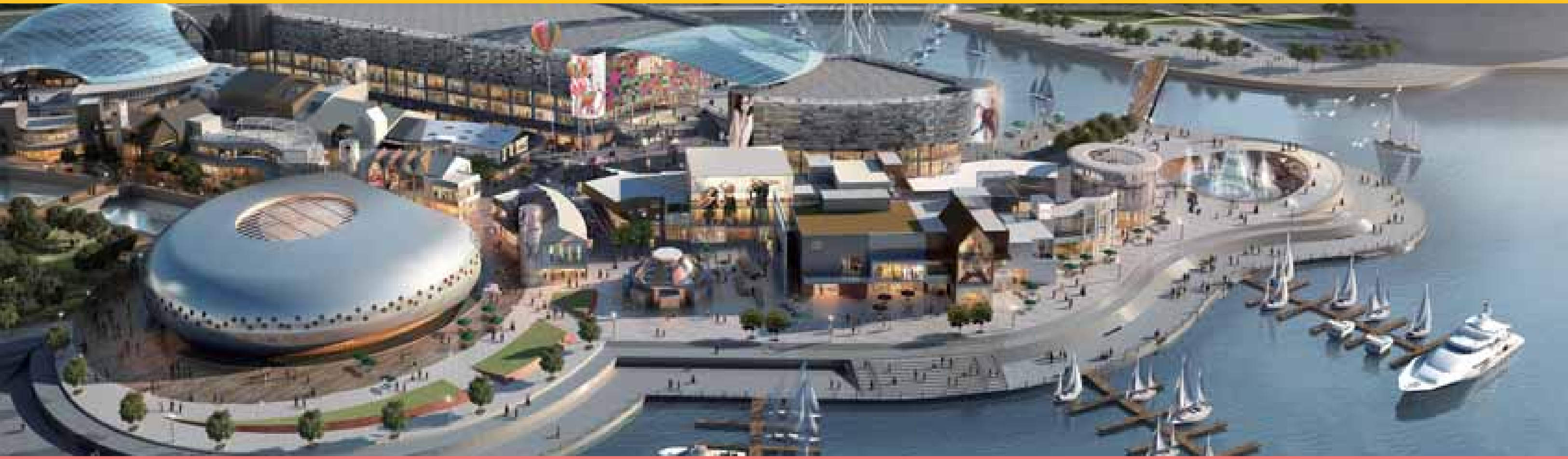
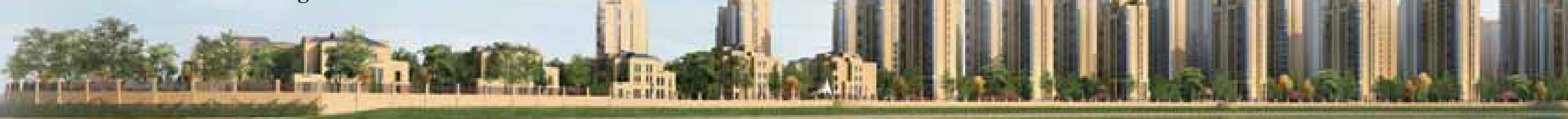


ANNUAL REPORT 2012

CARNIVAL GROUP
INTERNATIONAL

Carnival Group International Holdings Limited



Stock Code : 00996

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

King Pak Fu *(Chairman)*
Wang Xiong *(Vice Chairman)*
Gong Xiao Cheng
Hon Ming Sang
Liu Jian

Independent Non-executive Directors

Chan Wai Yip Freeman
Ng Ka Chung Simon
Leung Po Ying Iris

AUDIT COMMITTEE

Chan Wai Yip Freeman *(Chairman)*
Ng Ka Chung Simon
Leung Po Ying Iris

REMUNERATION COMMITTEE

Chan Wai Yip Freeman *(Chairman)*
Ng Ka Chung Simon
Leung Po Ying Iris

NOMINATION COMMITTEE

Chan Wai Yip Freeman *(Chairman)*
Ng Ka Chung Simon
Hon Ming Sang

COMPANY SECRETARY

Chan Yuen Ying, Stella

AUTHORISED REPRESENTATIVES

King Pak Fu
Chan Yuen Ying, Stella

LEGAL ADVISOR

Minter Ellison

AUDITORS

HLB Hodgson Impey Cheng Limited
Chartered Accountants
Certified Public Accountants

REGISTERED OFFICE

Clarendon House, 2 Church Street
Hamilton HM11, Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Units 4402-03, 44/F
COSCO Tower
183 Queen’s Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

HSBC Securities Services (Bermuda) Limited
6 Front Street
Hamilton HM 11
PO Box HM1020
Hamilton HM DX, Bermuda

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Standard Limited
26/F Tesbury Centre
28 Queen’s Road East
Wanchai, Hong Kong

PRINCIPAL BANKERS

The Bank of East Asia Limited
Standard Chartered Bank (Hong Kong) Limited

STOCK CODE

996

WEBSITE

www.0996.com.hk

Chairman's Statement

On behalf of the board (the "Board") of directors (the "Directors", each a "Director") of Carnival Group International Holdings Limited (formerly known as Oriental Ginza Holdings Limited) (the "Company"), I take pleasure to present the annual results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2012.

For the financial year ended 31 December 2012, the Group recorded a consolidated net loss of approximately HK$351.9 million as compared to the net loss of approximately HK$77.5 million for the last corresponding year. The substantial increase in net loss was due to (i) loss on early redemption of promissory notes of approximately HK$199.7 million; (ii) increase in imputed finance costs of approximately HK$162.1 million; and (iii) increase in other operating expenses of approximately HK$130.9 million, which was partly offset by the gain on disposal of subsidiaries of approximately HK$195.6 million.

Apart from a very substantial acquisition of a large scale properties development and investment project in Qingdao, the PRC in 2011, the Group invested in a property development project in Chengdu in 2012. The project is located at an excellent location, at the south-eastern part of Tianfu New District of Chengdu in which Sichuan Provincial Government has in principal agreed to develop the Tianfu New District. According to the professional services firm specialising in real estate services, Chengdu Hi-tech District will accelerate the construction within Tianfu New District with an investment of RMB65 billion. In the view of the existing and planned development of the Tianfu New District and the business opportunity associated therewith, we believe that the future demand for high-end residential and commercial space will continue to have a robust growth. On the other hand, the Group entered into a sales and purchase agreement for the disposal of subsidiaries operating in property investment business in Chongqing and Shenyang in March and April 2012 respectively to reallocate the Group's resources and to increase the liquidity of the Group.

Our retail-related consultancy and management services faced great challenges in years 2010 and 2011. Operating tenants experienced difficulties in their business operations. As large number of commercial centre service companies operates in Beijing in recent years, it triggered a keen competition among rivals. In addition, clients became reluctant either to renew or enter into new service contracts with us. We expect the general performance in this area of our business operation will continue to be tough in the coming years and therefore the Group entered into a sale and purchase agreement with an independent third party to dispose of the subsidiaries which were principally engaged in the provision of retail-related consultancy and management services in Beijing, the PRC in March 2012. In the coming years, our retail-related consultancy and management services will be focused on our properties investment and development projects in Qingdao and Chengdu.

The Group first became engaged in the business of gasoline and diesel after it had completed the acquisition of 51% of the equity interest in Wide Merit Limited in 2011. Notwithstanding that the Group is optimistic to the high clean unleaded gasoline and diesel business in the long run due to the rapid urbanisation and the increasing environmental awareness in the PRC, the time and effort for managing business was found to be much more demanding than expected. Therefore, the Group decided to dispose of the business and completed the disposal in February 2012.

Chairman's Statement

In spite of worldwide economic uncertainties, the Group is still confident with the PRC property market in tourist city in the long run as it is supported by strong demand driven by the rapid urbanisation, expectation for improving the living standard of the PRC population and flourishing tourism business of the PRC. The Group has been actively exploring investment opportunities in the PRC property market in tourist city for diversifying its portfolio into different provinces in the PRC and improving the profitability of the Group.

Taking this opportunity, I would like to express my sincere gratitude to our shareholders and business partners for their invaluable support to the Group. I am also grateful for our Directors, senior management and staff for their dedicated service and contributions.

King Pak Fu
Chairman

Hong Kong, 28 March 2013

Management Discussion and Analysis

CORPORATE OVERVIEW

The principal businesses of the Group are (i) property development and investment; (ii) trading and investment; and (iii) retail-related consultancy and management services business.

Acquisition of Subsidiaries

On 13 July 2012, Easy Linkage Development Limited ("Easy Linkage"), a direct wholly-owned subsidiary of the Company, Mr. King Pak Fu, a substantial shareholder of the Company, Glory Merit International Holdings Limited ("Glory Merit"), and Sino Ever Investment Limited ("Sino Ever"), entered into a shares subscription agreement for (i) the subscription by Easy Linkage of 100 ordinary shares of US$1.00 each in the share capital of Sino Ever; (ii) the conversion by Glory Merit of 1 ordinary share of Sino Ever into 1 non-voting deferred share; and (iii) the assignment by Glory Merit of the shareholder's loan advanced by Glory Merit to Ever Lead Holdings Limited to Easy Linkage, with the aggregate consideration of HK$400,000,780. The consideration has been satisfied by cash of HK$780 and issuance of convertible notes by the Company in the principal amount of HK$400,000,000 due in 2017 convertible into 1,333,333,333 ordinary shares of the Company. The transaction, which constituted a major and connected transaction of the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), was completed on 10 September 2012. The Company thereafter indirectly holds approximately 99.01% of the issued share capital of Sino Ever. Sino Ever and its subsidiaries are principally engaged in property development business in Chengdu, the PRC with a total site area of approximately 72,500m^2 planning to be developed into a residential and commercial compound with a total gross floor area of approximately 481,000m^2.

Disposal of Subsidiaries

On 6 January 2012, the Company entered into a sale and purchase agreement with an independent third party for the disposal of the Group's entire equity interest in Virtue Link Investments Limited and related shareholder's loan for a cash consideration of HK$380,000,000. Virtue Link Investments Limited and its subsidiaries (collectively referred to as the "Virtue Link Group"), namely, Wide Merit Limited, China-HK Holdings Investment Limited, 長三角徐州石油科技有限公司 and 鹽城賽孚石油化工有限公司 were principally engaged in gasoline and diesel operations in the PRC. The disposal, which constituted a discloseable transaction of the Company under the Listing Rules, was completed on 8 February 2012. The transaction has resulted in the recognition of a gain of approximately HK$9,470,000 for the year. According to the Company's announcement dated 6 January 2012, the Company expected that the gain of approximately HK$5,700,000 would arise as a result of the disposal. The difference was mainly due to the Virtue Link Group had incurred a further loss between the period from 1 December 2011 to the completion date.

On 8 March 2012, the Company entered into a sale and purchase agreement with an independent third party for the disposal of the Group's entire equity interest in Sundynasty International Limited for a cash consideration of HK$4,000,000. Sundynasty International Limited and its subsidiaries (collectively referred to as the "Sundynasty Group"), namely, Timecastle International Limited, Master Empire Development Limited, 東方銀座商業(北京)有限公司, 北京華文韜廣告有限公司, 北京東方銀座商業投資顧問有限公司 and 北京東方銀座商業管理有限公司 were principally engaged in the provision of retail-related consultancy and management services in the PRC. The disposal, which constituted a discloseable transaction of the Company under the Listing Rules, was completed on 5 June 2012. The transaction has resulted in the recognition of a gain of approximately HK$129,627,000 for the year. According to the Company's announcement dated 8 March 2012, the Company estimated that a gain of approximately HK$43,600,000 would arise as a result of the disposal. The difference was mainly due to (i) the Sundynasty Group had incurred a further loss between the period from 1 January 2012 to the completion date; (ii) release of accumulated translation reserves; and (iii) recognition of exchange difference arising from retranslation of the current accounts between the Sundynasty Group and remaining group.

Management Discussion and Analysis

On 21 March 2012, Daylight Express Group Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party for the disposal of the Group's entire equity interest in Angel Fay Limited and related shareholder's loan for a cash consideration of HK$220,000,000. Angel Fay Limited and its subsidiary, namely, 重慶太平洋屋業發展有限公司 were principally engaged in property investment in the PRC. The disposal, which constituted a discloseable transaction of the Company under the Listing Rules, was completed on 23 April 2012. The transaction has resulted in the recognition of a gain of approximately HK$29,936,000 for the year.

On 27 April 2012, 深圳市深恆貿易有限公司, an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party for the disposal of the Group's entire equity interest in 瀋陽市建興源投資管理有限公司 for a cash consideration of HK$230,000,000. The disposal, which constituted a discloseable transaction of the Company under the Listing Rules, was completed on 22 June 2012. The transaction has resulted in the recognition of a gain of approximately HK$36,029,000 for the year.

BUSINESS REVIEW

In 2012, external factors including the eurozone sovereign debt crisis and the continuing slowdown in the global economy were still lingering and resulted in a relatively strong wait-and-see market sentiment. Market conditions remained challenging under the control measures of the PRC Government despite the moves of the People's Bank of China to relax monetary policies by lowering the reserve requirement ratio twice and cutting deposits and lending interest rates. The Directors believe that the property market trend in tourist city is positive in the long term, in view of the strong economic fundamentals, rapid urbanisation and flourishing tourism business of the PRC.

Properties under Development and Property Investment

The Group's properties under development in Qingdao cover a total site area of approximately 348,900m^2. The Group intends to develop a hotel, shopping arcades, recreational facilities and residential units with an aggregate gross floor area of approximately 765,800m^2.

Our five-star luxury hotel establishments will offer various accommodation options and diversified hotel facilities. The premium outlet mall, covering approximately 130,600m^2 of floor area, will be the first one-stop premium outlet mall in Greater China, providing a dynamic place for shopping, leisure, recreation, entertainment and gourmet food and will be led by experienced retail professionals from Taiwan. The coastal residential community covers a land area of approximately 126,040m^2 with a floor area of approximately 350,000m^2 and it is offering more than 1,400 households surrounded by Tangdao bayside with first-class living ambiance with a wide range of high-end properties.

The Group's properties under development in Chengdu cover a total site area of approximately 72,500m^2. The Group intends to develop a residential and commercial compound with an aggregate gross floor area of approximately 481,000m^2.

Rental income for the year ended 31 December 2012 amounted to approximately HK$4.5 million, representing a decrease of approximately HK$14.0 million or 75.9% when compared to that of 2011. The main reason for the decrease was due to the disposal of the subsidiaries during the year.

Management Discussion and Analysis

Trading and Investment Business

Trading and investment business includes the trading of securities and investment income from securities investment and investment holding. During the year, net loss from trading in securities amounted to approximately HK$32.9 million. The loss was mainly due to the fair value losses on held for trading investments.

Retail-Related Consultancy and Management Services

Total revenue from the Group's retail-related consultancy and management services sector was approximately HK$10.5 million for the year, representing a decrease of approximately HK$40.6 million or 79.4% when compared to that of 2011. The main reason for the decrease was due to the disposal of the subsidiaries during the year.

Discontinued Operations

Gasoline and Diesel Operations

During the year, the Group disposed the gasoline and diesel operations. The gain from the disposal was approximately HK$9.47 million for the year ended 31 December 2012.

FINANCIAL REVIEW

Financial Results

For the year ended 31 December 2012, loss attributable to owners of the Company was approximately HK$307.97 million, representing an increase of 343% as compared to loss of approximately HK$69.5 million for the year ended 31 December 2011. The substantial increase in net loss was mainly due to (i) about HK$199.7 million fair value losses on early redemption of promissory notes during the year which was calculated by comparing; (a) the principal amount of the promissory notes of HK$900 million together with accrued interest thereon of approximately HK$7.8 million; (b) the carrying amount at various dates of redemption of approximately HK$708.1 million; (ii) about HK$162 million increase in imputed finance costs of convertible notes and promissory notes when compared with that in 2011; and (iii) about HK$130.9 million increase in other operating expenses when compared with that in 2011 mainly due to the increase in the provision of sales contracts cost in relation to the extension term in sales of properties contract of approximately HK$42.9 million, the increase in travelling expenses of approximately HK$35.1 million and the increase in advertising and marketing expenses of approximately HK$24.6 million, which are mainly from the operations of newly acquired and large scale subsidiaries in December 2011 and September 2012.

The Group undertook portfolio investments (trading and investments segment) during the year. Owing to the European financial crisis, the Hong Kong stock market was very volatile. As a result, the Group's portfolio investments recorded net fair value losses of approximately HK$32.9 million and the Group recorded a negative revenue amounted to approximately HK$17.8 million for the year.

Management Discussion and Analysis

Capital Structure, Liquidity and Financial Resources

As at 31 December 2012, the authorised share capital of the Company was HK$3,000 million divided into 15,000,000,000 shares of HK$0.2 each. The issued share capital of the Company was approximately HK$879.2 million divided into 4,396,120,965 shares of HK$0.2 each as at 31 December 2012.

As at 31 December 2012, the current assets and current liabilities of the Group were approximately HK$6,658.1 million (31 December 2011: HK$6,708.3 million) and approximately HK$3,622.6 million (31 December 2011: HK$2,432.6 million) respectively. The liquidity ratio, which is calculated as current assets over current liabilities, was approximately 1.84 times as at 31 December 2012 as compared to that of 2.76 times as at 31 December 2011. The decrease in liquidity ratio was mainly due to the increase in current portion of borrowings.

The Group's total assets and total liabilities amounted to approximately HK$13,195.8 million (31 December 2011: HK$12,829.5 million) and HK$7,509.5 million as at 31 December 2012 (31 December 2011: HK$6,982.4 million) respectively. The debt ratio, which is calculated based on total liabilities over total assets, was 0.57 times as at 31 December 2012, as compared to that of 0.54 times as at 31 December 2011. The increase in debt ratio was mainly due to the issuance of convertible notes and additions on borrowings.

The cash and cash equivalents as at 31 December 2012 was approximately HK$352.9 million (31 December 2011: HK$1,286.0 million). The decrease was mainly attributable to the cost incurred for the properties for sale and repayment of promissory notes during the year.

The gearing ratio of the Group, expressed as a percentage of borrowings and long-term debts (including convertible notes and promissory notes) over total equity, was 54.2% as at 31 December 2012 (31 December 2011: 41.3%). The increase in gearing ratio was mainly due to the bank and other borrowings from the newly acquired subsidiaries and the issuance of convertible notes during 2012.

The Group expects that it will have sufficient financial resources to fund its operations.

FOREIGN EXCHANGE EXPOSURE

Substantially all of the Group's sales and operating costs are denominated in the functional currency of the Group entity making the sales or incurring the costs. Accordingly, the Directors consider that the currency risk is not significant. The Group currently does not have a formal currency hedging policy in relation to currency risk. The Directors monitor the Group's exposure on an ongoing basis and will consider hedging the currency risk should the need arise.

CONTINGENT LIABILITIES

As at 31 December 2012, the Group had no material contingent liabilities.

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2012, the Group's certain properties of approximately HK$11,471.9 million were pledged to bank and other financial institutions to secure certain loan facility granted to the Group.

EMPLOYEE INFORMATION

As at 31 December 2012, the Group had 194 employees. The employees of the Group are remunerated in accordance with their working experience and performance, and their salaries and benefits are kept at market level. For the year ended 31 December 2012, the total staff costs of the Group were approximately HK$38.7 million (2011: HK$16.9 million), representing an increase of approximately 128.8% over the year 2011.

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the plans are held separately from those of the Group in funds under the control of trustees. The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit plan operated by the government of the PRC. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions. Other staff benefits include discretionary performance-based bonus, medical scheme, share options and sales commission.

PROSPECTS

In addition to the acquisition of a property development project in Qingdao in 2011, the Group acquired a property development project in Chengdu in September 2012. The project is located at an excellent location, at the south-eastern part of Tianfu New District of Chengdu, where Sichuan Provincial Government has in principal agreed to develop. According to professional services firms specialising in real estate services, Chengdu Hi-tech District will accelerate the construction within Tianfu New District with an investment of approximately RMB65 billion. In view of the existing and planned development of the Tianfu New District and the business opportunities associated therewith, the Directors believe that the future demand for high-end residential and commercial space will continue to be robust.

In view of the high Gross Domestic Product and tourism growth in Qingdao and Chengdu, the Directors expect that the projects in Qingdao and Chengdu will bring a strong cash inflow in the future and strengthen the Group's financial position. Also, by the expansion of business and the reallocation of resources, the management believes that the property development and investment business will bring attractive returns to the Company and the Company's shareholders.

As part of its business plan and strategy, the Group will continue to identify other property development and investment opportunities which are of high potential and/or likely to bring long-term benefits to the Group and the Company's shareholders.

Biographies of Directors

EXECUTIVE DIRECTORS

Mr. King Pak Fu, aged 42, was appointed as an executive Director on 10 September 2012 and was appointed as the chairman of the Board on 22 October 2012. He is experienced in property development and corporate management. Mr. King is currently the chairman and an executive director of Enterprise Development Holdings Limited (a company listed on the main board of the Stock Exchange, stock code: 1808). Save as aforesaid, Mr. King does not hold any directorship in any other listed companies during the past three years.

Mr. Wang Xiong, aged 46, was appointed as an executive Director and the vice chairman of the Board on 1 March 2013. He graduated with the degree of Bachelor of Engineering from Harbin Engineering University in 1987 and with the degree of Master of Engineering from Tokai University in Japan in 1993. Mr. Wang has extensive experience working in various government departments in the People's Republic of China and business corporations in Hong Kong. He has over 15 years of experience of investment in the fields of information technology and finance and has maintained an extensive social network with government officials. Mr. Wang does not hold any directorship in any other listed companies during the past three years.

Mr. Gong Xiao Cheng, aged 28, was appointed as an executive Director on 7 March 2012. He holds a Bachelor's degree of Finance, Accounting and Management from University of Nottingham in United Kingdom and a Master's degree of Real Estate Economics and Finance from London School of Economics and Politics Science. Mr. Gong does not hold any directorship in any other listed companies during the past three years.

Mr. Hon Ming Sang, aged 34, was appointed as an executive Director on 14 January 2010, as the qualified accountant of the Company with effect from 4 June 2008 and as the financial controller of the Group with effect from 1 July 2008. He graduated with an honor degree of Professional Accountancy in the School of Accountancy from the Chinese University of Hong Kong. He is a CFA charterholder, a member of the Hong Kong Society of Financial Analysts, a member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants, an associate member of the Hong Kong Institute of Chartered Secretaries and an associate member of the Institute of Chartered Secretaries and Administrators. He has previously worked in an international audit firm and has several years of working experience in listed companies and financial institutions. He has extensive experience in corporate finance, merger and acquisition, investment and financial management and compliance services. Mr. Hon is currently an executive director of Rising Development Holdings Limited, a company listed on the main board of the Stock Exchange (stock code: 1004). Save as disclosed above, Mr. Hon does not hold any directorship in any other listed companies during the past three years.
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Mr. Liu Jian, aged 59, was appointed as an executive Director on 7 March 2013. He graduated from Jiaotong University in Shanghai. Mr. Liu has over 15 years of investment banking experience and over 20 years of experience in China business management. He previously worked for China state-owned enterprises including China Resources Holdings Company Limited and Ministry of Foreign Trade and Economic Cooperation, the PRC. He also held various key positions in numerous multinational corporations and listed companies. Mr. Liu is currently an independent non-executive director of Hans Energy Company Limited, a company listed on the main board of the Stock Exchange (stock code: 554). Save as disclosed above, Mr. Liu does not hold any directorship in any other listed companies during the past three years.

Biographies of Directors

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Wai Yip Freeman, aged 49, was appointed as an independent non-executive Director with effect from 26 October 2006. He is a fellow member of the Association of Chartered Certified Accountants, a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Taxation Institute of Hong Kong. He is a practicing certified public accountant and possesses over 20 years of professional experience in auditing and tax consultancy services. Mr. Chan does not hold any directorship in any other listed companies during the past three years.

Mr. Ng Ka Chung Simon, aged 56, was appointed as an independent non-executive Director on 28 February 2006. He has extensive experience in the legal field and is currently a Barrister-at-law. Mr. Ng does not hold any directorship in any other listed companies in the past three years.

Ms. Leung Po Ying Iris, aged 42, was appointed as an independent non-executive Director on 26 October 2006. She graduated with a BBA degree from the University of Hong Kong and received a MBA degree from the Hong Kong University of Science & Technology. She is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Ms. Leung is currently the General Manager of Growth-Link Trade Services Company Limited, a trade services company in Hong Kong, and possesses over 15 years of professional and business experience in finance and investment services. Ms. Leung does not hold any directorship in any other listed companies in the past three years.

Corporate Governance Report

The Company is committed to maintain good corporate governance standard and procedures to ensure the integrity, transparency and quality of disclosure in order to enhance the shareholders' value.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices ("Former CG Code") as set out in Appendix 14 to the Listing Rules, which came into effect on 1 January 2005 and was revised and renamed as Corporate Governance Code and Corporate Governance Report ("New CG Code") with effect from 1 April 2012.

During the year ended 31 December 2012, the Company was in compliance with all code provisions set out in the Former CG Code and the New CG Code except for the deviations as explained below.

Code provision A.2.1 of the Former CG Code and the New CG Code requires that the responsibilities between the chairman and chief executive officer (the "CEO") should be segregated. During the year ended 31 December 2012, the Company did not have an officer with the title of CEO. The CEO's duties have been undertaken by the members of the Board. Mr. Wang Xiong, an executive Director of the Company, was appointed as the vice chairman of the Company to take up the responsibilities of the CEO on 1 March 2013.

Code provision A.4.1 of the Former CG Code and the New CG Code requires that non-executive directors should be appointed for a specific term and subject to re-election. Mr. Wang John Peter Ben ("Mr. Wang"), who resigned as a non-executive Director on 1 March 2012, was not appointed for a specific term, however, Mr. Wang was subject to retirement by rotation and re-election at the annual general meetings of the Company pursuant to the Bye-Laws during his term of office.

Code provision A.6.7 of the New CG Code requires that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Chan Wai Yip Freeman, Mr. Ng Ka Chung Simon and Ms. Leung Po Ying Iris, being independent non-executive Directors, did not attend the annual general meeting of the Company held on 10 May 2012 and the special general meetings of the Company held on 10 May 2012 and 5 September 2012 respectively, due to their engagement in their own official business. However, they have actively participated in the Board and committees' meetings to understand the affairs of the Company.

Code provision D.1.4 of the New CG Code requires that the Company should have formal letters of appointment for directors setting out the key terms and conditions of their appointment. The Company did not have formal letters of appointment for Mr. Chan Wai Yip Freeman, Mr. Ng Ka Chung Simon and Ms. Leung Po Ying Iris. However, the Directors shall be subject to retirement by rotation with the Bye-Laws. In addition, the Directors have followed the guidelines set out in "A Guide on Directors' Duties" issued by the Companies Registry and "Guidelines for Directors" and "Guide for Independent Non-Executive Directors" (if applicable) published by the Hong Kong Institute of Directors in performing their duties and responsibilities as Directors. Besides, the Directors actively comply with the requirements under statute and common law, the Listing Rules, legal and other regulatory requirements and the Company's business and governance policies.

Save as those mentioned above and in the opinion of the Directors, the Company has met the code provisions set out in the Former CG Code and the New CG Code during the year ended 31 December 2012.

Corporate Governance Report

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the code of conduct regarding directors' securities transactions as set out in the Model Code. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code throughout the year ended 31 December 2012.

BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Company, and is responsible for setting up the overall strategy as well as reviewing the operation and financial performance of the Group. The Board reserved for its decision or consideration matters covering overall Group strategy, major acquisitions and disposals, annual budgets, annual and interim results, recommendations on Directors' appointment or re-appointment, approval of major capital transactions and other significant operational and financial matters. The management was delegated the authority and responsibility by the Board for the daily management of the Group. In addition, the Board has also delegated various responsibilities to the Board committees. Further details of these committees are set out in this report.

The Board currently consists of eight Directors including five executive Directors and three independent non-executive Directors:

Executive Directors
Mr. King Pak Fu *(Chairman)*
Mr. Wang Xiong *(Vice Chairman)*
Mr. Gong Xiao Cheng
Mr. Hon Ming Sang
Mr. Liu Jian

Independent Non-executive Directors
Mr. Chan Wai Yip Freeman
Mr. Ng Ka Chung Simon
Ms. Leung Po Ying Iris

The Board members have no financial, business, family or other material/relevant relationships with each other. Such balanced Board composition is formed to ensure strong independence exists across the Board. The composition of the Board reflects the balanced skills and experience for effective leadership. The biographical information of the Directors are set out on pages 10 to 11 under the section headed "Biographies of Directors".

Corporate Governance Report

Directors' Training

According to the code provision A.6.5 of the New CG Code, all directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the board remains informed and relevant.

All Directors have participated in continuous professional development and provided a record of training they received for the financial year ended 31 December 2012 to the Company. In addition to their own participation in professional training, relevant training was provided to the Directors by the Company in the financial year ended 31 December 2012.

Chairman and Chief Executive Officer

Mr. King Pak Fu, an executive Director of the Company was appointed as the Chairman of the Board of the Company in place of Mr. Zhou Cheng Rong on 22 October 2012. During the year ended 31 December 2012, the Company did not have an officer with the title of CEO. The CEO's duties have been undertaken by the members of the Board. Mr. Wang Xiong was appointed as the vice chairman of the Company on 1 March 2013 to take up the responsibilities of the CEO.

Non-executive Directors

The three independent non-executive Directors are persons of high caliber, with academic and professional qualifications in the fields of accounting, finance and law. With their experience gained from various sectors, they provide strong support towards the effective discharge of the duties and responsibilities of the Board. Each independent non-executive Director gives an annual confirmation of his independence to the Company, and the Company considered each of them is independent under Rule 3.13 of the Listing Rules.

The independent non-executive Directors are not appointed for specific term, but are subject to retirement by rotation in accordance with the Bye-laws.

Board Meetings

The Board has four scheduled meetings a year at approximately quarterly interval and additional meetings will be held as and when required. The four scheduled Board meetings for a year are planned in advance. During the regular meetings of the Board, the Board reviewed the operation and financial performance and reviewed and approved the annual and interim results.

Corporate Governance Report

During the year ended 31 December 2012, the Board held thirteen meetings. All Directors were given an opportunity to include any matters in the agenda for regular Board meetings, and were given sufficient time to review documents and information relating to matters to be discussed in Board meetings in advance.

Name of Directors	Number of attendance
Executive Directors	
Mr. King Pak Fu *(Chairman)** (Note 1)	1/1
Mr. Wang Xiong *(Vice Chairman)* (Note 2)	N/A
Mr. Zhou Cheng Rong (Note 8)	9/13
Mr. Wu Hong Guang (Note 8)	12/13
Mr. Dai Peng (Note 8)	12/13
Mr. Gong Xiao Cheng (Note 3)	9/10
Mr. Hon Ming Sang	13/13
Mr. Liu Jian (Note 4)	N/A
Mr. Xu Yi (Note 5)	11/12
Mr. Lo Kai Bong (Note 6)	6/8
Non-executive Director	
Mr. Wang John Peter Ben (Note 7)	1/2
Independent Non-executive Directors	
Mr. Chan Wai Yip Freeman	12/13
Mr. Ng Ka Chung Simon	7/13
Ms. Leung Po Ying Iris	7/13

Notes:

1. Mr. King Pak Fu was appointed as an executive Director with effect from 10 September 2012 and was appointed as the Chairman of the Board with effect from 22 October 2012, and 1 Board meeting was held after his appointment.

2. Mr. Wang Xiong was appointed as an executive Director and Vice Chairman of the Board with effect from 1 March 2013.

3. Mr. Gong Xiao Cheng was appointed as an executive Director with effect from 7 March 2012, and 10 Board meetings were held after his appointment.

4. Mr. Liu Jian was appointed as an executive Director with effect from 7 March 2013.

5. Mr. Xu Yi resigned as an executive Director on 10 September 2012, and 12 Board meetings were held before his resignation.

6. Mr. Lo Kai Bong was appointed as an executive Director on 7 March 2012 and resigned on 31 July 2012, and 8 Board meetings were held during his term of office.

7. Mr. Wang John Peter Ben resigned as a non-executive Director on 1 March 2012, and 2 Board meetings were held before his resignation.

8. Mr. Zhou Cheng Rong, Mr. Wu Hong Guang and Mr. Dai Peng resigned as executive Directors on 28 March 2013.

Corporate Governance Report

Board minutes are kept by the Group's company secretary ("Company Secretary") and are open for inspection by the Directors. Every Board member is entitled to have access to Board papers and related materials and has unrestricted access to the advice and services of the Company Secretary, and has the liberty to seek external professional advice if so required.

Appropriate insurance cover has been arranged by the Company in respect of relevant actions against its Directors.

General Meetings

During the year ended 31 December 2012, three general meetings of the Company were held, being 2012 AGM held on 10 May 2012 and two special general meetings held on 10 May 2012 and 5 September 2012 respectively.

Name of Directors	**Number of attendance**
Executive Directors	
Mr. King Pak Fu *(Chairman)** [Note 1]	N/A
Mr. Wang Xiong *(Vice Chairman)* [Note 2]	N/A
Mr. Zhou Cheng Rong [Note 8]	2/3
Mr. Wu Hong Guang [Note 8]	2/3
Mr. Dai Peng [Note 8]	1/3
Mr. Gong Xiao Cheng [Note 3]	0/3
Mr. Hon Ming Sang	3/3
Mr. Liu Jian [Note 4]	N/A
Mr. Xu Yi [Note 5]	2/3
Mr. Lo Kai Bong [Note 6]	2/2
Non-executive Director	
Mr. Wang John Peter Ben [Note 7]	N/A
Independent Non-executive Directors	
Mr. Chan Wai Yip Freeman	0/3
Mr. Ng Ka Chung Simon	0/3
Ms. Leung Po Ying Iris	0/3

Corporate Governance Report

Notes:

1. Mr. King Pak Fu was appointed as an executive Director with effect from 10 September 2012 and was appointed as the Chairman of the Board with effect from 22 October 2012, no general meeting was held after his appointment.

2. Mr. Wang Xiong was appointed as an executive Director and Vice Chairman of the Board with effect from 1 March 2013.

3. Mr. Gong Xiao Cheng was appointed as an executive Director with effect from 7 March 2012, and 3 general meetings were held after his appointment.

4. Mr. Liu Jian was appointed as an executive Director with effect from 7 March 2013.

5. Mr. Xu Yi resigned as an executive Director on 10 September 2012, and 3 general meetings were held before his resignation.

6. Mr. Lo Kai Bong was appointed as an executive Director on 7 March 2012 and resigned on 31 July 2012, and 2 general meetings were held during his term of office.

7. Mr. Wang John Peter Ben resigned as a non-executive Director on 1 March 2012, no general meeting was held before his resignation.

8. Mr. Zhou Cheng Rong, Mr. Wu Hong Guang and Mr. Dai Peng resigned as executive Directors on 28 March 2013.

The Board is responsible for maintaining an on-going dialogue with shareholders and in particular, uses annual general meetings or other general meetings to communicate with them and encourage their participation.

NOMINATION COMMITTEE

In considering the nomination of new Directors, the Board will take into account the qualification, ability, working experience, leadership and professional ethics of the candidates.

The Company established the Nomination Committee with written terms of reference on 28 March 2012 and currently consists of two independent non-executive Directors, namely Mr. Chan Wai Yip Freeman (as chairman) and Mr. Ng Ka Chung Simon, and one executive Director, namely Mr. Hon Ming Sang. The terms of reference of the Nomination Committee is currently made available on the websites of the Stock Exchange's and the Company.

Terms of reference adopted by the Nomination Committee are aligned with the code provisions set out in the New CG Code.

The function of the Nomination Committee are to review and monitor the structure, size and composition of the Board and made recommendations on any proposed changes to the Board to complement the Group's strategy; to identify qualified individuals to become members of the Board; to assess the independence of the independent non-executive Directors; and to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the Chief Executive Officer.

Corporate Governance Report

During the year ended 31 December 2012, the Nomination Committee held one meeting to consider the proposed appointment of executive Director; to assess the independence of the independent non-executive Directors; to consider the re-election of Directors and to review the composition of the Board.

Name of Members	**Number of attendance**
Mr. Chan Wai Yip Freeman *(Chairman)*	1/1
Mr. Ng Ka Chung Simon	1/1
Mr. Hon Ming Sang	1/1

REMUNERATION COMMITTEE

The Company established the Remuneration Committee with written terms of reference and currently consists of three independent non-executive Directors, namely Mr. Chan Wai Yip Freeman (as chairman), Mr. Ng Ka Chung Simon and Ms. Leung Po Ying Iris. The terms of reference of the Remuneration Committee is currently made available on the websites of the Stock Exchange and the Company.

Terms of reference adopted by the Remuneration Committee are aligned with the code provisions set out in the New CG Code.

The functions of the Remuneration Committee are to make recommendations to the Board on the Company's policy and structure on the remuneration packages for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy.

During the year ended 31 December 2012, the Remuneration Committee held two meetings to consider the proposed remuneration of the new executive Director and to review the remuneration packages of the Directors and senior management.

Name of Members	**Number of attendance**
Mr. Chan Wai Yip Freeman *(Chairman)*	2/2
Mr. Ng Ka Chung Simon	2/2
Ms. Leung Po Ying Iris	2/2

The emoluments payable to Directors depend on their respective contractual terms under the employment agreements, if any, and is fixed by the Board with reference to the recommendation of the Remuneration Committee of the Company, the performance of the Group and the prevailing market conditions. Details of the remuneration of the Directors are set out in Note 12 to the consolidated financial statements.

Corporate Governance Report

AUDIT COMMITTEE

The Company established the Audit Committee with written terms of reference on 9 November 1999 and currently consists of three independent non-executive Directors, namely Mr. Chan Wai Yip Freeman (as chairman), Mr. Ng Ka Chung Simon and Ms. Leung Po Ying Iris. The terms of reference of the Audit Committee is currently made available on the websites of the Stock Exchange and the Company.

Terms of reference adopted by the Audit Committee are aligned with the code provisions set out in the New CG Code.

The Audit Committee is mainly responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditors and to approve the remuneration and terms of engagement of the external auditors, and any questions of resignation or dismissal of such auditors; reviewing the interim and annual reports and consolidated financial statements of the Group; and overseeing the Company's financial reporting system including the adequacy of resources, qualifications and experience of staff in charge of the Company's financial reporting function and their training arrangement and budget, and internal control procedures.

The Audit Committee meets the external auditors regularly to discuss any area of concern during the audit. The Audit Committee reviews the interim and annual reports before submission to the Board. The Audit Committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the Listing Rules and the legal requirements in the review of the Company's interim and annual report.

During the year ended 31 December 2012, the Audit Committee held two meetings.

Name of Members	**Number of attendance**
Mr. Chan Wai Yip Freeman *(Chairman)*	2/2
Mr. Ng Ka Chung Simon	2/2
Ms. Leung Po Ying Iris	2/2

During the year ended 31 December 2012, the Audit Committee reviewed the annual and interim results of the Group, which were in the opinion of the Audit Committee that the preparation of such results complied with the applicable accounting standards and the Listing Rules.

The Audit Committee noted the existing internal control system of the Group and also noted that review of the same will be carried out annually.

The accounts for the year ended 31 December 2012 were audited by HLB Hodgson Impey Cheng Limited whose term of office will expire upon the forthcoming annual general meeting of the Company. The Audit Committee has recommended to the Board that HLB Hodgson Impey Cheng Limited be re-appointed as the auditors of the Company at the forthcoming annual general meeting of the Company.

Corporate Governance Report

AUDITORS' REMUNERATION

During the year, the remuneration paid/payable to the Company's auditors are set out below:–

Services rendered	Fee paid/payable HK$'000
Audit services	800
Non-audit services	1,660
	2,460

COMPANY SECRETARY

The Company engaged an external professional company secretarial services provider, Uni-1 Corporate Services Limited ("Uni-1"), to provide compliance and full range of company secretarial services to the Group in order to assist the Group to cope with the changing regulatory environment.

Ms. Chan Yuen Ying, Stella ("Ms. Chan"), the representative of Uni-1, was appointed as the named Company Secretary of the Company.

Mr. Hon Ming Sang, an executive Director of the Company, is the primary point of contact at the Company for the Company Secretary.

According to the requirements of Rule 3.29 of the Listing Rules, Ms. Chan had taken no less than 15 hours of relevant professional training for the financial year ended 31 December 2012.

SHAREHOLDERS' RIGHTS

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called a special general meeting.

Shareholders to convene a special general meeting

Shareholders may convene a special general meeting of the Company according to the provisions as set out in the Bye-laws and the Companies Act of Bermuda. The procedures shareholders can use to convene a special general meeting are set out in the document entitled "Procedures for a Shareholder to Propose a Person for Election as a Director", which is currently available on the Company's website.

Corporate Governance Report

Putting enquiries by shareholders to the Board

Shareholders may send written enquiries to the Company for the attention of the Company Secretary at the Company's principal place of business in Hong Kong.

Procedures for putting forward proposals by shareholders at shareholders' meeting

The number of members necessary for a requisition for putting forward a proposal at a general meeting shall be:

(a) any number of members representing not less than one-twentieth of the total voting rights at the date of the requisition; or

(b) not less than one hundred members.

A copy or copies of requisition signed by all requisitionists shall be deposited, with a sum reasonably sufficient to meet the Company's expenses in giving notice of the proposed resolution or circulating any necessary statement, at the Company's principal place of business in Hong Kong in the case of:

(i) a requisition requiring notice of a resolution, not less than six weeks before the meeting; and

(ii) any other requisition, not less than one week before the meeting.

The Company will verify the requisition and upon confirming that the requisition is proper and in order, the Board will proceed with the necessary procedures.

VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. As such, all the resolutions to be set out in the notice of 2013 AGM will be voted by poll.

Corporate Governance Report

INVESTOR RELATIONS

The Company is committed to a policy of open and regular communication and reasonable disclosure of information to its shareholders.

Information of the Company is disseminated to the shareholders in the following manner:

- Delivery of annual and interim results and reports to all shareholders;

- Publication of announcements on the annual and interim results on the Stock Exchange website, and issue of other announcements and shareholders' circulars in accordance with the continuing disclosure obligations under the Listing Rules; and

- The general meeting of the Company is also an effective communication channel between the Board and shareholders.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board acknowledges its responsibility to prepare the Company's consolidated financial statements for each financial year which give a true and fair view of the state of affairs of the Group and the Company and of the results and cash flows of the Group for that year. In preparing the consolidated financial statements for the year ended 31 December 2012, the Board has selected suitable accounting policies and applied them consistently; made judgments and estimates that are prudent, fair and reasonable and prepared the accounts on a going concern basis.

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

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

INTERNAL CONTROL

Management had implemented a system of internal control to provide reasonable assurance that the Group's assets are safeguarded, proper accounting records are maintained, appropriate legislation and regulations are complied with, reliable financial information are provided for management and publication purpose and investment and business risks affecting the Group are identified and managed.

During the year ended 31 December 2012, the Board has conducted a review of the system of internal control to ensure the effectiveness and adequacy of the system. The Board shall conduct such review at least once annually.

Directors' Report

The Directors are pleased to present the annual report and the audited consolidated financial statements of Carnival Group International Holdings Limited (formerly known as Oriental Ginza Holdings Limited) (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31 December 2012.

CHANGE OF COMPANY NAME

Pursuant to the special resolution passed at the special general meeting of the Company held on 10 May 2012 and approved by the Registrar of the Companies in Bermuda and Registrar of Companies in Hong Kong, the Company has changed its name to "Carnival Group International Holdings Limited" in English and adopted the Chinese name "嘉年華國際控股有限公司" as its secondary name with effect from 14 May 2012.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and other particulars of its principal subsidiaries are set out in Note 45 to the consolidated financial statements.

FINANCIAL STATEMENTS

The results of the Group for the year ended 31 December 2012 and the state of the Company's and the Group's affairs as at that date are set out in the consolidated financial statements on pages 36 to 38.

DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2012 (2011: Nil).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the year ended 31 December 2012 in the property, plant and equipment of the Group are set out in Note 17 to the consolidated financial statements.

INVESTMENT PROPERTIES

Details of the movements during the year ended 31 December 2012 in the investment properties of the Group are set out in Note 18 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

At 31 December 2012, the aggregate amount of reserves available for distribution to equity holders of the Company was HK$9,404,000 (2011: HK$9,404,000).

SHARE CAPITAL

Details of the movements in the share capital during the year are set out in Note 29 to the consolidated financial statements.

Directors' Report

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2012, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

GROUP FINANCIAL SUMMARY

A summary of the consolidated results and the assets and liabilities of the Group for the last five financial years is set out on page 126 of this report.

CHARITABLE DONATIONS

During the year, the Group made HK$300,000 charitable donations (2011: Nil).

DIRECTORS

The list of Directors of the Company during the year and up to the date of this annual report is set out below:

Executive Directors

Mr. King Pak Fu *(Chairman)*	(appointed on 10 September 2012)
Mr. Wang Xiong *(Vice Chairman)*	(appointed on 1 March 2013)
Mr. Gong Xiao Cheng	(appointed on 7 March 2012)
Mr. Hon Ming Sang	
Mr. Liu Jian	(appointed on 8 March 2013)
Mr. Zhou Cheng Rong	(resigned on 28 March 2013)
Mr. Wu Hong Guang	(resigned on 28 March 2013)
Mr. Dai Peng	(resigned on 28 March 2013)
Mr. Xu Yi	(resigned on 10 September 2012)
Mr. Lo Kai Bong	(appointed on 7 March 2012 and resigned on 31 July 2012)

Non-executive Director

Mr. Wang John Peter Ben	(resigned on 1 March 2012)

Independent Non-executive Directors

Mr. Chai Wai Yip Freeman
Mr. Ng Ka Chung Simon
Ms. Leung Po Ying Iris

In accordance with Bye-law 111 of the Bye-laws, Ms. Leung Po Ying Iris shall retire from office as Director by rotation and, being eligible, offer herself for re-election at the forthcoming annual general meeting ("AGM") of the Company.

In accordance with Bye-law 115 of the Bye-laws, Mr. King Pak Fu, Mr. Wang Xiong and Mr. Liu Jian, being Directors appointed after the 2012 annual general meeting, shall retire from office as Directors and, being eligible, offer themselves for re-election at the AGM.

DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed for re-election at the AGM has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors, a confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the independent non-executive Directors are independent.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire such rights in any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS

Save as these disclosed in the section "Connected Transactions" below, no contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party, and in which a Director of the Company had a material interest, whether directly or indirectly subsisted at the year-end or at any time during the year.

Directors' Report

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2012, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules, are set out below:

Name	Capacity	Long position/ short position/	Ordinary shares (no. of shares)	Derivative shares (no. of shares)	Total number of shares held	Approximate percentage of the issued share capital of the Company
Mr. King Pak Fu	Interest of controlled corporation	Long position	1,292,566,034	1,499,999,999	2,792,566,033	63.52%
	Interest of controlled corporation	Short position	—	4,833,333,333	4,833,333,333	109.95%

Note: (i) 1,292,566,034 ordinary shares; (ii) 166,666,666 derivative shares of long position; and (iii) 4,833,333,333 derivative shares of short position are held through Better Joint Venture Limited ("Better Joint"), a company incorporated in the British Virgin Islands with limited liability which is wholly and beneficially owned by Mr. King Pak Fu. 1,333,333,333 derivative shares of long position are held through Glory Merit International Holdings Limited, a company incorporated in the British Virgin Islands with limited liability which is beneficially owned as to 99% by Mr. King Pak Fu.

Save as disclosed above, none of the Directors, chief executives of the Company or their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations as defined in Part XV of the SFO as recorded in the register to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Report

SUBSTANTIAL SHAREHOLDERS INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2012, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO shows that other than the interests of the Directors and the chief executive, the following shareholders had notified the Company of relevant interests or short position in shares and underlying shares of the Company as follows:

Name	Capacity	Long position/ short position/	Ordinary shares (no. of shares)	Derivative shares (no. of shares)	Total number of shares held	Approximate percentage of the issued share capital of the Company	Notes
Central Huijin Investment Ltd.	Interest of controlled corporation	Long position	—	4,190,751,445	4,190,751,445	95.33%	1
China Construction Bank Corporation	Interest of controlled corporation	Long position	40,000,000	5,743,424,854	5,783,424,854	131.56%	1
CCB International Group Holdings Limited	Interest of controlled corporation	Long position	40,000,000	5,743,424,854	5,783,424,854	131.56%	1
CCB Financial Holdings Limited	Interest of controlled corporation	Long position	40,000,000	5,743,424,854	5,783,424,854	131.56%	1
CCB International (Holdings) Limited	Interest of controlled corporation	Long position	20,000,000	5,743,424,854	5,763,424,854	131.10%	1
	Beneficial owner	Long position	20,000,000	—	20,000,000	0.46%	
CCB International Asset Management Limited	Interest of controlled corporation	Long position	20,000,000	5,433,179,189	5,453,179,189	124.04%	1
	Nominee for another person	Long position	20,000,000	—	20,000,000	0.46%	
	Beneficial owner	Long position	—	310,245,665	310,245,665	7.06%	
Sino Thrive Investments Limited	Nominee for another person	Long position	—	1,127,167,630	1,127,167,630	25.64%	1
	Person having a security interest in shares	Long position	—	4,190,751,445	4,190,751,445	95.33%	

Directors' Report

Name	Capacity	Long position/ short position/	Ordinary shares (no. of shares)	Derivative shares (no. of shares)	Total number of shares held	Approximate percentage of the issued share capital of the Company	Notes
QD Enterprise Investments	Interest of controlled corporation	Long position	—	135,260,114	135,260,114	3.08%	1
	Person having a security interest in shares	Long position	—	4,190,751,445	4,190,751,445	95.33%	
Mr. King Pak Fu	Interest of controlled corporation	Long position	1,292,566,034	1,499,999,999	2,792,566,033	63.52%	2, 3
	Interest of controlled corporation	Short position	—	4,833,333,333	4,833,333,333	109.95%	2
Better Joint Venture Limited	Beneficial owner	Long position	1,292,566,034	166,666,666	1,459,232,700	33.19%	2
	Beneficial owner	Short position	—	4,833,333,333	4,833,333,333	109.95%	
Glory Merit International Holdings Limited	Beneficial owner	Long position	–	1,333,333,333	1,333,333,333	23.27%	3
	Beneficial owner	Short position	–	–	–	0%	

Directors' Report

Note 1: China Construction Bank Corporation ("CC Bank") was beneficially 57.13%-owned by Central Huijin Investment Ltd. ("Central Huijin"). By virtue of the SFO, Central Huijin was deemed to be interested in those shares which CC Bank was interested.

CCB International Group Holdings Limited ("CCB-IGH") was wholly and beneficially owned by CC Bank. By virtue of the SFO, CC Bank was deemed to be interested in those shares which CCB-IGH was interested.

CCB Financial Holdings Limited ("CCB-FH") was wholly and beneficially owned by CCB-IGH. By virtue of the SFO, CCB-IGH was deemed to be interested in those shares which CCB-FH was interested.

CCB International (Holdings) Limited ("CCB-IH") was wholly and beneficially owned by CCB-FH. By virtue of the SFO, CCB-FH was deemed to be interested in those shares which CCB-IH was interested.

CCB International Asset Management Limited ("CCB-IAM") was wholly and beneficially owned by CCB-IH. By virtue of the SFO, CCB-IH was deemed to be interested in those shares which CCB-IAM was interested.

Sino Thrive Investments Limited ("Sino Thrive") was wholly and beneficially owned by CCB-IAM. By virtue of the SFO, CCB-IAM was deemed to be interested in those shares which Sino Thrive was interested.

QD Enterprise Investments ("QD-E") was wholly and beneficially owned by CCB-IAM. By virtue of the SFO, CCB-IAM was deemed to be interested in those shares which QD-E was interested.

QD-E and QD Enterprise L.P. are general partners of each other.

Note 2: Better Joint is the legal and beneficial owner of 1,292,566,034 shares and holder of the convertible notes issued by the Company ("Former Convertible Notes") in the principal amount of HK$1,500,000,000 due 2016 which is convertible into a maximum of 4,335,260,115 Shares upon full conversion at the initial conversion price of HK$0.346 per conversion share (subject to anti-dilutive adjustment) as set out in the terms and conditions of the Former Convertible Notes. As at 31 December 2012, the conversion price of each conversion price was adjusted to HK$0.30 and Better Joint therefore owned 4,833,333,333 derivative shares. Better Joint is wholly and beneficially owned by Mr. King Pak Fu ("Mr. King"). By virtue of the SFO, Mr. King was deemed to be interested in those shares held by Better Joint.

Note 3: 1,333,333,333 derivative shares are derived from the security interest of the convertible notes issued to Glory Merit International Holdings Limited ("Glory Merit"). Glory Merit beneficially owned HK$400,000,000 convertible notes convertible into 1,333,333,333 shares upon full conversion at the conversion price of HK$0.30 per conversion share. Glory Merit is beneficially owned as to 99% by Mr. King. By virtue of the SFO, Mr. King was deemed to be interested in those shares held by Glory Merit.

Save as disclosed above, no other parties were recorded in the register of the Company required to be kept under section 336 of the SFO as having interests or short positions in the shares or underlying shares of the Company as at 31 December 2012.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code during the year ended 31 December 2012.

Directors' Report

CONNECTED TRANSACTIONS

On 13 July 2012, Easy Linkage Development Limited ("Easy Linkage"), a direct wholly-owned subsidiary of the Company, Mr. King Pak Fu, a substantial shareholder of the Company, Glory Merit, and Sino Ever Investment Limited ("Sino Ever"), entered into a shares subscription agreement for (i) the subscription by Easy Linkage of 100 ordinary shares of US$1.00 each in the share capital of Sino Ever; (ii) the conversion by Glory Merit of 1 ordinary share of Sino Ever into 1 non-voting deferred share; and (iii) the assignment by Glory Merit of the shareholder's loan advanced by Glory Merit to Ever Lead Holdings Limited to Easy Linkage, with the aggregate consideration of HK$400,000,780. The consideration has been satisfied by cash of HK$780 and issuance of the convertible notes by the Company in the principal amount of HK$400,000,000 due 2017 convertible into 1,333,333,333 shares of the Company. This transaction constituted a major and connected transaction of the Company under the Listing Rules and was approved by the independent shareholders of the Company at the special general meeting held on 5 September 2012. Upon completion, the Company indirectly holds approximately 99.01% of the issued share capital of Sino Ever.

Save for the aforesaid, the Group does not have any other connected transaction (as defined in the Listing Rules), for the year ended 31 December 2012.

SUBSIDIARIES

Particulars of the principal subsidiaries of the Company as at 31 December 2012 are set out in Note 45 to the consolidated financial statements.

BORROWINGS

Particulars of borrowings of the Group as at 31 December 2012 are set out in Note 31 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

Contracts with the Group's five largest suppliers combined by value, accounted for 76% in value of total purchases during the year ended 31 December 2012, while contracts with the Group's largest supplier by value, accounted for 61% in value of total purchases during the year ended 31 December 2012. Contracts with the Group's five largest customers combined by value accounted for 45% in value of the turnover during the year ended 31 December 2012, while contracts with the Group's largest customer by value accounted for 16% in value of the turnover during the year ended 31 December 2012.

Save as disclosed above, none of the Directors, their associates or any other shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

Directors' Report

EMOLUMENT POLICY

The emolument policy for the employees of the Group is set up by the Company's Remuneration Committee on the basis of their merit, qualifications and competence. The emoluments of the Directors are decided by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics. Details of the Company's share option scheme are set out in Note 40 to the consolidated financial statements. Details of the Group's retirement benefit plans are set out in Note 41 to the consolidated financial statements.

DIRECTORS' EMOLUMENTS

Details of the remuneration of the Directors for year 2012 are set out in Note 12 to the consolidated financial statements.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float as required under the Listing Rules during the year and up to the date of this report.

AUDIT COMMITTEE

The Company established the Audit Committee on 9 November 1999 with written terms of reference in compliance with the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group. The Audit Committee comprises three independent non-executive Directors of the Company, namely Mr. Chan Wai Yip Freeman (as Chairman), Mr. Ng Ka Chung Simon and Ms. Leung Po Ying Iris. The Audit Committee has reviewed the audited consolidated financial statements of the Company for the year ended 31 December 2012.

AUDITORS

The accounts for the year ended 31 December 2012 were audited by HLB Hodgson Impey Cheng Limited whose term of office will expire upon the AGM. A resolution for the re-appointment of HLB Hodgson Impey Cheng Limited as the auditors of the Company for the subsequent year is to be proposed at the forthcoming AGM.

The accounts for the years ended 31 December 2010 and 2011 were audited by HLB Hodgson Impey Cheng. In March 2012, the practice of HLB Hodgson Impey Cheng was reorganised as HLB Hodgson Impey Cheng Limited. Save for the above, there has been no other change in the auditors of the Company in any of the preceding three years.

On behalf of the Board
Carnival Group International Holdings Limited
King Pak Fu
Chairman

Hong Kong, 28 March 2013

Independent Auditors' Report

HLB 國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

Chartered Accountants
Certified Public Accountants

31/F, Gloucester Tower
The Landmark
11 Pedder Street Central
Hong Kong

To the shareholders of
Carnival Group International Holdings Limited
(formerly known as Oriental Ginza Holdings Limited)
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Carnival Group International Holdings Limited (formerly known as Oriental Ginza Holdings Limited) (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 34 to 124, which comprise the consolidated and company statements of financial position as at 31 December 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Companies Act of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

Independent Auditors' Report

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.

HLB Hodgson Impey Cheng Limited
Chartered Accountants
Certified Public Accountants

Jonathan T. S. Lai
Practising Certificate Number: P04165

Hong Kong, 28 March 2013

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

	Notes	**2012 HK$'000**	2011 HK$'000
Continuing operations			
Revenue	5	**(17,808)**	(12,605)
Other income and net gains	7	**18,013**	5,861
Gain on disposal of subsidiaries	36	**195,592**	–
Gain on bargain purchase	35(a)	**185**	–
Operating lease rentals		**(16,607)**	(48,909)
Employee benefits expense		**(38,670)**	(16,900)
Depreciation of property, plant and equipment		**(4,281)**	(5,396)
Fair value change of investment properties	18	**3,850**	(2,460)
Loss on early redemption of promissory notes	34	**(199,707)**	–
Reversal of impairment loss of other receivables		**–**	51,217
Finance costs	8	**(169,083)**	(6,952)
Other operating expenses		**(155,888)**	(24,957)
Loss before tax		**(384,404)**	(61,101)
Income tax credit/(expense)	9	**22,992**	(217)
Loss for the year from continuing operations		**(361,412)**	(61,318)
Discontinued operations			
Profit/(loss) for the year from discontinued operations	10	**9,470**	(16,136)
Loss for the year	11	**(351,942)**	(77,454)
Other comprehensive income, net of income tax			
Reclassification adjustment for translation reserve released upon disposal of subsidiaries	36	**(50,468)**	–
Exchange differences on translation of foreign operations		**46,442**	12,123
Other comprehensive (expense)/income for the year, net of income tax		**(4,026)**	12,123
Total comprehensive expense for the year		**(355,968)**	(65,331)

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

	Notes	**2012** **HK$'000**	2011 HK$'000
(Loss)/profit for the year attributable to owners of the Company			
– from continuing operations		**(317,435)**	(61,318)
– from discontinued operations		**9,470**	(8,229)
Loss for the year attributable to owners of the Company		**(307,965)**	(69,547)
Loss for the year attributable to non-controlling interests			
– from continuing operations		**(43,977)**	–
– from discontinued operations		**–**	(7,907)
Loss for the year attributable to non-controlling interests		**(43,977)**	(7,907)
Total comprehensive expense attributable to:			
Owners of the Company		**(322,215)**	(57,364)
Non-controlling interests		**(33,753)**	(7,967)
		(355,968)	(65,331)
Loss per share			
From continuing and discontinued operations			
Basic and diluted (HK$ per share)	15	**(0.070)**	(0.059)
From continuing operations			
Basic and diluted (HK$ per share)	15	**(0.072)**	(0.052)

Consolidated Statement of Financial Position

At 31 December 2012

	Notes	**2012** **HK$'000**	2011 HK$'000
Non-current assets			
Property, plant and equipment	17	**3,217,415**	2,162,764
Investment properties	18	**2,794,208**	3,070,573
Goodwill	19	**526,090**	521,002
Prepayments on construction contracts		**–**	366,927
		6,537,713	6,121,266
Current assets			
Properties for sale	21	**5,469,341**	4,378,669
Trade receivables	22	**–**	32,250
Prepayments, deposits and other receivables	23	**781,034**	352,692
Held for trading investments	24	**54,788**	85,504
Bank balances and deposits	25	**352,900**	1,285,999
		6,658,063	6,135,114
Assets classified as held for sale	10	**–**	573,161
		6,658,063	6,708,275
Total assets		**13,195,776**	12,829,541
Current liabilities			
Trade payables	26	**133,900**	36,590
Deposits from sale of properties		**1,520,903**	1,617,059
Accrued liabilities and other payables	27	**557,371**	493,654
Amounts due to non-controlling interests	28	**174,267**	51,382
Borrowings – current portions	31	**1,236,144**	–
Taxation payable		**–**	23,708
		3,622,585	2,222,393
Liabilities associated with assets classified as held for sale	10	**–**	210,207
		3,622,585	2,432,600
Net current assets		**3,035,478**	4,275,675
Total assets less current liabilities		**9,573,191**	10,396,941

Consolidated Statement of Financial Position

At 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
Capital and reserves			
Share capital	29	**879,224**	879,224
Share premium and reserves		**2,371,431**	2,506,058
Equity attributable to owners of the Company		**3,250,655**	3,385,282
Non-controlling interests		**2,435,592**	2,461,831
Total equity		**5,686,247**	5,847,113
Non-current liabilities			
Borrowings	31	**674,929**	880,626
Deferred tax liabilities	32	**2,041,622**	2,012,715
Amounts due to non-controlling interests	28	**–**	122,309
Convertible notes	33	**997,310**	694,067
Promissory notes	34	**173,083**	840,111
		3,886,944	4,549,828
		9,573,191	10,396,941

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 28 March 2013 and were signed on its behalf by:

King Pak Fu
Director

Liu Jian
Director

Statement of Financial Position

At 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current assets			
Investments in subsidiaries	16	**4,178,419**	4,178,419
Current assets			
Prepayments and other receivables	23	**449**	20,549
Amounts due from subsidiaries	16	**629,586**	1,561,648
Bank balances and deposits	25	**–**	15,069
		630,035	1,597,266
Total assets		**4,808,454**	5,775,685
Current liabilities			
Accrued liabilities and other payables	27	**1,043**	63,588
Amounts due to subsidiaries	16	**28,644**	381,603
		29,687	445,191
Net current assets		**600,348**	1,152,075
Total assets less current liabilities		**4,778,767**	5,330,494
Capital and reserves			
Share capital	29	**879,224**	879,224
Share premium and reserves	30	**2,580,206**	2,784,113
Total equity		**3,459,430**	3,663,337
Non-current liabilities			
Deferred tax liabilities	32	**148,944**	132,979
Convertible notes	33	**997,310**	694,067
Promissory notes	34	**173,083**	840,111
		1,319,337	1,667,157
		4,778,767	5,330,494

King Pak Fu
Director

Liu Jian
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

	Attributable to owners of the Company									
	Share capital HK$'000	**Share premium** HK$'000 Note (a)	**Contributed surplus** HK$'000 Note (b)(c)	**Convertible notes equity reserve** HK$'000	**Translation reserve** HK$'000	**PRC statutory reserves** HK$'000 Note (d)	**Accumulated losses** HK$'000	**Total** HK$'000	**Non-controlling interests** HK$'000	**Total equity** HK$'000
At 1 January 2012	879,224	2,556,627	9,404	675,874	30,892	30,497	(797,236)	3,385,282	2,461,831	5,847,113
Loss for the year	–	–	–	–	–	–	(307,965)	(307,965)	(43,977)	(351,942)
Reclassification adjustment for translation reserve released upon disposal of subsidiaries (Note 36)	–	–	–	–	(50,468)	–	–	(50,468)	–	(50,468)
Exchange differences on translation of foreign operations	–	–	–	–	36,218	–	–	36,218	10,224	46,442
Total comprehensive expense for the year	–	–	–	–	(14,250)	–	(307,965)	(322,215)	(33,753)	(355,968)
Recognition of equity component of convertible notes	–	–	–	224,657	–	–	–	224,657	–	224,657
Deferred tax liability on recognition of equity component of convertible notes	–	–	–	(37,069)	–	–	–	(37,069)	–	(37,069)
Disposal of subsidiaries (Note 36)	–	–	–	–	–	(30,497)	30,497	–	7,514	7,514
At 31 December 2012	**879,224**	**2,556,627**	**9,404**	**863,462**	**16,642**	**–**	**(1,074,704)**	**3,250,655**	**2,435,592**	**5,686,247**

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

	Attributable to owners of the Company									
	Share capital HK$'000	Share premium HK$'000 Note (a)	Contributed surplus HK$'000 Note (b)(c)	Convertible notes equity reserve HK$'000	Translation reserve HK$'000	PRC statutory reserves HK$'000 Note (d)	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2011	219,109	1,887,839	9,404	–	18,709	25,005	(722,197)	1,437,869	–	1,437,869
Loss for the year	–	–	–	–	–	–	(69,547)	(69,547)	(7,907)	(77,454)
Exchange differences on translation of foreign operations	–	–	–	–	12,183	–	–	12,183	(60)	12,123
Total comprehensive expense for the year	–	–	–	–	12,183	–	(69,547)	(57,364)	(7,967)	(65,331)
Recognition of equity component of convertible notes	–	–	–	809,429	–	–	–	809,429	–	809,429
Deferred tax liability on recognition of equity component of convertible notes	–	–	–	(133,555)	–	–	–	(133,555)	–	(133,555)
Issue of shares by way of placing	400,000	360,000	–	–	–	–	–	760,000	–	760,000
Transaction costs attributable to issue of shares	–	(22,860)	–	–	–	–	–	(22,860)	–	(22,860)
Acquisition of subsidiaries (Note 35(b)&(c))	260,115	331,648	–	–	–	–	–	591,763	2,469,798	3,061,561
Transfer from retained profits	–	–	–	–	–	5,492	(5,492)	–	–	–
At 31 December 2011	**879,224**	**2,556,627**	**9,404**	**675,874**	**30,892**	**30,497**	**(797,236)**	**3,385,282**	**2,461,831**	**5,847,113**

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

Notes:

(a) Under the Companies Act of Bermuda, the share premium of the Company can be used in paying up unissued shares of the Company to be issued to members of the Company as fully paid bonus shares.

(b) The contributed surplus of the Group represented the net amount arising from the reduction of share premium account, capital reduction and amounts transferred to write off the accumulated losses in prior years.

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

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

    (ii) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

(d) The People's Republic of China (the "PRC") statutory reserves consist of a reserve fund and an expansion fund provided in accordance with the articles of association of the PRC subsidiaries. Laws and regulations in the PRC allow foreign investment enterprises to appropriate from profit after tax, prepared in accordance with the PRC rules and regulations, an annual amount to the reserve fund and expansion fund according to the decision of the board or the articles of association.

    The reserve fund is to be used to expand the working capital of the PRC subsidiaries. When the PRC subsidiaries suffer losses, the reserve fund may be used to make up accumulated losses under special circumstances.

    The expansion fund is to be used for business expansion and, if approved, can also be used to increase the capital of the PRC subsidiaries.

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
Operating activities			
Loss for the year		**(351,942)**	(77,454)
Adjustments for:			
Amortisation of prepaid land lease		**–**	339
Depreciation of property, plant and equipment		**4,281**	6,675
Fair value change on investment properties		**(3,850)**	2,460
Finance costs		**169,083**	11,918
Gain on disposal of subsidiaries		**(195,592)**	–
Gain on disposal of discontinued operations		**(9,470)**	–
Gain on bargain purchase		**(185)**	–
Income tax		**(22,992)**	217
Interest income		**(16,880)**	(1,260)
Reversal of impairment loss of other receivables		**–**	(48,473)
Loss on early redemption of promissory notes		**199,707**	–
Operating cash flows before movements in working capital		**(227,840)**	(105,578)
Movements in working capital:			
Inventories		**–**	5,566
Held for trading investments		**30,716**	(85,504)
Properties for sale		**(530,789)**	–
Trade receivables		**(497)**	(1,772)
Prepayments, deposits and other receivables		**(62,126)**	31,205
Trade payables		**44,637**	(741)
Deposits from sale of properties		**(96,156)**	–
Accrued liabilities and other payables		**227,116**	(13,111)
Cash used in operations		**(614,939)**	(169,935)
Taxes paid		**(107)**	(13,025)
Net cash used in operating activities		**(615,046)**	(182,960)

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	Notes	**2012 HK$'000**	2011 HK$'000
Investing activities			
Interest received		**16,880**	1,260
Proceeds from disposal of investment properties		**–**	1,761
Additions to property, plant and equipment		**(361,000)**	(9,464)
Additions to investment properties		**(187,045)**	–
Additions to prepaid land lease		**–**	(9,754)
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	35	**49,782**	(454,859)
Proceeds from disposal of subsidiaries (net of cash and cash equivalents disposed)	36	**828,860**	600,000
Net cash generated by investing activities		**347,477**	128,944
Financing activities			
Interest paid		**(140,282)**	–
Share issue expenses		**–**	(22,860)
New bank and other borrowings		**1,296,419**	30,085
Repayment of promissory notes		**(907,834)**	–
Repayment of bank and other borrowings		**(944,881)**	(4,853)
Proceeds on issue of ordinary shares		**–**	760,000
Net cash (used in)/generated by financing activities		**(696,578)**	762,372
Net (decrease)/increase in cash and cash equivalents		**(964,147)**	708,356
Cash and cash equivalents at the beginning of the year		**1,286,446**	579,543
Effects of foreign exchange rate changes		**30,601**	(1,453)
Cash and cash equivalents at the end of the year	37	**352,900**	1,286,446

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

1. GENERAL INFORMATION

Carnival Group International Holdings Limited (formerly known as Oriental Ginza Holdings Limited) (the "Company") was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's registered office is situated at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The Company's principal place of business in Hong Kong is situated at Units 4402-03, 44th Floor, COSCO Tower, 183 Queen's Road, Central, Hong Kong.

Pursuant to the special resolution on 10 May 2012, the Company changed its name from "Oriental Ginza Holdings Limited" to "Carnival Group International Holdings Limited".

The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in property development and investment, trading and investment and retail-related consultancy and management services business.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

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

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

Amendments to HKFRS 7	Financial Instruments: Disclosures — Transfers of Financial Assets
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets

Amendments to HKAS 12 Deferred Tax: Recovery of Underlying Assets

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

The Group's investment properties are situated in the PRC. For the purpose of application of the amendments to HKAS 12, the directors of the Company reviewed the Group's investment property portfolios as at 31 December 2012 and concluded that the Group's investment properties situated in the PRC amounting to approximately HK$2,794,208,000 as at 31 December 2012 (31 December 2011: HK$3,070,573,000) are held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Accordingly, the adoption of amendments to HKAS 12 has no impact on the deferred tax liabilities in respect of these properties.

The application of the other new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

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

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[2]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HKAS 19 (as revised in 2011)	Employee Benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[4]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[2]
HK(IFRIC)–Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

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

New and revised HKFRSs issued but not yet effective *(Continued)*

Annual Improvements to HKFRSs 2009 – 2011 Cycle issued in June 2012

The Annual Improvements to HKFRSs 2009 – 2011 Cycle include a number of amendments to various HKFRSs. The amendments are effective for annual periods beginning on or after 1 January 2013. Amendments to HKFRSs include the amendments to HKAS 16 "Property, Plant and Equipment" and the amendments to HKAS 32 "Financial Instruments: Presentation".

The amendments to HKAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in HKAS 16 and as inventory otherwise. The directors of the Company do not anticipate that the application of the amendments will have a material effect on the Group's consolidated financial statements.

The amendments to HKAS 32 clarify that income tax on distributions to holders of an equity instrument and transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 "Income Taxes". The directors of the Company anticipate that the amendments to HKAS 32 will have no effect on the Group's consolidated financial statements.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities and amendments to HKFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to HKFRS 7 are effective for the Group for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

The directors of the Company anticipate that the application of these amendments to HKAS 32 and HKFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

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

New and revised HKFRSs issued but not yet effective *(Continued)*

HKFRS 9 Financial Instruments

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

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss. HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The directors of the Company anticipate that the adoption of HKFRS 9 in the future may have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

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

New and revised HKFRSs issued but not yet effective *(Continued)*

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and Separate Financial Statements" that deal with consolidated financial statements. HK (SIC)-Int 12 "Consolidation – Special Purpose Entities" will be withdrawn upon the effective date of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation, that is, control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee; (b) exposure, or rights, to variable returns from its involvement with the investee; and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 "Interests in Joint Ventures". HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. HK (SIC) – Int 13 "Jointly Controlled Entities – Non-monetary Contributions by Venturers" will be withdrawn upon the effective date of HKFRS 11. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate consolidation.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013 with earlier application permitted provided that all of these standards are applied at the same time.

The directors of the Company anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning on 1 January 2013. The directors of the Company have assessed the control in respect of its subsidiaries under the new definition in the new and revised HKFRSs. The directors of the Company anticipate that the application of these five standards is unlikely to have significant impact on amounts in connection to subsidiaries of the Company currently reported in the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

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

New and revised HKFRSs issued but not yet effective *(Continued)*

HKFRS 13 Fair Value Measurement

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

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

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 "Presentation of Items of Other Comprehensive Income" introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and other comprehensive income' and an 'income statement' is renamed as a 'statement of profit or loss'. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The directors of the Company anticipate that the amendments to HKAS 1 will be adopted in the Group's consolidated financial statements for the annual period beginning on 1 January 2013 and the presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the consolidated financial statements in the future accounting periods.

The directors of the Company anticipate that the application of the other new and revised standards, amendments and interpretation will have no material impact on the results and the financial position of the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost; (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them); and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 "Financial Instruments: Recognition and Measurement".

Investment in a subsidiary

Investment in a subsidiary is included in the Company's statement of financial position at cost less any identified impairment loss.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred 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. Acquisition-related costs are generally recognised in profit or loss as incurred.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits" respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based Payment" at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets", as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On subsequent disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Profit from sale of properties is recognised when the significant risks and rewards of ownership of the properties are transferred to the buyers. Deposits and instalments received from purchasers prior to this stage are included in current liabilities.

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

Service income is recognised when services are provided.

Income from sale of equity securities is recognised on the trade date basis.

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

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

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

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

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

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

Buildings under development for future owner-occupied purpose

When buildings are in the course of development for production or for administrative purposes, the amortisation of prepaid lease payments provided during the construction period is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation including properties under construction for such purposes.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties *(Continued)*

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

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

Properties for sale

Properties for sale are stated at the lower of cost and net realisable value. Costs include freehold and leasehold land cost, development cost, borrowing costs and other direct costs attributable to such properties, until the relevant properties reach a marketable state. Net realisable value is determined by reference to management estimates of the selling price based on prevailing market conditions, less all estimated costs to completion and costs to be incurred in marketing and selling.

Leasing

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

The Group as lessor

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

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing *(Continued)*

The Group as lessee (Continued)

Leasehold land and building

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

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

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings; and

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in equity under the heading of translation reserve.

Borrowing costs

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

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

Retirement benefit costs

Payments to defined contribution retirement benefit plans including state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme, are recognised as an expense when employees have rendered service entitling them to the contributions.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation

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

Current tax

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

Deferred tax

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Financial instruments

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

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

Financial assets

The Group's financial assets are classified into the following categories, including financial assets at fair value through profit or loss ("FVTPL") and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Financial assets at FVTPL

Financial assets at FVTPL has two subcategories, including financial assets held for trading and those designated as at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item. Fair value is determined in the manner described in in Note 43.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade receivables, deposits and other receivables and bank balances and deposits) are measured at amortised cost using the effective interest method, less any impairment losses.

Impairment of financial assets

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

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

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

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments

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

Equity instruments

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

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is those designated at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Convertible notes

Convertible notes issued by the Group that contain both the liability and conversion option components are classified separately into respective items on initial recognition in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instrument s is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the notes into equity, is included in equity (convertible notes equity reserve).

In subsequent periods, the liability component of the convertible notes is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible notes equity reserve until the embedded option is exercised (in which case the balance stated in convertible notes equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible notes equity reserve will be released to the retained profits/(accumulated losses). No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible notes using the effective interest method.

Other financial liabilities

Other financial liabilities including trade payables, accrued liabilities and other payables, borrowings, amounts due to non-controlling interests and promissory notes are subsequently measured at amortised cost, using the effective interest method.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derivative financial instruments

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the contracts are not measured at FVTPL.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debt or fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policy.

Derecognition

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

Contingent liabilities acquired in a business combination

Contingent liabilities acquired in a business combination are initially measured at fair value at the date of acquisition. At the end of the subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognised in accordance with HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets” and the amount initially recognised less cumulative amortisation (if appropriate) recognised in accordance with HKAS 18 “Revenue”.

Share-based payment transactions

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity.

At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits (accumulated losses).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment losses on tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Estimated useful lives of property, plant and equipment

Management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charges where useful lives are less than previously estimated, or it will write-off or write-down obsolete assets that have been abandoned or sold.

Valuation of investment properties under construction

As described in Note 18, investment properties under construction are stated at fair value based on the valuation performed by independent qualified professional valuers.

Investment properties under construction are valued by estimating the fair value of such properties as if they were completed in accordance with the relevant development plan and then deducting from that amount the estimated costs to complete the construction and a reasonable profit margin.

Impairment loss of trade and other receivables

The Group's policy for doubtful receivables is based on the on-going evaluation of the collectability and ageing analysis of the trade and other receivables and on management's judgements. Considerable judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor, and the present values of the estimated future cash flows discounted at the effective interest rates. If the financial conditions of the Group's debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment loss of trade and other receivables may be required.

Income taxes

There are transactions and calculations relating to the Group's ordinary business activities for which the ultimate tax determination is uncertain and judgement is required in determining the provision for income taxes. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generation unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

Write-down of inventories for property development

Management performs a regular review on the carrying amounts of inventories for property development. Based on management's review, write-down of inventories for property development will be made when the estimated net realisable value has declined below the carrying amount.

In determining the net realisable value of completed properties for sale, management refers to prevailing market data such as recent sales transactions, market survey reports available from independent property valuers and internally available information, as bases for evaluation.

In respect of leasehold land held for development for sale and properties held for/under development for sale, the estimate of net realisable value requires the application of a risk-adjusted discount rate to the estimated future cash flows to be derived from these properties. These estimates require judgement as to the anticipated sale prices by reference to recent sales transactions in nearby locations, rate of new property sales, marketing costs (including price discounts required to stimulate sales) and the estimated costs to completion of properties, the legal and regulatory framework and general market conditions.

5. REVENUE

An analysis of the Group's revenue for the year from continuing operations is as follows:

	2012 **HK$'000**	2011 HK$'000
Property rental income	**4,452**	18,493
Fair value losses on held for trading investments	**(32,947)**	(85,551)
Dividend income from listed investments	**171**	3,290
Income from provision of retail-related consultancy and management services	**10,516**	51,163
	(17,808)	(12,605)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

6. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the directors of the Company that are used to assess performance and allocate resources. The Group is principally engaged in property development and investment business, trading and investment business and retail-related consultancy and management services business.

Segment revenue and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable and operating segment.

For the year ended 31 December 2012

Continuing operations	Property development and investment business HK$'000	Trading and investment business HK$'000	Retail-related consultancy and management services business HK$'000	Total HK$'000
REVENUE				
External sales	4,452	(33,599)	10,516	(18,631)
Investment income and net gain	–	823	–	823
	4,452	(32,776)	10,516	(17,808)
RESULTS				
Segment results	(123,536)	(32,871)	(4,665)	(161,072)
Finance costs				(169,083)
Unallocated income				196,709
Unallocated corporate expenses				(250,958)
Loss before tax (continuing operations)				(384,404)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

6. SEGMENT INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

For the year ended 31 December 2011

Continuing operations	Property development and investment business HK$'000	Trading and investment business HK$'000	Retail-related consultancy and management services business HK$'000	Total HK$'000
REVENUE				
External sales	18,493	(16,667)	51,163	52,989
Investment income and net loss	–	(65,594)	–	(65,594)
	18,493	(82,261)	51,163	(12,605)
RESULTS				
Segment results	3,827	(83,325)	54,085	(25,413)
Finance costs				(6,952)
Unallocated income				1,677
Unallocated corporate expenses				(30,413)
Loss before tax (continuing operations)				(61,101)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2011: Nil).

Segment profit/(loss) represents the profit earned by/(loss) from each segment without allocation of central administration costs including directors' emoluments and finance costs. This is the measure reported to the chief operating decision maker for the purposes of performance assessment and resources allocation.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

6. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

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

Segment assets

	2012 **HK$'000**	2011 HK$'000
Continuing operations		
Property development and investment business	**13,128,919**	11,930,229
Trading and investment business	**55,010**	86,674
Retail-related consultancy and management services business	**210**	109,569
Total segment assets	**13,184,139**	12,126,472
Assets relating to discontinued operations	**–**	573,161
Unallocated head office and corporate assets	**11,637**	129,908
Consolidated assets	**13,195,776**	12,829,541

Note: All assets are allocated to operating segments other than assets relating to discontinued operations, certain bank balances and deposits and other unallocated assets.

Segment liabilities

	2012 **HK$'000**	2011 HK$'000
Continuing operations		
Property development and investment business	**2,382,923**	2,119,881
Retail-related consultancy and management services business	**75**	136,598
Total segment liabilities	**2,382,998**	2,256,479
Liabilities relating to discontinued operations	**–**	210,207
Unallocated head office and corporate liabilities	**5,126,531**	4,515,742
Consolidated liabilities	**7,509,529**	6,982,428

Note: All liabilities are allocated to operating segments other than liabilities relating to discontinued operations, certain borrowings, deferred tax liabilities, convertible notes, promissory notes and other unallocated liabilities.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

6. SEGMENT INFORMATION *(Continued)*

Other segment information

For the year ended 31 December 2012

Continuing operations	Property development and investment business HK$'000	Trading and investment business HK$'000	Retail-related consultancy and management services business HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:					
Capital expenditure *(Note)*	1,279,312	–	–	77	1,279,389
Depreciation of property, plant and equipment	3,707	–	325	320	4,352
Net foreign exchange difference	2,922	–	–	68	2,990
Gain on disposal of subsidiaries	–	–	–	(195,592)	(195,592)
Gain on bargain purchase	–	–	–	(185)	(185)
Loss on early redemption on promissory notes	–	–	–	199,707	199,707
Fair value change of investment properties	(3,850)	–	–	–	(3,850)
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:					
Interest on bank deposits	(16,669)	–	(11)	(200)	(16,880)
Income tax (credit)/expense	(1,891)	–	3	(21,104)	(22,992)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

6. SEGMENT INFORMATION *(Continued)*

Other segment information *(Continued)*

For the year ended 31 December 2011

Continuing operations	Property development and investment business HK$'000	Trading and investment business HK$'000	Retail-related consultancy and management services business HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:					
Capital expenditure *(Note)*	5,601,170	–	20	840	5,602,030
Depreciation of property, plant and equipment	4,348	–	872	1,455	6,675
Reversal of impairment loss of other receivables	–	–	(51,217)	–	(51,217)
Net foreign exchange difference	30	–	–	326	356
Fair value change of investment properties	2,460	–	–	–	2,460
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:					
Interest on bank deposits	(155)	–	(45)	(1,060)	(1,260)
Income tax expense/(credit)	675	–	120	(578)	217

Note: Capital expenditure comprises additions to property, plant and equipment, investment properties and other assets, including additions resulting from acquisitions through business combinations, and excluding those relating to discontinued operations.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

6. SEGMENT INFORMATION *(Continued)*

Information about major customers

The Group's revenue from customers of corresponding years contributing over 10% of total revenue from property development and investment business and retail-related consultancy and management services business of the Group are as follows:

	2012 **HK$'000**	2011 HK$'000
Customer A	**2,482**	–
Customer B	**2,069**	–
Customer C	**–**	9,412

7. OTHER INCOME AND NET GAINS

Continuing operations	**2012** **HK$'000**	2011 HK$'000
Interest on bank deposits	**16,880**	1,260
Others	**1,133**	4,601
	18,013	5,861

8. FINANCE COSTS

Continuing operations	**2012** **HK$'000**	2011 HK$'000
Interest on borrowings:		
– wholly repayable within five years	**140,282**	–
Effective interest expense on convertible notes (Note 33)	**127,900**	3,496
Effective interest expense on promissory notes (Note 34)	**41,099**	3,456
Total finance costs	**309,281**	6,952
Less: amounts capitalised *(Note)*	**(140,198)**	–
	169,083	6,952

The weighted average capitalisation rate on funds borrowed generally is 10.53% per annum (2011: Nil).

Note: Certain finance costs had been capitalised to property development projects in the PRC.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

9. INCOME TAX (CREDIT)/EXPENSE

Continuing operations	2012 HK$'000	2011 HK$'000
Current tax:		
PRC Enterprise Income Tax	**56**	288
Deferred tax (Note 32):	**(23,048)**	(71)
	(22,992)	217

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit arising in or derived from Hong Kong for both years. No provision for Hong Kong Profits Tax has been made as the Company and its subsidiaries had no assessable profits arising in Hong Kong for both years.

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% for both years.

The tax (credit)/charge for the year can be reconciled to the loss before tax per the consolidated statement of comprehensive income as follows:

	2012 HK$'000	2011 HK$'000
Loss before tax (from continuing operations)	**(384,404)**	(61,101)
Tax at PRC Enterprise Income Tax rate of 25%	**(96,101)**	(15,275)
Tax effect of income not taxable for tax purpose	**(14,937)**	(14,678)
Tax effect of withholding tax on undistributed profits of PRC subsidiaries	**(2,907)**	1,150
Tax effect of expenses not deductible for tax purpose	**90,953**	29,020
Tax (credit)/expense for the year (relating to continuing operations)	**(22,992)**	217

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

10. DISCONTINUED OPERATIONS/DISPOSAL GROUP HELD FOR SALE

On 6 January 2012, the Company entered into a sale and purchase agreement with an independent third party to dispose of the Group's entire equity interest in Virtue Link Investments Limited ("Virtue Link"). Virtue Link and its subsidiaries carried out all of the Group's gasoline and diesel operations, which have been classified as discontinued operations. The assets and liabilities attributable to the gasoline and diesel operations had been classified as a disposal group held for sale and were presented separately in the consolidated statement of financial position as at 31 December 2011.

The profit/(loss) for the period from the discontinued operation is analysed as follows:

	2012 **HK$'000**	2011 HK$'000
Loss from gasoline and diesel operations	**–**	(16,136)
Gain on disposal of gasoline and diesel operations (Note 36(a))	**9,470**	–
	9,470	(16,136)

The results of the gasoline and diesel operations for the period from 1 January 2012 to 8 February 2012 (date of disposal), which had been included in the consolidated statement of comprehensive income were as follows:

	From 1 January to 8 February 2012 **HK$'000**	From 28 April to 31 December 2011 HK$'000
Revenue	**–**	14,344
Change in inventories of work in progress and finished goods	**–**	(10,933)
Other income and net gains	**–**	56
Amortisation of prepaid land lease	**–**	(339)
Depreciation of property, plant and equipment	**–**	(1,279)
Employee benefits expense	**–**	(3,370)
Impairment loss of other receivables	**–**	(2,744)
Other operating expenses	**–**	(6,885)
Finance costs	**–**	(4,966)
Loss before tax	**–**	(16,116)
Income tax expense	**–**	(20)
Loss for the period from discontinued operations	**–**	(16,136)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

10. DISCONTINUED OPERATIONS/DISPOSAL GROUP HELD FOR SALE *(Continued)*

	From 1 January to 8 February 2012 HK$'000	From 28 April to 31 December 2011 HK$'000
Net cash outflows by operating activities	–	(19,772)
Net cash outflows by investing activities	–	(18,325)
Net cash inflows from financing activities	–	38,242
	–	145

The major classes of assets and liabilities of the gasoline and diesel operations as at 31 December 2011, which had been presented separately in the consolidated statement of financial position, were as follows:

	At 31 December 2011 HK$'000
Goodwill	443,550
Property, plant and equipment	42,195
Prepaid lease payments	30,745
Inventories	9,998
Trade receivables	2,397
Prepayments, deposits and other receivables	43,829
Bank balances and cash	447
Total assets classified as held for sale	573,161
Accrued liabilities and other payables	20,510
Retention money payable	122,400
Amounts due to non-controlling interests	4,981
Other borrowings, secured	62,316
Total liabilities associated with assets classified as held for sale	210,207

Management of the Group determined that there was no impairment at 31 December 2011 as the net proceeds of disposal exceeded the net carrying amount of the assets and liabilities of the disposal group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

11. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging/(crediting):

Continuing operations	**2012** **HK$'000**	2011 HK$'000
Net foreign exchange difference	**2,990**	356
Reversal of impairment loss of other receivables	**–**	(51,217)
Auditors' remuneration	**800**	1,750
Operating lease rentals in respect of premises		
– Minimum lease payments	**16,607**	48,909
Employee benefits expense (including directors' emoluments)		
– Salaries and other benefits	**48,220**	16,451
– Contributions to retirement benefits schemes	**1,872**	449
Total employee benefits expense	**50,092**	16,900
Less: amounts capitalised *(Note)*	**(11,422)**	–
	38,670	16,900
Depreciation of property, plant and equipment	**4,352**	5,396
Less: amounts capitalised *(Note)*	**(71)**	–
	4,281	5,396

Note: Certain employee benefits expense and depreciation of property, plant and equipment had been capitalised to property development projects in the PRC.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

12. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to the directors of the Company were as follows:

For the year ended 31 December 2012	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Contributions to retirement benefits schemes HK$'000	Total HK$'000
Executive directors				
Mr. King Pak Fu (Note (a))	–	150	4	154
Mr. Zhou Cheng Rong (Note (e))	–	600	14	614
Mr. Wu Hong Guang (Note (f))	–	400	14	414
Mr. Dai Peng (Note (g))	–	600	–	600
Mr. Gong Xiao Cheng (Note (b))	–	1,250	–	1,250
Mr. Lo Kai Bong (Note (c))	–	625	6	631
Mr. Xu Yi (Note (d))	–	850	–	850
Mr. Hon Ming Sang	–	1,163	14	1,177
Non-executive director				
Mr. Wang John Peter Ben (Note (l))	–	200	–	200
Independent non-executive directors				
Mr. Chan Wai Yip Freeman	100	–	–	100
Mr. Ng Ka Chung Simon	100	–	–	100
Ms. Leung Po Ying Iris	100	–	–	100
	300	5,838	52	6,190

No emoluments paid or payable to the chief executive of the Company during the year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

12. DIRECTORS' EMOLUMENTS *(Continued)*

For the year ended 31 December 2011	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Contributions to retirement benefits schemes HK$'000	Total HK$'000
Executive directors				
Mr. Zhou Cheng Rong (Note (e))	–	350	–	350
Mr. Wu Hong Guang (Note (f))	–	233	–	233
Mr. Dai Peng (Note (g))	–	215	–	215
Ms. Tin Yuen Sin Carol (Note (h))	–	1,250	8	1,258
Mr. Zhang Feng (Note (i))	–	287	–	287
Mr. Li Sai Ho (Note (j))	–	–	–	–
Mr. Xu Yi	–	1,200	–	1,200
Mr. Ho Kam Chuen Alex (Note (k))	–	782	7	789
Mr. Hon Ming Sang	–	1,040	12	1,052
Non-executive director				
Mr. Wang John Peter Ben (Note (l))	–	1,200	–	1,200
Independent non-executive directors				
Mr. Chan Wai Yip Freeman	100	–	–	100
Mr. Ng Ka Chung Simon	100	–	–	100
Ms. Leung Po Ying Iris	100	–	–	100
	300	6,557	27	6,884

Notes:

(a) Mr. King Pak Fu was appointed as an executive director on 10 September 2012.
(b) Mr. Gong Xiao Cheng was appointed as an executive director on 7 March 2012.
(c) Mr. Lo Kai Bong was appointed as an executive director on 7 March 2012 and resigned on 31 July 2012.
(d) Mr. Xu Yi resigned as an executive director on 10 September 2012.
(e) Mr. Zhou Cheng Rong was appointed as an executive director on 8 June 2011 and resigned on 28 March 2013.
(f) Mr. Wu Hong Guang was appointed as an executive director on 8 June 2011 and resigned on 28 March 2013.
(g) Mr. Dai Peng was appointed as an executive director on 23 August 2011 and resigned on 28 March 2013.
(h) Ms. Tin Yuen Sin Carol resigned as an executive director on 31 August 2011.
(i) Mr. Zhang Feng resigned as an executive director on 8 June 2011.
(j) Mr. Li Sai Ho resigned as an executive director on 8 June 2011.
(k) Mr. Ho Kam Chuen Alex resigned as an executive director on 13 July 2011.
(l) Mr. Wang John Peter Ben resigned as a non-executive director on 1 March 2012.

During both years, no emoluments were paid by the Group to the Company's directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Company's directors has waived or agreed to waive any emoluments during both years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

13. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2011: five) were directors of the Company whose emoluments are included in the disclosures in Note 12 above. The emoluments of the remaining three (2011: nil) individuals were as follows:

	2012 **HK$'000**	2011 HK$'000
Salaries and other benefits	**3,768**	–
Contributions to retirement benefits schemes	**24**	–
	3,792	–

Their emoluments were within the following band:

	2012 **No. of** **employees**	2011 No. of employees
HK$1,000,001 to HK$1,500,000	**3**	–

14. DIVIDENDS

No dividend was paid or proposed in respect of the year ended 31 December 2012 (2011: Nil), nor has any dividend been proposed since the end of the reporting period.

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15. LOSS PER SHARE

For continuing and discontinued operations

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

	2012	2011
	HK$'000	HK$'000
Loss for the purpose of calculating basic and diluted loss per share		
Loss for the year	**(307,965)**	(69,547)

Number of shares	**2012**	2011
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	**4,396,120,965**	1,185,969,726

From continuing operations

The calculation of the basic and diluted loss per share from continuing operations attributable to the owners of the Company is based on the following data:

Loss figures are calculated as follows:

	2012	2011
	HK$'000	HK$'000
Loss for the year attributable to owners of the Company	**(307,965)**	(69,547)
Less: (profit)/loss for the year from discontinued operations	**(9,470)**	8,229
Loss for the purpose of calculating basic and diluted loss per share from continuing operations	**(317,435)**	(61,318)

The denominators used are the same as those detailed above for both basic and diluted loss per share.

The computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible notes since their exercise would result in a decrease in loss per share from continuing operations.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

15. LOSS PER SHARE *(Continued)*

From discontinued operations

Basic and diluted earnings per share for the discontinued operations is HK$0.002 per share (2011: a loss of HK$0.007 per share), based on the profit for the year from the discontinued operations of approximately HK$9,470,000 (2011: a loss of HK$8,229,000) and the denominators used are the same as those detailed above for both basic and diluted loss per share.

16. INVESTMENTS IN SUBSIDIARIES

The Company

	2012 **HK$'000**	2011 HK$'000
Unlisted shares at cost	**4,178,419**	4,178,419
Amounts due from subsidiaries	**629,586**	1,569,457
Less: provision for impairment of amounts due from subsidiaries	**–**	(7,809)
	629,586	1,561,648
	4,808,005	5,740,067

Particulars of the Company's principal subsidiaries at 31 December 2012 are set out in Note 45. During both years ended, the directors of the Company reviewed the carrying values of the investments. The recoverable amounts of these investments are determined with reference to the directors' estimate of discounted future cash flows and net assets of these investments as at the end of the reporting period.

The amounts due from/(to) subsidiaries are unsecured, interest-free and repayable on demand. The provision was determined on the basis of the amounts recoverable from the subsidiaries with reference to the estimated fair value of the underlying assets held by subsidiaries.

Movements in the provision for impairment of amounts due from subsidiaries are as follows:

	2012 **HK$'000**	2011 HK$'000
At 1 January	**7,809**	–
Provision for impairment	**–**	7,809
Eliminated on disposal of subsidiaries	**(7,809)**	–
At 31 December	**–**	7,809

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For the year ended 31 December 2012

17. PROPERTY, PLANT AND EQUIPMENT

The Group

	Land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction-in-progress HK$'000	Total HK$'000
COST							
At 1 January 2011	13,451	21,151	2,780	3,766	820	–	41,968
Additions	–	2,660	34	58	1,180	5,532	9,464
Acquired on acquisition of subsidiaries (Note 35(b)&(c))	1,763	42	3,410	2,576	7,616	2,157,068	2,172,475
Reclassified as held for sale (Note 10)	(1,813)	(2,725)	(3,542)	(698)	(1,931)	(32,776)	(43,485)
Exchange adjustments	542	788	200	156	77	802	2,565
At 31 December 2011	13,943	21,916	2,882	5,858	7,762	2,130,626	2,182,987
Additions	–	–	–	1,165	633	416,651	418,449
Acquired on acquisition of subsidiaries (Note 35(a))	–	–	–	300	1,397	651,988	653,685
Derecognised on disposal of subsidiaries (Note 36)	(13,999)	(21,739)	(3,032)	(3,894)	(861)	–	(43,525)
Exchange adjustments	56	63	150	10	35	9,049	9,363
At 31 December 2012	**–**	**240**	**–**	**3,439**	**8,966**	**3,208,314**	**3,220,959**
DEPRECIATION AND IMPAIRMENT							
At 1 January 2011	81	10,210	744	3,139	61	–	14,235
Provided for the year	1,063	2,451	2,043	231	887	–	6,675
Reclassified as held for sale (Note 10)	(290)	(112)	(344)	(141)	(403)	–	(1,290)
Exchange adjustments	16	406	54	117	10	–	603
At 31 December 2011	870	12,955	2,497	3,346	555	–	20,223
Provided for the year	217	717	17	942	2,459	–	4,352
Eliminated on disposal of subsidiaries (Note 36)	(1,091)	(13,613)	(2,661)	(3,348)	(496)	–	(21,209)
Exchange adjustments	4	17	147	2	8	–	178
At 31 December 2012	**–**	**76**	**–**	**942**	**2,526**	**–**	**3,544**
CARRYING AMOUNTS							
At 31 December 2012	**–**	**164**	**–**	**2,497**	**6,440**	**3,208,314**	**3,217,415**
At 31 December 2011	13,073	8,961	385	2,512	7,207	2,130,626	2,162,764

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For the year ended 31 December 2012

17. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

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

Land and buildings	Over the shorter of the term of the lease or 2-5%
Leasehold improvements	Over the shorter of the term of the lease or 10%
Plant and machinery	7 to 10 years
Furniture, fixtures and equipment	6.66%-33.33%
Motor vehicles	20%-33.33%
Construction-in-progress	Nil

The Group's land and buildings and construction-in-progress are situated in the PRC and held under medium-term lease.

As at 31 December 2012, the Group has pledged construction-in-progress with a carrying amount of approximately HK$3,208,314,000 (2011: HK$2,130,626,000) to secure the Group's borrowings (Note 31).

18. INVESTMENT PROPERTIES

The Group

	Completed investment properties HK$'000	Investment properties under construction HK$'000	Total HK$'000
FAIR VALUE			
At 1 January 2011	482,596	–	482,596
Acquired on acquisition of subsidiaries (Note 35(b))	–	2,574,609	2,574,609
Net decrease in fair value recognised in profit or loss	(2,460)	–	(2,460)
Exchange adjustments	15,828	–	15,828
At 31 December 2011	495,964	2,574,609	3,070,573
Additions	–	207,255	207,255
Disposal of subsidiaries (Note 36(c)&(d))	(497,908)	–	(497,908)
Net increase in fair value recognised in profit or loss	–	3,850	3,850
Exchange adjustments	1,944	8,494	10,438
At 31 December 2012	**–**	**2,794,208**	**2,794,208**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

18. INVESTMENT PROPERTIES *(Continued)*

The fair value of the Group's investment properties at 31 December 2012 and 2011 have been arrived at on the basis of a valuation carried out on that date by Vigers Appraisal and Consulting Limited ("Vigers") and RHL Appraisal Limited ("RHL"), independent qualified professional valuers not connected with the Group. Vigers and RHL had appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuations, which conformed to Hong Kong Institute of Surveyors Valuation Standards on Properties, were made on the basis of market value.

The valuations of investment properties under construction have been arrived at adopting direct comparison approach with reference to comparable transactions in the locality and assuming that the investment properties will be completed in accordance with the development proposals and the relevant approvals for the proposals have been obtained.

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

As at 31 December 2012, the Group's investment properties under construction with a carrying amount of approximately HK$2,794,208,000 (2011: HK$2,574,609,000) have been pledged to secure the Group's borrowings (Note 31).

The carrying amounts of investment properties shown above comprise:

	2012 **HK$'000**	2011 HK$'000
Land outside Hong Kong:		
Long-term lease	**–**	2,202
Medium-term lease	**2,794,208**	3,068,371
	2,794,208	3,070,573

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19. GOODWILL

The Group

	Discontinued operations Gasoline and diesel operations **(Unit A)** HK$'000	**Continuing operations** Property development and investment operations **(Unit B)** HK$'000	**Total** HK$'000
COST			
At 1 January 2011	–	–	–
Arising on acquisition of subsidiaries (Note 35(b)&(c))	443,550	521,002	964,552
Reclassified as held for sale (Note 10)	(443,550)	–	(443,550)
At 31 December 2011	–	521,002	521,002
Exchange adjustments	–	5,088	5,088
At 31 December 2012	**–**	**526,090**	**526,090**

Impairment testing on goodwill

For the purposes of impairment testing, goodwill has been allocated to two individual cash generating units ("CGUs"). The basis of the recoverable amounts of the CGUs and their major underlying assumptions are summarised below:

Unit A

On 28 April 2011, the Group acquired 51% of the equity interest in Wide Merit Limited ("Wide Merit") and related shareholder's loan, resulting in a goodwill of approximately HK$443,550,000 for the gasoline and diesel operations.

As detailed in Note 10, on 6 January 2012, the Company entered into a sale and purchase agreement to dispose of its gasoline and diesel operations. The recoverable amount of gasoline and diesel operations, measured at the higher of the value in use and fair value less costs to sell, was higher than its carrying amount.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

19. GOODWILL *(Continued)*

Impairment testing on goodwill *(Continued)*

Unit B

On 21 December 2011, the Group acquired the entire equity interest in Easy Linkage Development Limited ("Easy Linkage") and related shareholder's loan, resulting in a goodwill of approximately HK$521,002,000 for the property development and investment operations.

The recoverable amount of this CGU is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by management covering a period of 5 years, and cash flows beyond 5 years are extrapolated by assuming 3% (2011: 4%) growth rate and a discount rate of 16.09% (2011: 17.77%) per annum. The key assumptions for the value in use calculation are those regarding the discount rate, budgeted sales and expected gross margins during the budget period and the same construction materials price inflation during the budget period. Expected cash inflows/outflows, which include budgeted sales, gross margin and construction materials price inflation have been determined based on past performance and management's expectations for the market development. The management estimates discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU. In performing the impairment testing, the directors of the Company have also made reference to a valuation performed by an independent professional valuer.

During the year ended 31 December 2012 and 2011, management of the Group determined that there was no impairment of goodwill.

20. PREPAID LEASE PAYMENTS

The Group

	2012 **HK$'000**	2011 HK$'000
At 1 January	**–**	–
Acquired on acquisition of subsidiaries (Note 35(c))	**–**	20,660
Additions	**–**	9,754
Amortisation	**–**	(339)
Reclassified as held for sale (Note 10)	**–**	(30,745)
Exchange adjustments	**–**	670
At 31 December	**–**	–

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21. PROPERTIES FOR SALE

The Group

	2012	2011
	HK$'000	HK$'000
Properties under development for sale	**5,469,341**	4,378,669

As at 31 December 2012, the Group's properties under development for sale with a carrying amount of approximately HK$5,469,341,000 (2011: HK$4,378,669,000) have been pledged to secure the Group's borrowings (Note 31).

The properties for sale are situated in the PRC.

22. TRADE RECEIVABLES

The Group

Trade receivables comprise (i) receivables arising from sales of properties which are due for settlement in accordance with the terms of the related sale and purchase agreements; (ii) rental receivables which are due for settlement upon issuance of monthly debit notes to the tenants; and (iii) receivables arising from provision of services which are due for settlement in accordance with the terms of the related service agreements and due within 60-180 days from the date of billing.

The following is an aged analysis of trade receivables (net of allowance for doubtful debts) at the end of the reporting period:

	2012	2011
	HK$'000	HK$'000
0 – 30 days	**–**	4,483
31 – 60 days	**–**	–
61 – 90 days	**–**	22
Over 90 days	**–**	27,745
	–	32,250

As at 31 December 2011, included in the Group's trade receivables were debtors with aggregate carrying amount of approximately HK$27,745,000 which are past due for which the Group had not provided for impairment loss as there had not been a significant change in credit quality and the amounts were still considered recoverable. The Group does not hold any collateral or other credit enhancements over the balance arising from provision of services and rental income nor does it have a legal right of offset against any amount owed by the Group to the counterparty.

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22. TRADE RECEIVABLES *(Continued)*

Ageing of trade receivables which are past due but not impaired

	2012 **HK$'000**	2011 HK$'000
Over 90 days	**–**	27,745

Movement in the allowance for doubtful debts

	2012 **HK$'000**	2011 HK$'000
At 1 January	**330**	330
Eliminated on disposal of subsidiaries	**(330)**	–
At 31 December	**–**	330

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	The Group		**The Company**	
	2012 **HK$'000**	2011 HK$'000	**2012** **HK$'000**	2011 HK$'000
Prepayments:				
– construction contracts	**580,802**	82,694	**–**	–
– pre-sale related taxes	**152,041**	151,349	**–**	–
– others	**2,774**	49,182	**449**	249
Deposits	**2,095**	26,970	**–**	–
Other receivables	**43,322**	42,497	**–**	20,300
	781,034	352,692	**449**	20,549

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24. HELD FOR TRADING INVESTMENTS

The Group

	2012 **HK$'000**	2011 HK$'000
Equity securities listed in Hong Kong	**54,788**	85,504

The fair values of all equity securities are determined based on the quoted market bid prices at the end of reporting period.

25. BANK BALANCES AND DEPOSITS

	The Group		**The Company**	
	2012 **HK$'000**	2011 HK$'000	**2012** **HK$'000**	2011 HK$'000
Bank deposits	**27,111**	458,069	**–**	–
Bank balances and cash	**325,789**	827,930	**–**	15,069
	352,900	1,285,999	**–**	15,069

Bank balances and deposits of the Group and the Company comprise bank balances and cash held and short-term bank deposits that are interest-bearing at market interest rate and have original maturity of three months or less. The Group's bank deposits carry interest rates ranging from Nil to 5% (2011: Nil to 1.49%) per annum.

At 31 December 2012, approximately 2% (2011: 8%) of the Group's bank balances and deposits are denominated in Hong Kong dollars, 2% (2011: 33%) in United States dollars and 96% (2011: 59%) in Renminbi. Renminbi is not a freely convertible currency and the remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

As at 31 December 2012, the Group's bank balances and deposits of approximately HK$1,485,000 (2011: HK$14,015,000) are solely for certain designated property development projects in the PRC.

Notes to the Consolidated Financial Statements

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26. TRADE PAYABLES

The Group

Trade payables comprise amounts outstanding for trade purposes and ongoing costs.

The following is an aged analysis of trade payables presented based on the invoice and contractual date at the end of the reporting period:

	2012 HK$'000	2011 HK$'000
0 – 30 days	**50,281**	35,154
31 – 60 days	**27,449**	–
61 – 90 days	**1,878**	–
Over 90 days	**54,292**	1,436
	133,900	36,590

27. ACCRUED LIABILITIES AND OTHER PAYABLES

	The Group		The Company	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Construction costs payable	**454,228**	244,064	**–**	–
Rental deposits received	**1,298**	13,180	**–**	–
Other payables	**89,223**	229,048	**–**	60,005
Accruals	**12,622**	7,362	**1,043**	3,583
	557,371	493,654	**1,043**	63,588

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28. AMOUNTS DUE TO NON-CONTROLLING INTERESTS

The Group

	2012	2011
	HK$'000	HK$'000
Carrying amount repayable:		
Within one year or on demand	**174,267**	51,382
More than one year but not exceeding two years	**–**	122,309
	174,267	173,691

As at 31 December 2012, the amounts due to non-controlling interests are unsecured, interest-free and repayable on demand.

29. SHARE CAPITAL

	Notes	**Ordinary shares of HK$0.2 each**	**Amount**
			HK$'000
Authorised:			
At 1 January 2011		5,000,000,000	1,000,000
Increase on 9 December 2011	(a)	10,000,000,000	2,000,000
At 31 December 2011 and 2012		**15,000,000,000**	**3,000,000**
Issued and fully paid:			
At 1 January 2011		1,095,542,931	219,109
Issue of shares by way of placing	(b)	2,000,000,000	400,000
Issue of shares in consideration for acquisition of subsidiaries	(c)	1,300,578,034	260,115
At 31 December 2011 and 2012		**4,396,120,965**	**879,224**

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29. SHARE CAPITAL *(Continued)*

Notes:

(a) Pursuant to an ordinary resolution passed by the Company's shareholders at the special general meeting held on 9 December 2011, the authorised share capital of the Company was increased from HK$1,000,000,000 to HK$3,000,000,000 by creation of an additional 10,000,000,000 shares of HK$0.2 each.

(b) On 21 December 2011, the Company allotted and issued 2,000,000,000 ordinary shares of HK$0.2 each in the capital of the Company by way of placing at a placing price of HK$0.38 per share. The gross proceeds of HK$760,000,000 were used for settlement of part of the consideration for the acquisition of Easy Linkage.

(c) On 21 December 2011, the Company allotted and issued 1,300,578,034 ordinary shares of HK$0.2 each in the capital of the Company at an issue price of HK$0.455 to Better Joint Venture Limited ("Better Joint"), a company wholly and beneficially owned by Mr. King Pak Fu, for payment of part of the consideration for the acquisition of Easy Linkage.

30. SHARE PREMIUM AND RESERVES

The Company

	Share premium HK$'000	Contributed surplus HK$'000	Convertible notes equity reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2011	1,887,839	9,404	–	(426,842)	1,470,401
Loss for the year	–	–	–	(30,950)	(30,950)
Recognition of equity component of convertible notes	–	–	809,429	–	809,429
Issue of shares by way of placing	360,000	–	–	–	360,000
Transaction costs attributable to issue of shares	(22,860)	–	–	–	(22,860)
Deferred tax liability on recognition of equity component of convertible notes	–	–	(133,555)	–	(133,555)
Acquisition of subsidiaries (Note 35(b))	331,648	–	–	–	331,648
At 31 December 2011 and 1 January 2012	2,556,627	9,404	675,874	(457,792)	2,784,113
Loss for the year	–	–	–	(391,495)	(391,495)
Recognition of equity component of convertible notes	–	–	224,657	–	224,657
Deferred tax liability on recognition of equity component of convertible notes	–	–	(37,069)	–	(37,069)
At 31 December 2012	**2,556,627**	**9,404**	**863,462**	**(849,287)**	**2,580,206**

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31. BORROWINGS

The Group

	2012	2011
	HK$'000	HK$'000
Bank borrowings	**331,329**	880,626
Other borrowings	**1,579,744**	–
	1,911,073	880,626
Secured	**1,558,472**	880,626
Unsecured	**352,601**	–
	1,911,073	880,626
Carrying amount repayable:		
On demand or within one year	**1,236,144**	–
More than one year but not exceeding two years	**674,929**	880,626
	1,911,073	880,626

As at 31 December 2012, the bank borrowings are denominated in Renminbi and carried interest at the prevailing interest rate of the People's Bank of China plus 30% per annum, other borrowings denominated in Renminbi and carried interests at fixed rate of 11% to 13% per annum, and other borrowings denominated in Hong Kong dollar and carried interest on Hong Kong dollar prime lending rate per annum.

As at 31 December 2011, the bank borrowings are denominated in Renminbi carried interest at the prevailing interest rate of the People's Bank of China per annum.

The effective interest rate on the Group's borrowings is approximately 7.34% per annum (2011: 6.44% per annum).

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31. BORROWINGS *(Continued)*

The Group's certain borrowings were secured by:

	2012 HK$'000	2011 HK$'000
Investment properties (Note 18)	**2,794,208**	2,574,609
Property, plant and equipment (Note 17)	**3,208,314**	2,130,626
Properties for sale (Note 21)	**5,469,341**	4,378,669
	11,471,863	9,083,904

Personal guarantee was given by a substantial shareholder of the Company for certain borrowings.

32. DEFERRED TAXATION

The Group

The following are the major deferred tax balances recognised and the movements thereon during the current and prior years:

Deferred tax liabilities:	**Convertible notes** HK$'000	**Undistributed profits of subsidiaries** HK$'000	**Revaluation of properties** HK$'000	**Total** HK$'000
At 1 January 2011	–	18,847	79,891	98,738
Acquisition of subsidiaries (Note 35(b))	–	46,593	1,730,987	1,777,580
Charged to equity	133,555	–	–	133,555
(Credited)/charged to profit or loss	(576)	1,150	(645)	(71)
Exchange adjustments	–	–	2,913	2,913
At 31 December 2011	132,979	66,590	1,813,146	2,012,715
Charged to equity	37,069	–	–	37,069
Acquisition of subsidiaries (Note 35(a))	–	–	111,189	111,189
Disposal on subsidiaries (Note 36 (c)&(d))	–	(20,233)	(82,546)	(102,779)
(Credited)/charged to profit or loss	(21,104)	(2,907)	963	(23,048)
Exchange adjustments	–	–	6,476	6,476
At 31 December 2012	**148,944**	**43,450**	**1,849,228**	**2,041,622**

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32. DEFERRED TAXATION *(Continued)*

Deferred tax assets:

At the end of the reporting period, the Group has unused tax losses of approximately HK$13,677,000 (2011: HK$13,677,000) available for offset against future profits that may be carried forward indefinitely. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

The Company

The following are the major deferred tax balances recognised and the movements thereon during the current and prior years:

Deferred tax liabilities:	**Convertible notes** HK$'000
At 1 January 2011	–
Charged to equity	133,555
Credited to profit or loss	(576)
At 31 December 2011	132,979
Charged to equity	37,069
Credited to profit or loss	(21,104)
At 31 December 2012	**148,944**

33. CONVERTIBLE NOTES

The Group and the Company

On 21 December 2011, the Company issued unlisted convertible notes with a principal amount of HK$1,500,000,000 (the "First Convertible Notes") to Better Joint as part of the consideration for the acquisition of the entire equity interest in Easy Linkage as detailed in Note 35(b). The First Convertible Notes are unsecured, non-interest bearing and have a term of 5 years. The First Convertible Notes are convertible at the option of the holder into ordinary shares of the Company on or before maturity at a conversion price of HK$0.346 (the "First Conversion Price") per share (subject to anti-dilutive adjustment). The Company has the right to early redeem the First Convertible Notes at the redemption amount before maturity. If the conversion right is not exercised by the holder, the First Convertible Notes not converted will be redeemed on maturity at 100% of their principal amount.

On 10 September 2012, the Company issued unlisted convertible notes with a principal amount of HK$400,000,000 (the "Second Convertible Notes") to Glory Merit International Holdings Limited (the "Glory Merit"), a company beneficially owned by Mr. King Pak Fu, as part of the subscription of 99.01% of the issued share capital, the conversion of non-voting deferred share and related shareholder's loan in Sino Ever Investment Limited as detailed in Note 35(a). The Second Convertible Notes are unsecured, non-interest bearing and have a term of 5 years. The Second Convertible Notes are convertible at the option of the holder into ordinary shares of the Company on or before maturity at a conversion price of HK$0.30 per share (subject to anti-dilutive adjustment). The Company has the right to early redeem the Second Convertible Notes at the redemption amount before maturity. If the conversion right is not exercised by the holder, the Second Convertible Notes not converted will be redeemed on maturity at 100% of their principal amount.

Upon the completion and issuance of the Second Convertible Notes, the First Conversion Price of the First Convertible Notes was adjusted from HK$0.346 per share to HK$0.30 per share (subject to further adjustment).

The convertible notes contain two components, liability (together with embedded derivative for early redemption option by the Company which is closely related to the host debt) and equity elements. The equity element is presented in equity under the heading of "convertible notes equity reserve". The effective interest rate of the liability component for First and Second Convertible Notes are 16.591% per annum and 13.892% per annum at the date of initial recognition respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

33. CONVERTIBLE NOTES *(Continued)*

The movement of liability component of the convertible notes is as follows:

	First Convertible Notes HK$'000	**Second Convertible Notes** HK$'000	**Total** HK$'000
Principal amount of convertible notes issued (Note 35(b))	1,500,000	–	1,500,000
Equity component	(809,429)	–	(809,429)
At date of issue	690,571	–	690,571
Interest charged (Note 8)	3,496	–	3,496
Carrying amount as at 31 December 2011	694,067	–	694,067
Principal amount of convertible notes issued (Note 35(a))	–	400,000	400,000
Equity component	–	(224,657)	(224,657)
At date of issue	–	175,343	175,343
Interest charged (Note 8)	116,880	11,020	127,900
	116,880	186,363	303,243
Carrying amount as at 31 December 2012	**810,947**	**186,363**	**997,310**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

34. PROMISSORY NOTES

The Group and the Company

On 21 December 2011, the Company issued promissory notes with a principal amount of HK$1,100,000,000 to Better Joint as part of the consideration for the acquisition of the entire equity interest in Easy Linkage as detailed in Note 35(b).

The promissory notes are unsecured, interest bearing at 3.5% per annum and have a term of 3 years from the date of issue. The promissory notes were fair valued at initial recognition with an effective interest rate of 13.781% per annum.

Interest charged on the promissory notes is calculated using the effective interest method by applying the effective interest rate of 13.781% per annum to the liability.

	HK$'000
At date of issue (Note 35(b))	836,655
Interest charged (Note 8)	3,456
Carrying amount of promissory notes as at 31 December 2011	840,111
Repayment during the year	(907,834)
Loss on early redemption	199,707
Interest charged (Note 8)	41,099
Carrying amount of promissory notes as at 31 December 2012	**173,083**

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35. ACQUISITION OF SUBSIDIARIES

Year ended 31 December 2012:

(a) Acquisition of Sino Ever Investment Limited and its subsidiaries (the "Sino Ever Group")

On 10 September 2012, the Group subscripted 99.01% of the issued share capital and related shareholder's loan (the "Subscription") in Sino Ever Investment Limited, a company beneficially owned by Mr. King Pak Fu, with aggregate consideration of HK$400,000,780. Gain on bargain purchase arising as a result of the Subscription was approximately HK$185,000. The transaction constituted a major and connected transaction on the part of the Company under the Listing Rules. The Sino Ever Group is principally engaged in the property development business in the PRC.

Consideration transferred

	HK$'000
Cash	1
Convertible notes (Note 33)	400,000
Total	**400,001**

Acquisition-related costs amounting to approximately HK$1,445,000 have been excluded from the consideration transferred and have been recognised as an expense in the period, within the "other operating expenses" line item in the consolidated statement of comprehensive income.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

35. ACQUISITION OF SUBSIDIARIES *(Continued)*

Year ended 31 December 2012: *(Continued)*

(a) Acquisition of Sino Ever Investment Limited and its subsidiaries (the "Sino Ever Group") *(Continued)*

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	Fair value HK$'000
Property, plant and equipment	653,685
Properties for sale	492,966
Prepayments, deposits and other receivables	76,125
Bank balances and deposits	49,783
Trade payables	(54,109)
Accrued liabilities and other payables	(34,292)
Bank and other borrowings, secured	(672,783)
Deferred tax liabilities	(111,189)
	400,186
Gain on bargain purchase on acquisition:	
Consideration transferred	400,001
Less: net assets acquired	(400,186)
Gain on bargain purchase	(185)

	HK$'000
Net cash inflow on acquisition of the Sino Ever Group:	
Cash consideration paid	1
Less: cash and cash equivalent balances acquired	(49,783)
	(49,782)

The Sino Ever Group had contributed HK$Nil and approximately HK$16,685,000 to the Group's revenue and a loss for the period between the date of acquisition and 31 December 2012, respectively.

Had the acquisition been completed on 1 January 2012, total Group's revenue for the year would have been approximately HK$(17,808,000), and loss for the year would have been approximately HK$363,184,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2012, nor is it intended to be a projection of future results.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

35. ACQUISITION OF SUBSIDIARIES *(Continued)*

Year ended 31 December 2011:

(b) Acquisition of Easy Linkage and its subsidiaries (the "Easy Linkage Group")

On 21 December 2011, the Group acquired the entire equity interests in Easy Linkage and related shareholder's loan. Goodwill arising as a result of the acquisition was approximately HK$521,002,000. The Easy Linkage Group is principally engaged in the property investment business in the PRC.

Consideration transferred

	HK$'000
Cash	1,250,000
Consideration shares *(Note)*	591,763
Convertible notes (Note 33)	1,500,000
Promissory notes (Note 34)	836,655
Total	**4,178,418**

Note: The fair value of the consideration shares was based on the published market share price of HK$0.455 per share at the date of exchange.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

35. ACQUISITION OF SUBSIDIARIES *(Continued)*

Year ended 31 December 2011: *(Continued)*

(b) Acquisition of Easy Linkage and its subsidiaries (the "Easy Linkage Group") *(Continued)*

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	Fair value HK$'000
Investment properties	2,574,609
Property, plant and equipment	2,138,615
Prepayments on construction contracts	366,927
Properties for sale	4,378,669
Prepayments, deposits and other receivables	247,271
Bank balances and deposits	1,161,374
Trade payables	(35,154)
Deposits from sale of properties	(1,617,059)
Accrued liabilities and other payables	(256,594)
Shareholder's loan	(658,437)
Amounts due to non-controlling interests	(173,691)
Bank borrowings, secured	(880,626)
Deferred tax liabilities	(1,777,580)
	5,468,324
Goodwill arising on acquisition:	
Consideration transferred	4,178,418
Shareholder's loan	(658,437)
Add: non-controlling interests *(Note)*	2,469,345
Less: net assets acquired	(5,468,324)
Goodwill arising on acquisition (Note 19)	521,002

Note: The non-controlling interests recognised at the acquisition date were measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

35. ACQUISITION OF SUBSIDIARIES *(Continued)*

Year ended 31 December 2011: *(Continued)*

(b) Acquisition of Easy Linkage and its subsidiaries (the "Easy Linkage Group") *(Continued)*

Goodwill arose in the acquisition of the Easy Linkage Group because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of the Easy Linkage Group. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

	HK$'000
Net cash outflow on acquisition of the Easy Linkage Group:	
Cash consideration paid	1,250,000
Less: cash and cash equivalent balances acquired	(1,161,374)
	88,626

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

35. ACQUISITION OF SUBSIDIARIES *(Continued)*

Year ended 31 December 2011: *(Continued)*

(c) Acquisition of Wide Merit and its subsidiaries (the "Wide Merit Group")

On 28 April 2011, the Group acquired 51% equity interests in Wide Merit and related shareholder's loan for a cash consideration of HK$489,600,000. The Wide Merit Group is principally engaged in gasoline and diesel operations in the PRC.

Total consideration satisfied by:

	HK$'000
Cash consideration paid	367,200
Retention money payable	122,400
Total	**489,600**

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	Fair value HK$'000
Property, plant and equipment	33,860
Prepaid lease payments	20,660
Inventories	15,564
Prepayments, deposits and other receivables	47,060
Bank balances and cash	967
Accrued liabilities and other payables	(32,228)
Shareholder's loan	(48,543)
Amounts due to non-controlling interests	(3,530)
Other borrowings, secured	(35,850)
	(2,040)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

35. ACQUISITION OF SUBSIDIARIES *(Continued)*

Year ended 31 December 2011: *(Continued)*

(c) Acquisition of Wide Merit and its subsidiaries (the "Wide Merit Group") *(Continued)*

	HK$'000
Goodwill arising on acquisition:	
Consideration transferred	489,600
Shareholder's loan	(48,543)
Add: non-controlling interests *(Note)*	453
Less: net liabilities acquired	2,040
Goodwill arising on acquisition	443,550

Note: The non-controlling interests recognised at the acquisition date were measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net liabilities.

Goodwill arose in the acquisition of the Wide Merit Group because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of the Wide Merit Group. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

	HK$'000
Net cash outflow on acquisition of the Wide Merit Group:	
Cash consideration paid	367,200
Less: cash and cash equivalent balances acquired	(967)
	366,233

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For the year ended 31 December 2012

36. DISPOSAL OF SUBSIDIARIES

(a) Disposal of Virtue Link and its subsidiaries (the "Virtue Link Group")

On 6 January 2012, the Company entered into a sale and purchase agreement with an independent third party to dispose of the Group's entire equity interest in Virtue Link and related shareholder's loan for a cash consideration of HK$380,000,000. Virtue Link Group (subsidiaries namely, Wide Merit Limited, China-HK Holdings Investment Limited, 長三角徐州石油科技有限公司 and 鹽城賽孚石油化工有限公司) were principally engaged in gasoline and diesel operations in the PRC. The disposal constituted a discloseable transaction on the part of the Company under the Listing Rules. The disposal was completed on 8 February 2012.

Analysis of assets and liabilities over which control was lost:

	HK$'000
Goodwill	443,550
Property, plant and equipment	42,195
Prepaid leases payments	30,745
Inventories	9,998
Trade receivables	2,397
Prepayments, deposits and other receivables	43,829
Bank balances and cash	447
Accrued liabilities and other payables	(20,510)
Retention money payable	(122,400)
Amounts due to non-controlling interests	(4,981)
Other borrowings, secured	(62,316)
	362,954
Release of translation reserve	62
Non-controlling interests	7,514
Gain on disposal of subsidiaries	9,470
	380,000
Satisfied by:	
Cash consideration received	380,000
Net cash inflow on disposal of subsidiaries:	
Cash consideration received	380,000
Less: cash and cash equivalent balances disposed of	(447)
	379,553

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

36. DISPOSAL OF SUBSIDIARIES *(Continued)*

(b) Disposal of Sundynasty International Limited and its subsidiaries (the "Sundynasty Group")

On 8 March 2012, the Company entered into a sale and purchase agreement with an independent third party to dispose of the Group's entire equity interest in Sundynasty International Limited for a cash consideration of HK$4,000,000. Sundynasty Group (subsidiaries namely, Timecastle International Limited, Master Empire Development Limited, 東方銀座商業（北京）有限公司, 北京華文韜廣告有限公司, 北京東方銀座商業投資顧問有限公司 and 北京東方銀座商業管理有限公司) were principally engaged in the provision of retail-related consultancy and management services in the PRC. The disposal constituted a discloseable transaction on the part of the Company under the Listing Rules. The disposal has been completed on 5 June 2012.

Analysis of assets and liabilities over which control was lost:

	HK$'000
Property, plant and equipment	999
Bank balances and cash	1,645
Trade receivables	27,685
Prepayments, deposits and other receivables	60,247
Trade payables	(1,436)
Accrued liabilities and other payables	(161,710)
Taxation payable	(23,657)
	(96,227)
Release of translation reserve	(29,400)
Gain on disposal of subsidiaries	129,627
	4,000
Satisfied by:	
Cash consideration received	4,000
Net cash inflow on disposal of subsidiaries:	
Cash consideration received	4,000
Less: cash and cash equivalent balances disposed of	(1,645)
	2,355

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

36. DISPOSAL OF SUBSIDIARIES *(Continued)*

(c) Disposal of Angel Fay Limited and its subsidiary (the "Angel Fay Group")

On 21 March 2012, Daylight Express Group Limited, a wholly owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party to dispose of the Group's entire equity interest in Angel Fay Limited and related shareholder's loan for a cash consideration of HK$220,000,000. Angel Fay Group (subsidiary namely, 重慶太平洋屋業發展有限公司) were principally engaged in property investment in the PRC. The disposal constituted a discloseable transaction on the part of the Company under the Listing Rules. The disposal was completed on 23 April 2012.

Analysis of assets and liabilities over which control was lost:

	HK$'000
Property, plant and equipment	14,580
Investment properties	255,874
Bank balances and cash	1,796
Trade receivables	917
Prepayments, deposits and other receivables	10,188
Accrued liabilities and other payables	(4,783)
Deferred tax liabilities	(77,779)
	200,793
Release of translation reserve	(10,729)
Gain on disposal of subsidiaries	29,936
	220,000
Satisfied by:	
Cash consideration received	220,000
Net cash inflow on disposal of subsidiaries:	
Cash consideration received	220,000
Less: cash and cash equivalent balances disposed of	(1,796)
	218,204

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

36. DISPOSAL OF SUBSIDIARIES *(Continued)*

(d) Disposal of 瀋陽市建興源投資管理有限公司 (「瀋陽市建興源」)

On 27 April 2012, 深圳市深恒貿易有限公司, an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party to dispose of the Group's entire equity interest in 瀋陽市建興源 for a cash consideration of HK$230,000,000. The disposal constituted a discloseable transaction on the part of the Company under the Listing Rules. The disposal was completed on 22 June 2012.

Analysis of assets and liabilities over which control was lost:

	HK$'000
Property, plant and equipment	6,737
Investment properties	242,034
Bank balances and cash	1,252
Trade receivables	4,145
Prepayments, deposits and other receivables	6,401
Accrued liabilities and other payables	(31,197)
Deferred tax liabilities	(25,000)
	204,372
Release of translation reserve	(10,401)
Gain on disposal of subsidiaries	36,029
	230,000
Satisfied by:	
Cash consideration received	230,000
Net cash inflow on disposal of subsidiaries:	
Cash consideration received	230,000
Less: cash and cash equivalent balances disposed of	(1,252)
	228,748

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For the year ended 31 December 2012

37. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cash flows can be reconciled to related items in the consolidated statement of financial position as follows:

The Group

	2012 **HK$'000**	2011 HK$'000
Bank balances and deposits (Note 25)	**352,900**	1,285,999
Bank balances and cash included in a disposal group assets classified as held for sale (Note 10)	**–**	447
	352,900	1,286,446

38. OPERATING LEASES

The Group as lessee

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

	2012 **HK$'000**	2011 HK$'000
Within one year	**8,119**	49,479
In the second to fifth years inclusive	**13,744**	97,109
Over five years	**48,104**	165,235
	69,967	311,823

Operating lease payments represent rentals payable by the Group for certain offices premises, staff quarter and retail shops. Leases are negotiated for an average term of 1 to 20 years with fixed rentals.

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For the year ended 31 December 2012

38. OPERATING LEASES *(Continued)*

The Group as lessor

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

	2012 **HK$'000**	2011 HK$'000
Within one year	–	66,636
In the second to fifth years inclusive	–	163,129
Over five years	–	81,345
	–	311,110

39. CAPITAL COMMITMENTS

	2012 **HK$'000**	2011 HK$'000
Capital expenditure		
– Contracted but not provided for	**2,663,903**	2,472,135

The above commitments include mainly the construction related costs on development of the Group's investment properties, property, plant and equipment and properties for sale in the PRC.

40. SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed at the special general meeting of the Company held on 19 February 2002, the Company adopted the share option scheme ("New Option Scheme") to replace the share option scheme adopted on 21 January 1994 ("Old Option Scheme"). All the options granted under the Old Option Scheme shall remain valid and unchanged and shall be treated in accordance with the terms under the Old Option Scheme. The major terms of the New Option Scheme are summarised as follows:

(a) The purpose was to provide incentives to:

(i) award and retain the participants who have made contributions to the Group; or

(ii) attract potential candidates to serve the Group for the benefit of the development of the Group.

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For the year ended 31 December 2012

40. SHARE OPTION SCHEME *(Continued)*

(b) The participants included any employee, director, consultant, adviser or agent of any member of the Group.

(c) The maximum number of shares in respect of which options might be granted under the New Option Scheme must not exceed 10% of the issued share capital of the Company as at the date of approval of the New Option Scheme and such limit might be refreshed by shareholders in general meeting. However, the total maximum number of shares which might be issued upon exercise of all outstanding options granted and yet to be exercised under the New Option Scheme and any other share option scheme must not exceed 30% of the shares in issue from time to time.

(d) The maximum number of shares in respect of which options might be granted to a participant, when aggregated with shares issued and issuable (including exercised and outstanding options and the options cancelled) under any option granted to the same participant under the New Option Scheme or any other share option scheme within any 12 month period, must not exceed 1% of the shares in issue from time to time.

(e) There was no requirement for a grantee to hold the option for a certain period before exercising the option save as determined by the board of directors and provided in the offer of grant of option.

(f) The exercise period should be any period fixed by the board of directors upon grant of the option but in any event the option period should not go beyond 10 years from the date of offer for grant.

(g) The acceptance of an option, if accepted, must be made within 28 days from the date of grant with a non-refundable payment of HK$1 from the grantee to the Company.

(h) The exercise price of an option must be the highest of:

  (i) the closing price of the shares on the date of grant which day must be a trading day;

  (ii) the average closing price of the shares for the 5 trading days immediately preceding the date of grant; and

  (iii) the nominal value of the share.

(i) The life of the New Option Scheme is effective for 10 years from the date of adoption until 18 February 2012.

There were no outstanding share options at 31 December 2011 and 2012. No share options were granted, exercised or cancelled during the years ended 31 December 2011 and 2012. After the expiry of the New Option Scheme, the Company does not have any share option scheme currently in force.

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For the year ended 31 December 2012

41. RETIREMENT BENEFIT PLANS

Defined contribution plan

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the plans are held separately from those of the Group in funds under the control of trustees.

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

The total expense recognised in the consolidated statement of comprehensive income of approximately HK$1,714,000 (2011: HK$449,000) represents contributions paid or payable to these plans by the Group at rates specified in the rules of the plans.

42. CAPITAL MANAGEMENT

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

The capital structure of the Group consists of net debt, which included the amounts due to non-controlling interests, borrowings, convertible notes and promissory notes, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and accumulated losses.

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For the year ended 31 December 2012

42. CAPITAL MANAGEMENT *(Continued)*

Net debt to equity ratio

The Group's management reviews the capital structure on an ongoing basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital.

The gearing ratio at the end of the reporting period was as follows:

	2012 **HK$'000**	2011 HK$'000
Debt (i)	**3,255,733**	2,588,495
Cash and cash equivalents (Note 37)	**(352,900)**	(1,286,446)
Net debt	**2,902,833**	1,302,049
Equity (ii)	**5,686,247**	5,847,113
Net debt to equity ratio	**51%**	22%

(i) Debt is defined as amounts due to non-controlling interests, borrowings, convertible notes and promissory notes, as detailed in Notes 28, 31, 33 and 34 respectively.

(ii) Equity includes all capital and reserves of the Group.

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43. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2012 HK$'000	2011 HK$'000
Financial assets		
Fair value through profit or loss (FVTPL)		
– Held for trading investments	**54,788**	85,504
Loans and receivables		
– Trade receivables	**–**	32,250
– Deposits and other receivables	**45,417**	69,467
– Bank balances and deposits	**352,900**	1,285,999
Financial liabilities		
Amortised cost		
– Trade payables	**133,900**	36,590
– Accrued liabilities and other payables	**557,371**	493,654
– Borrowings	**1,911,073**	880,626
– Amounts due to non-controlling interests	**174,267**	173,691
– Convertible notes	**997,310**	694,067
– Promissory notes	**173,083**	840,111

(b) Financial risk management objectives and policies

The Group's major financial instruments include held for trading investments, bank balances and deposits, trade receivables, deposits and other receivables, trade payables, accrued liabilities and other payables, convertible notes, promissory notes, amounts due to non-controlling interests and borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

There has been no significant change to the Group's risk exposure relating to financial instruments or the manner in which it manages and measures the risks.

Notes to the Consolidated Financial Statements

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43. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk

The Group's activities expose it to market risk (including currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group does not enter into or trade derivative financial instruments for speculative purposes.

Currency risk

Substantially all of the Group's sales and operating costs are denominated in the functional currency of the group entity making the sales or incurring the costs. Accordingly, the directors consider that the currency risk is not significant.

The Group currently does not have a formal currency hedging policy in relation to currency risk. The directors monitor the Group's exposure on an ongoing basis and will consider hedging the currency risk should the need arise.

Price risk

The Group is exposed to equity price risk through its investments in listed equity securities that are measured at fair value at the end of each reporting period with reference to the quoted market prices. The Group manages its exposure by closely monitoring the price movements and the changes in market conditions that may affect the value of these investments.

Sensitivity analysis

As at 31 December 2012, it is estimated that an increase/decrease of 10% in listed equity securities prices, with all other variables held constant, would decrease/increase the loss before tax for the year by approximately HK$5,479,000 (2011: HK$8,550,000).

Notes to the Consolidated Financial Statements

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43. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

Interest rate risk

The Group's fair value interest rate risk relates primarily to fixed-rate borrowings, while the Group's cash flow interest rate risk relates primarily to variable-rate borrowings (see Note 31 for details of these borrowings). It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the prevailing interest rate of People's Bank of China arising from the Group's Renminbi denominated bank borrowings and Hong Kong dollar prime lending rate arising from the Group's Hong Kong dollar denominated borrowings.

The Group currently does not have a formal interest rate hedging policy in relation to cash flow interest rate risk. The directors monitor the Group's exposure on an ongoing basis and will consider hedging the interest rate risk should the need arise.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for variable-rate borrowings at the end of the reporting period. The analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis points increase or decrease is used when reporting interest rate risk internally to management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's loss for the year ended 31 December 2012 would increase/decrease by approximately HK$45,000 (2011: HK$Nil), net of interest capitalised in accordance with the Group's accounting policy.

Credit risk

At 31 December 2012, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for monitoring procedures to ensure that follow up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt and loan receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

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

The credit risk on liquid funds is limited because the counterparties are banks with good reputation.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

43. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings and ensures compliance with loan covenants.

Liquidity tables

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table reflects the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	Weighted average interest rate	Less than 1 year	1 to 5 years	More than 5 years	Total undiscounted cash flows	Carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
31 December 2012						
Non-derivative financial liabilities						
Trade payables	**–**	**133,900**	**–**	**–**	**133,900**	**133,900**
Accrued liabilities and other payables	**–**	**557,371**	**–**	**–**	**557,371**	**557,371**
Borrowings	**12.05%**	**1,243,587**	**766,117**	**–**	**2,009,704**	**1,911,073**
Amounts due to non – controlling interests	**–**	**174,267**	**–**	**–**	**174,267**	**174,267**
Convertible notes	**16.023%**	**–**	**1,900,000**	**–**	**1,900,000**	**997,310**
Promissory notes	**13.781%**	**–**	**200,000**	**–**	**200,000**	**173,083**
31 December 2011						
Non-derivative financial liabilities						
Trade payables	–	36,590	–	–	36,590	36,590
Accrued liabilities and other payables	–	493,654	–	–	493,654	493,654
Bank borrowings, secured	6.44%	–	949,532	–	949,532	880,626
Amounts due to non– controlling interests	–	51,382	122,309	–	173,691	173,691
Convertible notes	16.591%	–	1,500,000	–	1,500,000	694,067
Promissory notes	13.781%	–	1,100,000	–	1,100,000	840,111

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

43. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair values

The fair values of financial assets and financial liabilities are determined as follows:

- the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices; and

- the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amount of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their respective fair values.

Fair value measurements recognised in the consolidated statement of financial position

The financial instruments that are measured subsequent to initial recognition at fair value are grouped into Levels 1 to 3 based on the degree to which the fair value is observable are as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

43. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair values *(Continued)*

Fair value measurements recognised in the consolidated statement of financial position *(Continued)*

	Level 1 HK$'000	**Level 2** HK$'000	**Level 3** HK$'000	**Total** HK$'000
As at 31 December 2012				
Financial assets at FVTPL				
Held for trading investments	**54,788**	**–**	**–**	**54,788**
As at 31 December 2011				
Financial assets at FVTPL				
Held for trading investments	85,504	–	–	85,504

There were no transfers between Level 1 and 2 in current and prior years.

There is no transfer into/out of Level 3 in the current and prior years.

44. SIGNIFICANT RELATED PARTY TRANSACTIONS

Compensation to key management personnel of the Group

	2012 **HK$'000**	2011 HK$'000
Short-term employee benefits	**6,138**	6,857
Post-employment benefits	**52**	27
	6,190	6,884

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY AS AT 31 DECEMBER 2012

Name of subsidiary	Place of incorporation/ establishment/ operations	Issued share capital/paid up capital	Proportion of ownership interests held by the Company	Principal activities
Easy Linkage Development Limited	British Virgin Islands	Ordinary US$1	100% (Direct)	Investment holding
Deepower Development Limited	British Virgin Islands	Ordinary US$1	100% (Indirect)	Trading and investment
Daylight Express Group Limited	British Virgin Islands	Ordinary US$1	100% (Indirect)	Investment holding
Cheertex Investment Limited	Hong Kong	Ordinary HK$10	100% (Indirect)	Investment holding
Carnival Group (Hong Kong) Holdings Limited (formerly known as Oriental Ginza Management Limited)	Hong Kong	Ordinary HK$1	100% (Indirect)	Provision of management service in Hong Kong
Affirm Action Limited	Hong Kong	Ordinary HK$1	100% (Direct)	Investment holding
Master Step Management Limited	Hong Kong	Ordinary HK$1	100% (Direct)	Provision of management service in Hong Kong
Sino Ever Investment Limited	British Virgin Islands	Ordinary US$1	99.01% (Indirect)	Investment holding
Ever Lead Holdings Limited	Hong Kong	Ordinary HK$1	99.01% (Indirect)	Investment holding
海上嘉年華(青島)置業有限公司	PRC (Note (i))	Registered capital RMB900,000,000	60% (Indirect)	Property development and investment in the PRC
青島海灣豪庭物業管理有限公司	PRC (Note (ii))	Registered capital RMB1,000,000	60% (Indirect)	Property management in the PRC
成都市嘉錦置業有限公司	PRC (Note (iii))	Registered capital RMB7,060,000	99.01% (Indirect)	Property development in the PRC

Notes:

(i) 海上嘉年華(青島)置業有限公司 is a Sino-foreign equity joint venture established in the PRC.

(ii) 青島海灣豪庭物業管理有限公司 is a limited liability company established in the PRC.

(iii) 成都市嘉錦置業有限公司 is a wholly foreign owned enterprise established in the PRC.

Particulars of the Major Properties Held

Details of the Group's major properties held as at 31 December 2012 under development for sale, investment or own use are as follows:

	Name of property and location	Intended use	Stage of completion	Expected year of completion	Approximate site area sq m	Approximate gross floor sq m	Group's interest
(a)	Rio Carnival, Huangdao District, Qingdao City, Shandong Province, the PRC	Residential and commercial	Construction in progress	2013 to 2015 in phases	348,900	765,800	60%
(b)	Carnival International Community, Chengdu Hi-tech Zone, Chengdu City, Sichuan Province, the PRC	Residential and commercial	Construction in progress	2014 to 2016 in phases	72,500	481,000	100%

Financial Summary

A summary of the consolidated results and assets and liabilities of the Group for the last five financial years as extracted from the audited financial statements and restated as appropriated is set out below:

RESULTS

Year ended 31 December	**2012** **HK$'000**	2011 HK$'000	2010 HK$'000	2009 HK$'000	2008 HK$'000
Continuing operations					
Revenue					
From continuing operations	**(17,808)**	(12,605)	311,702	507,694	280,889
From discontinued operations	**–**	14,344	–	–	–
	(17,808)	1,739	311,702	507,694	280,889
Loss before tax	**(384,404)**	(61,101)	(9,051)	(533,948)	(724,513)
Income tax credit/(expense)	**22,992**	(217)	7,110	75,193	76,609
	(361,412)	(61,318)	(1,941)	(458,755)	(647,904)
Discontinued operations					
Profit/(loss) for the year from discontinued operations	**9,470**	(16,136)	–	–	–
Loss for the year	**(351,942)**	(77,454)	(1,941)	(458,755)	(647,904)
Loss for the year attributable to:					
Owners of the Company	**(307,965)**	(69,547)	(1,941)	(458,755)	(647,904)
Non-controlling interests	**(43,977)**	(7,907)	–	–	–
	(351,942)	(77,454)	(1,941)	(458,755)	(647,904)

ASSETS AND LIABILITIES

At 31 December	**2012** **HK$'000**	2011 HK$'000	2010 HK$'000	2009 HK$'000	2008 HK$'000
Assets	**13,195,776**	12,829,541	1,807,583	3,751,281	3,998,153
Liabilities	**(7,509,529)**	(6,982,428)	(369,714)	(2,180,206)	(2,470,854)
Net assets	**5,686,247**	5,847,113	1,437,869	1,571,075	1,527,299
Equity attributable to:					
Owners of the Company	**3,250,655**	3,385,282	1,437,869	1,571,073	1,527,297
Non-controlling interests	**2,435,592**	2,461,831	–	2	2
	5,686,247	5,847,113	1,437,869	1,571,075	1,527,299