash demands, subject to approval by management of the Group. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenant, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

At 31 December 2012

	On demand HK$'000	Within 1 year HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 3 years HK$'000	Total HK$'000
Trade payables	–	228	–	–	228
Other payables	–	2,147	–	–	2,147
Due to a jointly-controlled entity	–	3,198	–	–	3,198
Due to related parties	138,907	–	–	–	138,907
Other loans	37,794	24,872	49,978	–	112,644
Convertible bonds	1,437,555	–	–	–	1,437,555
Provision for litigations	207,090	–	–	–	207,090
	1,821,346	30,445	49,978	–	1,901,769

At 31 December 2011

	On demand HK$'000	Within 1 year HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 3 years HK$'000	Total HK$'000
Trade payables	–	121,426	–	–	121,426
Other payables	–	15,334	–	–	15,334
Due to related parties	144,242	10,866	–	–	155,108
Bank loans	–	2,508	–	–	2,508
Other loans	40,107	13,883	22,219	165,085	241,294
Convertible bonds	1,682,602	–	–	–	1,682,602
Other liabilities	190,867	–	–	–	190,867
	2,057,818	164,017	22,219	165,085	2,409,139

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2012 and 2011.

Depending on the market conditions and funding arrangements, if at any time repurchase of the Company's shares will lead to an enhancement of the net asset value per share and/or earnings per share of the Group, the directors will authorise such transactions.

The Group monitors capital using a gearing ratio, which is total borrowings divided by total assets. Total borrowings are calculated as total bank and other borrowings and convertible bonds. The gearing ratio as at the end of the reporting period was as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
		(Restated)
Total borrowings	**1,504,561**	1,887,051
Total assets	**3,092,269**	4,212,555
Gearing ratio	**49%**	45%

45. FINANCIAL INSTRUMENTS BY CATEGORY

All financial assets and liabilities of the Group and the Company as at 31 December 2012 and 2011 were loans and receivables and financial liabilities stated at amortised cost, respectively.

46. EVENTS AFTER THE REPORTING PERIOD

(a) Acquisition of a land use right in Quzhou City

On 16 January 2013, Quzhou Tongcheng, an indirectly wholly-owned subsidiary of the Company, made a successful bid for the land use rights in Quzhou City, Zhejiang Province, the PRC (the "Site") through an open tender auction organised and held by the Quzhou City Public Resources Exchange Center ("QPREC"). Pursuant to the bid confirmation entered into between The Kecheng Branch of the Bureau of Land and Resources of the Quzhou City (the "Vendor") and Quzhou Tongcheng on the same date, both parties, among others, confirmed that (i) Quzhou Tongcheng has been awarded the right to acquire the land use right in respect of the Site; and (ii) the total consideration for the acquisition of the Site amounted to RMB15,401,100. The Site is located at Section No. 2012–3 Jiang Jia Shan, Kecheng District, Quzhou City, Zhejiang Province, PRC with an area of approximately 57,041 square metres and is allowed for warehouse development with a land use right of 50 years.

(b) Completion of the acquisition of an additional 24% equity interests in a jointly-controlled entity

On 18 February 2013, the Group completed the acquisition of an additional 24% equity interests in BIPL from Hutchison Ports Beijing Limited ("Hutchison", a joint venture party of BIPL) for a cash consideration of HK$47,156,000 pursuant to an equity transfer agreement dated 24 December 2012 entered into between the Group, BIPL, Hutchison and 嘉里物流(中國)投資有限公司.

After completion of the transaction, the Group's equity interest in BIPL was increased from 52% to 76%.

(c) Acquisition of logistics companies in Tianjin

On 6 March 2013, the Company entered into a framework agreement with two third parties (the "Tianjin JVs Vendors"), pursuant to which the Company has conditionally agreed to purchase and the Tianjin JVs Vendors have conditionally agreed to sell the following assets for a total consideration of RMB134,455,767:

(i) the entire equity interest in Hong Kong High Broad International Investment Group Limited ("High Broad"), which holds 33.93% equity interest in 天津萬士隆物流(天津)有限公司 ("WSL Logistics");

(ii) the 70% equity interest in Hong Kong High Church Group Limited ("High Church") and 70% shareholder's loans owned by High Church; and

(iii) the 36.07% equity interest in WSL Logistics.

As at the date of approval of these financial statements, the transaction has not been completed.

Further details of acquisition are set out in the Company's announcement on 6 March 2013.

46. EVENTS AFTER THE REPORTING PERIOD (Continued)

(d) Realignment of the relevant investment and business by the ultimate shareholder of the Company

(i) on 22 January 2013, the Company received transfer documents from BE Group BVI in respect of the transfer of the Convertible Bonds issued by the Company on 31 December 2010 with the principal amount of HK$1,500,000,000 to BE Real Estate HK, a directly wholly-owned subsidiary of 北京北控置業有限責任公司 ("BE Real Estate");

(ii) on 24 January 2013, the Company received conversion notice from BE Real Estate HK in respect of the partial conversion of the Convertible Bonds in the principal amount of HK$586,950,000 on 24 January 2013 and the Company has allotted and issued a total of 903,000,000 new shares to BE Real Estate HK on 25 January 2013;

(iii) on 14 March 2013, the Company has been informed by Brilliant Bright Holdings Limited ("Brilliant Bright", the controlling shareholder of the Company which holds 32.86% equity interest of the Company) in respect of the transfer of its entire equity interest by Beijing Holdings Limited, the then holding company of Brilliant Bright to BE Real Estate HK. Upon completion of the transfer, Brilliant Bright became a wholly-owned subsidiary of BE Real Estate HK.

After the completion of the above restructuring, Beijing Enterprises Group holds approximately 54.11% equity interest in the Company indirectly through BE Real Estate and BE Real Estate HK.

47. COMPARATIVE AMOUNTS

As a result of the discontinuance of the gardening business and the remeasurement of a business combination in 2011 as further detailed in notes 12 and 37, respectively, certain comparative amounts have been restated and reclassified. In addition, certain comparative amounts have been reclassified to conform to the current year's presentation. Accordingly, third consolidated and company statements of financial position as at 1 January 2011 have been presented and the comparative consolidated income statement has been re-presented as if the gardening business discontinued during the current year had been discontinued at the beginning of the comparative period.

48. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 March 2013.

PARTICULARS OF PROPERTIES

31 December 2012

INVESTMENT PROPERTIES

Location	Use	Tenure	Attributable interest of the Group
No. A1 Dongsihuan Nanlu, Chaoyang District, Beijing, PRC	Warehouse	Medium term lease	82.24%

FIVE YEAR FINANCIAL SUMMARY

31 December 2012

A summary of the results and of the assets, liabilities and total equity of the Group for the last five financial years, as extracted from the published annual report and audited financial statements and restated is set out below:

RESULTS

	Year ended 31 December				
	2012 HK$'000	2011 HK$'000 (Restated)	2010 HK$'000	2009 HK$'000	2008 HK$'000
RESULTS					
CONTINUING OPERATIONS					
REVENUE	**11,007**	1,540,538	–	–	–
Profit/(loss) before tax from continuing operations	**(113,395)**	510,259	(116,966)	(18,277)	(88,795)
Income tax	**(632)**	(250,785)	–	–	–
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	**(114,027)**	259,474	(116,966)	(18,277)	(88,795)
DISCONTINUED OPERATION					
Profit/(loss) for the year from discontinued operation	**5,674**	(1,384)	(37,416)	(4,191)	(20,027)
Profit/(loss) for the year	**(108,353)**	258,090	(154,382)	(22,468)	(108,822)
Attributable to:					
Shareholders of the Company	**(97,769)**	114,594	(152,753)	(22,468)	(108,822)
Non-controlling interests	**(10,584)**	143,496	(1,629)	–	–
	(108,353)	258,090	(154,382)	(22,468)	(108,822)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	2012 HK$'000	2011 HK$'000 (Restated)	2010 HK$'000	2009 HK$'000	2008 HK$'000
TOTAL ASSETS	**3,092,269**	4,212,155	4,134,256	641,314	393,498
TOTAL LIABILITIES	**(1,950,857)**	(2,786,838)	(3,199,754)	(62,373)	(309,225)
NET ASSETS	**1,141,412**	1,425,317	934,502	578,941	84,273
Equity attributable to:					
Shareholders of the Company	**1,156,867**	1,226,589	882,869	578,941	84,273
Non-controlling interests	**(15,455)**	198,728	51,633	–	–
	1,141,412	1,425,317	934,502	578,941	84,273